

Annual General Meeting

The Annual General Meeting will be held at 5.00 p.m. on Thursday, 31 March 2005 at Chalmers Student Union's union building, Chalmersplatsen, Göteborg, Sweden.

Report

Shareholders who wish to participate in the Annual General Meeting must have their names entered in the register of shareholders maintained by VPC AB by no later than 21 March, and notify the company by no later than noon on 24 March. Shareholders whose shares are registered in nominee names must, if they wish to exercise their right to vote at the Meeting, have their shares temporarily re-registered in their own names by 21 March.

Dividend

The Board proposes to the Annual General Meeting that a dividend of SEK 2.25 per share be paid for 2004 and that the date of record for entitlement be 5 April. It is expected that the dividend will be distributed by VPC on 8 April 2005. The Board also proposes a distribution of shares in Gunnebo Industrier.

Financial information

Interim report January-March

28 April, 2005

Interim report January-June

20 July, 2005

Interim report January-September

26 October, 2005

Year-end release

7 February, 2006

These financial reports, which are published in both Swedish and English, may be ordered from the following:

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Highlights of 2004

- Strong growth through six acquisitions with a combined annual turnover of MSEK 620.
- Invoiced sales rose by 5 per cent to MSEK 7,326 (6,961). Organic growth was 1 per cent.
- The result after financial items and before items affecting comparability was a profit of MSEK 337 (341). Currency effects reduced the profit by MSEK 21 and higher steel prices lowered it by some MSEK 15.
- Including the above items of MSEK 112 affecting comparability the profit after financial items amounted to MSEK 225 (341).
- Profit after tax amounted to MSEK 250 (260) before items affecting comparability, and MSEK 160 (260) after.
- Earnings per share amounted to SEK 5.65 (5.95) before items affecting comparability and SEK 3.60 (5.95) after.
- It is proposed to pay a dividend of SEK 2.25 (2.25). It is also proposed to distribute the shares in Gunnebo Industrier and have them listed separately on Stockholmsbörsen's "O"-list.
- The business prospects for 2005 are good.

Key ratios	2004	2004*	2003	2002
Invoiced sales, MSEK	7,326		6,961	6,976
Operating profit, MSEK	284	396	399	361
Profit after financial items, MSEK	225	337	341	280
Operating margin, %	3.9	5.4	5.7	5.2
Return on capital employed, %	8.3	11.4	12.1	10.4
Earnings per share after dilution, SEK	3.60	5.65	5.95	5.30
Net debt, MSEK	1,702		1,309	1,581
Operative cash flow, excluding restructuring costs	s, MSEK 386		500	501
Equity ratio, %	31		37	30
Cash flow per share, SEK	7.05		10.65	10.60

^{*} Exc. items affecting comparability

Comments by the CEO

Dear Shareholder.



When I leave my position as President and CEO on 1 May 2005 after exactly 12 years, first with venture capital company HIDEF Kapital AB and since 1995 with Gunnebo AB, I can look back at the visions and plans we had then and be satisfied that they have by and large been realised.

With 400 million Swedish kronor in equity and one employee, I began in HIDEF Kapital AB on 1 May 1993. The first major, important investments were in companies such as Gnosjö-Börsen, Nimbus Boats and NBB Nordisk Bilbelysning. By the end of 1993 we had four employees. Now there are over 8,300 personnel in the Group.

In 1994 EA Rosengrens was acquired - the first wholly owned subsidiary fully focused on the security industry.

In 1995, HIDEF acquired the industrial group Gunnebo and took

the name Gunnebo AB. Gunnebo AB became Gunnebo Industrier AB. Gunnebo Industrier encompassed security operations in the form of Gunnebo Protection's fencing and gates, along with Gunnebo Entrance Control systems.

Gunnebo Industrier's core business was made up of market-leading positions in lifting and fastening systems, as it is today. Thanks to cost-effectiveness, Gunnebo Industrier has generated a healthy profit and satisfactory cash flows over the years. These have actively contributed to the successful development of Gunnebo as an international security corporation.

Following extensive strategy discussions in autumn 1995, it was decided to convert the former industrial conglomerate into an international security group. Many strategic acquisitions were made including Fichet-Bauche in 1999 and Chubb Safes in 2000, both of which were crucial in the development and transformation of the corporation.

As a result of these two acquisitions, security became by far the predominant business of the Group and Gunnebo gained exceptional market positions in Europe and a strong presence in Asia, South Africa and Canada.

Between 1995 and 2001, the Gunnebo Group transformed itself into a world-leading security company in its product areas with growth of over 30 per cent a year. During the same period, the proportion of sales outside

Sweden increased from 44 to 90 per cent. After consolidating the operation in 2002 and 2003, growth continued in 2004 with six acquisitions, with a combined annual turnover of 620 million Swedish kronor. Up to January 2005, Gunnebo has acquired 44 companies in 32 countries and sold off six companies.

Turnover has increased from zero to between seven and eight billion kronor a year.

Shareholder value

What has Gunnebo generated in value growth for its owners during these 12 years? The equity has grown from 400 million kronor to almost 1.8 billion. During this period the shareholders have received 600 million in dividends. The share price has increased by around 540 per cent during the same period, while Stockholmsbörsen's general index has increased by approximately 160 per cent.

I can also report with great satisfaction that Gunnebo has never posted a loss, despite extensive acquisitions of weak companies that have required farreaching restructuring!

It is also pleasing to be involved in actively driving through the necessary consolidation work in several parts of the security industry.

When Gunnebo acquired Chubb Safes in 2000 it decided on a three-year restructuring programme of approximately 270 million Swedish kronor, with the aim of restoring profitability within high-graded bank products through reductions in costs. The annual saving amounted to approximately 125 million kronor and could be realised by reducing the range and production, primarily in Western Europe, by around half. This was the first major structural streamlining ever carried out in the industry for high-graded fire and burglarresistant safes.

Based on further productivity improvements in our factories and falling demand in Western Europe for high-graded safes, it was decided during the fourth quarter of 2004 to carry out further production adaptations within Gunnebo Physical Security.

The restructuring programme that has now been initiated will lead to major profit improvements in the years to come.

The business in 2004

Everything I have talked about so far is history. The reality is today.

The 2004 financial year began well, and in our first forecast for the year we predicted that profit would be up on 2003. The outcome was on a par with last year as negative currency effects and sharp increases in steel prices, which could not be passed on to the end

customer, had a negative impact on profit of 36 million

Due to decreased volumes of traditional bank products and higher introduction costs for the SafePay cash handling system, Gunnebo Physical Security reported a drop in profit. Once the above-mentioned cost-adaptation measures have been implemented and sales of new bank automation products as well as SafePay and Gateway have achieved higher volumes, the division will once again be able to show a good profit.

Gunnebo Integrated Security have been successful in compensating for a shortage of orders in the banking sector in 2004, with new orders for electronic and mecatronic security systems for logistics centres, airports, public institutions, casinos, prisons and other customer segments. The division is currently our most profitable operation. Expansion outside of current markets is planned for the years to come.

As part of its strategy to consolidate the market for outdoor perimeter protection, Gunnebo Perimeter Protection has acquired German Elkosta and French Eurofence, and is now one of the leading companies in Europe. The improvement in profit is clear and figures will continue improving as further consolidation takes place.

Gunnebo Troax has invested in better production equipment and logistical flows at the Hillerstorp factory, Sweden, in recent years, and profit has improved slightly although profitability remains low. The conditions are good for Troax to regain its former excellent profitability within a couple of years.

Gunnebo Asia Pacific has developed positively during the year and is in the process of building up and staffing an organisation for Gunnebo's combined security operations in the region. The main markets of India and Indonesia have developed very positively with organic sales growth in India of just over 30 per cent. The division provides a strong base for expansion via organic growth and acquisitions, with China among the prioritised countries.

All business areas within Gunnebo Engineering have reported good development with a healthy profit improvement during the year, particularly Gunnebo Fastening in Sweden and Poland.

With the aim of focusing Gunnebo into an international security group, the Board has decided this year to recommend to the 2005 Annual General Meeting that shares in Gunnebo Industrier be distributed free of charge to Gunnebo's shareholders, and that Gunnebo Industrier simultaneously be floated on Stockholmsbörsen's 'O' list in mid-2005.

Gunnebo Industrier will now have far better opportunities to develop its business areas as an independent listed company.

Outlook

Both the security corporation Gunnebo and engineering company Gunnebo Industrier have a firm foundation for growth and increased profitability. Gunnebo also has the strength and industrial structure to continue to grow successfully, both geographically and in new product areas.

Gunnebo Industrier will have opportunities to strengthen its market positions through structural busi-

The security market is in a growth period. The need to protect people and property is increasing in several market segments.

One of many examples is retail, where Gunnebo has an interesting future. However, there is also further growth in existing areas, such as banking, through increased market investments.

A final word

Finally, I would like to say a warm and sincere thank you to all my 8,300 Gunnebo colleagues, the Board of Directors, all customers and suppliers and other business associates I have had the privilege to work with as we have built the new Gunnebo together. I would like to say a special thank you to all the union representatives who have actively contributed to Gunnebo's development, for their understanding and constructive co-operation despite some difficulties surrounding the structural changes.

I will not be losing contact with Gunnebo as I step down as President and CEO, as I have been asked by the principal owners to remain on the Gunnebo Board, to which I have agreed. As one of Gunnebo's main shareholders I will also be following the progress of the company and its share with great interest.

I am convinced that my successor as President and CEO, Göran Gezelius, has the right qualities and extensive international business experience to develop Gunnebo's business even further.

I would like to wish Göran Gezelius a warm welcome and every success in his efforts to further help Gunnebo develop into a world-leading group of companies.

Gunnebo is a company made up of personnel with great business know-how and high moral standards.

We have not succeeded in everything we have done over the years, but we have always had control over our development. The opportunities now lie ahead. The key to developing Gunnebo lies in our ability to fulfil customers' wishes and requirements. In ensuring that our co-workers around the world feel a sense of joy in their

In the space of 10 years, the Group's international structure has changed completely. The financial conditions are now on a completely different, higher level.

Thank you to all shareholders for your support and confidence during the creation of a new Gunnebo.

Göteborg, February 2005

D'aun Holing mit

Bjarne Holmqvist President and CEO



Göran Gezelius

Gunnebo – a presentation

Gunnebo conducts its business through four security divisions within Gunnebo Security, and through Gunnebo Engineering, which has a market-leading position within lifting and fastening technology. Gunnebo Security comprises Gunnebo Physical Security, the world leader in high-graded burglar and fire-resistant safes; Gunnebo Integrated

Security, which has a very strong position on the market for entrance control systems and electronic security systems in Southern Europe; Gunnebo Perimeter Security, the market leader in Northern Europe in outdoor and indoor perimeter protection; and Gunnebo Asia Pacific, the Group's combined security operation in Asia and Australia.

Organisation of the Group

GUNNEBO

Finance Legal affairs/M&A Human Resources Information and Investor Relations

Gunnebo Security

Gunnebo Physical Security



Gunnebo Physical Security develops, manufactures, markets and sells products within:

Secure Storage Products for the secure storage of valuables, documents and data

media

- Bank Automation Security products for secure, effective cash handling, such as automatic cash handling machines, service boxes, deposit boxes and transit safes
- Retail Security & Cash Handling

Integrated systems for secure and effective instore cash handling and sytems for article surveillance

Brand names

Chubbsafes, Fichet-Bauche, Rosengrens, Garny, Leicher, Secure-Line, Gateway and

Integrated Security



Gunnebo Integrated Security develops, manufactures, markets and sells:

- **Electronic Security** Burglar alarms, fire alarms, CCTV, access control, alarm centres for alarm monitoring
- Entrance Control Security entrances and access control systems
- Bullet-Resistant Glass Walling and Partitioning
- Complete customised integrated security solutions

Brand names

Fichet-Bauche, Ritzenthaler, Gunnebo Hammer, Gunnebo Entrance Control, Gunnebo Omega, Armapod, CSI Security and Hygiaphone

Gunnebo Perimeter Security



Gunnebo Perimeter Security comprises the two units Gunnebo Perimeter Protection and Gunnebo Troax

- Gunnebo Perimeter Protection develops, manufactures, markets and sells outdoor perimeter protection and entrance control products such as gates, fencing, alarm systems and products for road safety
- Gunnebo Troax develops, manufactures, markets and sells machine protection and indoor perimeter protection for manufacturing, warehouses, public environments and the housing market

Brand names

Gunnebo Protection. Wego, Werra, Alura, Polaraidat, Elkosta, Eurofence, SecureLine and Troax

Gunnebo Asia Pacific



Gunnebo Asia Pacific markets and sells the Group's entire security product range in the Asia Pacific

Physical Security

- High-graded burglar and fire-resistant safes, security products for banks such as safety deposit boxes, bank strongrooms, strongroom doors and products for bank automation, fireresistant safes for documents and computer/ electronic records
- Integrated Security Security booths, access control systems. CCTV. alarm monitoring and response centres as well as installation and service
- Complete Fire **Protection Systems** Fire-extinguishing equipment and fire alarms

Brand names

Chubbsafes, Fichet-Bauche. Rosengrens. Steelage, Minimax, Gunnebo, Indolok

Gunnebo Engineering

Gunnebo Industrier



Gunnebo Engineering develops, manufactures, markets and sells products and systems within:

- Fastening fasteners for the manufacturing and building industries
- Lifting lifting products for handling heavy goods, shackles and rigging screws for marine use
- Blocks heavy lifting for materials handling systems and customised lifting components for OEM industries
- Non Skid chainbased non-skid products for agricultural and forestry machines and for trucks

Brand names

Gunnebo Lifting, Gunnebo Fastening, Gunnebo Johnson, Gemla Mekanik, Gunnebo Non Skid, OFA, ANJA, Tellefsdal

Business idea, goals and strategy

The business and the future

Gunnebo's operations are organised into two business areas – Gunnebo Security and Gunnebo Engineering.

During 2004, Gunnebo acquired six companies with a combined turnover of MSEK 620 and 400 employees. In the beginning of 2005, French company Eurofence was acquired with an annual turnover of MSEK 225 and 135 employees. These acquisitions have strengthened Gunnebo's market positions in external perimeter protection, retail security, entrance security, electronic security and physical security.

As part of the process of refining Gunnebo into a security group, the Board decided in December 2004 to recommend to the 2005 Annual General Meeting that the shares in Gunnebo Industrier AB be listed and distributed free of charge to the shareholders in 2005.

Business idea

Gunnebo's business idea is to build an international security group with very strong brands mainly focused on a well-developed product concept within physical security as well as electronic security systems.

Furthermore, Gunnebo shall continue to build its business upon local presence with production, sales and service on all important markets.

Customer focus

On each individual market, customers should recognise Gunnebo's ability to satisfy their current and future needs for products and services of the highest quality. On those markets where customers so demand, Gunnebo can offer a complete range of customised security products and systems.

Brand names

Gunnebo has at its disposal several leading, global brand names, and a large number of very strong local brands.

Their common denominator is that customers shall recognise that Gunnebo's brand names represent high quality and functionality. All activities carried out on the market shall therefore be designed to strengthen the Group's priority brand names.

Financial goals

- For the Group's growth to be achieved subject to good profitability and maintenance of a strong financial position
- For the Group to earn in the long term over an economic cycle a minimum return on capital employed of 15 per cent and to have a minimum operating margin, after amortisation of goodwill, of 7 per cent
- The equity ratio shall not fall below 30 per cent in the long term
- In 2004, the Group had a return on capital employed of 11.4 per cent and an operating margin of 5.4 per cent excluding items affecting comparability
- In 2005, the financial goals will be adjusted, partly due to the deconsolidation of Gunnebo Industrier AB and partly as an effect of adapting the new International Financial Reporting Standards

The market

The global security market is estimated to be worth some SEK 1,000 billion and to be growing at a rate of 4-7 per cent a year.

Gunnebo intends in future to expand both organically and by means of strategic acquisitions, with the object of continuing to grow faster than the market.

Gunnebo has a very strong position on the Western European market and a leading position on the Indonesian and Indian markets in Asia. Gunnebo Security also has a strong position on the Canadian and South African markets. Gunnebo's presence on the US security market is currently limited.

Gunnebo's goal is to strengthen its presence via acquisition on markets where its market share is low. For example, the company intends to strengthen Gunnebo Integrated Security's presence in Central and Northern Europe and Gunnebo Physical Security's presence in Central and Eastern Europe.

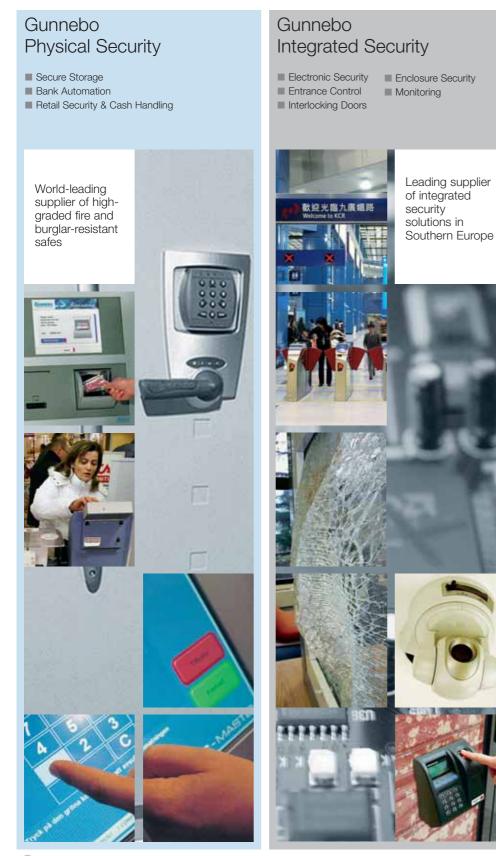
Within Gunnebo Asia Pacific, Gunnebo will greatly increase its presence in Thailand and China, for instance. Within Perimeter Security, Gunnebo also intends to strengthen its position in Europe by means of selective acquisitions and structural measures.

Financial goals

	Long term goal	2004	2003	2002	2001	2000
Return on capital employed, %*	15	11.4	12.1	10.4	9.8	11.0
Operating margin, %*	7	5.4	5.7	5.2	4.6	4.5
Equity ratio, %	>30	31	37	30	27	29

^{*} Exc. items affecting comparability

Gunnebo's market offering



Gunnebo Perimeter Security

Gunnebo Perimeter Gunnebo Troax Protection

- System Sales
- Industrial Automation
- Product Sales
- Materials Handling
- Road Safety
- Building Sector





Gunnebo Asia Pacific

- Physical Security
- Fire Protection and Fire Protection Systems
- Integrated Security



Gunnebo Engineering

- Fastening■ Lifting■ Blocks■ Non Skid

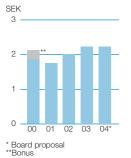


The Gunnebo share

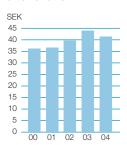
Earnings per share after dilution



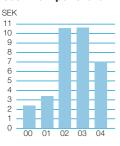
Dividend per share

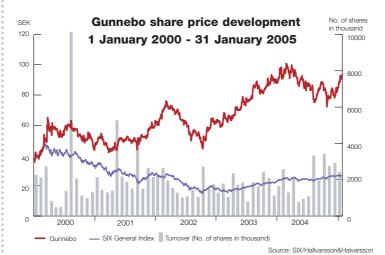


Equity per share after dilution



Cash flow per share





The Gunnebo share has been listed on Stockholmsbörsen since December 1993 and on its 'A' list since 1996. A trading block comprises 200 shares. The abbreviated name is GUNN and the ISIN code is SE0000195570.

Share capital

Gunnebo has a share capital of MSEK 219 divided into 43,779,948 shares, each having a par value of SEK 5. All shares have equal voting rights and share equally in the company's assets and earnings.

Gunnebo's Annual General Meeting decided on 29 March 2004 to split the company's shares, whereby shareholders received two new shares for each old one. The first day of trading in the split share was 6 May 2004.

The share price decreased by 7 per cent during the year, and the last price paid was SEK 83.25. Stockholmsbörsen's general index increased by 16 per cent over the same period, while the Carnegie Small Cap Index rose by 20 per cent. The lowest share price paid was SEK 72.50 (29 October 2004) and the highest price paid was SEK 101.50 (3 March 2004). The market value on 31 December 2004 was MSEK 3,645 (3,929).

Gunnebo's beta value (the fluctuation in its share price in relation to the stock market index) was 0.58 (0.69) during the year.

Since the shares were floated in December 1993 the listed price has risen by 540 per cent, while Stockholmsbörsen's general index has risen by 156 per cent.

Turnover

A total of 19,301,944 shares (18,089,828 re-calculated after split) were traded in 2004 to a value corresponding to MSEK 1,955 (1,382). The average volume traded each trading day was 76,595 shares (72,650) or

cent, compared with an average of 149 per cent for Stockholmsbörsen's 'A' list (138).

SEK 7,757,000 (5,573,000). The turnover rate was 44 (42) per

Shareholders

The number of shareholders on 31 December 2004 was 10,800 (9,500). The ten largest shareholders controlled 56 per cent of the votes and capital. Swedish institutional share-

holders owned 14 per cent, and foreign shareholders 18 per cent of the capital.

Dividend policy and proposed dividend

The Board's dividend proposal takes 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 30-40 per cent of the profit after tax.

For the current year, it proposes that a dividend of SEK 2.25 (2.25) per share be paid, which corresponds to 39 (38) per cent of the profit after tax and before items affecting comparability.

In 2005, the financial goals will be adjusted, partly due to the deconsolidation of Gunnebo Industrier and partly as an effect of the new International Financial Reporting Standards.

Vätterledens Invest AB, together with associates, is Gunnebo's largest shareholder with 23.4 per cent of the capital and votes. The second largest shareholder is Stena together with associates, with 12.4 per cent of the capital and votes.

Information to the capital market

On 9 November 2004, Gunnebo arranged a capital market day at the Gunnebo Troax factory in Hillerstorp, Sweden, which was attended by 35 analysts, portfolio managers and journalists from Sweden, Norway, Denmark and Switzerland.

Gunnebo also arranged an information meeting for analysts in connection with the Skydd 2004 security fair in Stockholm. Moreover, the company has participated in numerous meetings with analysts in Sweden and abroad, and has adressed 12 shareholder meetings as well as the Swedish Shareholder's Association's special "Stockmarket meeting" in Göteborg.

Data per share	2004	2004**	2003	2002
Earnings per share, SEK	3.65	5.70	6.00	5.40
Earnings per share after dilution, SEK	3.60	5.65	5.95	5.30
Earnings per share before goodwill amortisation				
- after dilution, SEK	5.30	7.35	7.45	6.75
Equity per share, SEK	40.50		42.70	38.80
Equity per share after dilution, SEK	42.05		44.20	39.55
Cash flow per share, SEK	7.05		10.65	10.60
Dividend, SEK	2.25*		2.25	2.00
Share price related share data				
Share price at year-end (last price paid), SEK	83.25		89.75	62.00
Highest price during the year (price paid), SEK	101.50		93.50	76.50
Lowest price during the year (price paid), SEK	72.50		58.75	44.50
Market capitalisation at year-end, MSEK	3,645		3,929	2,630
P/E ratio	23	15	15	12
Direct yield, %	2.7*		2.5	3.2
No. of shares				
Closing no. of shares, x 1,000***	43,780		43,780	42,422
Average no. of shares, x 1,000	43,780		43,216	42,418

^{*} Board proposal ** Exc. items affecting comparability

^{***} Exc. warrants that, in the event of full exercise, would involve the issue of 2,000,000 shares at a subscription price of SEK 76 per share

Largest shareholders 31 December 2004	No.	Proportion, %
Vätterledens Invest AB with associates	10,262,456	23.4
Stena Adactum AB with associates	5,426,720	12.4
2nd AP Fund	1,886,818	4.3
Orkla	1,717,500	3.9
Odin Funds	1,700,534	3.9
Handelsbanken Funds	1,024,091	2.3
Confederation of Swedish Enterprise	800,000	1.8
Fidelity Funds - European growth	593,300	1.4
Robur Funds	572,444	1.3
Bjarne Holmqvist	531,334	1.2
IF Skadeförsäkring	505,000	1.2
JP Morgan Chase Bank	452,800	1.0
Aktia Sparbank	401,500	0.9
Banco Funds	380,480	0.9
Hans Ståhlgren	281,912	0.6
Other	17,243,059	39.5
Total	43,779,948	100.0

Shareholders by size	No. of shareholders	No. of shares	Holding and votes, %
1 - 500	6,593	1,429,011	3.3
501 - 1,000	2,037	1,672,737	3.8
1,001 - 5,000	1,751	3,866,321	8.8
5,001 - 10,000	217	1,610,544	3.7
10,001 - 50,000	160	3,683,494	8.4
50,001 -	80	31,517,841	72.0
Total 31 December 2004	10,838	43,779,948	100.0

	Change in		Total
Changes in share capital, MSEK	share capital	Share capital	no. of shares
1991 Formation		4	4,000
1992 Split 100:1		4	400,000
1992 New issue	+96	100	10,000,000
1995 New issue	+50	150	15,000,934
1995 Conversion	+ 3	153	15,280,783
1996 Conversion	+10	163	16,275,819
1997 New issue	+ 4	167	16,715,819
1997 Conversion	+27	194	19,351,121
1998 Conversion	+ 4	198	19,813,150
1998 New issue	+ 2	200	19,973,150
1999 Conversion	0	200	19,982,310
1999 New 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

Analysts who follow Gunnebo

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The security market

The global security market 2004 (SEK 1,000 billion)



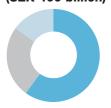
- North America, 50%
- Europe, 30%
- Rest of the world 20%

The European security market 2004 (SEK 300 billion)



- Guarding services, 40%
- Alarm systems, 30%
- Intrusion protection, 30%

The global security market by customer category 2004* (SEK 400 billion)



- Industrial and commercial, 60%
- Private market, 25%
- Public sector, 15%
- * Excluding guarding services

The global security market is estimated to be worth more than SEK 1,000 billion. However, there is no established method for accurately calculating the total security market because, for security reasons, companies and authorities often do not wish to disclose how much they invest in security, and in what areas.

Growth in the security industry varies considerably from segment to segment, but over the past few decades the industry as a whole has grown some two or three percentage points faster than GDP on each market. American market research company Freedonia forecasts annual growth in security products of just over 8 per cent until 2008, with the highest growth figures in Asia, Africa and Latin America. Global growth for the products in Gunnebo's product range is forecast at 4-7 per cent.

The security market is affected by factors such as a higher rate of crime against companies, the public sector and individuals, and the threat of new acts of terrorism and various kinds of natural disaster. Other factors affecting demand for security products include the urbanisation process, a wider gap in incomes, a fastgrowing middle class, privatisation and specialisation of community services, and limited public resources.

In terms of products and services, the security market can be divided into three segments:

- Intrusion protection (physical security)
- Alarm systems (electronic security systems)
- Guarding services (including secure transport of

Within the first two segments, which are Gunnebo's main areas of interest, sales of security products and service are distributed as follows:

- Industrial and commercial, 60%
- Private market, 25%
- Public sector, 15%

Gunnebo's security business is focused predominantly on industry, commerce and the public sector. In Europe, where Gunnebo conducts most of its business, demand breaks down as follows: intrusion protection (approx. MSEK 85,000), electronic security systems (MSEK 95,000) and guarding services (MSEK 120,000).

Fragmented market for security products

According to Freedonia, the global security market is still highly fragmented - despite three decades of consolidation. Four companies (Tyco, Assa Abloy, Honeywell and Kidde) account for 15 per cent of the

entire market for security products.

Market consolidation is expected to continue in the years to come.

Gunnebo's business areas

Physical security

Gunnebo Physical Security manufactures and markets high-graded burglar and fire-resistant safes, bank strongrooms, safety deposit boxes, and strongroom doors.

The division also manufactures products for secure cash handling for the banking and retail sectors, including deposit and withdrawal machines, service boxes, deposit boxes, transit safes, and systems for secure cash handling and article surveillance systems in the retail trade. Service accounts for a growing proportion of the turnover. The market for cash handling, especially in the retail sector, is showing marked growth as is the need for article surveillance systems.

Gunnebo Physical Security's business area for security in the retail sector with SafePay, the completely closed cash handling system, and the article surveillance company Gateway has extensive market

Growth on the market for high-graded safes and other traditional banking products has a decreased growth in Europe, whilst demand for bank automation products is expected to rise significantly. Gunnebo is the clear market leader for traditional bank products in Europe with the strong brands Chubbsafes, Fichet-Bauche, Rosengrens, Garny and Leich-

Gunnebo Physical Security has some 25 per cent of the world market for high-graded, burglar and fire-resistant safes.

Integrated electronic security systems

The market for integrated electronic security systems is highly fragmented in Europe, as in the rest of the world, despite several major structural deals in recent years. The segment is expected to grow by 8-10 per cent a year.

Gunnebo Integrated Security has so far concentrated on the banking sector in Southern Europe, where the division is market leader. Electronic security systems for airports, seaports, public institutions, casinos, and prisons, for example, are a growing area of business for the division.

The electronic security business segment, which includes electronic surveillance systems, electronic access control systems, CCTV (surveillance using



cameras and monitors) and alarm monitoring centres, is expected to grow faster than the rest of the security market.

Gunnebo Entrance Control equips office buildings and commercial premises, airports, seaports, underground railways and sports arenas, for example, with complete access control systems, including a range of systems for visitor identification. Growth within Gunnebo Entrance Control is expected to remain good.

The 'bullet and blast-resistant environment' segment includes systems for double security gates, bullet and blast-resistant windows and doors, and security products for banks and exchange offices with built-in communication systems. Growth in this segment is related to increasing terrorism and armed robberies, and the tightening of national security laws.

Gunnebo Integrated Security operates a number of alarm monitoring centres with round-the-clock service for banks and other institutions in France, Spain and Portugal. This segment is believed to have good development potential.

Gunnebo Integrated Security's share of the total market in Europe is estimated at 2-3 per cent, with considerably stronger positions in France, Spain, Portugal and Belgium.

The market for perimeter protection

Gunnebo Perimeter Security is the Group's division for outdoor and indoor perimeter protection through Gunnebo Perimeter Protection and Gunnebo Troax respectively.

Gunnebo Perimeter Protection is one of Europe's leading suppliers of products and services for outdoor perimeter protection. The European market is estimated to be worth over MSEK 10,000 in total, and to be growing only slowly. Gunnebo Perimeter Protection has a market share of some 10 per cent in Europe.

The process of consolidation on this market has begun to some extent with CRH Fencing's acquisition of Adronit and Gunnebo's acquisition of Elkosta and Eurofence.

There is a trend on the market towards increasingly sophisticated security solutions, whereby it is becoming more common to supplement taditional fencing and gates with fence or ground alarms,



CCTV surveillance and a variety of access control

Strong development is also forecast for high-security protection against terrorist attacks.

Gunnebo Troax is one of Europe's leading companies in indoor perimeter protection.

The European market for indoor perimeter protection is estimated to be worth in the region of MSEK 3,000. Troax has a market share of around 15 per

Demand is concentrated on products for machine protection in the automotive and robotics industries intended to separate safe from hazardous environments, and for the security and protection of materials handling and transport flows. The building industry is a third market segment, requiring garage boxes and secure storage facilities, for example.

The market for traditional indoor perimeter protection is believed to have moderate development potential, whereas the potential for system deliveries to the manufacturing sector is believed to be higher.

Strong growth in Asia

More than half of the world's population live and work in Asia. To date, this market has accounted for only 20 per cent of the world's existing security installations.

According to a study carried out in 2004 by Freedonia, the market for security products in this region will grow by at least 10 per cent a year in the next five years. In response to this growing market demand for security solutions, Gunnebo has brought together all its security-related business into a single division - Gunnebo Asia Pacific - with effect from 1 January 2004. The division is described on page 36.

Developments on the security market

Terrorist attacks around the world have taken place in new and unexpected places. Fully 3,200 terrorist attacks took place in 2004 alone, according to Freedonia.

Security has come into sharper focus as a result of intensive media coverage, regardless of where in the world the acts of terrorism take place.

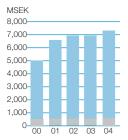
Despite the existence of wide regional differences, the security industry is relatively insensitive to economic fluctuations and affected relatively little by general developments in the global economy.



Report of the Directors

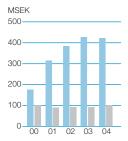
Review of the Group

Invoiced sales



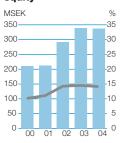
- Outside Sweden

Operating profit*



- Operating profit before goodwill amortisation, Gunneb Security
- Operating profit before goodwill amortisation. Gunnebo Engineering
- * Exc. items affecting comparability

Profit after financial items and return on eauity¹



- Profit after financial items MSEK
- Return on equity, %
- * Exc. items affecting comparability

Order intake and invoiced sales

The Group's order intake increased to MSEK 7,295 (6,993). Organic growth was 2 per cent. Company acquisitions added 5 per cent to the order intake, while currency effects reduced it by 1 per cent.

The Group's invoiced sales increased by 5 per cent to MSEK 7,326 (6,961). The proportion of foreign sales was 90 per cent (90).

Organic sales growth was 1 per cent. Company acquisitions boosted invoiced sales by 5 percentage points, while currency effects reduced them by 1 point.

Result

The consolidated operating profit before items affecting comparability amounted to MSEK 396 (399). This figure includes depreciation/amortisation according to plan of MSEK 240 (228), of which goodwill amortisation accounted for MSEK 75 (67).

Items affecting comparability, largely consisting of the restructuring programme approved in the fourth quarter, amounted to MSEK 112. The programme consists mostly of production adjustments to lower costs such as one factory closure and the relocation of production to the Group's other facilities. The savings, which are estimated at some MSEK 60 a year, will have their full effect from 2006. It is estimated that about half the savings will show through in 2005.

The consolidated operating profit including items affecting comparability of MSEK 112 amounted to MSEK 284 (399).

Net financial costs amounted to MSEK 59 (58).

The profit after financial items amounted to MSEK 337 (341) before items affecting comparability, and to MSEK 225 (341) after. Company acquisitions had the effect of reducing the profit by MSEK 3, and currency fluctuations reduced it by

The sharp rise in steel prices has largely been offset by passing on the increase to customers. However, seen overall for the Group, the increase in the price of steel effectively reduced the result by around MSEK 15.

Gunnebo Physical Security's market for banking automation has continued to grow, while the markets for traditional bank products have weakened. Sales of high-graded safes for automatic cash dispensers have declined further. In view of these market changes, a reduction in the division's production capacity for traditional security products

for the banking sector has been launched with the object of lowering the cost base. The production adjustments will involve reduction of around 200 employees.

The deterioration in the division's result is largely attributable to the decline in the volume of traditional banking products and the higher launch costs for the completely closed cash handling system SafePay.

After a fairly weak start at the beginning of the year, Gunnebo Integrated Security's markets continued to progress well, particularly in France and

The improvement in the division's result is largely attributable to increasing sales of electronic and mecatronic security systems for logistics centres, factories, airports, public buildings and such customers.

Gunnebo Perimeter Security consists of Gunnebo Perimeter Protection and Gunnebo Troax.

After a period of seasonally low demand at the beginning of the year, Gunnebo Perimeter Protection's main markets developed well later on, with the exception of Germany and the Netherlands, where prices are under intense pressure.

The improvement in Gunnebo Perimeter Protection's profit is largely explained by the excellent results in the Nordic region.

Gunnebo Troax noted firmer demand during the year on its main markets in Great Britain and Sweden. The markets in Switzerland, Austria and Belgium weakened. Overall, the result improved slightly, but profitability is still low.

Since 1 January 2004, Gunnebo's security operations in Asia and Australia have been combined in a new division, Gunnebo Asia Pacific. The division continued to do well during the year with its main markets, India and Indonesia, in particular having continued to make good progress, as have its agency markets.

The business in Australia noted a weaker trend.

A decision has been made to transfer production at the factory in Mumbai to Halol, which means that all safe production will be concentrated at the enlarged plant in Halol. The property in Mumbai will be sold in 2005. It is estimated that the proceeds of the sale will be enough to finance the investment in Halol and the closure of the factory in Mumbai.

These structural changes are expected to be taken up in the 2005 accounts.

All of Gunnebo Engineering's business units have experienced continued buoyant market conditions with improved operating profit.

Capital expenditure

The Group's fixed capital expenditure, excluding company acquisitions, amounted to MSEK 181 (198). The capital expenditure corresponded to 110 per cent (123) of the depreciation, and largely comprised investments in replacements and rationalisation. Sales of fixed assets amounted to MSEK 39 (7).

Gunnebo Security's fixed capital expenditure amounted to MSEK 146 (146) and Gunnebo Engineering's to MSEK 34 (49).

Product development

The Group's expenditure on the development and maintenance of its existing product programme and the development of entirely new products in existing or new market segments amounted to around MSEK 100 (100), of which MSEK 39 (33) was capitalised in the balance sheet as intangible fixed assets.

Cash flow

The cash flow from current operations amounted to MSEK 304 (465), of which restructuring costs affecting the cash flow accounted for MSEK 73 (87).

The operative cash flow after investment activities but before interest, paid tax and restructuring costs, amounted to MSEK 386 (500). The prior year's cash flow was unusually strong owing to the positive nonrecurring effect of a capital rationalisation programme.

Acquisitions

In 2004, Gunnebo acquired six companies with an annual turnover of MSEK 620.

The acquisitions have strengthened Gunnebo's market positions in physical and electronic security, outdoor perimeter protection, entrance control and retail security.

During the year, the effect of the acquisitions was to increase turnover by MSEK 360 and the operating profit by MSEK 4. The acquisitions are expected to earn a normal return in coming years. As a result of the acquisitions, the capital employed in the Group rose by MSEK 295.

Since the end of 2004 – at the beginning of January 2005 - Eurofence, a French company with an annual turnover of MSEK 225 and 135 employees, was acquired.

Acquisitions

	Country	t Division	Annual arnover, MSEK
Securibel	Belgium	Integrated	70
Elkosta	Germany,		
	Great Britain	Perimeter	220
Chubb Lips	Italy	Physical	140
N.V. Chubb Security	Belgium	Physical	55
Hammer Sicherheit	Switzerland	Integrated	35
Gateway Security	Sweden	Physical	100
			620

Distribution of Gunnebo Industrier

The Board decided in December 2004 to recommend that the shares in Gunnebo Industrier be distributed to Gunnebo's shareholders - under the provisions of 'Lex ASEA' – and that an application should be submitted for it to be separately listed on Stockholmsbörsen's 'O' list. The listing is expected to be approved by mid-2005. The proposal to distribute Gunnebo Industrier will be submitted to the Annual General Meeting in March 2005 for a decision.

Vätterledens Invest AB and Stena Adactum AB,

Invoiced sales and operating profit, MSEK

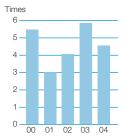
	1	Invoiced sales		(Operating profit		Operating margin, %		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Gunnebo Security	6,086	5,817	5,810	416	428	385	6.8	7.4	6.6
Gunnebo Engineering	1,240	1,144	1,166	101	87	81	8.1	7.6	6.9
Items affecting comparability	-	_	_	-112	_	-1	-	_	-
Central items	-	_	_	-46	-49	-39	-	_	-
Group total before goodwill amortisation	7,326	6.961	6.976	359	466	426	4.9	6.7	6.1
	•	0,001	0,010				7.0	0.1	0.1
Goodwill amortisation	_	_	_	-75	-67	-65	-	_	
Group total	7,326	6,961	6,976	284	399	361	3.9	5.7	5.2

Fixed capital expenditure and depreciation

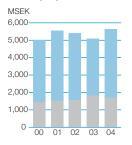


 Fixed capital expenditure Depreciation exc. goodwill amortisation

Interest cover

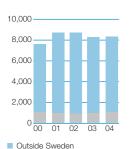


Balance sheet total and equity



Balance sheet totalOf which equity

No. of employees at vear-end



which own on aggregate some 36 per cent of the shares and votes in Gunnebo, have announced their intention of voting in favour of the distribution of Gunnebo Industrier and they will be adopting a longterm approach to their future holdings in the company.

Liquid funds and financial position

The Group's closing liquid funds amounted to MSEK 203 (221), over and above which the Group has undrawn credit facilities of some MSEK 1,200.

The Group's net debt increased to MSEK 1,702 (1,309), largely depending on company acquisitions and a change in the accounting treatment of pension liabilities.

The change in accounting principles into line with the Swedish Financial Accounting Standards Council's recommendation RR 29 had the effect of increasing the pension liability by MSEK 175, as a consequence of which equity, taking deferred tax into account, declined by MSEK 123.

The equity ratio was 31 per cent (37), and the debt/equity ratio was 1.0 (0.7).

Employees

The number of employees in the Group at the end of the period was 8,151, which may be compared with 8,108 at the end of the previous year. As a result of acquisitions, 402 new employees have joined the Group. The number of employees abroad was 7,187 (7,157).

Bjarne Holmqvist has notified the Board that after 12 years as President and CEO he wishes to retire as President on 1 May 2005. Göran Gezelius has been appointed President and CEO of Gunnebo AB with effect from 2 May 2005.

Per share data

In April, the company carried out a 2:1 share split, whereby the number of shares was doubled. Figures used in comparisons have been adjusted accordingly.

Earnings per share after dilution amounted to SEK 5.65 (5.95) excluding items affecting comparability and to SEK 3.60 (5.95) including these items.

Equity per share after dilution amounted to SEK 42.05 (31 Dec 2003: 44.20).

The company had 10,800 shareholders (9,500) at the end of the year.

Parent company

The parent company's business consists primarily of the provision of functions for group management, corporate development, human resources, legal affairs, financial control/finance and information.

Accounting principles

As of 1 January 2004, the company applies the Swedish Financial Accounting Standards Council's recommendation RR 29 Employee benefits. The

Sales by market, MSEK

	2	004	2	2003	2	002
France	1,690	23%	1,801	26%	1,663	24%
Germany	745	10%	674	10%	680	10%
Sweden	705	10%	671	10%	638	9%
Great Britain	702	10%	669	10%	808	12%
Spain	479	6%	440	6%	430	6%
Denmark	273	4%	276	4%	227	3%
Norway	257	3%	239	3%	282	4%
USA	244	3%	230	3%	292	4%
Italy	240	3%	148	2%	148	2%
The Netherlands	225	3%	255	4%	258	4%
Other	1,766	25%	1,558	22%	1,550	22%
Group total	7,326	100%	6,961	100%	6,976	100%

introduction of this recommendation has resulted in a reduction of MSEK 123 in the opening equity. The application of the new recommendation has not had any material effect on the pension cost for the year.

Otherwise the same accounting principles and methods of calculation have been used as in the last annual report.

As of 1 January 2005, the company will apply the new International Financial Reporting Standards (IFRS). If they had been applied in 2004, the most significant changes in the profit and equity would have been as follows:

	2004 according to current accounting principles	2004 according to IFRS
Operating profit	284	266
Profit after financial items	225	205
Net profit for the year	160	142
Equity	1,773	1,760

The changes in the result largely refer to the absence of goodwill amortisation of MSEK 75, and restructuring costs in connection with acquisitions in 2004, which, according to IFRS, would have been a charge of MSEK 94 on the result. See Note 29 for further information.

Forecast for 2005

The business prospects for 2005 as a whole are good. The favourable effects of the restructuring programme are expected to show through successively during the course of the year.

Definitions

Gross margin: Gross profit as a percentage of invoiced

Dividend yield: Dividend in relation to listed price on December 31.

Equity per share after dilution: Equity plus the value of outstanding options divided by the number of shares in issue after dilution.

Capital turnover rate: Invoiced sales in relation to average capital employed.

Cash flow per share: Cash flow from current operations divided by the number of shares in issue after dilution.

Net debt: Interest-bearing provisions and liabilities less liquid funds and interest-bearing receivables.

Operative cash flow: Cash flow from current operations, after fixed capital expenditure but before interest and tax

P/E ratio: Listed price on 31 December divided by earnings per share after dilution.

Return on equity: Profit after tax as a percentage of average equity.

Return on operating capital: Operating profit before goodwill amortisation as a percentage of average capital employed excluding goodwill and liquid funds.

Return on capital employed: Operating profit plus financial income as a percentage of average capital

Return on capital employed before goodwill amortisation: Operating profit before goodwill amortisation plus financial income as a percentage of average capital employed excluding goodwill.

Interest cover: Profit after financial items plus interest costs, divided by interest costs.

Operating margin: Operating profit as a percentage of invoiced sales

Operating margin before goodwill amortisation:

Operating profit before goodwill amortisation as a percentage of invoiced sales.

Debt/equity ratio: Net debt divided by the sum of equity and minority interests.

Equity ratio: Equity including minority interests as a percentage of balance sheet total.

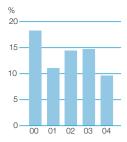
Capital employed: Balance sheet total less interest-free provisions and liabilities.

Profit margin: Profit after financial items as a percentage of invoiced sales.

Earnings per share after dilution: Profit after tax divided by the number of shares in issue after dilution.

Five-year review

Return on equity

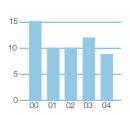


Over the past five years Gunnebo has developed in three different phases. Up to and including 2001, growth through acquisitions was a high priority.

During 2002 and 2003, activities to improve profit and margins and strengthen cash flow were given

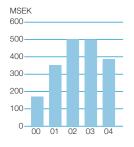
priority over volume growth. 2004 has been characterised by continued growth - Gunnebo has acquired six companies with a combined annual turnover of MSEK 620 and 400 new co-workers.

Return on capital



employed

Operating cash flow exc. restructuring costs



Income statement, MSEK	2004	2003	2002	2001	2000
Invoiced sales	7,326	6,961	6,976	6,671	5,000
Cost of goods sold	-4,911	-4,680	-4,738	-4,604	-3,489
Gross operating profit	2,415	2,281	2,238	2,067	1,511
Items affecting comparability	-112	_	-1	11	115
Other operating costs	-2,019	-1,882	-1,876	-1,757	-1,287
Operating profit	284	399	361	321	339
Interest in earnings of associate companies	-	_	-	5	40
Net financial items	-59	-58	-81	-103	-54
Profit after financial items	225	341	280	223	325
Taxes	-64	-80	-51	-58	-78
Minority interest	-1	-1	-	-	-
Net profit	160	260	229	165	247
Balance sheet, MSEK	2004	2003	2002	2001	2000
Intangible fixed assets	1,230	1,048	1,050	1,063	903
Tangible fixed assets	1,007	1,011	1,041	1,087	990
Financial fixed assets	170	81	131	137	66
Inventory	1,195	1,061	1,090	1,185	1,002
Operating receivables	1,851	1,668	1,760	1,819	1,722
Liquid funds	203	221	362	295	339
Total assets	5,656	5,090	5,434	5,586	5,022
Equity	1,773	1,870	1,646	1,513	1,456
Minority interests	7	6	6	7	11
Interest-bearing provisions and liabilities	1,917	1,541	1,957	2,179	1,728
Other provisions and liabilities	1,959	1,674	1,825	1,887	1,827
Total equity and liabilities	5,656	5,090	5,434	5,586	5,022
Cash flow analysis, MSEK	2004	2003	2002	2001	2000
Cash flow from current operations before					
changes in working capital	379	360	394	136	259
Change in working capital	-75	105	68	7	-162
Cash flow from current operations	304	465	462	143	97
Operative cash flow, MSEK	2004	2003	2002	2001	2000
Operative cash flow exc. restructuring costs	386	500	501	348	173
Operative cash flow inc. restructuring costs	313	413	444	170	93
Gunnebo Security	2004	2003	2002	2001	2000
Invoiced sales, MSEK	6,086	5,817	5,810	5,465	3,851
Operating profit, MSEK*	416	428	385	315	182
0 11 0/					

6.8

2004

1,240

101

8.1

7.4

2003

1,144

87

7.6

6.6

2002

1,166

81

6.9

5.8

2001

1,206

86

7.1

4.7

2000

1,149

104

9.1

Operating margin, %

Gunnebo Engineering

Invoiced sales, MSEK

Operating margin, %*

Operating profit, MSEK*

* Before goodwill amortisation and exc. items affecting comparability.

* Before goodwill amortisation and exc. items affecting comparability.

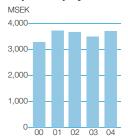
Key ratios exc. items affecting comparability	2004	2003	2002	2001	2000
Return on capital employed before goodwill amortisation, %	19.0	19.2	16.8	16.2	16.7
Return on capital employed, %	11.4	12.1	10.4	9.8	11.0
Return on equity, %	14.2	14.8	14.5	10.7	10.1
Operating margin before depreciation, %	8.7	9.0	8.5	8.2	8.0
Operating margin before goodwill amortisation, %	6.4	6.7	6.1	5.6	5.3
Operating margin %	5.4	5.7	5.2	4.6	4.5
Profit margin, %	4.6	4.9	4.0	3.2	4.2
Key ratios inc. items affecting comparability	2004	2003	2002	2001	2000
Return on capital employed before goodwill amortisation, %	14.6	19.2	16.8	16.6	22.5
Return on capital employed, %	8.3	12.1	10.4	10.1	15.4
Return on equity, %	9.1	14.8	14.5	11.1	18.2
Gross margin, %	33.0	32.8	32.1	31.0	30.2
Operating margin before depreciation, %	7.2	9.0	8.5	8.4	10.3
Operating margin before goodwill amortisation, %	4.9	6.7	6.1	5.7	7.6
Operating margin %	3.9	5.7	5.2	4.8	6.8
Profit margin, %	3.1	4.9	4.0	3.3	6.5
Capital turnover rate	2.0	2.0	1.9	1.9	1.9
Equity ratio, %	31	37	30	27	29
Interest cover	4.6	5.8	4.1	3.0	5.5
Debt/equity ratio	1.0	0.7	1.0	1.2	0.9
Data per share exc. items affecting comparability Earnings per share after dilution, before goodwill amortisation, SEK	7.35	2003 7.45	6.75	5.05	4.05
Earnings per share after dilution, SEK	5.65	5.95	5.30	3.70	3.20
Data per share inc. items affecting comparability	2004	2003	2002	2001	2000
Earnings per share, SEK	3.65	6.00	5.40	3.90	5.85
Earnings per share after dilution,					
before goodwill amortisation, SEK	5.30	7.45	6.75	5.20	6.55
Earnings per share after dilution, SEK	3.60	5.95	5.30	3.85	5.70
Equity per share, SEK	40.50	42.70	38.80	35.70	34.35
Equity per share after dilution, SEK	42.05	44.20	39.55	36.55	35.25
Cash flow per share, SEK	7.05	10.65	10.60	3.30	2.30
Other information	2004	2003	2002	2001	2000
Foreign sales ratio, %	90	90	91	91	88
Order intake, MSEK	7,295	6,993	7,150	6,660	5,001
Capital employed, MSEK*	3,697	3,417	3,610	3,699	3,195
Net debt, MSEK*	1,702	1,309	1,581	1,872	1,359
Capital expenditure, MSEK	181	198	168	173	117
Depreciation/amortisation, MSEK	240	228	229	237	174
Of which goodwill amortisation, MSEK	75	67	65	61	39
Average number of employees	8,188	8,273	8,250	8,290	5,653
* At year-end					

Operating profit and operating margin



■ Operating profit, MSEK
■ Operating margin, %

Capital employed



Equity and equity ratio



Equity, MSEK
Equity ratio, %

Financial risk management and sensitivity analysis

Financial risk management

The object of Gunnebo's financial activities is to minimise the Group's long-term financing costs and manage and control its financial risks in an effective manner.

Given the international character of its business, Gunnebo is exposed to financial risks in connection with changes in interest rates, exchange rates and refinancing, and counterparty risks.

Organisation and activities

The Gunnebo Group's finance activities are centralised at its subsidiary Gunnebo Treasury SA. Gunnebo Treasury is responsible for the Group's main external financing, centralised liquidity management and currency risk management. It also functions as the Group's internal bank, and is responsible for supporting the Group's subsidiaries with loans, placements and currency transactions.

Through this centralisation the Group is able to benefit from economies of scale and synergies within the financial area. In addition to the financial area, the treasury function is also responsible for the Group-wide insurance programme.

The financial activities are carried out in accordance with the financial policy established by the Board, which regulates how financial risks are to be managed and sets the limits within which the internal bank and Gunnebo's subsidiaries may operate. The following financial risks are covered, and regulated, by the financial policy:

Financing risk – the risk that financing is not available or is particularly unfavourable at any given point in time

- **Liquidity risk** the risk of Gunnebo not having access to liquid funds or undrawn credit facilities in order to fulfil its payment obligations
- Interest rate risk the risk of a lasting change in market interest rates impacting on the Group's income and cash flow
- **Currency risks** the risk of exchange rate fluctuations impacting on result and equity
- Credit and counterparty risks credit risks with customers and financial counterparties

For more detailed information about financial risk management and reporting of financial instruments, see Note 2, Financial risk management and financial instruments.

Currency and interest rate development

The diagram below shows the development of interest rates and currencies with the greatest impact on the Group's cash flow and profit over the past five years.

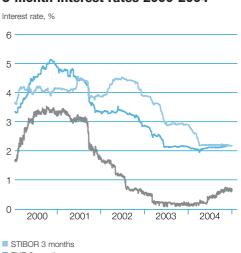
In 2004, the US dollar has continued to weaken in relation to the Swedish krona, falling from 7.27 SEK per USD at the beginning of the year to 6.61 at the end. The Swedish krona has strengthened slightly in relation to the euro (EUR) and pound sterling (GBP), although the krona's average exchange rate for the year against pound sterling has been weaker compared with last year.

The short-term Swedish interest rate (three-month rate) decreased further, interest rates in euro are virtually unchanged, while interest rates in Swiss francs (CHF) have increased by about 0.5 percentage points.

Exchange rates 2000-2004



3-month interest rates 2000-2004



- EUR 3 months
- CHF 3 months

Gunnebo's accounts are prepared in Swedish kronor, but the Group has operations in a large number of countries worldwide.

Consequently, the Group is exposed to currency risks. With the aim of managing these effects, the Group hedges its currency risks within the framework of the financial policy.

Financing

Gunnebo has agreed credit facilities totalling MSEK 2,784, of which MSEK 1,525 had been drawn at the year-end. The average duration of the Group's agreed credit facilities was 3.3 years; Gunnebo's borrowing is at a fixed interest margin throughout the term of the agreements. The average rate of interest on the entire loan portfolio at the year-end was 3.3 per cent (3.6).

During the year a MSEK 200 loan agreement was renegotiated and the term extended to 5 years.

Loan maturity structure

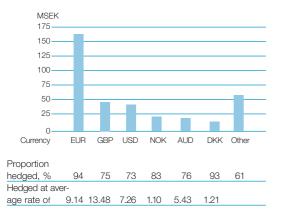
MSEK Mature in year	Credit facility	Of which drawn	Proportion, %
2005	428	166	11
2006	3	3	0
2007	7	7	1
2008	2,106	1,300	85
2009	240	49	3
Total	2,784	1,525	100

Insurance programme

Gunnebo has a Group-wide insurance programme including liability insurance, property and business interruption insurance, cargo insurance, directors and officers liability and crime/fidelity insurance against property.

Currency flow exposure

Based on estimated net flow for 2005



Sensitivity analysis

The result is 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 the year-end and assuming all other factors remain unchanged.

Selling prices

A change of one per cent in selling prices affects income and profit after financial items by some MSEK 75.

Labour costs

A change of one per cent in labour costs, including social security charges, affects profit after financial items by some MSEK 25.

Steel prices

Steel is the single largest raw material component for the Group, which purchases many different types and grades, resulting in differentiated price development. A general change in steel prices of 10 per cent affects the result by some MSEK 40 for the subsequent 12 months. No long-term fixed-price contracts have been considered in this figure.

Interest costs

On the basis of the average fixed interest term of the Group's total loans outstanding at the yearend, a simultaneous change of one percentage point in all of Gunnebo's loan currencies would affect profit by MSEK 7 for the subsequent 12 months.

Currencies

A change of 10 per cent in the exchange rate of the Swedish krona against the euro, pound sterling and US dollar would affect the result after financial items by around MSEK 60, of which MSEK 25 would be transaction exposure, without taking the Group's hedges into account.

The remaining MSEK 35 is attributable to translation exposure.

Taking into account the hedges in place at the year-end, the effect of the transaction exposure on result for the coming 12 months would be marginal. The diagram on the right illustrates the sensitivity of the profit figure with a 10 per cent change in the exchange rate of each currency.

Result sensitivity analysis, currencies at 10% change



Translation exposure ■ Transaction exposure

Corporate governance

Gunnebo's Board and management strive to ensure the company lives up to the requirements stipulated by Stockholmsbörsen, shareholders and other stakeholders. The Board also follows debate in this area, as well as the recommendations issued by various official players within the field.

Corporate governance is mainly exercised in Gunnebo through the Annual General Meeting and the Board of Directors. In a wider perspective, the issues also cover management and control/reporting functions within the Group.

Annual General Meeting

The Annual General Meeting (AGM) is Gunnebo's ultimate decision-making body. The AGM selects the Board and auditors, adopts the accounts, decides on any dividend and other appropriation of earnings, and decides on discharge from liability for the Board. In addition, the AGM also decides on any new share issues and the introduction of share-related incentive schemes in the form of stock option programmes, for example.

The AGM must be held within six months of the close of the financial year. All shareholders in the register of shareholders on the record day (10 calendar days before the AGM) who have registered to attend are entitled to take part in the Annual General Meeting. Each share entitles the shareholder to one vote. The notice to attend the AGM must be issued between six and four weeks in advance through advertisements in Göteborgs-Posten and Svenska Dagbladet newspapers and Post- och Inrikes Tidningar (the Swedish Official Gazette).

The latest AGM was held on 29 March 2004 at the Chalmers Student Union's union building in Göte-

Approximately 300 shareholders, representing 51.5 per cent of the number of votes, took part in the AGM. Roger Holtback, Nils-Olov Jönsson, Mikael Jönsson, Sten Langenius, Martin Svalstedt and Bjarne Holmqvist were re-elected onto the Board of Directors. In addition, Lena Olving was elected to succeed Rolf Ekedahl, who declined re-election.

The Annual General Meeting also resolved to elect the Chairman and a representative for each of the three biggest shareholders at the end of the third quarter of 2004 onto a nomination committee.

Furthermore, the AGM decided to pay a shareholder dividend of SEK 2.25 per share (2.00) and to carry out a split, whereby shareholders receive two new shares for each old share.

PricewaterhouseCoopers AB was appointed as the

auditing company for the next four years, i.e. until the 2008 AGM.

Finally, the AGM authorised the Board to make decisions regarding new share issues of up to 1,200,000 shares before the next AGM, for use in connection with corporate acquisitions.

Members of the Board

Gunnebo's Board of Directors includes seven members elected by the AGM. The Board members are elected annually by the AGM for the period until the next AGM.

The Board appoints the Chairman from amongst its members.

Gunnebo's CFO Lennart Gustavsson and General Counsel Lars Wallenberg have taken part in the Board meetings to present reports, and the latter also

The division heads have also taken part when necessary.

10 minuted meetings have been held during the

The following meetings with the main focus areas were held:

February	Year-end report 2004, acquisition issues
March	Inaugural meeting
April	Acquisition issues
April	Interim report January - March 2004
May	Study visit to four Gunnebo companies
	in Great Britain - acquisition issues
August	Interim report January – June 2004,
	acquisition issues

October Acquisition issues

October Interim report January - September 2004

Strategy plans for all divisions

2005 - 2007

December Acquisition issues, pension policy for senior executives

December Decision to float Gunnebo Industrier and appointment of new President and CEO

to take over in May 2005

The Board's main task is to be responsible for the company's organisation and administration. The Board's work is governed by the set of written procedures adopted by the Board at the inaugural Board meeting each year. This set of procedures includes how often the Board will meet and the subjects dealt with at each meeting. It also sets out a division of responsibility between the Board, its Chairman and the President. The Board is charged with drawing up strategies, business plans, interim reports and yearend reports. It also has the responsibility of appointing and dismissing the President and deciding on important changes in Gunnebo's organisation and operation.

Moreover, the Board decides on corporate acquisitions and other investments and loans, for example.

Chairman

At the inaugural Board meeting in March 2004, the Board re-elected Roger Holtback as Chairman.

The Chairman of the Board monitors the development of the business and is responsible for ensuring other members continuously receive the information necessary to carry out Board duties, whilst maintaining quality, in accordance with the Swedish Companies Act and the company's articles. The Chairman does not take part in the operational management of the company. Roger Holtback has been Chairman of the Board since 1993.

Committees

The nomination committee is entrusted with preparing and submitting proposals for the composition of the Board and fees for Board members and auditors ahead of the next AGM. The committee comprises Chairman Roger Holtback, Nils-Olov Jönsson, Vätterledens Invest, Dan Sten Olsson, Stena Adactum and Torsten Johanson, Handelsbanken Funds. The committee has had three meetings prior to the adoption of this annual report.

The Board appoints a compensation committee within itself which deals with issues regarding managers' employment and pension conditions and incentive schemes.

The compensation committee met on six occasions in 2004. The members of the compensation committee are Roger Holtback, Nils-Olov Jönsson and Bjarne Holmqvist. Gunnebo's HR director, Ulf Johnsson, submits reports. The compensation committee also deals with issues regarding management succession and the identification of potential managers, as well as other aspects of personnel development prepared by the Group management.

President and CEO

The President and CEO leads the business in accordance with the instructions adopted by the Board.

The President and CEO is responsible for ensuring the Board receives information and any necessary decision-making data, and presents reports at the meetings. The President and CEO keeps the



In mid-May the Board visited four of the Group's plants in Great Britain.

Board and Chairman continuously informed of the company and Group's financial position and development. Bjarne Holmqvist has been the President and CEO since 1993.

Group management

Gunnebo's Group management has 11 members, who are presented on pages 70-71 of this annual report.

No changes were made during the year.

The Group management held several formal and many informal meetings during 2004.

External auditing

Gunnebo's auditors are selected by the AGM for a period of four years. The current period begun in 2004 and applies until the 2008 Annual General Meeting. PricewaterhouseCoopers AB was selected as the audit company at the 2004 AGM.

Ingvar Pramhäll and Bror Frid have been selected as company auditors, Ingvar Pramhäll being the Principal Auditor.

The auditors report to the Board on their examination and provide an assessment of the internal system of controls.

Board Chairman Roger Holtback and Nils-Olov Jönsson made up the audit committee and have served as a planning body in contacts between the auditors and the Board. The audit committee met on two occasions during the year. The auditors have also participated in a Board meeting to report on the results of their examination.

In addition to standard audit tasks, PricewaterhouseCoopers also assists Gunnebo primarily with reviews of corporate acquisitions, a process known as Due Diligence. The assignments carried out have not been judged to cause any conflict of interest. Details of remuneration to the auditors can be found in Note 27, page 65.



Torbjörn Browall Head of Gunnebo Physical Security and First Executive Vice President Gunnebo AB

Gunnebo Physical Security develops, manufactures, markets and sells products within:

- Secure Storage Products for the secure storage of valuables, documents and data media
- Bank Automation Security products for secure, effective cash handling, such as automatic cash handling machines service boxes, deposit boxes and transit
- Retail Security & Cash Handling Integrated systems for secure and effective in-store cash handling and systems for article surveillance

Brand names

Chubbsafes, Fichet-Bauche, Rosengrens, Garny, Leicher, Secure-Line, Gateway and Gunnebo

Gunnebo Physical Security

Operations in 2004

During 2004, Gunnebo Physical Security has carried out development, production and marketing in the following areas:

- Secure Storage
- Bank Automation
- Retail Security & Cash Handling

Sales are conducted via 35 Gunnebo sales companies in 24 countries, and via agents and distributors on other markets.

The markets for the division's products have developed in different ways. Sales in Germany, the Netherlands and Sweden have been weaker while Great Britain and Spain have enjoyed continued strong development.

The markets for traditional bank products such as high-graded burglar and fire-resistant safes, bank strongrooms and traditional safety deposit boxes have suffered slower demand, especially in Europe, while products and services within bank automation, secure cash handling and service have reported good market development.

Secure Storage - of cash and valuables

Following a large number of acquisitions, Gunnebo Physical Security has achieved a strong market position in the banking and finance sector, which mainly values the division's ability to provide system deliveries for most security products and services. However, in Western Europe the markets for traditional bank products and high-graded safes, safety deposit boxes and bank strongrooms have suffered a downturn in demand.

As a result of productivity improvements in the division's factories and weaker demand for traditional bank products, Gunnebo decided to carry out costcutting production adjustments.

During the year, production at the factory in Malung, Sweden, was relocated to the larger, more comprehensive factory in Mora, Sweden. A new company was formed in Finland - Gunnebo Security

Agent markets have developed very well with important deliveries to Russia, Algeria, Iraq and

The acquisition of Chubb Lips in Italy and Chubb's physical security operations in Belgium strengthened Gunnebo's market platform within physical security in these countries. In Italy the division's market coverage has historically been low. The acquisition of Chubb Lips gives Gunnebo Physical Security a market share of approximately 20 per



The fire-resistant data-media safe Diva was launched during the year by Fichet-Bauche.

Codus (Chubbsafes) Rosengrens REL (Rosengrens) and WinXn (Fichet-Bauche) are intelligent code locks with the same basic construction, but different functions and designs. The code lock can be supplied with biometric identification, for example.







cent, a solid foundation for continued growth. The acquisition in Belgium primarily results in a stronger position as regards service.

During the year, the division has successfully launched a new range of fire-resistant safes for storing data media. The new safes, sold under the Fichet-Bauche, Chubbsafes and Rosengrens brands, offer unique characteristics in terms of capacity and weight. The new range of safes has been adapted and approved by all certification authorities in Europe and the USA, which included extensive heat and drop tests. During the year the USA has been an important market for the new fire-resistant safes, which have also started to be sold in Brazil.

SecureLine is the division's brand for lower security graded safes targeted at the SoHo segment (small office/home office). A range of safe models has been introduced in Europe during the year.

A segment that has been declining in recent years is OEM deliveries of ATM safes, for which the division is a sub-contractor of high-graded safes for automatic cash machines.



Securel ine is a new range and brand for the SoHo segment (small office/ home office). The products are marketed through retailers as Clas Ohlsson (Sweden), catalogues as Händi (Germany), Manutan (France), Euro (Great Britain) and CIB (the Netherlands) and over Internet.

Bank Automation - effective. secure automated cash handling

A continued clear social trend is that cash handling is moving away from the banks' traditional operations to automated systems and the retail trade. The market for automated banking services, such as deposit and withdrawal machines, coin rolling machines, safety deposit robots and other automated cash handling systems has developed well during the year.

Thanks to a close co-operation between Europe's leading banking customers and the division's companies, service activities have expanded further and new products, primarily for bank automation, have been developed and tested in real bank environments.

The integration of German company Kubon, acquired in late 2003, has proceeded well and the division's market position in automated bank services has strengthened considerably. The co-operation agreement signed during the year with Austria's Novotech Banksysteme regarding sales of a patented coin deposit machine - SafeCoinC - is a valuable

complement to the division's programme for selfservice within the banking sector. Gunnebo Physical Security can now offer the market a complete range of security products for cash self-service.

Significant orders were signed in this business area during the year with companies such as Credit Agricole/Credit Lyonnais in France and Rabobank in the Netherlands.

The division's bank automation products have been displayed at several security shows in Europe and have attracted a great deal of attention. At the CeBIT fair in Hanover, Germany, deposit and withdrawal machine SafeCash R and deposit machine SafeCash Eco won the prestigious iF Design Award. The award was won in competition with 740 entrants from 31 countries with a total of 900 products.

Gunnebo's total solution for self-service banks was launched in the spring. It includes coin deposit machine Safe-CoinC, deposit and withdrawal machine Safe-Cash R, coin rolling machine SafeCoin RW, deposit machine Safe-Cash Eco and the AVM safety deposit robot. All machines in a system are connected by Gunnebo's SafeNet software.









GUNNEBO PHYSICAL SECURITY	2004	2003	2002
Invoiced sales, MSEK	2,543	2,618	2,594
Operating profit exc. items affecting comparability, MSEK*	170	209	179
Operating profit inc. items affecting comparability, MSEK*	80	209	179
Operating margin exc. items affecting comparability, %*	6.7	8.0	6.9
Return on operating capital exc. items affecting comparability, %*	19	23	19
Capital expenditure, MSEK	70	74	58
No. of employees	2,633	2,689	2,967

^{*} Before goodwill



Athens, Greece



Durban, South Africa



São Paulo, Brazil

Article surveillance company Gateway Security is one of the Group's new acquisitions. The company develops, markets and sells several different alarm technologies and has installations worldwide.

Retail Security & Cash Handling - retail security and effective, secure cash handling

The trend of increasing burglaries and theft in retail is continuing, which has partly resulted in a rising interest in integrated security solutions. One requirement on the solutions is that they must be able to combine high cash flows and maximum security.

Towards the end of the year, the division acquired Swedish article surveillance company Gateway Security AB.

Gateway - established in 1994 - develops, produces and markets article surveillance based on all available technologies and also introduced a newly developed, screened anti-theft system in late 2004 based on a combination of radio waves and electromagnetic waves. Gateway has a development department and production facilities in Motala, Sweden, and sales companies in Portugal, Brazil and the

Together with the completely closed SafePay cash handing systems and the Group's other product range such as alarms, CCTV systems and access control, Gateway provides a more extensive offering of security solutions for the retail trade.

Gunnebo's broad customer base within, for example, retail and its strong distribution network with well-established installation expertise and service offering will benefit Gateway's continued development.

SafePay has experienced delays during the year in relation to the original plans. These were mainly due to a subcontractor declaring bankruptcy and the resulting shortcomings in quality.

The final quarter saw the start of deliveries of the SafePay base system to companies such as the supermarket chain ICA. The previous purchase agreement with ICA was renegotiated into a framework agreement. During the autumn, SafePay was approved for

ICA's ordering system and can now be ordered both by the organisation's independent traders and by ICA centrally. Market introduction in the rest of Europe proceeded according to plan and by the end of the financial year SafePay had installations on nine mar-

Cash Transfer Units (CTUs) and Intelligent Deposit Units (IDUs) were also launched during the year at two security trade fairs. The launch of the CTU partly means that banknotes can be securely stored from the moment the checkout assistant feeds them in, until they reach the counting centre. The IDU can identify the contents, and notes are destroyed if the unit is stolen and not opened using the 'right' electronic code.

Competitors

Gunnebo Physical Security is the leader by a wide margin on the market for high-graded fire and burglar-resistant safes. Gunnebo's competitors are for the most part privately owned regional manufacturers such as Format, Bode-Panzer and Lampertz/Sistec in Germany, Robur and Håbeco in Scandinavia, SMP and Dudley in Great Britain, Conforti in Italy, and Ferrimax and Bausa in Spain. Competition within bank automation comprises international players such as NCR, De la Rue, Diebold and Wincor-Nixdorf. Within article surveillance, America's Sensormatic and Checkpoint are the main competitors while Sweden's Cashguard is the main competitor in secure cash handling for the retail trade.

Outlook

Thanks to an extensive new product programme, Gunnebo Physical Security will grow primarily within bank automation and security for the retail trade. The division's service operation is also expected to develop well, largely thanks to round-the-clock service for the division's automated products.

The SafePay CTU - Cash Transfer Unit was launched during the year and is the third unit in the SafePay integrated cash handling system. The unit makes Safe-Pay the only closed cash handling system on the market that enables completely closed handling of banknotes: the money is completely enclosed from the moment the checkout assistant feeds the notes into the SafePay banknote unit, until the security company comes and empties the safe where the notes are stored, after emptying the unit's Intelligent Deposit Unit, (see picture right).







The ICA supermarket in Hageby, Norrköping, Sweden, has installed the SafePay integrated cash handling system and Gateway's article surveillance systems.

Within high-graded safes, data-media safes and fire-resistant safes will have limited growth as the market for traditional bank products in Europe continues to decline.

The expanded markets in Eastern Europe - mainly Russia – and in North America will, however, continue to grow.

On the Asian market, Gunnebo Physical Security has one of the world's most modern production units for safes. Located in Jakarta it was inaugurated in 1998 and became part of the Group via the acquisition of Chubb Safes in 2000.

Low production costs constitute a sound basis for strong competitiveness and continued expansion for the division's business.





two of them being theft loss and the risk

"As a trader today I face many challenges, of burglary, with everything that entails. By using the SafePay system I make it more difficult to rob my store, and Gateway's article surveillance system together with the surveillance cameras helps me reduce losses due to theft. Finding one supplier offering two such comprehensive systems is extremely positive."

Thomas Pennerud, ICA trader in Norrköping, Sweden.

Sales by product area



- Burglar and fire-resistant safes, strongrooms and strongroom doors, 35%
- Retail and bank automation,
- Service, 26%
- Other, 13%

Sales by market



- France, 28%
- Germany, 13%
- Great Britain, 11%
- BeNeLux 11%
- North America, 6%
- Denmark, 5%
- Sweden, 5%
- Other 21%



The Intelligent Deposit Unit (IDU) is part of the SafePay integrated cash handling system. The unit, which stores notes in SafePay's banknote unit, contains ink cartridges which means the notes are ruined if any unauthorised person attempts to break into the unit.



Christian Selosse Head of Gunnebo Integrated Security and **Executive Vice President** Gunnebo AB

Gunnebo Integrated Security develops, manufactures, markets

- **Electronic Security** Burglar alarms, fire alarms, CCTV, access control, alarm centres for alarm monitoring
- Entrance Control Security entrances and access control sys-
- Bullet-Resistant Glass Walling and Partitioning
- Complete customised integrated security solutions

Brand names

Fichet-Bauche, Ritzenthaler, Gunnebo Hammer, Gunnebo Entrance Control, Gunnebo Omega, Armapod, CSI Security and Hygiaphone

Gunnebo Integrated Security

Operations in 2004

During the year, Gunnebo Integrated Security has expanded its product range within electronic and mecatronic security systems to include turnkey security solutions. This means that Gunnebo Integrated Security defines needs, develops, manufactures, markets, sells and installs total electronic security systems such as electronic burglar alarms, fire alarms and fire detection equipment, CCTV, security booths and access control systems.

It also offers Facility Management, which entails the monitoring of total security systems. This enables customers to maintain a good overview of their security costs. A training programme on Facility Management was carried out during the year for management and sales staff within the division.

The division also has responsibility for a number of alarm monitoring centres in France, Spain, and Portugal that offer a full 24/7 service capability.

As a supplier of systems or individual security products, Gunnebo Integrated Security can offer a variety of security solutions. Regardless of whether the customer prefers a complete system or an individual product, it is important that the solution provides satisfactory security based on the perceived

By using Internet-based control and wireless communication for supervision and maintenance followup, customers are provided with modern security solutions offering total control.

Upgrading security systems at most French banks is one example of where Internet-based control has been used. In addition to upgrading Arcana – the existing alarm system from Fichet-Bauche - the banks also enjoy far faster information transfer, enabling quicker decisions in the event of incidents and thereby a safer workplace for bank personnel.

Gunnebo Integrated Security is one of the largest companies in Southern Europe in electronic security and one of the five largest in access control systems in Europe. The electronic security business is primarily concentrated in the Mediterranean countries and Continental Europe, where some 40 per cent of customers operate within the banking and finance sectors.

At the beginning of the year, an important order in the banking sector came to an end. The order was originally created in 2003 due to tighter legislation on CIT. The merger between two leading banks in France, Credit Agricole and Credit Lyonnais, has had a temporary adverse impact on demand. This decrease has largely been compensated for by

increases in sales of electronic and mecatronic security systems in areas such as logistics centres, industrial corporations, airports and public authorities.

Gunnebo Integrated Security has also continued with the development of its customer-oriented, integrated security concept for such users as airports, ports, private hospitals, public authorities, industrial premises and the petrochemical industry; the customer can rely on a single supplier for both installation and service of the turnkey system.

During the year, Gunnebo Integrated Security enjoyed continued strong profitability. In France, the business within Fichet Sécurité Electronique and Ritzenthaler has developed well with improvements in volumes and margins. Development in Spain has also been very positive.

Developments in Belgium and Italy have been good, while development in Great Britain has been weak.

Continued high profitability for electronic security systems

The profitability of the electronic security business showed further improvement during the year, mainly owing to a more customer-focused organisation with tight cost control, improved quality and a standardised product range.

Synergies resulting from the closer co-ordination of the companies in the division have increased markedly, especially in electronic and mecatronic security solutions. Focused product development projects have enabled the division to launch several new products in both electronic security and access control, including a new application of RFID, Radio Frequency Identification, which was launched at French security fair Expoprotection. Using this method laptop computers can be fitted with a memory card that emits an alarm if an unauthorised person removes it from the office, for example.

Access control and bullet-resistant environments

Ritzenthaler's system of mobile bullet-resistant walls, partitioning and security booths, known as SkyRitz, has been very well received on the market. Together with subsidiary CSI, the division has developed a comprehensive programme for blast-resistant windows and doors for high-risk buildings in terms of terrorist

Ritzenthaler's complete mobile bank branches, which are leased out when a bank branch is undergoing modernisation, for example, have also been successful.











Gunnebo Integrated Security's latest market offering is Facility Management - a total security undertaking for enterprises. Facility Management encompasses everything from needs analysis and project planning to installation, service and administration. If the customer wishes, the solution can even include financing.

A common denominator in all the security solutions

developed within the division is the integration of new technology.

For instance, the mobile phone networks is part of the latest solutions for intervention and alarm control: the security manager receives an alarm on his or her mobile, confirms with an SMS text message, takes decisions, travels to the site, documents the event by sending an MMS picture message, and so on. This makes it possible to document the course of events in a way and with a degree of accuracy that fulfils increasing customer demands on detailed follow-up.

GUNNEBO INTEGRATED SECURITY	2004	2003	2002
Invoiced sales, MSEK	2,014	1,945	1,905
Operating profit exc. items affecting comparability, MSEK*	178	171	133
Operating profit inc. items affecting comparability, MSEK*	158	171	133
Operating margin exc. items affecting comparability, %*	8.8	8.8	7.0
Return on operating capital exc. items affecting comparability, %*	30	31	23
Capital expenditure, MSEK	34	32	27
No. of employees	1,740	1,693	1,692

^{*} Before goodwill

Sales by product area



- Electronic Security, 51%
- Entrance Control, 21%
- Interlocking Doors, 11%
- Enclosure, 7%
- Monitoring, 3%
- Other, 7%

Sales by market



- France, 44%
- Spain, 22%
- Great Britain, 11%
- Italy, 6%
- Other, 17%



The developments of recent years have led to increased interest in solutions that protect against terrorist actions. Above, bomb-resistant glass by Ritzenthaler.



Mobile bank branches have been a successful operation for Ritzenthaler during the year. The security-graded branches have proved effective.

Ritzenthaler builds and leases two types of mobile branch: a bullet-resistant branch and one that can withstand physical attack. Both models are fully fitted with counters, bullet-resistant windows, alarms, a safe and attack protection screens.

If the customer wishes, they can also be equipped with cash machines and night-safes.

At the beginning of the year, Securibel, Ritzenthaler's distributor in Belgium, was acquired. The company's main product range comprises electronic security systems for alarms and entrance control, as well as mecatronic security products such as double security gates and bullet-resistant glass walling and partitioning, and mobile bullet-resistant partition walls. The division's market position in Belgium has been strengthened thanks to successful integration with, primarily, Ritzenthaler's existing network of companies and distributors.

Positive progress by Gunnebo Entrance Control

Gunnebo Entrance Control is Europe's leading supplier on the market for entrance control systems. The business had developed positively during the year.

Gunnebo Entrance Control has also launched Imm-Sec, a unique immigration gate for automated access and identity control with integrated biometric identification. The gate is mainly designed for airports, seaports and other border control areas, and combines two important requirements in present and future passenger traffic: security, and an efficient flow of people.

Several major airports have shown great interest in ImmSec since it was launched at the beginning of the year and several test installations are under way in Europe, Asia and Africa.

The new system for secure movement between arrivals halls and baggage reclaim at airports - PasSec High Security - has continued to develop well and a new design was launched during the year.

In July the division acquired Swiss company Hammer Sicherheit which develops, manufactures and sells double security gates and revolving doors. The acquisition considerably strengthens the division's position on the Swiss market, expands Gunnebo Entrance Control's product range and brings co-ordination gains in production.

Customers and competitors

Gunnebo Integrated Security is the market leader in bank security in France and Spain. It also has a strong position in this market segment elsewhere in Southern Europe.

Nowadays, buyers at banks, financial institutions, power stations, in the petrochemical industry, at airports and public authorities are frequently engineers with broad IT competence. Other key customer categories include architects and security consultants who are brought in at an early planning stage to ensure that the delivered facility has a comprehensive security system.

Another key group of customers consists of public authorities with rigorous demands for reliable and cost-effective security and entrance control systems in areas where large numbers of people are on the move. All categories of customer are canvassed direct by Gunnebo Integrated Security's own sales companies or by agents. Sales are also channelled through specialist installers of alarms and security equipment.

The largest competitors on the European market are American Tyco and United Technology (Chubb Security), German Siemens-Buildings Technologies, and Swedish Securitas. The main competitors within entrance control are Swiss Kaba, German Magnetic AutoControl, Belgian Automatic Systems, Dutch Boon Edam and American Horton and Tomsed Turnstiles.

There are also numerous small, local companies that only canvass narrowly defined segments of the market.

Attack protection screens from Ritzenthaler were previously only sold in Southern Europe. During the year, Gunnebo Entrance Contro has introduced the solution to the Nordic market. Shown here is an installation at Kista police station. The screen is raised by compressed air in 0.1 seconds and can withstand attack from an AK5 assault rifle





Outlook

Gunnebo Integrated Security operates on a market with good growth. Its goal is to increase turnover at a faster rate than market growth over the next few years.

Future growth will be organic - above all in the service segment - combined with further acquisitions of small and medium-sized security companies in Northern and Continental Europe.

By offering customers advanced, reliable electronic and mecatronic security solutions combined with turnkey systems, Gunnebo Integrated Security will strengthen its position on existing markets and improve its chances of breaking into new ones. Gunnebo Integrated Security is already recognised as a one-stop supplier of a comprehensive range of integrated security solutions, and as a supplier of aftermarket service through its extensive network of service engineers and technicians.

The focus of the division's business development involves intensifying efforts to exploit synergies between the various business units with the object of being able to offer customers turnkey security solutions. Technologically, Gunnebo Integrated Security will engage further in the development of online security solutions, biometrics and systems for secure wireless communication.

Gunnebo Integrated Security will consolidate its market position primarily by concentrating on development within areas that will improve its customers' productivity, and by engaging in the contract operation of large, comprehensive security systems.

Metro

Gunnebo Entrance Control products are installed in underground stations worldwide. A customised installation for the KCRC underground in Hong Kong: the red 'gates' are made of non-combustible, non-toxic material. The material is also elastic to prevent passengers injuring themselves should they walk into them.







Stadia & Leisure

Real Madrid's home stadium of Santiago Bernabeu has a capacity of 90,000 and is one of Europe's leading football

The arena is fitted with various access control products from Gunnebo Entrance Control. The photo shows specially designed Hidden-Gates at one of the spectator entrances



Gunnebo Entrance Control has recently installed an extensive access control system in IBM's newly built headquarters for Southern Europe in Segrate, outside

HiddenGates and GlasStiles have been installed at reception areas, staff entrances, supplier entrances and staff canteens, etc. Gunnebo Entrance Control won the order because it could satisfy all of IBM's demands on security, aesthetics and design, a high usage rate and products adapted for the disabled.

Gunnebo Perimeter Security

Gunnebo Perimeter Security brings together the Group's activities relating to outdoor and indoor perimeter protection. The division comprises two business units: Gunnebo Perimeter Protection and Gunnebo Troax.

GUNNEBO PERIMETER SECURITY	2004	2003	2002
Invoiced sales, MSEK	1,275	1,038	1,091
Operating profit, MSEK*	54	28	49
Operating margin, %*	4.2	2.7	4.5
Return on operating capital, %*	10	6	10
Capital expenditure, MSEK	35	31	29
No. of employees	910	717	790

^{*} Before goodwill

Gunnebo Perimeter Protection

Operations in 2004

Gunnebo Perimeter Protection is one of Northern Europe's leading suppliers of solutions for outdoor perimeter protection. Its business idea is to plan, together with the customer, outdoor perimeter protection that provides an optimal security solution, including manufacture, installation and after-market

Gunnebo Perimeter Protection will, in line with established strategies, take an active role in the consolidation of the European market for outdoor perimeter protection. This will mainly take place through a number of strategic acquisitions in the industry with the focus on strengthening the division's position, mainly within outdoor high-security protection.

This strategy led to the acquisition of Elkosta in April 2004, which has companies in Germany and Great Britain. Elkosta's product range mainly comprises outdoor security and anti-terrorist protection in the form of heavy sliding and hinged gates, road blocks, hydraulically operated bollards and boombarriers. Elkosta's customers are mainly found within local authorities, military authorities, embassies and public institutions. The acquisition primarily strengthens positions on the German market and provides a good platform for growth on the British market. The division's complete product range will also be exported via Elkosta's strong network of agents and distributors, both within and outside of Europe.

The intention to close Elkosta's factory in Salzgitter and transfer the majority of production to the division's factory in Salzkotten was announced at the end of the year.

In early 2005, all shares in French company Eurofence were acquired. This acquisition strengthens the market position in France considerably and adds a

German company Elkosta was acquired during the year, which, for example, holds an advanced position in the market for external terrorist protection. Customers largely include embassies, public institutions, nuclear power plants and military installations around the world. Above right, a traffic control gate. Centre right, Tyre Killers - a product that can stop even the biggest vehicles by sticking up from the ground and puncturing the tyres. Bottom right. hydraulic bollards to prevent unauthorised vehicle access. They rise up from the ground when needed.







partially new product range within welded fencing.

Important customer segments for Eurofence include the manufacturing industry, transport companies, defence installations, seaports, airports, prisons, logistics centres, power stations and telecommunication installations.

Gunnebo Perimeter Protection has reported a significant improvement in results during the year and a sound basis has been established in 2004 for continued improvements in margins.

Sales by business unit



- Gunnebo Perimeter Protection.
- Gunnebo Troax, 39%

Sales by market



- Germany, 30%
- Sweden, 18%
- Great Britain 12%
- Denmark, 9% France 6%
- Other, 25%



2003 saw the launch of the EntraSec lightweight gate, which was well received on the market. The picture above shows the EntraLight, a slightly more basic gate intended for smaller businesses and private individuals. Here installed by Leif Arvidsson AB in Mullsjö, southern central Sweden.

The division covers the markets in Sweden, Denmark, Norway (Gunnebo Protection), Finland (Polaraidat), the Netherlands (Alura), Germany, Switzerland and France (Wego, Werra, Elkosta, Eurofence, SecureLine), and Great Britain (Gunnebo Protection, Elkosta, Werra) with its own sales organisations and resources for installation and service, often complemented with a network of subcontractors and strong local brand names.

Market

In 2004 the market, which normally reports growth of 2-3 per cent a year, has been excellent in the Nordic countries, and in Sweden in particular. The markets in Germany and the Netherlands, however, have been subject to intensive price pressure in declining markets.

Demand is however still strong in the logistics, seaport and airport segments, where customers are generally upgrading security levels partly due to tightened security standards from the EU and USA. For example, the division has installed outdoor perimeter protection for the Nordic seaports for around MSEK 30.

Gunnebo Perimeter Protection's products for improved road safety also noted solid growth, above all in Scandinavia. The product range, which includes everything from animal fencing to cable and crash barriers and noise protection, also has strong market potential elsewhere in Europe.

EntraSec and EntraLight

EntraSec is a motor-driven sliding gate with opening widths of up to 12 metres. Its lightweight aluminium construction and low-friction movement give the product higher operational reliability and a long service life.

The product was launched in 2003 and has enjoyed excellent sales development in 2004.

EntraSec fulfils European safety standards and by virtue of its patented, modular manufacturing con-



Philip Mozes Head of Gunnebo Perimeter Protection

Products and services

Gunnebo Perimeter Protection develops, manufactures, markets and sells outdoor perimeter protection and entrance control products such as gates, fences, hydraulically operated bollards, road blocks, boombarriers, alarm systems and products for road safety.

Brand names

Gunnebo Protection, Wego, Werra, Alura, Polaraidat, Elkosta, Eurofence, SecureLine

Sales by product area



- System sales, 65%
- Product sales, 30%
- Road safety, 5%

Sales by market



- Germany, 41%
- Sweden, 19%
- Denmark, 10%
- Norway, 6%
- Finland 5% Other, 19%

here NoiseLine.



Outdoor perimeter protection is more than just gates and fences which shields a residential area from motorway noise in Ystad, southern Sweden.

Road safety by

Elkosta: A road

usually recessed

in the ground, but

can be raised to

rised traffic in the

event of a threat.

block unautho-

barrier that is









Road safety is a small but growing part of Gunnebo Perimeter Protection's business. Here, 92 km of road barrier being installed in Abu Dhabi.



EntraSec, a freely suspended lightweight aluminium gate, has been installed in many places during the year. Shown here, an installation at building contractor GEBA in Hanover, Germany

cept provides greater simplicity and flexibility in product sourcing.

EntraLight was launched during the year - an aluminium gate with a simpler design than EntraSec and an opening width of up to six metres. Neither the launch of EntraSec nor EntraLight has led to decreased sales of traditional steel gates. They have, however, opened up new markets in sectors of the industry that require well-designed, aesthetically pleasing gates and in the growing private market.

A range of fencing and gates for the DIY market has been successfully launched during the year via a major German builder's merchants under the Secure-Line brand.

Competitors

The European market for outdoor perimeter protection is estimated to be worth some MSEK 10,000. Gunnebo Perimeter Protection is one of Northern Europe's leading suppliers, with a market share of around 10 per cent in Europe. It is the market leader by far in the Nordic region, while in Germany, the business unit's biggest market, Gunnebo Wego and Elkosta are two of the leading suppliers.

The main competitors on the European market with international coverage are CRH Fencing and Security, Dirickx and Bekaert Fencing. There are also numerous small, local competitors.

Outlook

Gunnebo Perimeter Protection's vision is to become one of the leading suppliers of outdoor perimeter protection and systems for road safety in the EU and a well-known brand outside of the EU.

Gunnebo Perimeter Protection will also intensify its efforts to offer complete, function-tested products, together with installation in situ and aftermarket service. Specialised product concepts and more efficient product sourcing within terrorist protection, for example, will enable the business unit to achieve higher growth on existing as well as new markets.

Gunnebo Troax

Operations in 2004

Gunnebo Troax is Europe's leading supplier of products and system solutions for indoor perimeter protection.

The business is organised into three different customer areas:

- Automation and robotics: Machine protection for various customer groups, from the automotive industry to small machinery manufacturers.
- Materials handling and logistics: Wire-mesh security walling for logistics centres, warehouses, materials handling and shelving manufacturers.
- Construction industry and secure storage: Secure wire-mesh storage and garage walling for the building industry and property owners.

With its 14 European sales companies, Gunnebo Troax is Europe's leading manufacturer and supplier of indoor perimeter protection. Results improved slightly in 2004, although profitability was still low.

The first phase of a comprehensive streamlining programme was completed during the year. The aim of the programme is to optimise the product offering and service for Gunnebo Troax's end customers through intensified product development, a more efficient, flow-optimised production system at the factory in Hillerstorp, Sweden, and significantly improved logistical systems.

The new fully automated welding line for heavy wiremesh sections has been fine-tuned during the year, and decisions have been made for new investments in welded



RapidFix, an attachment system developed by Gunnebo Troax, was launched in 2003 and was well received by the market in 2004. The new panels are developed for use in walling and door systems, where demands on quality and design in machine protection are high.







Gunnebo Troax's products are subject to rigorous testing before being launched on the market. These tests are carried out at the newly opened test centre at Troax's factory in Hillerstorp.

mesh and robotics automation for attaching and detaching panels in the spraying shop.

Once these investments are complete, Gunnebo Troax will have developed from a manufacturing company with a low degree of mechanisation to a highly effective, streamlined, flow-optimised process industry.

Demand in the markets in the Nordic region, Great Britain, Spain and Germany has developed well during the year, while a number of smaller markets such as Italy, Austria, Switzerland and Belgium have reported weaker development.

The launch of RapidFix, a flexible attachment system for simple assembly and dismounting, has continued successfully. The system, which satisfies all European safety standards, has considerable market potential, especially in the automotive and robotics industries, and for various machinery manufacturers. The main advantages are that machine protection can be installed closer to the machinery, which permits a more efficient use of space and reduces assembly and dismounting times in the event of planned or unplanned production downtime. During the year a new door system based on the same technology was launched.

A new type of SafeLock with extra high security margins has been introduced and sold to the PSA Group (Peugeot and Citroën), among others, in a good example of customer-led product development.

Also in 2004, a business agreement regarding deliveries of wire-mesh sections for customised machine protection was signed with one of the world's biggest manufacturers of industrial robots, Motoman Robotics Europe - a wholly-owned subsidiary of Japan's Yaskawa Electric Corporation.

Customers and competitors

Within the automotive and robotics industries, some of the year's most important orders came from the automotive industry in France, Spain and Great Britain. In the warehouse and industrial walling product group, the markets in Great Britain and the Netherlands have been responsible for large orders, while important contracts in the building industry have come from the Czech Republic and Sweden.

Most of the competitors in this fragmented market are small, local companies operating on geographically confined markets, along with a few European competitors such as Axelent in Sweden.



Britain's Walker Snack Foods protects its personnel at the automated central warehouse in Leicester using a machine protection system from Troax UK Limited. specialists in machine and perimeter protection



During the year Gunnebo Troax has successfully launched a system solution: the patented SafeLock pre-installed on a panel door to reduce installation time for the customer.

Outlook

Gunnebo Troax will continue to concentrate on customer-oriented system sales with total solutions including service for major customers, such as large multinational enterprises.

Completed and future investments will lead to rational production and the new, streamlined logistical systems will further strengthen the division's competitiveness. Product development is moving towards increased product standardisation with a few modules, which improves production flows and increases customer flexibility.



Stefan Andersson Head of Gunneho Troax

Products and services

Gunnebo Troax develops, manufactures, markets and sells wire-mesh walling for indoor perimeter protection within manufacturing, goods and materials handing and the housing market.

Brand names

Troax

Sales by customer area



- Material handling logistics, 35%
- Property protection, 33%
- Industrial automation 30%
- Other, 2%

Sales by market



- Great Britain, 25%
- Sweden, 15%
- Germany, 12%
- France 11%
- Switzerland, 7%
- Denmark 6 % ■ Other 24%



Deepak Khetrapal Head of Gunnebo Asia Pacific

Gunnebo Asia Pacific markets and sells the Group's entire security product range in the Asia Pacific region:

- Physical Security High-graded burglar and fire-resistant safes, security products for banks such as safety deposit boxes, bank strongrooms, strongroom doors and products for bank automation, fireresistant safes for documents and computer/ electronic records
- Integrated Security Security booths, access control systems, CCTV, alarm monitoring and response centres as well as installation and service
- Complete Fire **Protection Systems** Fire-extinguishing equipment and fire

Brand names

Chubbsafes, Fichet-Bauche, Rosengrens, Steelage, Minimax, Gunnebo, Indolok

Gunnebo Asia Pacific







rated in March. It has been expanded and modernised to international standards. The investment increases the plant's capacity fourfold while bringing the quality up to international standards. The factory has helped considerably strengthen Gunnebo's position on the Indian market, while products manufactured at the Halol plant will eventually be able to be exported to other markets in Asia and Europe. The inauguration was attended by all 420 personnel at the factory, over 100 invited customers and around 20 journal-

To the right: Gunnebo's President and CEO Bjarne Holmqvist and Gunnebo Steelage MD Naresh Hosangady, unveil a commemorative plaque.

Gunnebo Asia Pacific was formed on 1 January 2004 and is a geographically based division for developing Gunnebo's combined security business in the region. The division has developed positively during the year and is in the process of building up and staffing a complete geographical security division.

The total population of this rapidly expanding region is around 3,500 million, and security has become a matter of growing concern over the past few years.

Domestic demand has to some extent replaced exports to the USA as the main growth motor in Asia.

Increased productivity and a long tradition of saving contribute further to the scope for increased consumption. Greater awareness of security risks and an increased willingness to invest in security among companies, public institutions and private individuals alike, have brought about good growth in the security sector

The majority of the operation comprises Gunnebo Steelage in India and PT Indolok Bakti Utama in Indonesia. These two companies, along with agency sales via Gunnebo Security Singapore's 30 or so distributors, have developed well during the year. Gunnebo Security in Australia has, however, experienced weaker development.

Gunnebo Asia Pacific had a turnover of MSEK 340 in 2004 and 1,700 personnel. Organic growth during the year amounted to just over 20 per cent with good

profitability development.

The division's goal is to triple turnover within a three-year period via organic growth and strategic acquisitions.

A number of prioritised countries and markets have been defined in order to focus growth in the

These markets, in addition to India and Indonesia where the division has an excellent market position, are China and Thailand where important market investments will be made.

The division's most important customer groups are banking and finance companies, industrial corporations, power stations, retail chains, telecom operators and IT companies, along with public authorities and prisons. Gunnebo Asia Pacific will focus on offering these customers increasingly comprehensive security solutions in the form of outdoor perimeter protection, high-graded burglar and fire-resistant safes, security products for banks, burglar and fire alarms, fire extinguishing equipment, perimeter protection, entrance control systems, access control systems, CCTV, alarm monitoring and response centres, and installation and service.

Strong development in India

Organic growth in India was just over 30 per cent in 2004, largely thanks to increased deliveries of high-













sector. The factory, which has been modernised to fulfil international standards, was opened on 11 March 2004 in the presence of 550 invited guests and per-

graded security products from the rebuilt, expanded

factory in Halol, primarily for the growing banking

The investment of MSEK 20 considerably strengthens Gunnebo Steelage's position on the Indian security market.

The factory's capacity has quadrupled, while at the same time the products meet international standards in terms of quality, design and end finish.

The quality is assured in that Gunnebo Steelage has ISO 9001 certification.

It has been decided to close the factory in central

Mumbai and relocate all production to Halol. This will take place in 2005.

With a market share of approximately 30 per cent, Physical Security is the second largest supplier of physical security products in India. Main competitor Godrej's market share is estimated at approximately 60 per cent.

Minimax

The Indian market for portable fire extinguishers is heavily fragmented, with a host of local producers supplying the market with low-price products. Thanks to its well-known brand Minimax, Gunnebo Steelage has a strong foundation for further expansion. With a market share of approximately 15 per cent, Gunnebo Steelage is currently the market leader.

GUNNEBO ASIA PACIFIC 2004 2003 2002 323 346 309 Invoiced sales, MSEK Operating profit exc. items affecting comparability, MSEK* 20 13 7 Operating profit inc. items affecting comparability, MSEK* 18 13 7 Operating margin exc. items affecting comparability, %* 5.8 4.2 2.2 Return on operating capital exc. items affecting comparability, %* 14 8 4 Capital expenditure, MSEK 7 9 4 No. of employees 1,705 1.868 1.832

Sales by product area



- Physical Security, 61%
- Fire Protection Systems, 31%
- Integrated Security, 8%

Sales by market



- India, 40%
- Indonesia, 38%
- Australia, 14%
- Other, 8%

^{*} Before goodwill

During the year, PT Indolok Bakti Utama has supplied electronic security for Bank Central Asia's head office in Jakarta, Indonesia. The electronic security systems are a secure and effective complement to the heavy, manual monitoring that is still predominant in the Indonesian banking sector today. The advanced systems have enabled the bank to streamline its operation while also providing more protection for personnel.







Gunnebo Steelage sells fire protection systems. During the year, offices for Citibank, HP Invent and many others have been fitted with fire extinguishing equipments by Gunnebo Steelage.



Gunnebo Steelage is now ready to launch a new range of environmentally friendly fire extinguishers on the market and strengthen its positions.

Security Projects

The fastest growing segment in the field of security in India is construction and installation of fire protection systems. Gunnebo Steelage is one of the biggest suppliers and has carried out a host of major projects during the year, including comprehensive monitoring and fire extinguishing systems for large power stations in India and Libya.

Stable development in Indonesia

Gunnebo company PT Indolok Bakti Utama is the leading security company in Indonesia. The company develops, manufactures and sells high-graded burglar and fire-resistant safes, strongrooms and strongroom doors, data-media safes, storage boxes, fire alarms and fire extinguishing equipment, access control systems, CCTV, surveillance centres and monitoring services.

PT Indolok Bakti Utama has offices in 22 Indonesian regions, which will increase to 26 in 2005, and is represented in nearly all of the country's major towns.

During 2004, the business has developed well despite a turbulent economy due to political instability until the presidential election was over.

PT Indolok Bakti Utama is the clear market leader with over 50 per cent of the market for physical security, especially the fast-growing banking market.

Since the economic crisis of 1998, Indonesia has reformed the banking sector through far-reaching consolidation, which has resulted in the formation of several banking giants.

Since deregulation of the bank market, the indus-



try has developed rapidly and over 100 new banks have started up in Indonesia in recent years. The security market is largely unregulated with few formal security demands from companies and insurance companies. Thanks to the Gunnebo Group's wellknown brands Chubbsafes, Indolok and Gunnebo, combined with high technical standards, development for physical security products has been good during the year.

The company has also taken an active role in introducing various standards for the physical security products.

Indolok has carried out a series of electronic surveillance installations during the year, primarily for the banking market but also for the oil and gas industry, the mining industry and for other large corporations.

The security market has changed dramatically after the bombings in Bali in 2002 and Jakarta in late summer 2004. This has led to far higher awareness regarding security and increased requests for CCTV equipment, bullet-resistant windows and glass doors, explosion protection for windows, outdoor perimeter protection – all with high security performance that can withstand terrorist attacks, for example.

Outlook

Gunnebo Asia Pacific is well-poised and staffed to take the next step in its expansion. This will entail strong organic growth on the main markets of India and Indonesia, strategic acquisitions and a focus on new markets such as China and Thailand, among others. The security markets are still largely undeveloped and fragmented. By offering comprehensive security solutions of international quality, and adapting the offering to the various demands of the main markets, the objective is to create considerable profitable growth over the next few years.

Gunnebo Engineering

Operations in 2004

Gunnebo Engineering's business is conducted through the following business units:

- Gunnebo Fastening
- Gunnebo Lifting
- Gunnebo Blocks
- Gunnebo Non Skid

Gunnebo Engineering develops, manufactures, markets and sells products and services for lifting and fastening systems.

The division works with well-known products and brands in established market segments and occupies leading market positions in its product areas.

Gunnebo Engineering has its head office in Gunnebo, Sweden, and 11 subsidiaries in 11 countries

with production units in Sweden, Finland, Norway, Poland, the USA and South Africa.

Demand for the division's products has been strong in all business units during the year. This is especially true for Gunnebo Fastening which has enjoyed excellent market development in Sweden and Poland in particular. Other markets that have developed well during the year for the division are the USA, Finland and Norway, while the rest of Western Europe has reported slightly weaker development.

Gunnebo Engineering has been affected during the year by very sharp increases in steel prices. It has been possible to offset the bulk of these rises through continuous price adjustments.

The Adlersten district of Karlskrona, Sweden, has grown thanks to nail machines, screw machines,



GUNNEBO ENGINEERING	2004	2003	2002
Invoiced sales, MSEK	1,240	1,144	1,166
Operating profit, MSEK*	101	87	81
Operating margin, %*	8.1	7.6	6.9
Return on operating capital, %*	14	12	11
Capital expenditure, MSEK	34	49	50
No. of employees	1,145	1,121	1,054

^{*} Before goodwill



Christer Lenner Head of Gunnebo Engineering

Gunnebo Engineering develops, manufactures, markets and sells products and systems within:

- Fastening fasteners for the manufacturing and building industries
- Lifting lifting products for handling heavy goods, shackles and rigging screws for marine use
- Blocks heavy lifting for materials handling systems and customised lifting components for OEM
- Non Skid chainbased non-skid products for agricultural and forestry machines and for trucks

Brand names

Gunnebo Lifting, Gunnebo Fastening, Gunnebo Johnson. Gemla Mekanik, Gunnebo Non Skid, OFA, ANJA, Tellefsdal



Gunnebo Ziron is a newly launched surface finishing for fasteners from Gunnebo Fastening. The electrolytic process is environmentally friendly as hexavalent chromium has been eliminated from the production process.

Sales by product area



- Fastening, 31%
- Lifting, 48%
- Non Skid and Blocks. 21%

Sales by market



- Sweden, 28%
- North America, 17%
- Finland, 8%
- Norway, 8%
- Great Britain, 6%
- Asia Pacific, 5%
- Denmark, 4%

Other, 24%



Photograph: Courtesy of the National Science Foundation, USA

Currency effects have had a negative impact on profit of MSEK 8, primarily due to the weak US dollar. Gunnebo Engineering has a stable earning capacity even during times of poor market economy.

Now that the general economic conditions have improved in industry, the implemented streamlining

During the year, American trade publication Lift Applications & Equipment voted Gunnebo Lifting's GrabIQ range the most innovative lifting component of 2004.



measures and improved cost efficiency are yielding results in the form of increased profitability.

Swivels from Gunnebo Lifting make tough

everyday life easier for American scientists in Antarctica. For them, Gunnebo Lifting swivels are essential to ensure supplies and materials can be delivered to remote locations.

Gunnebo Fastening

Gunnebo Fastening develops, manufactures, markets and sells a variety of fastening systems mainly for the building market but also for industrial purposes. The business unit has a market-leading position in

Gunnebo Fastening's products are dependent on the development of the building market, which has been strong in the Nordic countries and in Central and Eastern Europe.

Production takes place at the division's own factories in Sweden, Finland and Poland with the output mainly destined for the Northern and Eastern European markets.

A shift in the market away from traditional nail products to other types of fasteners has resulted in greater attention being given to the range of plugs, façade screws, hardened wooden screws and collated nails.

During the year, the decision was taken to make significant investments in the Polish factory in Orneta. The investments are mainly directed at expanding capacity for façade screws for sheet-metal fastening, and concentrating production of collated nails.

Important competitors are NKT in Denmark, Spigerverket in Norway and Pintos in Finland.

Gunnebo Lifting

Gunnebo Lifting develops, manufactures, markets and sells lifting products for the handling of heavy goods, shackles and rigging screws for marine use. The business unit has approximately 20 per cent of the world market for these products. Production takes place in Sweden, Norway, Poland and South Africa with sales via 10 subsidiaries and through external distributors to 80 or so markets in all parts of the world.

Demand for Gunnebo Lifting's products has been buoyant in USA, Sweden and Ireland, but weaker in Brazil and parts of Western Europe.

Various investments to increase productivity have been made during the year, among others at the production unit in Ramnäs, Sweden. Furthermore, the decision has been taken to invest in a new forge in Gemla, Sweden, with installation in 2005. This investment will further raise production capacity while ensuring a high, customised standard of

Product development in the business unit has been concentrated on further expanding the GrabIQ sys-

In its segments, Gunnebo Lifting is one of the largest suppliers in the world. Major competitors include FKI in Great Britain and Pewag in Austria.

Gunnebo Blocks

Gunnebo Blocks develops, manufactures, markets and sells heavy lifting systems, some of which are key components in materials handling systems while others are customised components for the OEM market

Development and manufacture take place at Gunnebo Blocks' facility in Tulsa, Oklahoma, and most of its output is sold on the North American market.

Gunnebo Blocks is a leading supplier of systems and components for very heavy lifting for end users in the building, offshore and other heavy industries.

Among the larger competitors are McKissick in the USA and Ansel-Jones in Great Britain.

> Gunnebo Blocks' products are intended for the capital goods market, which has developed positively in North America during the year.

Gunnebo Non Skid

Gunnebo Non Skid is a new business unit started on 1 January 2004 which develops, manufactures and sells chain-based non-skid products. The large customer groups are mainly manufacturers and users of

agricultural and forestry machinery, and companies operating in the truck industry.

The unit has developed strongly during the year. Structural measures taken, including the production of heavier Non Skid products in Finland and lighter ones in Norway, have had the desired effect.

During the year, a new product for Timberjack has been developed and launched.

Gunnebo Non Skid is market leader on its main markets in the Nordic region and North America. Pewag and Nösted are major competitors.

Outlook

Gunnebo Engineering is active in established and mature sectors. Thanks to active cost-adaptation, strong investments and goal-oriented product development, the division has achieved a healthy improvement in profitability in 2004.

In the event of an economic recovery, the division can rapidly adapt to higher volumes with virtually unchanged resources and, therefore, higher profitability.

In 2004, OFA Oy entered an agreement with the world's biggest producer of forestry machines, Timberjack, regarding delivery of a specially developed non-skid product.

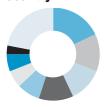
The result was a product called Twist Grip, which will be marketed by Timberjack worldwide. The special feature of Twist Grip is that it has twisted chain links where the angle of the studs gives it even better grip than conventional chains for forestry.

Gunnebo Johnson has supplied a pulley block with a capacity of 450 tonnes to the US Army Corps of Engineers. The block weighs 27 tonnes and is mounted on a Henry Shreve crane mainly used in the construction and modernisation of lock and dam systems. The photo shows a test lift with a crane barge filled with water and weighing 635 tonnes.



Gunnebo's employees

Employees by country



- France, 18%
- India, 12%
- Sweden, 12%
- Germany, 8%
- Great Britain, 6%
- Spain, 6%
- The Netherlands, 3%
- Other 22%

Employees by gender



- Male, 84%
- Female, 16%

Through organic growth and a large number of acquisitions, Gunnebo has developed into a global corporation with 8,151 employees, who work for 110 subsidiaries in 32 countries in all continents.

Gunnebo's highly decentralised organisational structure, with responsibilities and decision-making authority delegated down the organisation, enables the Group to offer its employees a work environment in which the customers' demands are extremely clear and form the basis for ongoing competence development.

International competence development

Gunnebo's global presence provides opportunities for international contacts that are both stimulating and challenging. Responsibility for competence development is largely delegated to the individual divisions, business units and companies. This means that many employees are involved in making important decisions, and that they have a broader, more qualified remit in their work.

Parallel to this, the need for qualified managers with international experience is becoming more marked in line with Gunnebo's rapid expansion. In order to meet this need, the company started Gunnebo Academy three years ago. The academy provides training for existing and future managers that is intended to raise competence and stimulate cross-divisional co-operation. In 2004, approximately 40 managers received training under the aegis of Gunnebo Academy, and planning has begun for continuation courses that are more individual in character. In all, 200 managers have undergone training in the Gunnebo Academy.

Continuous competence development takes place within the divisions, including the following:

- Gunnebo Physical Security has carried out training in production economy at the division's factories during the year
- Gunnebo Integrated Security has trained managers and the sales force in Security Facility Management, i.e. needs analysis, marketing and sales of complete electronic security systems.

Gunnebo Troax has opened a Training Centre at its factory in Hillerstorp, Sweden, during the year, which provides opportunities for practical training in handling products, including installation and service for Gunnebo Troax's own personnel, retailers and key customers.

Unitech - recruitment for the long term

Gunnebo has continued its involvement in Unitech, an association of technical colleges and prominent European enterprises, with the object of offering students trainee placements and giving the companies an opportunity to identify and recruit the business leaders of tomorrow. Other companies involved in Unitech include ABB, Mercedes-Benz and SKF.

60 gather for international managers' conference

In mid-2004, Gunnebo organised its fourth international managers' conference in Hindås, just outside Göteborg. The theme of the conference was higher profitability through more efficient co-operation across divisional and company boundaries. Sixty top managers from 16 countries all over the world took part in the conference, which mainly focused on an exchange of experiences.

Also during the conference, prizes were awarded to the best companies in each division, as well as a distinction for the best company in the Gunnebo Group (see photo overleaf, bottom right).

Equality of opportunity and ethical rules

Gunnebo's attitude towards equality of opportunity is reflected in the equal opportunities offered to men and women for employment, development and promotion, and the fact that their pay should be assessed equally, regardless of gender. In practice, this means that Gunnebo gives priority to attracting women onto its management training courses. The long-term recruitment programme also focuses on attracting more female applicants with the object of achieving a better

40 members of personnel took part in the internal Gunnebo Academy management training programme during the autumn





French Fichet-Bauche's subsidiary Fichet Securité Physique celebrated its 100th jubilee in October. The occasion was celebrated with an open day at the factory in Bazancourt attended by all personnel.

gender balance. At the end of 2004, two per cent of managers with HR responsibilities were female, while women made up 16 per cent of all personnel.

It is a demand within Gunnebo that all companies, in their day-to-day activities, comply with the ethical Code of Conducts that regulates the Group's responsibility towards its customers, employees, suppliers and society at large. Gunnebo's ethical rules are based on the UN's Global Compact Principles and the OECD's guidelines for multinational enterprises. A review and discussion regarding Gunnebo's ethical Code of Conducts formed part of Gunnebo's fourth international management con-

In Europe, Gunnebo works closely with employee representatives through the Gunnebo European Works Council (EWC). Apart from the main annual meeting, the EWC's executive committee meets representatives of the Group management regularly throughout the year.

Market conditions

Gunnebo follows an international system for ensuring that personnel are employed on market conditions in the countries where Gunnebo operates. The company also takes a proactive approach to succession planning to ensure that vacancies are filled quickly and efficiently. Moreover, Gunnebo's Board adopted a new pension policy during the year for senior executives.

Advanced technology

Many of Gunnebo's companies make use of advanced technology. The ability to maintain a high technical status, to absorb and apply new technical advances and turn them into successful business ideas is an important means of strengthening the Group's market positions.

Gunnebo therefore works closely with a number of universities and institutes of technology, both in Sweden and abroad



Winners, left to right: Martin Jonsson, head of Gunnebo Fastening, who received the award for Gunnebo Baltic. Poland; Staffan Grimbrandt, President Gunnebo Protection; Lars Proos, President Gunnebo Entrance Control -Gunnebo's best company; Olivier du Portal, President Fichet Sécurité Physique, France; Laurent Mussilier, President Fichet Sécurité Electronique, France: William Mouat, President PT Indolok Bakti Utama, Indonesia; and Stefan Andersson, division head Gunnebo Troax who received the prize for Gunnebo Troax, Norway.

Gunnebo and the environment

Environmental policy

The activities of the Gunnebo Group shall be characterised by a holistic approach in which importance is given to environmental considerations. In our day-to-day activities, we shall foster good health, continuously improve our environmental activities, minimise the environmental impact of our business. and be economical with resources

This means that:

- We shall use information and training to foster a responsible attitude towards the environment on the part of all employees
- We shall base our environmental activities on challenging targets, with legislative and official requirements being the minimum require-
- We shall give careful consideration to the environment in the development of new products and manufacturing methods
- We shall continuously endeavour to make more efficient use of resources and reduce the use of hazardous substances
- We shall adopt an open attitude towards the environment

The Gunnebo Group operates in many countries and has production facilities on four continents. Due to the geographical distribution, the environmental situation, access to natural resources and other aspects vary from one unit to the next. The Group's environmental activities therefore take place at a local level and decisions are taken by those with the best knowledge of local conditions. All environmental work is, however, characterised by the overall goal of actively contributing towards a sustainable society in the long term.

A key tool for these environmental activities is provided by the environmental management systems introduced at the Group's production units. During the year, four units were audited and certified in accordance with the ISO 14001 international standard.

Because knowledge is an important condition for successful environmental work, environmental training is carried out both in connection with the introduction of environmental management

duction units.

Gunnebo Kubon Trier. Certificate ISO 14001. systems and in the form of supplementary training. Knowledge is also shared throughout Gunnebo's environmental network, which is comprised of environmental managers at the pro-

Gunnebo's involvement in environmental issues does not stop when the products leave the company's factories. Product development aims to give the products a longer service life, and ensure that they have the minimum impact on environmental and natural resources during their life cycle. When the products have reached the end of their useful life, they are adapted for efficient materials recycling and reuse of components.



Granollers Certificate ISO 14001.



Baldenheim and Sarrequemines Certificate ISO 14001.



Environmental management systems - an important tool

Gunnebo's goal is for all production units within the Group to introduce environmental management systems which fulfil the requirements of ISO 14001. During 2004, a further four plants have gained certification for the environmental management systems they introduced:

- In January, the management system at the unit in Spanish Granollers was audited and approved by ECA, Entidad de Certificación y Aseguramiento.
- The French plants in Sarreguemines and Baldenheim were certified by BVQI in September.
- After a successful introduction of its environmental management system at Gunnebo Kubon's plant in Trier, Germany, the unit was granted its certificate in December.

Establishing effective environmental management systems at the production units is a way of assuring proactive environmental activities, whereby the units establish clear environmental objectives and draw up suitable action plans, for example. It also facilitates the identification of important environmental issues and

ISO 14001 environmental certification

Division	Plant	Certified
Gunnebo	Bazancourt, France	2002
Physical Security	Bekasi/Jakarta, Indonesia	2003
Security	Doetinchem, Netherlands	1999
	Granollers/Barcelona, Spain	2004
	Markersdorf, Germany	2003
	Mora, Sweden	2000
	Sarreguemines, France	2004
	Trier, Germany	2004
Gunnebo Integrated Security	Baldenheim, France	2004
Gunnebo Perimeter Security	Hillerstorp, Sweden	1998
Gunnebo	Gemla, Sweden	2003
Engineering	Gunnebo, Sweden	2003
	Göteborg, Sweden	2003
	Junsele, Sweden	2003
	Orneta, Poland	2003
	Ramnäs, Sweden	2003



Equipment for ventilation. treatment and heat recovery. Troax Hillerstorp, Sweden.

reporting of environmental data.

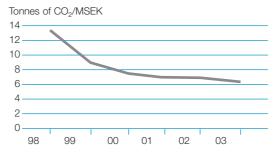
The regular external inspection of the environmental management systems also helps ensure that appropriate, adequate procedures for environmental work are in place and that personnel are familiar with these procedures.

Thanks to certifications in the past year, the Group's production primarily takes place at plants that have inspected and approved environmental management systems. The table to the left shows Gunnebo's certified plants.

The climate

Reducing Gunnebo's contribution to the greenhouse effect is one of the most important areas of its environmental work. Thanks to systematic energy-saving and other measures, optimised travel and more efficient freight transport, for example, the Group has been able to reduce its emissions. Several tangible measures were carried out in 2004 which have rationalised energy consumption, thereby reducing carbon dioxide (CO₂) emissions. Emissions have also fallen in recent years in relation to the size of the operation.

CO₂ emissions in relation to turnover



Folksam's Climate Index

Gunnebo has participated for some years in evaluations of the environmental performance of the production facilities, both in Sweden and abroad, of listed Swedish companies. Folksam's Climate Index is based on each company's total emissions of ${\rm CO}_2$ and the measures taken to minimise emissions. In the latest evaluation. Gunnebo was ranked as 'Excellent' for its measures on the climate and the quality of its response. Gunnebo's climate trend is judged to be stable.

Units in Sweden required to hold a permit or submit reports

The table below shows the Swedish units that are covered by the demand to submit reports or hold a permit.

Company	Statutory	tatutory Environmental impact takes the form of				
	obligation	Emissions into air	Emissions into water	Noise	Chemical products	Residual products
Gunnebo Industrier AB, Gunnebo	Licence	X	X	X	X	X
Gunnebo Industrier AB, Ramnäs	Report	Χ				Χ
Gunnebo Industrier AB, Gemla	Licence	Χ		Χ		Χ
Gunnebo Industrier AB, Junsele	Licence				Χ	Χ
Gunnebo Troax AB, Hillerstorp	Licence		Χ		Χ	Χ
Gunnebo Protection AB, Ödeborg	Report	Χ			Χ	Χ
Rosengrens Produktions AB, Mora	Licence	Χ			X	Χ

All of these units have the necessary permits or have submitted reports to the respective supervisory authority.

Environmental objectives

Based on the most important environmental issues and the environmental policy, overall environmental objectives have been established for the Gunnebo Group. The objectives refer to prioritised areas where environmental performance should be improved. The objectives are then broken down locally into environmental targets which shall be achieved through appropriate, adequate measures established in local action programmes.

The following environmental objectives have been established:

- To minimise emissions into air of volatile organic substances
- To optimise the use of energy in processes, buildings and the transportation of goods and people
- To make efficient use of raw materials and natural resources
- To maintain effective sorting-at-source and recycling of materials in order to minimise the amount of nonrecycled waste
- To establish a strategy for product development that takes into account environmental aspects, such as energy consumption and the use of natural resources throughout each product's total life cvcle
- To introduce at all production units environmental management systems that satisfy the ISO 14001 standard

Current environmental projects

Several tangible measures have been taken during the past year to reduce the environmental impact of the Group's plants and to utilise energy and other resources as efficiently as possible. The following section describes some of the completed projects.

New air-cooled compressors have been installed at the unit in Barrie, Canada, which has reduced energy consumption and stopped emissions of heated cooling water into watercourses. This water consumption used to amount to approximately 8,000 m³ a year.

New compressors at the factory in Barrie, Ontario,

At the factory in Salzkotten, Germany, distillation equipment has been installed to clean and recycle used solvent. The system will reduce consumption of solvent, hazardous waste volumes and emissions into

Several environmental projects have been carried out at Bazancourt, France, during the year. For example, the environmental station for hazardous waste has been rebuilt and energy consumption reduced by adding further insulation in the factory building.

In order to clean the ventilation air of welding fumes and enable effective heat recovery, new dust filters have been installed at Troax's factory in Hillerstorp, Sweden. The filters clean the air which is then led on to rotation heat exchangers. The equipment contributes to an annual energy saving in the region of 500 MWh.

A new station for handling hazardous substances has come online at the Gunnebo Kubon plant in Trier, Germany.

At the Rosengrens plant in Mora, Sweden, a vacuum evaporation system for polluted wash-water has been installed. The system separates salts from the

polluted wash-water which, after treatment, can be fed into the local sewerage network.

In Mora, Sweden, a new ventilation system has been installed which will reduce the plant's energy consumption considerably.

At our Italian subsidiary Italdi's plant in Lavis, a new packaging machine has been commissioned during the year. The machine helps reduce the amount of packaging waste, as the waste can either be reused or used for energy recovery.



New packaging machine at subsidiary Italdi's factory in



The re-usabled packaging material in place.

Consolidated income statement

			maining erations	Operation for distribut to shareholders*		tion Group total	
MSEK	Note	2004	2003	2004	2003	2004	2003
Invoiced sales	3	6,085.8	5,816.9	1,239.8	1,144.2	7,325.6	6,961.1
Cost of goods sold		-4,044.4	-3,869.9	-865.9	-810.0	-4,910.3	-4,679.9
Gross operating profit		2,041.4	1,947.0	373.9	334.2	2,415.3	2,281.2
Selling costs		-1,006.2	-925.4	-191.6	-179.1	-1,197.8	-1,104.5
Administrative costs	27	-755.6	-722.1	-91.2	-83.7	-846.8	-805.8
Interest in earnings of associated companies		0.4	3.6	-	_	0.4	3.6
Other operating income	4	25.8	16.7	2.5	7.9	28.3	24.6
Other operating costs	5	-115.7	_	-	_	-115.7	_
		-1,851.3	-1,627.2	-280.3	-254.9	-2,131.6	-1,882.1
Operating profit	3, 6, 23	190.1	319.8	93.6	79.3	283.7	399.1
Financial income and costs							
Interest income		2.4	2.9	3.0	2.9	5.4	5.8
Interest costs		-39.5	-41.3	-18.6	-20.4	-58.1	-61.7
Other financial income		12.6	7.9	0.6	1.2	13.2	9.1
Other financial costs		-17.2	-7.5	-2.5	-3.8	-19.7	-11.3
		-41.7	-38.0	-17.5	-20.1	-59.2	-58.1
Profit after financial items		148.4	281.8	76.1	59.2	224.5	341.0
Taxes	7	-37.2	-58.7	-26.5	-21.1	-63.7	-79.8
Minority interest in profit	8	-0.2	-0.6	-0.8	-0.8	-1.0	-1.4
Net profit for the year		111.0	222.5	48.8	37.3	159.8	259.8
Earnings per share, SEK	9	2.55	5.15	1.10	0.85	3.65	6.00
Earnings per share after dilution, SEK	9	2.50	5.10	1.10	0.85	3.60	5.95

 $^{^{\}star}$ Refers to the group effects of the proposed distribution of Gunnebo Industrier.

Consolidated balance sheet

			naining rations	Operation for	r distribut holders*	tion Group total	
ASSETS, MSEK	Note	2004	2003	2004	2003	2004	2003
Fixed assets							
Intangible fixed assets							
Goodwill	10	1,029.0	871.4	79.9	87.4	1,108.9	958.8
Other intangible fixed assets	10	117.6	86.8	3.0	2.8	120.6	89.6
Total intangible fixed assets		1,146.6	958.2	82.9	90.2	1,229.5	1,048.4
Tangible fixed assets							
Buildings and land	11	357.3	353.9	118.3	119.9	475.6	473.8
Machinery and plant	11	166.2	152.3	185.3	193.2	351.5	345.5
Equipment, tools, fixtures and fittings	11	112.4	97.0	35.2	34.9	147.6	131.9
Fixed assets under construction	11	26.5	44.3	5.9	15.1	32.4	59.4
Total tangible fixed assets		662.4	647.5	344.7	363.1	1,007.1	1,010.6
Financial fixed assets	13	165.2	76.1	5.3	5.1	170.5	81.2
Total fixed assets		1,974.2	1,681.8	432.9	458.4	2,407.1	2,140.2
Current assets							
Inventories	14	847.1	745.8	347.7	314.7	1 194.8	1,060.5
Operating receivables							
Accounts receivable		1,386.9	1,236.1	183.3	167.2	1,570.2	1,403.3
Tax receivables		38.3	22.3	_	_	38.3	22.3
Other current receivables		192.0	163.7	-27.3	-19.4	164.7	144.3
Prepaid costs and accrued income	15	72.9	94.8	5.2	3.4	78.1	98.2
Total operating receivables		1,690.1	1,516.9	161.2	151.2	1,851.3	1,668.1
Cash and bank		171.6	197.5	31.7	23.7	203.3	221.2
Total current assets		2,708.8	2,460.2	540.6	489.6	3,249.4	2,949.8
TOTAL ASSETS		4,683.0	4,142.0	973.5	948.0	5,656.5	5,090.0

^{*} Refers to the group effects of the proposed distribution of Gunnebo Industrier.

			naining rations	Operation for distribute to shareholders*		tion Group total	
EQUITY AND LIABILITIES, MSEK	Note	2004	2003	2004	2003	2004	2003
Equity	16						
Restricted equity	10						
Share capital		218.9	218.9	_	_	218.9	218.9
Restricted reserves		514.0	561.7	_	_	514.0	561.7
		732.9	780.6	-	_	732.9	780.6
Non-restricted equity							
Non-restricted reserves		564.7	472.5	315.3	357.2	880.0	829.7
Net profit for the year		111.0	222.5	48.8	37.3	159.8	259.8
		675.7	695.0	364.1	394.5	1,039.8	1,089.5
Total equity		1,408.6	1,475.6	364.1	394.5	1,772.7	1,870.1
Minority interest		2.9	1.6	4.6	4.3	7.5	5.9
Provisions							
Provisions for post-employment benefits	17, 26	319.5	100.3	72.6	76.0	392.1	176.3
Deferred tax liability	7	36.5	36.4	14.5	13.3	51.0	49.7
Other provisions	18	282.9	155.9	2.9	3.7	285.8	159.6
Total provisions		638.9	292.6	90.0	93.0	728.9	385.6
Interest-bearing liabilities	19						
Overdraft facilities		68.5	22.5	23.5	2.7	92.0	25.2
Liabilities to credit institutions	21	1,118.9	1,027.6	314.4	312.0	1,433.3	1,339.6
Total interest-bearing liabilities		1,187.4	1,050.1	337.9	314.7	1,525.3	1,364.8
Operating liabilities							
Liabilities to suppliers		751.7	691.7	90.1	64.5	841.8	756.2
Tax liabilities		61.8	39.7	10.7	8.0	72.5	47.7
Other liabilities		191.5	198.4	7.9	7.4	199.4	205.8
Accrued costs and deferred income	20	440.2	392.3	68.2	61.6	508.4	453.9
Total operating liabilities		1,445.2	1,322.1	176.9	141.5	1,622.1	1,463.6
TOTAL EQUITY AND LIABILITIES		4,683.0	4,142.0	973.5	948.0	5,656.5	5,090.0
Pledged assets	21	1.8	27.5	22.5	22.8	24.3	50.3
Contingent liabilities	22	193.0	304.1	4.3	4.7	197.3	308.8
CHANGE IN CONSOLIDATED EQUITY, MSEK	• • • • • • • • • • •			• • • • • • • • • •	• • • • • • • •	2004	2003
Opening equity						1,870.1	1,646.5
Currency differences						-35.1	-32.9
Net profit for the year						159.8	259.8
Dividend						-98.5	-84.8
Change in accounting principle in accordance with RR 29						-123.6	_
Conversion of convertible loan						-	81.5
Closing equity						1,772.7	1,870.1
* Refers to the group effects of the proposed distribution of Gunnebo In	dustrier.						

Consolidated cash flow analysis

			aining ations	Operation fo to share	r distributi holders*		ıp total
MSEK	Note	2004	2003	2004	2003	2004	2003
CURRENT OPERATIONS							
Operating profit		190.1	319.8	93.6	79.3	283.7	399.1
Depreciation charged against the result		182.6	173.1	57.9	54.4	240.5	227.5
Items not affecting cash flow		-0.4	3.6	-	_	-0.4	3.6
Capital gains/losses		-20.2	-0.9	-0.2	-0.2	-20.4	-1.1
Change in provisions		26.1	-134.1	-0.8	-0.7	25.3	-134.8
Net financial items affecting cash flow	24	-34.5	-63.4	-17.4	-20.1	-51.9	-83.5
Paid taxes		-79.7	-38.9	-19.1	-15.1	-98.8	-54.0
Dividends from associated companies		0.9	3.3			0.9	3.3
Cash flow from current operations before changes in working capital		264.9	262.5	114.0	97.6	378.9	360.1
Cash flow from changes in working capital							
Change in inventories		-10.5	16.4	-36.7	-6.6	-47.2	9.8
Change in operating receivables		-21.1	119.4	-20.2	2.1	-41.3	121.5
Change in operating liabilities		-29.0	-43.8	42.4	17.7	13.4	-26.1
Total change in working capital		-60.6	92.0	-14.5	13.2	-75.1	105.2
Cash flow from current operations		204.3	354.5	99.5	110.8	303.8	465.3
INVESTMENT ACTIVITIES							
Capital expenditure	10, 11	-146.8	-149.1	-34.3	-48.6	-181.1	-197.7
Sales of fixed assets		36.9	4.6	2.7	3.4	39.6	8.0
Acquisitions and disposals of companies	25	-153.9	-26.8	-1.7	-29.6	-155.6	-56.4
Cash flow from investment activities		-263.8	-171.3	-33.3	-74.8	-297.1	-246.1
FINANCING ACTIVITIES							
Change in interest-bearing receivables		-0.1	-0.7	-0.1	2.9	-0.2	2.2
Change in interest-bearing liabilities		134.3	-229.5	-57.7	-33.1	76.6	-262.6
Dividend		-98.5	-84.8	_	_	-98.5	-84.8
Cash flow from financing activities		35.7	-315.0	-57.8	-30.2	-22.1	-345.2
Cash flow for the year		-23.8	-131.8	8.4	5.8	-15.4	-126.0
Opening liquid funds		197.5	342.5	23.7	19.8	221.2	362.3
Translation differences on liquid funds		-2.1	-13.2	-0.4	-1.9	-2.5	-15.1
Closing liquid funds		171.6	197.5	31.7	23.7	203.3	221.2

^{*} Refers to the group effects of the proposed distribution of Gunnebo Industrier.

Parent company income statement

MSEK	Note	2004	2003
Invoiced sales	28	22.4	17.5
Administrative costs	27, 28	-64.7	-63.9
Operating loss	6, 23	-42.3	-46.4
Financial income and costs			
Dividends from Group companies		60.0	161.4
Write-down of shares in Group companies		-0.1	-125.2
Group contributions received		92.4	48.6
Group contributions paid		-27.1	-17.3
Interest income from Group companies		32.6	9.1
Interest costs to Group companies		-74.6	-56.9
Other interest costs		-0.1	-2.1
Result from securities held as fixed assets		0.4	-
Other financial income		45.0	39.8
Other financial costs		-0.7	-3.2
		127.8	54.2
Profit before tax		85.5	7.8
Taxes		-	-
Net profit for the year		85.5	7.8

Parent company balance sheet

ASSETS, MSEK	Note	2004	2003
Fixed assets			
Tangible fixed assets			
Equipment	11	3.2	3.6
Total tangible fixed assets		3.2	3.6
Financial fixed assets			
Shares in Group companies	12	2,736.2	2,726.4
Other securities held as fixed assets	13	6.6	9.3
Receivables from Group companies		161.7	_
Total financial fixed assets		2,904.5	2,735.7
Total fixed assets		2,907.7	2,739.3
Current assets			
Operating receivables			
Accounts receivable		-	0.3
Receivables from Group companies		19.6	33.9
Other current receivables		2.4	2.3
Prepaid costs and accrued income	15	3.0	36.3
Total operating receivables		25.0	72.8
Cash and bank		9.9	0.5
Total current assets		34.9	73.3
TOTAL ASSETS		2,942.6	2,812.6

EQUITY AND LIABILITIES, MSEK	Note	2004	2003
Equity	16		
Restricted equity			
Share capital (43,779,948 shares each having			
a par value of SEK 5)		218.9	218.9
Share premium reserve		214.0	214.0
Legal reserve		320.0	320.0
		752.9	752.9
Non-restricted equity			
Retained earnings		363.6	454.3
Net profit for the year		85.5	7.8
		449.1	462.1
Total equity		1,202.0	1,215.0
Interest-bearing liabilities	19		
Liabilities to Group companies		1,718.5	1,528.0
Overdraft facilities		0.1	6.9
Total interest-bearing liabilities		1,718.6	1,534.9
Operating liabilities			
Liabilities to suppliers		4.9	7.4
Liabilities to Group companies		2.7	42.6
Other liabilities		2.0	2.5
Accrued costs and deferred income	20	12.4	10.2
Total operating liabilities		22.0	62.7
TOTAL EQUITY AND LIABILITIES		2,942.6	2,812.6
Pledged assets		None	None
Contingent liabilities	22	1,620.3	1,472.5
CHANGE IN PARENT COMPANY EQUITY, MSEK		2004	2003
Opening equity		1,215.0	1,210.5
Net profit for the year		85.5	7.8
Dividend		-98.5	-84.8
Conversion of convertible loan		-	81.5
Closing equity		1,202.0	1,215.0

Parent company cash flow analysis

	Note	2004	2003
CURRENT OPERATIONS			
Operating loss		-42.3	-46.4
Depreciation charged against the result		1.1	0.7
Net financial items affecting cash flow	24	54.9	-12.0
Paid taxes		-	_
Cash flow from current operations			
efore changes in working capital		13.7	-57.7
Cash flow from changes in working capital			
Change in operating receivables		14.9	27.9
Change in operating liabilities		-0.6	8.7
otal change in working capital		14.3	36.6
Cash flow from current operations		28.0	-21.1
NVESTMENT ACTIVITIES			
Capital expenditure	11	-0.7	-2.9
Sale of equipment		_	0.1
Investments in shares in Group companies	12	-9.9	-18.9
Sale of shares in Group companies		0.1	_
Investments in securities held as fixed assets		-	-9.3
Sale of securities held as fixed assets	13	3.1	_
Cash flow from investment activities		-7.4	-31.0
INANCING ACTIVITIES			
Change in interest-bearing receivables		-161.7	_
Change in interest-bearing liabilities		249.0	67.8
Dividend		-98.5	-84.8
Cash flow from financing activities		-11.2	-17.0
Cash flow for the year		9.4	-69.1
			00.0
Opening liquid funds		0.5	69.6

Notes

Amounts in MSEK except where otherwise stated

Note 1 Accounting principles

Accounting and valuation principles

The annual report has been prepared in accordance with the Annual Accounts Act and complies with the recommendations and statements of the Swedish Financial Accounting Standards Council.

The Swedish Financial Accounting Standards Council's Recommendation RR 29, Employee Benefits, came into effect in 2004. The introduction of this recommendation has resulted in a decrease in opening equity of MSEK 123. Application of the new recommendation has not had any material effect on the pension cost for the year.

Otherwise the accounting principles are unchanged compared with last vear.

Principles of consolidation

The consolidated financial statements relate to Gunnebo AB and those companies in which the company directly or indirectly owns shares controlling more than 50 per cent of the votes, or over which the company exercises control in some other way.

The consolidated financial statements have been drawn up in accordance with the purchase method, whereby the consolidated equity includes the parent company's equity and subsidiary companies' equity generated after acquisition dates. The difference between the acquisition value of shares in subsidiary companies and the market value at the time of acquisition of the assets and liabilities acquired is stated as goodwill.

Translation of accounts of foreign subsidiaries

The accounts of foreign companies included in the consolidated financial statements are translated using the daily rate method, whereby all the assets and liabilities of subsidiaries are translated into Swedish kronor at closing date rates and all income statement items are translated at average rates for the year. Translation differences arising are taken direct to equity and do not affect the year's result.

Minority interests

In the consolidated income statement, minority interests are reported in the consolidated net profit.

Minority interests in the equity of subsidiaries are stated in a separate item in the consolidated balance sheet.

Accounting treatment of associated companies

Companies that are not subsidiaries but in which Gunnebo owns at least 20 per cent of the votes or otherwise exerts a significant influence are reported as associated companies.

Shareholdings in associated companies are stated using the equity inter-

This means that the acquisition cost of shares, adjusted to take into account the Group's interests in the associated companies' result, is entered in the consolidated balance sheet, under financial fixed assets, after deduction for goodwill amortisation and dividend received. The interest in the earnings of associated companies is stated in the income statement at

- Interest in profit before tax is included in the consolidated operating profit
- Interest in associated companies' tax is reported in the consolidated tax cost

Intra-Group pricing

Deliveries of goods and services between companies in the Group are priced based on the arm's-length principle.

Transactions with related parties

Transactions with related parties are priced based on the arm's-length principle.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued at closing date exchange rates. If currency flows have been hedged through forward contracts, the exchange rate in the forward contract is used for valuing the underlying receivable or liability.

Accounting treatment of financial instruments - hedges

The Group signs hedging contracts based on the forecast volume in order to hedge future currency flows. Currency differences on hedging transactions are entered in the same period as the underlying flow in the income statement. Any hedging premiums/discounts are treated in the same way as interest and periodised, and stated under net financial items.

To reduce the Group's currency exposure, the net assets of foreign subsidiaries are hedged by loans or forward contracts in the corresponding foreign currency. In the consolidated financial statements, currency differences on the loans are eliminated and netted off against the translation differences arising in connection with the translation of foreign companies' net assets, taking tax effects into account.

In certain cases, interest swaps are arranged as a means of protecting the Group against changes in interest rates. Differences in rates to be received or paid, if any, on account of an interest swap are reported as interest income or interest costs and periodised over the term of the swap agreement.

Inventories

Inventories are valued at the lower of acquisition value and net realisable value in accordance with the first-in first-out principle. The value of inventories includes an attributable share of indirect costs. Inventories are reported net after necessary deductions for obsolescence and internal profits.

Income for major projects of long duration on behalf of outside parties is recognised on the basis of the degree of completion, which is determined by comparing costs incurred on the closing date with the estimated total cost.

Income tax

The stated income tax comprises tax that is to be paid or received for the financial year in question, adjustments to previous years' taxes, changes in deferred tax, and interests in the tax of associated companies.

All tax liabilities and receivables are valued at nominal amounts in accordance with the tax rules and at the tax rates that have been decided or, if announced, will almost certainly be approved.

Tax effects relating to items in the income statement are also stated in the income statement.

The tax effects of items taken direct against equity are stated against

Deferred tax is calculated based on the difference between the value for tax purposes and the stated value of assets and liabilities (temporary differences), and on loss allowances.

Deferred tax is also calculated on the basis of the unrealised result of loans and forward contracts entered into to hedge the net assets of foreign subsidiaries (equity hedges). Changes in this item are taken direct to equity.

Deferred tax receivables attributable to loss allowances are only reported if it is probable that the deduction can be netted against a surplus in future taxation.

Pension commitments

As of 2004 Gunnebo applies RR 29, Employee Benefits, in its reporting of pensions, healthcare benefits and other remunerations. Up to and including 2003, these items were reported in accordance with local laws and regulations in the country in question. In line with the transition rules for RR 29, an opening liability has been calculated on 1 January 2004 which exceeds the reported liability on 31 December 2003. Gunnebo has decided to recognise the entire increase in liability immediately, including all actuarial gains and losses.

The recommendation makes a distinction between defined contribution and defined benefit pension plans. Defined contribution pension plans are defined as plans where the company makes pre-determined payments to a third party and has no other obligation once the premiums have been paid. Such plans are reported as costs when the premiums are paid.

Other plans are defined benefit plans in which the obligations remain within the Gunnebo Group. These obligations and costs regarding employment during the current period are based on actuarial calculations in accordance with the projected unit credit method. External actuaries are engaged for these calculations. The actuarial assumptions used to calculate the obligations and costs vary with the economic factors that reflect conditions in the countries where the defined benefit plans are located.

The Group's defined benefit plans are either non-funded or funded externally. In the case of non-funded plans, benefits are paid using the assets of the company that took out the plan.

Provisions in the balance sheet comprise the current value of the defined benefit obligations adjusted for the unreported actuarial gains and losses and the unreported costs for employment during earlier periods.

As regards the funded plans, the plans' invested assets are separated from the Group's assets in externally managed funds. Liabilities or assets entered in the balance sheet relating to funded plans represent the amount by which the market value of the invested assets exceeds or falls short of the current value of the defined benefit obligations, adjusted for unreported actuarial gains or losses and costs relating to employment during earlier periods. However, a net asset is only entered to the extent that it represents future financial benefits which the Group can utilise, for example in the form of reduced contributions in the future or repayment of funds paid into the plan. When it is not possible to utilise such surpluses, they are not reported but disclosed in the notes.

Actuarial gains or losses mainly arise in the event of changes in actuarial assumptions and differences between actuarial assumptions and the outcome in reality. The part of the accumulated amount exceeding 10 per cent of the higher of the obligations' current value and the invested assets' market value at the year-end, is included in the figure for the expected average remaining period of employment for the employees covered by the plan.

For all defined benefit plans, the actuarial costs, which burden the result, comprise the cost regarding employment during the current period, interest cost, expected return on invested assets (funded plans only), cost regarding employment during previous periods and any amortisation of actuarial gains or losses. The cost for employment during previous periods, which refers to changes in pension terms, is realised once these improvements have become transferable, or is amortised during the period until this happens.

The above-mentioned accounting principle for defined benefit plans is only applied in the consolidated accounts. The parent company and subsidiaries continue to use a local calculation for pension provisions and pension costs in their annual reports.

Some of the plans for supplementary pensions for salaried employees in Sweden are financed through insurance premiums paid to Alecta. This arrangement constitutes a defined benefit plan encompassing several employers. Alecta is currently unable to provide the information required to report the plan as a defined benefit plan. Consequently, supplementary pensions for salaried employees insured with Alecta are stated as defined contribution plans.

Provisions

Liabilities that are uncertain in terms of amount or when they will be settled are entered as other provisions.

Provisions to cover guarantee costs are based on previous years' guarantee costs.

Accounting treatment of revenue

Revenue from the sale of goods and services is booked when an agreement has been reached with a customer and the products have been delivered or the services provided and when all significant risks have passed to the customer.

Sales are stated net after value added tax (VAT), discounts and returns. Intra-Group sales are eliminated in the Group.

Other operating income

Other operating income mainly comprises income in the form of royalties, rent, capital gains on sales of fixed assets and currency gains on receivables and liabilities that are operational in character.

Other operating costs

Other operating costs comprise items affecting comparability and currency losses on receivables and liabilities that are operational in character.

Product development costs

Expenditure on development projects is capitalised under intangible assets to the extent it is expected to generate financial benefits in the future.

Other product development costs are taken into the income statement as they are incurred and are entered under cost of goods sold.

Development costs previously stated as costs in the income statement are not capitalised in later periods.

Capitalised development costs are depreciated linearly over the period during which the estimated benefits are expected to accrue to the company and from the start of commercial production.

Acquired software

Expenditure on software that has been developed or extensively modified on behalf of the Group is capitalised as an intangible asset if the software is likely after one year to have financial benefits in excess of the cost. Other software of a standard character is stated as a cost. Capitalised expenditure on acquired software is depreciated linearly over its service

Tangible fixed assets

Tangible fixed assets are stated at acquisition value less depreciation.

The acquisition value includes costs directly attributable to bringing the asset to the location and into the condition required for it to be used for its intended purpose.

Expenditure on improving its performance over and above the original level will increase the stated value. Expenditure on repairs and/or maintenance is reported as operating cost.

Depreciation and amortisation

Depreciation/amortisation according to plan is based on the original acquisition value of the assets and is spread over the estimated economic lives.

The following depreciation/amortisation periods are used:

Vehicles 5 years Computers 3-5 years Other machinery and equipment 5-15 years Buildings and land 20-50 years Goodwill 5-20 years Other intangible fixed assets 3-5 years

Goodwill is amortised over 20 years in the case of strategic acquisitions with strong brand names and when the benefit is estimated to be at least 20 years. Goodwill arising on other acquisitions is amortised over 5-10 years. Goodwill amortisation is stated in the income statement under selling costs.

Impairments

When there is an indication that the value of an asset has declined, an assessment is made of the asset's recoverable value. In cases where the book value of the asset exceeds its estimated recoverable value, the value of the asset is written down to its recoverable value.

When a leasing agreement means that the financial benefits are, in all essentials, passed on to the Group, as the lessee, and the Group bears the economic risks attributable to the leased object (financial leasing), the object is stated as a fixed asset in the consolidated balance sheet. The corresponding undertaking to pay leasing charges in the future is reported as a liability.

The Group has entered into certain financial leasing agreements in respect of company cars, photocopiers, etc., which, in view of their limited effect, are stated as operational leasing.

Cost of borrowing

Borrowing costs in the form of interest are charged against the result as and when they are incurred.

Front-end costs associated with the raising of long-term loans are periodised over the term of the loan agreement.

Cash flow analysis

The cash flow analysis is prepared using the indirect method. The stated cash flow only includes transactions that involve disbursements or receipts of cash. All transactions involving foreign subsidiaries are stated after translation at average exchange rates for the year.

Acquisitions or sales of subsidiaries are included net under investment activities and do not affect the cash flow from operations.

Liquid funds consist of cash and bank deposits.

Employee stock options

Social security charges that may arise on the Group's employee stock option plans are matched when the options are exercised in the income statement by corresponding gains on the hedging agreements with credit institutions. An accrued cost is stated in the balance sheet in respect of social security charges together with a corresponding accrued income item.

Operation for distribution to shareholders

In December 2004, the Board decided to propose to distribute Gunnebo Industrier AB to Gunnebo's shareholders. The recommendation will be made at the Annual General Meeting on 31 March 2005. Gunnebo Industrier AB, which constitutes the Gunnebo Engineering line of business, has been reported in these accounts as an operation for distribution to shareholders in the consolidated income statement, balance sheet and cash flow analysis. The operation for distribution to shareholders also includes Group surpluses and eliminations relating to the operation for distribution.

Reporting by segment

Lines of business include products or services that are exposed to risks and generate types of income that differ from those of other lines of business

Geographical markets provide products and/or services within specific economic environments that are subject to risks and earn income of types that differ from those of units operating in other economic environments

In the Group, lines of business are classified as primary segments and geographical areas as secondary segments.

Note 2 Financial risk management and financial instruments

Financial risk management

The 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 the internal bank and Gunnebo's subsidiaries may operate.

Objective and policy for risk management

Financing risk

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

Interest rate risk

The interest rate risk refers to the effect on the Group's income and cash flow of a lasting change in market interest rates. The sensitivity of the result can, however, be limited in the short term by the interest maturity structure. According to Gunnebo's finance policy, the average duration of the fixed interest rate period may fluctuate between 4 to 12 months.

Liquidity risk

Liquidity risk refers to the risk of not having access to liquid funds or undrawn lines of credit in order to fulfil payment obligations. The finance policy stipulates that liquid funds and undrawn lines of credit shall always amount to a minimum of MSEK 500.

Liquidity in the Group shall be invested with Gunnebo Treasury or in local cash pools. Gunnebo has centralised its liquidity management in cash pools at national level in the main European countries where it operates.

The Group uses these cash pools to match the local subsidiaries' surpluses and deficits in each country and currency. Because the Group is a net borrower, the surplus liquidity is used to pay instalments on external liabilities.

Currency risk

Gunnebo's accounts are prepared in Swedish kronor, but the Group has operations in a large number of countries worldwide. Consequently, the Group is exposed to currency risks. With the aim of managing these effects, the Group hedges its currency risks within the framework of the finance policy.

Transaction exposure

Gunnebo has export income and import costs in several currencies, exposing the Group to exchange rate fluctuations. This currency risk is called transaction exposure and has an impact on the Group's operating result. According to the finance policy, 70-100 per cent of the Group's total forecast net flow in different currencies for the coming 12 months is to be hedged.

Translation exposure

The net assets of foreign subsidiaries constitute an investment in foreign currency which gives rise to a translation difference on consolidation. In order to limit the negative effects of translation differences on consolidated equity, hedging takes place through borrowing and currency derivative contracts.

According to the finance policy, hedging should at any given time be between 60 and 100 per cent of the Group's total translation exposure including tax effect.

Translation exposure (income statement)

Exchange rate fluctuations also affect consolidated income when income statements of foreign subsidiaries are translated into Swedish kronor. Expected future income in foreign subsidiaries is not hedged.

Credit risk

Financial credit risk

Financial risk management entails exposure to credit risks. Exposure arises both when investing surplus liquidity, and in receivables from banks which arise via derivative instruments. Gunnebo's finance policy includes a special list of permitted counterparties and maximum credit exposure with each approved counterparty. Gunnebo has entered framework agreements regarding netting (ISDA) with the majority of its counterparties for transactions in derivative instruments.

Customer credit risk

Each division/subsidiary is responsible for checking and controlling credit risk with customers. The rules applicable for issuing credit locally are documented in a local credit policy regulating credit limits, terms of payment and collection procedures.

Financial instruments - Risk management during the year

Interest-bearing liabilities

Gunnebo has agreed credit facilities totalling MSEK 2,784, of which MSEK 1,525 had been drawn at the year-end. The average duration of the Group's agreed credit facilities was 3.3 years; Gunnebo's borrowing is at a fixed interest margin throughout the term of the agreements. The long-term credit facilities mainly comprise a MEUR 200 syndicated loan agreement maturing in 2008, and two bilateral loan agreements of MSEK 300 and 200 maturing in 2008 and 2009 respectively. Furthermore, the Group has MSEK 483 in primarily short-term credit facilities, and external local financing in other subsidiaries. Loans in other subsidiaries mainly consist of liabilities in acquired companies with fixed maturity, and borrowing in countries where taxes or regulations make it impossible or financially inviable.

Loan maturity structure, MSEK

	Credit	Of which Proportion,		
Mature in year	facility	drawn	%	
2005	428	166	11	
2006	3	3	0	
2007	7	7	1	
2008	2,106	1,300	85	
2009	240	49	3	
Total	2,784	1,525	100	

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At the end of the year, Gunnebo's portfolio had an average fixed interest term of 8 (8) months, and the average rate of interest on the entire loan portfolio was 3.3 per cent (3.6).

Liquid funds

Liquid funds mainly comprise bank deposits and amounted to MSEK 203 at the year-end. The Group also had available undrawn lines of credit totalling MSEK 1,259.

Currency risks

Exchange rate risks have affected profit after financial items by MSEK -21 (-30), mainly the effects of translating foreign subsidiaries' results into Swedish kronor.

Transaction exposure

The forecast commercial currency flow after net calculations of opposite flows in the same currency amounts to approximately MSEK 350 on an annual basis. At the closing date, the proportion hedged was 83 per cent (86). Forward contracts that matured during the year had a positive effect of MSEK 2 (10) on the result, when compared with the conversion of currency flows at the spot rates prevailing at the time of conversion. Total outstanding forward cover at the year-end was nominally MSEK 289. Non-realised exchange rate gains on these forward contracts amounted to MSEK 9. All outstanding contracts mature during 2005 and are reported in the income statement in connection with maturity.

Translation exposure

Foreign net assets amounted to MSEK 3,196 (3,460) on 31 December 2004. The Group hedges a large proportion of these assets through loans and forward contracts in corresponding currencies. On the closing date, MSEK 2,900 (3,221), or 91 per cent (93), were hedged. This includes the tax effect.

Credit and counterparty risks

Gunnebo aims to minimise interest-bearing liabilities. Liquid funds shall primarily be used to reduce outstanding liabilities, which limits the volume of outstanding surplus liquidity. Counterparties in derivative contracts are restricted to approved organisations listed in the finance policy. Against the background of diversified sales, in particular geographically, there is no significant concentration of credit risks with customers.

Financial derivative instruments

Financial derivative instruments, primarily currency forward contracts and interest swaps, are used to manage and control financial risk. The table below shows the market value and nominal value of the Group's financial derivative instruments. Because Gunnebo hedges itself against effects on results arising from the revaluation of the Group's receivables and liabilities in foreign currencies, no net result normally arises in the consolidated accounts.

	31 Dec 2004		
MSEK	Nominal value	Market value	value
Currency forwards	2,475.0	2,547.0	72.0
Interest swaps	740.0	738.4	-1.6
Total			70.4

Of the above value, MSEK 59.5 has been entered at market value in the balance sheet. The remaining value of MSEK 10.9 refers to derivatives not reported at market value in line with current accounting principles. This value relates to:

- Interest swaps agreements, MSEK -1.6.
- Currency forwards attributable to transaction exposure, MSEK 9.1. These results are realised in connection with the contracts' maturation.
- Market valuation of swap increase/decrease on currency forwards, MSEK 3.4.

Note 3 Reporting by segment

Primary segments - lines of husiness

	f business Gunnebo Physical	Gunnebo Integrated	Gunnebo Perimeter	Gunnebo	Non-allocated items and	Total Gunnebo	Gunnebo	Non-allocated items and	Tota
2004	Security	Security	Security	Asia Pacific	eliminations	Security	Engineering	eliminations	Grou
Income									
External sales	2,478	1,993	1,268	346	1	6,086	1,240	_	7,32
Internal sales	65	21	7	_	-93	_	_	_	
Total	2,543	2,014	1,275	346	-92	6,086	1,240	-	7,320
Operating profit									
Profit by line of business	170	178	54	20	-6	416	101	-46	47
Items affecting comparability	-90	-20	_	-2	_	-112	_	_	-11
Goodwill amortisation	_	_	_	_	-67	-67	-8	_	-7
Total	80	158	54	18	-73	237	93	-46	28
Operating capital/Capital er	mployed								
Assets by line of business	1,197	889	669	178	1,455	4,388	905	363	5,650
Liabilities by line of business	-297	-291	-113	-39	-1,054	-1,794	-229	64	-1,959
Total	900	598	556	139	401	2,594	676	427	3,69
Other information									
Capital expenditure	70	34	35	7	_	146	34	1	18
Depreciation/Amortisation exc. of	goodwill 47	28	30	4	5	114	50	1	16
Operative cash flow	187	151	28	3	_	369	104	-87	386
	Cumaka	Cumaha	Cummaha		Non allocated	Total		Nan allaastad	
	Gunnebo Physical	Gunnebo	Gunnebo		Non-allocated	Total Gunneho		Non-allocated	Tota
2003	Gunnebo Physical Security	Gunnebo Integrated Security	Gunnebo Perimeter Security	Gunnebo Asia Pacific	Non-allocated items and eliminations	Total Gunnebo Security	Gunnebo Engineering	Non-allocated items and eliminations	Tota Grou
2003 Income	Physical	Integrated	Perimeter	Gunnebo	items and	Gunnebo	Gunnebo	items and	
	Physical	Integrated	Perimeter	Gunnebo	items and	Gunnebo	Gunnebo	items and	Grou
Income	Physical Security	Integrated Security	Perimeter Security	Gunnebo Asia Pacific	items and eliminations	Gunnebo Security	Gunnebo Engineering	items and	
Income External sales	Physical Security	Integrated Security	Perimeter Security	Gunnebo Asia Pacific	items and eliminations	Gunnebo Security	Gunnebo Engineering	items and	Group 6,96
Income External sales Internal sales	Physical Security 2,555 63	Integrated Security 1,931 14	Perimeter Security 1,022 16	Gunnebo Asia Pacific 309	items and eliminations 93	Gunnebo Security 5,817	Gunnebo Engineering 1,144	items and eliminations - -	Group 6,96
Income External sales Internal sales Total	Physical Security 2,555 63	Integrated Security 1,931 14	Perimeter Security 1,022 16	Gunnebo Asia Pacific 309	items and eliminations 93	Gunnebo Security 5,817	Gunnebo Engineering 1,144	items and eliminations - -	6,96
Income External sales Internal sales Total Operating profit	2,555 63 2,618	1,931 14 1,945	Perimeter Security 1,022 16 1,038	Gunnebo Asia Pacific 309 - 309	items and eliminations 93 -93	5,817 5,817	Gunnebo Engineering 1,144 - 1,144	items and eliminations	6,96 6,96
Income External sales Internal sales Total Operating profit Profit by line of business	2,555 63 2,618	1,931 14 1,945	Perimeter Security 1,022 16 1,038	Gunnebo Asia Pacific 309 - 309 13	items and eliminations 93 -93	5,817 - 5,817 428	Gunnebo Engineering 1,144 - 1,144 87	items and eliminations	Grou
Income External sales Internal sales Total Operating profit Profit by line of business Goodwill amortisation	2,555 63 2,618	1,931 14 1,945	Perimeter Security 1,022 16 1,038	Gunnebo Asia Pacific 309 - 309 13 -	items and eliminations 93 -93 7 -59	5,817 - 5,817 428 -59	Gunnebo Engineering 1,144 - 1,144 87 -8	items and eliminations	6,96 6,96 466
Income External sales Internal sales Total Operating profit Profit by line of business Goodwill amortisation Total	2,555 63 2,618	1,931 14 1,945	Perimeter Security 1,022 16 1,038	Gunnebo Asia Pacific 309 - 309 13 -	items and eliminations 93 -93 7 -59	5,817 - 5,817 428 -59	Gunnebo Engineering 1,144 - 1,144 87 -8	items and eliminations	6,96 6,96 6,96 466 -6
Income External sales Internal sales Total Operating profit Profit by line of business Goodwill amortisation Total Operating capital/Capital er	Physical Security 2,555 63 2,618 209 - 209 mployed	1,931 14 1,945 171 - 171	Perimeter Security 1,022 16 1,038 28 - 28	Gunnebo Asia Pacific 309 - 309 13 - 13	items and eliminations	5,817 - 5,817 - 5,817 428 -59 369	Gunnebo Engineering 1,144 - 1,144 87 -8 79	items and eliminations 49 -49	6,96 6,96 466 -6; 399
Income External sales Internal sales Total Operating profit Profit by line of business Goodwill amortisation Total Operating capital/Capital er Assets by line of business	Physical Security 2,555 63 2,618 209 - 209 mployed 1,083	1,931 14 1,945 171 - 171 832	Perimeter Security 1,022 16 1,038 28 - 28 546	Gunnebo Asia Pacific 309 - 309 13 - 13	items and eliminations	5,817 - 5,817 428 -59 369	Gunnebo Engineering 1,144 - 1,144 87 -8 79 873	items and eliminations 4949 -49	6,96 6,96 466 -6; 399 5,096
Income External sales Internal sales Total Operating profit Profit by line of business Goodwill amortisation Total Operating capital/Capital er Assets by line of business Liabilities by line of business	2,555 63 2,618 209 - 209 mployed 1,083 -268	1,931 14 1,945 171 - 171 832 -290	Perimeter Security 1,022 16 1,038 28 - 28 546 -82	Gunnebo Asia Pacific 309 - 309 13 - 13 166 -33	items and eliminations	5,817 - 5,817 - 5,817 - 428 - 59 - 369 - 3,813 - 1,541	Gunnebo Engineering 1,144 - 1,144 87 -8 79 873 -185	items and eliminations	6,96° 6,96° 466° -67 399
Income External sales Internal sales Total Operating profit Profit by line of business Goodwill amortisation Total Operating capital/Capital er Assets by line of business Liabilities by line of business Total	2,555 63 2,618 209 - 209 mployed 1,083 -268	1,931 14 1,945 171 - 171 832 -290	Perimeter Security 1,022 16 1,038 28 - 28 546 -82	Gunnebo Asia Pacific 309 - 309 13 - 13 166 -33	items and eliminations	5,817 - 5,817 - 5,817 - 428 - 59 - 369 - 3,813 - 1,541	Gunnebo Engineering 1,144 - 1,144 87 -8 79 873 -185	items and eliminations	Group 6,96° 6,96° 466° -6° 399 5,090 -1,67° 3,41°
Income External sales Internal sales Total Operating profit Profit by line of business Goodwill amortisation Total Operating capital/Capital er Assets by line of business Liabilities by line of business Total Other information	Physical Security 2,555 63 2,618 209 - 209 mployed 1,083 -268 815	1,931 14 1,945 171 - 171 832 -290 542	Perimeter Security 1,022 16 1,038 28 - 28 546 -82 464	Gunnebo Asia Pacific 309 - 309 13 - 13 166 -33 133	items and eliminations	5,817 5,817 428 -59 369 3,813 -1,541 2,272	Gunnebo Engineering 1,144 - 1,144 87 -8 79 873 -185 688	items and eliminations	6,96° 6,96° 466 -67

Gunnebo's reporting by primary segment follows the internal organisation, which consists of two main lines of business - Gunnebo Security and Gunnebo Engineering. Within Gunnebo Security there are four divisions. The non-allocated costs are central costs. The capital employed in the main segments, Gunnebo Security and Gunnebo Engineering, consists of all assets less liquid funds and all interest-free liabilities and provisions. Within

Gunnebo Security's divisions it is not possible to allocate all of the capital employed. The assets employed by the divisions in their line of business consist of tangible fixed assets, intangible fixed assets excluding goodwill, inventories and accounts receivable.

The corresponding liabilities consist of liabilities to suppliers

Secondary segments - geographical regions

cocomunity cogmonic	300g. apoa. 10g.oo	Sales		Assets	Capital	expenditure
	2004	2003	2004	2003	2004	2003
Europe	6,184	5,953	5,029	4,456	166	177
North America	429	369	261	262	5	9
Asia	433	380	261	268	8	10
Africa	143	132	48	45	2	1
Australia	106	88	43	46	-	1
South America	31	39	14	13	-	_
Group total	7,326	6,961	5,656	5,090	181	198

The sales figures are based on the country where the customer is located. Assets and capital expenditure are reported on the basis of where the assets are located.

Note 4 Other operating income

	Group	
	2004	2003
Capital gains	19.3	1.4
Currency differences	-	8.2
Other operating income	9.0	15.0
Total	28.3	24.6

Note 5 Other operating costs

	Group	
	2004	2003
Items affecting comparability	-112.4	_
Currency differences	-3.3	_
Total	-115.7	_

Items affecting comparability largely relate to the restructuring programme approved in the fourth quarter. The programme consists mainly of production adjustments to lower costs, a factory closure and the transfer of production to the Group's other facilities. Items affecting comparability also includes a reserve for a major project attributable to previous years.

Note 6 Depreciation/Amortisation according to plan

Depreciation/amortisation has been charged against the operating profit as follows:

	Group		Parent co	ompany
	2004	2003	2004	2003
Cost of goods sold	116.3	113.8	-	_
Selling costs	88.8	83.8	-	_
Administrative costs	35.4	29.9	1.1	0.7
Total	240.5	227.5	1.1	0.7

Selling costs include goodwill amortisation amounting to MSEK 75.1 (66.6).

Note 7 Taxes

	Group	
	2004	2003
Current tax	-103.3	-80.5
Deferred tax	40.7	1.8
Tax in respect of interests in earnings		
of associated companies	-1.1	-1.1
Total	-63.7	-79.8

Provisions have been made for estimated tax costs that may arise as a result of previous years' tax audits at subsidiaries.

A county court decision in June 2003 rejected deductions in connection with the sale of shares.

Gunnebo is standing firm on its position, which has the support of leading tax specialists, and has appealed against the decision to the Administrative Court of Appeal.

Should the company be refused the right to make the deduction by the court of final instance, this would result in an additional tax charge of some MSEK 80. No provision has been made.

Group's effective tax rate

The Group's effective tax rate, calculated as reported tax in relation to consolidated profit before tax, has been influenced by the following items:

	%
Nominal tax rate in Sweden	28
Difference in effective tax rates of foreign subsidiaries	4
Non-deductible goodwill amortisation	9
Net effect of loss carry-forward and items	
not related to net profit for the year	-14
Other taxes, etc.	1
Group's effective tax rate	28

Note 7 cont.

Deferred tax receivables and liabilities are attributable to the following items:

	Gro	up	
Deferred tax receivables	2004	2003	
Loss carry-forward	12.4	12.7	
Non-realised effect on result of equity hedges	41.1	33.3	
Provisions for post-employment benefits	55.0	_	
Other deductible temporary differences	24.3	4.8	
Net off against deferred tax liabilities	-3.7	-12.7	
	129.1	38.1	
Deferred tax liabilities	2004	2003	
Fixed assets	45.5	47.7	
Other taxable temporary differences	9.2	14.7	
Net off against deferred tax receivables	-3.7	-12.7	
	51.0	49.7	

The deferred tax receivable on account of loss carry-forward is only stated if these loss carry-forwards are likely to be utilised to reduce taxable profits within the near future. At the end of 2004, certain subsidiary companies had total loss carry-forwards of MSEK 300, for which no deferred tax receivable has been taken into account, and of which some MSEK 20 expires within five years. There are both timing and other constraints which mean that these loss carry-forwards are not expected to be able to be

Note 8 Minority interest in profit

	Group	
	2004	2003
Profit before tax	-1.4	-2.2
Tax	0.4	0.8
Net profit for the vear	-1.0	-1.4

Note 9 Earnings per share

Earnings per share	2004	2003
Net profit for the year, MSEK	159.8	259.8
Average no. of shares in issue	43,779,948	43,215,794
Earnings per share, SEK	3:65	6:00
Earnings per share after dilu	tion	
Net profit for the year, MSEK	159.8	259.8
Interest costs, convertible loan		
after tax effect	-	1.3
Total	159.8	261.1
Average no. of shares		
in issue after dilution	44,149,501	43,779,948
Earnings per share after dilution.	SEK 3:60	5:95

The average listed price during the year has amounted to SEK 87.63 (75.95). The subscription price for the option programme is SEK 76.00.

The total number of shares which can be subscribed in the event of full exercise amounts to 2,000,000. The present value of the subscription liquidity has been estimated at MSEK 142.9.

Note 10 Intangible fixed assets

Group	Goodwill	Other intangible fixed assets
Acquisition value		
Opening acquisition value	1,298.0	170.9
Capital expenditure		42.8
Acquisitions	235.2	0.6
Sales/divestments	-3.6	-2.7
Reclassifications		3.5
Translation differences	-13.4	-1.7
Closing accumulated		
acquisition value	1, 516.2	213.4
Amortisation according to plan		
Opening amortisation	339.2	81.3
Acquisitions		0.2
Sales/divestments	-3.6	-2.7
Amortisation during the year	75.1	14.9
Translation differences	-3.4	-0.9
Closing accumulated amortisation	ı	
according to plan	407.3	92.8
Residual value according to plan	1,108.9	120.6

Other intangible fixed assets include capitalised product development projects of MSEK 96.0 (68.5). Investment during the year amounted to MSEK 39.0 (33.0).

Note 11 Tangible fixed assets

	Buildings		-	ixed assets under con-
Group	and land	Machinery	Equipment	struction
Acquisition value				
Opening acquisition value	773.5	1, 256.4	545.3	59.4
Capital expenditure	19.2	83.9	57.9	-22.7
Acquisitions	107.5	66.8	44.4	-
Sales/retirements	-15.6	-118.0	-74.8	-
Reclassifications	10.0	1.1	1.5	-4.3
Translation differences	-10.9	-16.2	-8.4	_
Closing accumulated				
acquisition value	883.7	1,274.0	565.9	32.4
Depreciation according t	o plan			
Opening depreciation	299.7	910.9	413.4	_
Acquisitions	75.3	58.3	37.2	_
Sales/retirements	-2.3	-111.0	-73.1	_
Depreciation during the year	28.0	77.0	45.5	_
Reclassifications	12.0	_	1.7	_
Translation differences	-4.6	-12.7	-6.4	_
Closing accumulated				
depreciation according				
to plan	408.1	922.5	418.3	-
Residual value according				
to plan	475.6	351.5	147.6	32.4
Specification, buildings a Group	and land		2004	2003
Residual value according to p	olan buildin	ace	377.1	377.8
Residual value according to p		iys	98.5	96.0
Total residual value acco		lan	475.6	473.8
Total residual value acco	rung to p	iaii	475.0	470.0
Swedish property			2004	2003
Residual value according to p	olan, buildir	gs	111.0	107.8
Residual value according to p	olan, land		28.9	28.9
Assessed value, buildings			56.7	55.2
Assessed value, land			14.2	13.0

Parent company	Equipment
Acquisition value	
Opening acquisition value	7.2
Capital expenditure	0.7
Closing accumulated acquisition value	7.9
Depreciation according to plan Opening depreciation according to plan Depreciation during the year	3.6 1.1
Closing accumulated depreciation according to plan	4.7
Residual value according to plan	3.2

Note 12 Shares in Group companies

	No. of shares	% of capital	% of votes	Book value
E A Rosengrens AB	251,000	100	100	288.2
Gunnebo Troax AB	10,000	100	100	263.1
Fichet-Bauche SA	5,540,112	100	100	468.0
Gunnebo Treasury SA	7, 200	100	100	1,233.0
Gunnebo Entrance Control AB	224,000	100	100	22.4
Gunnebo Perimeter Protection	AB 5,500	100	100	1.6
Gunnebo Holding ApS	1,000	100	100	27.5
Steelage Industries Ltd	19,970,120	99	95	85.2
Gunnebo Physical Security AB	100	100	100	0.1
Gunnebo Industrier AB	499,579	100	100	347.0
Hidef Industri AB	500	100	100	0.1
Total				2,736.2

During the year a shareholder contribution of MSEK 10.0 was made to Gunnebo Troax AB. The accumulated acquisition value of shares in subsidiaries amounts to MSEK 2,896.6. The statutory specification of company registration numbers and registered offices of all subsidiary companies in the Group may be obtained from Gunnebo AB's office in Göteborg.

Note 13 Financial fixed assets

Group	2004	2003
Deferred tax receivables (see note 7)	129.1	38.1
Shares in associated companies 1)	20.4	19.7
Other securities held as fixed assets 2)	9.4	12.0
Other long-term receivables	11.6	11.4
Total	170.5	81.2

1) Specification of shares in associated companies

	% of capital	% of votes	Book value
Doetinchem C.V., Netherlands	99	45	2.7
FBH Fichet Ltd, Great Britain	49	49	5.6
Chubb Malaysia Sdn Bhd, Malaysia	30	30	6.5
Ritzenthaler, Great Britain	45	45	2.2
Gateway Security Ltd, Brazil	50	50	3.4
Total Group			20.4

The statutory specification of company registration numbers and registered offices of associated companies may be obtained from Gunnebo AB's office in Göteborg.

2) Specification of other securities held as fixed assets No of

	shares	capital	votes	value
Fingerprint Cards AB	497 500	7.8	5.5	6.6
Other holdings				2.8
Total				9.4

The shares in Fingerprint Cards AB are owned by the parent company. Their closing market capitalisation was MSEK 6.6.

Note 14 Inventories

	Group	
	2004	2003
Raw materials	362.2	311.4
Work in progress	272.8	263.8
Finished goods	616.4	525.9
Work in progress on third-party account	37.0	24.7
Less advance payments from customers	-93.6	-65.3
Total	1,194.8	1,060.5

Note 15 Prepaid costs and accrued income

	Group		Parent Company	
	2004	2003	2004	2003
Accrued interest	0.6	33.4	0.5	33.4
Prepaid rent	10.9	7.9	0.4	0.3
Other items	66.6	56.9	2.1	2.6
Total	78.1	98.2	3.0	36.3

Note 16 Equity

• • • • • • • • • • • • • • • • • • • •				• • • • • • • •
		Restricted	Non-restrict-	
Group	capital	reserves	ed equity	Total
Equity 31 Dec 2002	212.1	469.6	964.8	1,646.5
Currency differences not stated				
in the income statement	_	_	-32.9	-32.9
Net profit for the year	_	_	259.8	259.8
Dividend	-	_	-84.8	-84.8
Conversion of convertible loan	6.8	74.7	_	81.5
Transfer between non-restricted				
and restricted equity	-	17.4	-17.4	-
Equity 31 Dec 2003	218.9	561.7	1,089.5	1,870.1
Change of accounting principle				
(RR 29)	_	_	-123.6	-123.6
Currency differences not				
stated in the income statement	-	_	-35.1	-35.1
Net profit for the year	-	_	159.8	159.8
Dividend	-	_	-98.5	-98.5
Transfer between non-restricted				
and restricted equity	_	-47.7	47.7	_
Equity 31 Dec 2004	218.9	514.0	1,039.8	1,772.7

The currency differences relate to the translation using the daily rate method of the financial reports of foreign businesses. The year's currency differences were increased by MSEK 2.6 by means of currency hedging. The accumulated translation differences at 31 December 2004 amounted to a deficit of MSEK 116.8 (deficit 81.7).

Parent company	Share capital	Share premium reserve	Legal reserve	Non-restri ed equit	
Equity					
31 Dec 2002	212.1	139.3	320.0	539.1	1,210.5
Net profit for the year	r –	_	_	7.8	7.8
Dividend	-	_	_	-84.8	-84.8
Conversion of					
convertible loan	6.8	74.7	_	_	81.5
Equity					
31 Dec 2003	218.9	214.0	320.0	462.1	1,215.0
Net profit for the year	r –	_	_	85.5	85.5
Dividend	_	_	_	-98.5	-98.5
Equity					
31 Dec 2004	218.9	214.0	320.0	449.1	1,202.0

Note 17 Provisions for post-employment benefits

Remuneration to employees after end of employment, such as pensions, healthcare benefits and other remuneration, is predominantly funded through payments to insurance companies or authorities which thereby take over the obligations to the employees; these are known as defined contribution plans. The remainder is carried out through defined benefit plans whereby the obligations remain within the Gunnebo Group. The main defined benefit plans are in Great Britain and Sweden (FPG/PRI provision).

In Great Britain, pension obligations are mainly secured through payments into an independent pension plan.

There are other defined benefit plans in Canada, France, Germany, the Netherlands, Italy, Indonesia, India and South Africa.

With regard to defined benefit plans, the company's costs and the value of outstanding obligations are estimated using actuarial calculations, which aim to establish the current value of obligations issued. Invested assets mainly comprise shares and interest-bearing securities. No invested assets comprise financial instruments in Gunnebo or assets used within Gunnebo.

Important actuarial assu	mption	s, %		2004	4-12-31
Discount rate					
Great Britain					5.4
Sweden					5.0
Other countries (weighted av	/erage)				5.7
Expected return on investe	ed asset	s			
Great Britain					7.2
Sweden					_
Other countries (weighted av	/erage)				6.1
Expected wage increase ra	ate				
Great Britain					4.4
Sweden					3.0
Other countries (weighted av	/erage)				3.6
Reconciliation of post-emp	olovmen	t benefits	:		
				31 Dec	1 Jan
	Great Britain	Sweden	Other countries	2004 Total	
Present value of obligations	311.9	122.6	201.9	636.4	586.2
Fair value of plan					
assets	-175.3	-	-66.9	-242.2	-223.6
Unrecognised actuarial					
gains (+) and losses (-)	9.1	-2.6	-8.6	-2.1	_
Net provision in the					
balance sheet	145.7	120.0	126.4	392.1	362.6

Of the present value of obligations MSEK 398.5 (379.1) relates to funded pensions and other plans, and MSEK 237.9 (229.3) to non-funded pensions and other plans.

Specification of changes in net provision	Total
Provisions for post-employment benefits 31 Dec 2003	176.3
Reclassification from other balance sheet items	11.2
Change in accounting principle – implementation of RR 29	175.1
Net provision in the balance sheet 1 Jan 2004	362.6
Net cost entered in the income statement	43.8
Payment of benefits	-17.7
Contributions into funded plans	-13.1
Companies acquired and divested	23.1
Currency differences on foreign plans	-6.6
Net provision in the balance sheet 31 Dec 2004	392.1

Specification of total costs for post-employment benefits reported in the income statement 2004 Costs pertaining to defined benefit plans: 28.7 Current service cost Interest cost 31.0 Expected return on plan assets -15.9 Costs pertaining to defined benefit plans 43.8 Costs pertaining to defined contribution plans 73.1 Total costs reported in the income statement 116.9 Of which Amount charged against operating profit 101.8 Amount charged against financial costs 15.1 Total costs reported in the income statement 116.9

Actual return on plan assets

20.1

Interest and expected return are classified as a financial cost. Other cost items are allocated under operating profit between cost of goods sold, selling or administrative costs depending on the employee's function. MSEK 4.7 of the cost for defined contribution plans comprises premiums to Alecta. This insurance policy encompasses several employers in Sweden, and insufficient information is available from Alecta to be able to report the plan as a defined benefit plan.

Specification of plan assets	2004-12-31
Government bonds	76.9
Commercial papers	50.8
Shares	103.8
Liquid funds	10.7
Total plan assets	242.2

Note 18 Other provisions

	Detructuring	Dia	Guaran-		Other	
Group	Retructuring reserve	putes		Taxes	provisions	Total
Opening balance	51.3	44.5	24.4	12.8	26.6	159.6
Additional provision through acquisition		9.8	1.9	_	3.1	111.4
Provisions during the year	96.0	10.3	13.9	0.3	29.8	150.3
Provisions utilised during the year	-82.0	-18.2	-10.4	-	-15.6	-126.2
Provisions re-enteduring the year	ered –	-4.4	-0.5	-0.5	-1.3	-6.7
Currency difference	ces -1.3	-0.4	-0.1	_	-0.8	-2.6
Closing balance	e 160.6	41.6	29.2	12.6	41.8	285.8

The majority of the closing restructuring reserve is expected to be utilised in 2005. The remaining reserves are expected to be utilised over the coming five years.

Note 19 Interest-bearing liabilities

Loans will mature or be renewed as follows:

	Group	Parent company
2005	165.5	1,718.6
2006	3.3	_
2007	7.2	_
2008	1,300.1	_
2009 and later	49.2	_
Total	1,525.3	1,718.6

The Group has a MEUR 200 syndicated loan agreement maturing in 2008. The loan has an agreed interest spread of 0.55 per cent at the company's present debt-equity ratio. Over and above this, there are two long-term credit agreements for a total amount of MSEK 500 running until 2008 and 2009 respectively. The Group has not pledged any collateral for these credits but has provided the customary covenants.

The Group's unutilised lines of credit amount to MSEK 1,259.

Note 20 Accrued costs and deferred income

	Gı	roup	Parent co	mpany
	2004	2003	2004	2003
Holiday pay liability	147.4	134.4	3.1	2.7
Social security charges	68.1	67.0	5.4	2.1
Accrued wages and salaries	86.7	73.6	0.3	2.7
Deferred income	91.1	63.2	_	-
Accrued interest	2.6	2.2	_	1.1
Other items	112.5	113.5	3.6	1.6
Total	508.4	453.9	12.4	10.2

Note 21 Pledged assets

• • • • • • • • • • • • • • • • • • • •		
Group	2004	2003
In respect of liabilities		
to credit institutions		
Floating charges	12.9	22.6
Property mortgages	9.4	25.8
	22.3	48.4
Other pledged assets		
Floating charges	2.0	1.9
Total pledged assets	24.3	50.3

Note 22 Contingent liabilities

	Group		Parent	company
	2004	2003	2004	2003
Guarantees	-	-	1,620.3	1,472.5
Performance guarantees etc.	116.4	98.6	-	-
Taxes	80.9	80.9	-	_
Pension commitments	-	129.3	-	-
Total	197.3	308.8	1,620.3	1,427.5

The performance guarantees are mainly guarantees to customers for the fulfilment of undertakings. Taxes refer to a County Court decision of June 2003 rejecting the company's deduction on the sale of shares (see Note 7).

Note 23 Leasing

Leased assets

Future payment commitments for leasing contracts have the following breakdown by year:

	Group	Parent company
2005	92.1	2.2
2006	69.2	1.7
2007	49.0	_
2008	28.2	_
2009	13.2	_
2010 and later	11.1	_
	262.8	3.9

The year's cost in the Group for leased assets amounted to MSEK 107.1 (105.7). The parent company's costs amounted to MSEK 2.2 (1.8).

Note 24 Net financial items affecting cash flow

	G	roup	Parent company		
	2004	2003	2004	2003	
Interest received	5.5	7.1	32.6	9.1	
Interest paid	-50.9	-88.4	-114.8	-41.7	
Dividends	-	_	60.0	_	
Other items affecting cash flow	-6.5	-2.2	77.1	20.6	
Total	-51.9	-83.5	54.9	-12.0	

Note 25 Acquisition of subsidiaries

Value of acquired assets and liabilities

	Group	
	2004	2003
Fixed assets	-287.1	-59.5
Working capital	-12.8	-0.1
Liquid funds	-23.9	-5.9
Provisions for taxes/minority interest	4.7	-2.1
Interest-bearing provisions and liabilities	139.7	5.3
Total amount paid	-179.4	-62.3
Liquid funds of acquired companies	23.8	5.9
Effect on Group's liquid funds	-155.6	-56.4

Note 26 Employees

Group	2004	2003
Average number of employees		
Australia	55	56
Austria	10	10
Belgium	140	87
Brazil	20	22
Canada	199	201
China/Hong Kong	1	1
Czech Republic	14	12
Denmark	157	158
Finland	169	171
France	1,540	1,588
Germany	624	507
Great Britain	484	482
Hungary	3	3
India	1,045	1,123
Indonesia	1,077	1,161
Ireland	21	20
Italy	172	115
Lebanon	1	1
Luxembourg	7	7
The Netherlands	275	311
Norway	186	155
Poland	134	126
Portugal	82	80
Singapore	7	5
South Africa	145	257
Spain	480	483
Sweden	940	941
Switzerland	53	42
UAE	2	2
USA	145	146
Total outside Sweden	7,248	7,332
Total average no. of employees in the Group	8,188	8,273

Of the average number of employees in the Group, 1,268 (1,256) were female. In 2004, the average number of parent company employees was 17 (17), of whom 7 were female (7).

Women occupy 2 per cent of the senior management positions in the Group.

There is one woman on the Board of the parent company and there are no women in senior management positions.

Sick leave within the parent company

The rate of long-term sick leave was 5.5 per cent (5.2) and of short-term sick leave was 0.2 per cent (0.2).

Wages, salaries, other remuneration and social security charges

	Vages and other ouneration	security	pension	Wages and other re- muneration	security	Of which pension costs
Parent company	/ 19.0	14.6	6.6	20.1	13.6	5.8
Subsidiary	1,915.9	581.3	95.2	1,789.0	532.1	83.9
Group total	1,934.9	595.9	101.8	1,809.1	545.7	89.7

Of the above amount, a total of MSEK 93.9 (98.1) was paid in salaries and other remuneration to Boards and Presidents within the Group, of which MSEK 6.8 (9.6) consisted of bonuses. Of the Group's pensions costs, MSEK 12.2 (14.3) relates to Presidents within the Group.

Remuneration to the Board of the parent company amounted to SEK 1,070,000 (1,070,000).

Salary and other remuneration paid to the President amounted to SEK 4,447,000 (5,163,000), of which SEK 0 (1,491,000) was bonuses.

The statutory specification of wages, salaries and other remuneration, and social security charges by country may be obtained from Gunnebo AB's office in Göteborg. A complete annual report may also be obtained from the Swedish Companies Registration Office.

Remuneration and other benefits for senior executives in the Group during the year

SEK '000	Basic salary/ Board fee	Bonus	Other benefits	Pensior cost	o Other re- muneration	n Total
Chairman	320	-	-	-	48	368
President	3,840	_	132	2,116	607	6,695
Other senior						
executives						
(10 individuals)	16,778	712	1,503	5,599	102	24,694
Total	20,938	712	1,635	7,715	757	31,757

The calculation of bonuses is largely based on the financial results and cash flow. Other benefits relate mainly to entitlement to a company car. Other remuneration primarily refers to holiday paid.

Pensions and severance pay

The retirement age of the President is 60. The President has a premiumdetermined pension insurance.

Of the parent company's pension costs, SEK 2,116,000 (1,967,000) relate to the President. Between 1 September 2001 and the President's retirement age (60), the pension cost amounts to 55 per cent of his salary, excluding bonus. In the event of the President's contract of employment being terminated by the company he is entitled to one year's notice and severance pay corresponding to one year's salary, any salary received from another employer being netted off.

Other senior executives are entitled to up to one year's notice and severance pay for up to one year in the event of their contracts being terminated by the company.

Pension benefits broadly correspond to the general pension plan. However, in one case the retirement age is lower than 65.

Employee stock option programme

The Annual General Meeting in 2002 resolved in favour of introducing an employee stock option programme (ESOP) for some 50 senior managerial personnel within the Group. In the event of full exercise, the ESOP will involve the issue of 2,000,000 new shares corresponding to an increase of 4.6 per cent in the issued shares and votes. The subscription price was 110 per cent of the average listed price of Gunnebo's shares during a certain period around the time of the decision, namely SEK 76 per share.

The employees will be allotted a maximum of 750,000 options and the remaining 250,000 will be reserved to cover the social security charges of the programme payable by the company. Each employee stock option entitles the holder to subscribe two shares. The allotment of options per person is 36,000 to the President, 24,000 to other members of Group management and 12,000 to other senior management personnel. They are not transferable, and are conditional upon the individual concerned remaining in the company's employment. The options have been allotted free of charge. So far, 612,000 options have been allotted to 39 individuals. Based on the closing price of the shares, the total value of these allotted options to date is MSEK 9. No amount has been charged against profit for the year. A sum of MSEK 3 is stated in the balance sheet as an accrued cost and the corresponding amount is stated as accrued income.

Up to one-third of 75 per cent of the allotted options can be used to acquire shares in 2004 at the earliest, up to another one-third in 2005 and the final third in 2006. The remaining 25 per cent can only be used if the Group achieves an average increase in its earnings per share of 8 per cent per year as of 2002, in which case up to one-third can be used to acquire shares as of 2004. Each option entitles the holders to subscribe to two new shares in the company at a price of SEK 76 per share by no later than 30 April 2007.

Note 27 Auditors' remuneration

	Group		Parent co	Parent company	
	2004	2003	2004	2003	
Auditing	9.0	7.0	0.7	0.6	
Other assignments	5.9	4.4	1.1	1.2	

Note 28 Transactions with related parties

Of the parent company's invoiced sales 96 per cent (93) related to Group companies, while purchases from Group companies accounted for 18 per cent (23) of the total. A royalty of MSEK 0.9 (1.3) was received from Chubb Malaysia Sdn Bhd, an associated company. A consulting fee of SEK 48,000 (52,000) was paid to Holtback och Partner AB, which is owned by Roger Holtback, Gunnebo's Board Chairman, Services have been purchased from MediaSpjuth AB for SEK 849,000 (916,000). MediaSpjuth AB is a subsidiary of Vätterledens Invest AB. Over and above these, there were no other transactions with related parties.

Note 29 IFRS information

As of 1 January 2005, Gunnebo will apply the new International Financial Reporting Standards (IFRS), adopted by the European Commission. The interim report for the first quarter of 2005 will be the first report submitted by Gunnebo prepared in accordance with IFRS. Up to and including 2004, Gunnebo has applied the recommendations of the Swedish Financial Accounting Standards Council. In the interim reports and annual report for 2005, Gunnebo will re-calculate historical information from 1 January 2004. The net effect of the change in accounting principles will be entered directly against equity in line with IFRS 1.

The most significant differences in the accounting principles arise from IFRS 3 (Business Combinations) as goodwill will no longer be amortised. Instead annual impairment reviews will be carried out to ascertain if there is any need to write down goodwill. No write-down need has been identified after carrying out impairment reviews in accordance with IFRS. Transfers to restructuring reserves may no longer be made in the acquisition balance sheet, instead the costs for restructuring measures resulting from an acquisition will be entered directly against profit. Gunnebo has decided in line with IFRS 1 not to recalculate acquisitions made before 1 January 2004. Goodwill for acquisitions prior to 1 January 2004 will be reported based on the residual value for goodwill according to the balance sheet dated 31 December 2003.

Otherwise, certain leasing agreements have been reclassified and reported as financial leasing agreements in accordance with IAS 17. According to IAS 1, minority interests should be entered as a separate component under equity in the balance sheet, rather than between liabilities and equity. In the income statement, minority interests in profit will no longer be deducted, but included in the reported profit for the period with separate information.

IAS 39 (Financial Instruments) will be applied as of 1 January 2005, and according to the standard financial assets and liabilities should initially be entered at their actual value in the balance sheet, and thereafter continuously at actual value or accrued acquisition value based on the initial classification. Derivative instruments should always be reported at their actual value in the balance sheet. The current accounting principles differ to IAS 39 in some respects, in that at present derivative instruments are not taken up at market value in the balance sheet. This mainly relates to hedging of future currency flows with derivatives, interest derivatives included with the aim of adapting the loan portfolio's fixed interest period, and market valuation of the forwardswap increase/decrease on currency forwards. The difference between the stated values in accordance with IAS 39 and the previous principles will be entered in the balance sheet against equity as of 1 January 2005. As a result of the above, equity will increase by MSEK 8 after taking tax effects into consideration. Gunnebo has decided, supported by IFRS 1, not to recalculate comparison figures for 2004.

No raw material contracts or embedded derivatives of importance requiring market valuation in accordance with IAS 39 have been discovered during contract inventories.

Translation differences regarding investments in foreign operations will, in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) be reported as a separate item in equity, and on the sale of foreign operations accumulated translation differences will be entered as part of the profit from the divestments. Gunnebo has decided to set accumulated translation differences at zero as of 1 January 2004 in accordance with the transition rules of IFRS 1. Previously reported translation differences are classified in the opening balance on 1 January 2004 as other equity. Gunnebo's employee stock option Note 29 cont.

programme was adopted by the Annual General Meeting in April 2002, and is therefore not covered by IFRS 2 (Share-based Payment) which applies to stock option programmes issued after 7 November 2002.

If IFRS had been applied in 2004, the most essential differences regarding profit would have been the absence of goodwill amortisation, MSEK 75.1, and restructuring costs linked to acquisitions, which in accordance with IFRS would have burdened profit by MSEK 93.9. The tables below summarise the effects which the transition to IFRS is preliminarily expected to have on the 2004 income statement and the balance sheet dated 31 December 2004.

Income statement 2004	With current accounting principles	Goodwill amorti- sation	Restruc- turing costs	Other	With IFRS
Invoiced sales	7,325.6				7,325.6
Cost of goods sold	-4,910.3			0.7	-4,909.6
Gross operating prof	fit 2,415.3			0.7	2,416.0
Other operating costs	-2,131.6	75.1	-93.9		-2,150.4
Operating profit	283.7	75.1	-93.9	0.7	265.6
Financial items	-59.2			-1.0	-60.2
Profit before tax	224.5	75.1	-93.9	-0.3	205.4
Minority interest	-1.0			1.0	_
Taxes	-63.7			0.1	-63.6
Net profit for the year	ar 159.8	75.1	-93.9	8.0	141.8

Balance sheet 31 Dec 2004	With current accounting principles	Goodwill amorti- sation	Restruc- turing costs	Other	With IFRS
Intangible fixed assets	1,229.5	75.1	-93.9		1,210.7
Tangible fixed assets	1,007.1			14.4	1,021.5
Financial fixed assets	170.5			-2.0	168.5
Inventories and					
operating receivables	3,046.1				3,046.1
Liquid funds	203.3				203.3
Total assets	5,656.5	75.1	-93.9	12.4	5,650.1
Equity Minority interest	1,772.7 7.5	75.1	-93.9	5.6 -7.5	1,759.5
Interest-bearing	7.0			-7.5	
provisions and liabilities Other provisions	1,917.4			14.2	1,931.6
and liabilities	1,958.9			0.1	1,959.0
Total equity and					
liabilities	5,656.5	75.1	-93.9	12.4	5,650.1

Proposed treatment of unappropriated earnings

The consolidated non-restricted equity as stated in the consolidated balance sheet amounts to MSEK 1,039.8. No transfer to restricted reserve is required.

The following unappropriated earnings of the parent company are at the disposal of the Annual General Meeting:

Earnings brought forward from 2003	MSEK :	363.6
Net profit for the year	MSEK	85.5

MSEK 449.1

The Board proposes that the above amount be dealt with as follows:

To be paid out to shareholders by way of	
dividend of SEK 2.25 per share	MSEK 98.5
Distribution of Gunnebo Industrier AB	MSEK 347.0
To be carried forward	MSEK 3.6
	MSEK 449.1

The income statements and balance sheets will be submitted to the Annual General Meeting to be held on 31 March 2005 for adoption.

Göteborg, 3 February 2005

Roger Holtback Chairman

Nils-Olov Jönsson Mikael Jönsson Martin Svalstedt Sten Langenius Lena Olving

> Ulf Jonsson Claes-Göran Karlsson Göran Törnvall

> > Bjarne Holmqvist President and CEO

Report of the auditors

To the Annual General Meeting of Gunnebo AB (publ) Co. reg. no. 556438-2629

We have examined the annual report, the consolidated financial statements, the accounting records and the administration by the Board and the President of Gunnebo AB (publ) for the 2004 financial year. The Board and the President have responsibility for the accounting records, the administration of the company and for ensuring compliance with the Annual Accounts Act during the preparation of the annual report and consolidated financial statements. Our responsibility is to express our opinion on the annual report, the consolidated financial statements and the administration of the company on the basis of our audit.

Our audit was performed in accordance with generally accepted auditing standards in Sweden. This means that we planned and carried out the audit in order to assure ourselves, to a reasonable degree, that the annual report and the consolidated financial statements are free from material error. An audit involves examining a selection of the documents in support of amounts and other information in the accounts. An audit also involves testing the accounting principles and their application by the Board and the President, assessing the important estimates made by the Board and President when they prepared the annual report and the consolidated financial statements, and evaluating the overall information in the annual report and consolidated financial statements. As a basis for our statement concerning discharge from liability we have examined

significant decisions, measures and circumstances in the company in order to determine whether any member of the Board or the President has become liable to pay compensation to the company. We have also examined whether any member of the Board or the President has acted in any other way in contravention of the Swedish Companies Act, the Annual Accounts Act or the company's articles. We consider that our audit provides reasonable grounds for our statements below.

The annual report and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and thus provide a true and fair picture of the result and financial position of the parent company and the Group in accordance with generally accepted accounting practice in Sweden. The Report of the Directors is consistent with the other parts of the annual report and consolidated financial statements.

We recommend that the Annual General Meeting adopt the parent company's income statement and balance sheet, and the consolidated income statement and the consolidated balance sheet, that the parent company's unappropriated earnings be dealt with in accordance with the proposal in the Report of the Directors, and that the members of the Board and the President be discharged from liability for the financial year.

Göteborg, 3 February 2005

PricewaterhouseCoopers AB

Ingvar Pramhäll, Principal auditor Authorised Public Accountant

Bror Frid Authorised Public Accountant

Members of the Board



Roger Holtback

Chairman

Elected: 1993 Born: 1945 Nationality: Swedish

Main position: Self-employed and investor with Board appointments in listed and non-listed companies. Education: Master of Science in Business Administration. Professional background: Many years' experience as President and executive at Volvo, SEB and Bure. Other Board appointments: Chairman: Holtback Invest AB and its subsidiaries and associated companies, Capio AB, SATS Holding AB and the Swedish Trade Fair Foundation. Member of IHS Inc., USA, Chairman of Nordic Capital Review Committee and member of Stena's Group

Shareholding: 125,000

Nils-Olov Jönsson

Board member

Elected: 1994 Born: 1934

Nationality: Swedish

Main position: Chairman and main owner of Vätterledens

Education: Elementary school teacher's certificate, law studies and insurance and management courses at Thule and Skandia.

Professional background: Elementary school teacher, various positions with Thule and Skandia including sales manager and regional manager, also self-employed. Other Board appointments: Chairman of Vätterledens Invest AB and several of its subsidiaries.

Shareholding: 10,170,456

Mikael Jönsson

Board member

Elected: 2000 Born: 1963 Nationality: Swedish

Main position: Business area manager Vätterledens

Invest AB.

Education: University studies in economics. Professional background: Stockbroker and various senior positions at Vätterledens Invest AB. Other Board appointments: Member of Vätterledens Invest AB, several of its subsidiaries, Gunnebo Industrier AB, Wipcore AB and Kopparbergs Bryggeri AB.

Shareholding: 92,000

Sten Langenius

Board member

Elected: 1995 Born: 1934 Nationality: Swedish

Main position: Board work and industrial consultant.

Education: Engineer and economist.

Professional background: A number of senior positions at Volvo including President of Volvo Trucks and Chairman of many AB Volvo subsidiaries.

Other Board appointments: Chairman of Nordea's major bank unit Regionbank Västsverige, Gunnebo Industrier AB and member of Nordic Shelter Solutions Group Oy and Swemed LAB International AB.

Shareholding: 20,000



Sten Langenius Mikael Jönsson Martin Svalstedt Nils-Olof Jönsson Lena Olvina Roger Holtback

Martin Svalstedt

Board member

Elected: 2003 Born: 1963 Nationality: Swedish

Main position: President, Stena Adactum AB.

Education: Master of Science in Business Administration. Professional background: CFO Capio AB and senior

financial posts at Stora Merchant and ABB. Other Board appointments: Chairman of Gislaved Folie AB

and S-Invest AB, and member of Ballingslöv AB.

Shareholding: 0

Lena Olving

Board member

Elected: 2004 Born: 1956 Nationality: Swedish

Main position: Quality & Customer Satisfaction Director, Volvo Car Corporation (VCC) with responsibility for quality

and customer satisfaction.

Education: Master of Science in Mechanical Engineering. Professional background: Over 20 years in various posts at Volvo Car, including five years in Asia as manager for Volvo Car's operation in Southeast Asia, and a period as

President of Samhall Högland AB.

Other Board appointments: Member of Alfa Laval AB.

Shareholding: 0

Bjarne Holmqvist

President and CEO

Elected: 1993 Born: 1945

Nationality: Swedish

Education: Master of Science in Mechanical Engineering,

Chalmers University of Technology.

Professional background: Many years' experience as President and CEO of Bofors Kilsta, Componenta and BPA. Other Board appointments: Chairman of Geveko, Gunnebo Industrier AB and Chalmers Foundation for Industrial Technology, member of the Swedish Trade Fair Foundation.

Shareholding: 531,334 Stock options: 36,000

Claes-Göran Karlsson

Employee representative for LO Swedish Trade Union Confederation

Elected: 2000 Born: 1958 Nationality: Swedish Education: Engineer Shareholding: 0

Ulf Jonsson

Employee representative for LO Swedish Trade Union Confederation

Elected: 1998 Born: 1957 Nationality: Swedish Education: Engineer Shareholding: 0

Göran Törnvall

Employee representative for PTK Federation of Salaried Employees in Industry and Services

Elected: 1996 Born: 1946 Nationality: Swedish Education: Graduate engineer

Shareholding: 0

Bo Anders Hansson

Employee representative for PTK Federation of Salaried Employees in Industry and Services, deputy member

Elected: 1999 Born: 1954 Nationality: Swedish Education: Engineer Shareholding: 0



Auditors

Bror Frid Born: 1957

Authorised Public Accountant

Ingvar Pramhäll

Born: 1942 Principal Auditor **Authorised Public** Accountant

Group management

Christer Lenner

Head of Gunnebo Engineering

Employed: 1985 Born: 1947 Nationality: Swedish Education: Engineer

Professional background: Senior positions in the

Swedish manufacturing sector.

Other Board appointments: Mora Järn och Bygg

Shareholding: 2,300 Stock options: 24,000





Deepak Khetrapal

Head of Gunnebo Asia Pacific

Employed: 2000 Born: 1955 Nationality: Indian

Education: MBA Finance, University of Dehli Professional background: Senior positions at Turner Morrison Ltd and State Bank of India. No Board appointments, shareholdings or stock

options.

Christian Selosse

Head of Gunnebo Integrated Security and Executive Vice President Gunnebo AB

Employed: 1997 Born: 1945 Nationality: French

Education: Engineer and economist

Professional background: Senior positions within several security companies including Chubb and

Lyonnaise de Eaux

Other Board appointments: -

Shareholding: -

Stock options: 24,000





Ulf Johnsson

Director of Human Resources

Employed: 2002 Born: 1949 Nationality: Swedish

Education: Social studies degree Professional background: Senior HR positions at AGA, Marabou and SAAB-

Scania, among others. Other Board appointments: -Shareholding: 800 Stock options: 24,000



Employed: 2001 Born: 1945

Nationality: Swedish

Education: Degree of Batchelor of Social

Science

Professional background: Senior

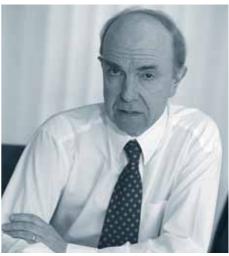
communication positions at SKF, Samhall and

Adera, among others.

Other Board appointments: NewsRoom

Shareholding: 1,200 Stock options: 24,000





Lennart Gustavsson

Chief Financial Officer

Employed: 1993 Born: 1945

Nationality: Swedish

Education: Master of Science in Economics and

Business Administration.

Professional background: Senior finance positions at Bofors and Componenta, among others. Other Board appointments: Member of several of

Gunnebo's subsidiary Boards Shareholding: 70,000 Stock options: 24,000





Torbjörn Browall

Head of Gunnebo Physical Security and First Executive Vice President Gunnebo AB

Employed: 2002 Born: 1962

Nationality: Swedish

Education: Master of Science in Economics and

Business Administration

Professional background: Senior positions at

SKF, SAPA and Volvo, among others. Other Board appointments: -

Shareholding: 3,000 Stock options: 24,000



President and CEO

Employed: 1993 Born: 1945 Nationality: Swedish

Education: Master of Science in Mechanical Engineering, Chalmers

University of Technology

Professional background: President and CEO of Bofors

Kilsta, Componenta and BPA.

Other Board appointments: Chairman of Geveko, Gunnebo Industrier and Chalmers Foundation for Industrial Technology, member of the Swedish Trade Fair Foundation.

Shareholding: 531,334 Stock options: 36,000



Philip Mozes

Head of Gunnebo Perimeter Protection

Employed: 1996 Born: 1954 Nationality: Dutch

Education: Business economist, INSEAD. Professional background: Senior positions with various corporations including RAVAS, GENAP,

PVG and Drakacel

Other Board appointments: -Shareholding: 2,718 Stock options: 24,000



Stefan Andersson

Head of Gunnebo Troax

Employed: 2002 Born: 1964 Nationality: Swedish

Education: Master of Science in Mechanical

Engineering, MBA

Professional background: Senior positions at ABB, Trelleborg and Atlas Copco

Other Board appointments: IUC, the Gnosjö region

Shareholding: 400 Stock options: 24,000

Other senior company officers



Lars Wallenberg

General Counsel, Mergers & Acquisitions

Employed: 2002 Born: 1951 Nationality: Swedish Education: LL.M

Professional background: General Counsel for

Trelleborg and Boliden

Other Board appointments: AlfaSensor AB

Shareholding: 20,780 Stock options: 24,000



Björn Strömberg

Group Controller

Employed: 1995 Born: 1960 Nationality: Swedish Education: Master of Science in Economics and Business Administration Professional background: Authorised Public Accountant, Ernst & Young

Other Board appointments: -Shareholding: 4,000 Stock options: 12,000



Employed: 2002 Born: 1962

Nationality: Swedish Education: Bachelor of Science in Economics and **Business Administration** Professional background: Senior positions at Castellum AB and Norra Älvstranden

Other Board appointments: -Shareholding: 2,000 Stock options: 12,000

Gunnebo worldwide

Parent company

Gunnebo AB Box 5181

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Bjarne Holmqvist, President and CEO

(until 1 May 2005)

Göran Gezelius, President and CEO

(from 2 May 2005)

Lennart Gustavsson, Chief Financial

Officer

Lars Wallenberg, General Counsel,

Mergers & Acquisitions

Ulf Johnsson, Director of Human

Resources

Janerik Dimming, Director of Group

Communications

Gunnebo Physical Security

Gunnebo Physical Security AB

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Divisional management:

Torbjörn Browall, Head of division and

First Executive Vice President Gunnebo AB

Bertil Gunnesson, Finance/Control

David Barry, Human Resources

Sven Boëthius, Secure Storage, Brands

Peter Leicher, Bank Automation

Gunnar Konkell, Retail Security and Cash

Jean-Louis Bayard, Sourcing and

Production

Tom O'Doherty, Sales America

Jay Wright, Sales Northern & Eastern

Europe

Fred Mertens, Sales Southern Europe,

Middle East and Africa

Gunnebo Integrated Security

c/o Fichet-Bauche

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Fax: +33-1 34 65 39 47

E-mail: info@gunnebo.gis.com

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Executive Vice President Gunnebo AB

Olivier Miaux, Finance/Control

Paul Heilbronner, Human Resources

Olivier Bianchi, Marketing

William Mouat, Business Development

(Asia)

Lars Proos, Entrance Control Systems

Jean Marie Betermier, Double Security

Laurent Mussilier, Electronic Security

Systems (France)



Gunnebo Perimeter Security

Gunnebo Perimeter Protection

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The Netherlands Tel: +31-252 377 804 Fax: +31-252 341 419

E-mail: info@gunneboproctection.com

Divisional management:

Philip Mozes, Head of division Fredrik Granat, Finance/Control **Ulf Johnsson**, Human Resources Anders Carlsson, Production Staffan Grimbrandt, Sales Northern Europe

Karsten Hamborg, Sales Central Europe lan Butler, Sales Western Europe **Reimund Westphal**, International Sales Alain Fougnot, President Eurofence

Gunnebo Troax AB

Box 89

SE-330 33 HILLERSTORP

Sweden

Tel: +46-370 828 00 Fax: +46-370 824 86 E-mail: info@troax.se

Divisional management:

Stefan Andersson, Head of division Andreas Green, Finance/Control **Ulf Johnsson**, Human Resources Kjell Karlsson, Purchasing Morgan Barrington, Marketing Åke Berg, Technology Fredrik Andersson, Logistics and IT Nebojsa Obradovic, Production Claus Rolsted. Sales Scandinavia David Teulon, Sales Great Britain Wolfgang Falkenberg, Sales Central Europe

Rob Markus, Sales Southern Europe

Gunnebo Asia Pacific

Gunnebo Asia Pacific 907, Maker Chambers V Nariman Point IN-MUMBAI 400 010 India

Tel: +91-22 56 37 47 39 Fax: +91-22 56 37 47 38 E-mail: ddk@steelage.co.in

Divisional management:

Deepak Khetrapal, Head of division Paul Extance, Finance/Control Nicholas Roberts, Business Development



Gunnebo Engineering

Gunnebo Industrier AB **SE-590 93 GUNNEBO**

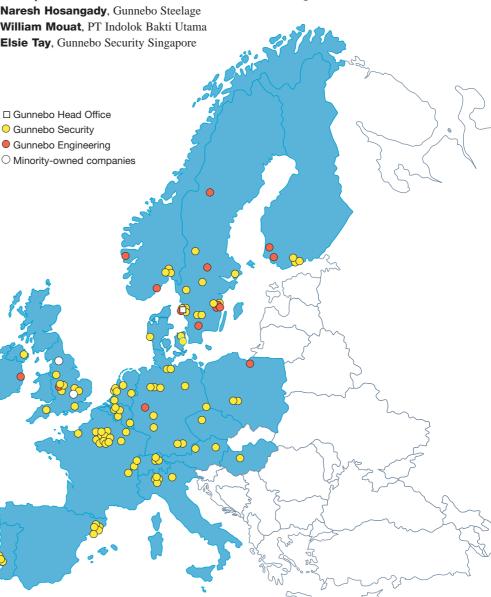
Sweden

Tel: +46-490 890 00 Fax: +46-490 892 14

E-mail: info@gunneboindustries.com

Divisional management:

Christer Lenner, Head of division Per Olin, Finance/Control Martin Jonsson, Gunnebo Fastening Robert Hermans, Gunnebo Lifting William Shenloogian, Gunnebo Blocks Anders Stigwall, Gunnebo Non Skid



Country		Company/Business unit	Location	Headed by	Division
展	Australia	Gunnebo Chain & Lifting Pty Ltd Gunnebo Security Pty Ltd	Wetherill Park Rydalmere	Colin Saad Daniel Turner	GIND GAP
	Austria	Gunnebo Troax GmbH Gunnebo Security	Ebreichsdorf Ansfelden	Erich Reuschel Reinhold Hofstetter	Troax GPS
	Belgium	Fichet Security SA Gunnebo Troax NV Lips Safes NV Securibel SPRL	Brussels Mechelen Boortmeerbeek Fleurus	Jean-Pierre Deschuyter Peter van Wallenburg Jean-Pierre Deschuyter Gilbert Korchia	GPS Troax GPS GIS
(Brazil	Gunnebo do Brasil Ltda Gateway do Brasil Lda (50% ownership)	São Paulo São Paulo	Stefan Lundkvist Rubens Bulgarelli	GIND GPS
	Canada	Gunnebo Security Inc	Toronto	Tom O'Doherty	GPS
*3	China	Gunnebo Entrance Control	Hong Kong	Kenneth Ong	GIS
	Czech Republic	Gunnebo Security CZ s.r.o	Prague	Radek Zykmund	GPS
	Denmark	Gunnebo Protection A/S Troax A/S Rosengrens Seifert A/S	Varde Ishöj Ballerup	Jens Bollerup Claus Rolsted Tom Christensen	GPP Troax GPS
+	Finland	Troax Oy OFA Oy Ab, Jokoinen OFA Oy, Ab, Loimaa Gunnebo Polaraidat Oy Gunnebo Security Oy	Vantaa Jokoinen Loimaa Nummela Vantaa	Sakari Pajakoski Heikki Helminen Jouni Nurminen Marko Heiskanen Thomas Granberg	Troax GIND GIND GPP GPS
	France	Safes Réalisations SA Eurosecur SARL Fichet Bauche Automation SA Fichet-Bauche SA Fichet Sécurité Electronique SAS Fichet Sécurité Physique SA Fichet Sécurité Physique SA Fichet Sécurité Physique SA Fichet-Bauche Télésurveillance Gunnebo Entrance Control SARL Gunnebo Wego SARL Haffner Hygiaphone SARL Ritzenthaler SA Troax SA Eurofence SA	Villes-Sur-Marne Rungis Velizy Velizy Velizy Bazancourt Velizy Velizy Lognes Paris Velizy Fontenay Velizy Chambéry Doulevant le Chateau	Dominic Vomscheid Olivier du Portal Olivier du Portal Olivier du Portal Christian Selosse Laurent Mussilier Graham Ward Olivier du Portal Laurent Mussilier Eric Galinha Pascale Müller Dominic Vomscheid Yves Fazilleau Jean Marie Betermier Rob Marcus Alain Fougnot	GPS GPS GPS GIS GPS GPS GIS GIS GIS GIS GPP GPS GIS GIS GPP GPS GIS GIS GIS
	Germany	Gunnebo Security GmbH Gunnebo GmbH Gunnebo Hammer GmbH Gunnebo Safes GmbH Gunnebo Wego GmbH Sicherheitssystem Leicher Projekt GmbH Leicher Tresorbau GmbH & Co. KG Ritzenthaler GmbH Troax GmbH Werra Tor & Zaun GmbH Gunnebo Kubon GmbH Elkosta GmbH	Hamburg Wilnsdorf Hamburg Kirchheim Salzkotten Kirchheim Markersdorf Stahnsdorf Niedernhausen Salzkotten Trier Salzgitter	Jay Wright Horst Schröder Walter Güttinger Andreas Ross Karsten Hamborg Jay Wright Florian Leicher Marcel Fleischmann Wolfgang Falkenberg Hartwig Vogt Florian Leicher Reimund Westphal	GPS GIND GIS GPS GPP GPS GPS GIS Troax GPP GPS GPS GPP
N. S.	Great Britain	Gunnebo Security Ltd CSI Security Ltd Churchill Safes Ltd FBH Fichet Ltd (49% ownership) Rosengrens Tann Ltd Troax UK Ltd Troax Lee Manufacturing Ltd Gunnebo Ltd Gunnebo Entrance Control Ltd Ritzenthaler Co Ltd (45% ownership) Gunnebo Perimeter Protection Ltd	Wolverhampton Bedford Stoke Hitchin Hitchin Swindon Kingswinford Redditch Uckfield Bedford Taunton	Martin Houseman Mike Parry Martin Houseman Andrew J. Mackey Martin Houseman David Teulon David Teulon Michael Gough Rob Wheeler John Baker Rodney Coate	GPS GIS GPS GPS GPS Troax Troax GIND GIS GIS GPP
	Hungary	Leicher Hungaria Kft	Budapest	István Roszmann	GPS
	India	Steelage Industries Ltd Gunnebo Asia Pacific	Mumbai Mumbai	Naresh Hosangady Deepak Khetrapal	GAP GAP
	Indonesia	PT Indolok Bakti Utama	Jakarta	William Mouat	GAP
	Ireland	Gunnebo Ireland Ltd	Dublin	Patrick Doyle	GIND

untry		Company/Business unit	Location	Headed by	Division
	Italy	Fichet SRL	Milan	Arrigo Horn	GIS
	italy	Fichet Italia SpA	Milan	Arrigo Horn	GIS
		Gunnebo Entrance Control SpA	Lavis	Michele Maistri	GIS
		Gunnebo Troax SRL	Trezzano Rosa	Johan Cavallini	Troax
		Lips Vago SpA	Milan	Maurizio Casali	GPS
	Lebanon	Fichet Middle East Ltd	Mtaileb - Rabieh	Nabil Shahlawi	GPS
	Luxembourg	Fichet-Bauche SARL	Luxembourg	Jean-Jacques Brusco	GPS
	Malaysia	Chubb Malaysia Sdn Bhd (30% ownership)	Saelangor Darul Ehsan	Ravindran Gengadaran	GAP
₹	Northen Ireland	WH Scott Ltd	Belfast	Patrick Doyle	GIND
	Norway	EA Rosengrens AS/Clausen	Oslo	Tor Melleberg	GPS
		Gunnebo Anja Industrier AS	Lonevåg	Atle Jacobsen	GIND
		Troax AS	Oslo	Erik Krognes	Troax
		Tellefsdal	Sundebru	Atle Jacobsen	GIND
		Gunnebo Perimeter Protection	Oslo	Øystein Hansen	GPP
	Poland	Rosengrens Praediator Polska Sp zo o	Kalisz	Jerzy Szkalej	GPS
	1 Oldila	Gunnebo Baltic Sp zo o	Orneta	Örjan Hammar	GIND
		Gunnebo Protection Sp zo o	Kalisz	Jerzy Szkalej	GPP
	Portugal	Fichet Comércio SA	Lisbon	Carlos Valaradiahas	GIS
	Portugal			Carlos Valpradinhos	
		Ritzenthaler Lda Gateway Security Portugal Lda	Mafra Lisbon	José Caracol Carlos Truta	GIS GPS
		, , ,	LIOUUII	Odnos mula	
	Singapore	Gunnebo Security Pte Ltd	Singapore	Elsie Tay	GPS/GAF
	South Africa	Cargo Control Systems (Pty) Ltd Gunnebo Security SA (Pty) Ltd	Johannesburg Johannesburg	Richard Eyres Gerrit Venter	GIND GPS
-	Spain	Fichet Industria SL	Barcelona	Jordi Vendrell	GPS
		Fichet Sistemas y Servicios SA	Barcelona	José Ortuño	GIS
		Ritzenthaler SL	Barcelona	Hugo Balaguer	GIS
		Troax Systems SL	Barcelona	Javier Garcia	Troax
		Gunnebo Entrance Control SL	Barcelona	Raphael Roy	GIS
		0 1 10	0.11.		0 1
	Sweden	Gunnebo AB	Göteborg	Bjarne Holmqvist	Gunnebo
		Gunnebo Physical Security AB	Göteborg	Torbjörn Browall	GPS
		E A Rosengrens AB	Stockholm	Hans Schröder	GPS
		Rosengrens Produktions AB	Mora	Jörgen Abrahamsson	GPS
		Rosengrens Larm AB	Göteborg	Jay Wright	GPS
		Gunnebo SafePay AB	Göteborg	Gunnar Konkell	GPS
		Gunnebo Entrance Control AB	Gunnebo	Lars Proos	GIS
		Gunnebo Industrier AB, Gunnebo	Gunnebo	Christer Lenner	GIND
		Gunnebo Industrier AB, Fastening, Gunnebo	Gunnebo	Daniel Styrenius	GIND
		Gunnebo Industrier AB, Lifting, Ramnäs	Ramnäs	Håkan Carefall	GIND
		Gunnebo Industrier AB, Lifting, Junsele	Junsele	Stig-Olof Danielsson	GIND
		Gunnebo Industrier AB, Lifting, Gemla	Gemla	Patric Martinsson	GIND
		Gunnebo Industrier AB, Lifting Gunnebo	Gunnebo	Stig-Olof Danielsson	GIND
		Gunnebo Industrier AB, Lifting, Göteborg	Göteborg "	Jan-Erik Tegstedt	GIND
		Gunnebo Protection AB, Gunnebo/ Ödeborg	Gunnebo/Ödeborg	Staffan Grimbrandt	GPP
		Gunnebo Troax AB	Hillerstorp	Stefan Andersson	Troax
		Troax Sverige AB	Hillerstorp	Stefan Henningson	Troax
		Gateway Security AB	Motala	Bengt Johansson	GPS
٦ ،	Switzerland	Gunnebo Security Suisse SA	Nyon	Mike Finders	GPS
		Gunnebo Wego AG	Altendorf	Domenic Philipp	GPP
		Gunnebo Troax AG	Altendorf	Henrik Skölderfors	Troax
		Gunnebo Hammer AG	Zürich	Walter Güttinger	GIS
		Gunnebo Treasury SA	Neuchatel	Torbjörn Olsson	Gunnebo
	The Netherlands	Alura Holawork BV	Noordwijkerhout	Jürgen Litjens	GPP
	The Metherlands	Gunnebo Perimeter Protection	,	Jurgen Litjens Philip Mozes	GPP GPP
_			Noordwijkerhout		
		Gunnebo Troax BV	Noordwijkerhout	Sellie Kuperus	Troax
		Koninkiijke Martens Brandkasten BV	Diemen	Henk Portegies Zwart	GPS
		Rosengrens Europe BV	Doetinchem	Wiebe Raap	GPS
		SecureLine Lips Safes Productie BV	Dordrecht Dordrecht	Martijn Zandvliet Henk Portegies Zwart	GPS GPS
	UAE	Gunnebo Security	Dubai	Jacob Touma	GPP
		Cumpaha Jahanasan Cama	Tulsa	William Shenloogian	GIND
	USA	Gunnepo Johnsson Com			
	USA	Gunnebo Johnsson Corp Gunnebo Omega Inc.			
	USA	Gunnebo Omega Inc. Gunnebo Security Inc.	Benicia Miami	Lars Proos Tom O'Doherty	GIS GPS

GPS: Gunnebo Physical Security **GIS:** Gunnebo Integrated Security

GPP: Gunnebo Perimeter Protection **Troax:** Gunnebo Troax

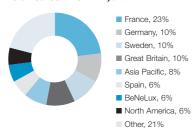
GAP: Gunnebo Asia Pacific **GIND:** Gunnebo Engineering



Gunnebo in brief

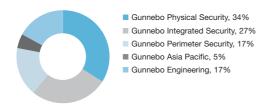
Sales by market

Total sales: MSEK 7,326



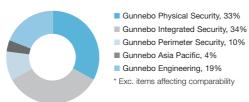
Sales by division

Total: MSEK 7,326



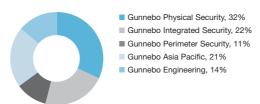
Operating profit before amortisation of goodwill*

Total: MSEK 471



No. of employees by division

Number of employees: 8,151



This Annual Report is a translation of the original in Swedish language. In the event of any textual inconsistencies between the English and the Swedish versions, the latter shall prevail.