

2005

Contents

Annual General Meeting

The Annual General Meeting will be held at 5.00 p.m. CET on Thursday, 30 March 2006 at Chalmers Student Union's union building, Chalmersplatsen 1, Göteborg, Sweden.

Registration

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 24 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 24 March.

Dividend

The Board proposes to the Annual General Meeting that a dividend of SEK 1.60 per share be paid for 2005 and that the date of record for entitlement be 4 April. It is expected that the dividend will be distributed by VPC on 7 April 2006.

Financial information

Interim report January-March

27 April 2006

Interim report January-June

21 July 2006

Interim report January-September

27 October 2006

Year-end release 2006

8 February 2007

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

website: www.gunnebo.com

e-mail: info@gunnebo.com

tel: +46 (0)31-83 68 00

fax: +46 (0)31-83 68 10

address: Box 5181, SE-402 26 Göteborg, Sweden

For further information, please contact:

Jan Erik Dimming

SVP, Group Communications

Gunnebo AB, tel +46 (0)31-83 68 03,

mobile +46 (0)705-83 68 03,

or e-mail janerik.dimming@gunnebo.com

Highlights of 2005	3
Comments by the CEO	4
The Gunnebo share	6
Gunnebo's history	8
Business idea, goals and strategy	10
New customer-focused organisation	12
Security for the bank sector	14
Security for the retail sector	16
Site protection	18
Secure storage	20
Contents of financial report	22
Report of the Directors	
Review of the Group	23
Gunnebo Physical Security	26
Gunnebo Integrated Security	28
Gunnebo Perimeter Security	30
Gunnebo Asia Pacific	32
Gunnebo and the environment	34
Gunnebo's employees	36
Financial risk management and sensitivity analysis	38
Five-year review, remaining operations	40
Five-year review, Group total	42
Definitions	44
Consolidated income statement	45
Consolidated balance sheet	46
Change in consolidated equity	47
Consolidated cash flow analysis	48
Parent company income statement	49
Parent company balance sheet	50
Change in parent company equity	51
Parent company cash flow analysis	52
Notes	53
Proposed treatment of unappropriated earnings	67
Report of the auditors	67
Corporate governance report	68
Swedish code of corporate governance	70
Board of Director's report on internal control	72
Board and auditors	74
Group management	76
The new organisation	79
Gunnebo worldwide	80

Highlights of 2005

- Order intake increased by 10 per cent to MSEK 6,658 (6,035). Organic order intake increased by 2 per cent.
- Invoicing increased by 6 per cent to MSEK 6,477 (6,086). Organic invoicing decreased by 2 per cent.
- Profit after financial items amounted to MSEK 238 (325) excluding items affecting comparability, and to MSEK 33 (121) including items affecting comparability.
- Items affecting comparability amounted to MSEK -205 (-204) and mainly comprised the previously decided restructuring of production, costs for a new organisation and new structure, as well as a one-off write-down of inventories.
- Profit/loss after tax amounted to MSEK -97 (84).
- Earnings per share were SEK -2.20 (1.90). Earnings per share excluding items affecting comparability were SEK 3.75 (6.00).
- Distribution of Gunnebo Industrier to Gunnebo's shareholders and separate listing on Stockholmsbörsen's 'O' list were carried out.
- Acquisition of Eurofence in January 2005.

Proposed dividend

- A dividend of SEK 1.60 (2.25) is proposed.*

Outlook for 2006

- Profit after financial items for 2006 both before and after items affecting comparability is expected to be significantly higher than for 2005 (MSEK 238 and MSEK 33 respectively), but still below the company's set financial goals.

* Last year SEK 2.25 was distributed to shareholders alongside all shares in Gunnebo Industrier. For every five shares in Gunnebo AB, the shareholder received one share in Gunnebo Industrier.

Key figures for remaining operations	2005	2004	2003
Invoiced sales, MSEK	6,477	6,086	5,817
Operating profit, MSEK*	308	368	320
Profit after financial items, MSEK*	238	325	282
Profit after financial items inc. items affecting comparability, MSEK	33	121	282
Operating margin, %*	4.8	6.0	5.5
Return on capital employed, %*	10.4	14.1	13.0
Earnings per share after dilution, SEK*	3.75	6.00	5.10
Net debt, MSEK	1,763	1,328	947
Operative cash flow, exc. restructuring costs, MSEK	325	282	399
Equity ratio, %	25	30	36

* Exc. items affecting comparability

Comments by the CEO

Just over a year has passed since I agreed to take over as President and CEO of Gunnebo from Bjarne Holmqvist. At the time I was given a detailed description of Gunnebo by my predecessor and several Board members. That description closely corresponds to my own perception of Gunnebo one year later, apart from two differences. Firstly, in terms of results the early part of 2005 was far worse than anyone expected. Secondly, Gunnebo was described as a manufacturing company, but today's Gunnebo, after the distribution of Gunnebo Industrier, is predominantly a technology and service company.

Gunnebo AB has developed strongly since its foundation, initially as venture capital company HIDEF, which was listed on Stockholmsbörsen in 1993, and then through the acquisition of Gunnebo Industrier in 1995 which was followed by some 40 acquisitions in the security sector. This development is described in more detail later on in the Annual Report. After a period of strong growth through corporate acquisitions, particularly during the first 10 years, we have been forced to take a breather in 2005 in order to consolidate the business.

At the same time we have set the course for Gunnebo's continued development and have identified the main opportunities offered by customer focus in the security industry.

Distribution of Gunnebo Industrier

In June the subsidiary Gunnebo Industrier AB was distributed to shareholders and listed on Stockholmsbörsen's 'O' list. The deconsolidation went according to plan and Gunnebo Industrier has enjoyed sound development during the year.

Results for the year – a weak start but a strong finish

The early part of the year was very weak for Gunnebo. The order intake for comparable units fell by 7 per cent during the first quarter, cash flow was seriously in the red and, in addition to a poor running operating profit, major cost discrepancies were detected in project sales in two countries. During the second quarter the profit rate was approximately half that of the previous year and much lower than the market's expectations. Consequently, we issued a profit warning in June. A few weeks later we were also informed that we had

been refused a loss carry-forward from 1999, which would now have to be re-entered as tax, thereby increasing our tax cost for 2005 by MSEK 89.

However, the order intake did increase during the second quarter. Several restructuring projects which began in 2004 were completed during the first half of 2005.

A time of increased disruption and poor productivity during the first half-year was therefore replaced by a period of reduced costs and less disruption during the second half. Consequently, profit for the fourth quarter was higher than for the same quarter the previous year. The order intake was strong and 9 per cent higher than in the fourth quarter of 2004 for comparable units.

Profit for the year after financial items excluding Gunnebo Industrier ended up at MSEK 33 (121). Operating profit before items affecting comparability was MSEK 308 (368). The decrease compared with 2004 is completely due to the first half of the year.

Working capital tied up

Gunnebo's stock levels and accounts receivable are too high. In 2005 we have reduced overdue accounts receivable by just under MSEK 50 and further measures are planned for 2006. In 2006 we will also be reviewing our stock range, selling off surplus stock and modifying the stock control system following the decision to integrate Gunnebo's many companies. We have therefore written down the value of stock by MSEK 45 in the 2005 accounts.

My assignment – new strategy

The assignment and mandate given to me by the Board when I became CEO was to co-ordinate and focus all of Gunnebo's acquired companies, with the aim of turning Gunnebo into a homogeneous security Group with the breadth and expertise to offer complete security systems to selected customer groups. During the summer the Group management and Board of Directors formulated the plans and concepts which were subsequently established as Gunnebo's strategy for the years to come.

Gunnebo will focus on security solutions for banks, retail shops, and on facilities and buildings with high site protection requirements, such as airports, seaports, power stations, embassies and military bases. Gunnebo is a world leader in high-graded safes also to customers outside the bank and retail sectors, and we intend to maintain and strengthen this position.

Customer focus – ‘Gunnebo One Company’

By offering our most important customers complete, integrated security solutions we are striving to be their natural first choice. In order to create a customer focus while fusing Gunnebo's various security solutions into a comprehensive offering to each customer category, we need to work and organise ourselves in a completely different way.

The Board meeting in August was also the starting point for Gunnebo One Company, a plan to integrate the 90 Gunnebo companies worldwide, thus inherently calling for an extensive reorganisation of Gunnebo. The new organisation is explained in detail on page 12 of this report.

The main aim of Gunnebo One Company is to increase our organic growth and improve profitability. The merging of many, often very small, units will also bring cost benefits. The cost of Gunnebo One Company is approximately MSEK 185, of which MSEK 37 is charged to the 2005 accounts and the remainder to 2006. Gunnebo One Company will result in cost reductions of around MSEK 90 a year from 2007. Only a small part of the cost reductions are expected to be achieved in 2006.

The production restructuring programme, which began in the fourth quarter of 2004 at an estimated cost at the time of MSEK 112, has been increased by MSEK 68 due to more extensive cutbacks than originally planned and the closure of a further three small production units. Production restructuring will, with one exception, be complete in the first quarter of 2006 and no further costs are expected to arise.

Gunnebo – a technology and service company

Of Gunnebo's total costs of goods and services sold, less than one-third are costs for products and systems arising at the company's 13 factories. We also have five assembly units which, in addition to assembly, also install software and conduct quality tests on products and systems. Only quite a small part of Gunnebo today is a manufacturing company. The Group is more of a technology and service company, basically a solutions provider. In Europe we have more co-workers working in installation and aftermarket service than in production.

Gunnebo refinanced

Structural measures, the large tax cost and stock write-down have eaten into our equity ratio which is now 25 per cent, which is below the Group target of 30 per cent. The company was refinanced in autumn

2005 though a renewal of our syndicated loan and a new subordinated loan of MSEK 300. We have thereby obtained over MSEK 1,000 of not utilized credit. This will not be needed for current operations in 2006, but thanks to the refinancing we can carry out smaller, but important, complementary acquisitions while retaining our financial stamina.

Financial goals

Gunnebo's financial goals prior to the deconsolidation of Gunnebo Industrier still apply for the remaining Gunnebo AB. The goals entail a return on capital employed of 15 per cent, an operating margin of 7 per cent and an equity ratio of no less than 30 per cent. There is also a goal to achieve organic growth of 5 per cent a year. It is the aim of myself and the Group management for Gunnebo to achieve these goals in 2007, or at least to achieve the annual rate in 2007.

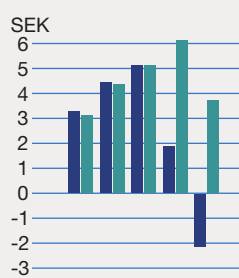
Finally I would like to focus attention on the magnificent efforts of Gunnebo's co-workers in 2005, particularly during the intensive period of change in the autumn. During my time as a business leader I have been involved in several major reorganisations and I know what they entail in the way of stress, uncertainty and demands on co-workers to change. Gunnebo's co-workers have handled these challenges in an exceptionally positive way, and have thereby given Gunnebo the conditions to create good profitability coupled with strong growth, both organically and through acquisitions.



Göran Gezelius
President and CEO

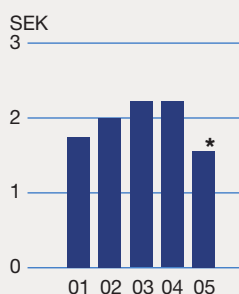
The Gunnebo share

Earnings per share after dilution*



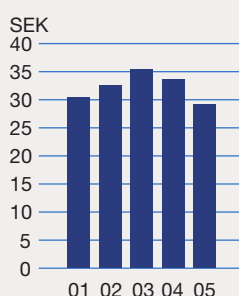
■ Inc. items affecting comparability
■ Exc. items affecting comparability
* For remaining operations

Dividend per share



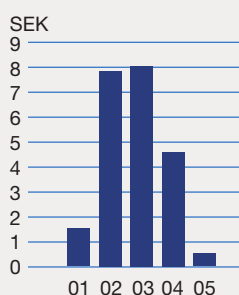
* Board proposal

Equity per share after dilution*



* For remaining operations

Cash flow per share*



* For remaining operations

The Gunnebo share has been listed on Stockholmsbörsen since December 1993 and on its 'A' list since 1996. A trading lot 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 43,854,548 shares, each with 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 31 March 2005 to distribute all shares in Gunnebo Industrier free of charge to the shareholders of Gunnebo, supported by the provisions of 'Lex ASEA'. This meant, for example, that the distribution could take place without immediate tax consequences in Sweden for Gunnebo or Gunnebo's shareholders. For every five shares in Gunnebo, the shareholder received one share in Gunnebo Industrier. The application for listing was submitted and the first day of trading for the Gunnebo Industrier share on Stockholmsbörsen's 'O' list was 14 June 2005.

Share price

Gunnebo's share price decreased by 5.7 per cent during the year, and the last price paid was SEK 78.50. Including the value of Gunnebo Industrier, the increase in value was 22.5 per cent. Stockholmsbörsen's general index increased by 31.6 per cent over the same period, while the Carnegie Small Cap Index rose by 44.0 per cent. The lowest share price paid during the year was SEK 68.70 (7 July, after distribution of Gunnebo Industrier) and the highest was SEK 109.50 (14 April, prior to distribution of Gunnebo Industrier). The market value on 31 December 2005 was MSEK 3,443 (3,645).

Gunnebo's beta value (the fluctuation in its share price in relation to the stock market index) was 0.66 (0.58) during the year.

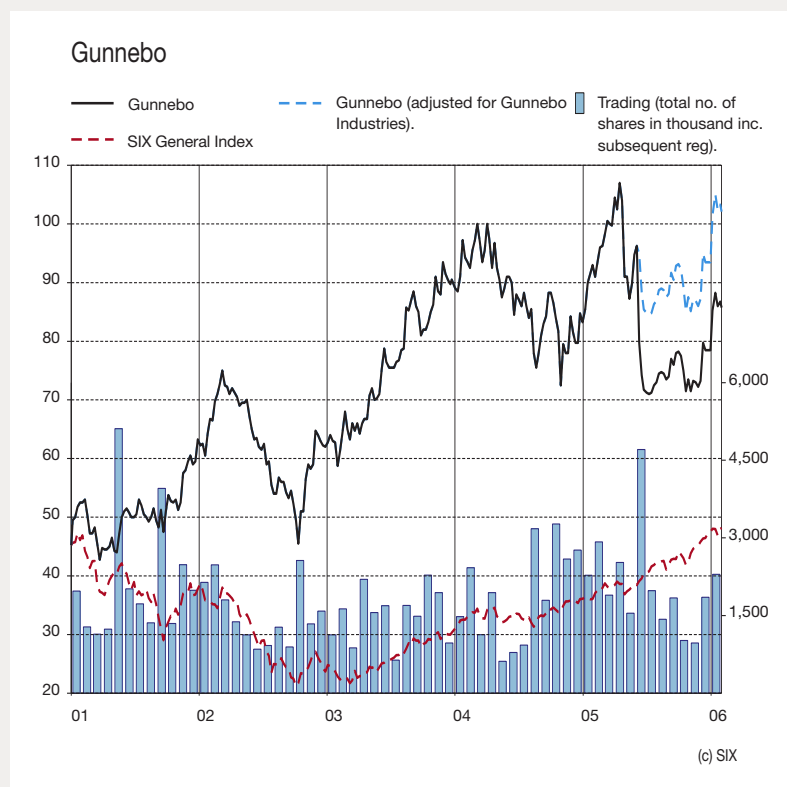
Total trading

A total of 24,965,397 shares (19,301,944) were traded in 2005 at a value corresponding to MSEK 2,110 (1,955). The average volume traded each trading day was 98,677 shares (76,595), equating to SEK 8,339,000 (7,757,000). The trading rate was 57 (44) per cent, compared with an average of 135 per cent for Stockholmsbörsen's 'A' list (149).

Shareholders

The number of shareholders on 31 December 2005 was 10,100 (10,800). The ten largest shareholders controlled 65 per cent of the votes and capital. Swedish institutional shareholders owned approximately 30 per cent, and foreign shareholders 20 (18) per cent of the capital.

From 2 January 2006, Vätterledens Invest AB with associates and Stena Adactum with associates are Gunnebo's largest shareholders with just over 18 per cent each of the capital and votes.



Dividend policy and proposed dividend

The Board's dividend proposal shall take into account Gunnebo's long-term development potential, its financial position and its investment needs. The Board has decided that the target for the dividend is that in the long term it shall amount to 30-40 per cent of the profit after tax.

In light of the set dividend policy, established profit targets, the deconsolidation of Gunnebo Industrier and one-off costs, the Board has decided to propose a dividend of SEK 1.60 (2.25) to the AGM.

To compare this year's proposed dividend with last year's, one-fifth of Gunnebo Industrier's proposed dividend, i.e. SEK 0.70 (SEK 3.50/5) should be added to this year's dividend. Compared with the dividend of SEK 2.25 last year, this year's dividend for shareholders who have chosen to keep their shares in Gunnebo Industrier is SEK 2.30.

Information to the capital market

In 2005, Gunnebo has again conducted extensive investor relations activities.

During the year the company has carried out approximately 120 one-to-one meetings, 10 breakfast and lunch meetings, and eight shareholder meetings, taken part in talks and exhibitions at the Swedish Shareholders' Association's Stockmarket Days in both Göteborg and Stockholm (approximately 2,500 investors in total), and arranged two capital market days.

The first capital market day took place in Göteborg in August for the 15 analysts and journalists who continuously track Gunnebo.

The second, which was held in Barcelona in November, attracted 25 analysts, journalists and portfolio managers from Sweden, Norway, Denmark and France.

After each interim report Gunnebo arranges telephone conferences with around 20-30 participants.

Data per share for remaining operations	2005	2004	2003
Earnings per share exc. items affecting comparability, SEK*	3.75	6.00	5.00
Earnings per share inc. items affecting comparability, SEK*	-2.20	1.90	5.10
Equity per share before dilution, SEK	27.55	31.60	33.75
Equity per share after dilution, SEK	29.30	33.50	35.60
Cash flow per share, SEK	0.50	4.60	8.10

* After dilution

Data per share, Group total	2005	2004	2003
Earnings per share exc. items affecting comparability, SEK*	4.00	7.30	5.95
Earnings per share inc. items affecting comparability, SEK*	-1.95	3.20	5.95
Equity per share before dilution, SEK	27.55	40.15	42.70
Equity per share after dilution, SEK	29.30	41.75	44.20
Cash flow per share, SEK	-0.10	7.05	10.65
Dividend, SEK	1.60**	2.25	2.25

Share price related share data

Share price at year-end (last price paid), SEK	78.50	83.25	89.75
Highest price during the year (price paid), SEK	109.50	101.50	93.50
Lowest price during the year (price paid), SEK	68.70	72.50	58.75
Market capitalisation at year-end, MSEK	3,443	3,645	3,929
P/E ratio	neg.	23	15
Direct yield, %	2.0**	2.7	2.5

* After dilution

** Board proposal

No. of shares

Closing no. of shares, x 1,000	43,854	43,780	43,780
Average no. of shares, x 1,000	43,823	43,780	43,216
No. of shares after full dilution	45,782	45,780	45,780

Largest shareholders

31 December 2005	No. of shares	Pro-portion, %
Vätterledens Invest AB, with associates	10,262,456	23.40%
Stena Adactum AB, with associates	5,888,920	13.43%
IF Skadeförsäkring	4,380,500	9.99%
2nd AP fund	1,852,885	4.23%
Odin funds	1,831,465	4.18%
Orkla Asa	1,717,500	3.92%
JP Morgan Chase Bank	1,038,463	2.37%
Ing Ferri S.A.	714,800	1.63%
Bjarne Holmqvist	531,334	1.21%
Handelsbanken funds	388,579	0.89%
State Street Bank	330,850	0.75%
Aktia Sparbank	309,200	0.71%
Muirfield Invest AB	300,000	0.68%
Banco funds	291,380	0.66%
European Growth Mandatum	256,400	0.58%
Confederation of Swedish Enterprise	242,000	0.55%
BNP Paribas	240,000	0.55%
Mellon Omnibus	225,892	0.52%
Others	13,051,924	29.75%
Total	43,854,548	100.00%

Shareholders by size	No. of shareholders	No of shares	Holding and votes, %
1 - 500	6,548	1,359,557	3.10%
501 - 1,000	1,761	1,463,843	3.34%
1,001 - 5,000	1,421	3,216,131	7.33%
5,001 - 10,000	165	1,213,190	2.77%
10,001 - 50,000	128	2,849,583	6.50%
50,001 -	62	33,752,244	76.96%
Total 31 Dec 2005	10,085	43,854,548	100.00%

Development of share capital, MSEK	Change in share capital	Share capital	Total 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
2005 New issue	0	219	43,854,548

Analysts who follow Gunnebo

Alfred Berg ABN AMRO
Henrik Fröjd
+46 (0)8 723 58 33
henrik.frojd@alfredberg.se

CA Cheuvreux - Nordic
Johan Wettergren
+46 (0)8 723 51 79

Danske Equities
Peter Trigarsky
+45 334 404 49
ptr@danskebank.dk

D. Carnegie AB
Björn Enarson
+46 (0)8 676 88 00
bjoena@carnegie.se

Oscar Stjerngren
+46 (0)8 676 87 69
oscstj@carnegie.se

Enskilda Securities
Stefan Mattsson
+46 (0)8 522 297 94
stefan.mattsson@enskilda.se

Erik Penser Fondkommission
Mats Hyttinge
+46 (0)8 463 80 56
mats.hyttinge@penser.se

Handelsbanken Capital Markets
Markus Almerud
+46 (0)8 701 34 01
maa16@handelsbanken.se

Henrik Saläng
+46 (0)8 701 12 51
hesa06@handelsbanken.se

Kaupthing Bank
Peder Frölen
+46 (0)8 791 47 86
peder.frolen@nordiska.com

Joakim Höglund
+46 (0)8 791 48 00
joakim.hoglund@nordiska.com

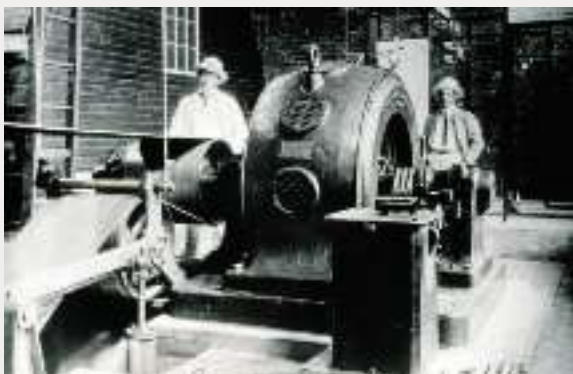
Standard and Poor's Equity Research
Tobias Ottosson
+46 (0)8 440 59 00
tobias_ottosson@sandp.com

Swedbank Markets
Mats Larsson
+46 (0)8 585 925 42
mats.larsson@swedbank.com

The Gunnebo history



The forge in the village of Gunnebo where Hultman started his business in 1764.



Nail production in the early 20th century.



Automated production of mesh panels at the Troax plant in Hillerstorp, Sweden.

<p>1764</p> <p>Hans Hultman is licensed to set up a cluster-hammer mill in the small village of Gunnebo, south east Sweden.</p> <p>Coal is used in production instead of charcoal, which is now scarce.</p>	<p>1920s and 1930s</p> <p>The company recovers quickly from the depressions. The plants in Gunnebo are expanded and the subsidiary in Varberg, set up in 1918, develops into one of Sweden's most modern plants in the industry.</p>	<p>1993</p> <p>HIDEF Kapital AB, one of the six small venture capital companies with financing from the dissolved employee funds commissioned to support Swedish industry with venture capital, is listed on the stock exchange. Turnover for its first year is SEK 800,000.</p>	<p>1995</p> <p>The 'traditional' Gunnebo is bought up by HIDEF Kapital AB, HIDEF changes name to Gunnebo and the 'old' Gunnebo becomes Gunnebo Industrier. A new strategy is adopted whereby Gunnebo is transformed from an industrial conglomerate into a security group.</p>
--	---	---	---

Hidef/Gunnebo 1993-2005			
The "traditional" Gunnebo 1764-1995			
<p>1889</p> <p>The company Gunnebo Bruks Nya AB is formed in the 1890s. Production increases thanks to better economic conditions and streamlining, primarily through electrification.</p>	<p>1989</p> <p>225th anniversary. Group turnover in real terms is now five times higher than at the end of the Second World War. 350 of the 1,300 staff work in overseas subsidiaries. The company is delisted from Stockholmsbörsen with a Management Buy Out.</p>	<p>1994</p> <p>The first acquisition in security takes place when safe manufacturer EA Rosengrens AB is acquired from SE-Banken. Gnosjö-Gruppen, including Troax, is acquired.</p>	<p>1996-1997</p> <p>As a result of a strategy decision in 1996 to focus on entrance control systems, Gunnebo acquires UK company Mayor Ltd in the same year and Italian Italdis Industria S.p.A. the year after. The acquisitions make Gunnebo one of the leading suppliers of entrance control in Europe.</p>
			<p>1998</p> <p>Germany's Garmy Sicherheitstechnik, with a predominant market position in physical security products on German-speaking markets, is acquired in June.</p>



Oxen transport reels of drawn wire at Gunnebo Bruk in the early 20th century.



Factory owner Edvin Albert Rosengren (right) and his master, smith Jens Rasmussen.



Fichet-Bauche is a leader in bank security in Southern Europe. The photograph shows a vault door from the mid-20th century.



In 2005, Europe's largest safety deposit robot with over 1,800 safe deposit boxes at Züricher Kantonalbank in Switzerland.



In 2005, Gunnebo Protection installed a specially designed sliding gate from Gunnebo Wego for Kungsholmen Prison, Stockholm. The gate is automatically controlled and designed to prevent forced access by vehicles.

1999

French Fichet-Bauche is acquired in the largest acquisition in the Group's history. Fichet-Bauche's lock business is sold to Assa Abloy.

2002

A further two companies are acquired, German banking automation company Leicher and Danish cash system company Riva Systems

2005

In early January, French company Eurofence, manufacturer of outdoor perimeter protection, is acquired. On 14 June Gunnebo Industrier is listed on Stockholmsbörsen's 'O' list through distribution to Gunnebo AB shareholders. Gunnebo is now a pure security Group with 6,700 employees, a turnover of MSEK 6,600 and 90 companies in 30 countries.

Gunnebo Industrier AB

Gunnebo AB

2000

The UK's Chubb safes is acquired. This gives the Gunnebo Group control over the largest brands and the majority of production in high-graded safes on the global market.

2001

Another six companies are acquired, including France's Ritzenthaler. In a short space of time Gunnebo had developed into one of the world's leading suppliers of physical security.

2003-2004

Another eight companies are acquired including Germany's Kubon, cash automation, Elkosta which produces high-grade protection products, and Swedish EAS-company Gateway. Spring also sees the opening of the extended and modernised factory in Halol, India, which can now manufacture products for both the Asian and European markets.

Since 1995 the Gunnebo Group has carried out approximately 40 acquisitions in the field of security. In autumn 2005 Gunnebo entered a new phase of development. The Group management presented a new strategy for increased organic growth – Gunnebo One Company. As a result the Group will be switching its focus from products to customers, from multi-branding to a strong single brand – Gunnebo. The new organisation also means that all Gunnebo companies in one country are co-ordinated into a Customer Centre with the shared name Gunnebo, while responsibility for production, sourcing, product and process development lies with six Competence Centres.

The new organisation came into effect on 1 January 2006 and is described on pages 12-13 of this annual report.



DataPlus+, a fire-resistant data media safe from Chubb safes.



The SpeedGate from Gunnebo Entrance Control has won design awards and achieved major sales success for Gunnebo. A rapid passage of people, more secure entrances and user-friendliness make it suitable for a host of environments with large movements of people.

Business idea, goals and strategy

The business and the future

Since the distribution of Gunnebo Industrier on 14 June 2005, Gunnebo is a pure security Group with companies in around 30 countries. Gunnebo is also represented worldwide by agents and distributors in a further 100 countries.

In autumn 2005, Gunnebo planned and carried out a major restructuring programme which means that as of 1 January 2006 all sales and marketing are brought together in one Customer Centre per country in those countries where Gunnebo has a market presence through its own companies.

Six Competence Centres are responsible for product and systems sourcing.

Business idea

The Gunnebo Group shall offer security solutions encompassing cash automation, access control, site protection, burglar and fire-resistant products with the key focus on the following customer groups:

- Bank
- Retail
- Site Protection

Gunnebo is also a world-leader in high-graded safes to customers outside the bank and retail sectors, and the company intends to maintain and strengthen this position.

Customer focus

On each individual market, customers should recognise Gunnebo's ability to satisfy their current and future needs for security solutions. Systems, products and service shall be of the highest quality.

Gunnebo will develop specific security solutions for each customer segment. By harnessing its experience of installed security systems, Gunnebo will increasingly achieve specialised benefits both in terms of customer benefit and cost-effectiveness.

Brands

Gunnebo will use one brand for all system deliveries, that brand being Gunnebo.

In the Secure Storage business line (storage of cash and valuables), the Chubb safes, Fichet-Bauche and Rosengrens brands will also be used and SecureLine will be used for the SoHo range (small offices and home offices). In addition, the Troax brand will also continue to be used for the Group's indoor perimeter security business.

Financial goals

The former financial goals still stand, and the distribution of Gunnebo Industrier to shareholders and the new IFRS accounting recommendations have been taken into consideration.

- The Group shall earn a minimum return on capital employed of 15 per cent and a minimum operating margin of 7 per cent in the long term.
- The equity ratio shall not fall below 30 per cent.
- The Group shall achieve organic growth of at least 5 per cent.

It is expected that the above goals will be achieved in the 2007 financial year. In 2005, the Group had a return on capital employed of 10.4 per cent, an operating margin of 4.8 per cent excluding items affecting comparability, and an equity ratio of 25 per cent.

Market

The global security market is estimated to be worth some SEK 1,000 billion and to be growing at a rate of around 5 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 at least as fast as the market.

Gunnebo has a very strong position on the Western European market and a good position in India, Indonesia, Canada and South Africa.



Over the coming year Gunnebo will prioritise organic growth over acquisition-generated growth. Europe, Western Asia and several markets around the Indian Ocean Rim are prioritised.

Financial goals

	Long-term goal	2005	Actual outcome			
			2004	2003	2002	2001
Return on capital employed*	15	10.4	14.1	13.0	10.6	10.0
Operating margin, %*	7	4.8	6.0	5.5	4.9	4.5
Equity ratio, %	>30	25	30	36	30	27
Organic growth, %	5	-2	-1	1	2	5

* Remaining operations exc. items affecting comparability

The Gunnebo organisation in 2005

Gunnebo Security				Gunnebo Engineering
Gunnebo Physical Security	Gunnebo Integrated Security	Gunnebo Perimeter Security	Gunnebo Asia Pacific	Gunnebo Industrier*
				
Secure Storage Banking Automation Retail Security & Cash Handling	Electronic Security Entrance Control Bullet-Resistant Glass Walling and Partitioning Complete Customised Integrated Security Solutions	Gunnebo Perimeter Protection - Outdoor Perimeter Security Gunnebo Troax - Indoor Perimeter Security	Physical Security Integrated Security Complete Fire Protection Systems	Fastening Systems Lifting Systems Technical Products <small>* Distributed to Gunnebo's shareholders and listed separately on Stockholmsbörsen's 'O' list on 14 June 2005.</small>

The Gunnebo organisation from 1 January 2006

Competence Centres	Customer Centres		
	Region North	Region South	Region Indian Ocean Rim
Secure Storage	Nordic	France	Singapore
Cash Automation	Germany/Austria	Spain	India
Electronic Security	United Kingdom/Ireland	Italy	Indonesia
Entrance Control	Belgium/Luxembourg	Switzerland	Australia/New Zealand
Outdoor Perimeter Security	The Netherlands	Portugal	Malaysia*
Indoor Perimeter Security	EU East	West Asia, North Africa and South-East Europe	South Africa
	Canada		

* Part-owned company

New customer-focused organisation

As of 1 January 2006 Gunnebo has a new customer-focused organisation, which was prepared for in autumn 2005.

The aim of the new organisation is to integrate Gunnebo's companies, particularly in Europe, in order to increase organic growth and improve profitability. Through around 20 Customer Centres, Gunnebo will deliver more complete security solutions for its Bank, Retail and Site Protection customer groups. Moreover, safes sold outside the bank and retail segments will be marketed by business line Secure Storage in each Customer Centre. Each business line will be represented in all markets where Gunnebo operates.

As shown by the organisation illustration to the right, each Customer Centre has a uniform organisation divided into the Bank, Retail, Site Protection and Secure Storage business lines.

Service for all business lines is handled by the After Sales Service unit.

The aim is to reduce the number of Gunnebo companies from 90 on 1 January 2006 to around 50.

Sourcing of complete security systems and individual products will take place via six Competence Centres.

These centres are also organised in a uniform way and are responsible for business development, design, product development and product sourcing. The Competence Centres act as suppliers of security systems and products to Gunnebo's Customer Centres. The Competence Centres are also responsible for sales on markets where Gunnebo is represented by agents and distributors.

Gunnebo financial reporting from 1 January 2006

From 1 January 2006, Gunnebo will report its financial results to the stock market in the following four business lines:

Business Line Bank encompasses all of Gunnebo's security business with banks and other financial institutions. The aim is to equip and serve

these customers in the best possible way with the security solutions they need for secure storage, banking automation systems, access and entrance control systems, CCTV, and burglar and fire alarms.

Business Line Retail encompasses all of Gunnebo's security business with the retail trade. The aim is to equip and serve the Group's retail customers in the best possible way with the security solutions they need such as secure storage, closed cash handling systems (SafePay™), product alarm systems (Gateway), access and entrance control systems, CCTV, and burglar and fire alarms.

Business Line Site Protection encompasses Gunnebo's business for buildings and installations that require high-grade security – excluding banks and retail – such as embassies, airports, military bases, prisons and seaports. The security solutions include products for indoor (Troax) and outdoor perimeter security, access and entrance control systems, bomb and bullet-resistant doors and glass, anti-terrorist products, CCTV systems, and burglar and fire alarms.

Business Line Secure Storage encompasses all product sales in the Secure Storage segment to customers other than banks and retail. The product portfolio includes high-graded fire and burglar-resistant safes.

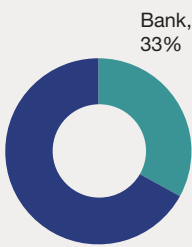
In addition there is the After Sales Service unit which manages and develops all service operations on each market. The financial results for After Sales Service are divided among the other business lines in relation to the service work carried out. The same applies for the financial results of the six Competence Centres, which are reported under the Bank, Retail, Site Protection and Secure Storage business lines.



Security for the bank sector

Gunnebo's system solutions for banks and other financial institutions

Percentage of total sales



Through acquisitions and organic growth, Gunnebo has achieved a market-leading position for security systems and products for banks primarily in Europe. In addition to this market, which is estimated at approximately MEUR 1,400 (excluding Cash-in-Transit), Gunnebo has leading market positions in the bank sectors in India, Indonesia, South Africa and Canada. Banking is Gunnebo's single largest customer segment and accounted for approximately one-third of sales in 2005.

System solutions the way forward

There is increasing demand in the bank sector for secure, efficient cash flows, both for manual and automated services.

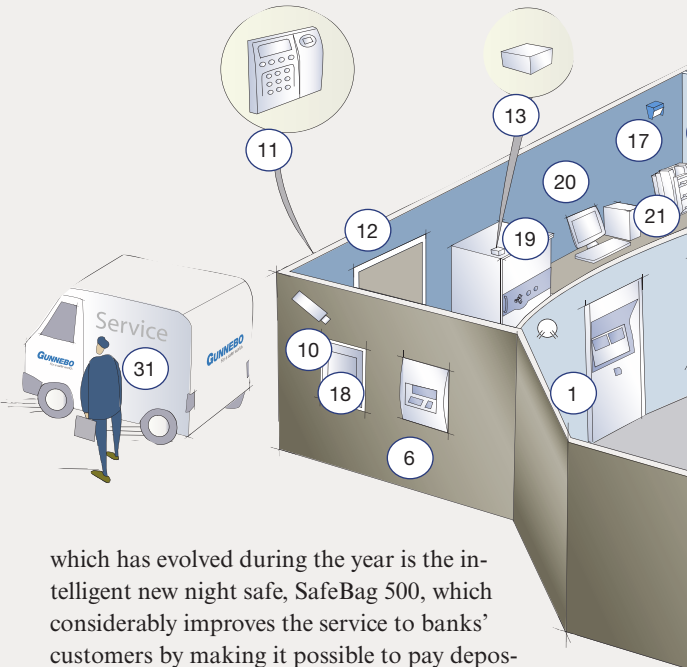
Gunnebo's new organisation with one Customer Centre in each country where Gunnebo has operations, represents an increased investment in offering complete system solutions for bank security.

These systems must be adapted to banks' increasing requirements on accessibility where customers not only want to withdraw money round the clock, but also want to access their safe deposit lockers, make deposits and exchange money. The solution for many banks is to set up self-service areas – a type of 24-hour bank in the bank's lobby where these services can be carried out quickly and securely.

Traditional bank products are evolving

Gunnebo also provides the majority of the 150,000 plus bank branches in Europe with traditional security products such as high-graded fire and burglar-resistant safes, vaults and vault doors, safe deposit lockers and night safes.

A good example of a traditional bank product



which has evolved during the year is the intelligent new night safe, SafeBag 500, which considerably improves the service to banks' customers by making it possible to pay deposited funds into customer accounts immediately. These systems require integrated software, SafeControl, which links and supplies all the relevant information.

Other product areas within banking where Gunnebo is at the forefront of development are electronic security in the form of alarms and surveillance cameras connected to surveillance centres, CCTV systems, access control and entrance security, and glass walling and partitioning that is bomb and bullet resistant.

In France, Gunnebo also has an operation that leases complete mobile bank branches. The mobile branches are mainly used during bank renovations, but also at short-term events that attract large numbers of people.

Theft in Europe's bank sector

- Theft resulting from robbery amounted to MSEK 900 in 2004, a 19 per cent increase on the previous year.
- In 2004, 5,864 robberies were committed in the EU, an increase of just under 1 per cent on the previous year. The increase is primarily attributable to the inclusion of the 'new' EU countries in the statistics.
- The number of bank branches decreased in 2004, but the number of ATMs outside bank branches increased. The number of deposit machines also increased.
- Higher investment in security systems led to a larger proportion of bank robbers being caught by the police than before. One of the contributory factors for this is the increasing use of CCTV. The bank sector endeavoured to limit personnel's access to cash in order to reduce the risk of attempted robbery.

(Source: European Banking Federation Report for 2004)



Gunnebo has supplied all the banking automation equipment for Securitas's Cash-Shop in Borås, south-west Sweden: SafeBag night safe, SafeCoin C coin deposit, SafeCoin D note and coin-roll machine.



Self-service

1. SafeCoin C, coin deposit
2. SafeCash C, note deposit system
3. SafeCash R, note recirculation system
4. SafeCoin D, machine for changing coins, coin rolls and notes
5. Safety deposit robot
6. SafeBag night safe

Site Protection

7. SkyRitz interlocking door
8. Entrance control system
9. Bomb and bullet-resistant glass
10. CCTV – An internal video surveillance system
11. Access control system
12. Security door
13. Seismic detector
14. Security gate
15. Bullet-resistant glass walling and partitioning
16. Fire/Smoke warning system
17. Motion detector/IR

Backoffice

18. Transit safe
19. High-graded fire and burglar-resistant safe with electronic high-security lock
20. Hard drive for the integrated security system, software for ATM solutions in the self-service wall
21. Banknote counter with authentication
22. Fire-resistant data media safe
23. Vertical safe for storing documents

Customer service

24. SafePoint, secure payment of money with time delay
25. Banknote feeder
26. Banknote recirculation
27. Prefabricated vault
28. Vault door with high-graded electronic lock
29. Control system for remote electronic opening and control of safe deposit lockers
30. Safe deposit lockers

Service

31. Services for the entire bank facility

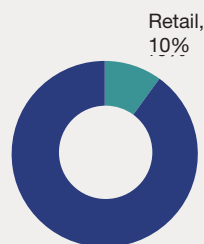


Gunnebo's Competence Centres can deliver and service all security-related installations – from access control to cash handling, alarms and surveillance at a bank branch.

Security for the retail sector

Gunnebo's system solutions for retail

Percentage of total sales



Gunnebo can today offer the retail sector in Europe integrated security systems for handling cash and products. In 2005, this customer segment accounted for approximately 10 per cent of Gunnebo's sales and is expected to grow strongly in the years to come. The main reason is that an increasing amount of cash handling in society is shifting away from the bank sector to the retail trade.

Lack of security increases risk of robbery

Large parts of the retail sector are not equipped to handle increasingly high amounts of cash in a secure, efficient way, thus dramatically increasing the risk of robbery.

Products of considerable value are also sold through the retail sector, and these must be effectively protected against theft by customers and personnel.

The only completely closed system

Gunnebo's completely closed, secure cash handling system SafePay™, together with Gateway's products alarms and software, forms the basis of the security systems for the retail sector.

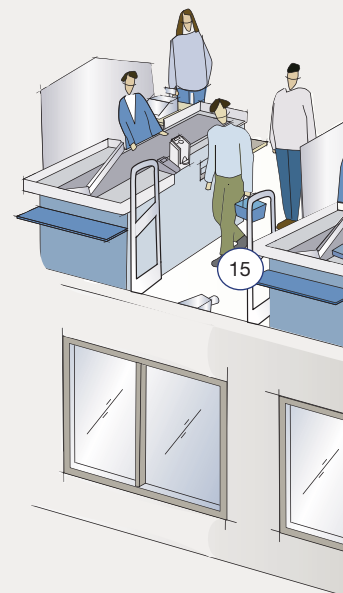
In Europe there are approximately 2.5 million checkouts, and up to half of these can be fitted with Gunnebo's closed cash handling systems.

The market is therefore very large and to date Gunnebo has mainly delivered SafePay to retail chains in Sweden, Norway and Germany.

Money completely locked in

Since the launch of SafePay, the system has been supplemented with the intelligent deposit unit with

ink cartridges (IDU) and cash transfer unit (CTU) built into a high-graded safe with extra fire protection. Together with the SafePay Coin Recycler and SafePay Note Recycler this makes SafePay the only completely closed, secure cash handling system on the market. The software for the system, SafePay Controller, also provides total control over the store's cash handling, no discrepancies arise in the tills and the cash is never accessible to personnel or unauthorised persons.



Gunnebo supplies total solution

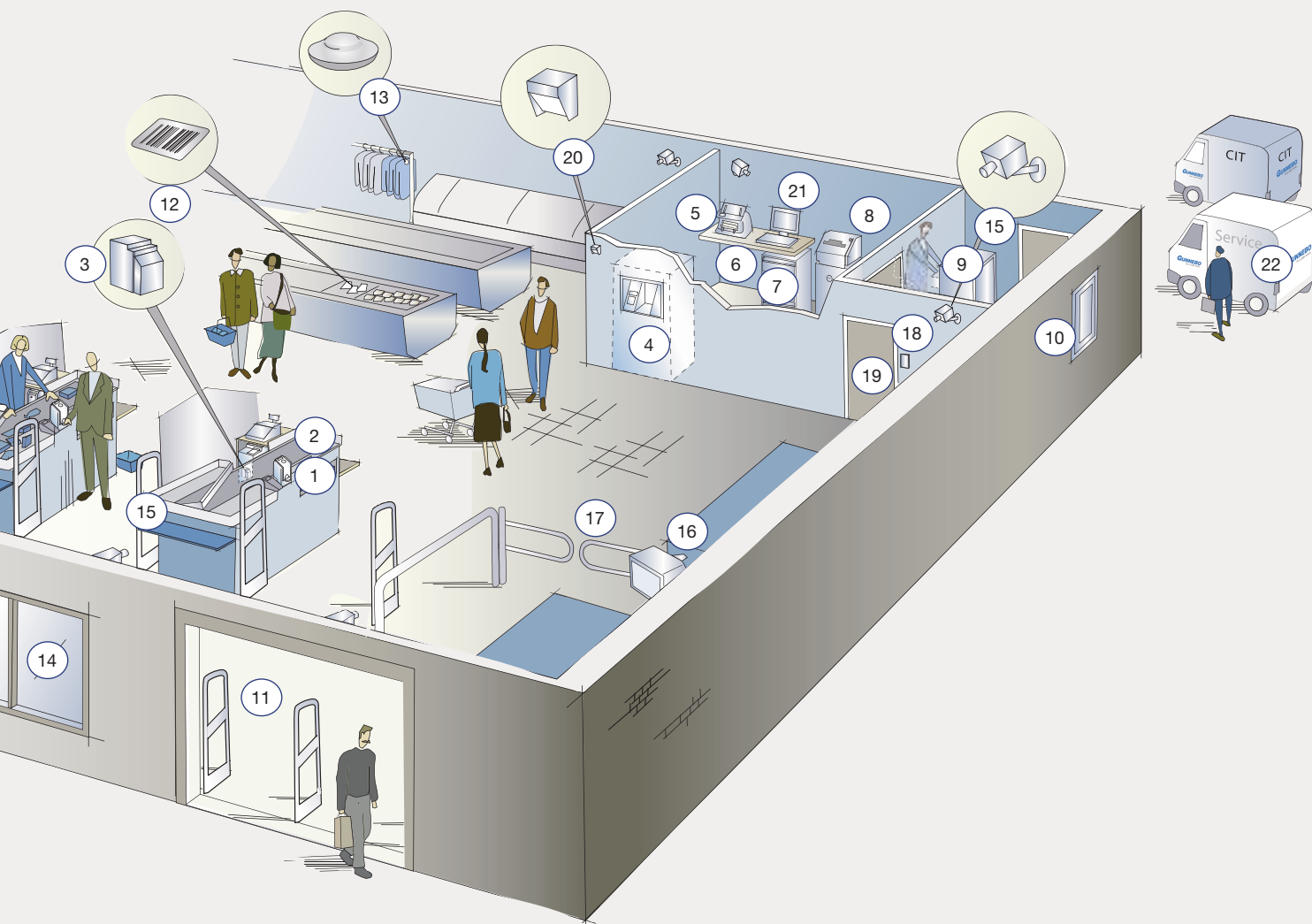
Gunnebo's Electronic Article Surveillance (EAS) company Gateway is the only company on the market that can offer all available technologies relating to electronic systems for article surveillance. The business has developed very positively since Gunnebo acquired Gateway at the end of 2004.

In addition to SafePay and Gateway, Gunnebo can offer the retail sector electronic security in the shape of burglar and fire alarms, CCTV surveillance, access and entrance control, high-graded safes, bullet and bomb-resistant glass walling and partitioning, and an extensive range of servicing.

Theft in the EU retail sector

- Total losses in the EU's retail sector due to consumer/personnel theft amounted to MSEK 270,000.
- Theft accounted for a smaller proportion of total turnover in 2004 (1.34 per cent) than in the previous year (1.25 per cent).
- The European Retail Theft Barometer states that 76 per cent of the reduction is due to the increased use of security equipment.
- The country with the most thefts was the UK – over MSEK 54,000 worth of goods were stolen in stores there in 2005. The country with the second highest theft was France with MSEK 48,000, and Germany was third with MSEK 46,000.
- Theft-prevention investment in the EU increased by 6 per cent to MSEK 70,000. The sector's investment in security has increased by 24 per cent since the year 2000, from MSEK 53,000 to MSEK 70,000 in 2005.
- The number of theft-related incidents increased in 2004 to 3,385 per 100 retail units, from 2,866 the previous year.
- The thefts are mainly committed by customers. However, theft by personnel accounts for 30 per cent of total wastage while miscounts and other stock discrepancies account for 14 per cent.

(Source: European Banking Federation Report, British Retail Consortium, figures refer to 2005)



Cash handling

1. SafePay™ Coin Recycler
2. SafePay™ Note Recycler
3. SafePay™ Intelligent Deposit Unit
4. SafePay™ Cash Transfer Unit
5. Banknote counter with authenticity verification
6. SafePay™ Controller
7. SafePoint, secure payment of money with time delay
8. SafeBag deposit of daily takings
9. High-graded safe with electronic high-security lock
10. Transit safe

Product alarm systems

11. Electronic Article Surveillance (EAS) systems
12. Article security labels
13. Hard tags

Other security installations

14. Bomb and bullet-resistant glass
15. CCTV – An internal video surveillance system
16. TV monitor
17. Point Of Sale
18. Entrance Control
19. Security door
20. Motion detector/IR
21. Control system for the electronic surveillance system

Service

22. Service of the integrated security system



Gunnebo's security concept for retail has two important basic components: secure, closed cash handling and article surveillance systems.

Moreover, Gunnebo can deliver and provide service for everything from access control and surveillance systems to secure storage of data media.



Stargate acousto-magnetic antennas installed in a Luigi Bertolli clothing store in Brazil.

Site protection

Gunnebo's system and product solutions for outdoor and indoor perimeter security at sites with high security requirements

Percentage of total sales

Site protection, 41%



Gunnebo is one of Europe's leading suppliers of outdoor and indoor perimeter security. The Group also produces and markets anti-terrorist systems such as bullet and bomb-resistant walling and partitioning, road blocks and hydraulic bollards which are sold worldwide.

A number of terrorist acts in recent years has led to a far greater need to protect high-risk sites and identify visitors.

Focusing on high-risk objects

Gunnebo has identified the following high-risk objects, where the company has developed a range of products to offer complete security solutions primarily designed for:

- Airports
- Harbours
- Embassies
- Military bases
- High-risk public buildings
- Nuclear power stations
- Chemicals sites
- Prisons
- Large data centres
- Other facilities requiring high-security solutions

Complete offering

In order to offer this customer segment high-security protection, Gunnebo develops and markets fencing, palisades, sliding and hinged gates, ground and fence alarms, boombarriers, road blockers and hydraulic bollards.

To control the flow of visitors and vehicles, Gunnebo also develops various systems for entrance control which can be connected via

CCTV systems to internal or networked surveillance centres. Most entrance control systems can also be governed by biometric identification.

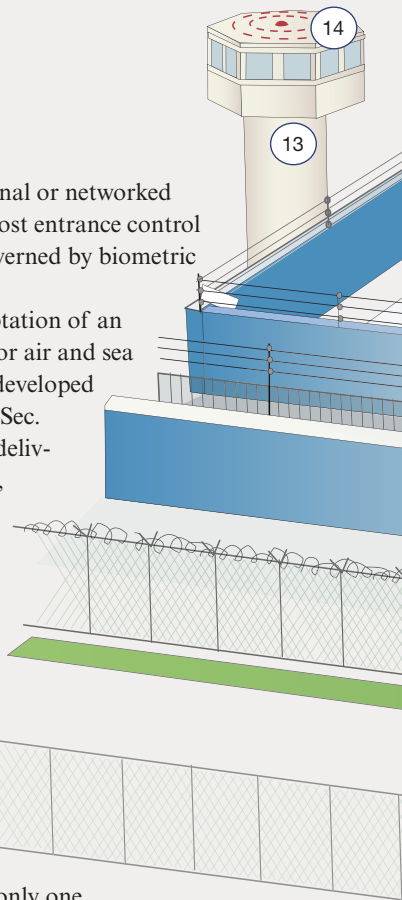
One particular adaptation of an access control system for air and sea terminals is the newly developed immigration gate, ImmSec.

It has already been delivered to several airports, including five large airports in the UK. ImmSec is a security gate that can easily handle large flows of people and is also adapted for future demands on biometric passports. The gate is also fitted with an ingenious system which guarantees that only one person passes through at a time.

Large flows – a key concept

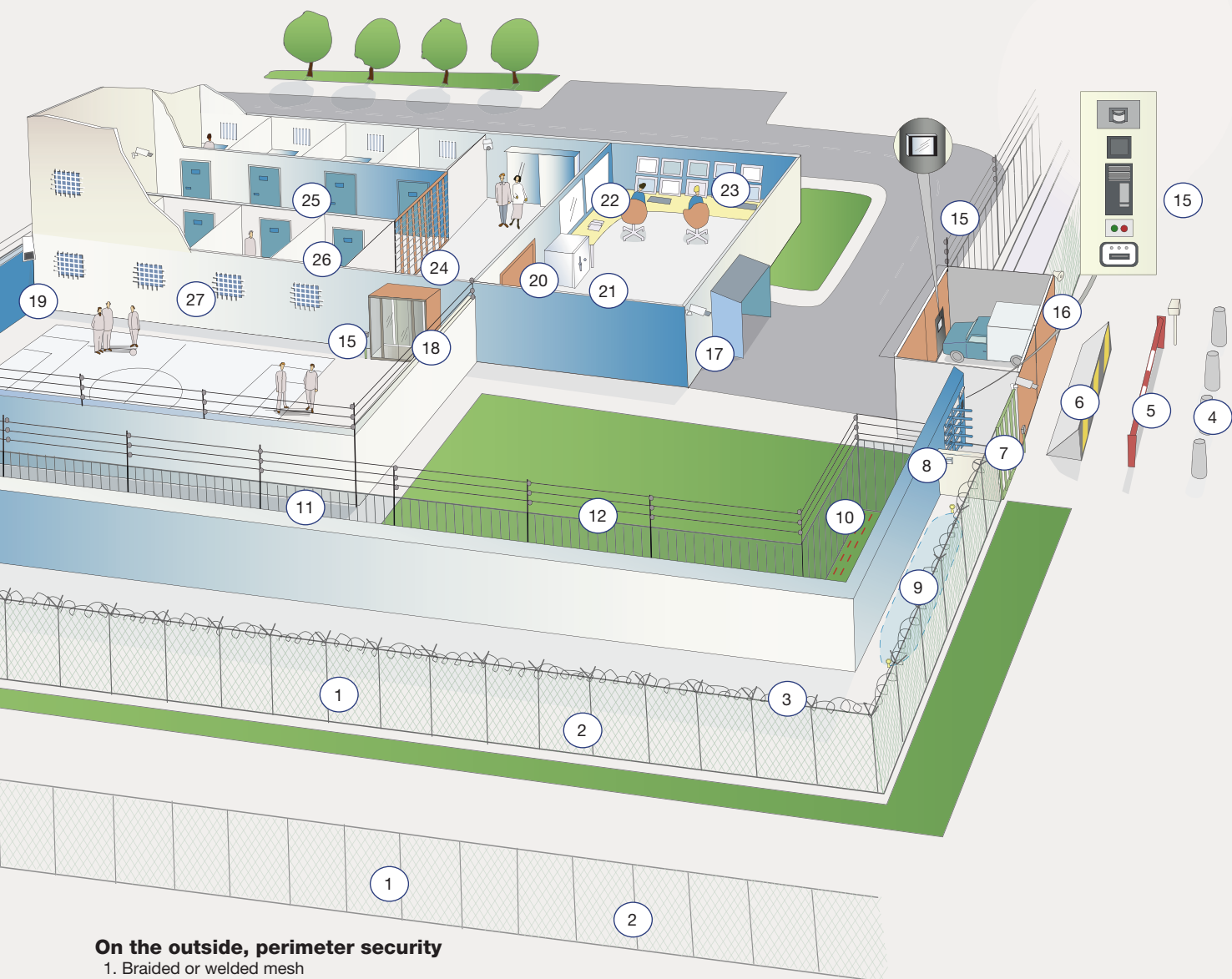
Gunnebo's strength in site protection is being able to deliver security systems that combine high security with large flows of people and vehicles, while also being able to offer service with the right quality and availability.

In terms of indoor security Gunnebo Troax offers a vast array of indoor perimeter security in the shape of wire-mesh panelling, machine protection and patented locking devices.



Statoil's billion-kronor project in Norway is a good example of a high-security site where Gunnebo has installed comprehensive outdoor perimeter security:

- Statoil is building a production plant on the island of Melkøya, just off Hammerfest in northern Norway. It will be the world's most northerly plant for producing liquid natural gas.
- The project will cost an estimated MSEK 55,000, and will be completed in 2006.
- Gunnebo is responsible for all the outdoor perimeter security which includes two kilometres of security class 1 perimeter protection and 1.5 kilometres of the highest security class to protect two combustion towers, among other areas.
- At an earlier stage the entrance to the site was protected using high-security fencing, gates, CCTV and alarm systems.



On the outside, perimeter security

1. Braided or welded mesh
2. Posts
3. Razor wire or concertina wire
4. Hydraulic bollards
5. Machine-operated boombarrier
6. Road block
7. Motorised gate
8. RotoSec turnstile
9. WaveSec alarm with microwave barriers
10. GroundSec ground alarm
11. Palisades or welded mesh
12. PowerSec electric fence alarm
13. Watchtower
14. LaserSec alarm with laser detectors

Access and entrance control, surveillance

15. Secure access and control
16. Megaphone
17. CCTV – An internal video surveillance system
18. Revolving door
19. Infrared cameras

Surveillance

20. Security door
21. High-graded fire-resistant data media safe
22. Bomb and bullet-resistant glass
23. Surveillance centre

On the inside

24. Motorised gate
25. Cell doors
26. Cell modules
27. Window bars



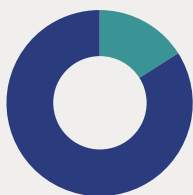
Different types of outdoor perimeter security such as palisades, gates, road blocks and alarms for outdoor surveillance systems make up only part of Gunnebo's system solutions for the Site Protection business line. Gunnebo can also deliver and service the security solutions needed in other parts of the building, such as high-security doors, high-graded safes, and indoor access and entrance control systems.

Secure storage

Gunnebo is a world-leading producer of high-graded fire and burglar-resistant safes.

Percentage of total sales

Secure storage, 16%



Through four major acquisitions – Rosengrens (1994), Garny (1998), Fichet-Bauche (1999) and Chubb safes (2000) – Gunnebo has built up a global market share of 25 per cent in high-graded fire and burglar-resistant safes.

Together with high-graded vaults and vault doors, the safes have long formed the basis of the Gunnebo Group's security business. Demand for traditional security products has declined in Western Europe in recent years, but demand has increased sharply in countries such as India and Indonesia.

Complete product portfolio

As part of Gunnebo's new organisation, which came into effect on 1 January 2006, the Secure Storage business line has been established to sell secure storage products to customers outside the bank and retail sectors. Secure Storage handles sales on markets where Gunnebo has a market presence through its own companies, and sales to agents on other markets. One of Gunnebo's strengths in the Secure Storage business line is that the Group offers a complete product portfolio of high-graded burglar and fire-resistant safes, from security grade 0 to the maximum grade 7.

The toughest tests in the world

Gunnebo's products for secure storage are certified to fulfil established norms. The market sets extremely high quality requirements, which is why only well-established test institutes with the world's toughest demands on carrying out tests are used. There are primarily two types of test to ensure the grade of secure storage: fire protection and burglar protection.

Different tests for different safes

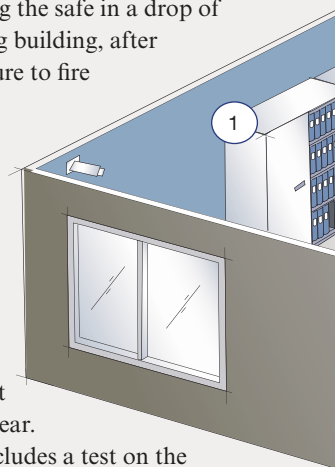
Gunnebo's data media safes, document cabinets and vertical safes undergo advanced tests. The safes are subjected to rigorous fire and drop tests, as well as a shock test. In the fire test the safe is left in the middle of a fire for over 10 hours, after which the contents must remain undamaged.

The drop test entails testing the safe in a drop of nine metres through a burning building, after which it has continued exposure to fire and the contents must remain undamaged.

The life cycle test is another type of test carried out for each product to ensure it fulfils the Group's exacting standards.

A safe has a very long service life and should be equally functional and protect the owner's assets year after year.

The test is mechanical and includes a test on the door, bolts, runners, lock and handle, a compression test for quality, and quality control of fire-resistant materials with a concrete test and thermal resistance test.



SecureLine – safes for the SoHo segment

In addition to high-graded safes, vaults and vault doors, which are sold under the Chubb safes, Fichet-Bauche and Rosengrens brands, the Group also has its own product programme for safes with lower security classifications. These safes are sold through DIY stores, specialised retailers and on the Internet under the SecureLine brand, and are mainly aimed at the SoHo segment – small offices and home offices.

Fires in Sweden – trade and industry

- In 2004 there were 7,600 incidents of fire damage in Swedish trade and industry, a decrease of 900 on the previous year.
- In 2004 fires caused costs equivalent to MSEK 2,100, MSEK 200 more than in the previous year.
- 70 per cent of the total fire damage affects trade and industry – a sector that also suffers the majority of the more extensive damage.
- Costs due to down time amount to between MSEK 200 and 300 a year, and occur almost exclusively in the private sector.
- 30 per cent of fires are started deliberately and 17 per cent are caused by electrical faults.

(Source: The Swedish Fire Protection Association)



1. Sargasso: fire-resistant document safe
2. Capella: fire and burglar-resistant safe
3. Caribbean: fire-resistant data media safe
4. Polaris: fire-resistant data media safe
5. CoolIt: secure server safes
6. Vertical II: fire-resistant vertical safe
7. Glass detectors
8. CCTV – internal video surveillance
9. Access and entrance control
10. Compact Save, security gate

Gunnebo has a wide range of high-graded safes. The safes are sold under the Chubb safes, Fichet-Bauché, Rosengrens and SecureLine brands. Right, top to bottom: SecureLine Secure Safe Trend II, fire and burglar-resistant; Fichet-Bauché Carena, high-graded fire protection; Fichet-Bauché Complice, high grade fire protection; and Chubb safes Sovereign, burglar protection grades 0-V. Below: Rosengrens Polaris, fire protection of data media for up to 120 minutes.



Contents of financial report

Report of the Directors	Page	Notes	Page
Review of the Group	23	Note 1 General information	53
Gunnebo Physical Security	26	Note 2 Summary of important	
Gunnebo Integrated Security	28	accounting principles	53
Gunnebo Perimeter Security	30	Note 3 Financial risk management	
Gunnebo Asia Pacific	32	and financial instruments	55
Gunnebo and the environment	34	Note 4 Important accounting estimates	57
Gunnebo's employees	36	Note 5 Reporting by segment	58
Financial risk management and		Note 6 Other operating income	59
sensitivity analysis	38	Note 7 Other operating costs	59
Five-year review, remaining operations	40	Note 8 Depreciation/amortisation	
Five-year review, Group total	42	according to plan	59
Definitions	44	Note 9 Taxes	59
Consolidated income statement	45	Note 10 Exchange rate gains/losses	59
Consolidated balance sheet	46	Note 11 Earnings per share	59
Change in consolidated equity	47	Note 12 Intangible fixed assets	60
Consolidated cash flow analysis	48	Note 13 Tangible fixed assets	60
Parent company income statement	49	Note 14 Shares in Group companies	61
Parent company balance sheet	50	Note 15 Shares in associated companies	61
Change in parent company equity	51	Note 16 Inventories	61
Parent company cash flow analysis	52	Note 17 Accounts receivable	61
		Note 18 Prepaid costs and accrued income	61
		Note 19 Liquid assets	62
		Note 20 Equity	62
		Note 21 Pension commitments	62
		Note 22 Other provisions	63
		Note 23 Borrowing	63
		Note 24 Accrued costs and deferred income	64
		Note 25 Pledged assets	64
		Note 26 Contingent liabilities	64
		Note 27 Leasing	64
		Note 28 Net financial items	
		affecting cash flow	64
		Note 29 Acquisitions	64
		Note 30 Employees	65
		Note 31 Auditors' remuneration	65
		Note 32 Transactions with related parties	65
		Note 33 IFRS reconciliation	66
		Proposed treatment of	
		unappropriated earnings	67
		Report of the auditors	67

Review of the Group

The structure of the Group has changed during the year with the AGM decision in March 2005 to distribute Gunnebo Industrier to Gunnebo's shareholders and list Gunnebo Industrier separately on Stockholmsbörsen's 'O' list.

Remaining operations

The following information refers only to the remaining operations, excluding the deconsolidated Gunnebo Industrier, for the whole year 2005 and the corresponding comparison data for 2004 unless otherwise stated.

Order intake and invoiced sales

The Group's order intake increased by 10 per cent to MSEK 6,658 (6,035). Organic growth was 2 per cent. Corporate acquisitions increased the order intake by 7 per cent and currency effects by 1 per cent.

Invoicing increased by 6 per cent to MSEK 6,477 (6,086). Corporate acquisitions increased invoicing by 6 per cent and currency effects by 2 per cent. After adjustments for acquisitions and currency effects, invoicing fell by 2 per cent.

The markets in the Nordic region, UK, Spain and Indonesia have experienced good sales development. Eastern Europe and the Middle East have also developed positively. Sales in France, Germany and India, however, have decreased.

Results

The consolidated operating profit before items affecting comparability amounted to MSEK 308 (368). The decrease in profit compared with 2004 arose in the first half of the year, while profit during the second half of 2005 gradually improved. Operating profit for the fourth quarter was MSEK 12 higher than for the previous year. It is estimated that the previously decided production restructuring programme, with annual savings of around MSEK 120, began achieving virtually its full effect in the fourth quarter of 2005.

Items affecting comparability amounted to MSEK -205 (-204) and include the closure of the factory in Mumbai, India, final regulation of a major project in the UK relating to previous years, a reserve for empty factory premises, the closure of the factory in Canada and additional closure costs for the Elkosta plant in Germany. The production restructuring process is therefore in all essentials complete and all costs have been charged. The total cost during the year for the above amounted to MSEK 112.

Moreover, during the second half of the year a new organisation and structure were decided with a focus on increased organic growth while reducing the cost level. The total cost for this programme is estimated at approximately MSEK 185, of which MSEK 37 has been entered in the fourth quarter. The remaining share of these costs is expected to arise in 2006. The costs for the programme mainly comprise redundancy-related costs for surplus personnel in company mergers, costs for changing premises and co-ordination of IT and logistics systems. The savings are estimated at some MSEK 90 a year, of which a small proportion will be achieved in 2006.

In addition, the remaining costs affecting comparability have been charged to profit in the amount of MSEK 56, of which MSEK 44 comprises inventory reserves made as a result of ongoing product range reviews and the decided integration plans.

Operating profit including items affecting comparability amounted to MSEK 103 (164). The result includes depreciation according to plan of MSEK 134 (115).

Financial items rose to MSEK -70 (-43) partly due to acquisitions and restructuring costs. Profit after financial items excluding items affecting comparability was MSEK 238 (325).

Including items affecting comparability, profit after financial items was MSEK 33 (121).

Corporate acquisitions had the effect of increasing profit by MSEK 24 and currency effects by MSEK 5.

Tax costs amounted to MSEK 130 (37), of which costs for a tax case lost in the Fiscal Court of Appeal amounted to MSEK 89. An application for review dispensation in the Supreme Administrative Court has been submitted.

Profit/loss after tax amounted to MSEK -97 (84).

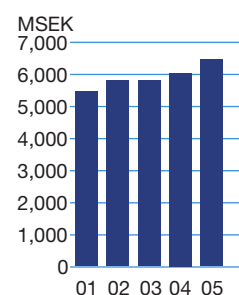
Capital expenditure

Fixed capital expenditure excluding company acquisitions amounted to MSEK 141 (147).

Product development

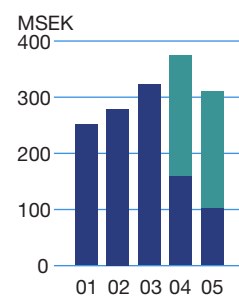
Group expenditure on developing and supporting existing product programmes, and on developing brand new products in existing or new market segments, totalled approximately MSEK 80 (100), of which MSEK 12 (39) was set up as an intangible fixed asset in the balance sheet during the year.

Invoiced sales*



* For remaining operations

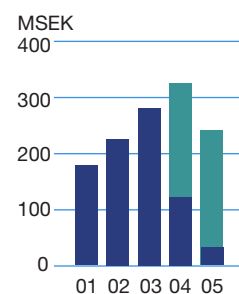
Operating profit*



■ Incl. items affecting comparability
■ Exc. items affecting comparability

* For remaining operations

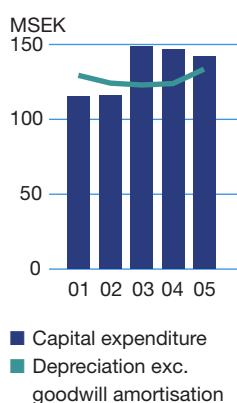
Profit after financial items*



■ Incl. items affecting comparability
■ Exc. items affecting comparability

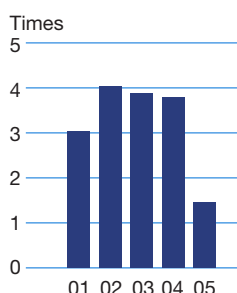
* For remaining operations

Capital expenditure and depreciation*



* For remaining operations

Interest cover*



* For remaining operations

Cash flow

The cash flow from current operations amounted to MSEK 22 (204), of which restructuring costs affecting cash flow accounted for MSEK 189 (73).

The operative cash flow after investment activities but before interest, paid tax and restructuring costs amounted to MSEK 325 (282).

New organisation from 1 January 2006

Over the next few years Gunnebo will focus on security solutions for banks and retail, and on facilities and buildings with special site protection requirements, such as airports, seaports, power stations, embassies and military bases. Gunnebo is a world leader in high-graded safes also to customers outside the bank and retail sectors, and the company intends to maintain and strengthen this position.

In order to bring together Gunnebo's various security solutions in a combined proposition for each customer category, the Group was reorganised at the end of 2005. The new organisation came into effect on 1 January 2006. Customers will be served by one Customer Centre in each country where Gunnebo already has a market presence through its own company.

Systems and product development, production and logistics will be run from six Competence Centres.

At the end of the year the management teams for all Competence and Customer Centres had

been appointed, with mainly internal managerial appointments.

Liquidity and financial position

The Group's liquid funds amounted to MSEK 169 and net debt amounted to MSEK 1,763.

The equity ratio was 25 per cent, and the debt/equity ratio was 1.5.

A new five-year syndicated loan for MEUR 200 was taken out in October. The loan replaces a syndicated loan for the same amount taken out in 2003. In December, Gunnebo took out a six-year subordinated loan of MSEK 300 on the Swedish capital market.

Acquisitions

In early January 2005, French company Eurofence was acquired with an annual turnover of approximately MSEK 220 and 135 employees. Eurofence has been consolidated in the Group from 1 January 2005 and is part of the Gunnebo Perimeter Security division. Further information in accordance with IFRS 3 is provided in Note 33.

Employees

The number of employees in the group at the end of the period amounted to 6,759 people, compared with 7,006 at the end of the previous year. The number of employees abroad was 6,278 (6,513).

Göran Gezelius succeeded Bjarne Holmqvist as the new President and CEO on 2 May 2005.

Group sales by market exc. Gunnebo Industrier, MSEK

	2005		2004		2003	
France	1,736	27%	1,660	27%	1,775	31%
UK	698	11%	633	10%	584	10%
Germany	668	10%	713	12%	642	11%
Spain	534	8%	468	8%	429	7%
Sweden	373	6%	359	6%	366	6%
Italy	264	4%	232	4%	140	2%
Denmark	237	4%	227	4%	233	4%
Belgium	217	3%	201	3%	194	3%
The Netherlands	207	3%	206	3%	237	4%
Norway	188	3%	156	3%	150	3%
Canada	153	2%	156	3%	116	2%
Indonesia	145	2%	132	2%	134	2%
India	134	2%	144	2%	112	2%
Others	923	15%	799	13%	705	13%
Group total	6,477	100%	6,086	100%	5,817	100%

Data per share

Earnings per share after dilution were SEK -2.20 (1.90). Earnings per share excluding items affecting comparability were SEK 3.75 (6.00).

Equity per share after dilution totalled SEK 29.30 (33.50).

The number of shareholders amounted to 10,100 (10,800).

Proposed dividend

In light of the set dividend policy, established profit targets, the deconsolidation of Gunnebo Industrier, one-off costs and the operation's improved profitability during the second half of the year, the Board has decided to propose to the AGM a dividend of SEK 1.60 (2.25) per share.

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 2005, Gunnebo applies the new International Financial Reporting Standards (IFRS). Up to and including 2004, Gunnebo applied the recommendations of the Swedish Financial Accounting Standards Council. Gunnebo has recalculated historical information from 1 January

2004. The net effect of the change in accounting principles has been entered directly against equity in line with IFRS 1. A summary of the most important accounting principles and the differences to previously applied principles is provided in Notes 2 and 33.

Financial goals

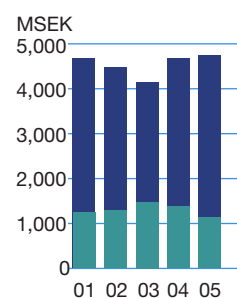
The Gunnebo Group's financial goals prior to the deconsolidation of Gunnebo Industrier still apply for the remaining operations in Gunnebo AB. The goals entail a return on capital employed of 15 per cent, an operating margin of 7 per cent and an equity ratio of no less than 30 per cent. There is also a goal to achieve organic growth of 5 per cent a year. The aim is for Gunnebo to achieve these goals in 2007, or at least to achieve the annual rate in 2007.

In 2005, the Group had a return on capital employed of 10.4 per cent and an operating margin of 4.8 per cent excluding items affecting comparability.

Outlook for 2006

Profit after financial items for 2006 both before and after items affecting comparability is expected to be significantly higher than for 2005 (MSEK 238 and MSEK 33 respectively), but still below the company's set financial goals.

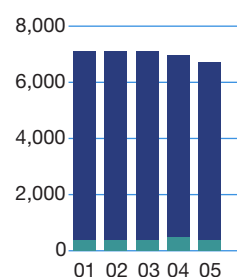
Balance sheet total and equity*



■ Balance sheet total
■ Of which equity

* For remaining operations

No. of employees at year-end*



■ Outside Sweden
■ Sweden

* For remaining operations

Invoiced sales, operating profit/loss and operating margin by division, MSEK

	Invoiced sales		Operating profit/loss		Operating margin, %	
	2005	2004	2005	2004	2005	2004
Gunnebo Physical Security	2,682	2,543	170	171	6.3	6.7
Gunnebo Integrated Security	1,997	2,014	125	176	6.3	8.7
Gunnebo Perimeter Security	1,537	1,275	80	54	5.2	4.2
Gunnebo Asia Pacific	369	346	-4	20	-1.1	5.8
Items affecting comparability	-	-	-205	-204	-	-
Central items	-108	-92	-63	-53	-	-
Total, remaining operations	6,477	6,086	103	164	1.6	2.7

Gunnebo Physical Security

GUNNEBO PHYSICAL SECURITY	2005	2004	2003
Invoiced sales, MSEK	2,682	2,543	2,618
Operating profit exc. items affecting comparability, MSEK	170	171	209
Operating profit inc. items affecting comparability, MSEK	124	54	209
Operating margin exc. items affecting comparability, %	6.3	6.7	8.0
Return on operating capital exc. items affecting comparability, %	17	19	23
Capital expenditure, MSEK	37	70	74
No. of employees	2,446	2,633	2,689



Torbjörn Browall, Head
of Gunnebo Physical
Security

Operations in 2005

During 2005, Gunnebo Physical Security has carried out development, production and marketing in the following areas:

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

The markets for the division's products have shown weak development in Germany, the Netherlands and France, while the UK has enjoyed continued strong development. Among the agent markets, several in the Middle East in particular have developed very strongly, and the markets in North Africa and Russia have also experienced continued good development.

Secure Storage – of cash and valuables

Thanks to a large number of acquisitions, Gunnebo has achieved a market-leading position in Secure Storage, in particular for traditional bank products such as high-graded safes, bank vaults and safe deposit lockers.

After several years of decline, demand for traditional bank products such as vaults, vault doors and high-graded safes stabilised at a lower level in the latter part of 2005, while demand for vaults and vault doors in the Middle East has risen sharply.

The new range of fire-resistant safes launched in 2004 has been well-received, with considerable increases in market share for high-graded fire-resistant safes.

SecureLine is the division's brand for lower-security safes intended for the SoHo segment (Small Office/Home Office).

The closure of the division's factory in Sarreguemines, France, was completed mid-year and production was transferred to the division's factories in Bazancourt, France and Granollers, Spain. At the end of the year a small factory in Barrie, Canada, was closed.

Bank Automation – effective, secure automated cash handling

The market for automated banking services, such as deposit and withdrawal machines, coin roll dispensers, safety deposit robots, intelligent night safes and other automated cash handling systems, has developed well during the year.

Gunnebo has, for example, a market-leading position in Europe in intelligent night safes and coin roll dispensers. Thanks to a close collaboration with Europe's leading banks, Gunnebo has won several important orders in banking automation. One example is Rabobank in the Netherlands, where Gunnebo has initiated a collaboration to upgrade, install and service a new generation of intelligent night safes. These considerably improve service for the bank's customers by making it possible to pay deposited funds into the customer's account immediately at any time of day or night. The new intelligent night safes have attracted a great deal of interest and talks are under way with banks in several countries in Europe.

Another example of Gunnebo's ability to offer a complete range of security products for self-service is a major order for coin roll dispensers from BNPP Banque National de Paris.

Effective systems for secure cash handling and product alarms

There is a continued trend in cash handling away from the banks' conventional operations to automated systems and the retail sector.

The retail sector is showing a continued increased interest in integrated security solutions as a result of rising robbery and theft. One requirement on the solutions is that they must be able to combine high cash and product flows with high security.

The article surveillance company acquired at the end of 2004, Gateway Security AB, has developed

very well with significant orders from the UK, Sweden, Brazil and Russia, for example.

Together with the completely closed SafePay™ cash handling system 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 sector.

Towards the end of the year SafePay achieved a delivery rate of 1,000 units a year, which is also the break-even volume. SafePay has enjoyed particular market success in Sweden, Norway and Germany. Examples of considerable orders and agreements include SafePay for all ICA Maxi stores in Norway and general agreements with COOP, Statoil in Sweden, Norway and Denmark, and Bauhaus in Sweden.

In Germany SafePay has been delivered to the Metro chain's various stores, primarily for self-service checkouts.

SafePay is increasingly being delivered with the intelligent deposit unit (IDU) and a built-in burglar-resistant cash transfer unit (CTU), making SafePay the only completely closed cash handling system on the market.

Competitors

Gunnebo is market 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 and Lampertz/Sistec in Germany, Robur and Håbeco in Scandinavia, SMP and Dudley in the UK, Conforti in Italy, and Ferrimax and Bausa in Spain. Competition within banking automation

comprises international players such as NCR, De la Rue, Diebold and Wincor-Nixdorf.

Within alarm systems, America's Sensormatic and Checkpoint are the main competitors while Sweden's Cashguard is the main competitor in secure cash handling for the retail sector.

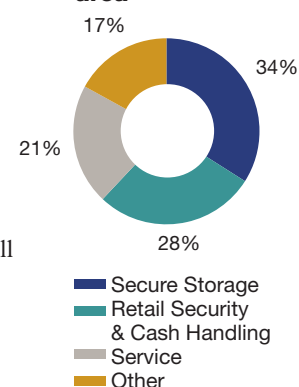
Results for 2005

After a weak beginning of the year, Gunnebo Physical Security has gradually improved its overall profit as a result of increased volumes and structural changes, which has led to a good operating margin during the fourth quarter. Total profit for the year before items affecting comparability was therefore on a par with the previous year.

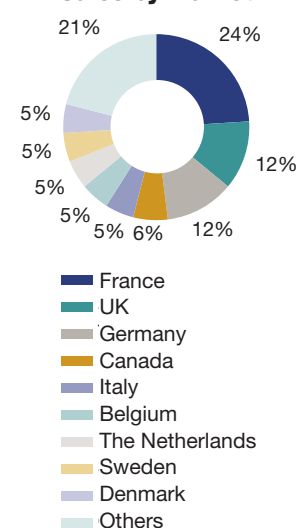
New organisation

As of 1 January 2006 Gunnebo Physical Security is divided into two Competence Centres – Secure Storage and Cash Automation – when it comes to product and process development, design and production. The sales companies are co-ordinated in a single Customer Centre in each country or region.

Sales by product area



Sales by market



ICA Kvantum in Stenungsund, Sweden, decided to install SafePay at all eight checkouts when it built a new store in 2005. The determining factors included the coin bowl and note recycler with authentication.

Gunnebo Integrated Security

GUNNEBO INTEGRATED SECURITY	2005	2004	2003
Invoiced sales, MSEK	1,997	2,014	1,945
Operating profit exc. items affecting comparability, MSEK	125	176	171
Operating profit inc. items affecting comparability, MSEK	92	156	171
Operating margin exc. items affecting comparability, %	6.3	8.7	8.8
Return on operating capital exc. items affecting comparability, %	22	30	31
Capital expenditure, MSEK	34	34	32
No. of employees	1,723	1,740	1,693



Christian Selosse, Head of Gunnebo Integrated Security

Operations in 2005

Gunnebo Integrated Security is one of the leading 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.

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.

Order intakes for the division as a whole have developed well. During the year, electronic security systems have developed positively in Spain, while the market for primarily the bank sector in France, Italy and Portugal in particular has been subject to increased competition, which has resulted in a slight decrease in volume.

Notwithstanding, important orders have been signed during the year with several leading French and Spanish banks.

The reduced volume of bank business has largely been compensated for with orders for logistics centres, chemical industry, prisons, airports, hotels, casinos and customers in the public sector. Examples of the growing service operation within the framework of Facility Management include several new service agreements in the public and private sectors.

In 2004, Gunnebo developed systems for turn-key security solutions encompassing both electronic and mechatronic solutions.

This focus has continued in 2005 and has concentrated on defining security needs, developing systems, producing or sourcing components, and installing and servicing complete security systems. The Facility Management business model entails providing the entire chain of security services, including surveillance. Customer benefits include having a single contact with Gunnebo.

As regards products, the Arcana and SMB alarm systems have continued to develop and are increasingly connected via Internet-based protocols. The benefit for banks, for example, is that they can act more swiftly and securely in the event of a threatening incident.

Electronic security systems

Electronic security has focused on a more customer-oriented organisation during the year, with tight cost control, improved quality and a standardised product range. This organisation has been a success in Spain, for instance.

The development of Radio Frequency Identification technology, RFID, during the year has been co-ordinated, including the EAS technology successfully developed by Gateway, the acquired article surveillance company.

Access control, bullet and bomb-resistant environments

Thanks to its broad product range of bullet and bomb-resistant glass in steel and aluminium profiles, Gunnebo is the market leader in Europe for this type of anti-terrorist product.

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

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.

Gunnebo Entrance Control

Gunnebo Entrance Control is Europe's leading supplier on the market for entrance control systems.

The business had enjoyed a very high order intake during the year with the Metro and Sports Facilities market segments showing good development, including orders for the underground transport authorities in New Delhi, Taipei and Singapore. Significant orders were signed in the Metro segment at the end of the year for China and Colombia, and in Southern Europe for Toulouse and Barcelona.

Gunnebo Entrance Control's recently launched ImmSec, a unique immigration gate for automated access control, has been well received on the market. Several test installations are in progress, and an order was signed at the end of the year for delivery of ImmSec to five airports in the UK, for example.

The market 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, seaports 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 on reliable, cost-effective security and entrance control systems in areas where large numbers of people are on the move.

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.

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

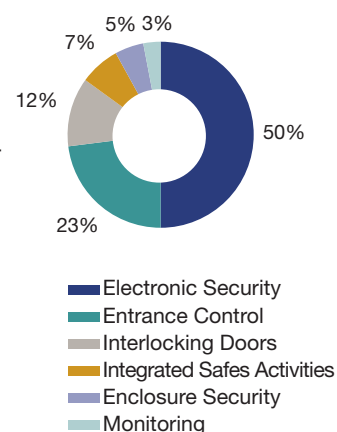
Results for 2005

Electronic security has been subject to some price pressure during the year. Furthermore, some of the division's companies in the business areas of security gates and bullet-resistant glass walling and partitioning have experienced serious profitability problems, mainly due to declining sales. Capacity at these units has been adapted to the lower volumes during the year. The total profit for the division has therefore been lower than in the previous year despite an improvement towards the end of the year.

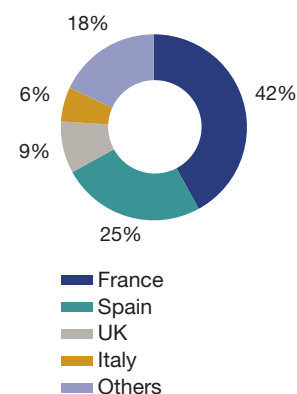
New organisation

As of 1 January 2006 Gunnebo Integrated Security is divided into two Competence Centres – Electronic Security and Entrance Control – when it comes to product and process development, design, production and other areas of sourcing. The sales companies are co-ordinated in a single Customer Centre in each country or region.

Sales by product area



Sales by market



Gunnebo Entrance Control has installed revolving security doors and double security gates for Sweden's National Police Board in Stockholm. The gates fulfil the need for high security combined with efficient handling of the large number of people passing through. The spacious double security gates also provide improved wheelchair access.

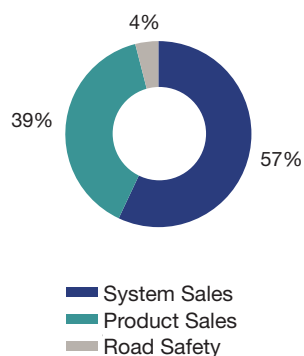
Gunnebo Perimeter Security

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

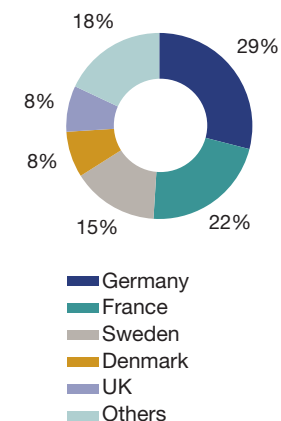


Philip Mozes, Head of Gunnebo Perimeter Protection

Sales by product area, Gunnebo Perimeter Protection



Sales by market, Gunnebo Perimeter Protection



GUNNEBO PERIMETER SECURITY

	2005	2004	2003
Invoiced sales, MSEK	1,537	1,275	1,038
Operating profit exc. items affecting comparability, MSEK	80	54	28
Operating profit inc. items affecting comparability, MSEK	65	-11	28
Operating margin exc. items affecting comparability, %	5.2	4.2	2.7
Return on operating capital exc. items affecting comparability, %	12	10	6
Capital expenditure, MSEK	64	35	31
No. of employees	988	910	717

Gunnebo Perimeter Protection

Operations in 2005

Gunnebo Perimeter Protection is one of Northern Europe's leading suppliers of outdoor perimeter protection.

Its business idea is to plan, together with the customer, outdoor perimeter protection that provides an optimal security solution, including the system solution, installation and after-market service.

After weak demand typical of the season in early 2005, Gunnebo Perimeter Protection enjoyed stronger development during the second half of the year. Sales in Northern Europe have continued at a good level with considerable orders for secure outdoor protection at airports, prisons, military bases, the processing industry and high-security public authorities.

Gunnebo Perimeter Protection's products for improved road safety also noted solid growth, above all in Scandinavia.

The markets in Central Europe have evolved less impressively – in particular the German market which is characterised by falling volumes and considerable price pressure.

The market in the UK has developed well with a number of orders for anti-terrorist products at embassies and consulates, for instance. International sales of anti-terrorist products have continued to make good progress with orders from countries such as the Middle East, Hungary and India.

In the Gunnebo Perimeter Protection product programme, there is expected to be continued strong demand primarily for anti-terrorist products in the form of welded fencing, hydraulic bollards, tyre killers and road blockers.

The closure of the Elkosta factory in Salzgitter, Germany, which was acquired in April 2004, was finalised in the fourth quarter of 2005. Produc-

tion has been transferred to the division's factory in nearby Salzkotten.

At the end of the year, talks began regarding the closure of production at the factory in Ödeborg, Sweden.

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

The market and competitors

The market for outdoor perimeter protection with demands on high security is expected to show continued strong demand, while the markets for traditional gate and fencing products, such as chainlink fencing, is decreasing.

The European market for outdoor perimeter protection is estimated to be worth over MSEK 10,000.

Gunnebo Perimeter Protection has approximately 10 per cent of the market in Europe. In the Nordic region, Gunnebo Perimeter Protection is the clear market leader.

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

EntraSec and EntraLight

EntraSec is a motor-driven sliding gate with a lightweight aluminium construction and low-friction movement for high operational reliability and a long service life. The product has enjoyed excellent sales development during the year.

EntraSec satisfies European safety standards

and by virtue of its patented, modular manufacturing concept provides greater simplicity and flexibility in product sourcing.

EntraLight – an aluminium gate with a more basic design than EntraSec – has also been well-received on the market.

Results for 2005

Gunnebo Perimeter Protection has achieved a better operating profit than in the previous year, mainly due to the acquisition of Eurofence which has enjoyed good profit development during the year. The business in the Nordic region has also continued to show good profit development, while Germany remains weak.

New organisation

As of 1 January 2006, Gunnebo Perimeter Protection is divided into Competence Centre Outdoor Perimeter Security for product and process development, design, production and other areas of sourcing, and Customer Centres for marketing, sales, installation and service.

Gunnebo Troax

Operations in 2005

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.

A supplementary investment has been made in a new automatic welding robot during the year, and the spray shop has also been robotised.

The extensive investment programme together with the launch of a brand new product programme has led to more efficient flows through the factory in Hillerstorp and a significantly improved logistics system. Altogether this has resulted in an improved product offering and service for Gunnebo Troax's end customers.

The new product programme launched during the year on all markets has made it possible to reduce the number of standard versions from around 160 to around 90.

In recent years Gunnebo Troax has developed from a manufacturing company with a low degree of mechanisation to a highly effective, streamlined,

flow-optimised processing corporation.

All markets except for Switzerland, Austria and Belgium have developed well. Development in the Nordic region is primarily related to a strong construction economy, while development in the UK and Spain is mainly driven by a good industrial economy in general.

The launch of RapidFix, a flexible attachment system for simple assembly and dismantling, 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 dismantling times in the event of planned or unplanned production downtime.

Thanks to the unique RapidFix system, Gunnebo Troax has been able to capture market shares during the year. Major orders in 2005 have included machine protection for the automotive industry, luggage protection for Heathrow's new airport terminal outside London, and secure storage for the Turning Torso skyscraper in Malmö.

Competitors

Gunnebo Troax has a predominant position on the European market.

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

Results for 2005

Profit has improved slightly, although commissioning costs linked to investments have caused some disruption in production and additional costs.

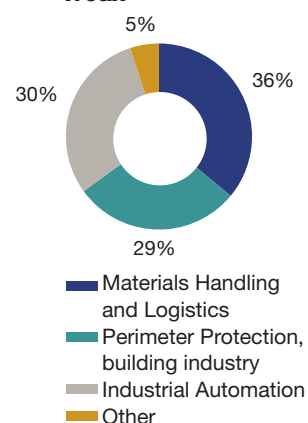
Outlook

The investments in continuous improvement are contributing to effective production, and the efficient new logistical systems are strengthening the division's competitiveness. Product development is moving towards increased product standardisation with few modules, which improves production flows and increases customer flexibility. For the time being, Gunnebo Troax will continue to be managed as a unit with its own product sourcing and sales companies.

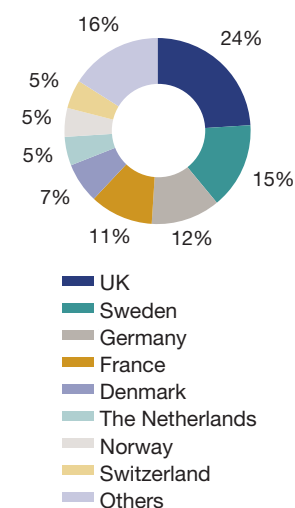


Stefan Andersson,
Head of Gunnebo Troax

Sales by product area, Gunnebo Troax



Sales by market, Gunnebo Troax



Gunnebo Asia Pacific

GUNNEBO ASIA PACIFIC	2005	2004	2003
Invoiced sales, MSEK	369	346	309
Operating profit/loss exc. items affecting comparability, MSEK	-4	20	13
Operating profit/loss inc. items affecting comparability, MSEK	-27	18	13
Operating margin exc. items affecting comparability, %	-1.1	5.8	4.2
Return on operating capital exc. items affecting comparability, %	-3	14	8
Capital expenditure, MSEK	5	7	9
No. of employees	1,584	1,705	1,868



Deepak Khetrapal,
Head of Gunnebo Asia
Pacific

Gunnebo brought together all its operations in the Asia Pacific region – with the exception of production at Gunnebo's factory in Jakarta, Indonesia – into the Gunnebo Asia Pacific division on 1 January 2004 to co-ordinate the Group's entire security offering in the region. Since then the division has continued to build up a complete security division and has located the head office in Singapore. Thanks to rapidly growing economies and increasing prosperity in several countries in the region, security issues have increasingly come into focus. Moreover, increased productivity and a long tradition of saving have contributed 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 led to growth of approximately 10 per cent in the security sector in the region. The majority of the operation comprises Gunnebo's companies in India and Indonesia.

A new strategy has been developed for the division during the year which has partly resulted in a change of division name to Gunnebo Indian Ocean Rim, and in the factory in Jakarta, Indonesia, being transferred to the Indian Ocean Rim region as of 1 January 2006.

A number of prioritised countries and markets have been defined in order to focus growth in the new region. These are India and Indonesia where the division has an excellent market position, and countries bordering the Indian Ocean where marketing initiatives will be taken. The altered geographic expansion strategy consequently means that Gunnebo will not be investing in markets such as China, Japan, Korea and Taiwan in the short term.

India

The market for traditional security products in the bank sector in India has continued to show stable development, although the heavy flooding mid-year

in Mumbai and Chennai in particular have curbed demand slightly.

A major physical security order was signed during the year for Deutsche Bank, which has opened seven branches in the main Indian cities.

The factory in Mumbai was shut down in March 2005 and the sale of the property has been delayed due to permit issues relating to new buildings for this area of Mumbai.

The market for portable fire extinguishers has weakened due to increasing competition from a large number of local manufacturers with low-price offerings. Development in fire protection installations has also been weak, primarily because large projects have been postponed. A sizeable order was received towards the end of the year for fire protection at a coal power station in Punjab. The order includes pumps, pipelines, sprinkler systems, detectors and alarm systems for the entire plant to a value of approximately MSEK 20.

Indonesia

Physical security products and electronic security systems have both shown good development in Indonesia. Gunnebo is the leading security company in Indonesia. The security market is largely unregulated with few formal security demands from companies and insurance companies. Gunnebo in Indonesia has taken an active role in introducing different standards for security systems.

Gunnebo Indonesia has installed a series of fire protection surveillance systems during the year for the oil and gas industry, the mining industry and other large corporations.

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 will focus on offering these customers increasingly complete security solutions in the form of the above products,

supplemented with outdoor perimeter protection, entrance and access control systems, alarm centres and monitoring, along with installation and service.

Gunnebo has offices in 26 Indonesian regions and is represented in almost all the major cities in Indonesia. The business developed well in 2005 with no or very minor consequences from the natural disasters which affected the region.

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

The security market has come into focus following a series of terrorist acts. 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, and outdoor perimeter protection – all with high security performance that can withstand terrorist attacks.

Results

The division reports a loss for the year as a whole due to highly unsatisfactory results in India.

The company in India was forced to report a severe loss during the fourth quarter, partly due to incorrect profit/loss recognition and stock valuations, which are in part attributable to earlier periods.

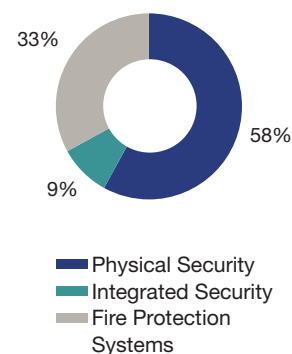
Moreover, sales towards the end of the year have been weak. There has been a change of management and a programme of measures has been initiated to restore profitability.

Development in Indonesia has been good. Australia has developed better than before but notwithstanding a strong finish to the year, the business reported a minor loss for the year as a whole.

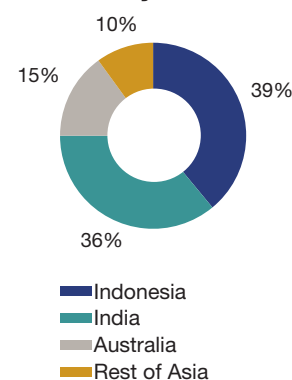
New organisation

Gunnebo Asia Pacific is being restructured on 1 January 2006 to encompass the countries around the Indian Ocean with its own companies, and thereby further strengthen its positions on these markets both through organic growth and through acquisitions in Gunnebo's main customer groups: banking, the retail sector and facilities requiring high security for outdoor and indoor perimeter protection.

Sales by product area



Sales by market



Gunnebo has sold and installed 40 SpeedStiles at the Singapore Management University. The system ensures that only personnel and the 5,000 students have access to the institution.



The People's Bank of China is one of the biggest customers of Gunnebo Asia Pacific's sales company in Singapore. Gunnebo's orders have included delivery and installation of high-graded safes, vault doors and safe deposit lockers for several of the bank's branches.



Gunnebo Australia has installed metal detectors, one-person gates and bullet-resistant glass, for example, at the entrance to South Wales Corrective Services. The installation increases security at the entrance to the prison, thus improving the safety of the personnel working there.

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 requirement.
- 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.

Environmental activities – a natural part of the business

The Group's environmental activities focus on promoting sustainable long-term development. Gunnebo's environmental policy and the company's ethical code of conduct guide this work. These documents emphasise that it is the responsibility of all co-workers to protect the environment. They also stipulate that environmental activities should aspire to high goals, and that adhering to national and international environmental legislation should be the minimum requirement.

A key tool in these environmental activities is provided by the environmental management systems introduced at Gunnebo's production and assembly units. These units have environmental co-ordinators whose responsibilities include an annual report of their own unit's environmental performance, and a progress report on the work towards local environmental goals.

Several environmental training courses were carried out in 2005. In several instances the courses have also included practical exercises focusing on appropriate measures in the event of a fire or environmental incident. In connection with the introduction of environmental management systems, all personnel are undergoing basic training.

The aim of Gunnebo's product development is to ensure that products have a long life span and have the lowest possible impact on the environment during their useful life. When the products have reached the end of their useful life, the aim is for them to be adapted for efficient materials recycling and re-use of components.

Environmental management system – Gunnebo invests in ISO 14001

Environmental management systems form an important part of Gunnebo's environmental work. The introduction of management systems ensures a structured approach, and the opportunities for following up the company's own environmental impact increase. The ISO 14001 international standard places demands on aspects such as establishing environmental goals and appropriate action programmes. This results in streamlining and continuous improvement. Another requirement relates to internal audits, which help ensure that management systems are maintained and improved.

The regular external audits, carried out by national certification bodies, are a guarantee to our customers that Gunnebo operates in line with prevailing legislation and that the Group carries out responsible environmental activities.

During the year, a further two units were inspected and certified in accordance with the ISO 14001 international standard. In total, 11 Gunnebo units now have certification.

- In June, the Gunnebo Protection unit in Ödeborg, southern Sweden, was certified by Lloyds Register Quality Assurance.
- The environmental management system at Gunnebo Troax's production unit in Kingswinford, UK, was certified in October by SGS.

Gunnebo's production is now predominantly at units that have certified environmental management systems. The following table lists the certified units and the planned year for certifying the remaining units.

Competence Centre	Production unit	Certified
Secure Storage	Granollers, Spain	2004
	Doetinchem, Netherlands	1999
	Bazancourt, France	2002
	Mora, Sweden	2000
Outdoor Perimeter Security	Salzkotten, Germany	Planned 2006
	Doulevant le Château, France	Planned 2006
	Ödeborg, Sweden	2005
Indoor Perimeter Security	Hillerstorp, Sweden	1998
	Kingswinford, UK	2005
Indian Ocean Rim	Bekasi/Jakarta, Indonesia	2003
	Halol, India	Planned 2006
	Chennai, India	Planned 2006
Competence Centre	Assembly unit	Certified
Cash Automation	Markersdorf, Germany	2003
	Trier, Germany	2004
Electronic Security Entrance Control	Baldenheim, France	2004
	Uckfield, UK	Planned 2006
	Lavis/Trento, Italy	Planned 2007
	Bedford, UK	Planned 2007

Examples of environmental projects in 2005

Improvements in environmental activities partly take the form of small advances whereby, for example, procedures are improved, and waste management and energy consumption are made more efficient, and partly relate to investments to reduce the environmental impact of the Group's plants and to make as efficient use as possible of energy and other resources. The following section describes some of the completed projects.



- A system to control lighting has been installed at the factory in Hillerstorp, Sweden. The system is expected to reduce energy consumption by approximately 200 MWh a year. A new infiltration unit has also been installed at the factory during the year.
- In Germany, Gunnebo Kubon has installed video conferencing equipment at the units in Trier and Markersdorf. This provides further opportunities for environmentally friendly, cost-effective meetings within the Group.
- In Bazancourt, France, new equipment for storing hazardous waste has been acquired. The new system makes the waste management process safer and easier.
- In Doetinchem, the Netherlands, new equipment has been installed to deal with welding fumes. The investment has brought about improvements both in the working environment and the external environment.

Five stars for climate work

The Gunnebo Group was awarded an impressive five stars out of a possible five when insurance company Folksam presented its ninth annual Climate Index. The index encompasses 270 companies listed on Stockholmsbörsen and around a dozen other major Swedish corporations.

The inspection covers the companies' emission trends, implemented climate measures, and the quality of reporting emissions from the companies'

operation. Emissions of carbon dioxide from heating, processes and transport have to be reported separately for all operations, both within and outside of Sweden. Indirect emissions arising from the companies' electricity consumption must also be reported.

When it comes to measures to reduce emissions, the increased use of video conferencing has been noted. Folksam has pointed out Gunnebo as the company with the greatest increase in the number of video conferences, from 250 to over 800 meetings since last year.

Other measures include more efficient electricity consumption and reduced fuel consumption for heating. Gunnebo's overall score for its climate work was a 'Pass with Distinction'.

CO₂ emissions in relation to turnover

Tonnes of CO₂/MSEK



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

* Part of Gunnebo until 13 June 2005 inclusive

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

Gunnebo's overall environmental goals

The Group's environment objectives refer to prioritised areas where Gunnebo wants to improve its environmental performance. The overall goals are broken down into detailed targets, which are achieved through local action programmes.

These are the Gunnebo Group's overall environmental goals:

I. To minimise emissions into air of volatile organic substances.

II. To optimise the use of energy in our processes, buildings and the transportation of goods and people.

III. To make efficient use of raw materials and natural resources.

IV. To maintain effective sorting-at-source and recycling of materials, so that we can minimise the amount of waste that is not recovered.

V. 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 cycle.

VI. To introduce at all production units environmental management systems that satisfy the ISO 14001 standard.

Gunnebo's employees

Through organic growth and approximately 40 acquisitions, Gunnebo has developed into a global security group with 6,700 employees in 30 countries. During the year Gunnebo deconsolidated Gunnebo Industrier, with approximately 1,100 employees, distributing the shares to Gunnebo's shareholders.

New organisation for increased organic growth and profitability

With the aim of increasing organic growth, partly through increased integration between Gunnebo's employees and partly by focusing on the most important customer groups, a reorganisation was prepared in autumn/winter 2005 which came into force on 1 January 2006.

To bring Gunnebo's various security solutions together in a combined proposition for each customer category, customers will be served by one Customer Centre in each country where Gunnebo already has a market presence through its own company. This will reduce the number of companies by half. Systems and product development, production, other sourcing and logistics will be run from six Competence Centres.

The management teams for all Competence and Customer Centres were appointed during the autumn, with mainly internal managerial appointments. Moreover, all co-workers were notified of where they will fit into the new structure before the new organisation came into effect on 1 January 2006.

All 120 managers in the new organisation have been given new, harmonised employment contracts.

International competence development

Gunnebo's global presence provides opportunities for international contacts that are both stimulating and challenging. 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 has become increasingly marked. In order to meet this need, the company started Gunnebo Academy four years ago. The academy provides training for existing and future managers that is intended to raise competence and stimulate co-operation across boundaries. Thanks to the appointment of the expert Michel Schlosser as programme manager at Gunnebo Academy, alongside lecturers such as Dipak Jain from the Kellogg School of Management at Northwestern University, the academy has managed to maintain a very high international standard.

In 2005, approximately 40 managers received training under the aegis of Gunnebo Academy, and plans have been finalised for two continuation courses in 2006, each with 40 participants. In 2006 Gunnebo Academy will primarily focus on strengthening the managers in the new organisation.

In all, 230 managers have attended the Gunnebo Academy.

Union courses

In spring 2005, Gunnebo organised a training course for union board representatives in the Swedish companies. The training covered areas such as board work, communication, finance and economics, business intelligence and HR issues. The aim of the course is to increase expertise among union members to improve their participation in various decisions.

Unitech – recruitment for the long term

During 2005 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. As a result of Unitech around 25 students have gained much-needed work placements and experience, while Gunnebo has been able to benefit from the students who were offered employment.

Two international managers' conferences

In connection with the Board decision in August to introduce a new, customer-focused organisation, the management brought together 125 managers from all over the world in Frankfurt, Germany, to provide information about and discuss the change. Afterwards the management met with the European Works Council for an information meeting. In mid-October, around 40 appointed Competence and Customer Centre managers gathered to discuss and fine-tune the new organisation.

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 gender balance. At the end of 2005, however, only three per cent of managers with HR responsibilities were female, while women made up 14 per cent of the workforce overall.

It is a demand within Gunnebo that all employees, 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 the management conferences.

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 for pay levels

Gunnebo follows an international system for ensuring that personnel pay is in line with the market conditions in the countries where Gunnebo operates.

Gunnebo strives to retain, develop and attract personnel. This entails that several employees relocate to other countries with different conditions. In order to retain and attract skilled personnel, Gun-

nebo offers terms in line with market conditions in all countries where Gunnebo is represented.

Gunnebo continuously keeps itself updated about pay levels and conditions in order to be an attractive employer. For example, a new pension policy has been implemented for the Group management during the year.

As an international corporation, Gunnebo focuses on a high level of internal recruitment. This requires good succession planning and follow-up of the skilled personnel working in the organisation.

Advanced technology

In addition to the collaboration with Unitech, Gunnebo works closely with various universities and institutes of technology, both in Sweden and abroad. This is important for the development of advanced new technology and to maintain a high technological level in order to take advantage of new technical innovations. These are then to be converted into successful orders, which is important in strengthening Gunnebo's market positions.



In 2005 Gunnebo organised training to increase the expertise of union board representatives in the Swedish companies. The course covered areas such as board work, communication, finance and economics, business intelligence and HR issues.



In 2005, 40 managers completed a two-week course within the framework of Gunnebo Academy. In 2006, further programmes will be held with the main aim of strengthening the new organisation.

Financial risk management and sensitivity analysis

Financial risk management

The object of Gunnebo's financial activities is to long-term minimise the Group's 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 and exchange rates, and refinancing and counterparties conditions.

Organisation and activities

The Gunnebo Group's finance activities are centralised in 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, the treasury function is also responsible for the Group-wide insurance programme.

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. The following financial risks are covered, and regulated, by the finance 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 profit and equity.
- **Credit and counterpart risks** – credit risks with customers and financial counterparts.

For more detailed information about financial risk management and reporting of financial instruments, see Note 3 Financial risk management and financial instruments.

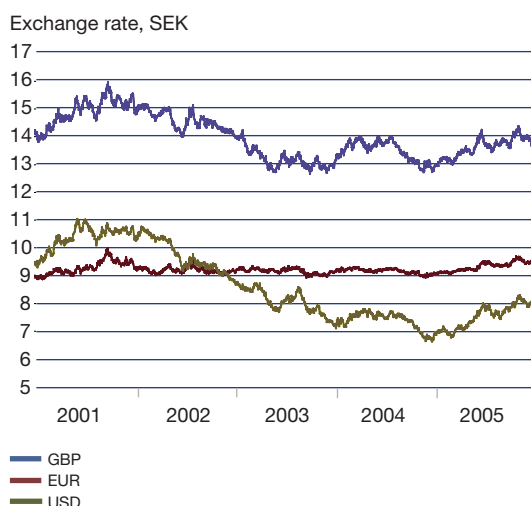
Currency and interest rate development

The graph 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.

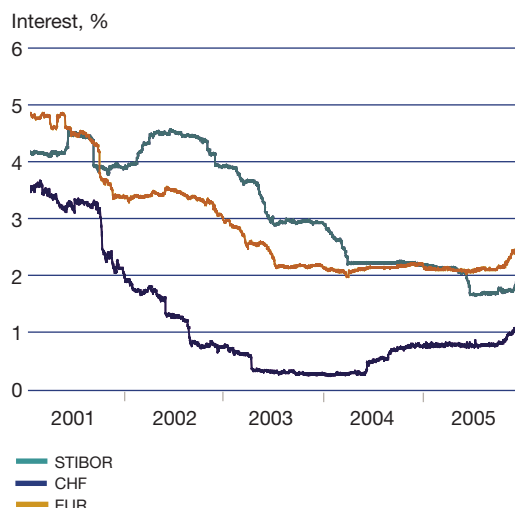
In 2005, the Swedish krona has weakened in relation to most currencies. Against the euro, the krona has decreased from 9.01 at the beginning of the year to 9.43 at the year-end.

During the year the short-term Swedish market rate of interest (3 months) fell by approximately 0.5 percentage points, to then rise slightly towards the end of the year. Interest rates in euro

Exchange rates 2001-2005



3-month interest rates 2001-2005



also increased slightly towards the end of the year, and interest rates in Swiss francs (CHF) increased by approximately 0.25 percentage points.

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.

Financing

Gunnebo has credit facilities totalling MSEK 3,188, of which MSEK 1,607 had been used at the year-end. With regard to the prevailing terms in the loan agreements for debt/equity ratio and interest cover, the remaining credit facilities available amount to just over MSEK 1,000. The average duration of the Group's agreed loan facilities was 4.2 (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 was 3.5 per cent (3.3).

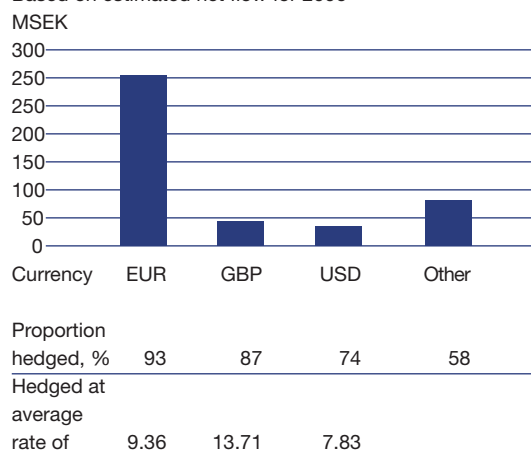
A new five-year syndicated loan for MEUR 200 was signed during the year. The loan replaces a syndicated loan for the same amount signed in 2003. Furthermore, a six-year subordinated loan for MSEK 300 was signed. The subordinated loan is legally subordinated to all of Gunnebo's existing liabilities, including other borrowing. It strengthens Gunnebo's capital base and provides a more efficient capital structure, and consequently improves the company's financial resilience.

Insurance

Gunnebo has a Group-wide insurance programme including indemnity insurance, property and loss of profit insurance, transport insurance, insurance for directors and officers liability and crime/fidelity insurance against property.

Currency flow exposure

Based on estimated net flow for 2006



Sensitivity analysis

Profit 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 operating profit by approximately MSEK 65.

Labour costs

A change of one per cent in labour costs, including social security charges, affects operating profit by approximately MSEK 25.

Steel prices

Steel is the single largest raw material component for the Group, which purchases many different types and grades of steel, resulting in differentiated price development. A general change in steel prices of 10 per cent affects the figures by around MSEK 25 for the subsequent 12 months. No long-term fixed-price contracts have been considered in this figure.

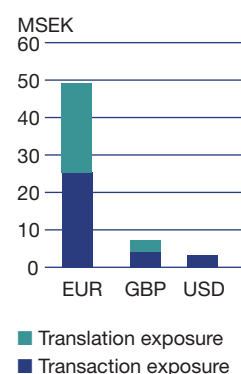
Currencies

A change of 10 per cent in the exchange rate of the Swedish krona against the euro, pound sterling and the US dollar would affect operating profit by around MSEK 60, of which around MSEK 30 would be transaction exposure, without taking the Group's hedging into account. The remaining around MSEK 30 or so would be attributable to translation exposure. Taking into account the hedges in place at the year-end, the effect of the transaction exposure on the result for the coming 12 months would be marginal. The diagram above illustrates the sensitivity of the profit figure with a 10 per cent change in the exchange rate of each currency.

Interest costs

On the basis of the average fixed interest term of the Group's total loans outstanding at the year-end, a simultaneous change of one percentage point in all of Gunnebo's loan currencies would affect profit by approximately MSEK 8 for the subsequent 12 months.

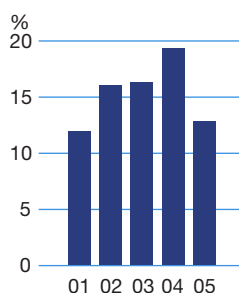
Result sensitivity analysis, currencies at 10% change



Five-year review

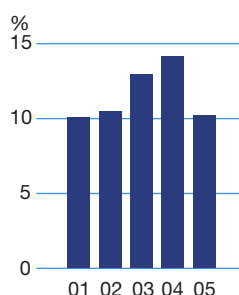
Remaining operations

Return on equity*



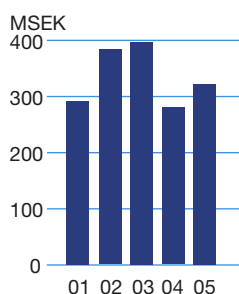
* Exc. items affecting comparability

Return on capital employed*

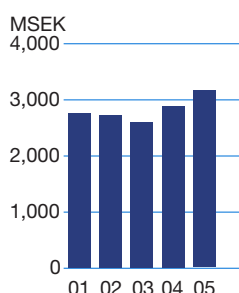


* Exc. items affecting comparability

Operative cash flow, excluding restructuring costs



Capital employed



Gunnebo's turnover and profit over the past five years have mainly been affected by a number of acquisitions and limited organic growth. At the beginning of 2005, French company Eurofence was acquired with a turnover of MSEK 220 and 135 employees.

Taking into consideration the fact that in

mid-2005 Gunnebo refined its security business by distributing the shares in Gunnebo Industrier free of charge to shareholders, the five-year review on these pages excludes Gunnebo Industrier, and the five-year review overleaf includes Gunnebo Industrier up until the first quarter of 2005. IFRS have been applied as of 2004.

Income statement, MSEK

	2005	2004	2003	2002	2001
Revenue	6,477	6,086	5,817	5,810	5,465
Cost of goods sold	-4,380	-4,044	-3,870	-3,918	-3,753
Gross operating profit	2,097	2,042	1,947	1,892	1,712
Items affecting comparability	-205	-204	-	-1	11
Other operating costs	-1,789	-1,674	-1,627	-1,609	-1,468
Operating profit	103	164	320	282	255
Share of profit of associated companies	-	-	-	-	5
Net financial items	-70	-43	-38	-59	-78
Profit after financial items	33	121	282	223	182
Taxes	-130	-37	-59	-33	-44
Minority interest	-	-	-	1	1
Net profit for the year for remaining operations	-97	84	223	191	139

Balance sheet, MSEK

	2005	2004	2003	2002	2001
Intangible fixed assets	1,224	1,119	958	1,040	1,051
Tangible fixed assets	744	676	647	674	712
Financial fixed assets	219	164	76	123	125
Inventories	838	847	746	780	841
Operating receivables	1,639	1,690	1,517	1,577	1,623
Liquid funds	169	172	198	342	267
Total assets	4,833	4,668	4,142	4,536	4,619
Equity	1,208	1,383	1,476	1,345	1,228
Minority interest	-	-	2	3	4
Interest-bearing provisions and liabilities	1,950	1,521	1,150	1,536	1,677
Other provisions and liabilities	1,675	1,764	1,514	1,652	1,710
Total equity and liabilities	4,833	4,668	4,142	4,536	4,619

Cash flow analysis, MSEK

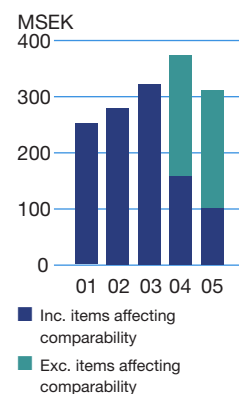
	2005	2004	2003	2002	2001
Cash flow from current operations before change in working capital	-130	265	262	314	72
Change in working capital	152	-61	92	30	-3
Cash flow from current operations	22	204	354	344	69

Operative cash flow, MSEK

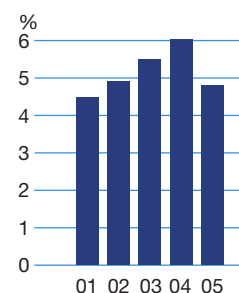
	2005	2004	2003	2002	2001
Operative cash flow exc. restructuring costs	325	282	399	382	291
Operative cash flow inc. restructuring costs	136	209	312	328	114

Key ratios exc. items affecting comparability	2005	2004	2003	2002	2001
Return on capital employed, %	10.4	14.1	13.0	10.6	10.0
Return on equity, %	12.8	19.4	16.3	16.0	12.0
Operating margin before depreciation, %	6.8	7.9	8.5	7.9	7.8
Operating margin, %	4.8	6.0	5.5	4.9	4.5
Profit margin, %	3.7	5.3	4.8	3.9	3.1
Key ratios inc. items affecting comparability	2005	2004	2003	2002	2001
Return on capital employed, %	3.7	6.6	13.0	10.6	10.4
Return on equity, %	-7.5	6.1	16.3	15.9	12.6
Gross margin, %	32.4	33.6	33.5	32.6	31.3
Operating margin before depreciation, %	3.7	4.6	8.5	7.8	8.0
Operating margin, %	1.6	2.7	5.5	4.9	4.7
Profit margin, %	0.5	2.0	4.8	3.8	3.3
Capital turnover rate	2.1	2.3	2.2	2.1	2.2
Equity ratio, %	25	30	36	30	27
Interest cover	1.5	3.8	3.9	4.1	3.1
Debt/equity ratio	1.5	1.0	0.6	0.9	1.1
Share data exc. items affecting comparability	2005	2004	2003	2002	2001
Earnings per share before dilution, SEK	3.80	6.00	5.15	4.50	3.15
Earnings per share after dilution, SEK	3.75	6.00	5.10	4.40	3.10
Share data inc. items affecting comparability	2005	2004	2003	2002	2001
Earnings per share before dilution, SEK	-2.25	1.90	5.15	4.50	3.30
Earnings per share after dilution, SEK	-2.20	1.90	5.10	4.40	3.25
Equity per share before dilution, SEK	27.55	31.60	33.75	31.80	29.05
Equity per share after dilution, SEK	29.30	33.50	35.60	32.75	30.15
Cash flow per share, SEK	0.50	4.60	8.10	7.80	1.55
Other information	2005	2004	2003	2002	2001
Foreign sales ratio, %	94	94	94	94	94
Order intake, MSEK	6,658	6,035	5,829	5,945	5,469
Capital employed, MSEK*	3,158	2,864	2,579	2,762	2,786
Net debt, MSEK*	1,763	1,328	947	1,188	1,411
Capital expenditure, MSEK	141	147	149	118	115
Depreciation/amortisation, MSEK	134	115	173	174	183
Of which goodwill amortisation, MSEK	-	-	59	57	53
Average number of employees	6,945	7,059	7,157	7,181	7,169

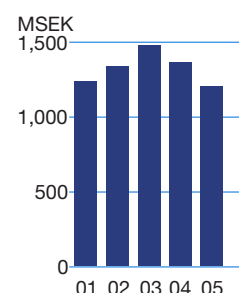
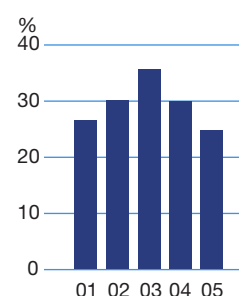
* At year-end

Operating profit*

* For remaining operations

Operating margin*

* Exc. items affecting comparability

Equity**Equity ratio**

Five-year review

Group total inclusive Gunnebo Industrier

This five-year review relates to Gunnebo's operations including Gunnebo Industrier, which has now been deconsolidated. Gunnebo Industrier is included up to the first quarter of the 2005 figures.

Income statement, MSEK	2005	2004	2003	2002	2001
Revenue	6,802	7,326	6,961	6,976	6,671
Cost of goods sold	-4,613	-4,910	-4,680	-4,738	-4,604
Gross operating profit	2,189	2,416	2,281	2,238	2,067
Items affecting comparability	-205	-204	–	-1	11
Other operating costs	-1,862	-1,947	-1,882	-1,876	-1,757
Operating profit	122	265	399	361	321
Share of profit of associated companies	–	–	–	–	5
Net financial items	-73	-60	-58	-81	-103
Profit after financial items	49	205	341	280	223
Taxes	-135	-64	-80	-51	-58
Minority interest	–	–	-1	–	–
Net profit for the year	-86	141	260	229	165
Balance sheet, MSEK	2005	2004	2003	2002	2001
Intangible fixed assets	1,224	1,210	1,048	1,050	1,063
Tangible fixed assets	744	1,021	1,011	1,041	1,087
Financial fixed assets	219	169	81	131	137
Inventories	838	1,195	1,061	1,090	1,185
Operating receivables	1,639	1,851	1,668	1,760	1,819
Liquid funds	169	203	221	362	295
Total assets	4,833	5,649	5,090	5,434	5,586
Equity	1,208	1,759	1,870	1,646	1,513
Minority interest	–	–	6	6	7
Interest-bearing provisions and liabilities	1,950	1,931	1,541	1,957	2,179
Other provisions and liabilities	1,675	1,959	1,673	1,825	1,887
Total equity and liabilities	4,833	5,649	5,090	5,434	5,586
Cash flow analysis, MSEK	2005	2004	2003	2002	2001
Cash flow from current operations before change in working capital	-110	379	360	394	136
Change in working capital	106	-75	105	68	7
Cash flow from current operations	-4	304	465	462	143
Operative cash flow, MSEK	2005	2004	2003	2002	2001
Operative cash flow exc. restructuring costs	298	386	500	501	348
Operative cash flow inc. restructuring costs	109	313	413	444	170

Key ratios exc. items affecting comparability	2005	2004	2003	2002	2001
Return on capital employed, %	10.4	13.6	12.1	10.4	9.8
Return on equity, %	12.8	18.4	14.8	14.5	10.7
Operating margin before depreciation, %	7.0	8.7	9.0	8.5	8.2
Operating margin, %	4.8	6.4	5.7	5.2	4.6
Profit margin, %	3.7	5.6	4.9	4.0	3.2
Key ratios inc. items affecting comparability	2005	2004	2003	2002	2001
Return on capital employed, %	4.1	7.9	12.1	10.4	10.1
Return on equity, %	-6.2	8.0	14.8	14.5	11.1
Gross margin, %	32.2	33.0	32.8	32.1	31.0
Operating margin before depreciation, %	4.0	5.9	9.0	8.5	8.4
Operating margin, %	1.8	3.6	5.7	5.2	4.8
Profit margin, %	0.7	2.8	4.9	4.0	3.3
Capital turnover rate	2.1	2.0	2.0	1.9	1.9
Equity ratio, %	25	31	37	30	27
Interest cover	1.7	4.3	5.8	4.1	3.0
Debt/equity ratio	1.5	1.0	0.7	1.0	1.2
Share data exc. items affecting comparability	2005	2004	2003	2002	2001
Earnings per share before dilution, SEK	4.05	7.35	6.00	5.40	3.75
Earnings per share after dilution, SEK	4.00	7.30	5.95	5.30	3.70
Share data inc. items affecting comparability	2005	2004	2003	2002	2001
Earnings per share before dilution, SEK	-1.95	3.20	6.00	5.40	3.90
Earnings per share after dilution, SEK	-1.95	3.20	5.95	5.30	3.85
Equity per share before dilution, SEK	27.55	40.15	42.70	38.80	35.70
Equity per share after dilution, SEK	29.30	41.75	44.20	39.55	36.55
Cash flow per share, SEK	-0.10	7.05	10.65	10.60	3.30
Other information	2005	2004	2003	2002	2001
Foreign sales ratio, %	94	90	90	91	91
Order intake, MSEK	6,993	7,295	6,993	7,150	6,660
Capital employed, MSEK*	3,158	3,697	3,417	3,610	3,699
Net debt, MSEK*	1,763	1,702	1,309	1,581	1,872
Capital expenditure, MSEK	154	181	198	168	173
Depreciation/amortisation, MSEK	147	165	228	229	237
Of which goodwill amortisation, MSEK	-	-	67	65	61
Average number of employees	7,230	8,188	8,273	8,250	8,290

* At year-end

Definitions

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

Capital turnover rate: Revenue 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.

Debt/equity ratio: Net debt divided by equity.

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

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

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

Equity ratio: Equity as a percentage of balance sheet total.

Gross margin: Gross profit as a percentage of revenue.

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

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

Operating margin: Operating profit as a percentage of revenue.

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

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

Profit margin: Profit after financial items as a percentage of revenue.

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

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

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

Consolidated income statement

MSEK	Note	Consolidated income statement		Total for			
		2005	2004	Discontinued operations*		discontinued and remaining operations	
		2005	2004	2005	2004	2005	2004
Revenue	5	6,477.3	6,085.8	324.7	1,239.8	6,802.0	7,325.6
Cost of goods sold		-4,380.9	-4,043.7	-232.3	-865.9	-4,613.2	-4,909.6
Gross operating profit		2,096.4	2,042.1	92.4	373.9	2,188.8	2,416.0
Selling costs		-1,017.4	-938.6	-48.9	-184.1	-1,066.3	-1,122.7
Administrative costs	31	-793.3	-758.3	-25.0	-91.2	-818.3	-849.5
Share of profit of associated companies		7.0	0.4	-	-	7.0	0.4
Other operating income	6	15.1	29.7	0.4	2.5	15.5	32.2
Other operating costs	7	-205.1	-211.7	-	-	-205.1	-211.7
Operating profit	5, 8, 27	-1,993.7	-1,878.5	-73.5	-272.8	-2,067.2	-2,151.3
		102.7	163.6	18.9	101.1	121.6	264.7
Financial income and costs							
Interest income		5.1	2.4	0.6	3.0	5.7	5.4
Interest costs		-63.7	-40.5	-4.9	-18.6	-68.6	-59.1
Other financial income		4.5	12.6	2.3	0.6	6.8	13.2
Other financial costs		-16.3	-17.2	-0.7	-2.5	-17.0	-19.7
Total financial income and costs		-70.4	-42.7	-2.7	-17.5	-73.1	-60.2
Profit after financial items		32.3	120.9	16.2	83.6	48.5	204.5
Taxes	9	-129.9	-37.1	-4.8	-26.5	-134.7	-63.6
Net profit for the year for remaining operations		-97.6	83.8	11.4	57.1	-86.2	140.9
Net profit after tax for the year for discontinued operations**		11.4	57.1				
Net profit for the year		-86.2	140.9				
Of which attributable to:							
Parent company shareholders		-86.0	139.9				
Minority interest		-0.2	1.0				
		-86.2	140.9				
Earnings per share before dilution, SEK	11	-1.95	3.20				
Earnings per share after dilution, SEK	11	-1.95	3.20				

* Refers to specification of profit from discontinued operations relating to Gunnebo Industrier.

** See specification of discontinued operations.

Consolidated balance sheet

		Consolidated balance sheet		Remaining operations		Discontinued operations*	
ASSETS, MSEK	Note	2005	2004	2005	2004	2005	2004
Fixed assets							
Intangible fixed assets							
Goodwill	12	1,098.0	1,089.2	1,098.0	1,001.8	–	87.4
Other intangible assets	12	126.2	120.6	126.2	117.6	–	3.0
Total intangible fixed assets		1,224.2	1,209.8	1,224.2	1,119.4	–	90.4
Tangible fixed assets							
Buildings and land	13	396.0	490.0	396.0	371.7	–	118.3
Machinery and plant	13	184.2	351.5	184.2	166.2	–	185.3
Equipment, tools, fixtures and fittings	13	114.9	147.6	114.9	112.4	–	35.2
Fixed assets under construction	13	48.4	32.4	48.4	26.5	–	5.9
Total tangible fixed assets		743.5	1,021.5	743.5	676.8	–	344.7
Financial fixed assets							
Shares in associated companies	15	24.6	17.7	24.6	17.7	–	–
Deferred tax receivables	9	174.3	129.8	174.3	129.8	–	–
Other financial fixed assets		20.4	21.0	20.4	15.7	–	5.3
Total financial fixed assets		219.3	168.5	219.3	163.2	–	5.3
Total fixed assets		2,187.0	2,399.8	2,187.0	1,959.4	–	440.4
Current assets							
Inventories	16	838.3	1,194.8	838.3	847.1	–	347.7
Current receivables							
Accounts receivable	17	1,441.9	1,570.2	1,441.9	1,386.9	–	183.3
Current tax receivables		44.2	38.3	44.2	38.3	–	–
Other receivables		92.9	164.7	92.9	192.0	–	-27.3
Prepaid costs and accrued income	18	59.4	78.1	59.4	72.9	–	5.2
Total current receivables		1,638.4	1,851.3	1,638.4	1,690.1	–	161.2
Liquid funds	19	169.3	203.3	169.3	171.6	–	31.7
Total current assets		2,646.0	3,249.4	2,646.0	2,708.8	–	540.6
TOTAL ASSETS		4,833.0	5,649.2	4,833.0	4,668.2	–	981.0

* Refers to specification of balance sheet items relating to the distribution Gunnebo Industrier which was included in the 2004 balance sheet.

EQUITY AND LIABILITIES, MSEK	Note	Consolidated balance sheet		Remaining operations		Discontinued operations*	
		2005	2004	2005	2004	2005	2004
Equity	20						
Share capital		219.3	218.9	219.3	218.9	–	–
Other contributed capital		539.3	534.0	539.3	534.0	–	–
Reserves		-8.3	-34.9	-8.3	-34.9	–	–
Retained earnings		458.2	1,033.1	458.2	661.5	–	371.6
Total equity attributable to parent company shareholders		1,208.5	1,751.1	1,208.5	1,379.5	–	371.6
Minority interest		–	7.5	–	2.9	–	4.6
Total equity		1,208.5	1,758.6	1,208.5	1,382.4	–	376.2
Long-term liabilities							
Deferred tax liability	9	9.3	51.0	9.3	36.5	–	14.5
Pension commitments	21, 26	343.0	392.1	343.0	319.5	–	72.6
Borrowing	23, 25	1,486.1	1,374.0	1,486.1	1,036.1	–	337.9
Total long-term liabilities		1,838.4	1,817.1	1,838.4	1,392.1	–	425.0
Current liabilities							
Liabilities to suppliers		762.5	841.8	762.5	751.7	–	90.1
Current tax liabilities		31.6	72.5	31.6	61.8	–	10.7
Other liabilities		191.9	199.5	191.9	191.6	–	7.9
Accrued costs and deferred income	24	502.7	508.4	502.7	440.2	–	68.2
Borrowing	23, 25	120.8	165.5	120.8	165.5	–	–
Other provisions	22	176.6	285.8	176.6	282.9	–	2.9
Total current liabilities		1,786.1	2,073.5	1,786.1	1,893.7	–	179.8
TOTAL EQUITY AND LIABILITIES		4,833.0	5,649.2	4,833.0	4,668.2	–	981.0
Pledged assets	25	1.8	24.3	1.8	1.8	–	22.5
Contingent liabilities	26	132.2	197.3	132.2	193.0	–	4.3

Change in consolidated equity

MSEK	2005	2004
Opening equity	1,758.6	1,751.1
Change of accounting principles	7.8	–
Adjusted opening equity	1,766.4	1,751.1
Currency differences	25.8	-34.9
Net profit for the year	-86.2	140.9
Distribution of Gunnebo Industrier	-397.7	–
Cash dividend to shareholders	-98.5	-98.5
Change in hedge reserve	-7.0	–
New share issue	5.7	–
Closing equity	1,208.5	1,758.6

* Refers to specification of balance sheet items relating to the distribution Gunnebo Industrier which was included in the 2004 balance sheet.

Consolidated cash flow analysis

MSEK	Note	Consolidated cash flow analysis		Discontinued operations*		Total for discontinued and remaining operations	
		2005	2004	2005	2004	2005	2004
CURRENT OPERATIONS							
Operating profit		102.7	163.6	18.9	101.1	121.6	264.7
Depreciation charged against the result		134.3	115.0	12.7	50.4	147.0	165.4
Items not affecting cash flow		-3.8	-1.1	–	–	-3.8	-1.1
Capital gains/losses		-1.6	-20.2	-0.2	-0.2	-1.8	-20.4
Change in provisions		-114.2	120.9	-0.1	-0.8	-114.3	120.1
Net financial items affecting cash flow	28	-55.3	-34.5	-4.2	-17.4	-59.5	-51.9
Taxes paid		-195.4	-79.7	-6.9	-19.1	-202.3	-98.8
Dividends from associated companies		3.6	0.9	–	–	3.6	0.9
Cash flow from current operations before changes in working capital		-129.7	264.9	20.2	114.0	-109.5	378.9
Cash flow from changes in working capital							
Change in inventories		96.9	-10.5	-26.9	-36.7	70.0	-47.2
Change in operating receivables		139.7	-21.1	-40.1	-20.2	99.6	-41.3
Change in operating liabilities		-85.1	-29.0	21.1	42.4	-64.0	13.4
Total change in working capital		151.5	-60.6	-45.9	-14.5	105.6	-75.1
Cash flow from current operations		21.8	204.3	-25.7	99.5	-3.9	303.8
INVESTMENT ACTIVITIES							
Fixed capital expenditure	12,13	-141.1	-146.8	-13.1	-34.3	-154.2	-181.1
Sales of fixed assets		4.9	36.9	1.0	2.7	5.9	39.6
Acquisition and disposal of companies	29	-102.6	-153.9	-36.0	-1.7	-138.6	-155.6
Cash flow from investment activities		-238.8	-263.8	-48.1	-33.3	-286.9	-297.1
FINANCING ACTIVITIES							
Change in interest-bearing receivables		-4.2	-0.1	-1.2	-0.1	-5.4	-0.2
Change in interest-bearing liabilities		301.4	134.3	42.6	-57.7	344.0	76.6
New share issue		5.7	–	–	–	5.7	–
Dividend		-98.5	-98.5	–	–	-98.5	-98.5
Cash flow from financing activities		204.4	35.7	41.4	-57.8	245.8	-22.1
Cash flow for the year for remaining operations		-12.6	-23.8	-32.4	8.4	-45.0	-15.4
Cash flow for the year for discontinued operations**		-32.4	8.4				
Cash flow for the year		-45.0	-15.4				
Opening liquid funds		203.3	221.2				
Translation differences on liquid funds		11.0	-2.5				
Closing liquid funds		169.3	203.3				

* Refers to specification of cash flow from discontinued operations relating to Gunnebo Industrier.

** See specification of discontinued operations.

Parent company income statement

MSEK	Note	2005	2004
Invoiced sales	32	18.3	22.4
Administrative costs	8, 27, 30, 31, 32	-72.7	-64.7
Operating loss		-54.4	-42.3
Financial income and costs			
Dividends from Group companies		114.1	60.0
Anticipated dividends from Group companies		141.4	–
Write-down of shares in Group companies		-95.1	-0.1
Group contributions received		58.6	92.4
Group contributions paid		-25.0	-27.1
Interest income from Group companies		31.6	32.6
Other interest income		0.1	–
Interest costs to Group companies		-74.0	-74.6
Other interest costs		-1.1	-0.1
Result from securities held as fixed assets		-3.1	0.4
Other financial income		6.1	45.0
Other financial costs		-0.8	-0.7
Total financial income and costs		152.8	127.8
Profit before tax		98.4	85.5
Taxes		–	–
Net profit for the year		98.4	85.5

Parent company balance sheet

Assets, MSEK	Note	2005	2004
Fixed assets			
Intangible fixed assets			
Other intangible fixed assets	12	0.7	–
Total intangible fixed assets		0.7	–
Tangible fixed assets			
Equipment	13	2.9	3.2
Total tangible fixed assets		2.9	3.2
Financial fixed assets			
Shares in Group companies	14	2,453.1	2,736.2
Other securities held as fixed assets		–	6.6
Receivables from Group companies		294.7	161.7
Total financial fixed assets		2,747.8	2,904.5
Total fixed assets		2,751.4	2,907.7
Current assets			
Current receivables			
Receivables from Group companies		12.1	19.6
Other receivables		3.0	2.4
Prepaid costs and accrued income	18	8.5	3.0
Total current receivables		23.6	25.0
Cash and bank	19	6.2	9.9
Total current assets		29.8	34.9
TOTAL ASSETS		2,781.2	2,942.6

Equity and liabilities, MSEK	Note	2005	2004
Equity	20		
Restricted equity			
Share capital (43,854,548 shares each having a par value of SEK 5)		219.3	218.9
Share premium reserve		–	214.0
Statutory reserve		539.3	320.0
		758.6	752.9
Non-restricted equity			
Retained earnings		3.6	363.6
Net profit for the year		98.4	85.5
		102.0	449.1
Total equity		860.6	1,202.0
Long-term liabilities	23		
Subordinated loans		300.0	–
Total long-term liabilities		300.0	–
Current liabilities			
Liabilities to suppliers		9.2	4.9
Liabilities to Group companies		14.1	2.7
Other liabilities		2.2	2.0
Accrued costs and deferred income	24	17.3	12.4
Loan debts to Group companies	23	1,576.4	1,718.5
Overdraft facilities	23	1.4	0.1
Total current liabilities		1,620.6	1,740.6
TOTAL EQUITY AND LIABILITIES		2,781.2	2,942.6
Pledged assets		None	None
Contingent liabilities	26	1,394.8	1,620.3

Change in parent company equity

MSEK	2005	2004
Opening equity	1,202.0	1,215.0
Net profit for the year	98.4	85.5
Cash dividend to shareholders	-98.5	-98.5
Distribution of Gunnebo Industrier	-347.0	–
New share issue	5.7	–
Closing equity	860.6	1,202.0

Parent company cash flow analysis

MSEK	Note	2005	2004
CURRENT OPERATIONS			
Operating profit		-54.4	-42.3
Depreciation charged against profit		1.0	1.1
Items not affecting cash flow		-2.7	-
Net financial items affecting cash flow	28	88.6	54.9
Cash flow from current operations before changes in working capital		32.5	13.7
Cash flow from changes in working capital			
Change in operating receivables		7.5	14.9
Change in operating liabilities		4.8	-0.6
Total change in working capital		12.3	14.3
Cash flow from current operations		44.8	28.0
INVESTMENT ACTIVITIES			
Investments in intangible assets	12	-0.7	-
Fixed capital expenditure	13	-0.7	-0.7
Investments in shares in Group companies	14	-159.0	-9.9
Sale of securities held as fixed assets		3.5	3.1
Sale of Group companies		-	0.1
Cash flow from investment activities		-156.9	-7.4
FINANCING ACTIVITIES			
Change in interest-bearing receivables		-133.0	-161.7
Change in interest-bearing liabilities		334.2	249.0
New share issue		5.7	-
Dividend		-98.5	-98.5
Cash flow from financing activities		108.4	-11.2
Cash flow for the year		-3.7	9.4
Opening liquid funds		9.9	0.5
Closing liquid funds		6.2	9.9

Notes

Amounts in MSEK except where otherwise stated

Note 1 General information

The Gunnebo Group produces and sells high-security solutions encompassing cash automation, access control systems, site protection, and burglar and fire-resistant products, with the key focus on the customer groups Banks, Retail and Site Protection for industry and other high-security installations.

The parent company is a listed company with its registered office in Göteborg, Sweden, company registration number 556438-2629. The address of the head office is Box 5181, SE-402 26 Göteborg, Sweden. The parent company is listed on the Stockholm Stock Exchange.

These consolidated financial statements were approved for publication by the Board on 7 February 2006.

Note 2 Summary of important accounting principles

Foundations for preparing the statements

This Annual Report has been prepared in accordance with the Annual Account Act and as of 1 January 2005, Gunnebo applies the new International Financial Reporting Standards (IFRS), endorsed by the EU.

Up to and including 2004, Gunnebo applied the recommendations of the Swedish Financial Accounting Standards Council.

Gunnebo has re-calculated historical information from 1 January 2004 in this Annual Report.

Reconciliations of equity and profit in accordance with previously applied principles and IFRS are given in Note 33 of this Annual Report.

The consolidated financial statements have been prepared in accordance with the cost method except when it comes to the revaluation of building and land, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) valued at fair value via the income statement.

All reports prepared in compliance with IFRS require the use of some important accounting estimates. Furthermore, the management is required to make certain assessments upon application of the company's accounting principles. The areas which include estimates and assessments of significant importance to the consolidated financial statements are given in Note 4.

IFRIC has adopted a number of new, revised standards which will come into force on 1 January 2006 or later. None of these new standards or revisions are expected to lead to any significant changes in the Group's accounting principles.

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 fair value at the time of acquisition of the assets and liabilities acquired is stated as goodwill. If the cost of the acquired subsidiary's net assets is lower than their fair value, the difference is recognised directly in the income statement.

Intra-Group transactions and balance items as well as non-realised gains on transactions between Group companies are eliminated.

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 associate companies are stated using the equity interest method. This means that the 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 dividend received. The share of profit of associated companies is recognised in the income statement at two levels:

- Share of profit before tax is included in the consolidated operating profit.
- Share of associated companies' tax is recognised in the consolidated tax cost.

Translation of foreign currencies

a) Functional currency and presentation currency

Items in the financial statements for the various Group units are valued in the currency used in the economic environment in which each company primarily operates (functional currency). In the consolidated financial statements the Swedish krona is used, which is the parent company's functional and presentation currency.

b) Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency using the exchange rates in force on the transaction date. Exchange rate gains and losses arising upon payment of such transactions and upon translating monetary assets and liabilities in foreign currencies at the closing date exchange rate are recognised in the income statement. The exceptions are transactions comprising hedges which fulfil the conditions for hedge reporting of cash flows or net investments, whereby gains/losses are recognised in equity.

Translation differences for non-monetary items, such as shares valued at fair value via the income statement, are reported as part of the gain/loss in fair value. Translation differences for non-monetary items, such as shares classified as available-for-sale financial assets, are entered as a fund for fair value under equity.

c) Group companies

The figures and financial position of all Group companies (none of which has a high-inflation currency) with a functional currency different to the presentation currency, are retranslated into the Group's presentation currency as follows:

- (i) assets and liabilities for each of the balance sheets are translated at the closing day rate,
- (ii) income and expenses for each of the income statements are translated at the average exchange rate (provided this average exchange rate is a reasonable approximation of the accumulated effect of the rates in effect on the transaction date, otherwise income and expenses are translated on the transaction date),
- (iii) all currency differences which arise are reported as a separate part of equity.

Upon consolidation, currency differences which arise as a result of translating net investments in foreign operations and of borrowing and other currency instruments identified as hedges of such investments, are recognised in equity. On divestment of a foreign operation, such currency differences are recognised in the income statement as part of the capital gain/loss.

Goodwill and adjustments of fair value arising upon acquisition of a foreign operation are treated as assets and liabilities in the operation in question, and are translated at the closing day rate.

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.

Derivative instruments

As of 1 January 2005, the new accounting standard IAS 39, Financial Instruments: Recognition and Measurement, has been applied. This means

that all derivative instruments are recognised in the balance sheet at fair value. Changes in value relating to derivative instruments are recognised in the income statement except where the derivative instrument is a hedging instrument in a cash flow hedge or in a hedge of net investments in foreign companies. In these cases the effective portion of the change in value regarding the derivative instrument is recognised under equity until the point where the hedged transaction has an effect on profit.

With regard to the derivative instruments relating to hedging of fair value, the changes in value both from derivative instruments and the hedged object attributable to the hedged risk are recognised in the income statement, where they neutralise one another.

Inventories

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

Accounts receivable

A reserve for doubtful receivables is made when it is likely that the Group will not receive the amounts due in accordance with the receivables' original terms. The size of the reserve comprises the difference between the assets' carrying amount and the present value of assessed future cash flows, discounted at the effective interest rate. The reserved amount is recognised in the income statement.

Liquid funds

Liquid funds include cash, bank deposits and other investments which mature within three months as well as bank overdraft facilities. Utilised bank overdraft facilities are recognised as borrowing under current liabilities.

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 recognised in the income statement. The tax effects of items recognised directly in equity are stated in equity.

Deferred tax is calculated based on the difference between the tax written-down value and the carrying amount of assets and liabilities (temporary differences), and on loss carry forwards. 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, known as equity hedges. Changes in this item are recognised directly in equity.

Deferred tax receivables attributable to loss carry forwards are only recognised if it is probable that the loss carry forward can be netted against a surplus in future taxation.

Pension commitments

IAS 19 is applied in Gunnebo's reporting of pensions, healthcare benefits and other employee benefits after the period of employment.

The standard 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 recognised 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 as-

sets of the company that took out the plan. Provisions in the balance sheet comprise the present value of the defined benefit obligations adjusted for the unrecognised actuarial gains and losses and the unrecognised costs for employment during earlier periods.

As regards the funded plans, the plan assets of the plans 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 plan assets exceeds or falls short of the present 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 recognised but presented 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' present value and the plan assets' market value at the end of the previous year, 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 plan 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 accounts.

Some of the plans for supplementary pensions for salaried employees in Sweden are financed through insurance premiums paid to Alecta/Col-lectum. 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.

Borrowing

Borrowing is initially recognised at fair value and then net after transaction costs. Borrowing is then reported at the accrued cost.

Provisions

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

Provisions for restructuring costs and legal requirements are reported when the Group has a present legal or constructive obligation as a result of past events, whereby it is more probable that an outflow of resources will be necessary in order to settle the commitment than not necessary, and the amount has been estimated in a reliable way. Provisions for restructuring include costs for terminating lease agreements and severance pay.

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 stated 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 transferred to the customer. Sales are stated net after value added tax (VAT), discounts and returns.

Intra-Group sales are eliminated in the Group.

Major projects of long duration on behalf of outside parties are recognised in income on the basis of the percentage of completion, which is determined by comparing costs incurred on the closing date with the estimated total cost.

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 income is recognised when an agreement has been reached with a customer and once the services have been performed and when all significant risks have transferred to the customer.

Other operating costs

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

Items affecting comparability

In this section, events and transactions are recognised which have effects on profit that are important to highlight when comparing the results of the period with other periods as regards:

- Capital gains and losses from the divestment of operations.
- Closure or significant reduction of operations.
- Restructuring which entails action plans with the aim of re-organising an operation.
- Significant write-downs.
- Other significant non-recurring costs or income.

Product development costs

Expenditure on development projects is capitalised under intangible assets to the extent it is expected to generate economic benefits in the future. Other development expenditure is expensed in the income statement as it is incurred and is included in cost of goods sold. Development expenditure previously stated as a cost in the income statement is not capitalised as an asset in later periods.

Capitalised development expenditure is generally expensed linearly over the period during which the estimated benefits are expected to flow to the company and from the start of commercial production. The capitalised development expenditure for SafePay is expensed in accordance with the production-based method, based on expected sales over a five-year period.

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 economic benefits in excess of the cost. Other software of a standard character is recognised as a cost. Capitalised expenditure on acquired software is expensed linearly over its useful life.

Tangible fixed assets

Tangible fixed assets are recognised at cost less depreciation.

The cost includes expenses directly attributable to bringing the asset to the location and into the condition required for it to be capable of operating in the manner intended. Costs for improvements to the asset's performance increase the asset's carrying amount if the investment is expected to generate economic benefits. Expenditure on repairs and/or maintenance is recognised as costs.

Depreciation and amortisation

Depreciation/amortisation according to plan is based on the original cost of the assets and is spread linearly over the estimated useful lives. The following depreciation/amortisation periods are used:

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

Goodwill is not amortised. Instead the write-down requirement is tested every year, and when there is an indication that a write-down is necessary.

Impairments

Assets with an indefinite useful life are not depreciated or amortised but are assessed annually to determine any write-down requirement. The

decrease in value of depreciated/amortised assets is assessed at any time events or changes in circumstances indicate that the carrying amount is not recoverable. A write-down is carried out in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and its value in use. On assessing a write-down requirement, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash generating units).

Leasing

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 recognised as a fixed asset in the consolidated balance sheet. The corresponding undertaking to pay leasing charges in the future is stated as a liability.

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

Leasing where a significant portion of the risks and benefits of ownership are retained by the lessor is classified as operational leasing.

Payments made during the lease term (less any incentives from the lessor) are expensed in the income statement linearly over the lease term.

Cost of borrowing

Borrowing costs in the form of interest are charged to profit and loss 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 recognised cash flow only includes transactions that involve disbursements or receipts of cash. All transactions involving foreign subsidiaries are recognised 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 the credit institution. An accrued cost is stated in the balance sheet in respect of social security charges together with a corresponding accrued income item.

Discontinued operations

In June 2005, Gunnebo Industrier AB was deconsolidated and distributed to Gunnebo's shareholders. Gunnebo Industrier AB is recognised in these accounts as a discontinued operation. Discontinued operations also include Group surpluses and eliminations relating to the deconsolidated operation.

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 3 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 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 and 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 350.

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. Gunnebo Treasury SA is responsible for establishing the Group's net position and hedging it.

Translation exposure (net investments)

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. The Group's net investments are primarily hedged in the parent company Gunnebo AB. 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 (ISDAs)

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 credit facilities totalling some MSEK 3,188, of which MSEK 1,607 had been drawn at the year-end. With regard to the prevailing terms in the loan agreements for debt/equity ratio and interest cover, the remaining credit facilities available amount to just over MSEK 1,000. The average duration of the Group's agreed credit facilities was 4.2 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 2010, and two bilateral loan agreements of MSEK 300 and 200 maturing in 2008 and 2010 respectively, as well as a legally subordinated loan of MSEK 300 maturing in 2011. Furthermore, the Group has MSEK 500 in primarily short-term credit facilities, and external local financing in other subsidiaries. Loans in other subsidiaries mainly consist of liabilities in acquired companies and borrowing in countries where taxes or regulations makes group internal financing impossible or financially inviable.

Loan maturity structure

MSEK	Credit facility	Of which drawn	Proportion
2006	454	121	8%
2007	7	7	0%
2008	307	307	19%
2009	15	15	1%
2010	2,087	839	52%
2011	318	318	20%
Total	3,188	1,607	100%

At the end of the year, Gunnebo's portfolio had an average fixed interest term of 10 (8) months, and the average rate of interest on the entire loan portfolio was 3.5 per cent (3.3).

Currency risks

Exchange rate risks have affected profit after financial items by MSEK 5 (-21), 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 MSEK 390 on an annual basis. At the closing date, the proportion hedged was 85 per cent (83). Forward contracts that matured during the year had a negative effect of MSEK -3 (+2) 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 330. This forward cover is recognised at a fair value excluding hedging premiums/discounts of MSEK -2 in equity. All outstanding contracts mature during 2006 and are reported in the profit and loss statement in connection with maturity.

Translation exposure

Foreign net assets amounted to MSEK 3,090 (3,196) on 31 December 2005. The Group hedges a large proportion of these assets through loans and forward contracts in corresponding currencies. On the closing date, MSEK 2,774 (2,900), or 90 per cent (91), was hedged. This hedging 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.

Accounting treatment of financial instruments and hedges

Derivative instruments are reported in the balance sheet on the contract date at fair value, both initially and upon subsequent revaluations.

The method for reporting the gain or loss arising upon revaluation depends on whether the derivative is identified as a hedging instrument and, if that is the case, the character of the item being hedged. The Group identifies certain derivatives as: (1) a hedge of fair value of an identified asset or liability or a firm commitment (fair value hedge); (2) a hedge of a highly probable forecast transaction (cash flow hedge); or (3) a hedge of a net investment in a foreign operation.

When the transaction is entered into, the relationship between the hedging instrument and the hedged item is documented, as is the aim of the risk management and the strategy for taking various hedging measures. The Group documents at the beginning of the hedge and continuously thereafter whether the derivative instruments used in the hedging transactions are effective in evening out changes in the fair value or cash flow of hedged items.

Information about the fair value for various derivative instruments used for hedging is provided in the summary of derivative instruments below.

1. Fair value hedge

Changes in the fair value of derivatives which are identified as hedging of fair value and which fulfil the terms of hedge accounting, are reported in the income statement together with changes in fair value of the asset or liability which has given rise to the hedged risk.

2. Cash flow hedge

The effective portion of changes in fair value of derivative instruments which have been identified as cash flow hedging and which fulfil the terms of hedge accounting are recognised in equity. The gain or loss attributable to the ineffective portion is reported immediately in the income statement. Accumulated amounts in equity are entered in the income statement in the periods during which the hedged item affects the result (for example when the forecast hedged sale takes place).

When a hedging instrument expires or is sold or when the hedge no longer fulfils the terms of hedge accounting and there are accumulated gains or losses regarding the hedge in equity, these gains/losses remain in equity and are taken up as income at the same time as the forecast transaction is finally reported in the income statement. When a forecast transaction is no longer expected to take place, the accumulated gain or loss recognised in equity is immediately transferred to the income statement.

3. Net investment hedge

Hedging of net investments in foreign operations is reported in a similar way to cash flow hedging. Gains or losses regarding hedging instruments relating to the effective portion of hedging are recognised in equity. Gains or losses attributable to the ineffective portion are recognised immediately in the income statement. Accumulated gains and losses in equity are recognised in the income statement when the foreign operation is sold.

4. Derivatives which do not fulfil the terms of hedge accounting

Some derivative instruments do not fulfil the terms of hedge accounting. Changes in fair value for such derivative instruments which do not fulfil the terms of hedge accounting are recognised immediately in the income statement.

Estimation of fair value

The fair value of interest swap agreements are established as the present value of assessed future cash flows. The fair value of currency forward contracts is established through the use of market prices for currency forwards on the closing day. The nominal value less any assessed credits, for accounts receivable and liabilities to suppliers, are assumed to correspond

to their fair value. The fair value of financial liabilities is calculated for disclosure in Note 23 by discounting the future contracted cash flow at the current market rate of interest available to the Group for similar financial instruments.

Derivative instruments

Group (MSEK)	31 Dec 2005 Fair value			31 Dec 2004 Fair value		
	Pos.	Neg.	Total	Pos.	Neg.	Total
Interest swaps						
cash flow hedging	2.4	-0.1	2.3	0.2	-1.7	-1.5
Interest swaps						
fair value hedge	0.0	-1.3	-1.3	0.0	0.0	0.0
Currency forwards						
- cash flow hedges	1.2	-4.0	-2.8	9.2	-0.1	9.1
Currency forwards						
- hedge of net investment overseas	3.1	-27.0	-23.9	49.2	-0.8	48.4
Currency forwards						
- no hedge accounting	4.0	-9.3	-5.3	22.8	-8.4	14.4
Total	10.7	-41.7	-31.0	81.4	-11.0	70.4
Interest swaps				2005		2004
<i>Nominal amounts</i>						
Term of less than 1 year				283		470
Term 1-2 years				94		270
Term 2-5 years				300		0
Interest swap total				677		740
Currency forwards*				3,323		4,014
Total				4,000		4,754

* Gross amount calculated at future forward rate.

The tables include external derivatives only. Fair value includes accrued hedging premiums/discounts which are regarded as interest and recognised in the income statement.

Currency forwards – transaction exposure

All outstanding currency forward contracts regarding cash flow hedges mature during 2006 and are recognised in the income statement in connection with maturity.

Interest swaps

The nominal value of outstanding interest swap agreements regarding cash flow hedging amounted to MSEK 477 on 31 December and interest swap agreements relating to fair value hedging amounted to MSEK 200.

Note 4 Important accounting estimates

Accounting estimates are continuously evaluated and are based on historical experience and other factors including expectations of future events considered reasonable under the prevailing conditions. The Group makes estimates and assumptions about the future for guarantee commitments, disputes, deferred tax receivables and provisions for pensions and restructuring costs. By definition, the accounting estimates arising from these estimates and assumptions often correspond to the actual result. However, there are no individual accounting estimates that entail a currently recognised significant risk of considerable adjustments in carrying amounts for assets and liabilities over the coming financial year.

The Group conducts an impairment test each year to assess whether there is a write-down requirement regarding goodwill. The recoverable amounts for cash generating units have been established by calculating value in use. Certain assumptions must be made for these calculations (Note 12).

If the estimated discount rate after tax, known as the weighted average cost of capital, WACC, had been 1 per cent higher than the estimated interest rate of 7 per cent, this would not have resulted in any write-down of the carrying amount of goodwill.

Note 5 Reporting by segment

Primary segments – lines of business						
	Gunnebo Physical Security	Gunnebo Integrated Security	Gunnebo Perimeter Security	Gunnebo Asia Pacific	Non-allocated items and eliminations	Total for remaining operations
2005						
Income						
External sales	2,607	1,967	1,534	369	–	6,477
Internal sales	75	30	3	–	-108	–
Total income	2,682	1,997	1,537	369	-108	6,477
Operating profit						
Profit by line of business	170	125	80	-4	-63	308
Items affecting comparability	-46	-33	-15	-23	-88	-205
Total operating profit	124	92	65	-27	-151	103
Operating capital/capital employed						
Assets by line of business	1,919	1,051	1,012	223	628	4,833
Liabilities by line of business	-276	-304	-132	-31	-932	-1,675
Total operating capital/ capital employed	1,643	747	880	192	-304	3,158
Other information						
Capital expenditure	37	34	64	5	1	141
Depreciation/Amortisation	54	30	40	4	6	134
Operative cash flow	136	139	80	-10	-20	325

Gunnebo's reporting by primary segment follows the internal organisation, which consists of four divisions. The non-allocated costs are central costs. The Group's capital employed consists of all assets excluding liquid funds and all interest-free liabilities including non interest-bearing provisions. Within Gunnebo'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 and intangible fixed assets, as well as inventories and accounts receivable. The corresponding liabilities consist of liabilities to suppliers.

	Gunnebo Physical Security	Gunnebo Integrated Security	Gunnebo Perimeter Security	Gunnebo Asia Pacific	Non-allocated items and eliminations	Total for remaining operations
2004						
Income						
External sales	2,478	1,993	1,268	346	1	6,086
Internal sales	65	21	7	–	-93	–
Total income	2,543	2,014	1,275	346	-92	6,086
Operating profit						
Profit by line of business	171	176	54	20	-53	368
Items affecting comparability	-117	-20	-65	-2	–	-204
Total operating profit	54	156	-11	18	-6	164
Operating capital/Capital employed						
Assets by line of business	1,826	1,068	840	201	733	4,668
Liabilities by line of business	-297	-291	-113	-39	-1 025	-1,765
Total operating capital/ capital employed	1,529	777	727	162	-292	2,903
Other information						
Capital expenditure	70	34	35	7	1	146
Depreciation/Amortisation	47	28	30	4	6	114
Operative cash flow	187	151	28	3	-87	282

Secondary segments – geographical regions						
	Sales		Assets		Capital expenditure	
	2005	2004	2005	2004	2005	2004
Europe	5,585	5,283	4,286	4,183	134	135
North America	208	206	207	170	–	2
Asia	452	403	276	261	7	8
Africa	132	117	37	31	–	1
Australia	71	68	27	21	–	–
South America	29	9	–	2	–	–
Total for remaining operations	6,477	6,086	4,833	4,668	141	146

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 6 Other operating income

	Group	
	2005	2004
Capital gains	3.2	20.2
Currency differences	2.7	–
Other operating income	9.2	9.5
Total	15.1	29.7

Note 7 Other operating costs

	Group	
	2005	2004
Items affecting comparability	-205.1	-204.5
Currency differences	–	-7.2
Total	-205.1	-211.7

Items affecting comparability in 2005 include the closure of the factory in Mumbai, India, final regulation of a major project in the UK relating to previous years, a reserve for empty factory premises, the closure of the factory in Canada and additional closure costs for the Elkosta plant in Germany. The total cost during the year for the above amounted to MSEK 112. Moreover, during the second half of the year a new organisation and structure were decided with a focus on increased organic growth while reducing the cost level. The total cost for this programme is estimated at approximately MSEK 185, of which MSEK 37 has been entered in 2005. The costs for the programme mainly comprise redundancy-related costs for surplus personnel in company mergers, costs for changing premises and co-ordination of IT and logistics systems. In addition, the remaining costs affecting comparability have been charged to profit in the amount of MSEK 56, of which MSEK 44 comprises inventory reserves made as a result of ongoing product range reviews and the decided integration plans.

Items affecting comparability in 2004 mainly referred to production adjustments to reduce costs, the closure of two factories and the transfer of production to the Group's other facilities.

Note 8 Depreciation/Amortisation according to plan

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

	Group		Parent Company	
	2005	2004	2005	2004
Cost of goods sold	90.3	74.6	–	–
Selling costs	9.6	8.4	–	–
Administrative costs	34.4	32.0	1.0	1.1
Total	134.3	115.0	1.0	1.1

Note 9 Taxes

	Group	
	2005	2004
Current tax	-150.2	-72.6
Deferred tax	22.3	36.6
Tax in respect of share of profit of associated companies	-2.0	-1.1
Total	-129.9	-37.1

Of the year's tax cost, MSEK 99.8 of tax refers to previous years, of which MSEK 89.3 refers to costs for a tax case lost in the Fiscal Court of Appeal. An application for review dispensation in the Supreme Administrative Court has been submitted.

Tax calculated on Group profit before tax differs from the theoretical amount which would have been produced from a weighted average tax rate for profits in the consolidated companies as described below.

	2005
Tax calculated in accordance with national tax rates for each country	11.4
Tax attributable to previous years	99.8
Effects of tax deficits for which no deferred tax receivable has been stated and utilisation of loss carry-forwards not previously reported	15.2
Effects of non-deductible expenses and non-taxable income etc	3.5
Tax cost	129.9

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

	Group	
	2005	2004
Deferred tax receivables		
Loss carry-forward	25.3	12.4
Non-realised effect on result of equity hedges	86.7	41.1
Pension commitments	59.4	55.0
Other deductible temporary differences	43.4	25.0
Net off against deferred tax liabilities	-40.5	-3.7
	174.3	129.8

	2005	2004
Deferred tax liabilities		
Fixed assets	37.4	45.5
Other taxable temporary differences	12.4	9.2
Net off against deferred tax receivables	-40.5	-3.7
	9.3	51.0

Deferred tax receivables and tax liabilities net	165.0	78.8
---	--------------	-------------

The change pertaining to deferred taxes is as follows:

	2005	2004
Opening balance	78.1	41.0
Currency differences	5.7	-1.7
Discontinued operations	12.1	4.1
Acquisition of subsidiaries	1.3	-3.5
Recognised in income statement	22.3	36.6
Tax recognised under Equity	45.5	2.3
Closing balance	165.0	78.8

Deferred tax receivables attributable to loss carry-forwards are only reported if it is probable that the loss carry-forward can be netted against a surplus in future taxation. At the end of 2005, loss carry-forwards totalled MSEK 300 where no deferred tax receivable had been observed. Approximately MSEK 30 of this is due within five years. There are both timing and other constraints that mean that these loss carry-forward are not expected to be utilised.

Note 10 Exchange rate gains/losses

Currency differences have been reported in the income statement as follows:

	Group	
	2005	2004
Other operating income	2.7	–
Other operating costs	–	-7.2
Other financial income	1.5	5.1
Other financial costs	-1.1	-6.8
	3.1	-8.9

Note 11 Earnings per share

	2005	2004
Earnings per share before dilution		
Net profit for the year. MSEK	-86.2	140.9
Average no. of shares in issue	43,823,465	43,779,948
Earnings per share. SEK	-1.95	3.20

	2005	2004
Earnings per share after dilution		
Net profit for the year. MSEK	-86.2	140.9
Average no. of shares in issue	43,823,465	43,779,948
Adjustment for share options	444,984	369,553
Average number for calculating earnings per share	44,268,449	44,149,501
Earnings per share after dilution. SEK	-1.95	3.20

The average listed price during the year was SEK 77. The average subscription price for the option programme is SEK 64. The total number of shares which can be subscribed in the event of full exercise amounts to 1.927.333. The present value of the subscription liquidity has been estimated at MSEK 114.7.

Note 12 Intangible fixed assets

Group	Goodwill	Other intangible assets
Cost		
Opening cost 1 Jan 2004	958.8	170.9
Capital expenditure	–	42.8
Acquisitions	140.4	0.6
Sales/divestments	–	-2.7
Reclassifications	–	3.5
Translation differences	-10.0	-1.7
Closing accumulated cost 31 Dec 2004	1,089.2	213.4

Amortisation according to plan

Opening amortisation	–	81.3
Acquisitions	–	0.2
Sales/divestments	–	-2.7
Amortisation during the year	–	14.9
Translation differences	–	-0.9

Closing accumulated amortisation according to plan 31 Dec 2004	-	92.8
---	----------	-------------

Closing residual value according to plan 31 Dec 2004	1,089.2	120.6
---	----------------	--------------

Group	Goodwill	Other intangible fixed assets
Cost		
Opening cost 1 Jan 2005	1,089.2	213.4
Capital expenditure	–	28.5
Acquisitions	37.8	1.4
Sales/divestments	–	-9.6
Discontinued operations	-87.7	-5.1
Translation differences	58.7	7.3
Closing accumulated cost 31 Dec 2005	1,098.0	235.9

Amortisation according to plan

Opening amortisation 1 Jan 2005	–	92.8
Acquisitions	–	1.3
Sales/divestments	–	-9.2
Discontinued operations	–	-2.1
Amortisation during the year	–	22.4
Translation differences	–	4.5

Closing accumulated amortisation according to plan 31 Dec 2005	283.3	109.7
---	--------------	--------------

Closing residual value according to plan 31 Dec 2005	1,098.0	126.2
---	----------------	--------------

Impairment test for goodwill

Goodwill is distributed between the Group's cash generating units identified by division A summary of the distribution of goodwill by division is given below:

	2005	2004
Gunnebo Physical Security	670.2	629.4
Gunnebo Integrated Security	188.6	179.0
Gunnebo Perimeter Security	215.1	170.6
Gunnebo Asia Pacific	24.1	22.8
Total for remaining operations	1,098.0	1,001.8
Gunnebo Engineering	–	87.4
Group total	1,098.0	1,089.2

The write-down requirement for goodwill is tested annually and if there are indications that a write-down is necessary. The recoverable amount per division has been established by calculating value in use. These calculations are based on estimated future cash flows based on financial budgets for the next two years. Cash flows beyond this period are extrapolated using an estimated cautious growth rate. A discount rate after tax, known as the weighted average cost of capital, WACC, of 7 per cent has been used to discount future cash flows.

2005 GUNNEBO ANNUAL REPORT

Capitalised development projects

Other intangible fixed assets include capitalised product development projects of MSEK 99.8 (96.0). Investment during the year amounted to MSEK 12.3 (39.0).

Other intangible fixed assets

Parent company	2005	2004
Cost		
Opening cost	–	–
Capital expenditure	0.7	–
Closing accumulated cost	0.7	–

Amortisation according to plan

Opening amortisation according to plan	–	–
Amortisation during the year	–	–

Closing accumulated amortisation according to plan	–	–
---	----------	----------

Residual value according to plan	0.7	–
---	------------	----------

Note 13 Tangible fixed assets

Group	Buildings and land	Machinery	Equipment	Fixed assets under construction
Opening cost 1 Jan 2004	787.7	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 cost 31 Dec 2004	897.9	1,274.0	565.9	32.4

Depreciation according to plan

Opening depreciation 1 Jan 2004	299.5	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 31 Dec 2004	407.9	922.5	418.3	–
---	--------------	--------------	--------------	----------

Closing residual value according to plan 31 Dec 2004	490.0	351.5	147.6	32.4
---	--------------	--------------	--------------	-------------

Group	Buildings and land	Machinery	Equipment	Fixed assets under construction
Opening cost 1 Jan 2005	897.9	1 274.0	565.9	32.4
Capital expenditure	13.3	49.5	40.6	22.3
Acquisitions	21.0	28.0	6.3	5.9
Sales/retirements	-2.6	-45.6	-33.2	–
Discontinued operations	-174.5	-590.3	-115.0	-13.0
Reclassifications	1.2	-3.2	1.3	–
Translation differences	40.0	41.4	24.8	0.8
Closing accumulated cost 31 Dec 2005	796.3	753.8	490.7	48.4

Group	Buildings and land	Machinery	Equipment	Fixed assets under construction
Opening depreciation 1 Jan 2005	407.9	922.5	418.3	–
Acquisitions	9.3	12.5	4.0	–
Sales/retirements	-2.1	-43.4	-28.7	–
Discontinued operations	-57.0	-407.3	-81.3	–
Depreciations during the year	25.7	55.8	43.1	–
Reclassifications	0.5	-2.3	1.1	–
Translation differences	16.0	31.8	19.3	–
Closing accumulated depreciation according to plan 31 Dec 2005	400.3	569.6	375.8	–
Closing residual value according to plan 31 Dec 2005	396.0	184.2	114.9	48.4

The Group's buildings and land have not been revalued; instead they have been recognised at cost less depreciation.

Specification, buildings and land	2005	2004
Group		
Residual value according to plan, buildings	326.5	377.1
Residual value according to plan, land	69.5	98.5
Total residual value according to plan	396.0	475.6

Swedish property	2005	2004
Residual value according to plan, buildings	51.4	111.0
Residual value according to plan, land	13.5	28.9
Assessed value, buildings	32.6	56.7
Assessed value, land	2.8	14.2

Equipment	2005	2004
Parent company		
Cost		
Opening cost	7.9	7.2
Capital expenditure	0.7	0.7
Closing accumulated cost	8.6	7.9

Depreciation according to plan	2005	2004
Opening depreciation according to plan	4.7	3.6
Depreciation during the year	1.0	1.1
Closing accumulated depreciation according to plan	5.7	4.7

Residual value according to plan	2.9	3.2
---	------------	------------

Note 14 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	91.4
Steelage Industries Ltd	19,970,120	99	95	85.2
Gunnebo Physical				
Security AB	100	100	100	0.1
Hidef Industri AB	500	100	100	0.1
Total				2,453.1

	2005	2004
Opening balance	2,736.2	2,726.4
Shareholder contributions paid	159.0	10.1
Write-downs	-95.1	-0.3
Distributed operations	-347.0	-
Closing balance	2,453.1	2,736.2

The accumulated cost of shares in subsidiaries amounts to MSEK 2,708.6.

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, Sweden.

Note 15 Holdings in associated companies

	2005	2004
Opening balance	17.7	16.8
Acquisition of associated companies	1.5	3.4
Shares of profit	5.0	1.2
Dividends	-3.6	-0.9
Write-downs	–	-1.8
Currency differences	4.0	-1.0
Closing balance	24.6	17.7

Group participations in associated companies, all of which are non-listed:

	Participating interest, %	2005	2004
FBH Fichet Ltd. UK	49	3.7	5.6
Ritzenthaler Ltd. UK	45	2.3	2.2
Chubb Malaysia Sdn Bhd. Malaysia	30	8.7	6.5
Gateway Security Portugal Ltda. Portugal	55	1.5	–
Gateway do Brasil Ltda. Brazil	50	7.7	3.4
Morena AB. Sweden	48	0.7	–
		24.6	17.7

The share in the associated companies' income amounts to MSEK 106.9, the share of profit to MSEK 106.9, the share of assets to MSEK 56.8 and the share of liabilities to MSEK 32.2.

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

Note 16 Inventories

	Group	
	2005	2004
Raw materials	300.5	362.2
Work in progress	135.4	272.8
Finished goods	448.8	616.4
Work in progress on third-party account	42.8	37.0
Less advance payments from customers	-89.2	-93.6
Total	838.3	1,194.8

Note 17 Accounts receivable

	Group	
	2005	2004
Accounts receivable	1,518.3	1,641.0
Reserve for doubtful receivables	-76.4	-70.8
Net accounts receivable	1,441.9	1,570.2

There is no concentration of credit risk regarding accounts receivable because the Group has a large number of customers distributed internationally. The Group entered a cost of MSEK 7.4 (9.2) for write-down of accounts receivable in 2005. The cost has been reported under selling costs.

Note 18 Prepaid costs and accrued income

	Group	Parent company	
	2005	2004	2005 2004
Accrued interest	2.0	0.6	1.9 0.5
Prepaid rent	10.5	10.9	0.4 0.4
Other items	46.9	66.6	6.2 2.1
Total	59.4	78.1	8.5 3.0

Note 19 Liquid funds

	Group		Parent company	
	2005	2004	2005	2004
Deposits	1.1	12.0	–	–
Cash and bank	168.2	191.3	6.2	9.9
Total	169.3	203.3	6.2	9.9

Note 20 Equity

Group	Share capital	Other contributed capital	Reserves	Retained earnings	Minority interests	Total equity
Equity 1 Jan 2004	218.9	534.0	–	991.7	6.5	1,751.1
Currency differences	–	–	-34.9	–	–	-34.9
Net profit for the year	–	–	–	139.9	1.0	140.9
Dividend	–	–	–	-98.5	–	-98.5
Equity 31 Dec 2004	218.9	534.0	-34.9	1,033.1	7.5	1,758.6

Change of accounting principles	–	–	7.8	–	–	7.8
---------------------------------	---	---	-----	---	---	-----

Adjusted opening equity	218.9	534.0	-27.1	1,033.1	7.5	1,766.4
--------------------------------	--------------	--------------	--------------	----------------	------------	----------------

Reclassifications	–	–	–	2.2	-2.2	–
Currency differences	–	–	25.8	–	–	25.8
Change in hedge reserve	–	–	-7.0	–	–	-7.0
Net profit for the year	–	–	–	-86.0	-0.2	-86.2
Distributed operations	–	–	–	-392.6	-5.1	-397.7
Cash dividend to shareholders	–	–	–	-98.5	–	-98.5
New share issue	0.4	5.3	–	–	–	5.7
Equity 31 Dec 2005	219.3	539.3	-8.3	458.2	–	1,208.5

1) Specification of reserves:

	Hedging reserve	Translation reserve	Total reserves
Opening balance			
1 Jan 2004	–	–	–
Currency differences			
- Group		-31.5	-31.5
- Associated companies	–	-1.0	-1.0
Net investment hedge	–	-2.4	-2.4
Closing balance 31 Dec 2004	–	-34.9	-34.9
Currency differences			
- Group	–	138.9	138.9
- Associated companies	–	4.0	4.0
Net investment hedge	–	-117.1	-117.1
Change of accounting principles	7.8	–	7.8
Cash flow hedges:			
- Fair value losses during the year	-6.7	–	-6.7
- Tax on fair value losses	1.9	–	1.9
- Transfers to income statement	-3.0	–	-3.0
- Tax on transfers to income statement	0.8	–	0.8
Closing balance 31 Dec 2005	0.8	-9.1	-8.3

Parent company	Share capital*	Share premium reserve	Statutory reserve	Non-restricted equity	Total equity
Equity 1 Jan 2004	218.9	214.0	320.0	462.1	1,215.0
Net profit for the year	–	–	–	85.5	85.5
Dividend	–	–	–	-98.5	-98.5
Equity 31 Dec 2004	218.9	214.0	320.0	449.1	1,202.0

Net profit for the year	–	–	–	98.4	98.4
Cash dividend	–	–	–	-98.5	-98.5
New share issue	0.4	5.3	–	–	5.7
Distributed operations	–	–	–	-347.0	-347.0
Transfers	–	-219.3	219.3	–	–
Equity 31 Dec 2005	219.3	–	539.3	102.0	860.6

No. of shares

At beginning of year	43,779,948
Shares issued in employee stock option programme	74,600

Closing balance	43,854,548
------------------------	-------------------

After the closing date, a further 232,015 shares have been issued as part of the employee stock option programme. The shares are entitled to a dividend for 2005. The subsequent total number of shares entitled to a dividend is therefore 44,086,563.

A dividend of SEK 1.60 (2.25) per share is proposed. Further information about the employee stock option programme is provided in Note 30.

Note 21 Pension commitments

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 the UK and Sweden (FPG/PRI provision). In the UK, 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 present 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 assumptions, %

	31 Dec 2005	31 Dec 2004
Discount rate		
UK	5.1	5.4
Sweden	4.0	5.0
Other countries (weighted average)	5.3	5.7
Expected return on plan assets		
UK	6.5	7.2
Sweden	–	–
Other countries (weighted average)	6.0	6.1
Expected wage increase rate		
UK	4.0	4.4
Sweden	3.0	3.0
Other countries (weighted average)	3.7	3.6
Inflation		
UK	3.0	2.9
Sweden	2.0	2.0
Other countries (weighted average)	2.6	2.7

Reconciliation of pension commitments

	UK	Sweden	Other countries	31 Dec 2005	31 Dec 2004
Present value of obligations	384.0	66.7	228.6	679.3	636.4
Fair value of plan assets	-231.0	–	-94.0	-325.0	-242.2
Total	153.0	66.7	134.6	354.3	394.2
Unrecognised actuarial gains (+) and losses (-)	8.3	-11.3	-8.3	-11.3	-2.1
Net provision in the balance sheet	161.3	55.4	126.3	343.0	392.1

Of the present value of obligations MSEK 497.9 (398.5) relates to funded pensions and other plans, and MSEK 181.4 (237.9) to non-funded pensions and other plans.

Specification of changes in net provision

	2005	2004
Opening balance	392.1	362.6
Discontinued operations	-72.6	1.2
Net cost entered in the income statement	31.7	32.2
Payment of benefits	-12.6	-7.3
Contributions into funded plans	-18.8	-13.1
Companies acquired and divested	0.8	23.1
Reclassifications	1.5	–
Currency differences on foreign plans	20.9	-6.6
Closing balance	343.0	392.1

Specification of total costs for pension commitments recognised in the income statement

	2005	2004
Costs pertaining to defined benefit plans		
Costs pertaining to employment during the current year	21.4	20.4
Interest on obligations	31.4	27.7
Expected return on plan assets	-17.8	-15.9
Actuarial net profit recognised during the year	-0.1	–
Profits on curtailments	-3.2	–
Costs pertaining to defined benefit plans	31.7	32.2

Costs pertaining to defined contribution plans 56.3 47.8

Total costs reported in the income statement

	2005	2004
of which:		
Amount charged against operating profit	74.4	68.2
Amount charged against financial costs	13.6	11.8

Total costs reported in the income statement

	2005	2004
	88.0	80.0

Actual return on plan assets

	2005	2004
	45.6	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 3.5 (3.5) 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.

Alecta's collective funding ratio at the end of the year was 128.5 per cent (128.0). Collective funding is the difference between the company's assets and insurance commitments, calculated in accordance with Alecta's calculation assumptions for insurance purposes, which do not comply with IAS 19.

	31 Dec 2005	31 Dec 2004
Specification of plan assets		
Government bonds	99.9	76.9
Commercial papers	64.9	50.8
Shares	140.7	103.8
Liquid funds	19.5	10.7
Total invested assets	325.0	242.2

Note 22 Other provisions

Group	Restructuring reserve	Disputes	Guarantees	Taxes	Other provisions	Total
1 Jan 2004	51.3	44.5	24.4	12.8	26.6	159.6
Changed provisions through acquisitions	96.6	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-entered during the year	–	-4.4	-0.5	-0.5	-1.3	-6.7
Currency differences	-1.3	-0.4	-0.1	–	-0.8	-2.6
31 Dec 2004	160.6	41.6	29.2	12.6	41.8	285.8

Group	Restructuring reserve	Disputes	Guarantees	Taxes	Other provisions	Total
1 Jan 2005	160.6	41.6	29.2	12.6	41.8	285.8
Changed provisions through acquisitions/divested operations	-1.5	–	2.5	–	2.5	3.5
Provisions during the year	123.5	10.2	24.7	0.3	4.9	163.6
Provisions utilised during the year	-213.2	-19.6	-18.3	-6.8	-20.6	-278.5
Provisions re-entered during the year	–	-3.7	-2.0	-0.2	-3.4	-9.3
Reclassifications	–	0.1	3.3	–	-4.5	-1.1
Currency differences	7.4	1.9	1.6	0.1	1.6	12.6
31 Dec 2005	76.8	30.5	41.0	6.0	22.3	176.6

The majority of the closing structuring reserve is expected to be utilised in 2006. The majority of the remaining reserves are expected to be utilised in 2006, and the rest over the coming five years.

Note 23 Borrowing

Long-term	2005	2004
Liabilities to credit institutions	1,186.1	1,374.0
Subordinated loans	300.0	–
Total	1,486.1	1,374.0

Short-term

Overdraft facilities	19.0	92.0
Liabilities to credit institutions	101.8	73.5
Total	120.8	165.5
Total borrowing	1,606.9	1,539.5

The long-term credit facilities mainly comprise a MEUR 200 syndicated loan agreement maturing in 2010, and two bilateral loan agreements of MSEK 300 and 200 maturing in 2008 and 2010 respectively, as well as a legally subordinated loan of MSEK 300 maturing in 2011.

The loans fall due for payment as follows:

	Group	Parent company
2006	120.8	1,577.8
2007	7.0	–
2008	306.7	–
2009	15.4	–
2010	839.3	–
2011 and later	317.7	300.0
Total	1,606.9	1,877.8

Carrying amount and fair value for long-term borrowing:

Group	Carrying amount		Fair value	
	2005	2004	2005	2004
Liabilities to credit institutions	1,306.9	1,539.5	1,308.0	1,541.1
Subordinated loans	300.0	–	298.1	–
Total	1,606.9	1,539.5	1,606.1	1,541.1

The Group's long-term borrowing primarily relates to long-term credit facilities but with short fixed interest rate periods, and they have consequently been deemed to have fair values on a par with the carrying amounts.

Note 24 Accrued costs and deferred income

	Group		Parent company	
	2005	2004	2005	2004
Holiday pay liability	136.7	147.4	2.7	3.1
Social security charges	75.4	68.1	6.9	5.4
Accrued wages and salaries	90.2	86.7	2.7	0.3
Deferred income	77.0	91.1	–	–
Accrued interest	4.1	2.6	2.9	–
Other items	119.3	112.5	2.1	3.6
Total	502.7	508.4	17.3	12.4

Note 25 Pledged assets

	Group	
	2005	2004
In respect of liabilities to credit institutions		
Floating charges	0.7	12.9
Property mortgages	0.8	9.4
	1.5	22.3
Other pledged assets		
Floating charges	0.3	2.0
Total pledged assets	1.8	24.3

Note 26 Contingent liabilities

	Group		Parent company	
	2005	2004	2005	2004
Guarantees	–	–	1,394.8	1,620.3
Performance guarantees etc.	132.2	116.4	–	–
Taxes	–	80.9	–	–
Total	132.2	197.3	1,394.8	1,620.3

The performance guarantees are mainly guarantees to customers for the fulfilment of undertakings.

Note 27 Leasing

Leased assets

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

	Group	Parent company
2006	85.5	2.2
2007	67.2	2.1
2008	37.9	–
2009	20.3	–
2010	16.7	–
2011 and later	14.8	–
	242.4	4.3

The year's cost in the Group of leased assets amounted to MSEK 101.7 (98.4). The parent company's costs amounted to MSEK 2.1 (2.2).

Note 28 Net financial items affecting cash flow

	Group		Parent company	
	2005	2004	2005	2004
Interest received	5.1	2.5	31.7	32.6
Interest paid	-48.6	-32.4	-61.1	-114.8
Dividends	–	–	114.1	60.0
Other items affecting cash flow	-11.8	-4.6	3.9	77.1
Total	-55.3	-34.5	88.6	54.9

Note 29 Acquisitions

On 4 January 2005, the Group acquired 100 per cent of the share capital in French company Eurofence which produces and sells fencing, posts and gates. Eurofence's turnover for the 2005 financial year amounted to MSEK 218 and net profit totalled MSEK 13.

Specification of acquired net assets and goodwill

Purchase price paid including acquisition costs	102.4
Market value of acquired net assets	-65.1
Goodwill	37.3

The goodwill is attributable to the high profitability in the acquired company as well as synergies which are expected to arise due to the acquisition. A review of intangible assets has been conducted but no assets that can be capitalised have been identified.

Specification of assets and liabilities in the acquired company

	Market value	Book value Eurofence
Intangible fixed assets	0.1	0.1
Tangible fixed assets	39.3	40.6
Financial fixed assets	0.5	0.5
Inventories and operating receivables	111.9	110.5
Liquid funds	3.6	3.6
Total assets	155.4	155.3
Interest-bearing provisions and liabilities	-28.0	-28.5
Other provisions and liabilities	-62.3	-62.8
Total acquired net assets	65.1	64.0
Purchase price settled in cash		-102.4
Liquid funds in acquired subsidiary		3.6
Change in Group liquid funds		98.8
Other acquisition effects on Group liquid funds		-3.8
Effect on Group liquid funds		-102.6

Note 30 Employees

Average number of employees	Group	
	2005	2004
Sweden	480	469
Australia	46	44
Austria	11	10
Belgium	148	140
Brazil	-	2
Canada	172	199
China/Hong Kong	2	1
Czech Republic	15	14
Denmark	160	157
Finland	35	30
France	1,603	1,540
Germany	609	613
Hungary	4	3
India	810	1,045
Indonesia	1,130	1,077
Italy	182	172
Lebanon	1	1
Luxembourg	7	7
Norway	69	71
Poland	21	21
Portugal	80	82
Switzerland	56	53
Singapore	12	7
South Africa	70	76
Spain	500	480
The Netherlands	262	275
UK	439	447
UAE	3	2
USA	18	21
Total outside Sweden	6,465	6,590
Total average no. of employees in remaining operations	6,945	7,059

Of the average number of employees in the remaining operations, 1,038 (1,023) were female. In 2005, the average number of parent company employees was 17 (17), of whom 8 were female (7). Women occupy 3 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 2.2 per cent (5.5) and of short-term sick leave was 0.9 per cent (0.2).

Wages, salaries, other remuneration and social security charges for remaining operations

	2005			2004		
	Wages and other remuneration	Social security charges	Of which pension costs	Wages and other remuneration	Social security charges	Of which pension costs
Parent company	22.7	16.5	7.3	19.0	14.6	6.6
Subsidiaries	1,732.8	532.3	67.1	1,620.6	474.1	61.6
Group total	1,755.5	548.8	74.4	1,639.6	488.7	68.2

Of the above amount, a total of MSEK 83.9 (83.7) was paid in salaries and other remuneration to Boards and Presidents within the Group, of which MSEK 7.7 (5.7) consisted of bonuses. Of the Group's pensions costs, MSEK 13.7 (10.2) relates to Presidents within the Group. Remuneration to the Board of the parent company amounted to SEK 1,225,000 (1,070,000), of which SEK 75,000 (0) comprises remuneration for committee work.

Salary and other remuneration paid to the former President amounted to SEK 2,844,000 (4,447,000), of which SEK 0 (0) was bonuses. The current President has received SEK 3,953,000, of which SEK 1,055,000 related to 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.

Pensions and severance pay

The retirement age of the President is 65. The President has a premium-determined pension insurance.

The pension cost amounts to 40 per cent of salary excluding bonuses.

A one-off payment of SEK 533,000 has also been made to the current President.

Of the parent company's pension costs, SEK 1,460,000 (2,116,000) relate to the former President and SEK 1,708,000 to the current President. 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. The retirement age is 65; however, in one case the retirement age is lower than 65. As of 1 January 2005 there is a pension plan for senior executives in Sweden which is based on a general pension plan and on all cash salary excluding bonuses.

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

SEK '000	Basic salary/Board fee	Bonus	Other benefits	Pension cost	Other remuneration	Total
Chairman	400	-	-	-	48	448
President (former)	2,728	-	100	1,460	116	4,404
President (current)*	2,812	1,055	36	1,708	86	5,697
Other senior executives						
(10 individuals)	16,007	3,788	1,412	5,111	1,278	27,596
Total	21,947	4,843	1,548	8,279	1,528	38,145

* 1 April – 31 December 2005

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 employee stock options utilised.

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.

The subscription price is 110 per cent of the average listed price of Gunnebo's shares during a certain period around the time of the allocation, namely SEK 64 per share. They are not transferable, and are conditional upon the individual concerned remaining in the company's employ.

The options have been allotted free of charge. 86,000 options were utilised during the year. At the end of 2005, the number of allocated unutilised options amounted to 532,000. There are a further 177,333 options intended to cover the company's social security charges.

Based on the closing price of the shares, the total value of non-utilised allotted options to date is MSEK 19. No amount has been charged against profit for the year. A sum of MSEK 6 is included in the balance sheet as an accrued cost and the corresponding amount is recognised 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 holder to subscribe to 2.45 new shares in the company at an average price of SEK 64 per share by no later than 30 April 2007.

Note 31 Auditor's remuneration

	Group		Parent company	
	2005	2004	2005	2004
Auditing	10.9	8.0	1.2	0.7
Other assignments	4.0	5.7	0.5	1.1

Note 32 Transactions with related parties

Of the parent company's invoiced sales 95 per cent (96) related to Group companies, while purchases from Group companies accounted for 12 per cent (18) of the total. A royalty of MSEK 0.9 (0.9) was received from Chubb Malaysia Bhd Sdn, an associated company. A consulting fee of SEK 48,000 (48,000) 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 901,000 (849,000). MediaSpjuth AB is a subsidiary of Vätterledens Invest AB. Information on remuneration to senior executives is provided in Note 30. Over and above these, there were no other transactions with related parties.

Note 33 IFRS reconciliation

As of 1 January 2005, Gunnebo applies the new International Financial Reporting Standards (IFRS), as adopted by the EU.

Up to and including 2004, Gunnebo applied the recommendations of the Swedish Financial Accounting Standards Council. Gunnebo has re-calculated historical information from 1 January 2004 in this Annual Report. The net effect of the change in accounting principles has been recognised directly in 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. Transfers to restructuring reserves may no longer be made in the acquisition balance sheet, instead the costs for structuring measures resulting from a corporate acquisition will be charged directly to 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 has been recognised 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 interest is entered as a separate component under equity in the balance sheet, rather than between liabilities and equity. In the income statement, minority interest is included in the reported profit for the period with separate information.

IAS 39 (Financial Instruments) has been applied as of 1 January 2005 and the new version of the standard applied from May 2005. Derivative instruments are always recognised at market value in the balance sheet in accordance with IAS 39.

Changes in the market value of derivative instruments are reported in the income statement unless hedge accounting has been applied. Gunnebo applies hedge accounting to manage currency risks in net investments, transaction flows, and to manage interest rate risk in its loan portfolio. The difference between the carrying amounts in accordance with IAS 39 and the previous principles have been entered directly against the hedging reserve in equity as of 1 January 2005.

The change in the hedging reserve during the year arises from changes in equity, Note 20. Gunnebo has decided, supported by IFRS 1, not to recalculate comparison figures for 2004.

Translation differences regarding investments in foreign operations are, in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) recognised as a separate item in equity, and on the sale of foreign operations accumulated translation differences are recognised 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 retained earnings. In connection with the transition to IFRS, the presentation of equity in the balance sheet has also changed. Under previous accounting principles, equity was divided into non-restricted and restricted equity in accordance with the rules of the Swedish Companies Act. In compliance with IAS 1, equity is now instead divided into the sub-components it comprises. IAS 1 states that companies must, as a minimum, present issued capital and other equity in the balance sheet. Gunnebo has chosen to specify equity, for which an opening balance and closing balance for 2004 have been established, in accordance with IFRS in further components in the form of share capital, other contributed capital, reserves and retained earnings. The share capital item includes the registered share capital for the parent company. Other contributed capital includes the sum of Gunnebo's transactions with shareholders.

The transactions which took place with shareholders are issues carrying a premium. Reserves consist of the income and expense recognised in equity in accordance with IFRS. In Gunnebo's case the item comprises translation differences attributable to translation of foreign subsidiaries in accordance with IAS 21. The item also includes a cash flow hedging reserve which has been recognised in accordance with applicable rules in IAS 39. A specification of the various sub-posts in the category of reserves and changes to these reserves is given in Note 20. The retained earnings item is equivalent to the accumulated profits and losses generated as a whole in the Group.

Gunnebo's employee stock option 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.

The Group has defined benefit pension plans in a number of subsidiaries.

The Group adopted RR 29 on 1 January 2004 with a one-off effect which reduced Group equity by MSEK 124. This effect is accounted for in the opening balance sheet in accordance with Swedish accounting rules presented below. This means that the transition to IFRS has not entailed any adjustment in this respect because RR 29 and IAS 19 agree.

The following tables show how comparison figures have been recalculated from the previously applied Swedish Financial Accounting Standards Council (RR) recommendations to the International Financial Reporting Standards (IFRS) now in effect.

Reconciliation of balance sheet on 1 January 2004

	With former accounting principles	IFRS adjustments	With IFRS
Intangible fixed assets	1,048.4		1,048.4
Tangible fixed assets	1,010.6	16.5	1,027.1
Financial fixed assets	134.3	-2.3	132.0
Inventories and operating receivables	2,728.6		2,728.6
Liquid funds	221.2		221.2
Total assets	5,143.1	14.2	5,157.3
Equity	1,746.5	4.6	1,751.1
Minority interest	5.9	-5.9	-
Interest-bearing provisions and liabilities	1,716.2	15.4	1,731.6
Other provisions and liabilities	1,674.5	0.1	1,674.6
Total equity and liabilities	5,143.1	14.2	5,157.3

Reconciliation of balance sheet on 31 December 2004

	With former accounting principles	IFRS 3 Goodwill- amorti- sation	IFRS 3 Restruc- turing- costs	Other	With IFRS
Intangible fixed assets	1,229.5	75.1	-94.8		1,209.8
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	-94.8	12.4	5,649.2
Equity	1,772.7	75.1	-94.8	5.6	1,758.6
Minority interest	7.5			-7.5	-
Interest-bearing provisions and liabilities	1,917.4			14.2	1,931.6
Other provisions and liabilities	1,958.9			0.1	1,959.0
Total equity and liabilities	5,656.5	75.1	-94.8	12.4	5,649.2

Reconciliation of balance sheet on 1 January 2005

	IFRS 2004-12-31	IAS 32 och IAS 39	IFRS 2005-01-01
Intangible fixed assets	1,209.8		1,209.8
Tangible fixed assets	1,021.5		1,021.5
Financial fixed assets	168.5	10.9	179.4
Inventories and operating receivables	3,046.1		3,046.1
Liquid funds	203.3		203.3
Total assets	5,649.2	10.9	5,660.1
Equity	1,758.6	7.8	1,766.4
Interest-bearing provisions and liabilities	1,931.6		1,931.6
Other provisions and liabilities	1,959.0	3.1	1,962.1
Total equity and liabilities	5,649.2	10.9	5,660.1

Reconciliation of income statement for 2004

	With former accounting principles	IFRS 3 Goodwill- amorti- sation	IFRS 3 Restruc- turing- costs	Other	With IFRS
Revenue	7,325.6				7,325.6
Cost of goods sold	-4,910.3				-4,909.6
Gross operating profit	2,415.3			0.7	2,416.0
Other operating costs	-2,131.6	75.1	-94.8		-2,151.3
Operating profit	283.7	75.1	-94.8	0.7	264.7
Financial items	-59.2			-1.0	-60.2
Profit before tax	224.5	75.1	-94.8	-0.3	204.5
Minority interest	-1.0			1.0	-
Taxes	-63.7			0.1	-63.6
Net profit for the year	159.8	75.1	-94.8	0.8	140.9

Proposed treatment of unappropriated earnings

The consolidated retained earnings in the consolidated balance sheet amount to MSEK 458.2.

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

Retained earnings from 2004	MSEK 3.6
Net profit for the year	MSEK 98.4
	MSEK 102.0

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

To be paid out to shareholders by way of dividend of SEK 1.60 per share	MSEK 70.5
Net profit for the year	MSEK 31.5
	MSEK 102.0

The income statements and balance sheets will be submitted to the Annual General Meeting to be held on 30 March 2006 for adoption.

Göteborg, 7 February 2006

Roger Holtback
Chairman

Nils-Olov Jönsson

Mikael Jönsson

Martin Svalstedt

Sten Langenius

Lena Olving

Bjarne Holmqvist

Bo-Anders Hansson

Claes-Göran Karlsson

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 2005 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 for compliance with the International Financial Reporting Standards adopted by the EU and the Annual Accounts Act during the preparation of the 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 high degree but not with absolute certainty, 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 has been prepared in accordance with the Annual Accounts Act and provides a true and fair picture of the result and financial position of the company in accordance with generally accepted accounting practice in Sweden. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the EU and the Annual Accounts Act, and provide a true and fair picture of the result and financial position of the Group. 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, 7 February 2006

PricewaterhouseCoopers AB

Bror Frid, Principal auditor
Authorised Public Accountant

Corporate governance report

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 and studies the recommendations issued by various players.

Corporate governance is mainly exercised in Gunnebo through the Annual General Meeting, the Board of Directors and the President in accordance with the Swedish Companies Act, the company's articles and the Swedish Code of Corporate Governance.

This report is not part of the formal Annual Report and has not been reviewed by the company's auditors.

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 latest AGM was held on 31 March 2005 at the Chalmers Student Union's union building in Göteborg.

Approximately 236 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, Lena Olving and Bjarne Holmqvist were re-elected onto the Board of Directors and were also present at the AGM.

The Annual General Meeting decided on a dividend of SEK 2.25 cash per share (2.25) and the distribution of all shares in Gunnebo Industrier free of charge, supported by the provisions of 'Lex ASEA'.

The dividend meant that for every five shares in Gunnebo AB, the shareholder received one share in Gunnebo Industrier.

Gunnebo Industrier was listed in connection with the dividend on Stockholmsbörsen's "O" list on 14 June 2005.

The AGM authorised the Board to make decisions regarding new share issues of up to 1,200,000 shares until the next AGM. This authorisation has not been utilised to date.

Nominations committee

The nominations 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 Annual General Meeting resolved to elect the Chairman – as the convener – and a representative for each of the three biggest shareholders at the end of the third quarter of 2005 onto the nominations committee.

The committee comprises Nils-Olov Jönsson, Vätterledens Invest, Dan Sten Olsson, Stena Adactum, Nils-Petter Hollekim, Odin Funds and Roger Holtback. The committee has had three meetings prior to the presentation of this annual report. The chairman of the nominations committee is Dan Sten Olsson.

Board of Directors

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. In addition, two members and two deputies are elected by Gunnebo's union organisations. The Chairman of the Board has been appointed by the Board.

Gunnebo fulfils the requirement that the majority of Board members elected at the AGM are independent in relation to the company and the corporate management. Two members, Roger Holtback and Bjarne Holmqvist, are not regarded as independent. Until 1 May 2005, Bjarne Holmqvist was President and CEO of Gunnebo. In addition, Bjarne Holmqvist and Roger Holtback have been members of the Board for over 12 years.

Of the five Board members elected by the AGM who are independent of the company and corporate management, Nils-Olov Jönsson and Mikael Jönsson represent Vätterledens Invest AB, and Martin Svalstedt is the President of Stena Adactum AB. These two companies are Gunnebo's largest shareholders. Two Board members, Sten Langenius and Lena Olving, are independent both of the company and its main owners.

None of Gunnebo's current senior executives are on the Board. Gunnebo President and CEO Göran Gezelius, CFO Lennart Gustavsson and General Counsel Lars Wallenberg, however, take part in the Board meetings, the latter also as secretary. Senior executives also take part when necessary.

Eleven Board meetings have been held during the year, dealing with the following main issues:

- | | |
|----------|--|
| February | - Accounts for January – December 2004, Year-end release |
| | - Listing and deconsolidation of Gunnebo Industrier AB |
| | - Investment issues |
| | - Acquisition issues |
| February | - Listing and deconsolidation of Gunnebo Industrier |
| March | - Listing and deconsolidation of Gunnebo Industrier |
| March | - Inaugural meeting |
| April | - Interim report January – March 2005 |
| | - Acquisition issues |
| | - Investment issues |
| | - Listing and deconsolidation of Gunnebo Industrier |
| May | - Name licensing agreement for Gunnebo Industrier |
| June | - Profit warning |
| July | - Interim report January – June 2005 |
| | - Strategy plan |
| | - Tax judgement Gunnebo Troax |
| | - Acquisition issues |
| | - Refinancing of syndicated loan |
| August | - Strategy plan |
| | - New organisation |
| October | - Interim report January – September 2005 |
| | - Subordinated loan |
| | - Structuring project |
| | - Integration plan 2006 |
| December | - Integration plan 2006 |

Attendance at the Board meetings during the year has been good and is indicated in the table below:

Board of Directors

Roger Holtback	11
Nils-Olov Jönsson	11
Mikael Jönsson	11
Sten Langenius	11
Martin Svalstedt	11
Lena Olving	9*
Bjarne Holmqvist	11
Claes-Göran Karlsson	11
Ulf Jonsson	5**
Göran Törnvall	5**
Bo Anders Hansson	11
Lars-Olof Larsson	5***
Christer Grimstahl	6***
Total number of meetings	11

*) Of which one meeting only part

**) Left in connection with deconsolidation of Gunnebo Industrier

***) Appointed in connection with deconsolidation of Gunnebo Industrier

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 year-end releases. It also has the responsibility of appointing and dismissing Presidents and deciding on important changes in Gunnebo's organisation and operation. Moreover, the Board decides on corporate acquisitions and other major investments and loans, for example.

Chairman

At the inaugural Board meeting in March 2005, the Board re-elected Roger Holtback as Chairman.

The Chairman of the Board shall ensure that the Board's work is carried out efficiently and that the Board fulfils its obligations, and shall monitor the development of the business and be 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 Board appoints a remuneration committee within itself which prepares issues regarding managers' employment and pension conditions, and issues regarding succession planning and other HR development issues drafted by the Group management.

The remuneration committee met on four occasions in 2005. The members of the committee have been Roger Holtback, Nils-Olov Jönsson and the President, with Roger Holtback as chairman. Gunnebo's HR director, Ulf Johnsson, has submitted reports.

In addition to the remuneration committee, the Board has also appointed an audit committee.

Board Chairman Roger Holtback together with Mikael Jönsson and Martin Svalstedt made up the audit committee and have served as a planning body in contacts between the auditors and the Board. Martin Svalstedt has been chairman of the audit committee. The committee met on two occasions during the year. The auditors have also participated in two Board meetings to report on the results of their review.

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 Board and Chairman continuously informed of the company and Group's financial position and development. Bjarne Holmqvist, President and CEO since 1993, took contract pension on 1 May 2005. Göran Gezelius took over as President and CEO on 2 May 2005.

Group management

During the year Gunnebo's Group management comprised 11 people. As of 1 January 2006, the Group management was reorganised into a Group Executive Team and a Group Management Team, which are presented on pages 76-78 of this Annual Report.

The Group management met on around 10 occasions in 2005.

External auditing

Gunnebo's auditors are selected by the AGM for a period of four years. The current period began in 2004 and applies until the 2008 Annual General Meeting.

PricewaterhouseCoopers AB was selected as the audit company at the 2004 AGM. Bror Frid is the Principal Auditor as of 2005.

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

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 31.

Göteborg, 7 February 2006

Gunnebo AB
The Board

Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance applies to all listed companies on Stockholmsbörsen's "A" list and for Swedish companies on Stockholmsbörsen's "O" list with a market value of over MSEK 3,000. The Code came into effect on 1 July 2005 and means that companies must comply with the Code or explain why the code is not followed.

	Summary of points in the Code	Followed	Comments
1. Shareholders' meeting			
1.1 Notice of shareholders' meeting, etc.			
1.1.1 Date of meeting	In connection with the third interim report at the latest.	Yes	
1.1.2 Matters considered at the shareholders' meeting	Information on the website about how a matter can be raised in plenty of time prior the meeting.	Yes	
1.1.3 Registration in different ways	By e-mail or on the company's website.	Yes	
1.2 Distance participation			
1.2.1 Participate or follow the meeting from another location	Distance connection if it is warranted by the ownership structure and economically feasible.	No	Not economically feasible.
1.3 Board, management and auditor attendance			
1.3.1 Board, management and auditor attendance	If possible the Board, management and at least one auditor are to be present at the shareholders' meeting.	Yes	
1.3.2 Reporting proposals from the committees	The chairman or other member of the committee is to be present and substantiate proposals.	Yes	
1.4 Conducting the shareholders' meeting			
1.4.1 Proposed chairman for the shareholders' meeting	The nominations committee is to submit proposals in the notice to attend and at the meeting.	Yes	
1.4.2 Verification of minutes	Appoint a shareholder or representative who is not part of the Board of Directors or an employee.	Yes	
1.4.3 Language at the shareholders' meeting	In Swedish, possible interpretation if justified.	Yes	
1.4.4 Questions at the shareholders' meeting	Opportunity to put questions and make proposals.	Yes	
1.4.5 Minutes	The minutes are to be published on the website, and also translated if justified by the ownership structure.	Yes	
2. Appointing the Board and auditors			
2.1 Nominations committee			
2.1.1 Nominations committee	The shareholders' meeting is to appoint the nominations committee or specify criteria for selection.	Yes	
2.1.2 Composition	At least three people, the majority of the nominations committee must not be Board members, the Board Chairman cannot chair the committee.	Yes	
2.1.3 Publication of the members of the nominations committee	Must take place at least six months before the meeting.	Yes	
2.2 Election of Board			
2.2.1 Chairman and members	The nominations committee submits proposals for Chairman, members and fees.	Yes	
2.2.2 Board proposal	The nominations committee assesses the Board based on the future direction, makes a requirement specification regarding new members and seeks candidates for Board posts.	Yes	
2.2.3 Presentation	Detailed presentation in the notice to attend and on the website. A report on how the nominations committee's work has been managed should be posted on the website.	Yes	
2.2.4 Motivation	At the shareholders' meeting, the nominations committee is to present and motivate proposals and report on how the work has been carried out.	Yes	
2.2.5 Attendance	Proposed Board members are to attend the shareholders' meeting.	Yes	
2.2.6 Fees	The allocation of fees for the Chairman and other Board members and committees is decided at the shareholders' meeting.	Yes	
2.2.7 Incentive schemes	Board members are not to participate in share or share price-related incentive schemes aimed at management.	Yes	
2.3 Selection of auditors			
2.3.1 Proposed auditors	Proposals are submitted by the nominations committee or a nominations committee set up specifically to appoint auditors.	Yes	
2.3.2 Selection and fees	The nominations committee provides proposals on selection and fees, which are to be presented in the notice to attend and on the website.	Yes	
2.3.3 Information about the auditors	Expertise, independence, scope of services and how the nominations committee has carried out its work are to be published on the website.	Yes	
2.3.4 Motivation	The nominations committee's proposal shall be presented and motivated at the meeting.	Yes	
2.3.5 Attendance	Proposed auditors are to attend the shareholders' meeting.	Yes	
3. The Board			
3.1 Tasks			
3.1.1 Particular attention	The Board must devote particular attention to the company's goals, strategies, management evaluation, appointing/dismissal of President, monitoring, control of financial position and open, objective, relevant external provision of information.	Yes	
3.1.2 Evaluation	Annual evaluation of the Board's work.	Yes	
3.2 Size and composition			
3.2.1 Composition	Suitable composition for the purpose.	Yes	
3.2.2 Size	Suitable size for the purpose, no deputies elected at shareholders' meeting.	Yes	
3.2.3 Maximum of one member of corporate management on the Board	Only one member of corporate management on the Board.	Yes	
3.2.4 Independence	The majority of Board members elected at the shareholders' meeting are to be independent in relation to the company and the corporate management.	Yes	
3.2.5 At least two independent Board members must also be independent of the main shareholders.		Yes	
3.2.6 Mandate period	Appointed one year at a time.	Yes	

		Summary of points in the Code	Followed	Comments
3.3	Board members			
3.3.1	Number of assignments	Not too many assignments.	Yes	
3.3.2	Independent judgement	Entitled to request supplementary information to make well-founded decisions.	Yes	
3.3.3	Knowledge	Obligated to acquire knowledge.	Yes	
3.3.4	Introductory training	To be trained by the company.	Yes	Within the framework of Stockholmsbörsen's training seminars.
3.4	Chairman			
3.4.1	Elected at the shareholder's meeting	The Chairman is to be elected at the shareholder's meeting.	Yes	
3.4.2	Outgoing President	If the President is selected as Chairman of the Board, this must be justified.	Yes	
3.4.3	Division of work	Clear division of work between the Board Chairman and President.	Yes	
3.4.4	Effective Board work	Manage the Board work through planning, control and evaluation.	Yes	
3.5	Work forms			
3.5.1	Instructions	Development and continuous testing of the company's procedures, President's remit and reporting.	Yes	
3.5.2	Committees	Committees may be set up. The Board's procedures must explain which work tasks and which decision rights the Board has delegated to the committees and how the committees are to report to the Board.	Yes	
3.5.3	Evaluation of President	At least once a year.	Yes	
3.5.4	Agenda	No decisions on important matters which have not been entered in the agenda.	Yes	
3.5.5	Secretary	Not a Board member.	Yes	
3.5.6	Minutes	Clear minutes are to be sent to the Board members as soon as possible.	Yes	
3.6	Financial reporting			
3.6.1	Annual Report and interim reports	Clearly state which parts are formal financial reports, on which rules they are grounded and which parts are revised/reviewed by auditors.	Yes	
3.6.2	Certification	Board and President to certify that the Annual Report has been prepared correctly.	Yes	
3.6.3	Review	General review of six-month or nine-month reports by auditors.	Yes	
3.7	Internal control			
3.7.1	Internal control	The Board is to ensure the company has sound internal controls and should evaluate the company's control system.	Yes	
3.7.2	Report	The Board is to provide a report on the internal controls, and the report is to be reviewed by the auditors.	Yes	The auditors' review applies from 2006
3.7.3	Internal audit	If the company does not have a separate audit function, the Board is to evaluate the need for such a function annually.	Yes	
3.8	Work on reporting and audit issues			
3.8.1	Quality of reporting	Documentation of how the quality of reporting is assured and how communication with the auditors takes place.	Yes	
3.8.2	Audit committee	To be set up by the Board in accordance with certain criteria.	Yes	
3.8.3	Work in the audit committee	To ensure the quality of reporting, meet auditors, establish guidelines for auditors' other services, evaluate, assist the nominations committee.	Yes	
3.8.4	Meet with auditors	The Board should meet the auditors at least once a year without the presence of the corporate management.	No	To be applied from 2006
4.	Corporate management			
4.1	The President's duties			
4.1.1	Board information basis	Objective, detailed, relevant information basis and reports for the Board.	Yes	
4.1.2	Assignments outside the company	The President's significant external assignments are to be approved by the Board.	Yes	
4.2	Remuneration to corporate management			
4.2.1	Remuneration committee	To be set up in accordance with certain criteria.	Yes	
4.2.2	Policy for remuneration	The policy for the management's terms of employment is to be presented at the shareholders' meeting.	Yes	
4.2.3	Share-based payment	To be decided by the shareholders' meeting.	Yes	
5.	Information on corporate governance			
5.1	Corporate governance report			
5.1.1	Report in the Annual Report	A separate report on corporate governance. The report should specify whether it has been reviewed by the company's auditors.	Yes	
5.1.2	Application and deviations	Application of the Code and reasons for deviations.	Yes	
5.1.3	Quality of financial reporting	How the Board ensures the quality of financial reporting and communicates with the company's auditors.	Yes	
5.1.4	Other details in the corporate governance report	If the information is not provided in the Annual Report, the corporate governance report must include information about the Board composition, division of work, etc.	Yes	
5.2	Report on internal control			
5.2.1	Board report	The Annual Report must also include the Board's report on internal control and the auditors' review of this report.	Yes	The auditors' review shall be applied from 2006
5.3	Information on the website			
5.3.1	Website	Requirement for special section on the website for corporate governance issues containing information required by the Code.	Yes	

Board of Director's report on internal control

This report has been prepared in accordance with the Swedish Code of Corporate Governance, the guidelines produced by FAR (the institute for the accounting profession in Sweden) and the Confederation of Swedish Enterprise, and the transition rules published by the Swedish Corporate Governance Board on 15 December. The scope of this report is limited to a description of how internal control of financial reporting is organised and does not contain any statement on its performance.

This report is not part of the formal Annual Report and has not been reviewed by the company's auditors.

Control environment

Effective Board work is the basis for sound internal control. The Board's set of procedures and instructions for the President and the Board's committees ensure a clear division of roles and responsibilities, which favours effective management of the operation's risks.

The Board has also established a number of fundamental guidelines and policies which are significant to internal control. These include a Code of Conduct, a Finance Policy, an Investment Policy and Accounting Principles. The aim of these policies is partly to create the foundation for a sound system of internal control. The policies are reviewed and revised on an ongoing basis.

The corporate management reports regularly to the Board based on established procedures. As part of the responsibility structure, the Board continuously evaluates the operation's performance and results through a purpose-designed report package containing operational and financial outcomes, rolling forecasts, analysis of key ratios and other important operational and financial information.

The Board has set up a special audit committee. The audit committee's tasks include evaluating and discussing important accounting and reporting issues.

The audit committee has regular meetings with the external auditors and the company's executive management. As part of

the evaluation of internal control in the operation, the audit committee reports continuously to the Board and decisions are drafted and taken in accordance with established instructions.

Risk assessment

The company has initiated a risk analysis for assessing risks that may affect financial reporting. As of 2006, this will be an annual process which the Board will evaluate and approve once it has been dealt with by the audit committee.

Gunnebo has identified a number of income statement and balance sheet items where the inherent risk of material error is increased. In the company's operation these risks mainly arise in the valuation of inventories, accounts receivable and provisions.

Moreover, a number of risk management processes have already been established which have a significant impact on the company's ability to ensure correct financial reporting. These procedures mainly encompass the following areas:

- Risk assessments in connection with strategic planning, budgeting/forecasts and acquisition activities which aim, for example, to identify events on the market or in the operation which may cause changes in e.g. the valuation of assets.
- Processes for picking up on changes in accounting rules and recommendations which ensure that these changes are correctly reflected in Gunnebo's financial reporting.

Control activities

Control structures are developed to manage the risks which the Board deems important for internal control over financial reporting. These control structures partly comprise an organisation with clear roles which enables an effective and, from an internal control perspective, suitable division of responsibility, and partly specific control activities such as clear decision-making processes and rules on important decisions (e.g. investments, acquisitions and sales), result analyses and other analytical follow-up, reconciliation and inventories.

Information and communication

The company's important steering documents in the form of policies, guidelines and manuals, to the extent they refer to financial reporting, are continuously updated and communicated via relevant channels, such as intranets.

There is a clear policy for communicating with external parties, containing guidelines on how this communication should take place. The aim of the policy is to ensure all information obligations are fulfilled in a correct, complete manner.

Monitoring

The Board continuously studies the management's reports on financial development with analyses and comments on outcome, plans and forecasts. The Board receives feedback from the meetings held between the audit committee, and the external auditors and executive management.

The audit committee's work includes continuously monitoring the efficacy of the internal control.

To date the company has not found any reason to establish an internal audit function.

After the ongoing evaluation of the internal control, the issue will be re-examined in 2006.

Göteborg, 7 February 2006

Gunnebo AB

The Board

Roger Holtback
Chairman

Nils-Olov Jönsson

Martin Svalstedt

Sten Langenius

Lena Olving

Bjarne Holmqvist

Mikael Jönsson

Claes-Göran Karlsson

Bo Anders Hansson



Roger Holtback

Lena Olving

Nils-Olov Jönsson

Sten Langenius

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 of Holtback Invest AB and its subsidiaries and associated companies, Capio AB, Finnveden AB and the Swedish Trade Fair Foundation. Member of IHS Inc., USA, Chairman of Nordic Capital Review Committee and member of Stena's Group Council.

Shareholding: 125,000

Nils-Olov Jönsson

Board member

Elected: 1994

Born: 1934

Nationality: Swedish

Main position: Chairman and main owner of Vätterledens Invest AB.

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, Wipcore AB, Kopparbergs Bryggeri AB and Gunnebo Industrier 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 and member of Nordic Shelter Solutions Group Oy, Swemed LAB International AB and Gunnebo Industrier AB.

Shareholding: 20,000



Mikael Jönsson **Martin Svalstedt** **Bjarne Holmqvist** **Claes-Göran Karlsson** **Lars-Olof Larsson** **Bo Anders Hansson** **Christer Grimstål**

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, Envac Centralsug AB and S-Invest AB, and member of Ballingslöv International AB and Wilh Sonesson AB.
Shareholding: 30,000

Lena Olving

Board member
Elected: 2004
Born: 1956
Nationality: Swedish
Main position: Operational Excellence Director, Volvo Car Corporation (VCC) with responsibility for process and IT efficiency, quality management and process integration within Ford Motor Company.
Education: Master of Science in Mechanical Engineering.
Professional background: Over 20 years in various posts at Volvo Cars, including five years in Asia as manager for Volvo Cars' 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

Board member
President and CEO until 1 May 2005
Elected: 1993
Born: 1945
Nationality: Swedish
Main position: Owner and investor, and Board assignments in a number of companies.
Education: Master of Science in Mechanical Engineering.
Professional background: Many years' experience as President and CEO of Bofors Kilsta, Componenta, BPA and Gunnebo AB.
Other Board appointments: Chairman of Structo AB, Gunnebo Industrier AB, Atlet AB, Speed Identity AB and Chalmers Foundation for Industrial Technology, member of e.g. the Swedish Trade Fair Foundation.
Shareholding: 531,334

Claes-Göran Karlsson

Employee representative for IF Metall
Elected: 2000
Born: 1958
Nationality: Swedish
Education: Engineer
Shareholding: 0

Bo Anders Hansson

Employee representative for SIF white-collar union
Elected: 1999
Born: 1954
Nationality: Swedish
Education: Engineer
Shareholding: 0

Lars-Olof Larsson

Employee representative for IF Metall, deputy member
Elected: 2005
Born: 1961
Nationality: Swedish
Education: Automotive engineering
Shareholding: 0

Christer Grimstål

Employee representative for SIF white-collar union, deputy member
Elected: 2005
Born: 1962
Nationality: Swedish
Education: Sales
Shareholding: 0

Auditors

Bror Frid

Born: 1957
Authorised Public Accountant, PricewaterhouseCoopers



Group management

Group Executive Team


Göran Gezelius

President and CEO
Employed: 2005
Born: 1950
Nationality: Swedish
Education: Master of Science in Economics and Business Administration, Chemical Engineer.
Professional background: Business area manager at Sandvik and Atlas Copco.
Other Board appointments: -
Shareholding: 100,000
Stock options: 24,000 and 100,000 buy options


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: -
Shareholding: 70,000
Stock options: 24,000


Torbjörn Browall

Executive Vice President Gunnebo AB, General Manager Competence Centre Cash Automation and President Gunnebo North
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: -
Stock options: 24,000


Lars Wallenberg

SVP General Counsel, Business Development & 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


Christian Sellose

Executive Vice President Gunnebo AB, Country Manager France and President Gunnebo South
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


Hans af Sillén

Chief Information Officer
Employed: 2006
Born: 1964
Nationality: Swedish
Education: Master of Science in Economics and Business Administration, Engineer
Professional background: Senior positions in the Atlas Copco group.
Other Board appointments: -
Shareholding: 2,000
Stock options: -


Deepak Khetrapal

President Gunnebo Indian Ocean Rim
Employed: 2000
Born: 1955
Nationality: Indian
Education: MBA Finance, University of Delhi
Professional background: Senior positions at Turner Morrison Ltd and State Bank of India.
Other Board appointments: -
Shareholding: -
Stock options: 24,000

The Group Management Team comprises the Group Executive Team plus the following:



Robert Hall

General Manager Competence Centre Secure Storage
Employed: 2005
Born: 1960
Nationality: British
Education: Studies in marketing and economy
Professional background: Senior positions at Sandvik, Dormer Tools and Ballingslöv, among others.
Other Board appointments: –
Shareholding: –
Stock options: –



Stefan Andersson

General Manager Competence Centre Indoor Perimeter Security
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: Draken i Reftele AB
Shareholding: –
Stock options: 10,000



Jean-Marie Betermier

General Manager Competence Centre Electronic Security
Employed: 2001
Born: 1962
Nationality: French
Education: Master of Science in Mechanical Engineering.
Professional background: Senior positions in several security companies including CS Group.
Other Board appointments: –
Shareholding: –
Stock options: 12,000



Sven Boëthius

Regional Manager Nordic
Employed: 1997
Born: 1948
Nationality: Swedish
Education: Master of Science in Economics and Business Administration, MBA
Professional background: Senior positions in the Mölnlycke group.
Other Board appointments: FMAB
Shareholding: 9,400
Stock options: 24,000



Rob Wheeler

General Manager Competence Centre Entrance Control
Employed: 1998
Born: 1951
Nationality: British
Education: Studies in marketing and economy
Professional background: Senior positions in Secureforce.
Other Board appointments: –
Shareholding: –
Stock options: –



Olle Magnusson

Country Manager Germany/Austria
Employed: 2006
Born: 1950
Nationality: Swedish
Education: Studies in engineering and economy
Professional background: Senior positions at IBM, Volvo Car Corporation and Biosys.
Other Board appointments: Migros Eurocentres
Shareholding: –
Stock options: –



Philip Mozes

General Manager Competence Centre Outdoor Perimeter Security and Country Manager Netherlands
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: –
Stock options: 10,000



Jay Wright

Country Manager UK/Ireland
Employed: 1990
Born: 1951
Nationality: British
Education: Engineer
Professional background: Senior positions at Henderson Industrial Doors, Tarmac and Chubb Security Installations.
Other Board appointments: –
Shareholding: –
Stock options: 12,000

**José Ortuño**

Country Manager Spain
Employed: 1991
Born: 1955
Nationality: Spanish
Education: Marine Engineer
Professional background: Senior positions at Veritas, President Fichet-Sistemas SA.
Other Board appointments: –
Shareholding: –
Stock options: –

**Monica Banck**

SVP Human Resources from 15 April 2006
Employed: 2006
Born: 1954
Nationality: Swedish
Education: Social studies degree
Professional background: Senior positions in Elanders, Celero Support and Siemens.
Other Board appointments: –
Shareholding: –
Stock options: –

**Gilbert Korchia**

Manager Business Line Bank, France
Employed: 2000
Born: 1954
Nationality: French
Education: Engineer
Professional background: Senior positions at Dassault A.T.
Other Board appointments: –
Shareholding: –
Stock options: –

**Janerik Dimming**

Director of Group Communications
Employed: 2001
Born: 1945
Nationality: Swedish
Education: Degree of Bachelor of Social Science
Professional background: Communications positions at SKF, Samhall and Adera, among others.
Other Board appointments: News Room
Shareholding: 2,000
Stock options: 24,000

**Ulf Johnsson**

Director of Human Resources until 14 April 2006
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: –
Stock options: 4,000

**Göran Gustafson**

SVP Group Logistics
Employed: 2006
Born: 1952
Nationality: Swedish
Education: Master of Science in Engineering
Professional background: Leading positions in manufacturing, distribution and logistics, most recently Vice President Operations SNA Europe
Other Board appointments: –
Shareholding: 6,000
Stock options: –

Senior executives at Gunnebo AB's Economy & Finance Department

**Björn Strömberg**

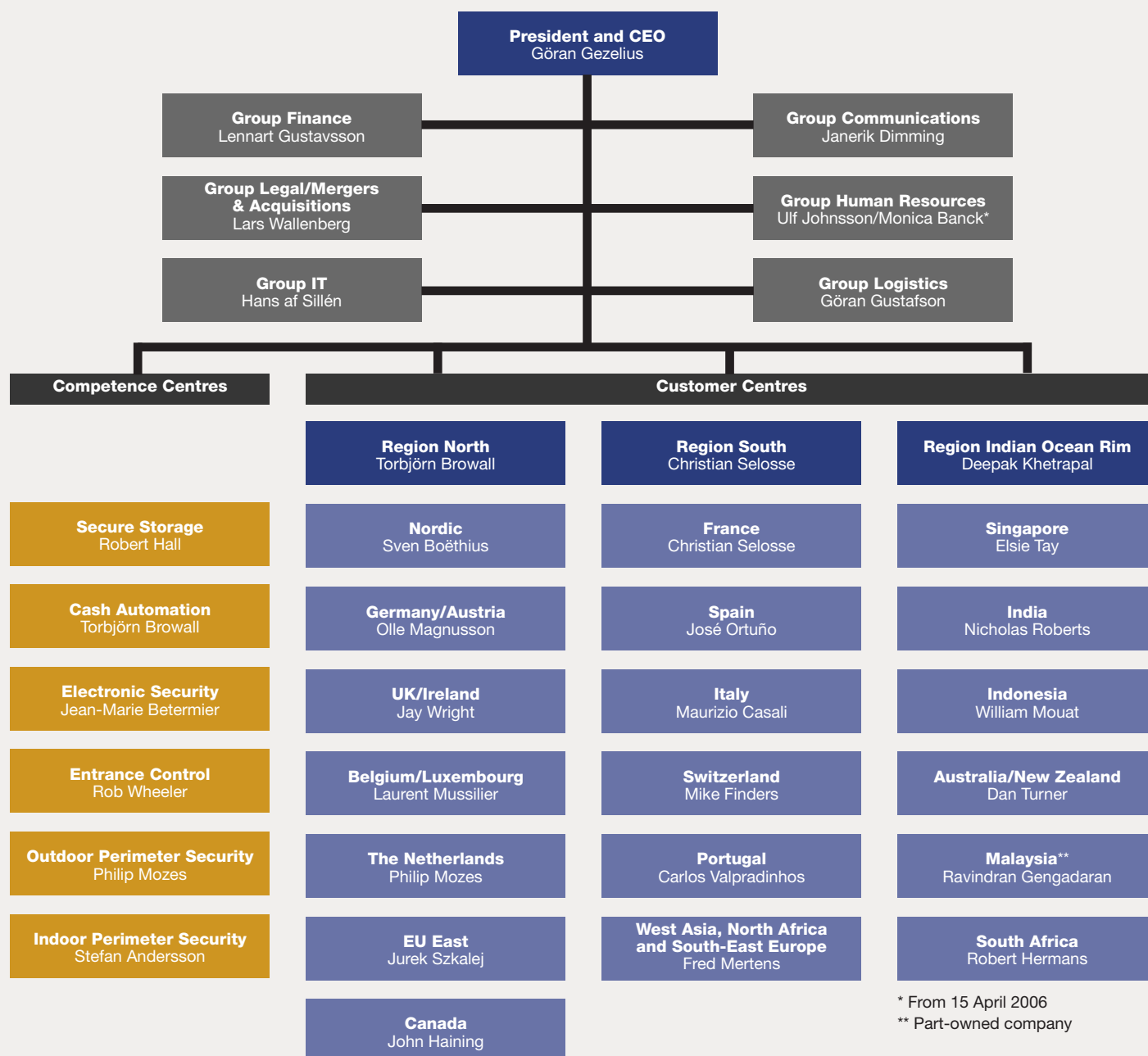
Group Controller
Employed: 1995
Born: 1960
Nationality: Swedish
Education: Master of Science in Economics and Business Administration.
Professional background: Authorised Public Accountant, Ernst & Young
Other Board appointments: –
Shareholding: 4,000
Stock options: 5,000

**Torbjörn Olsson**

Group Treasurer
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

**Paul Extance**

Group Business Controller
Employed: 2000
Born: 1962
Nationality: British
Education: MBA
Professional background: Chartered Accountant, Senior positions at Delta, TT Group and Williams.
Other Board appointments: –
Shareholding: –
Stock options: 12,000



* From 15 April 2006

** Part-owned company

Contact details for Gunnebo worldwide

Competence Centres



SECURE STORAGE

Robert Hall

Competence Centre Secure Storage
PO Box 61, Woden Road
Wolverhampton
West Midlands, WV10 0EW
United Kingdom
Tel: +44 1902 45 51 11
Fax: +44 1902 35 10 77

Management Group:

Robert Hall, General Manager
Myriam Bevilion, Product Line Manager
Adrian Robinson, Financial Service Manager
Ann-Marie Nygren, Logistics & Customer Service Manager
Peter Samuelsson, Product Line Manager
Pieter de Vlaam, Product Line Manager



OUTDOOR PERIMETER SECURITY

Philip Mozes

Competence Centre Outdoor Perimeter Security
Visseringweg 23
NL-1112 DIEMEN
Tel: +31 203 988 988

Management Group:

Philip Mozes, Competence Centre Manager
Ian Butler, Sales Development Manager
Anders Carlsson, Operations & Technical Development Manager
Henrik Axelsson, Customer Service & Product Concept Development Manager
Fredrik Granat, Internal Service & Support Manager



CASH AUTOMATION

Torbjörn Browall

Gunnebo Cash Automation AB
Box 5321
SE-402 27 GÖTEBORG
Visiting address: Fabriksgatan 10
Tel: +46 (0) 31 749 90 50
Fax: +46 (0) 31 749 90 60

Management Group:

Torbjörn Browall, Executive Vice President Gunnebo AB, Competence Centre Manager
Bertil Gunnesson, Operations & Business Control Manager
Gunnar Konkell, Business & Technical Development Manager
Cash Handling
Kent Schölin, Business & Technical Development Manager
EAS & Locks



INDOOR PERIMETER SECURITY

Stefan Andersson

Gunnebo Troax AB
Box 89
SE-330 33 HILLERSTORP
Visiting address: Tyngel
Tel: +46 (0) 370 828 00
Fax: +46 (0) 370 824 86

Management Group:

Stefan Andersson, Competence Centre Manager
Andreas Green, Finance Manager
Morgan Barrington, Marketing Manager
Lasse Sirtola, Technical Manager
Fredrik Andersson, Logistics & IT Manager
Nebojsa Obradovic, Production Manager
Kjell Karlsson, Procurement Manager



ELECTRONIC SECURITY

Jean-Marie Betermier

Competence Centre Electronic Security
RITZENTHALER
5 rue Latécoère
FR-78457 VELIZY VILLACOUBLAY CEDEX
Visiting address: 15-17 Ave Morane Saulnier
Tel: +33 1 34 65 41 10
Fax: +33 1 34 65 41 39

Management Group:

Jean-Marie Betermier, Competence Centre Manager
Muriel Meier, Internal Service & Support Manager
Philippe Schlatter, Operations Manager
Patrick Ditz, Technical Development & Design Manager
Dominique Auvray, Marketing Development Manager



ENTRANCE CONTROL

Rob Wheeler

Competence Centre Entrance Control
Bellbrook Business Park
Uckfield, East Sussex, TN22 1QQ
Tel: +44 1825 76 10 22
Fax: +44 1825 76 38 35

Management Group:

Rob Wheeler, Competence Centre Manager
Anders Pewe, Internal Services & Support Manager
Raphaël Roy, Customer Service Manager
Michele Maistri, Operations Manager
Jacques Barsi, Technical Development & Design Manager
Stephen Bates, Business Development Manager

Customer Centres Region North



NORDIC REGION

Sven Boëthius

Gunnebo Nordic AB
P O Box 12143
SE-402 42 GÖTEBORG
Visiting address: Hängpilsgatan 7
Tel: +46 (0) 31 727 79 00
Fax: +46 (0) 31 727 79 79

Management Group:

Sven Boëthius, Country Manager, Internal Service & Support
Tor Melleberg, BLM* Secure Storage
Tom Christensen, BLM Bank
Jerk Krabbe, BLM Retail
Staffan Grimbrandt, BLM Site Protection
Tormod Lövseth, BLM After Sales Service



THE NETHERLANDS

Philip Mozes

Gunnebo Nederland BV
Visseringweg 23
NL-1112 DIEMEN
Visiting address: Visseringweg 23
Tel: +31 20 3 988 988

Management Group:

Philip Mozes, Country Manager
Frithjof Boonstra, BLM Secure Storage
Henk Portegies Zwart, BLM Bank & After Sales Service
Patrick van Aart, BLM Retail
Fredrik Granat, Internal Service & Support Manager
Eric-Jan van Dam, BLM Site Protection



GERMANY/AUSTRIA

Olle Magnusson

Gunnebo Deutschland GmbH
Siemensstrasse 1
DE-85716 UNTERSCHLEISSHEIM
Visiting address: Siemensstrasse 1
Tel: +49 89 95 96 (0)
Fax: +49 89 95 96 200

Management Group:

Olle Magnusson, Country Manager, BLM Secure Storage, Internal Service & Support
Manfred Stuckenbrock, BLM Bank
Wolfgang Amman, BLM Retail
Karsten Hamborg, BLM Site Protection
Dieter Bangel, BLM After Sales Service



EU EAST

Jerzy Szkalej

Country Manager
Gunnebo EU-East
c/o Rosengrens Praediator Polska Sp.z.o.o.
Piwonicka 4
PL-62-800 KALISZ
Tel: +48 62 768 55 70
Fax: +48 62 768 55 71



UK/IRELAND

Jay Wright

Gunnebo UK Ltd
P O Box 61
Woden Road
Wolverhampton, WV10 0BY
Tel: +44 1902 45 51 11
Fax: +44 1902 35 19 61

Management Group:

Jay Wright, Country Manager, Internal Service & Support
Tom Rochford, BLM Secure Storage
Martin Houseman, BLM Bank & Retail
Paul Green, BLM Site Protection
Adrian Clapham, BLM After Sales Service



CANADA

John Haining

Country Manager
Gunnebo Security Inc.
42 Shaft Road,
Rexdale (Toronto)
Ontario, M9W 4M2
Tel: +1 416 249 72 41
Fax: +1 416 249 05 72



BELGIUM/LUXEMBOURG

Laurent Mussilier

Gunnebo Security NV/SA
31 Avenue de Selliers de Moranville
B-1082 BRUSSELS
Tel: +32 2 464 19 11
Fax: +32 2 465 38 78

Management Group:

Laurent Mussilier, Country Manager, BLM Site Protection, Internal Service & Support
Luc Borlon, BLM Secure Storage & Bank
Jean-Jacques Brusco, BLM Luxembourg
Martin Zandvliet, BLM Retail
Georges Barbosa, BLM After Sales Service

*BLM = Business Line Manager

Customer Centres Region South

**FRANCE****Christian Seloisse**

Gunnebo France
BP 11
FR-78141 VELIZY VILLACOUBLAY
Visiting address: Ave Morane Saulnier
Tel: +33 1 34 65 65 34
Fax: +33 1 34 65 39 47

Management Group:

Christian Seloisse, Executive Vice President Gunnebo AB,
Manager Region South, General Manager Gunnebo France
Olivier Bianchi, BLM Secure Storage
Gilbert Korchia, BLM Bank
Pascale Ghezzi Prost, BLM Retail
Alain Fougnot, BLM Site Protection
Delphine Guerrier, BLM After Sales Service
Olivier Miaux, Finance Manager
Paul Heilbronner, Personnel Manager

**SWITZERLAND****Mike Finders**

Gunnebo Suisse SA
Route de St.-Cergue 303
CH-1260 NYON
Tel: +41 22 363 77 77
Fax: +41 22 363 77 87

Management Group:

Mike Finders, Country Manager, BLM Bank, BLM Retail,
BLM After Sales Service
Jean-Gabriel Perreten, BLM Secure Storage
Domenic Phillip, BLM Site Protection
Jean-Claude Vettiger, Internal Service & Support

**SPAIN****José Ortuño**

Gunnebo Spain
Fichet Sistemas y Servicios SA
Calle Ribes 71
ES-08013 BARCELONA
Tel: +34 93 316 26 00
Fax: +34 93 265 06 82

Management Group:

José Ortuño, Country Manager, BLM After Sales Service
Antonio Perez, BLM Secure Storage
Jordi Riart, BLM Bank
Ramón Juliá, BLM Retail
Francisco Saras, BLM Site Protection
Juan Manuel Vera, Internal Service & Support

**PORTUGAL****Carlos Valpradinhos**

Gunnebo Portugal
Fichet (Portugal) S.A.
Av. Infante D. Henrique, lote 306-2
PT-1950-721 LISBON
Tel: +351 218 31 56 00
Fax: +351 183 156 99

Management Group:

Carlos Valpradinhos, Country Manager
José Caracol, BLM Bank
João André, BLM Site Protection
Nuno Bonito, BLM After Sales Service
Maria José Pinheiro, Internal Service & Support Manager

**ITALY****Maurizio Casali**

Gunnebo Italy
Lips Vago SpA
Via Firenze 26/28
IT-20060 TREZZANO ROSA (MI)
Tel: +39 02 90 99 21
Fax: +39 02 90 99 22 60

Management Group:

Maurizio Casali, Country Manager, BLM Secure Storage
Arrigo Horn, BLM Bank
Marco Depaoli, BLM Retail
Mauro Bonetto, BLM Site Protection
Ettore Nissi, BLM After Sales Service
Lorraine Martin-Reeve, Internal Service & Support

**WEST ASIA, NORTH AFRICA AND SOUTH-EAST EUROPE****Fred Mertens**

Gunnebo Wanasee
c/o Fichet Sistemas y Servicios
Calle Ribes 71
ES-08013 BARCELONA
Tel: +34 93 316 26 76
Fax: +34 93 265 06 82

Management Group:

Fred Mertens, Country Manager
Ian Butler, BLM Site Protection
Christian Delpuech, BLM Bank, Retail & Secure Storage
Nabil Shahlawi, West Asia
Dominique Girard, North Africa
Jacques Roozendaal, South East Europe
Xavier Sanso, Internal Service & Support

Region Indian Ocean RIM



**Deepak Khetrapal
PRESIDENT**

Gunnebo Region Indian Ocean Rim
Unit 17-01 Temasek Tower
8 Shenton Way
068811 SINGAPORE
Tel: +65 6225 27 83
Fax: +65 6225 25 42



INDONESIA

William Mouat

Gunnebo Indonesia
c/o PT Indolok Bakti Utama
P O Box 3482
Plaza 89 Bldg, Suite 301
Jl. H.R. Rasuna Said
Kav. X-7 NO. 6
JAKARTA
Tel: +62 21 522 55 66
Fax: +62 21 522 26 88



SINGAPORE

Elsie Tay

Gunnebo Singapore Pte Ltd
8 Shenton Way
#17-01 Temasek Tower
068811 SINGAPORE
Tel: +65 6327 91 19
Fax: +65 6233 94 28



AUSTRALIA/NEW ZEALAND

Dan Turner

Gunnebo Australia
c/o Gunnebo Security Pty Ltd
PO Box 226
22 South Street
RYDALMERE NSW 1701
AU-2116 SYDNEY
Tel: +61 2 8845 07 00
Fax: +61 2 8845 07 31



INDIA

Nicholas Roberts

Gunnebo India
156 Dr. Mascarenhas Road
Opp. Post Office, Mazagaon
IN-400010 MUMBAI
Tel: +91 22 2370 70 00
Fax: +91 22 2373 93 05



SOUTH AFRICA

Robert Hermans

Gunnebo South Africa
Private Bag X023
ZA-WADEVILLE1422
Visiting address: 105, Nagington Road
Tel: +27 11 878 23 00
Fax: +27 11 827 77 65

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.



Gunnebo AB (publ)
Co. reg. no. 556438-2629
Box 5181, SE-402 26 Göteborg, Sweden
Tel: +46 (0) 31 83 68 00
E-mail: info@gunnebo.com

www.gunnebo.com