Annual Report 2006

GUNNEBO
For a safer world®

Annual General Meeting

Gunnebo's Annual General Meeting will be held at 4.00 p.m. CET on Wednesday, 28 March 2007 at Bergakungens Sal cinema, Skånegatan 16, 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 22 March 2007, and notify Gunnebo AB by no later than 16.00 CET on 22 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 22 March 2007.

Dividend
The Board proposes to the Annual General Meeting that a dividend of SEK 1.60 per share be paid for 2006 and that the date of record for entitlement be 2 April 2007. It is expected that the dividend will be distributed by VPC on 5 April 2007.

Financial information 2007

Interim report January-March	26 April
Interim report January-June	19 July
Interim report January-September	25 October
Year-end release 2007	7 February 2008

These financial reports, which are published in both Swedish and English, may be ordered from:
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Unless otherwise stated, all information in this Annual Report relates to remaining operations, i.e. it excludes Gunnebo Industrier.

This Annual Report is a translation of the original Swedish language. In the event of any textual inconsistencies between the English and the Swedish, the latter shall prevail.

Contents

Highlights 2006

- Increased order intake during second half of year – up 2 per cent (10) for whole year, of which organic growth 1 per cent (2)
- Invoicing increased by 4 per cent (6), of which organic growth accounted for 4 per cent (-2)
- A new, customer-oriented organisation was introduced with effect from 1 January 2006
- The re-organisation project, which involved far-reaching changes, was largely completed by the end of 2006
- Significant restructuring costs – items affecting comparability totalled MSEK -243 (-205)
- Result after financial items amounted to MSEK 127 (238) before items affecting comparability, and to MSEK -116 (33) after
- Result per share amounted to SEK -2.90 (-2.20). Result per share excluding items affecting comparability were SEK 1.85 (3.75).

Proposed dividend

- Proposed dividend of SEK 1.60 per share (1.60)

Outlook for 2007

- The consolidated operating result is expected to be significantly better than the previous year's result, but in the light of developments in 2006 and a slight delay to the Gunnebo One Company integration project it is estimated that it will not be possible to achieve the company's long-term financial targets in full during the 2007 financial year

SUMMARY	**2006**	2005	2004
Invoiced sales, MSEK	**6,727**	6,477	6,086
Operating result, MSEK*	**216**	308	368
Result after financial items, MSEK*	**127**	238	325
Result after financial items inc. items affecting comparability, MSEK	**-116**	33	121
Operating margin, %*	**3.2**	4.8	6.0
Return on capital employed, %*	**7.1**	10.4	14.1
Result per share after dilution, SEK*	**1.85**	3.75	6.00
Result per share after dilution, inc. items affecting comparability, SEK	**-2.90**	-2.20	1.90
Net debt, MSEK	**1,673**	1,763	1,328
Operating cash flow, exc. structuring costs, MSEK	**196**	325	282
Equity ratio, %	**22**	25	30

* Exc. items affecting comparability

Gunnebo in 30 seconds:

- Gunnebo is an international security group with an annual turnover of MSEK 6,700 and 6,800 employees
- Gunnebo has its own companies in 25 markets and is also represented in around 100 or so markets through agents and distributors
- The Group provides integrated security solutions to customers that set high standards on secure cash management, access and entrance control, site protection and fire protection
- The most important customer segments are bank, retail and site protection
- Gunnebo is a world-leading supplier of high-graded fire and burglary-resistant safes

Gunnebo's organisation

On 1 January 2006 a new, customer-focused organisation was implemented. Customers' increased demand for a supplier that can provide integrated security solutions has been a driving force in this process. With the new organisation in place, Gunnebo can more effectively offer the Group's customers tailored solutions, the right service, good personal relations and future-oriented product development.

Customer Centres

In each market where Gunnebo has its own operation a Customer Centre is responsible for all sales, installation and service. The customer centres are organised in a uniform way with the Bank, Retail, Site Protection and Secure Storage business lines and a unit for After Sales Service.

Business Line Bank
Encompasses Gunnebo's entire security offerings to banks and other financial institutions. The aim is to equip and provide service to these customers in the best possible way with integrated security solutions in secure storage, banking automation, access and entrance control systems, CCTV, and burglar and fire alarms.

The business line is a market-leading supplier of security solutions to banks in Europe, India, Indonesia, South Africa and Canada.

It is provided with products for the system solutions by the Secure Storage, Cash Automation, Electronic Security and Entrance Control Competence Centres.

Business Line Retail
Encompasses Gunnebo's entire security offerings to the retail trade. The aim is to equip and provide service to the Group's retail customers in the best possible way with optimal security solutions. These include secure storage, systems for closed cash management – SafePay™, electronic article surveillance, access and entrance control, CCTV, and burglar and fire alarms.

The business line is Gunnebo's single largest growth area.

It is provided with products for the system solutions by the Secure Storage, Cash Automation, Electronic Security, Outdoor Perimeter Protection and Entrance Control Competence Centres.

Business Line Site Protection
Encompasses Gunnebo's security offerings for buildings and sites besides the banking and retail sectors that require high-security protection. Customer groups include embassies, airports, military bases, prisons and seaports.

The business line is one of Europe's leading suppliers of system solutions and products for indoor and outdoor perimeter protection.

It is provided with products for the system solutions by the Electronic Security, Entrance Control, Outdoor Perimeter Protection and Indoor Perimeter Protection Competence Centres.

Business Line Secure Storage
Encompasses Gunnebo's secure storage offering to customers besides the banking and retail sectors. The product portfolio includes high-graded fire and burglary-resistant safes, electronic high-graded security locks, vaults and vault doors.

The business line has a leading position on the world market for high-graded fire and burglary-resistant safes.

It is mainly supplied with components for the system solutions from the Secure Storage competence centre, but also to some extent from the Cash Automation Competence Centre.

Business Line After Sales Service
Within each customer centre, it is the After Sales Service unit that manages and develops all service operations for each market. The service operation is a very important part of Gunnebo's security offering both as regards installation service and after sales service.

Competence Centres

Sourcing of complete security systems and individual products take place via six Competence Centres. These centres are 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.

Competence Centre Secure Storage
Provides the Customer Centres and those markets where the Group does not have own companies with safes, vaults, vault doors, safety deposit boxes and locks. The products are sold under the Chubbsafes, Fichet-Bauche, Rosengrens and SecureLine brand names.

Competence Centre Cash Automation
Provides the Customer Centres and those markets where the Group does not have own companies with bank automation products, solutions for integrated cash management and electronic article surveillance.

Competence Centre Electronic Security
Provides the Customer Centres and those markets where the Group does not have own companies with software solutions for electronic integrated security systems.

Competence Centre Entrance Control
Provides the Customer Centres and those markets where the Group does not have own companies with system solutions and products for access and entrance control.

Competence Centre Outdoor Perimeter Security
Provides the Customer Centres and those markets where the Group does not have own companies with anti-terrorist protection, fencing, boom-barriers, gates and outdoor alarms.

Competence Centre Indoor Perimeter Security
Develops, produces, markets and sells security solutions for indoor perimeter protection in automation and robotics, materials handling and logistics, and the construction sector. The system solutions and products are marketed under the Troax brand name.

Comments by the CEO

Dear Shareholder,

Since 1993, the Gunnebo Security Group has primarily grown through around 40 acquisitions. During the build-up phase, most of the acquired companies continued operating independently under their existing company and brand names, but financially and in terms of ownership they were part of the Gunnebo Group. In 2006 Gunnebo has been restructured and the acquired companies have been integrated, so that Gunnebo is now a relatively cohesive corporation offering similar security solutions to the same customer groups throughout Europe, and in certain non-European countries.

Restructuring Gunnebo into Gunnebo One Company has involved a tremendous amount of work for myself and my co-workers in the Group. During this tumultuous period, we have fully managed to maintain business with our customers, albeit with lower margins and productivity.

My mandate – new strategy

The assignment and mandate the Board gave me when I became CEO in 2005 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. 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 safe products for customers even outside the banking and retail sectors – a position we intend to retain and consolidate. In addition to products and concepts, after sales service is another crucial part of Gunnebo's overall offering of integrated security solutions.

Focus on quality and delivery precision

With the goal of being a leading supplier of security solutions to qualified customer groups comes a responsibility also to be a leader in quality, delivery precision, service, and systems and product development. In 2006 we have implemented a wide range of measures to ensure our customers receive the right level of quality and fault-free deliveries. For example we reviewed all our inventories in order to uphold quality and thereby decided to scrap defective and discontinued products, which entailed a need for a stock write-down in the region of MSEK 60. We completed delayed installations and remedied any disputed installations and system faults, thereby reducing the percentage of accounts receivable and improving customer relations.

Development during the year

Financial performance was weak in the first two quarters of 2006, with order intake and sales completely unchanged compared to the same period in 2005. Having said that, the majority of all the company's mergers and structural changes did take place during those quarters. Some 3,000 employees were allocated partly or completely new jobs. The period was characterised by union talks and internal corporate communication, as well as some concern and uncertainty among personnel. Pleasingly, a survey of 300 managers in March showed that 70 per cent were optimistic or very optimistic about the future prospects of the new Gunnebo, and only 7 per cent were negative or very negative.

Operating result for the first half-year was below that for 2005, primarily due to lower efficiency during the restructuring period and the loss of some large accounts in the UK.

Sales picked up during the second half of the year, mainly thanks to a stronger European economy but also partly because the integration was by now moving into a less frantic phase. Order intake in the second half-year was roughly 4 per cent higher than the same period in 2005, and invoicing increased by 6 per cent.

Even so, result was below the 2005 figure due to poorer performance at some large units, primarily the customer centre in France and Competence Centre Outdoor Perimeter Security.

Integration essentially completed

At the year-end, integration of the acquired companies had been completed on all markets apart from our largest one, France, where integration will continue for most of 2007. Fusing the many acquired companies into One Company has to date cost MSEK 156, net of capital gains on certain property sales related to the integration, and costs of a further MSEK 30 remain until the process is finished in France.

Gunnebo is now ready to serve its customers like never before. For example we have sold many small, outdated office and industrial properties and moved into fewer premises better suited to

our purposes. We now communicate with customers under a single overriding brand, Gunnebo, with a range of security solutions customers previously had to source from several different places. The Gunnebo team meeting the market in 2007 may not yet be fully trained and fine-tuned, but it is a full team of highly motivated players.

Financial position

The result for 2006 including financial costs and items affecting comparability, but before taxes, was a loss of MSEK 116. The equity ratio fell from 25 to 22 per cent during the year, but is expected to rise again now that the structuring programme is complete. Net debt fell by MSEK 90 during the year, totalling MSEK 1,673 at year-end. Thanks to refinancing in autumn 2005, Gunnebo had unused credit facilities of MSEK 1,000 at the end of 2006. This credit will not need to be used in 2007 for current activities, nor for increasing working capital nor asset investments.

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 12 factories, which will have become 11 by the end of 2007. We also have six 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 or a solutions provider. In Europe we have more co-workers working in installation and after sales service than in production.

In 2007 we will be setting up a central European warehouse for safe products, which will bring streamlining gains for Gunnebo and faster, better deliveries for our customers. Many of our security solutions are based on information technology (machine software, computer programs for surveillance services and entrance systems, and so on). However, our business systems too need strong IT support to improve our efficiency and make us a more service-oriented company. In 2006 a decision was made to comprehensively upgrade our networks and software, a modernisation which will be implemented gradually over the next three years.

Financial goals

Our financial goals entail a return on capital employed of at least 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 in turnover of 5 per cent a year.

Operating result for 2007 is expected to be significantly higher than in 2006, although in light of developments in 2006 and a slight delay in the Gunnebo One Company integration project, the financial goals are not expected to be achieved in full during the 2007 financial year.

A new Gunnebo gathers momentum

Gunnebo's management team has progressively changed during 2006. Of 18 senior executives, eight including myself were recruited from outside of Gunnebo in 2005 or 2006, and 10 were recruited internally. Despite the extensive reorganisation, personnel turnover has been low during the year.

I would like to thank all of Gunnebo's personnel who have made a tremendous effort in 2006, and have commendably helped to create a new, united, exciting security group. I would also like to thank our Board of Directors and our many shareholders for their crucial, wholehearted support during our transformation. We now move into a new year with the aim of boosting the Group's earnings in 2007!

Göran Gezelius,
President and CEO

Gunnebo One Company
An integration project for increased growth and profitability

The aim of the Gunnebo One Company integration project, on which the Board decided in December 2005, was to consolidate the Group's more than 40 acquired companies and turn Gunnebo into a homogeneous security group with the breadth and expertise to offer complete security systems. Another aim was to realise synergies between the acquired companies and thereby engender organic growth and increased profitability.

The Gunnebo of the future comprises a Group focused on the customer's needs for system solutions. Up until 31 December 2005, Gunnebo's operations were organised into four divisions based around products. In order to create a customer focus while fusing Gunnebo's various security solutions into an offering to each customer category, the Group had to work and organise itself in a completely different way. The integration plan for realising this vision was called Gunnebo One Company, and has taken up a lot of attention in the Group's operations in 2006, both operationally and strategically.

The global security corporation has been built up, and much energy has gone into streamlining and restructuring production within the Group. The restructuring programme for production has concentrated on reducing production capacity. Between 2001 and 2006, Gunnebo has closed production at 12 factories and now has 12 production and six assembly units.

New customer-focused organisation

One of the biggest steps in the Gunnebo One Company project was taken in late summer 2005, when the Board approved the new strategy for increased integration and growth. A great deal of autumn 2005 was devoted to formulating an integration plan in each Customer Centre and Competence Centre, and on 1 January 2006 a new customer-focused organisation was implemented.

In 2006, the focus has been on streamlining, restructuring and consolidating the 40 acquired companies in terms of sales, logistics and marketing.

Gunnebo now has a customer centre with a uniform organisation on each market where the Group already had its own companies previously.

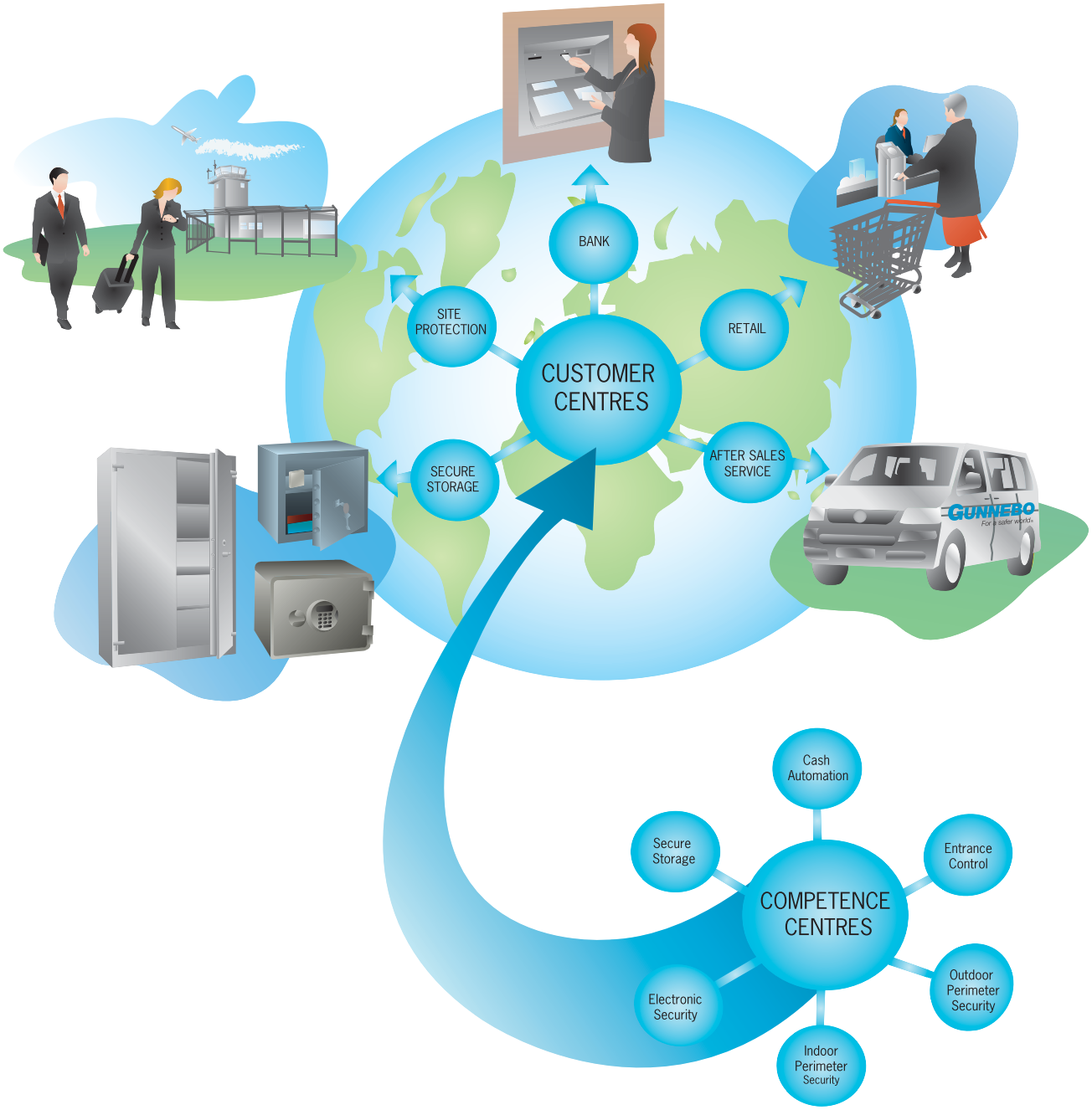
Sourcing of complete security systems and individual products takes place via six competence centres, which are also responsible for sales on markets where Gunnebo is represented by agents and distributors.

For a closer presentation of Gunnebo's Customer Centres and Competence Centres see page 5.

Activities carried out

Many measures large and small have been taken within the framework of the Gunnebo One Company integration project during 2006, in addition to implementation of the new organisation:

- Company mergers – 20 of Gunnebo's 100 companies on 1 January 2006 had been closed down by the end of the year. The aim is for the Group to have a total of 60 companies at the end of 2007.
- Staffing of the new organisation – As a result of the new organisation, approximately 3,000 personnel, or just over 40 per cent of all employees, have new or altered work tasks. This means for example that the majority of the employees outside of production in Europe now have a new role, new work tasks, a new manager and new colleagues.
- Extensive training initiatives, customer and fair/exhibition activities
- Communication and talks with unions
- Implementation of Gunnebo as the common brand for system sales
- Agreements have been signed with certain agents and distributors on markets where Gunnebo now has its own operation
- Frequent management meetings and co-ordination
- Frequent flow of information to the finance market
- As of 1 January 2006, Gunnebo's results are reported individually for the business lines Bank, Retail, Site Protection and Secure Storage
- Focus on quality and logistics – Logistics manager recruited, non-conformance reporting implemented. A project to create a European distribution centre for Secure Storage has been initiated.
- Focus on IT – IT manager recruited, has implemented a common standard for the Group's network structure and begun implementation of a Group-wide ERP system.



Costs and savings

The cost of the integration project has been estimated at MSEK 185. At the end of 2006 costs amounted to MSEK 156. Gunnebo One Company will lead to cost reductions of around MSEK 90 a year, whereof a saving of MSEK 60 is expected to be achieved during the 2007 financial year.

Status on 31 December 2006

The integration project is virtually complete in all the Group's markets as at 31 December 2006, the exception being the operations in France which will essentially have completed its implementation of Gunnebo One Company in the first half of 2007.

Outlook

The Gunnebo One Company integration process has been organised as a project and, with the exception of Gunnebo in France, was completed by year-end 2006. This means that the activities which remain after 31 December 2006 will be carried out within the framework of the ongoing operation, both operationally and financially.

In 2007 the focus will be on organic growth and profitability for each business line. The focus is stated in the Group's vision: to be a prioritised supplier of integrated security solutions to the Group's most important customer groups – banks, retail and sites that require high-security protection. In addition, the Group shall maintain and strengthen a world-leading position in secure storage.

Business idea, goals and strategy

Gunnebo works for a safer world. By supporting and inspiring our customers and developing optimised security solutions together, we create a safer environment for customers' personnel and business partners.

Business idea

The Gunnebo security group shall offer integrated security solutions where large flows of money, people and goods are combined with high security. These security solutions encompass secure cash management, access and entrance control, site protection, burglary and fire-resistant products and service, with the primary focus on the following customer groups:

- Bank
- Retail
- Site Protection
- Gunnebo is a world-leader in high-graded safe products for customers other than the banking and retail sectors. This is a market position the Group intends to maintain and consolidate.

Goals

Gunnebo's goal is to help our customers to achieve a safer world – for their personnel by creating a more secure working environment, for their customers by providing more effective security solutions, and for their valuables by offering high-graded solutions for secure storage.

This objective is accomplished through Gunnebo's offering of integrated security solutions to customers that set high standards on secure cash management, access and entrance control, and burglary and fire protection.

Financial goals

- Gunnebo shall earn a long-term return on capital employed of at least 15 per cent
- Gunnebo shall achieve 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 a year

With the current capital structure, an operating margin of 7 per cent equates to a return on capital employed of some 15 per cent.

Operational goals for 2007

- Completion of the Gunnebo One Company integration project
- A decrease in the number of companies from 80 to 60
- Continuous evolution of the Group's processes in areas such as quality, logistics and infrastructure

Strategy

The Gunnebo Group has undergone major strategic changes in 2006 within the framework of the Gunnebo One Company growth strategy. The prime aim of the growth project has been to integrate 40 or so acquisitions into a corporate group with the same goals, visions, values and way of doing business.

The foundation of the new strategy is the new customer-focused organisation with a Customer Centre in each market where the Group had its own companies. Each customer centre has a homogeneous organisation designed to provide service to the Group's main customers in the optimum way.

OPERATIONAL GOALS 2006	OUTCOME IN 2006	GOALS FOR 2007
Maintain sales during integration project	Sales increased organically by 4 per cent	Group to achieve organic growth of at least 5 per cent
Carry out the Gunnebo One Company integration project	Gunnebo One Company integration project virtually complete – except for France	Completion of Gunnebo One Company integration project
– Decrease number of companies from 100 to 60 – Implement a new organisation – Implement new brand strategy – All companies in Group to be called Gunnebo	– Number of companies have decreased from 100 to 80 – New organisation implemented – New brand strategy implemented – All companies in Group now called Gunnebo	– Decrease number of companies from 80 to 60
SafePay™ marketing investments	Marketing investments that led to increased order intake for SafePay™	Continued focus on SafePay™
Implement Group-wide processes in e.g. quality, logistics and infrastructure	Common system for non-conformance reporting and follow-up onsite	Continued work on Group-wide processes

The shared organisation for marketing and sales in the 22 Customer Centres makes it possible to duplicate and repeat business concepts in a way that was not previously possible. This is also the foundation of the growth strategy which the Group will be building on over the next few years.

By offering the Group's customers complete integrated security solutions including service, Gunnebo aims to grow organically by at least 5 per cent a year and, thereby, to be a leading supplier of high-security solutions, primarily in Europe.

The Group will prioritise growth in existing markets geographically in Europe, the region Indian Ocean Rim, Canada and the Middle East.

Brands

One of the linchpins of the new strategy is a single shared brand – Gunnebo.

In 2006, the Gunnebo Group has therefore shifted from doing business under 50 or so minor local brands to primarily using one single brand – Gunnebo. With the exception of the markets in France, Spain, Portugal and Indonesia, where dual brands will be used for a transition period, all sales of integrated security solutions now take place under the Gunnebo brand name.

The Gunnebo brand is well-known in Northern Europe. In many other markets where the Group operates it was previously less well known, but it is now growing stronger. Many marketing initiatives have therefore been carried out during the year with the aim of positioning the Gunnebo brand as a leading supplier of innovative, customised security solutions for banking, retail and high-security site protection. These activities will continue in 2007.

The exception to this strategy is business in the Secure Storage business line, where the Chubbsafes, Fichet-Bauche, Rosengrens and SecureLine brands will continue to exist as product brands, and operations within indoor perimeter protection which will continue to be marketed under the Troax brand.

FINANCIAL GOALS	Long-term goals	Outcome 2006	2005	2004	2003	2002
Return on capital employed,%*	15	**7.1**	10.4	14.1	13.0	10.6
Operating margin, %*	7	**3.2**	4.8	6.0	5.5	4.9
Equity ratio, %	>30	**22**	25	30	36	30
Organic growth, %	5	**4**	-2	-1	1	2

* Exc. items affecting comparability

The security market

In recent years the security market has reported growth a couple of per cent above the increase in GDP, gross domestic product, in each national market.

The total security market has been estimated to be worth some SEK 1,000 billion in 2006. However, there is no certain, established method for calculating the total security market because, for security reasons, companies and authorities often do not wish to disclose how much they invest in security, and in what areas.

In 2006, American market research company Freedonia published a report entitled Industry Study 2005: World Security Equipment which covered trends in the global security market (excluding guarding and service) as well as which players operate in the various security segments.

Highly fragmented market

One clear conclusion is that, despite some major corporate acquisitions in recent years, the global security market is still highly fragmented: six companies account for just under 20 per cent of all sales, while just over 80 per cent of sales take place through a high number of smaller, often very locally established security companies. The six majors are Assa Abloy, Tyco International, United Technologies, Honeywell, Ingersoll-Rand and Siemens. These large players also operate on the global security market with system solutions for customers that have operations on several markets and continents.

Of the total security market North and South America account for 32 per cent of sales, Europe for 40 per cent, Asia/Pacific for 24 per cent and the rest of the world for 4 per cent.

The predominant customer group is industry and other commercial operations, which account for 64 per cent, while the private market accounts for 14 per cent and the public sector for 22 per cent.

Factors affecting the security market

Developments on the security market are mainly influenced by general economic developments on each market, demographic and social changes such as unemployment and the continued process of urbanisation, trends in and fear of crime and terrorist attacks, changes in security legislation, and the privatisation of national and local government operations. Demand for security products for asset protection outside the bank sector such as retail, service establishments and public authorities is increasing strongly, as in many countries these organisations currently handle larger quantities of banknotes and coins than banks and other financial institutions.

Growth in various segments

The Freedonia report forecasts growth in security products of approximately 8 per cent a year over the next five years, with large variations from segment to segment. The annual average increase expected for physical security products, such as safes and locks, is 5 per cent with a lower growth rate in the USA and Western Europe, while Eastern Europe, Asia, Africa and Latin America are expected to see slightly higher growth.

Annual growth in electronic security is forecast at just over 9 per cent. In this field, alarms are expected to increase by just over 7 per cent, and entrance control and surveillance by 11 per cent, where digital CCTV technology, IP data transfer and biometric identification in particular are fast-growing market segments. One partially new feature in the security industry is the importance of well-designed, functional security solutions. Many companies and public institutions are demanding that the security solutions are not visible or noticeable, and if they are visible they must be in a modern, tasteful design. Another trend in the security industry is that customers are increasingly demanding installations that can be assembled and dismantled more quickly and are easy to access for service and repair.

Competitors

Gunnebo competes with many small, locally established competitors in the security industry as it is highly fragmented. There is also extensive competition from a small number of major players in electronic security, for instance, where the main competitors are Securitas Systems, United Technologies (UTC, including Chubb Security), Group 4 Securicor (G4S), Siemens Building Technologies and Tyco. Securitas Systems has a 4 per cent market share in Europe. United Technologies, which owns the Chubb, Lenex, Verex and Gardall brands, among others, has a market share in Europe of approximately 4 per cent in this field.

G4S, which was created in 2004 through the merger of Falck and Securicor, also has approximately 4 per cent of the European market. Tyco's best-known brands are ADT, Sensormatic, Software House, American Dynamics, Kantech and DSC. Their market share in Europe is 6 per cent. The main competitors in secure cash management are DeLaRue, NCR, Wincor Nixdorf and Keba. DeLaRue is a UK company which sells note and coin counting machines, for example.

Keba is a small company that also sells self-service machines to banks. NCR has approximately 32 per cent of its sales in Europe and produces around one-third of the world's ATMs. It is very active in this area.

Closed systems for cash management

At present there are few competitors in the field of closed cash handling systems for the retail trade. The market is still in its relative infancy and the products and related services are still being developed. The main competitor in this area is Swedish CashGuard.

EAS systems

The two companies with the largest market share in electronic article surveillance (EAS) systems are Checkpoint Systems and Sensormatic (Tyco). Together they have almost 80 per cent of the world market. Both companies are based in the USA and have a high market share in Europe as well. Another competitor is Nedap, a Dutch company which, in addition to EAS systems, is also big in security management.

Site protection

Competitors in site protection comprise several smaller, locally based companies. Examples include Belgian Betafence, CRH (Fencing & Security), an Irish company that focuses on the construction industry but has a significant share of the site protection market. Dirickx is a French company and another competitor is Belgian Bekaert Fencing. The competition in site protection mainly comes from small, local operators that are active on geographically confined markets.

Entrance control

There are also many international and local players in entrance control. Some of them include Kaba, Boon Edam, Magnetic Autocontrol and Automatic Systems. Kaba is a Swiss company which mainly focuses on locks but also has a broad product range in entrance control. Boon Edam is a Dutch company which sells doors and vehicle barrier systems. Magnetic Autocontrol is another competitor which is owned by CRH (the same company that produces site protection) and another is Automatic Systems, a Belgian company that sells its entrance products to markets including metro.

Secure storage

The market for secure storage comprises many small local players in restricted geographical areas. Competitors include Format, a company which is big on the German market. Another German company is Lampertz/Sistec, part of the German Freidhelm Loh Group. Scandinavian competitors are Robur and Håbeco, which are both Swedish. SMP and Dudley are both UK companies. Two Spanish competitors are Ferrimax and Bausa.

Kaba and Sargent & Greenleaf, Inc. compete on the market for high-security locks. There are also several small local players in this field.

Gunnebo's positioning

Since 1 January 2006, Gunnebo has worked in a customer-oriented organisation, with the main customers in banking, retail and indoor/outdoor site protection.

Moreover, Gunnebo is a leading supplier of equipment for secure storage to customers other than banks and the retail sector.

Gunnebo's market position with these customers is shown on pages 20-35 under each business line.

THE GLOBAL SECURITY MARKET

- Europe, 40%
- Americas, 32%
- Asia/Pacific, 24%
- Rest of the world, 4%

THE GLOBAL SECURITY MARKET BY SECTOR

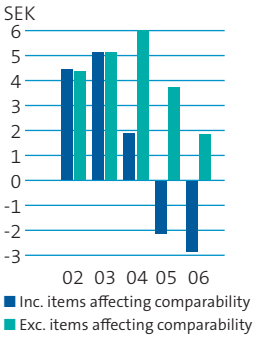
- Industrial and commercial, 64%
- Public sector, 22%
- Private market, 14%

THE EUROPEAN SECURITY MARKET

- Guarding, 38%
- Alarm systems inc. service, 16%
- Entrance control inc. service, 15%
- Locks, 14%
- Cash-in-Transit, 9%
- Outdoor perimeter security, 5%
- Cash management, 2%
- Secure storage, 1%

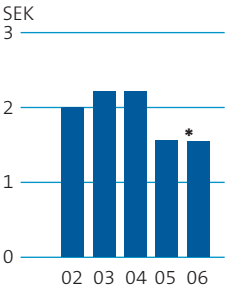
The Gunnebo share

Result per share after dilution*



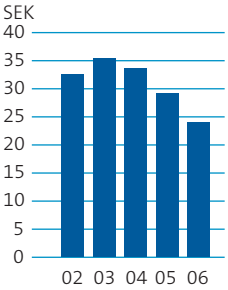
* For remaining operations

Dividend per share

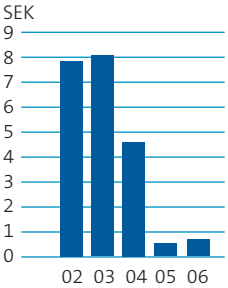


* Board proposal

Equity per share after dilution



Cash flow per share



The Gunnebo share has been listed on the Stockholm stock exchange since 1993, and is now on the Nordic Mid Cap Industrials list.

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 223 divided into 44,578,523 shares, each with a quote value of 5.

All shares have equal voting rights and share equally in the company's assets and earnings.

Share price

Gunnebo's share price increased by 0.6 per cent during the year, and the last price paid was SEK 79. Stockholm stock exchange's general index increased by 23.6 per cent over the same period, while the Carnegie Small Cap Index rose by 33.8 per cent. The lowest share price paid was SEK 69.75 (14 August) and the highest was SEK 104.50 (21 April). The market value on 29 December 2006 was MSEK 3,522.

Total trading

A total of 20,727,352 shares (24,965,397) were traded in 2006 at a value corresponding to MSEK 1,715 (2,110). The average volume traded each trading day was 82,579 shares (98,677) or SEK 6,833,000 (8,339,000). The trading rate was 47 (57) per cent, compared with an average of 84 per cent for the Nordic Mid Cap Industrials list.

Shareholders

The number of shareholders on 31 December was 9,600 (10,100). The ten largest shareholders controlled 65 per cent (65) of the votes and capital. Swedish institutional shareholders owned approximately 25 per cent (30), and foreign shareholders 19 (20) per cent of the capital.

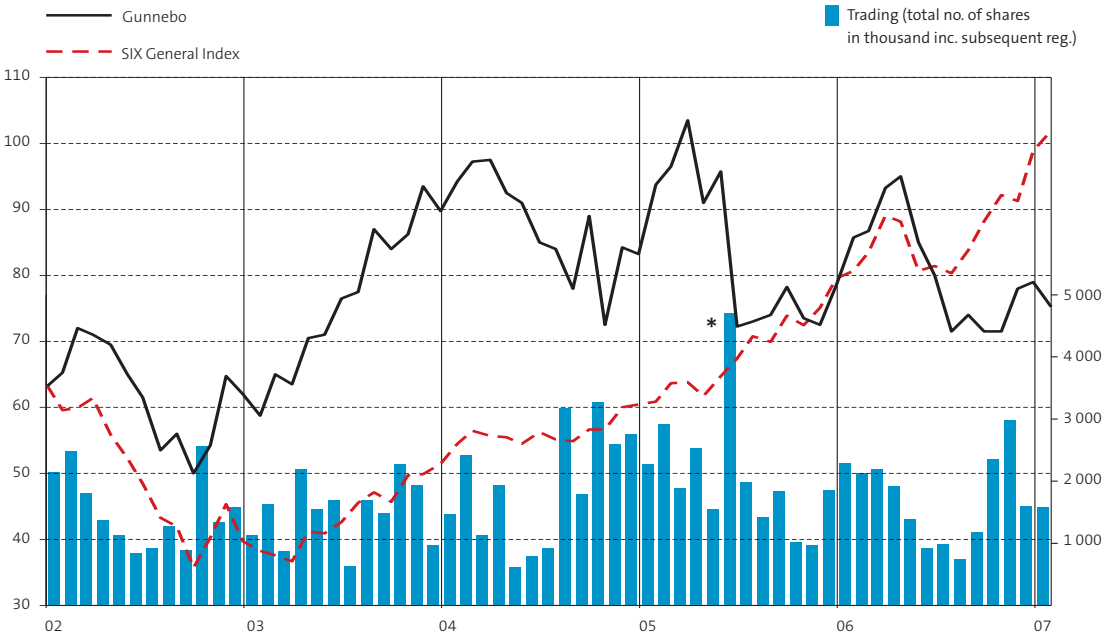
Stena-sfären and Vätterledens Invest are Gunnebo's largest owners with 18.4 and 18.0 per cent of the share capital and votes respectively.

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.

It is proposed to pay an unchanged dividend of SEK 1.60 per share (1.60). The proposed dividend pays due consideration to the fact that certain costs in 2006 are of a one-off nature and that operating result for 2007 is expected to represent a significant improvement on the 2006 figure.

Gunnebo's share price development since 2002



* Gunnebo Industrier was deconsolidated and distributed to Gunnebo's shareholders on 14 June 2005.

(c) Findata

Information to the capital market

Gunnebo aims to provide the capital market with open, transparent financial information.
After each interim report Gunnebo arranges a telephone conference with around 20-30 participants. In addition, during the year the company has carried out approximately 110 individual meetings, held road shows for London, Paris, Stockholm, Frankfurt, New York and Toronto, participated in around ten or so breakfast meetings and eight shareholder meetings, taken part in talks and exhibitions at the Swedish Shareholders' Association's Stockmarket and Funds Day in Göteborg, and arranged two capital market days: one in connection with the Skydd 2006 security fair in Stockholm, and one in Stockholm in November which attracted around 50 analysts, investors and portfolio managers.

Data per share for remaining operations	2006	2005	2004	2003	2002
Result per share exc. items affecting comparability, SEK*	**1.85**	3.75	6.00	5.10	4.40
Result per share inc. items affecting comparability, SEK*	**-2.90**	-2.20	1.90	5.10	4.40
Equity per share before dilution, SEK	**23.40**	27.55	31.60	33.75	31.80
Equity per share after dilution, SEK	**24.30**	29.30	33.50	35.60	37.75
Cash flow per share, SEK	**0.75**	0.50	4.60	8.10	7.80

Data per share Group total	2006	2005	2004	2003	2002
Result per share exc. items affecting comparability, SEK*	**1.85**	4.00	7.30	5.95	5.30
Result per share inc. items affecting comparability, SEK*	**-2.90**	-1.95	3.20	5.95	5.30
Equity per share before dilution, SEK	**23.40**	27.55	40.15	42.70	38.80
Equity per share after dilution, SEK	**24.30**	29.30	41.75	44.20	39.60
Cash flow per share, SEK	**0.75**	-0.10	7.05	10.65	10.60
Dividend, SEK	**1.60****	1.60	2.25	2.25	2.00

Share price related share data	2006	2005	2004	2003	2002
Share price at year-end (last price paid), SEK	**79.00**	78.50	83.25	89.75	62.00
Highest price during the year (price paid), SEK	**104.50**	109.50	101.50	93.50	76.50
Lowest price during the year (price paid), SEK	**69.75**	68.70	72.50	58.75	44.50
Market capitalisation at year-end, MSEK	**3,522**	3,443	3,645	3,929	2,630
P/E ratio	**neg.**	neg.	23	15	12
Direct yield, %	**2.0**	2.0	2.7	2.5	3.2

* After dilution
** Board proposal

No. of shares	2006	2005	2004	2003	2002
Closing no. of shares, x 1,000	**44,579**	43,854	43,780	43,780	42,422
Average no. of shares, x 1,000	**44,149**	43,823	43,780	43,216	42,418
No. of shares after full dilution, x 1,000	**45,522**	45,592	45,780	45,780	45,976

Largest shareholders 31 Dec 2006	No. of shares	Proportion, %
Stena Adactum	8,184,920	18.36
Vätterledens Invest with associates	8,002,456	17.95
IF Skadeförsäkring	4,380,500	9.83
BNP Paribas	1,868,300	4.19
Odin funds	1,566,934	3.52
Orkla Asa	1,383,700	3.10
SEB funds	1,366,600	3.07
1st AP fund	1,045,400	2.35
Robur funds	700,900	1.57
Bjarne Holmqvist	531,334	1.19
Northern Trust	375,295	0.84
4th AP fund	368,200	0.83
Nordea Securities	323,154	0.73
Bruce Grant	316,600	0.71
Enter funds	311,200	0.70
Aktia Sparbank	309,200	0.69
Catella Case	215,800	0.48
2nd AP fund	206,476	0.46
Other	13,121,554	29.43
Total	**44,578,523**	**100.00**

Shareholders by size	No. of share-holders	No. of shares	Holding and votes, %
1 – 500	6,220	1,278,292	2.87
501 – 1000	1,670	1,400,008	3.14
1001 – 5000	1,299	2,939,930	6.59
5001 – 10000	173	1,259,675	2.83
10001 – 50000	138	3,118,239	6.99
50001 –	60	34,582,379	77.58
Total 31 Dec 2006	**9,560**	**44,578,523**	**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
2006 New issue	+4	223	44,578,523

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Contents of financial report

Review of the Group

Order intake and invoiced sales

The Group's order intake for the period amounted to MSEK 6,762 (6,658). Organic growth was 1 per cent. Currency effects and acquisitions had only a marginal effect.

Invoiced sales increased by 4 per cent to MSEK 6,727 (6,477). Organic growth in invoiced sales was 4 per cent, while acquisition and currency effects were only marginal. Sales outside Sweden was 94 per cent.

All business lines noted higher sales. The Netherlands, Spain, Switzerland, Eastern Europe and the Middle East/Africa noted a firm sales trend. Other markets noted small increases or, in a few cases, lower sales.

Result

The consolidated operating result amounted to MSEK 216 (308) before items affecting comparability. The result was affected by the ongoing integration process. Business Line Bank and Business Line Secure Storage noted operating margins of some 8 per cent, while at Business Line Site Protection the operating margin deteriorated to 1 per cent. At Business Line Retail it deteriorated to minus 3 per cent.

Business Line Retail incurred an operating loss of MSEK 20 (profit 21). The deterioration is due to high market investments and other factors. Business Line Site Protection's operating profit deteriorated to MSEK 31 (108), mainly as a result of poorer margins at Outdoor Perimeter Protection and an unfavourable product mix. Net cost items affecting comparability amounted to MSEK 243 (cost 205), of which stock write-downs amounted to MSEK 63 as a consequence of among other factors in-depth stock analyses and the ongoing integration process, product consolidation and a further review of the product range. Over and above this, net costs associated with the Gunnebo One Company integration project amounted to MSEK 119 (37) after capital gains of MSEK 39 on a property sale in Spain. The cost of a factory closure in Spain and other remaining costs associated with the restructuring of production amounted to MSEK 61 net after capital gains of MSEK 28 on property sales in Canada and India.

The total cost of the integration programme was originally estimated at some MSEK 185, of which costs to date have amounted to MSEK 156. It is estimated that since the remaining costs in France will largely be offset by capital gains on property sales, the integration programme, including property sales, will have no cost effect on the result for the year 2007. The annual savings resulting from the integration project are estimated at around MSEK 90, of which some MSEK 60 is expected to arise in 2007.

The operating result including items affecting comparability was a loss of MSEK 27 (profit 103). This figure includes depreciation according to plan of MSEK 136 (134).

Net financial costs amounted to MSEK 89 (cost 70).

The result after financial items but excluding items affecting comparability was a profit of MSEK 127 (238); including these items, the result was a loss of MSEK 116 (profit 33). Currency effects and acquisitions had a marginal impact on the result.

The tax cost amounted to MSEK 12 (130). As the conditions necessary for stating deferred tax receivables attributable to losses incurred in certain countries cannot yet be deemed to exist, a tax charge will arise for the year.

The result after tax was a loss of MSEK 128 (loss 97).

Investments

Investments in tangible fixed assets, excluding company acquisitions, amounted to MSEK 110 (141). Divestment of tangible fixed assets, mainly property, has amounted to MSEK 129 (5).

Product development

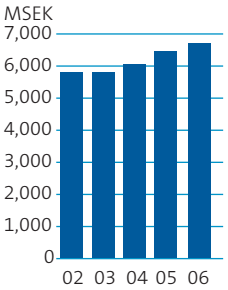
Group expenditure on developing and supporting existing product programmes, and on developing brand new products in existing or new market segments, totalled approximately MSEK 100 (80), of which MSEK 0 (12) was set up as an intangible fixed asset in the balance sheet during the year.

Cash flow

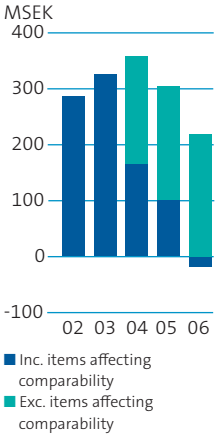
The cash flow from current operations amounted to MSEK 33 (22), of which restructuring costs affecting the cash flow amounted to MSEK 143 (189).

The operating cash flow after deduction of investments, but before interest, paid tax and restructuring costs, deteriorated to MSEK 196 (325). Capital tied up in stocks declined by MSEK 27, while operating receivables increased by MSEK 138.

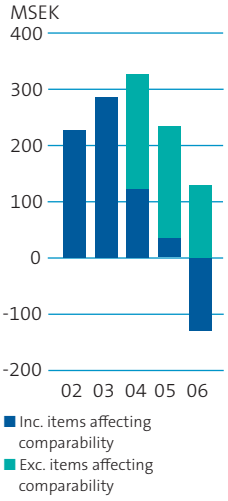
INVOICED SALES



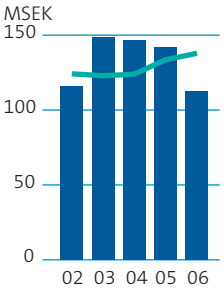
OPERATING RESULT



RESULT AFTER FINANCIAL ITEMS

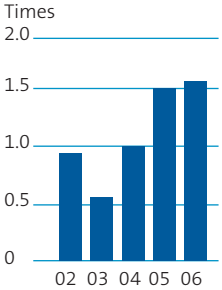


INVESTMENTS AND DEPRECIATION



Investments
Depreciation exc. goodwill

DEBT/EQUITY RATIO



New organisation as of 1 January 2006

To integrate Gunnebo's various security solutions into a coordinated offering for each customer category the Group was reorganised at the end of 2005, and the new organisation came into effect on 1 January 2006. The Group's customers are now served by a single Customer Centre in each country where Gunnebo already had a market presence through own subsidiaries. Systems and product development, production and logistics are administered from six Competence Centres.

Liquidity and financial position

The Group's closing liquid funds amounted to MSEK 193 (end of 2005: MSEK 169).

Net debt amounted to MSEK 1,673 (end of 2005: MSEK 1,763).

The equity ratio was 22 per cent (25), and the debt/equity ratio was 1.6 (1.5).

Company acquisitions

Aysec Oy, a Finnish company specialising in entrance security with a focus on entrance control systems for gates and doors, as well as entrance/access control systems, was acquired in 2006. Aysec has a turnover of MSEK 24 and 11 employees. Further information in accordance with IFRS 3 is provided in note 30.

Employees

The number of employees in the Group at the end of the period was 6,771, a reduction of 252 (end of 2005:7,023), of whom 6,292 (6,533) were employed outside Sweden. One of Gunnebo's two Vice Presidents left the company, and the other stepped down from his operative responsibilities, during the fourth quarter.

Remuneration to senior executives

At Gunnebo's Annual General Meeting on 30 March 2006, principles for remuneration and other employment conditions were decided upon for the President and other Group management members. Remuneration to the corporate management shall comprise fixed salary, performance-related pay, pension and other benefits. These components jointly make up the individual's total remuneration.

The fixed salary shall take into account the individual's areas of responsibility and experience, and shall be reviewed on an annual basis. The performance-related component is dependent on the individual's achievement of quantitative and qualitative goals. The President's performance-related pay may not exceed 50 per cent of the fixed salary. For other senior executives performance-related pay varies depending on position and contract, but may not exceed between 25 and

GROUP SALES BY MARKET, MSEK

	2006		2005		2004	
France	**1,719**	**26%**	1,736	27%	1,660	27%
Great Britain	**724**	**11%**	698	11%	633	10%
Germany	**648**	**10%**	668	10%	713	12%
Spain	**575**	**9%**	534	8%	468	8%
Sweden	**403**	**6%**	373	6%	359	6%
Italy	**260**	**4%**	264	4%	232	4%
Denmark	**238**	**4%**	237	4%	227	4%
The Netherlands	**234**	**3%**	207	3%	206	3%
Belgium	**191**	**3%**	217	3%	201	3%
Canada	**163**	**2%**	153	2%	156	3%
Norway	**161**	**2%**	188	3%	156	3%
India	**142**	**2%**	134	2%	144	2%
Indonesia	**138**	**2%**	145	2%	132	2%
Others	**1,131**	**16%**	923	15%	799	13%
Group total	**6,727**	**100%**	6,477	100%	6,086	100%

50 per cent of fixed salary. For other conditions, please see Note 31.

Per share data

The loss per share after dilution was SEK 2.90 (loss 2.20). Excluding items affecting comparability, earnings per share amounted to SEK 1.85 (3.75). Equity per share after dilution amounted to SEK 24.30 (end of 2005: SEK 29.30).

The company had 9,600 shareholders (10,100) at the end of the period.

Dividend proposal

It is proposed to pay an unchanged dividend of SEK 1.60 per share (1.60). The proposed dividend pays due consideration to the fact that certain costs in 2006 are of a one-off nature and that operating result for 2007 is expected to represent a significant improvement on the 2006 figure.

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, IT, logistics, communication and environmental issues.

Accounting principles

As of January 1 2005, Gunnebo applies International Financial Reporting Standards (IFRS). Up to and including 2004, Gunnebo applied the recommendations of the Swedish Financial Accounting Standards Council.

Gunnebo has re-calculated historical information from January 1 2004. As of 2006, a number of new or amended standards have come into effect, none of which have resulted in any significant changes in the Group's accounting principles. A summary of the most important accounting principles is provided in Note 2.

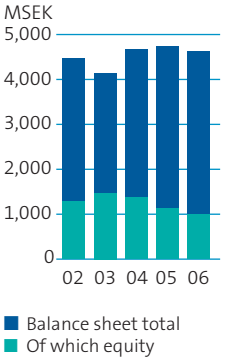
Financial targets

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

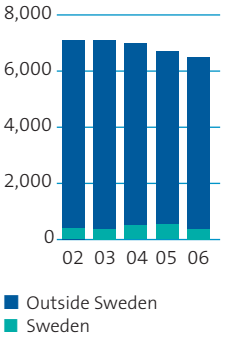
Outlook for 2007

The consolidated operating result is expected to be significantly better than the previous year's result, but in the light of developments in 2006 and a slight delay to the Gunnebo One Company integration project it is estimated that it will not be possible to achieve the company's long-term financial targets in full during the 2007 financial year.

BALANCE SHEET TOTAL AND EQUITY



NO. OF EMPLOYEES AT YEAR-END



INVOICED SALES, OPERATING RESULT AND OPERATING MARGIN BY BUSINESS LINE, MSEK

	Invoiced sales		Operating result		Operating margin, %	
	2006	2005	**2006**	2005	**2006**	2005
Bank	**2,282**	2,171	**175**	179	**7.7**	8.2
Retail	**714**	667	**-20**	21	**-2.8**	3.1
Site Protection	**2,736**	2,702	**31**	108	**1.1**	4.0
Secure Storage	**995**	937	**88**	67	**8.8**	7.2
Central items	**–**	–	**-58**	-67	**–**	–
Total before items affecting comparability	**6,727**	6,477	**216**	308	**3.2**	4.8
Items affecting comparability	**–**	–	**-243**	-205	**–**	–
Group total	**6,727**	6,477	**-27**	103	**-0.4**	1.6

An efficient cash handling.

A safer bank.

Business Line Bank

Business Line Bank encompasses Gunnebo's entire security offering to banks and other financial institutions. The aim is to equip these customers in the best possible way with optimal security solutions which include secure storage, banking automation systems, access and entrance control systems, CCTV, burglar and fire alarms, site protection, and installation and service.

The Group has had a locally and nationally strong position on the European banking market for many years through its acquired subsidiaries. Over the past 12 years, the Gunnebo Group has achieved a collective market-leading position for security systems, products and service for banks primarily in Europe, through acquisitions and organic growth.

In addition, Gunnebo has leading market positions in the banking sector in India, Indonesia, South Africa and Canada.

Trends and Gunnebo's offering

High security combined with large flows of money. This is what the 150,000 bank branches in Western Europe are looking for. It is also what Gunnebo's offering is based on: delivering customised, integrated security solutions which optimise efficiency for bank customers, while at the same time providing a safe and secure environment for personnel.

Modern bank users place high demands on accessibility. Not only do they want to be able to withdraw money at any time, but also make deposits, change money and access their safety deposit boxes round the clock. Meanwhile, the banks themselves require increasingly high security when it comes to monitoring, handling valuables, money and access to bank premises.

Traditional bank products

Traditional bank products in the shape of general and fire-resistant safes, vaults, vault doors and safety deposit boxes still represent important products for bank customers. At the same time other product groups are growing strongly, in particular various solutions for bank automation which has undergone major changes in recent years.

Self-service

Many banks in Europe now offer money-walls, a type of round-the-clock banking service in the branch's lobby. Gunnebo can now offer a wide range of self-service systems for depositing and withdrawing notes and coins. An innovative software solution, SafeControl, then makes it possible for the bank to connect all the equipment in a self-service system which among others streamlines and secures procedures for cash management, for instance.

Surveillance

Gunnebo's advanced solutions for access control, CCTV and electronic alarms prevent and register unauthorised entry of the bank. These systems can be tailored, and they efficiently integrate the bank's various security solutions into one application.

Market development and sales

Business Line Bank's markets for traditional bank products such as vaults, vault doors, safe deposit lockers and high-graded safes, as well as for automated banking services, made further good progress.

During the year, a large automated safe deposit box system was completed in Switzerland, and an order was received from a bank in Spain for the largest system of its type consisting of 2,500 safe deposit lockers.

Through its agent in China, Gunnebo Singapore delivered the first electronic safe deposit box system - with 1,500 boxes – to Industrial Bank of China.

Business Line Bank	2006	2005
Invoiced sales, MSEK	**2,282**	2,171
Operating result*, MSEK	**175**	179
Operating margin*, %	**7.7**	8.2

* Exc. items affecting comparability

PERCENTAGE OF GROUP SALES

Bank, 34%

SALES BY PRODUCT CATEGORY

- Secure Storage, 28%
- Service, 26%
- Electronic Security, 18%
- Cash Automation, 16%
- Entrance Control, 8%
- Other, 4%

Other Gunnebo cash-handling and deposit systems have also done well on their markets, with substantial orders being received from France, Poland, Russia, England and the Netherlands.

Traditional bank products such as vaults, vault doors, and high-graded safes have also been doing well on the market. During the year, large orders were booked for the rebuilding and modernisation of bank branches in Spain, vaults in Great Britain, safes in Denmark, and further orders for doors and vaults were received from agency markets in the Middle East.

The merger of two banks in France during the first half of the year reduced the rate of capital expenditure on Gunnebo's largest individual market. This was to some extent offset by a large order for security doors from BNP Paribas, upgrading the security level of all doors into high-security areas as a consequence of tighter security legislation. Other French banks can be expected to follow suit.

Outside Europe, Business Line Bank made good progress during the year. This is particularly the case with agency markets in the Middle East and Africa, as well as with Gunnebo's own companies in Indonesia, Canada and South Africa.

Product development

During the year Gunnebo's products have been certified by French Logigab for integration between bank automation machines and the bank's transaction system. This will generate new business opportunities for products such as the SafeBag and SafeCash ranges.

Product sourcing

The integrated system solutions which Gunnebo sells in Business Line Bank mainly come from the Cash Automation, Electronic Security, Secure Storage and Entrance Control Competence Centres.

The Competence Centres are responsible for

"New ideas, i.e. the development of new products, are very important to our bank and this is where I think Gunnebo has been successful. It has been interesting to follow the company's development from a heavy manufacturing company to a high-tech supplier while managing to maintain excellent traditional bank security."

Klaus Link, Head of German Volksbank Main-Taunus eG

product development, production and purchasing. Gunnebo's production facilities for products in the security offering to the Bank sector in Europe and Canada are located in Spain, the Netherlands, France, Sweden, Germany, the UK and to some extent in India and Indonesia. Products sold on the Indian and Indonesian markets are primarily produced locally, as is the case with products sold in South Africa.

Result 2006

Business Line Bank increased its sales for the year as a whole by 5 per cent. The operating margin was 7.7 per cent (8.2). The result was favourably affected by the higher sales, but this was offset by startup costs for the new organisation.

Market position

Gunnebo has significant market shares on the European bank security market, particularly in the areas of note and coin management, electronic security solutions and secure storage, such as safety deposit boxes, vaults and high-graded safes and doors.

Outlook

The market for automated banking services has developed well in Europe, while conventional bank products have shown weaker development. On Gunnebo's other main markets – India, Indonesia, South Africa and Canada – and on agency markets, demand both for security products and integrated systems has been good. This trend is expected to continue over the next few years. The market is characterised by a few large, international players and many smaller, local companies that mainly operate on their home market.

Gunnebo is one of the few security groups able to offer the bank market complete, integrated security solutions and the requisite service.

COMPETITORS

There are not currently many players on the market offering complete security solutions to this customer segment, which is why Gunnebo has divided its competitors into three categories: Note and coin management, Electronic security solutions and Secure storage.
The main competitors in each area are:

- Note and coin management: CT Coin, DeLaRue, Diebold, HESS, Keba, NCR, REIS, Robur, Scan Coin and Wincor Nixdorf.
- Electronic security solutions: G4S, Securitas, Siemens, Tyco and United Technologies
- Secure storage: Bausa, Dudley, Ferrimax, Format, Håbeco, Lampertz and Robur

An efficient
flow of goods
and cash.

A secure store.

Business Line Retail

Business Line Retail offers products and solutions in order to equip the Group's retail customers in the best possible way with optimal security solutions. These include secure storage, systems for completely closed cash handling (SafePay™), electronic article surveillance systems, access and entrance control systems, CCTV, burglar and fire alarms, and installation and service.

Retail is Gunnebo's single largest growth area. The level of security in the sector is generally low, while at the same time a lot of cash handling previously carried out at banks now takes place in the retail sector. In 2006, the segment accounted for 10 per cent of the Group's total sales, a figure that is expected to increase in the years to come.

Trends and Gunnebo's offering

High security combined with large flows of goods and money. This is the essence of Gunnebo's offering to the retail sector: delivering customised, integrated security solutions which make the retail environment a safer workplace, while enabling extensive savings thanks to reduced losses and more effective working methods.

Retail is an area where security demands are constantly increasing, for several reasons. Many stores handle large amounts of cash and are in acute need of solutions that reduce the risk of robbery.

In addition, the retail sector loses large sums each year through various types of loss, a trend which is still showing a negative development.

Another important incentive for stores to invest in new security solutions is to reduce overheads. To decrease losses and reduce the risk of robbery and theft in the retail sector Gunnebo has developed systems for closed cash handling, alarm systems for various sections in stores, CCTV surveillance, safes, entrance and access control, and service and support.

Closed cash handling

An important component in Gunnebo's security offering to the retail sector is SafePay™, the closed cash handling system. The system reduces the risk of robbery because money is securely stored from the moment it is fed into the system by the customer or checkout staff. Any cash which is not re-used is immediately stored in an intelligent deposit unit (IDU). This is emptied at the end of the day into a SafePay cash transfer unit (CTU) – a high-graded safe which is then emptied by the CIT- company. The system has built-in authentication, can be programmed to accept several currencies and can easily be linked to various systems for self-scanning products, which also reduces store overheads. Together with the SafeControl software, the store is provided with effective support to optimise its cash management.

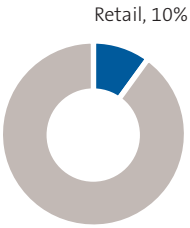
Electronic article surveillance

Gunnebo is currently one of a small number of companies in the world to develop and sell electronic article surveillance solutions based on all three available technologies: acousto magnetic (AM), radio frequency (RF) and electro magnetic (EM). The offering also includes combined solutions involving various technologies. Electronic article surveillance effectively helps prevent losses, and surveys show that a store that has invested in a good alarm system can halve all losses caused by customers.

Surveillance

Gunnebo's solutions for access control, CCTV and electronic alarms effectively prevent and register threats to store security. These systems can be tailored and integrated into one application.

PERCENTAGE OF GROUP SALES



SALES BY PRODUCT CATEGORY

- Secure Storage, 24%
- Service, 22%
- Electronic Article Surveillance, 15%
- Electronic Security, 12%
- Cash Handling Systems, 9%
- Entrance Control, 7%
- Deposit Systems, 6%
- Other, 5%

Business Line Retail	2006	2005
Invoiced sales, MSEK	**714**	667
Operating result*, MSEK	**-20**	21
Operating margin*, %	**-2.8**	3.1

* Exc. items affecting comparability

"It didn't take long for me to realize that to choose Gunnebo Gateway as supplier was a correct decision, not only because the results that we have got in Brazil but also because their products became referenced for the company in Europe. Today we proudly point out that a solution initiated by FNAC's operations in Brazil also has been implemented for FNAC in France, Greece, Italy and Portugal."

Marco Aurelio Moschella, Director of IT, Logistics and Security, FNAC Brazil.

Market development and sales

The security market in the retail sector is characterised by high growth potential and a low level of security. Gunnebo - primarily in Europe - can now offer this customer category integrated security solutions for the safe handling of cash and merchandise as well as surveillance and entrance and access control systems.

SafePay™, which is the only fully closed and secure system on the market for efficient cash handling, experienced some technical problems in production at the beginning of the year. These problems have now been overcome but they resulted in a low installation rate during the first half of the year. The order intake for the period as a whole exceed last year's.

During the period the largest installation yet for a single store was ordered by and delivered to Norway's Smart Club. In Austria the SPAR retail chain ordered SafePay units, and their installation in self-service checkout counters has begun. Tests in SPAR outlets began in the spring of 2005, and SafePay has now been approved for self-service checkout counters with exceptionally high demands for reliability, verification of authenticity, and security. During the period, orders were also booked from retail chains in the Netherlands, Belgium, Germany, Austria, Norway, Denmark and Sweden.

During the period, key orders were booked for electronic article surveillance systems in England, Russia, Portugal, Brazil and Spain. The market for surveillance systems for the retail sector has considerable development potential. During the period, Gunnebo received an order worth more than MSEK 21 from France for the installation of CCTV surveillance in Decathlon sporting goods stores. The French Decathlon chain had previously purchased security equipment from Gunnebo in the form of safes and remote-controlled surveillance systems.

Product development

Development of the SafePay closed cash handling system is continuing. A new note reader was developed during the year with increased capabilities for

"The installation of SafePay offers high security while also enabling us to rationalise cash handling. The system also saves our checkout personnel time as they no longer need to cash up at the beginning and end of a shift. Working off a central checkout makes sense, and at the end of the day all the cash is emptied into a special central bag in the cash transfer unit (CTU) for safe overnight storage. Using the system also eliminates cash differences, which can give rise to mistrust among personnel and colleagues.".

Vegard Carlsen, Head of security at Smart Club AS – a subsidiary of the CG Holding Group which operates in trade, industry, storage and travel.

accepting several currencies and further improvements in authentication. In addition the closed SDU (Secure Deposit Unit) has been launched. The unit is a recirculating system and includes dye protection for added security during transit from the checkout to the cashiers' office. As before the system can accept Swedish, Norwegian and Danish kronor, euros and pounds sterling, and is now also set up to accept Canadian dollars.

Three new electronic article surveillance products have been launched during the year: RF mono-antenna Powergate, a broader AM antenna optimised for large entrances, Stargate Plexi XL, and Designergate with metal detectors that can sense whether someone entering a store is carrying a lot of metal. If so Designergate emits a silent alarm to personnel, who can be extra vigilant.

Product sourcing

The integrated system solutions which Gunnebo sells in Business Line Retail mainly come from the Cash Automation, Electronic Security, Secure Storage and Entrance Control Competence Centres. Products in the Retail range are produced in Spain, the Netherlands, France, Sweden, Germany and Italy.

Result 2006

Business Line Retail's sales for the year as a whole increased by 7 per cent. However, its margins are still negative, mainly owing to further market investments and a substantial bad debt in England.

Market position

Retail is Gunnebo's largest potential growth area, and the Group can currently offer complete security systems in electronic article surveillance, integrated and completely closed cash handling systems, electronic security systems in the form of alarms and CCTV, and secure storage in safes.

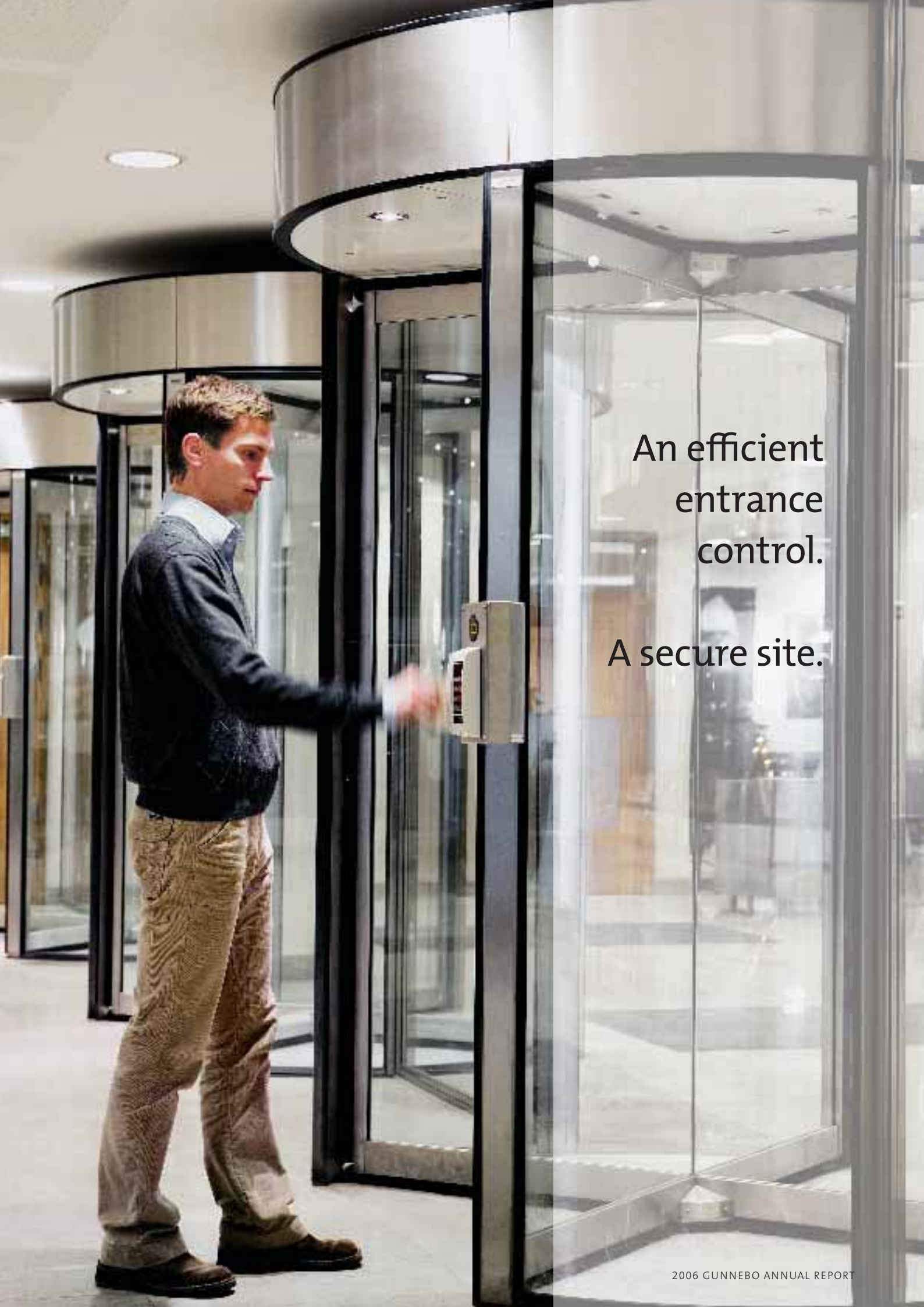
Outlook

Demand for increased security in the retail sector is growing strongly as cash handling is increasingly transferred from banks to the retail sector. The number of notes and coins is growing continuously, by a couple of percent in Europe and by far higher figures in Asia and Eastern Europe in particular.

COMPETITORS

At present only a few players on the market can offer complete security solutions for the retail sector. Gunnebo has decided to divide its competitors into four categories: Electronic article surveillance, Integrated cash handling systems, Electronic security and Secure storage/locks. The main competitors in each area are:

- Electronic article surveillance: Checkpoint, Nedap and Sensormatic
- Integrated cash handling systems: CashGuard
- Electronic security solutions: G4S, Securitas, Siemens, Tyco and United Technologies
- Secure storage/locks: Dorma, Dudley, Ferrimax, Format, Habeco, Kaba, Lampertz and Robur



An efficient entrance control.

A secure site.

Business Line Site Protection

Business Line Site Protection encompasses Gunnebo's security offering for buildings and installations that require high-grade security – besides banks and retail – such as embassies, airports, military bases, prisons and seaports. Other sites which require strengthened perimeter protection include logistics centres, food production facilities, the automotive and the processing industry.

Gunnebo is one of Europe's leading suppliers of outdoor and indoor perimeter security. The security solutions include products for indoor 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.

Trends and Gunnebo's offering

Gunnebo's customers in the Site Protection segment demand high security combined with large flows of people and goods.

The Group's product range for site protection and access control ranges from individual products, to integrated security solutions adapted to the specific needs of each customer. All companies – whatever their business – need to regulate or control the flow of people or vehicles to secure their outdoor and indoor perimeter protection.

High-risk facilities and office complexes alike need to protect their possessions and personnel against unauthorised access. The altered threat situation in the world in recent years has increased interest among high-risk establishments in strengthening their perimeter protection and identifying visitors, a development which has also been driven by national and international legislation.

Gunnebo offers outdoor perimeter security such as gates, fencing, road blockers, CCTV and alarm systems, which help prevent unauthorised access by people and vehicles, as well as security gates and various access control systems, alarms and CCTV to secure indoor environments, along with installation and service.

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.

"Seaports are subject to stresses from severe weather and heavy traffic. To maintain a high level of security it is important for us to have good, long-term relations with our suppliers. Gunnebo offers a good level of service and high-quality installations. I'm very pleased with our collaboration with Gunnebo."

Lars Pålsson, Head of security at Stena Line AB

PERCENTAGE OF GROUP SALES

Site protection, 41%

SALES BY PRODUCT CATEGORY

- Outdoor Perimeter Security, 33%
- Indoor Perimeter Security, 19%
- Entrance Control, 19%
- Electronic Security, 16%
- Service, 9%
- Other, 4%

Business Line Site Protection	2006	2005
Invoiced sales, MSEK	**2,736**	2,702
Operating result*, MSEK	**31**	108
Operating margin*, %	**1.1**	4.0

* Exc. items affecting comparability

Market development and sales

For seasonal reasons, the business line normally experiences an irregular pattern of demand – weak during the first six months much stronger in the second half of the year.

One business unit that has enjoyed buoyant markets is the unit for entrance/access control systems, particularly for the Metro segment, which has booked significant orders from South Korea, Turkey, Australia, Russia, Canada and Finland. The nuclear power station and prison segments experienced strong markets, mainly towards the end of the year, in France, Sweden, Canada and the the Netherlands. In Sweden, for example, Gunnebo has installed high-graded security systems at the Oskarshamn and Studsvik nuclear power stations in the form of total outdoor perimeter protection, including fences, gates, barriers, CCTV and various types of alarms, access and entrance control systems etc.

Examples of integrated systems for high-security projects include Barcelona Biomedical Research Park, Ericsson's new office in Paris, a research establishment in Switzerland, and Arlanda and Hamburg airports. Gunnebo Germany has delivered to Hamburg Airport two specially designed gates with openings of 85 and 60 metres respectively for the safe taxiing of the new double-decker A380 Airbus from the illuminated taxiway area into the hangar area.

Gunnebo Troax has responsibility for the development, manufacture and sale of indoor perimeter products in the form of wire mesh partitions, machine protection, and patented locking

devices, mainly for the manufacturing sector and building industry, as well as for logistical centres. Gunnebo Troax has been doing well on its markets, especially in Sweden, Denmark, the Netherlands and Spain, whereas its performance was slightly weaker on its markets in Belgium, Switzerland and France.

Product development

During the year, a brand new mobile, container-based road blocker has been produced. The innovation has been developed in collaboration with German company Drehtainer, which specialises in manufacturing bullet and explosion-resistant containers. The product has been specially designed for military use and can therefore be deployed to troubled areas around the world.

Product sourcing

The integrated system solutions which Gunnebo sells in Business Line Site Protection mainly come from the Outdoor Perimeter Security, Indoor Perimeter Security, Electronic Security and Entrance Control Competence Centres. The Competence Centres are responsible for product development, production and purchasing.

Products in security solutions for Site Protection are produced in Germany, France, the UK, Italy and Sweden. Products used in fire protection solutions in India and Indonesia are produced locally.

Result 2006

Business Line Site Protection's sales increased by 1 per cent over the year. The operating margin deteriorated to 1.1 per cent (4.0). The deterioration is mainly due to a weaker performance in France, and to some large bad debts. The business line was also affected by an unfavourable product mix and higher raw material prices not being fully compensated.

Market position

Gunnebo has a leading position on the European market for both outdoor and indoor perimeter security. The market can be divided into three categories: Access and entrance control, Fencing and gates, and Electronic security solutions.

Gunnebo is one of the three leading international companies worldwide in access and entrance control and has significant market shares on all continents. It has a very strong position particularly in the metro segment and in entrance security for airports and seaports, for example.

"We describe exactly what each solution needs to do and the security requirements we place on them.

This is an important process for us as we need to make sure that we really end up with a facility that can be used for its intended purpose, and that the people working here can handle the equipment. We are very pleased with Gunnebo Nordic as a supplier of outdoor perimeter security for our new state prison in Jutland, Denmark."

Erik Bang, New build project manager, Danish Prison and Probation Service

Outlook

The development of conventional perimeter security in Europe in the form of fencing and gates has been characterised by poor development, while the market for more sophisticated integrated security solutions with alarms for seaports, airports and prisons, for example, has shown better development. This trend is expected to continue over the coming year.

COMPETITORS

Gunnebo has decided to divide its competitors in Site Protection into three categories: Access and entrance control, Fencing and gates, and Electronic security solutions. The main competitors in each area are:

- Access and entrance control: Automatic Systems, Boon Edam, Kaba, Horton and Magnetic Autocontrol
- Fencing and gates: Bekaert, Betafence, B&G, CRH and Dirickx
- Electronic security solutions: G4S, Rentokil Initial, Securitas, Siemens, Tyco and United Technologies

THE SITE PROTECTION BUSINESS LINE MAINLY FOCUSES ON THE FOLLOWING CUSTOMER GROUPS:

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

A secure storage.

A safer office.

Business Line Secure Storage

Business Line Secure Storage encompasses Gunnebo's sales of safe products to customers other than the banking and retail sectors. The product portfolio includes high-graded fire and burglary-resistant safes.

Through three major acquisitions – Rosengrens (1994), Fichet-Bauche (1999) and Chubbsafes (2000) – Gunnebo has attained a prominent position on the global market for high-graded fire and burglary-resistant safes.

The safes are sold under the Chubbsafes, Fichet-Bauche and Rosengrens brands as well as the relatively new SecureLine brand developed by Gunnebo. The brands are positioned differently from market to market with the exception of SecureLine, which always focuses on the SoHo segment – small offices and home offices.

Trends and Gunnebo's offering

All companies and organisations, irrespective of size and area of operation, need to protect important documents, valuables and data media against fire and theft. Invaluable information can be destroyed through fire and theft, which can risk an operation's very survival.

Gunnebo has a wide range of secure storage solutions. The choice of safe depends on the items to be stored and the level of protection required.

Document safes provide effective protection for documents against fire, while heat-sensitive data media which can be damaged at temperatures as low as 55° C should be stored in a data media safe.

A company's more theft-prone valuables can be protected in a safe which effectively prevents unauthorised access and fire damage. All safes can be fitted with key locks developed by Gunnebo or electronic high-security locks.

Our quality requirements are extremely high, which is why we only use well-established test institutes which are considered amongst the world's most exacting. The majority of products sold by Business Line Secure Storage are graded, i.e. tested and certified to ensure they fulfil best-known norms of the Swedish National Testing and Research Institute, the European Certification Board and Underwriters Laboratories (UL), for example.

The tests for burglary resistance are truly comprehensive, and use a combination of various highly effective burglary tools. The fire protection tests are highly advanced, exposing our safes to very strong fire, high drops and shock tests. The locks on Gunnebo's safes are also subjected to tough manipulation tests.

Market development and sales

Business Line Secure Storage experienced favourable conditions on its markets during the period, especially in the case of high-graded safes for ATMs. Thanks to the completion of rationalisation measures in production and higher sales, the remaining production units experienced a high level of capacity utilisation during the period.

A decision was made at the end of the year to discontinue the manufacture of safes at the factory in Granollers, Spain, in 2007. Some production will be relocated to Gunnebo's factory in Bazancourt, France, and some to the factory in Jakarta, Indonesia.

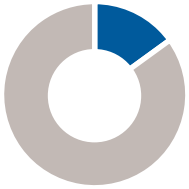
Several substantial OEM orders have been booked for high-graded safes for ATMs. Orders for data media safes have been booked on several markets, including the Netherlands, Sweden, England and Spain, as well as from a number of agency markets, especially in the Middle East.

The Business Line's agency markets, especially those in the Middle East and Russia, have developed very well.

Apart from its strong position on the market for high-graded fire- and burglary-resistant safes, Gunnebo has in recent years also launched safes under the SecureLine brand name that provide

PERCENTAGE OF GROUP SALES

Secure Storage, 15%



SALES BY PRODUCT CATEGORY

- Burglary-resistant safes, 36%
- Fire-resistant safes, 30%
- Service, 11%
- Vaults, vault doors and safety deposit robots, 7%
- SecureLine, 4%
- Other, 12%

Business Line Secure Storage	2006	2005
Invoiced sales, MSEK	**995**	937
Operating result*, MSEK	**88**	67
Operating margin*, %	**8.8**	7.2

* Exc. items affecting comparability

COMPETITORS

The secure storage market is highly fragmented with many small, local players. The main competitors on the market are: Dudley, Ferrimax, Format, Håbeco Lampertz, Kaba, Robur and Wertheim.

a lower security level for small offices. This new venture, which is mainly handled by agents/distributors, by online sales or through DIY stores, developed well during the period.

Product development

During the year, the competence centre has started to turn each plant into excellence centres, this will result in a narrower product assortment per plant, imposing higher quality and innovation as two of the main drivers. Already a new platform for light burglary safes, which is the volume segment of safe business, has started to be rolled out.

Locks are another product category marketed and sold by Secure Storage. During the year Gunnebo has launched a new electronic lock for lower security grades to offer customers a total solution for graded safes.

Product sourcing

The integrated system solutions which Gunnebo sells in Business Line Secure Storage mainly come from the Competence Centre of the same name – Secure Storage. The Competence Centre is responsible for product development, production and purchasing. Production for Secure Storage takes place in Sweden, France, the Netherlands, South Africa, Spain, India and Indonesia.

"From the beginning the project on the new extension of AP7, one of the busiest highways in Europe, was designed to be a showcase and will integrate a 360-degree security overview. Gunnebo Spain – who among others installed nine tolls with safes and mechanical deposit systems - showed that they can listen, propose, compete and deliver with an outstanding knowledge background."

Engineer Carmen Monteshernandez, Project manager at Fomento de Construcciones S.A.

Result 2006

Business Line Secure Storage increased its sales by 6 per cent during the year and its operating margin improved to 8.8 per cent (7.2).

This favourable trend is mainly due to the structural changes made in production over the past few years, which have resulted in a much improved cost structure and higher capacity utilisation, as well as to higher invoiced sales.

Market position

Gunnebo has a leading position on the global market for high-graded safes, a position the Group intends to maintain and consolidate. The market is still fragmented with many small, local players and some low-price competition from Eastern Europe and Asia.

Outlook

Developments in Europe in recent years have been characterised by a shift away from high-graded, and therefore more expensive, safes to cheaper low-graded or unclassified safes. This is a result of the declining number of bank branches in Europe, combined with increasing secure storage needs in retail, small offices and home offices.

Developments on other markets – Canada, South Africa, India, Indonesia and around 100 agency markets – indicate a strong or very strong increase in demand for secure storage products and systems.

These trends are expected to continue over the next few years.

GUNNEBO BRANDS WITHIN SAFE STORAGE:

Chubbsafes

– Trusted the world over

Chubbsafes is a leading international brand – "Trusted the world over" – offering storage solutions for cash, valuables, data media and documents.

Chubbsafes has sold safes and other products for secure storage for over 200 years. Today the brand is a leader on the UK, Canadian and South African markets for private individuals and companies.

Chubbsafes was acquired in 2000.

ROSENGRENS

– We stand by you

It all began with a safe in a foundry in Göteborg in 1847. A lot has happened since then and Rosengrens has developed from a company with traditional security products to one which offers more functional, complex systems solutions for secure storage.

The brand is primarily marketed to other companies, and is today a leader on the Northern European market for secure storage.

Rosengrens was acquired in 1994.

Fichet-Bauche

- The experience of a renowned name

Ever since Frenchmen Alexandre Fichet and Auguste-Nicolas Bauche founded Fichet-Bauche in the early 19th century, the brand has been synonymous with security. Fichet-Bauche has created an offering based on providing its customers with the best possible security.

Fichet-Bauche has a very strong position in Southern Europe and is represented in over 80 countries. Over half the brand's turnover comes from international sales outside France.

Fichet-Bauche was acquired in 1999.

SecureLine

- Security where it matters most

SecureLine offers physical security products for home and office environments. SecureLine boasts a wide range of models to suit most applications.

The product portfolio includes burglary-resistant safes, fire-resistant safes and data media safes. With a worldwide presence, SecureLine has an international product portfolio with many options for different applications. The brand was founded by Gunnebo in 2003.

Gunnebo and the environment

GROUP ENVIRONMENTAL OBJECTIVES

Gunnebo's operation shall be characterised by a holistic approach in which importance is given to environmental consideration. 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 management – an important part of our business

Our environmental management aims to contribute to sustainable long-term development, and partly takes the form of environmental goal-oriented activities at the production units. These include measures for reducing energy consumption, reducing the use of resources in general and providing good conditions for materials recycling.

Our environmental policy and the ethical rules established for the business play a guiding role in our day-to-day work. They emphasise that environmental management should aspire to high goals, and that adhering to environmental legislation should be the minimum requirement.

One important aspect of the environmental work is the introduction of environmental management systems at production units. A total of 13 of the Group's units are now certified, which means that the vast majority of our production now takes place at facilities that have introduced certified environmental management systems. The goal is for all production units to have certificated management systems by the end of 2007.

Good knowledge is a prerequisite for successful environmental work. During the past year, several different environmental training courses have been carried out at our units. The courses comprise basic training for our entire personnel, dealing with important topical environmental issues. Particular emphasis is paid to the individual unit's impact on the environment and the scope for improvement. Special training for environmental auditors and other key personnel has also been carried out during the year.

Our continued work to reduce our impact on the climate has included several measures to reduce energy consumption at the units, and to optimise our freight and passenger transport.

Environmental management – ISO 14001 at production units

The environmental management systems introduced at Gunnebo's production units form a vital part of the environmental work. The management systems ensure structured environmental management and provide the tools for monitoring the individual unit's environmental impact. Our internal requirement is that the environmental management systems that are introduced must be certified in accordance with the international standard ISO 14001. This requires, for example, the formulation of environmental objectives and suitable programmes which lead to increased efficiency and continuous improvements in the operation. The regular external audits, carried out by national certification bodies, are an independent control to ensure we operate in line with prevailing environmental legislation, and that we conduct responsible environmental work.

In 2006 we have come even closer to our goal of introducing environmental management systems that fulfil the requirements of ISO 14001 at all our production units. Two facilities have obtained certification in the past year which shows that the management systems introduced comply with the standard:

- Salzkotten, Germany, Outdoor Perimeter Security.
- Halol, India, Region Indian Ocean Rim.

The table below lists the certified units and the planned year for certifying the remaining units.

Competence Centre	Production unit	Certified
Secure Storage	Granollers, Spain	2003
	Doetinchem, The Netherlands	1999
	Bazancourt, France	2002
	Mora, Sweden	2000
Outdoor Perimeter Security	Salzkotten, Germany	2006
	Doulevant le Château, France	Planned 2007
	Ödeborg, Sweden	2005
Indoor Perimeter Security	Hillerstorp, Sweden	1998
	Kingswinford, UK	2005
Indian Ocean Rim	Bekasi/Jakarta, Indonesia	2004
	Halol, India	2006
	Chennai, India	Planned 2007
	Wadeville/Johannesburg, South Africa	Planned 2007

Competence Centre	Assembly unit	Certified
Cash Automation	Markersdorf, Germany	2003
	Trier, Germany	2004
Electronic Security	Baldenheim, France	2004
Entrance Control	Uckfield, UK	Planned 2007
	Lavis/Trento, Italy	Planned 2007
	Bedford, UK	Planned 2007

Climate work – more important than ever

During the past year there has been a continued prioritisation of work to reduce our impact on the environment. Several units have gauged their en-

"The major challenge implementing the certification was to educate everyone working in the factory and make them understand that also environmental questions are important, and sometimes we will have to change our working processes in order to do them in a more efficient and environmental friendly way. The certification is an important tool in the sales process while it ensures our customers that our products not contain substances that might have a negative impact on their working environment."
Gautam Mitra, Environmental manager at the factory in Halol, India

ergy use and then established action plans aimed at reducing energy consumption and, thereby, impact on the climate.

Video conferencing is already used wherever possible, and its use has continued to increase in 2006. This trend will also continue in 2007.

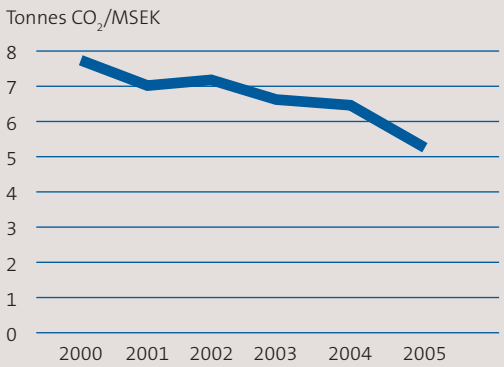
Gunnebo has taken part in Folksam's review of Swedish publicly listed companies' work on climate change for several years. The latest review had a slightly different focus and design to previous surveys. The amount of carbon dioxide emissions in relation to turnover, however, shows that the previous positive development of lower and lower values for these key figures is continuing within the Group.

Examples of environmental projects in 2006

Regular improvements take place at our various production units to reduce our impact on the environment and decrease the use of energy and natural resources. The investments made are often the result of goal-oriented environmental management at the various plants. Examples of projects in 2006:

- A new treatment plant for wastewater has come online at the plant in Halol, India, during the year. The plant is further reducing its emissions to water.
- In Hillerstorp, installation of a recycling system for ventilation air from the hardening furnace began during the year. The heat is used to heat wash and phosphatising baths. It will be possible to recycle a total of 1,400 MWh a year.
- Installation of a unit to mix mison gas, used as a protective gas during welding, has also begun at Hillerstorp. The new unit entails a reduction in the amount of transport to Hillerstorp and the elimination of handling gas cylinders.
- At the unit in Jakarta, Indonesia, new cooling towers were installed in 2006. These will reduce the unit's use of ammonia.
- In South Africa the unit in Wadeville has carried out energy-saving measures, including measures relating to pneumatic systems.
- At the plant in Doulevant le Château in France, buildings have been given additional insulation to reduce energy consumption.

CO_2 EMISSIONS IN RELATION TO TURNOVER



2005 is exc. Gunnebo Industries

PLANTS IN SWEDEN REQUIRED TO HOLD A PERMIT OR SUBMIT ENVIRONMENTAL REPORTS

The table below shows the Swedish plants that are covered by the demand to submit environmental reports or hold a licence.

Company	Statutory	Environmental impact takes the form of			
		Emissions into air	Emissions into water	Chemical products	Residual products
Gunnebo Troax AB, Hillerstorp	Licence		X	X	X
Gunnebo Protection AB, Ödeborg	Registration	X		X	X
Gunnebo Mora AB, Mora	Licence	X		X	X

The above units have the necessary licences or have submitted reports to the respective supervisory authority.

GROUP ENVIRONMENTAL OBJECTIVES

The main focus of our environmental work is steered by our environmental policy and the environmental goals established for the Gunnebo Group.

The overall environmental goals are based on knowledge of the individual operations' impact on the environment, which is partly obtained through the environmental systems that have been introduced. Each operation updates, evaluates and regularly reports the environmental impact it causes.

The overall goals stipulate the priority areas in which we shall improve our environmental performance. At local level, these goals are broken down into detailed environmental targets for the individual operation. The local goals are achieved through well-considered action programmes.

The Gunnebo Group's overall environmental goals are:

I. To optimise the use of energy and minimise the impact on the climate from our operation

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

III. To maintain effective sorting-at-source and recycling of materials, so that we can minimise the amount of waste that cannot be recovered

IV. To further develop our strategy for product development so that we take into account environmental aspects, such as energy consumption and the use of natural resources throughout each product's total life cycle

Gunnebo and quality

VISION

"We provide our customers with faultless, competitive products and services at the agreed time and Gunnebo's personnel are personally committed to maintaining a high level of quality. Our goal is for all work carried out relating to all services and processes to be correct from the start, both within and outside of the company. We shall continually improve by further raising quality awareness."

The new organisation introduced in the Group on 1 January 2006 has the customer in focus. In reality this means that all measures taken within the Group will be based on customers' needs and will result in satisfied customers. The aim of the processes in the field of quality is to create increased value for the Group's customers while achieving internal efficiency by minimising costs for shortfalls in quality.

Commitment essential to total quality

Gunnebo aims for its work on total quality to permeate all processes in the day-to-day operation. Control with a view to total quality is seen as a customer-driven process founded on the management's commitment at all levels.

The process also requires dedication from all the Group's co-workers, suppliers, dealers, representatives and distributors. This means that all employees must be informed about set goals, take responsibility and actively contribute to the Group's accomplishment of the overall goals.

The quality policy is founded on the Group's general business concept, vision, strategy, policies, goals, budget planning and business development.

Consequently, all quality measures in the Group must comply with the following guidelines:

- All activities in the Group must be encompassed by total quality
- The quality of products and services comprises all the functions and properties that are important in fulfilling the specific or implied needs of the Group's customers
- Operational quality work is carried out by the Group's local units and is co-ordinated by a network of quality managers
- The quality managers meet regularly to scrutinise, discuss and make decisions regarding processes, measures and future goals
- The members of this group shall maintain a continuous dialogue, and share knowledge and best practice

Quality systems, testing and control in production

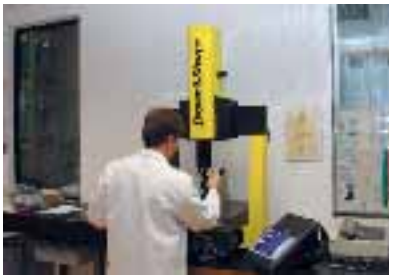
Gunnebo's units have generally worked in accordance with ISO 9001 for several years. Furthermore, the American UL quality standard has been introduced where necessary as has the Electrical Safety Test standard.

The quality process is very important in creating sustainable business development. Gunnebo's operations are led by a shared quality system, which partly encompasses uniform work models and a standardised level of quality.

In this context ISO 9001 certification is a minimum requirement and a powerful tool in driving continuous quality work focused on competitive

Operational quality work at Gunnebo: An example from Competence Centre Entrance Control. The products manufactured by Competence Centre Entrance Control undergo 11 internal quality checks in all. Gunnebo also stipulates that subcontractors must conduct quality checks prior to delivery, and we always carry out a final control of installed products. To illustrate this we have produced an example of the main stages of our quality flow for an underground transport barrier:

1. Final control prior to delivery carried out by Gunnebo's subcontractor.



2. Dimensional and geometric control of incoming goods to ensure they meet Gunnebo's specifications.

3. The tests on the gate mechanisms include a four-hour continuous function test to ensure the product corresponds to the customer's interface and functional technical specifications.

"All processes in an operation are included in the quality work. Working with quality is a challenge and an endeavour for all co-workers in the company. Above all it is a process that creates customer benefit."
Gabriel Zocca, Quality manager, Competence Centre Entrance Control

quality. Certification also helps weed out erroneous concepts that impair quality through activities that lack added value. Our customers are thereby guaranteed the same high level of quality and service, regardless of which part of the organisation carried out the work.

In order to fulfil customers' future demands, the Group's products and solutions are continuously being developed. All tests and controls are handled by the organisational unit responsible for the product, and all units have test and control mechanisms built into the production and purchasing processes.

In 2006 Gunnebo has developed and introduced a common Non-Conformance Reporting system for handling faults.

The information collected in the system is used as a basis for ongoing quality improvements and to enhance the processes. The system is also used as a performance indicator.

Product testing and control in practice

Many of the Group's integrated security solutions are classed as high-security products. This means the products have undergone some of the world's most comprehensive security tests. As there are no general standards for security classification, the Group has decided to apply the requirements from the institutes or customers that require the toughest tests as standard. Examples include Gunnebo's solutions for anti-terrorist protection, which are tested and certified by the US Department of State, and our high-graded products in Secure Storage, which are tested by bodies such as SP Technical Research Institute of Sweden and European Certification Board, Security Systems. Most products also undergo function tests during the product development process to ensure each product is optimised for its area of application.

Moreover, life cycle tests are carried out to guarantee that each product complies with our exacting standards for providing consistent functionality over a long period of time and for the safety of the user. One example is the extensive tests carried out within Outdoor Perimeter Security, where each product undergoes rigorous function and life cycle tests during the development phase.

THE GUNNEBO APPROACH TO TOTAL QUALITY

- Quality begins with the senior management
- Quality is about attitude, it is a constantly ongoing process and an issue of corporate conduct
- Quality entails zero tolerance for not getting it right first time
- All employees must be committed to the Group's endeavour to provide systems and solutions that correspond exactly to customer demands and which we have promised to deliver, and to ensure that systems and solutions are correct both on the first delivery and on all subsequent deliveries
- Quality entails suitability for the particular application, i.e. quality both in the design of the product and in its compatibility with the rest of the system
- Quality improvement entails reducing deviations in processes, production, products and service
- Quality improvement also entails eliminating waste
- Quality is far more than just certification

4. Final quality product review, which includes ensuring the dimensional, geometric and dynamic qualities as well as an instrument control using a mechanical gauge.

5. Control of the final package prior to delivery to the customer to ensure it conforms to the order specification.

6. Quality review of the installed gates prior to final delivery to ensure they fully conform to the quality and customer specifications.

Gunnebo's employees

EMPLOYEES BY COUNTRY

- France, 23%
- Indonesia, 15%
- India, 11%
- Germany, 8%
- Spain, 7%
- Sweden, 7%
- UK, 6%
- The Netherlands, 6%
- Other, 17%

"The major challenges are that we have to consolidate the organization and build up confidence; we have to prove that the major changes increase and create new business opportunities."

Helga Zelesny, HR manager Gunnebo Germany/Austria

In 2006 almost half the Group's 6,800 employees were given new or different duties, a new manager or new colleagues – and in many cases also a new workplace as a result of company mergers. All the changes took place within the framework of the Gunnebo One Company integration project.

As part of the comprehensive process of change known as Gunnebo One Company, priority has been given to clear goals, common values and attitudes to guide the Group's employees in their day-to-day work and decision-making in future. Competence development and communication are key tools in this work.

One of the aims of the Gunnebo One Company integration project has been to merge the units in each country. In some cases this has entailed a decrease in personnel, primarily in administration.

At the year-end Gunnebo had 6,771 (7,023) employees.

Competence development – a key to success

Gunnebo's 6,800 personnel around the world are crucial to the Group's success in realising its visions and goals. They are the people who, together, will create a truly integrated Gunnebo security group with shared values and a common culture. To succeed in its aim of becoming a preferred supplier of integrated security solutions to customers in the bank, retail and site protection sectors, as well as of secure storage and servicing, competence development is required at all levels.

2006 – a year characterised by competence development

In 2006 almost half of all personnel were given new or different work duties. As a result, much time has been devoted to competence development.

In addition, the Group's entire business process has changed in that the focus has shifted more towards sales of integrated system solutions, while ensuring a similar offering on all markets. Increased competence accordingly leads to more efficient sales processes, which in turn contribute to increased organic growth.

Gunnebo Academy – internal leadership training

Gunnebo Academy is the Group's leadership training programme. The programme began five years ago and is important in strengthening the corporate culture and developing personnel at different levels. Common denominators for the three academy programmes during the year have been the new organisation, network-building and Gunnebo's values.

Gunnebo Academy also aims to develop potential managers, strengthen competence in the Group and contribute to increased collaboration between the Group's various units.

At the end of the year a programme was initiated for Gunnebo's most senior management with the aim of further developing the Group's future strategy.

Training of union representatives

In 2005, Gunnebo AB took the initiative to train all union representatives on the boards of the Swedish companies in areas such as board work, communication, finance and economics, business intelligence and HR issues.

The aim of the training was to equip the union representatives on the boards with the skills to make it easier for them to participate in and influence board work. This training was completed in 2006.

External networks

Gunnebo collaborates with a number of international universities and colleges. As a large part of the Group's security solutions have a high level of technology, academic networks are an important asset in the ongoing process of further developing the Group's customer offering.

Communication – a strategic tool

Information and dialogue are important to ensure all personnel know what is happening in the Group and can be inspired by their colleagues around the world. The information also helps ensure that everyone feels involved and is striving towards the same goal, which is particularly important when the company is implementing major changes.

During the year Gunnebo has launched a Group-wide intranet as a basis for all internal communication. The intranet also enables collabo-

ration in virtual groups and makes it easy to share information and good ideas with colleagues in the rest of the organisation. Another important aspect of the Group's communication with personnel is the Group magazine Gunnebo Global, which is published in five languages.

Management survey

A Problem Detection Study was carried out during the spring, in which over 300 managers at different levels answered questions about the new organisation with the aim of identifying and ranking needs and potential improvements. The study revealed, for example, that 70 per cent of respondents are very positive about the new strategy and organisation, and that they find it easy to gain acceptance for the new organisation in their respective parts of the operation.

The study was the first of its kind in the Group, but the plan is to repeat it regularly to allow continual monitoring and evaluation of the activities generated by previous surveys, while identifying new questions and problems at an early stage.

Personnel turnover among the Group's 129 managers in senior positions has been some 10 per cent during the year.

Corporate citizenship

Gunnebo is an international group with operations in 25 countries. The Group's day-to-day corporate social responsibility efforts take place at the various units, where various local initiatives are taken each year. Gunnebo's Code of Conduct forms the basis for our corporate social responsibility and has its origins from UN´s Global Compact Principles and OECD Guidelines for Multinational Enterprises. It has been translated into many languages and is well-established in the Group. In addition, national rules and customer requirements are considered a minimum requirement.

Implementing the Code of Conduct has been a long-term process, and in recent years a lot of effort has been devoted to communicating and clarifying the code to all Group personnel. In several countries new recruits have signed the Code of Conduct alongside their employment contracts.

Global market presence calls for diversity

Gunnebo's global presence calls for diversity at all levels. The Group actively works to attract new employees with different backgrounds and skills. A corporate culture based on equal opportunities, where success is the result of individual performances combined with collaboration, is fostered throughout the Group.

Market conditions for pay levels

It is very important for Gunnebo, as an international employer, to apply internationally accepted models for pay and other benefits. This ensures that Gunnebo offers its employees generally accepted market conditions in countries where the Group is represented.

"Gunnebo's new organisation has resulted in synergies for management policy and processes; integration provides a better platform for cross-company initiatives such as training, consistent performance, improvement strategies and targets."

Victoria Bould, HR manager Gunnebo UK/Ireland

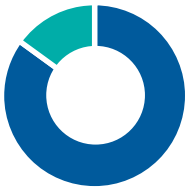
EMPLOYEES BY COMPETENCE CENTRE
Total 2,721

- Secure Storage, 55%
- Indoor Perimeter Security, 13%
- Entrance Control, 12%
- Outdoor Perimeter Security, 10%
- Cash Automation, 7%
- Electronic Security, 3%

EMPLOYEES IN CUSTOMER CENTRES BY FUNCTION
Total 4,050

- Service and Installation, 42%
- Site protection, 18%
- Internal Service & Support, 17%
- Bank, 11%
- Retail, 7%
- Secure Storage, 5%

EMPLOYEES BY GENDER



- Men, 85%
- Women, 15%

Risk management and sensitivity analysis

Given the international character of its business, Gunnebo is exposed to financial and other business risks. The financial risks are mainly linked to changes in interest rates and exchange rates, as well as refinancing and counterpart risks. Business risks primarily include operational and strategic risks, such as business environment risks, raw material risks, product risks and legal risks.

Financial risk management

The object of Gunnebo's financial activities is to minimise the Group's long-term financing costs and effectively manage and control its financial risks, changes in interest and exchange rates, as well as refinancing and counterpart risks.

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, deposits 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 unused 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 see Note 3 Financial risk management and financial instruments.

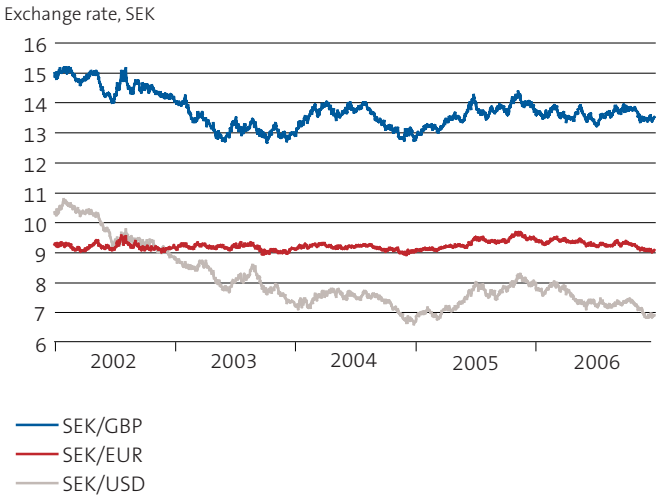
Business risks

Risk management in Gunnebo aims to identify, control, prevent and thereby minimise the Group's potential risks.

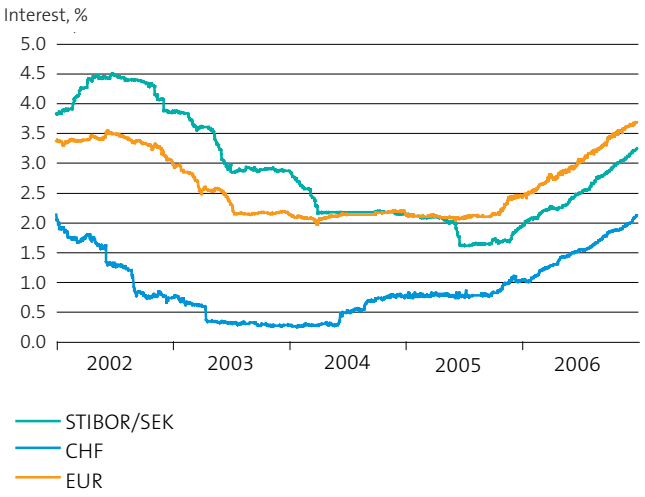
Operational and strategic risks are mainly related to risks in the business environment, country-specific risks and political risks, as well as specific risks such as customers, suppliers, employees and competitors.

Gunnebo has a relatively broad product offering, customer structure and presence on a high number of geographic markets. This provides a good risk distribution, and prevents the Group from being dependent on a small number of major customers or suppliers.

EXCHANGE RATES 2002-2006



THREE-MONTH INTEREST RATES 2002-2006



Representation on several markets with a broad product range naturally means that the Group is exposed to business environment risks such as political risks in individual countries or regions, risks in raw material prices and currencies, as well as risks related to business cycles. In terms of risks related to business cycles the company's sensitivity must be considered relatively low, even though the construction and property industries may have some impact on part of the product range.

The local management is responsible for identifying opportunities and risks in their local market or area of responsibility. The Group's total risk analysis and exchange of relevant information are assured by the inclusion of executive management representatives on the internal board of each customer or competence centre.

Raw material risks

Gunnebo is exposed to risk when the price of materials changes. Competition on the market may limit the ability to fully compensate for increased costs through price rises.

Steel is the single largest raw material component for the Group, which purchases many different types and grades, resulting in slightly differentiated price development. With the aim of limiting the short-term effect of these price fluctuations, part of the Group's steel requirement is purchased via fixed price contracts.

Product risks

The majority of the Group's products have limited risk in their application. It should also be noted that many of the products and systems are installed to strengthen protection in security-critical environments. Their function and quality are of the utmost importance in securing the intended level of protection.

Insurance

Gunnebo has a Group-wide insurance programme including indemnity insurance, which covers property and loss of profit insurance, transport insurance and policies for crime against property. The Group has also taken out indemnity insurance for directors and officers.

Legal risks

No company in the Group is a party in legal proceedings or any other dispute where the outcome may be supposed to have anything but a marginal effect on the Group's overall results and financial position. Any legal disputes and risks of legal disputes are reported to the Group Legal function. Legal disputes are handled by a qualified legal representative under the auspices of Group Legal.

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, resulting in differentiated price development. A general change in steel prices of 10 per cent affects the result by some MSEK 40 for the subsequent 12 months. No long-term fixed-price contracts have been considered in this figure.

Currencies

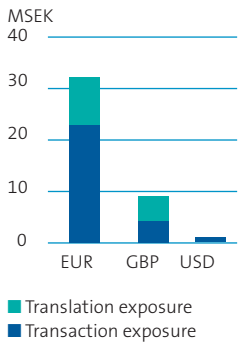
A change of 10 per cent in the exchange rate of the Swedish krona against the euro, pound sterling and the US dollar would affect operating profit by around MSEK 40, of which MSEK 27 would be transaction exposure, without taking the Group's hedging into account. The remaining MSEK 13 is attributable to translation exposure. Taking into account the hedges in place at the year-end, the effect of the transaction exposure on profit for the coming 12 months would be relatively marginal.

The diagram on the right illustrates the sensitivity of the profit figure with a 10 per cent change in the exchange rate of each currency.

Interest costs

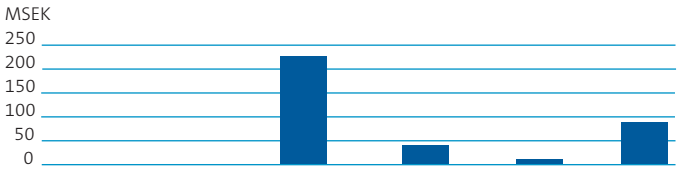
On the basis of the average fixed interest term of the Group's total loans outstanding at the year-end, a simultaneous change of one percentage point in all of Gunnebo's loan currencies would affect profit by approximately MSEK 8 for the subsequent 12 months.

RESULT SENSITIVITY ANALYSIS, CURRENCIES AT 10% CHANGE



CURRENCY FLOW EXPOSURE

Based on estimated net flow for 2007

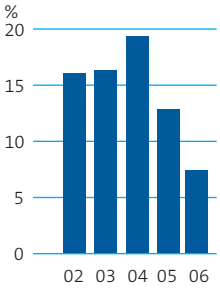


Currency	EUR	GBP	USD	Other
Proportion hedged, %	84	75	93	55
Hedged at average rate of	9.23	13.53	7.28	

Five-year review

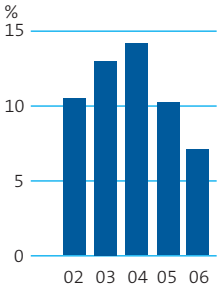
Gunnebo's turnover and profit over the past five years have mainly been affected by a number of acquisitions and limited organic growth. Taking into consideration the fact that in mid-2005 Gunnebo refined its security business by distributing the shares in Gunnebo Industrier free of charge to shareholders, the five-year review excludes Gunnebo Industrier.

RETURN ON EQUITY*



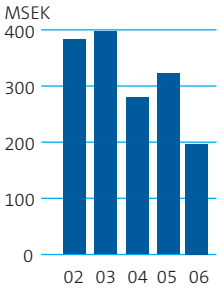
* Exc. items affecting comparability

RETURN ON CAPITAL EMPLOYED*

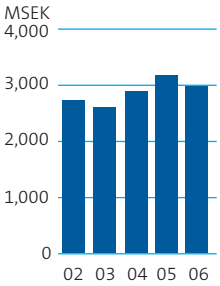


* Exc. items affecting comparability

OPERATING CASH FLOW, EXCLUDING RESTRUCTURING COSTS



CAPITAL EMPLOYED



INCOME STATEMENT, MSEK	2006	2005	2004	2003	2002
Revenue	**6,727**	6,477	6,086	5,817	5,810
Cost of goods sold	**-4,802**	-4,459	-4,116	-3,940	-3,986
Gross operating profit	**1,925**	2,018	1,970	1,877	1,824
Items affecting comparability	**-243**	-205	-204	–	-1
Other operating costs	**-1,709**	-1,710	-1,602	-1,557	-1,541
Operating result	**-27**	103	164	320	282
Net financial items	**-89**	-70	-43	-38	-59
Result after financial items	**-116**	33	121	282	223
Taxes	**-12**	-130	-37	-59	-33
Minority interest	**–**	–	–	–	1
Net result for the year	**-128**	-97	84	223	191

BALANCE SHEET, MSEK	2006	2005	2004	2003	2002
Intangible fixed assets	**1,175**	1,224	1,119	958	1,040
Tangible fixed assets	**628**	744	676	647	674
Financial fixed assets	**207**	219	164	76	123
Inventories	**718**	838	847	746	780
Operating receivables	**1,766**	1,639	1,690	1,517	1,577
Liquid funds	**193**	169	172	198	342
Total assets	**4,687**	4,833	4,668	4,142	4,536
Equity	**1,044**	1,208	1,383	1,476	1,345
Minority interest	**–**	–	–	2	3
Interest-bearing provisions and liabilities	**1,882**	1,950	1,521	1,150	1,536
Other provisions and liabilities	**1,761**	1,675	1,764	1,514	1,652
Total equity and liabilities	**4,687**	4,833	4,668	4,142	4,536

CASH FLOW ANALYSIS, MSEK	2006	2005	2004	2003	2002
Cash flow from current operations before change in working capital	**73**	-130	265	262	314
Change in working capital	**-40**	152	-61	92	30
Cash flow from current operations	**33**	22	204	354	344

OPERATING CASH FLOW, MSEK	2006	2005	2004	2003	2002
Operating cash flow exc. restructuring costs	**196**	325	282	399	382
Operating cash flow inc. restructuring costs	**53**	136	209	312	328

IFRS have been applied as of 2004. The most significant differences in accounting principles compared to previously applied principles (Swedish Financial Accounting Standards Council recommendations) relate to goodwill no longer being amortised. Instead annual impairment tests are carried out to ascertain if there is any need for a goodwill write-down. Moreover, transfers to restructuring reserves may not be made in the acquisition balance sheet. Costs for structuring measures resulting from corporate acquisition are charged to the result.

KEY RATIOS EXC. ITEMS AFFECTING COMPARABILITY	2006	2005	2004	2003	2002
Return on capital employed, %	**7.1**	10.4	14.1	13.0	10.6
Return on equity, %	**7.3**	12.8	19.4	16.3	16.0
Operating margin before depreciation, %	**5.4**	6.8	7.9	8.5	7.9
Operating margin, %	**3.2**	4.8	6.0	5.5	4.9
Profit margin, %	**1.9**	3.7	5.3	4.8	3.9

KEY RATIOS INC. ITEMS AFFECTING COMPARABILITY	2006	2005	2004	2003	2002
Return on capital employed, %	**-0.5**	3.7	6.6	13.0	10.6
Return on equity, %	**-11.4**	-7.5	6.1	16.3	15.9
Gross margin, %	**28.6**	31.2	32.4	32.3	31.4
Operating margin before depreciation, %	**1.8**	3.7	4.6	8.5	7.8
Operating margin, %	**-0.4**	1.6	2.7	5.5	4.9
Profit margin, %	**-1.7**	0.5	2.0	4.8	3.8
Capital turnover rate	**2.1**	2.1	2.3	2.2	2.1
Equity ratio, %	**22**	25	30	36	30
Interest cover	**-0.3**	1.5	3.8	3.9	4.1
Debt/equity ratio	**1.6**	1.5	1.0	0.6	0.9

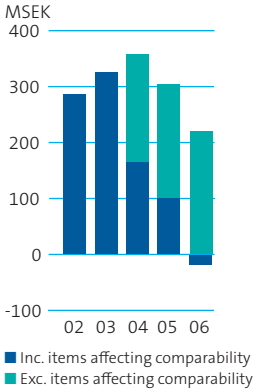
SHARE DATA EXC. ITEMS AFFECTING COMPARABILITY	2006	2005	2004	2003	2002
Result per share before dilution, SEK	**1.85**	3.80	6.00	5.15	4.50
Result per share after dilution, SEK	**1.85**	3.75	6.00	5.10	4.40

SHARE DATA INC. ITEMS AFFECTING COMPARABILITY	2006	2005	2004	2003	2002
Result per share before dilution, SEK	**-2.90**	-2.25	1.90	5.15	4.50
Result per share after dilution, SEK	**-2.90**	-2.20	1.90	5.10	4.40
Equity per share before dilution, SEK	**23.40**	27.55	31.60	33.75	31.80
Equity per share after dilution, SEK	**24.30**	29.30	33.50	35.60	32.75
Cash flow per share, SEK	**0.75**	0.50	4.60	8.10	7.80

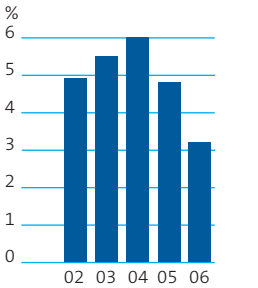
OTHER INFORMATION	2006	2005	2004	2003	2002
Sales outside Sweden, %	**94**	94	94	94	94
Order intake, MSEK	**6,762**	6,658	6,035	5,829	5,945
Capital employed, MSEK*	**2,926**	3,158	2,864	2,579	2,762
Net debt, MSEK*	**1,673**	1,763	1,328	947	1,188
Capital expenditure, MSEK	**110**	141	147	149	118
Depreciation/amortisation, MSEK	**136**	134	115	173	174
Of which goodwill amortisation, MSEK	**–**	–	–	59	57
Average number of employees	**6,964**	6,945	7,059	7,157	7,181

* At year-end

OPERATING RESULT

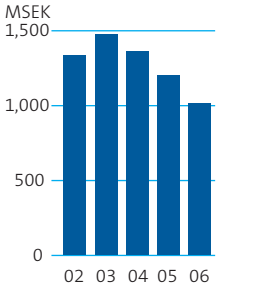


OPERATING MARGIN*

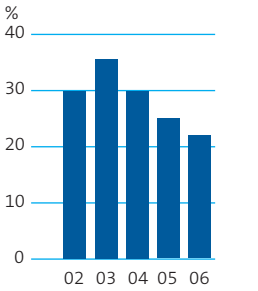


* Exc. items affecting comparability

EQUITY



EQUITY RATIO



Definitions

Gross margin:
Gross profit as a percentage of revenue.

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

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

Capital turnover rate:
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.

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

Operating 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 result per share after dilution.

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

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

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

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

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

Operating margin:
Operating result as a percentage of revenue.

Debt/equity ratio:
Net debt divided by equity.

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

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

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

Consolidated income statement

MSEK	Note	2006	2005
Revenue	5	**6,726.6**	6,477.3
Cost of goods sold		**-4,801.5**	-4,459.3
Gross operating profit		**1,925.1**	2,018.0
Selling costs		**-1,063.0**	-1,019.8
Administrative costs	32	**-673.3**	-715.3
Interest in earnings of associated companies		**9.6**	7.0
Other operating income	6	**87.1**	17.9
Other operating costs	7	**-312.9**	-205.1
Operating result	5, 8, 11, 28	**-27.4**	102.7
Financial income and costs			
Interest income		**6.6**	5.1
Interest costs		**-87.7**	-63.7
Other financial income		**3.5**	4.5
Other financial costs		**-11.4**	-16.3
Total financial income and cost		**-89.0**	-70.4
Result after financial items		**-116.4**	32.3
Taxes	9	**-11.7**	-129.9
Net result for the year for remaining operations		**-128.1**	-97.6
Net result after tax for the year for discontinued operations		**–**	11.4
Net result for the year		**-128.1**	-86.2
Of which attributable to:			
Parent company shareholders		**-128.1**	-86.0
Minority interest		**–**	-0.2
		-128.1	-86.2
Result per share before dilution, SEK	12	**-2.90**	-1.95
Result per share after dilution, SEK	12	**-2.90**	-1.95

Consolidated balance sheet

ASSETS, MSEK	Note	2006	2005
Fixed assets			
Intangible fixed assets			
Goodwill	13	**1,056.3**	1,098.0
Other intangible assets	13	**118.5**	126.2
Total intangible fixed assets		**1,174.8**	1,224.2
Tangible fixed assets			
Buildings and land	14	**330.5**	396.0
Machinery and plant	14	**165.9**	184.2
Equipment, tools, fixtures and fittings	14	**99.8**	114.9
Fixed assets under construction	14	**32.3**	48.4
Total tangible fixed assets		**628.5**	743.5
Financial fixed assets			
Shares in associated companies	16	**29.5**	24.6
Other financial fixed assets		**17.9**	20.4
Total financial fixed assets		**47.4**	45.0
Deferred tax receivables	9	**158.6**	174.3
Total fixed assets		**2,009.3**	2,187.0
Current assets			
Inventories	17	**718.5**	838.3
Current receivables			
Accounts receivable	18	**1,474.2**	1,441.9
Current tax receivables		**45.5**	44.2
Other receivables		**177.5**	92.9
Prepaid costs and accrued income	19	**69.1**	59.4
Total current receivables		**1,766.3**	1,638.4
Liquid funds	20	**193.1**	169.3
Total current assets		**2,677.9**	2,646.0
TOTAL ASSETS		**4,687.2**	4,833.0

EQUITY AND LIABILITIES, MSEK	Note	2006	2005
Equity	21		
Share capital		**222.9**	219.3
Other contributed capital		**580.6**	539.3
Reserves		**-19.3**	-8.3
Retained earnings		**259.6**	458.2
Total equity attributable to parent company shareholders		**1,043.8**	1,208.5
Minority interest		**–**	–
Total equity		**1,043.8**	1,208.5
Long-term liabilities			
Deferred tax liability	9	**18.2**	9.3
Pension commitments	22	**327.5**	343.0
Borrowing	24, 26	**1,485.0**	1,486.1
Total long-term liabilities		**1,830.7**	1,838.4
Current liabilities			
Liabilities to suppliers		**771.3**	762.5
Current tax liabilities		**46.3**	31.6
Other liabilities		**191.3**	191.9
Accrued costs and deferred income	25	**475.7**	502.7
Borrowing	24, 26	**70.0**	120.8
Other provisions	23	**258.1**	176.6
Total current liabilities		**1,812.7**	1,786.1
TOTAL EQUITY AND LIABILITIES		**4,687.2**	4,833.0
Pledged assets	26	**13.3**	14.2
Contingent liabilities	27	**132.9**	132.2

Change in consolidated equity

MSEK	2006	2005
Opening equity	**1,208.5**	1,758.6
Change of accounting principles	**–**	7.8
Adjusted opening equity	**1,208.5**	1,766.4
Currency differences	**-16.5**	25.8
Net result for the year	**-128.1**	-86.2
Deconsolidation of Gunnebo Industrier	**–**	-397.7
Cash dividend to shareholders	**-70.5**	-98.5
Change in hedge reserve	**5.5**	-7.0
New share issue	**44.9**	5.7
Closing equity	**1,043.8**	1,208.5

Consolidated cash flow analysis

MSEK	Note	2006	2005
CURRENT OPERATIONS			
Operating result		**-27.4**	102.7
Depreciation charged against the result		**135.8**	134.3
Items not affecting cash flow		**64.8**	-3.8
Capital gains/losses		**-70.4**	-1.6
Change in provisions		**91.0**	-114.2
Net financial items affecting cash flow	29	**-84.3**	-55.3
Taxes paid		**-37.5**	-195.4
Dividends from associated companies		**1.3**	3.6
Cash flow from current operations before change in working capital		**73.3**	-129.7
Cash flow from changes in working capital			
Change in inventories		**27.5**	96.9
Change in operating receivables		**-138.0**	139.7
Change in operating liabilities		**70.2**	-85.1
Total change in working capital		**-40.3**	151.5
Cash flow from current operations		**33.0**	21.8
INVESTMENT ACTIVITIES			
Investments in fixed assets	13,14	**-110.3**	-141.1
Sales of fixed assets		**128.9**	4.9
Acquisition and disposal of companies	30	**-12.2**	-102.6
Cash flow from investment activities		**6.4**	-238.8
FINANCING ACTIVITIES			
Change in interest-bearing receivables		**2.1**	-4.2
Change in interest-bearing liabilities		**20.1**	301.4
New share issue		**44.9**	5.7
Dividend		**-70.5**	-98.5
Cash flow from financing activities		**-3.4**	204.4
Cash flow for the year for remaining operations		**36.0**	-12.6
Cash flow for the year for discontinued operations		**–**	-32.4
Cash flow for the year		**36.0**	-45.0
Opening liquid funds		**169.3**	203.3
Translation differences on liquid funds		**-12.2**	11.0
Closing liquid funds		**193.1**	169.3

Parent company income statement

MSEK	Note	2006	2005
Net turnover	33	**40.6**	18.3
Administrative costs	8, 11, 28, 31, 32, 33	**-91.3**	-72.7
Operating result		**-50.7**	-54.4
Financial income and costs			
Dividends from Group companies		**0.1**	114.1
Anticipated dividends from Group companies		**181.0**	141.4
Write-down of shares in Group companies		**-19.4**	-95.1
Group contributions received		**92.7**	58.6
Group contributions paid		**-52.9**	-25.0
Interest income from Group companies		**9.1**	31.6
Other interest income		**–**	0.1
Interest costs to Group companies		**-53.8**	-74.0
Other interest costs		**-17.0**	-1.1
Result from securities held as fixed assets		**–**	-3.1
Other financial income		**4.1**	6.1
Other financial costs		**-11.9**	-0.8
Total financial income and costs		**132.0**	152.8
Result before tax		**81.3**	98.4
Taxes		**–**	–
Net result for the year		**81.3**	98.4

Parent company balance sheet

ASSETS, MSEK	Note	2006	2005
Fixed assets			
Intangible fixed assets			
Other intangible assets	13	**7.5**	0.7
Total intangible fixed assets		**7.5**	0.7
Tangible fixed assets			
Equipment	14	**2.6**	2.9
Total tangible fixed assets		**2.6**	2.9
Financial fixed assets			
Shares in Group companies	15	**2,453.1**	2,453.1
Receivables from Group companies		**265.1**	294.7
Total financial fixed assets		**2,718.2**	2,747.8
Total fixed assets		**2,728.3**	2,751.4
Current assets			
Current receivables			
Receivables from Group companies		**13.7**	12.1
Other receivables		**2.1**	3.0
Prepaid costs and accrued income	19	**11.2**	8.5
Total current receivables		**27.0**	23.6
Cash and bank	20	**2.7**	6.2
Total current assets		**29.7**	29.8
TOTAL ASSETS		**2,758.0**	2,781.2

EQUITY AND LIABILITIES, MSEK	Note	2006	2005
Equity	21		
Restricted equity			
Share capital (44,578,523 shares each having a par value of SEK 5)		**222.9**	219.3
Statutory reserve		**539.3**	539.3
		762.2	758.6
Non-restricted equity			
Share premium reserve		**41.3**	–
Retained earnings		**31.5**	3.6
Net result for the year		**81.3**	98.4
		154.1	102.0
Total equity		**916.3**	860.6
Long-term liabilities			
Subordinated loans	24	**300.0**	300.0
Total long-term liabilities		**300.0**	300.0
Current liabilities			
Liabilities to suppliers		**12.9**	9.2
Liabilities to Group companies		**21.1**	14.1
Other liabilities		**2.4**	2.2
Accrued costs and deferred income	25	**21.4**	17.3
Loan debts to Group companies	24	**1,483.9**	1,576.4
Overdraft facilities		**–**	1.4
Total current liabilities		**1,541.7**	1,620.6
TOTAL EQUITY AND LIABILITIES		**2,758.0**	2,781.2
Pledged assets		None	None
Contingent liabilities	27	**1,379.6**	1,394.8

Change in parent company equity

MSEK	2006	2005
Opening equity	**860.6**	1,202.0
Net result for the year	**81.3**	98.4
Cash dividend to shareholders	**-70.5**	-98.5
Distribution of Gunnebo Industrier	**–**	-347.0
New share issue	**44.9**	5.7
Closing equity	**916.3**	860.6

Parent company cash flow analysis

MSEK	Note	2006	2005
CURRENT OPERATIONS			
Operating result		**-50.7**	-54.4
Depreciation charged against the result		**2.1**	1.0
Items not affecting cash flow		**1.8**	-2.7
Net financial items affecting cash flow	29	**107.4**	88.6
Cash flow from current operations before change in working capital		**60.6**	32.5
Cash flow from changes in working capital			
Change in operating receivables		**-0.7**	7.5
Change in operating liabilities		**8.7**	4.8
Total change in working capital		**8.0**	12.3
Cash flow from current operations		**68.6**	44.8
INVESTMENT ACTIVITIES			
Investments in intangible assets	13	**-7.8**	-0.7
Investments in equipments	14	**-0.8**	-0.7
Investments in shares in Group companies	15	**-19.4**	-159.0
Sale of securities held as fixed assets		**–**	3.5
Cash flow from investment activities		**-28.0**	-156.9
FINANCING ACTIVITIES			
Change in interest-bearing receivables		**29.6**	-133.0
Change in interest-bearing liabilities		**-48.1**	334.2
New share issue		**44.9**	5.7
Dividend		**-70.5**	-98.5
Cash flow from financing activities		**-44.1**	108.4
Cash flow for the year		**-3.5**	-3.7
Opening liquid funds		**6.2**	9.9
Closing liquid funds		**2.7**	6.2

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 and entrance control systems, site protection, and burglar and fire-resistant products, with the key focus on the customer groups Bank, 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 Nordic Stock Exchange.

These consolidated financial statements were approved for publication by the Board on 8 February 2007.

The income statements and balance sheets will be submitted to the Annual General Meeting on 28 March 2007 for adoption.

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 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.

In 2006, certain administration costs have been reclassified and are now recognised as cost of goods sold. The comparison figures for previous years have been adjusted accordingly.

The parent company accounts have been prepared in accordance with the Annual Accounts Act and Recommendation 32 of the Swedish Financial Accounting Standards Council.

The consolidated financial statements have been prepared in accordance with the cost method in terms of 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.

Introduction of new accounting principles

On preparing the consolidated statements applicable on 31 December 2006, several standards and interpretations have been published which have not yet come into force.

The following is a preliminary assessment of the effect the introduction of these standards and statements may have on Gunnebo's financial reports:

IAS 1 Amendment – Presentation of Financial Statements – Capital Disclosures: The amendment came into force on 1 January 2007. At present this amendment is expected to entail additional disclosures regarding definition of capital, capital structure and policies for managing capital, for example.

IFRS 7 Financial Instruments: Disclosures: The standard came into force on 1 January 2007. This standard is expected to entail additional disclosures in the consolidated accounts, but this will not affect the reported profit/loss or position.

IFRS 8 Operating Segments*: This standard comes into force on 1 January 2009 and is applicable to financial years starting on or after that date. The standard relates to the grouping of corporate operations into segments. According to the standard, the company should take its point of departure in internal reporting and determine reportable segments based on that structure.

IFRIC 7 Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies: This interpretation came into force on 1 March 2006 and is applicable to financial years starting on or after that date. The Group currently has no operations in countries where transition to hyperinflationary reporting is relevant.

IFRIC 8 Scope of IFRS 2: This interpretation came into force on 1 May 2006 and is applicable to financial years starting on or after that date. According to IFRIC 8, the rules of IFRS 2 encompass goods and services received in consideration for equity instruments granted, even if said goods and services, wholly or partly, cannot specifically be identified. This statement is not applicable for the Gunnebo Group as this type of transaction does not occur.

IFRIC 9 Reassessment of Embedded Derivatives: This interpretation came into force on 1 June 2006 and is applicable to financial years starting on or after that date. The statement is a clarification of IAS 39 regarding embedded derivatives, primarily relating to reassessment of embedded derivatives as a result of altered market conditions. This statement is not expected to have any effect on the Group's accounts.

IFRIC 10 Interim Financial Reporting and Impairment*: This interpretation came into force on 1 November 2006 and is applicable to financial years starting on or after that date. The interpretation establishes that an impairment recognised in a previous interim period may not be reversed in a subsequent interim or annual period.

The Group will apply IFRIC 10 as of 1 January 2007 but this is not expected to have any impact on the Group's accounts.

IFRIC 11 IFRS 2: Group and Treasury Share Transactions*: This statement comes into force on 1 March 2007 and is applicable to financial years starting on or after that date. The interpretation clarifies how to classify share-based payments in which the company buys back treasury shares to settle its obligations, and how to recognise stock option programmes in subsidiaries that apply IFRS. The Group will apply IFRIC 11 as of 1 January 2008 but this is not expected to have any impact on the Group's accounts.

IFRIC 12 Service Concession Arrangements*: This statement comes into force on 1 January 2008 and is applicable to financial years starting on or after that date. The interpretation deals with arrangements whereby a private operator is contracted to supply infrastructure for public services for a specific period. The Group will apply IFRIC 12 as of 1 January 2008 but this is not expected to have any impact on the Group's accounts.

* These standards/interpretations have not been endorsed by the EU at this point in time.

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 cost 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 associated 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
- Interest in associated companies' tax is reported 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 day 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 hyperinflationary 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 on the arm's-length principle.

Derivative instruments
As of 1 January 2005, the 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 realisable value 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, discounting 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. No deferred tax receivables have been entered for loss in the past two years.

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 assets 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 unrecognised 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 disclosed in the notes.

Actuarial gains or losses mainly arise in the event of changes in actuarial assumptions and differences between actuarial assumptions and the outcome in reality. The part of the accumulated amount exceeding 10 per cent of the higher of the obligations' 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 vested, or is reduced 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/Collectum. 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. Income for major ongoing projects of long duration on behalf of outside parties is recognised 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 amortised 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 used for its intended purpose. 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/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.

Write-downs
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 recognised 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.

Costs of borrowing
Borrowing costs in the form of interest are charged to profit and loss 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 credit institutions. An accrued cost is entered 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 this Annual Report as a discontinued operation. Discontinued operations also include Group surpluses and eliminations relating to the deconsolidated operation.

Reporting by segment
Business lines include products or services that are exposed to risks and generate types of income that differ from those of other business lines. 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, business lines are classified as primary segments and geographical areas as secondary segments. With effect from 1 January 2006, the Group's business units constitute business lines and primary 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 can be 4 to 12 months.

Liquidity risk
Liquidity risk refers to the risk of not having access to liquid funds or unused lines of credit in order to fulfil payment obligations. The finance policy stipulates that liquid funds and unused lines of credit shall always amount to a minimum of MSEK 350.

Liquidity in the Group shall be invested with Gunnebo Treasury SA 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 profit. 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.

Liquid funds shall primarily be used to reduce outstanding liabilities, which limits the volume of outstanding surplus liquidity.

Customer credit risk
Gunnebo has formulated a credit policy regulating the management of customer credit, which partly encompasses decision-making levels for granting credit limits.

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

Against the background of diversified sales, in particular geographically, there is no significant concentration of credit risks with customers.

Financial instruments – Risk management during the year
Interest-bearing liabilities
Gunnebo has credit facilities totalling MSEK 2,953, of which MSEK 1,555 was utilised at the year-end. With regard to the prevailing terms in the loan agreements for debt/equity ratio, the credit facilities available amounted to just over MSEK 1,000 at the year-end. The loan agreements also stipulate conditions on the interest coverage ratio, which in simplified terms mean that operating profit before items affecting comparability should exceed interest expenses according to special definition by a multiple of at least 2.0. At the end of the year, the interest coverage ratio was 2.4. The average duration of the Group's agreed credit facilities was 3.3 years; Gunnebo's borrowing is at a fixed interest margin throughout the term of the agreements. The long-term credit facilities mainly comprise a MEUR 200 syndicated loan agreement maturing in 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 approximately MSEK 350 in primarily short-term credit facilities, and external local financing in other subsidiaries. Loans in other subsidiaries mainly consist of borrowing in countries where taxes or regulations make central financing impossible or financially inviable.

Loan maturity structure

MSEK	Credit facility	Of which drawn	Proportion
2007	316	70	5%
2008	303	303	19%
2009	9	9	1%
2010	2,010	858	55%
2011	315	315	20%
Total	**2,953**	**1,555**	**100%**

At the end of the year, Gunnebo's portfolio had an average fixed interest term of 11 (10) months, and the average rate of interest on the entire loan portfolio was 4.4 per cent (3.5).

Currency risks
Exchange rate effects have had only a marginal effect on profit after financial items during the year (previous year MSEK +5).

Transaction exposure
The forecast commercial currency flow after net calculations of opposite flows in the same currency amounts to MSEK 370 on an annual basis. At the closing date, the proportion hedged was 76 per cent (85). Forward

contracts that matured during the year had a positive effect of MSEK 5 (-3) 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 282. 100 per cent of the forward cover is effective and is recognised at a fair value of MSEK 5.3 in equity. All outstanding contracts mature during 2007 and are reported in the income statement in connection with maturity.

Translation exposure
Foreign net assets amounted to MSEK 2,907 (3,090) on 31 December 2006. The Group hedges a large proportion of these assets through loans and forward contracts in corresponding currencies. On the closing date, MSEK 2,534 (2,774), or 87 per cent (90), were hedged. This hedging includes the tax effect.

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.

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.

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.

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.

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 24 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	31 Dec 2006 Fair value			31 Dec 2005 Fair value		
MSEK	**Pos.**	**Neg.**	**Total**	**Pos.**	**Neg.**	**Total**
Interest swaps - cash flow hedge	4.1	–	4.1	2.4	-0.1	2.3
Interest swaps - fair value hedge	–	-6.2	-6.2	–	-1.3	-1.3
Currency forwards - cash flow hedges	4.7	-0.2	4.5	1.2	-4.0	-2.8
Currency forwards - hedge of net investment overseas	51.7	-0.3	51.4	3.1	-27.0	-23.9
Currency forwards - no hedge accounting	15.1	-0.8	14.3	4.0	-9.3	-5.3
Total	**75.6**	**-7.5**	**68.1**	**10.7**	**-41.7**	**-31.0**

Interest swaps	**2006**	**2005**
Nominal amounts		
Term of less than 1 year	90	283
Term 1-2 years	100	94
Term 2-5 years	390	300
Interest swap total	**580**	**677**
Currency forwards*	3,110	3,323
Total	**3,690**	**4,000**

* 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 2007 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 380 on 31 December 2006 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 e.g. capitalised product development costs, guarantee commitments, disputes, deferred tax receivables, and provisions for pensions and restructuring costs. By definition, the accounting estimates arising from these estimates and assumptions do seldom 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 13).

If the estimated discount rate after tax, known as the weighted average cost of capital, WACC, had been 1 per cent higher than the assumed 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 - line of business

2006	Bank	Retail	Site protection	Secure Storage	Non-allocated items and eliminations	Total
Revenue						
External sales	2,282	714	2,736	995	–	6,727
Internal sales	–	–	–	–	–	–
Total revenue	**2,282**	**714**	**2,736**	**995**	**–**	**6,727**
Operating result						
Profit by business line	175	-20	31	88	-58	216
Items affecting comparability	–	–	–	–	-243	-243
Total operating result	**175**	**-20**	**31**	**88**	**-301**	**-27**
Capital employed						
Assets by business line	1,231	495	1,789	738	434	4,687
Liabilities by business line	-340	-226	-752	-230	-213	-1 761
Total capital employed	**891**	**269**	**1,037**	**508**	**221**	**2,926**
Other information						
Capital expenditure	28	12	42	20	8	110
Depreciation	35	20	56	22	3	136
Operating cash flow	173	-31	3	105	-54	196

2005	Bank	Retail	Site protection	Secure Storage	Non-allocated items and eliminations	Total
Revenue						
External sales	2,171	667	2,702	937	–	6,477
Internal sales	–	–	–	–	–	–
Total revenue	**2,171**	**667**	**2,702**	**937**	**–**	**6,477**
Operating result						
Profit by business line	179	21	108	67	-67	308
Items affecting comparability	–	–	–	–	-205	-205
Total operating result	**179**	**21**	**108**	**67**	**-272**	**103**
Capital employed						
Assets by business line	1,306	521	1,874	769	363	4,833
Liabilities by business line	-333	-235	-764	-195	-148	-1,675
Total capital employed	**973**	**286**	**1,110**	**574**	**215**	**3,158**
Other information						
Capital expenditure	30	13	80	16	2	141
Depreciation	33	15	60	25	1	134
Operating cash flow	229	7	118	30	-59	325

Secondary segments – geographical regions

	Sales		Assets		Capital expenditure	
	2006	2005	2006	2005	2006	2005
Europe	5,757	5,585	4,244	4,286	100	134
North America	222	208	153	207	3	–
Asia	455	452	217	276	6	7
Africa	184	132	52	37	1	–
Australia	78	71	21	27	–	–
South America	31	29	–	–	–	–
Total	**6,727**	**6,477**	**4,687**	**4,833**	**110**	**141**

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	
	2006	2005
Capital gains, sale of property	66.6	–
Other capital gains	5.8	3.2
Currency differences	–	2.7
Other operating income	14.7	12.0
Total	**87.1**	**17.9**

Note 7 Other operating costs

	Group	
	2006	2005
Items affecting comparability	-309.1	-205.1
Currency differences	-3.8	–
Total	**-312.9**	**-205.1**

Items affecting comparability comprise stock write-down of MSEK 63 (44), partly as a result of more in-depth stock analyses and the continued integration process, product consolidation and ongoing product range reviews.

In addition, costs for the Gunnebo One Company integration project have amounted to MSEK 158 (37). Costs for closing a factory in Spain and other remaining costs for restructuring in production totalled MSEK 88 (112).

Of the items affecting comparability, MSEK 75 refers to the cost of goods sold, and MSEK 234 to sales and administration expenses.

Note 8 Depreciation/amortisation according to plan

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

	Group		Parent company	
	2006	2005	2006	2005
Cost of goods sold	78.2	82.3	–	–
Selling costs	11.6	9.6	–	–
Administrative costs	46.0	42.4	2.1	1.0
Total	**135.8**	**134.3**	**2.1**	**1.0**

Note 9 Taxes

	Group	
	2006	2005
Current tax	-50.1	-150.2
Deferred tax	41.2	22.3
Tax in respect of share of profit of associated companies	-2.8	-2.0
Total	**-11.7**	**-129.9**

Of the year's tax, MSEK 9.2 (-99.8) of tax refers to previous years, of which MSEK -89.3 in the previous year referred 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 results in the consolidated companies as described below.

	2006	2005
Tax calculated in accordance with national tax rates for each country	39.0	-11.4
Tax attributable to previous years	9.2	-99.8
Effects of tax deficits for which no deferred tax receivable has been stated and utilisation of loss carry-forwards not previously reported	-57.1	-15.2
Effects of non-deductible expenses and non-taxable income etc.	-2.8	-3.5
Tax cost	**-11.7**	**-129.9**

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

	Group	
Deferred tax receivables	**2006**	**2005**
Loss carry-forward	24.5	25.3
Non-realised effect on result of equity hedges	24.6	86.7
Inventories	13.0	13.7
Pension commitments	54.9	59.4
Other provisions	42.6	7.8
Other deductible temporary differences	31.3	21.9
Net off against deferred tax liabilities	-32.3	-40.5
Total	**158.6**	**174.3**
Deferred tax liabilities	**2006**	**2005**
Fixed assets	34.9	37.4
Other taxable temporary differences	15.6	12.4
Net off against deferred tax receivables	-32.3	-40.5
Total	**18.2**	**9.3**
Deferred tax receivables and tax liabilities net	**140.4**	**165.0**

The change pertaining to deferred taxes is as follows:

	2006	2005
Opening balance	165.0	78.1
Currency differences	-3.8	5.7
Discontinued operations	–	12.1
Acquisition of subsidiaries	–	1.3
Recognised in income statement	41.2	22.3
Tax recognised under Equity	-62.0	45.5
Closing balance	**140.4**	**165.0**

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 2006, loss carry-forwards totalled approximately MSEK 600 where no deferred tax receivable has been recognised. Approximately MSEK 35 of this is due within five years. There are both timing and other constraints which mean that these loss carry-forwards are not expected to be able to be utilised.

Note 10 Exchange rate gains/losses

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

	Group	
	2006	2005
Other operating income	–	2.7
Other operating costs	-3.8	–
Other financial income	1.9	1.5
Other financial costs	-2.2	-1.1
	-4.1	**3.1**

Note 11 Operating costs by type of cost

	Group		Parent company	
	2006	2005	2006	2005
Direct material costs	2,318.3	2,135.0	–	–
Change in stock	-10.0	-2.9	–	–
Remuneration to employees	2,349.6	2,304.3	48.9	39.1
Temporary personnel and sub-contractors	488.0	459.5	5.8	2.5
Transport costs	207.4	200.5	–	–
Vehicle and travel costs	271.0	245.5	4.3	3.0
Depreciation and amortisation	141.4	147.0	2.1	1.6
Other costs	1,085.0	910.6	30.2	26.5
Total operating costs	**6,850.7**	**6,399.5**	**91.3**	**72.7**

Note 12 Result per share

Result per share before dilution	2006	2005
Net result for the year, MSEK	-128.1	-86.2
Average no. of shares in issue	44,149,058	43,823,465
Result per share, SEK	-2.90	-1.95
Result per share after dilution		
Net result for the year, MSEK	-128.1	-86.2
Average no. of shares in issue	44,149,058	43,823,465
Adjustment for share options	196,483	444,984
Average number for calculating result per share	44,345,541	44,268,449
Result per share after dilution, SEK	-2.90	-1.95

The average listed price during the year was SEK 82. The average subscription price for the option programme is SEK 66. The total number of shares which can be subscribed in the event of full exercise amounts to 943,969. The present value of the subscription liquidity has been estimated at MSEK 61.2.

Note 13 Intangible fixed assets

2005

Group	Goodwill	Other intangible assets
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**
Opening amortisation 1 Jan 2005	–	92.8
Acquisitions	–	1.3
Sales/divestments	–	-9.2
Discontinued operations	–	-2.1
Amortisation during the year	–	22.4
Discontinued operations		
Translation differences	–	4.5
Closing accumulated amortisation 31 Dec 2005	**–**	**109.7**
Carrying amount 31 Dec 2005	**1,098.0**	**126.2**

2006

Group	Goodwill	Other intangible assets
Opening cost 1 Jan 2006	1,098.0	235.9
Capital expenditure	–	27.9
Acquisitions	7.1	–
Sales/divestments	–	-18.3
Translation differences	-48.8	-6.3
Closing accumulated cost 31 Dec 2006	**1,056.3**	**239.2**
Opening amortisation 1 Jan 2005	–	109.7
Acquisitions	–	–
Sales/divestments	–	-18.3
Amortisation during the year	–	27.9
Write-downs	–	5.6
Translation differences	–	-4.2
Closing accumulated cost 31 Dec 2006	**–**	**120.7**
Carrying amount 31 Dec 2006	**1,056.3**	**118.5**

Impairment test for goodwill

Goodwill is distributed between the Group's cash generating units. Starting 1 January 2006 the Gunnebo Group has undergone extensive organisational changes, entailing a new division into segments based on business lines. The reorganisation has also altered the composition of most of the cash generating units on which goodwill distribution has been based in previous years, which is why a corresponding reallocation of goodwill has been applied for the relevant units. A summary of the distribution of goodwill by business line is given below:

	2006	2005
Bank	453.4	472.3
Retail	53.5	54.7
Site Protection	293.5	304.4
Secure Storage	255.9	266.6
Group total	**1,056.3**	**1,098.0**

The write-down requirement for goodwill is tested annually and if there are indications that a write-down is necessary.

The recoverable amount per business line has been established by calculating value in use. These calculations are founded on estimated future cash flows based on financial plans for the next four years, after which unchanged cash flows have been used.

The cash flows have been discounted with a weighted cost of capital equivalent to 9 per cent before tax and 7 per cent after tax. This has been calculated based on the Group's target capital structure, the applicable risk-free long-term interest rate, along with a risk premium for equity of 5 per cent and a margin for borrowed capital of 1 per cent.

Capitalised development projects

Other intangible fixed assets include capitalised product development projects of MSEK 79.1 (99.8). Capital expenditure during the year amounted to MSEK 0 (12.3).

Other intangible assets

Parent company	2006	2005
Cost		
Opening cost	0.7	–
Capital expenditure	7.8	0.7
Closing accumulated cost	**8.5**	**0.7**
Amortisation		
Opening amortisation according to plan	–	–
Amortisation during the year	1.0	–
Closing accumulated amortisation	**1.0**	**–**
Carrying amount	**7.5**	**0.7**

Note 14 Tangible fixed assets

2005

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**

	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	–
Depreciation 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 31 Dec 2005	**400.3**	**569.6**	**375.8**	**–**
Carrying amount 31 Dec 2005	**396.0**	**184.2**	**114.9**	**48.4**

2006

Group	Buildings and land	Machinery	Equipment	Fixed assets under construction
Opening cost 1 Jan 2006	796.3	753.8	490.7	48.4
Capital expenditure	26.3	33.4	38.0	-15.3
Acquisitions	–	0.6	–	–
Sales/retirements	-65.6	-69.7	-51.6	–
Reclassifications	–	7.1	-7.1	–
Translation differences	-28.0	-24.7	-19.4	-0.8
Closing accumulated cost 31 Dec 2006	**729.0**	**700.5**	**450.6**	**32.3**
Opening depreciation 1 Jan 2006	400.3	569.6	375.8	–
Acquisitions	–	–	–	–
Sales/retirements	-13.9	-65.2	-49.3	–
Depreciation during the year	24.9	42.5	40.5	–
Write-downs	0.8	–	5.3	–
Reclassifications	–	6.6	-6.4	–
Translation differences	-13.6	-18.9	-15.1	–
Closing accumulated depreciation 31 Dec 2006	**398.5**	**534.6**	**350.8**	**–**
Carrying amount 31 Dec 2006	**330.5**	**165.9**	**99.8**	**32.3**

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

Specification, buildings and land Group	2006	2005
Residual value according to plan, buildings	294.5	326.5
Residual value according to plan, land	36.0	69.5
Total residual value according to plan	**330.5**	**396.0**

Swedish property	2006	2005
Residual value according to plan, buildings	67.3	73.6
Residual value according to plan, land	4.7	4.7
Assessed value, buildings	44.7	32.6
Assessed value, land	5.2	2.8

Equipment Parent company	2006	2005
Cost		
Opening cost	8.6	7.9
Capital expenditure	0.8	0.7
Closing accumulated cost	**9.4**	**8.6**
Depreciation		
Opening depreciation	5.7	4.7
Depreciation during the year	1.1	1.0
Closing accumulated depreciation	**6.8**	**5.7**
Carrying amount	**2.6**	**2.9**

Note 15 Shares in Group companies

	No. of shares	% of capital	% of votes	Book value
Gunnebo Nordic 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
Gunnebo India 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**

Change of shares in Group companies

	2006	2005
Opening balance	2,453.1	2,736.2
Shareholder contributions paid	19.4	159.0
Write-downs	-19.4	-95.1
Distributed operations	–	-347.0
Closing balance	**2,453.1**	**2,453.1**

The accumulated cost of shares in Group companies amounts to MSEK 2,728.0.

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

Note 16 Holdings in associated companies

	2006	2005
Opening balance	24.6	17.7
Acquisition of associated companies	0.8	1.5
Shares of profit	6.8	5.0
Dividends	-1.3	-3.6
Currency differences	-1.4	4.0
Closing balance	**29.5**	**24.6**

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

	Participating interest, %	Book value 2006	Book value 2005
FBH Fichet Ltd, UK	49	3.4	3.7
Ritzenthaler Ltd, UK	45	2.2	2.3
Chubb Malaysia Sdn Bhd, Malaysia	30	9.0	8.7
Gateway Security Portugal Ltda, Portugal	55	4.3	1.5
Gateway do Brasil Ltda, Brazil	50	9.5	7.7
Morena AB, Sweden	48	1.1	0.7
Total		**29.5**	**24.6**

The share in the associated companies' revenue amounts to MSEK 117.5, the share of profit to MSEK 6.8, the share of assets to MSEK 77.8 and the share of liabilities to MSEK 48.3. The statutory specification of company registration numbers and registered offices for associated companies may be obtained from Gunnebo AB's office in Göteborg.

Note 17 Inventories

	Group	
	2006	2005
Raw materials	223.7	300.5
Work in progress	50.8	135.4
Finished goods	402.8	448.8
Work in progress on third-party account	153.6	42.8
Less advance payments from customers	-112.4	-89.2
Total	**718.5**	**838.3**

Of the inventories, MSEK 640.5 is valued at cost and MSEK 78.0 at net realisable value. Booked costs for obsolescence amount to MSEK 69.4 in 2006, of which MSEK 62.7 is recognised as other operating costs and MSEK 6.7 as selling costs. The Group's provision for obsolescence amounts to MSEK 173.3 (157.7).

Note 18 Accounts receivable

	Group	
	2006	2005
Accounts receivable	1,561.1	1,518.3
Provision for doubtful receivables	-86.9	-76.4
Net accounts receivable	**1,474.2**	**1,441.9**

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 32.6 (7.4) for write-down of accounts receivable in 2006. The cost has been recognised under selling costs.

Note 19 Prepaid costs and accrued income

	Group		Parent company	
	2006	2005	2006	2005
Accrued interest	2.8	2.0	2.5	1.9
Prepaid rent	12.5	10.5	0.3	0.4
Other items	53.8	46.9	8.4	6.2
Total	**69.1**	**59.4**	**11.2**	**8.5**

Note 20 Liquid funds

	Group		Parent company	
	2006	2005	2006	2005
Deposits	2.5	1.1	–	–
Cash and bank	190.6	168.2	2.7	6.2
Total	**193.1**	**169.3**	**2.7**	**6.2**

Note 21 Equity

Group	Share capital	Other contributed capital	Reserves	Retained earnings	Minority interest	Total equity
Equity 1 Jan 2005	**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**
Equity 1 Jan 2006	**219.3**	**539.3**	**-8.3**	**458.2**	**–**	**1,208.5**
Currency differences	–	–	-16.5	–	–	-16.5
Change in hedge reserve	–	–	5.5	–	–	5.5
Net profit for the year	–	–	–	-128.1	–	-128.1
Cash dividend to shareholders	–	–	–	-70.5	–	-70.5
New share issue	3.6	41.3	–	–	–	44.9
Equity 31 Dec 2006	**222.9**	**580.6**	**-19.3**	**259.6**	**–**	**1,043.8**

Specification of reserves:

	Hedging reserve	Translation reserve	Total reserves
Opening balance 1 Jan 2005	**7.8**	**-34.9**	**-27.1**
Currency differences:			
- Group	–	138.9	138.9
- Associated companies	–	4.0	4.0
Net investment hedge	–	-117.1	-117.1
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**
Opening balance 1 Jan 2006	**0.8**	**-9.1**	**-8.3**
Currency differences			
- Group	–	-174.7	-174.7
- Associated companies	–	-1.4	-1.4
Net investment hedge	–	159.6	159.6
Cash flow hedges:			
- Fair value losses during the year	7.7	–	7.7
- Tax on fair value losses	-2.1	–	-2.1
- Transfers to income statement	-0.1	–	-0.1
- Tax on transfers to income statement	–	–	–
Closing balance 31 Dec 2006	**6.3**	**-25.6**	**-19.3**

Parent company	Share capital	Share premium reserve	Statutory reserve	Non-restricted equity	Total equity
Equity 1 Jan 2005	**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**
Equity 1 Jan 2006	**219.3**	**–**	**539.3**	**102.0**	**860.6**
Net profit for the year	–	–	–	81.3	81.3
Cash dividend	–	–	–	-70.5	-70.5
New share issue	3.6	–	–	41.3	44.9
Equity 31 Dec 2006	**222.9**	**–**	**539.3**	**154.1**	**916.3**

No. of shares	
At beginning of year	43,854,548
Shares issued in employee stock option programme	723,975
Closing balance	**44,578,523**

After the closing date, a further 577,759 shares have been issued as part of the employee stock option programme. The shares are entitled to a dividend for 2006. The subsequent total number of shares entitled to a dividend is therefore 45,156,282.

A dividend of SEK 1.60 (1.60) per share is proposed. Further information about the employee stock option programme is provided in Note 31.

Note 22 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. Plan assets mainly comprise shares and interest-bearing securities. No plan assets comprise financial instruments in Gunnebo or assets used within Gunnebo.

Important actuarial assumptions, %	31 Dec 2006	31 Dec 2005
Discount rate		
UK	5.0	5.1
Sweden	4.3	4.0
Other countries (weighted average)	5.2	5.3
Expected return on plan assets		
UK	6.4	6.5
Sweden	–	–
Other countries (weighted average)	6.2	6.0
Expected wage increase rate		
UK	4.1	4.0
Sweden	3.0	3.0
Other countries (weighted average)	3.8	3.7
Inflation		
UK	3.1	3.0
Sweden	2.0	2.0
Other countries (weighted average)	2.6	2.6

Reconciliation of pension commitments	UK	Sweden	Other countries	31 Dec 2006 Total	31 Dec 2005 Total
Present value of obligations	408.7	68.2	219.5	696.4	679.3
Fair value of plan assets	-253.7	–	-96.2	-349.9	-325.0
Total	**155.0**	**68.2**	**123.3**	**346.5**	**354.3**
Unrecognised actuarial gains (+) and losses (-)	-4.9	-9.5	-4.6	-19.0	-11.3
Net provision in the balance sheet	**150.1**	**58.7**	**118.7**	**327.5**	**343.0**

Of the present value of obligations MSEK 513.9 (497.9) relates to funded pensions and other plans, and MSEK 182.5 (181.4) to non-funded pensions and other plans.

In 2007 the Group expects to make MSEK 42.1 (36.4) in payments relating to defined benefit plans.

Of the year's actuarial losses relating to defined benefit obligations, experience-based adjustments amount to a gain of MSEK 3.2. Experience-based adjustments on plan assets amount to a gain of MSEK 3.2 on the year's actuarial gain.

Specification of plan assets	31 Dec 2006	31 Dec 2005
Government bonds	20.6	99.9
Commercial bonds	114.9	64.9
Shares	199.5	140.7
Liquid funds	14.9	19.5
Total plan assets	**349.9**	**325.0**

Specification of changes in defined benefit obligations

	2006	2005
Opening balance	679.3	636.4
Discontinued operations	–	-74.5
Costs pertaining to employment during the current year	23.5	21.4
Interest on obligations	32.1	31.4
Contributions made by pension plan members	2.9	1.4
Payment of pension benefits	-24.2	-23.2
Unreported actuarial gains (-) and losses (+)	8.5	38.2
Companies acquired and divested	–	0.8
Reclassifications	0.8	5.9
Currency differences on foreign plans	-26.5	41.5
Closing balance	**696.4**	**679.3**

Specification of changes in plan assets

	2006	2005
Opening balance	325.0	242.2
Expected return on plan assets	20.7	17.8
Contributions to the plan made by the company	27.6	18.8
Contributions made by pension plan members	2.9	1.4
Payment of pension benefits	-15.3	-10.5
Assets used for settlement	-0.8	-3.2
Unreported actuarial gains (+) and losses (-)	3.3	27.7
Reclassifications	0.8	4.4
Currency differences on foreign plans	-14.3	26.4
Closing balance	**349.9**	**325.0**

Specification of changes in net provision

	2006	2005
Opening balance	343.0	392.1
Discontinued operations	–	-72.6
Net cost entered in the income statement	30.5	31.7
Payment of benefits	-8.8	-12.6
Contributions into funded plans	-27.6	-18.8
Companies acquired and divested	–	0.8
Reclassifications	–	1.5
Currency differences on foreign plans	-9.6	20.9
Closing balance	**327.5**	**343.0**

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

	2006	2005
Costs pertaining to defined benefit plans:		
Costs pertaining to employment during the current year	23.5	21.4
Interest on obligations	32.1	31.4
Expected return on plan assets	-20.7	-17.8
Actuarial net result recognised during the year	-3.9	-0.1
Profits on curtailments	-0.5	-3.2
Costs pertaining to defined benefits plans	**30.5**	**31.7**
Costs pertaining to defined contribution plans	55.0	56.3
Total costs reported in the Income Statement	**85.5**	**88.0**
of which:		
Amount charged against operating result	74.1	74.4
Amount charged against financial costs	11.4	13.6
Total costs reported in the income statement	**85.5**	**88.0**
Actual return on plan assets	**23.6**	**43.5**

Interest and expected return are classified as a financial cost. Other cost items are allocated under operating result 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/Collectum. This insurance policy encompasses several employers in Sweden, and insufficient information is available from Alecta/Collectum to be able to report the plan as a defined benefit plan.

Alecta's collective funding ratio at the end of the year was 143.1 per cent (128.5). 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.

Note 23 Other provisions

2005

Group	Restructuring reserve	Disputes	Guarantees	Taxes	Other provisions	Total
Opening balance	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
Closing balance	**76.8**	**30.5**	**41.0**	**6.0**	**22.3**	**176.6**

2006

Group	Restructuring reserve	Disputes	Guarantees	Taxes	Other provisions	Total
Opening balance	76.8	30.5	41.0	6.0	22.3	176.6
Changed provisions through acquisitions/ divested operations	-1.2	–	–	–	–	-1.2
Provisions during the year	234.9	12.5	21.0	0.2	20.3	288.9
Provisions utilised during the year	-148.5	-10.1	-18.8	–	-7.6	-185.0
Provisions re-entered during the year	-1.2	-5.5	-1.7	-0.2	-3.0	-11.6
Reclassifications	–	3.9	–	–	-3.9	–
Currency differences	-5.7	-1.4	-1.6	–	-0.9	-9.6
Closing balance	**155.1**	**29.9**	**39.9**	**6.0**	**27.2**	**258.1**

The majority of the closing structuring reserve is expected to be utilised in 2007. The majority of the remaining reserves are expected to be utilised in 2007, and the rest over the coming five years.

Note 24 Borrowing

Long-term	2006	2005
Liabilities to credit institutions	1,185.0	1,186.1
Subordinated loans	300.0	300.0
Total long-term	**1,485.0**	**1,486.1**
Short-term		
Overdraft facilities	10.5	19.0
Liabilities to credit institutions	59.5	101.8
Total short-term	**70.0**	**120.8**
Total borrowing	**1,555.0**	**1,606.9**

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
2007	70.0	1,483.9
2008	302.5	–
2009	9.3	–
2010	858.1	–
2011	315.1	300.0
Total	**1,555.0**	**1,783.9**

Carrying amount and fair value for Group borrowing:

Group	Carrying amount		Fair value	
	2006	2005	2006	2005
Liabilities to credit institutions	1,255.0	1,306.9	1,254.6	1,308.0
Subordinated loans	300.0	300.0	293.8	298.1
Total	**1,555.0**	**1,606.9**	**1,548.4**	**1,606.1**

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 25 Accrued costs and deferred income

	Group		Parent company	
	2006	2005	2006	2005
Holiday pay liability	142.4	136.7	3.7	2.7
Social security charges	54.1	75.4	2.1	6.9
Accrued wages and salaries	89.6	90.2	5.1	2.7
Deferred income	78.1	77.0	–	–
Accrued interest	3.3	4.1	3.1	2.9
Other items	108.2	119.3	7.4	2.1
Total	**475.7**	**502.7**	**21.4**	**17.3**

Note 26 Pledged assets

Group	2006	2005
In respect of liabilities to credit institutions		
Floating charges	0.7	0.7
Property mortgages	12.1	13.2
	12.8	13.9
Other pledged assets		
Floating charges	0.5	0.3
Total pledged assets	**13.3**	**14.2**

Note 27 Contingent liabilities

	Group		Parent company	
	2006	2005	2006	2005
Guarantees	–	–	1,379.6	1,394.8
Performance guarantees etc.	132.9	132.2	–	–
Total	**132.9**	**132.2**	**1,379.6**	**1,394.8**

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

Note 28 Leasing

Leased assets

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

	Group	Parent company
2007	92.3	3.1
2008	71.9	2.8
2009	47.3	0.1
2010	29.1	–
2011	20.2	–
2012 and later	22.9	–
Total	**283.7**	**6.0**

The year's cost in the Group of leased assets amounted to MSEK 104.5 (101.7). The parent company's costs amounted to MSEK 2.6 (2.1).

Note 29 Net financial items affecting cash flow

	Group		Parent company	
	2006	2005	2006	2005
Interest received	6.6	5.1	9.1	31.7
Interest paid	-83.0	-48.6	-68.4	-61.1
Dividends	–	–	141.5	114.1
Other items affecting cash flow	-7.9	-11.8	25.2	3.9
Total	**-84.3**	**-55.3**	**107.4**	**88.6**

Note 30 Acquisitions

On 11 September 2006, 100 per cent of the share capital was acquired in Finnish company Aysec Oy, which specialises in entrance security, focusing on control systems for gates and doors as well as entrance control systems. Aysec's turnover for the 2006 financial year amounted to MSEK 23.8 and net profit totalled MSEK 5.8. Aysec's turnover for the period of Gunnebo ownership in 2006 amounted to MSEK 10.6 and net profit totalled MSEK 2.6.

Specification of acquired net assets and goodwill

Purchase price paid including acquisition costs	25.0
Market value of acquired net assets	-15.7
Goodwill	**9.3**

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 in Aysecc
Intangible fixed assets	–	–
Tangible fixed assets	0.6	0.6
Financial fixed assets	0.3	–
Inventories and operating receivables	6.6	7.1
Liquid funds	12.8	12.8
Total assets	20.3	20.5
Interest-bearing provisions and liabilities	–	–
Other provisions and liabilities	-4.6	-3.9
Total acquired net assets	**15.7**	**16.6**
Purchase price settled in cash		-25.0
Liquid funds in acquired subsidiary		12.8
Change in Group liquid funds		**-12.2**

Note 31 Employees

Average number of employees

	Group	
	2006	2005
Sweden	481	480
Australia	39	46
Austria	8	11
Belgium	137	148
Canada	155	172
China/Hong Kong	3	2
Czech Republic	15	15
Denmark	153	160
Finland	40	35
France	1,573	1,603
Germany	541	609
Hungary	5	4
India	837	810
Indonesia	1,107	1,130
Italy	190	182
Lebanon	2	1
Luxembourg	6	7
The Netherlands	349	262
Norway	71	69
Poland	27	21
Portugal	76	80
Switzerland	41	56
Singapore	15	12
Spain	513	500
South Africa	120	70
UAE	3	3
UK	434	439
USA	23	18
Total outside Sweden	**6,483**	**6,465**
Total number of employees	**6,964**	**6,945**

Of the average number of employees, 1,076 (1,038) were female. In 2006, the average number of parent company employees was 24 (17), of whom 11 were female (8).

Women occupy 4 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 0 per cent (2.5) and of short-term sick leave was 2.0 per cent (0.9).

Employee stock option programme

The Annual General Meeting in 2002 resolved in favour of introducing an employee stock option programme 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. The average subscription price amounts to SEK 66.

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.

318,470 options were utilised during the year. At the end of 2006, the number of allocated unutilised options amounted to 136,600. There are a further 45,533 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 5. No amount has been charged against the result for the year. A sum of MSEK 1 is included in the balance sheet as an accrued cost and the corresponding amount is recognised as accrued income. Each option entitles the holder to subscribe to 2.45 new shares in the company at an average price of SEK 66 per share by no later than 30 April 2007.

Wages, salaries, other remuneration and social security charges

	2006			2005		
	Wages and other remuneration	Social security charges	Of which pension costs	Wages and other remuneration	Social security charges	Of which pension costs
Parent company	28.4	20.5	7.6	22.7	16.5	7.3
Subsidiaries	1,766.9	533.8	66.5	1,732.8	532.3	67.1
Group total	**1,795.3**	**554.3**	**74.1**	**1,755.5**	**548.8**	**74.4**

Of the above amount, a total of MSEK 93.5 (83.9) was paid in salaries and other remuneration to Boards and Presidents within the Group, of which MSEK 7.3 (7.7) consisted of bonuses. Of the Group's pensions costs, MSEK 11.0 (13.7) relates to Presidents within the Group.

Remuneration to the Board of the parent company amounted to SEK 1,375,000 (1,225,000), of which SEK 75,000 (75,000) comprises remuneration for committee work. A Board fee of SEK 400,000 was paid to Chairman of the Board, Roger Holtback. A Board fee of SEK 175,000 per person has been paid to members Bo Dankis, Mikael Jönsson and Martin Svalstedt, and a Board fee of SEK 150,000 per person has been paid to Björn Eriksson, Bjarne Holmqvist and Lena Olving.

The President of the parent company has been paid SEK 3,924,000 (6,797,000 of which 2,844,000 referred to the previous President) of which SEK 0 (1,055,000) consisted of bonuses.

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

Remuneration and other benefits for Board Chairman and senior executives during the year

SEK '000	Salary/ Board fee	Bonus	Other benefits	Pension cost	Other remuneration	Total
Chairman	400	–	–	–	60	460
President	3,924	–	36	1 584	130	5 674
Other senior executives (6 individuals)	11,303	1,474	808	3,274	29,261	46,120
Total	**15,627**	**1,474**	**844**	**4,858**	**29,451**	**52,254**

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 remuneration to three individuals for time after leaving senior positions amounting to SEK 25,602,000, as well as employee stock options utilised amounting to SEK 3,659,000.

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.

Of the parent company's pension costs, SEK 1,584,000 relates to the President (SEK 3,168,000, of which 1,460,000 referred to the former 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. 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.

Note 32 Auditors' remuneration

	Group		Parent company	
	2006	2005	2006	2005
Auditing	10.8	10.9	1.5	1.2
Other assignments	4.8	4.0	0.5	0.5

Note 33 Transactions with related parties

Of the parent company's invoiced sales 98 per cent (95) related to Group companies, while purchases from Group companies accounted for 19 per cent (12) of the total. A royalty of MSEK 0.9 (0.9) was received from Chubb Malaysia Bnd Sdn, an associated company. A consultancy fee of SEK 60,000 (48,000) has been paid to Holtback Holding AB. Holtback Holding AB is owned by Roger Holtback, Chairman of the Board.

Services have been purchased from MediaSpjuth AB for SEK 918,000 (901,000). MediaSpjuth AB is a subsidiary of Vätterledens Invest AB. Information on remuneration to senior executives is provided in Note 31. Over and above these, there were no other transactions with related parties.

Not 34 Events after the balance sheet date

On 6 February 2007, 577,759 new shares were issued related to the employee stock option programme.

The subscription liquidity amounted to MSEK 35.8.

After the closing day and during the period up until the date of this Annual Report, there have otherwise been no significant events or information about the situation on the closing date that require any additional disclosures.

Proposed treatment of unappropriated earnings

The consolidated retained earnings in the consolidated balance sheet amount to MSEK 259.6.
The following unappropriated earnings from the parent company are at the disposal of the Annual General Meeting:

Retained earnings from 2005	MSEK 31.5
Amounts paid in to share premium reserve in 2006	MSEK 41.3
Net profit for the year	MSEK 81.3
	MSEK 154.1

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

To be paid out to shareholders by way of dividend of SEK 1.60 per share	MSEK 72.3
To be carried forward	MSEK 81.8
	MSEK 154.1

The Board of Directors and President confirm that to the best of our knowledge, the financial accounts have been prepared in accordance with generally accepted accounting practice for stock market companies in Sweden. The presented information corresponds to actual conditions, and nothing of significant importance that could influence the picture of the Group and the parent company reflected by the financial report has been omitted.

The income statements and balance sheets will be submitted to the Annual General Meeting to be held on 28 March 2007 for adoption.

Göteborg 8 February 2007

Roger Holtback
Chairman

Bo Dankis | Björn Eriksson | Bjarne Holmqvist | Mikael Jönsson | Lena Olving | Martin Svalstedt

Bo Anders Hansson | Claes-Göran Karlsson

Audit report

To the annual meeting of the shareholders of
Gunnebo AB (publ.)
Corporate identity number 556438-2629

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Gunnebo AB for the year 2006. The company's annual accounts are included in the printed version on pages 16-69. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Göteborg 8 February 2007
PricewaterhouseCoopers AB

Bror Frid, Principal auditor
Authorized 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 elects the Chairman, 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 guidelines for pay and other remuneration to senior executives, 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 30 March 2006 at the Chalmers Student Union's union building in Göteborg.

208 shareholders, representing 51.7 per cent of the number of votes and shares, took part in the AGM. Roger Holtback, Mikael Jönsson, Martin Svalstedt, Lena Olving and Bjarne Holmqvist were re-elected onto the Board of Directors while Björn Eriksson and Bo Dankis were elected onto the Board, and were also present at the AGM. Roger Holtback was elected Chairman of the Board.

The AGM decided on a cash dividend of SEK 1.60 (2.25) per share to shareholders.

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's task is to submit proposals regarding the Chairman and other members of the Board, fees for Board members and remuneration for committee work 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 2006 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 as the convener. If Skadeförsäkring and BNP Paribas have declined to take part and have been replaced with the fifth largest owner, Odin Funds. The Nominations Committee has had four 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 AGM.

The independence of the Board members

The Code of Corporate Governance stipulates that the majority of Board members elected by the AGM must be independent of the company and its management, and at least two members who are independent of the company and its management must also be independent of the company's major shareholders.

Board member	Independent of company	Independent of owners
Roger Holtback	No (Board member >12 years)	Yes
Bjarne Holmqvist	No (Board member >12 years and former CEO)	Yes
Martin Svalstedt	Yes	No
Mikael Jönsson	Yes	No
Lena Olving	Yes	Yes
Björn Eriksson	Yes	Yes
Bo Dankis	Yes	Yes

None of Gunnebo's current senior executives are on the Board. However, Gunnebo's President and CEO Göran Gezelius, CFO - from 1 January 2007 Hans af Sillén and until 31 December 2006 Lennart Gustavsson - and General Counsel Lars Wallenberg, take part in the Board meetings, the

latter also as secretary. Other senior executives also take part when necessary.

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

Budget for 2006 and adjustments, ongoing monitoring of the Gunnebo One Company integration programme and the related property closures and closure of some production units, as well as investment in a Group-wide business system.

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

Roger Holtback	10
Bjarne Holmqvist	10
Martin Svalstedt	9
Mikael Jönsson	9
Lena Olving	8
Björn Eriksson*	8
Bo Dankis*	8
Nils-Olov Jönsson**	2
Sten Langenius**	2
Bo Anders Hansson	10
Claes-Göran Karlsson	9
Lars-Olof Larsson	10
Christer Grimståhl	10

*) Elected in connection with AGM

**) Left in connection with AGM

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 financing, for example.

The Board's work has been evaluated in 2006 and the results form the basis for continuous improvement and transparency in Board work. Compensation to the Board of Directors is explained in Note 31.

Chairman

At the AGM on 30 March 2006, Roger Holtback was elected Chairman of the Board.

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, the company's articles and the Swedish Code of Corporate Governance. 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 2006. The members of the committee have been Roger Holtback, Mikael Jönsson and Martin Svalstedt, with Roger Holtback as chairman.

In addition to the Remuneration Committee, the Board has also appointed an Audit Committee.

Martin Svalstedt, Mikael Jönsson and Bo Dankis 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 three occasions during the year. The auditors have also participated in a Board meeting to report on the results of their examination.

Swedish Code of Corporate Governance

Gunnebo has published principles for corporate governance in the previous annual report and as a separate section on the Group's website. Gunnebo complies with the Code's regulations and provides explanations for the following deviation:

The Swedish Code of Corporate Governance stipulates that publication of the members of the Nominations Committee must take place at least six months before the AGM. The members of the Nominations Committee must also be published in connection with the interim report

for the third quarter. As the Gunnebo AGM takes place relatively early in the year, the Nomination Committee is announced around five and a half months before the AGM.

The Code's other guidelines are followed in their entirety by Gunnebo.

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. Göran Gezelius took over as President and CEO on 2 May 2005.

The President and CEO leads work in several of the internal boards for Gunnebo's Competence and Customer Centres. The work follows a standard agenda.

Group management

During the year Gunnebo's Group management comprised a Group Executive Team and a Group Management Team, which are presented on pages 76-77 of this Annual Report.

The Group Executive Team held nine recorded meetings and the Group Management Team held four full day meetings during the year.

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 32.

Report on internal control

This report has been prepared in accordance with the Swedish Code of Corporate Governance and the guidelines produced by FAR (the institute for the accounting profession in Sweden) and the Confederation of Swedish Enterprise. 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.

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 Human Resource Policy, 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 analysis

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 are deemed 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.

For example, the business process for installation projects has been documented and implemented during 2006.

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.

The company has established an internal audit function from February 2007.

Göteborg, 8 February 2007
Gunnebo AB
The Board of Directors

Board and auditors

From left: Roger Holtback, Bo Dankis, Mikael Jönsson, Lena Olving, Martin Svalstedt, Björn Eriksson,

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, Finnveden AB, Tradimus 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: 175,000

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 and its subsidiaries, Gunnebo Industrier AB, Kopparbergs Bryggeri AB and Wipcore AB, and Chairman of the Board of SC Communication AB.
Shareholding: 92,000

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, Midelfart-Sonnesson AB, Stena Adactum AB and Stena Re-newable Energies.
Shareholding: 30,000

Bjarne Holmqvist
Board member
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 Gunnebo Industrier AB, Atlet AB, Speed Identity AB, Chalmers Foundation for Industrial Technology and Örgryte Industri AB, member of e.g. the Swedish Trade Fair Foundation.
Shareholding: 531,334

Lena Olving
Board member
Elected: 2004
Born: 1956
Nationality: Swedish
Main position: Operational Excellence Director, Volvo Car Corporation (VCC).
Education: Master of Science in Mechanical Engineering.
Professional background: Over 20 years in various posts at Volvo Car, including five years in Asia as manager for Volvo Car's operation in Southeast Asia, and a period as President of Samhall Högland AB.
Other Board appointments: Norsk Hydro AS, Norway.
Shareholding: 0

Bjarne Holmqvist, Christer Grimståhl, Bo Anders Hansson, Lars-Olof Larsson and Claes-Göran Karlsson.

Bo Dankis
Board member
Elected: 2006
Born: 1954
Nationality: Swedish
Main position: President and CEO of Perstorp AB.
Education: Master of Science in Mechanical Engineering.
Professional background: Many years' experience as President and executive at Forsheda AB, ABB and Assa Abloy.
Other Board appointments: Member of Perstorp holding AB its subsidiaries and associated companies, Ekeby Invest AB, Gadelius K.K. and Mandator AB.
Shareholding: 0

Björn Eriksson
Board member
Elected: 2006
Born: 1945
Nationality: Swedish
Main position: County Governor of Östergötland.
Education: Master of Science in Business Administration.
Professional background: National Police Commissioner, Director-General of the Board of Customs, President Interpol and World Customs Organisation (WCO) and senior positions in Sweden's Ministry of Finance.
Other Board appointments: Chairman of e.g. NTF, AB Göta Kanalbolag, County Labour Board and Svenska Skidskytteförbundet. Member of e.g. SE-Banken's Samhällsekonomiska Råd and Barndiabetesfonden.
Shareholding: 0

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

Bo Anders Hansson
Employee representative for SIF white-collar union
Elected: 1999
Born: 1954
Nationality: Swedish
Education: Engineering
Shareholding: 0

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

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

Auditor

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: Vice President Atlas Copco and business area manager at Sandvik AB.
Board appointments: Teknikföretagen trade and employers' organisation
Shareholding: 150,000
Stock options: 24,000 and 100,000 buy options

Hans af Sillén
Chief Financial Officer,*
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.
Board appointments: –
Shareholding: 2,000
Stock options: –
* Succeeded Lennart Gustavsson (retired) as CFO on 1 January 2007.

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.
Board appointments: AlfaSensor AB
Shareholding: 20,780
Stock options: 12,600

Anders Ågren
Country Manager France
Employed: 2006
Born: 1947
Nationality: Swedish
Education: Engineer and economist
Professional background: Senior positions in the Sandvik group.
Board appointments: Euromaint AB, Swedesurvey AB, Järntorget AB
Shareholding: –
Stock options: –

Group Management Team

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.
Board appointments: Draken i Reftele AB and AB Dogman.
Shareholding: -
Stock options: –

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.
Board appointments: –
Shareholding: 2,000
Stock options: 2,000

Sven Boëthius
Country 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.
Board appointments: –
Shareholding: 5,400
Stock options: 5,000

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

Olle Magnusson
Country Manager Germany/Austria
Employed: 2006
Born: 1950
Nationality: Swedish
Education: Engineer and economist
Professional background: Senior positions at IBM, Volvo Car Corporation and Biosys.
Board appointments: Migros Eurocentes
Shareholding: –
Stock options: –

William Mouat
Regional Manager Indian Ocean Rim
Employed: 2000
Born: 1953
Nationality: British
Education: Studies in economics and electronics
Professional background: Senior positions at Racal Electronics PLC and Chubb Security PLC.
Board appointments: –
Shareholding: –
Stock options: 3,000

Janerik Dimming
SVP Group Communications
Employed: 2001
Born: 1945
Nationality: Swedish
Education: Bachelor of Social Science
Professional background: Communications positions at SKF, Samhall and Adera, among others.
Board appointments: –
Shareholding: 2,000
Stock options: –

Göran Gustafson
General Manager Competence Centre Cash Automation, SVP Group Logistics
Employed: 2006
Born: 1952
Nationality: Swedish
Education: Master of Science in Engineering, Chalmers University of Technology
Professional background: Leading positions in manufacturing, distribution and logistics, most recently Vice President Operations SNA Europe
Board appointments: –
Shareholding: 7,000
Stock options: –

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

Agneta Hultgren
SVP Human Resources
Employed: 2007
Born: 1953
Nationality: Swedish
Education: Bachelor in Human Resources, Associate degree in Business Administration
Professional background: Senior Human Resource positions within among others Getinge, Alltima and Esab
Board appointments: –
Shareholding: –
Stock options: –

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

Åke Sundby
General Manager Competence Centre Outdoor Perimeter Protection
Employed: 2006
Born: 1948
Nationality: Swedish
Education: MBA
Professional background: Senior positions within Sandvik, Bahco and Atlas Copco
Board appointments: –
Shareholding: 2,000
Stock options: –

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

Jay Wright
Former Country Manager UK/Ireland
Employed: 1990
Born: 1951
Died: 1st March 2007

In memory of Jay Wright:
Jay's contribution to the Chubb and Gunnebo Groups was greatly appreciated by his colleagues and co-workers, and he will be sadly missed.

Other senior executives at Gunnebo's Group Finance Department

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

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
Board appointments: –
Shareholding: 2,000
Stock options: –

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.
Board appointments: –
Shareholding: –
Stock options: –

Competence Centres

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Competence Centre Secure Storage
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Peter Samuelsson, Market & Business Development
Wiebe Raap, Operations
Ann Marie Nygren, Logistics & Customer Service
Adrian Robinson, Financial Services
Jean-Pierre Maire, Business Line Development Manager

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Management Group:
Göran Gustafson, Competence Centre Manager and SVP Quality & Logistics
Bertil Gunnesson, Operations & Business Control
Gunnar Konkell, Business & Technical Development Cash Handling
Kent Schölin, Business & Technical Development EAS & Locks

ELECTRONIC SECURITY
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Management Group:
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Philippe Schlatter, Operations
Patrick Ditz, Technical Development & Design
Dominique Auvray, Marketing Development

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Michele Maistri, Operations
Jacques Barsi, Technical Development & Design
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Andreas Green, Finance
Morgan Barrington, Marketing
Lasse Sirtola, Technical
Fredrik Andersson, Logistics & IT
Nebojsa Obradovic, Production
Kjell Karlsson, Procurement
Maria Blomdahl, HR

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Management Group:
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Axel Lohman, Finance
Matthieu Escudie, Plant Manager Doulevant le Chateau
Frank Stöhr, Plant Manager Salzkotten
Joe Scott, Technical Projects

Customer Centres

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Martin Zandvliet, BLM Retail
Patrick Peters, BLM Site Protection
Frederik de Broyer, BLM After Sales Service
Roland Buggenhout, Internal Service & Support

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Bruce Archer, BLM Retail

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Istvan Roszmann, Country Manager Hungary

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Oliver Miaux, Finance
Olivier Bianchi, BLM Secure Storage
Gilbert Korchia, BLM Bank
Pascale Ghezi-Prost, BLM Retail
Arnaud de Seigneurens, BLM Site Protection
Delphine Guerrier, BLM After Sales Service

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Olle Magnusson
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Wolfgang Amman, BLM Retail
Manfred Busko, BLM Site Protection
Andreas Rory, BLM Secure Storage
Dieter Bangel, BLM After Sales Service

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Management Group:
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Marco Depaoli, BLM Retail
Mauro Bonetto, BLM Site Protection
Ettore Nissi, BLM After Sales Service
Lorraine Martin-Reeve, Internal Service & Support

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Sven Boëthius
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Management Group:
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Tor Melleberg, BLM Secure Storage
Tom Christensen, BLM Bank
Jerker Krabbe, BLM Retail
Tormod Lövseth, BLM After Sales Service
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Management Group:
Carlos Valpradinhos, Country Manager, BLM Retail
António Matos, BLM Secure Storage
José Caracol, BLM Bank
João André, BLM Site Protection
Nuno Bonito, BLM After Sales Service
Nuno Miranda, Internal Service & Support

BLM = Business Line Manager

Customer Centres

SWITZERLAND
Mike Finders
Gunnebo Suisse SA
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Management Group:
Mike Finders, Country Manager, BLM Bank and BLM Retail
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Christine Mercanton, BLM Secure Storage
Christoph Meyer, BLM Site Protection
Jean-Claude Vettiger, Internal Service & Support

SPAIN
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Gunnebo Spain
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Antonio Perez, BLM Secure Storage
Jordi Riart, BLM Bank
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Fransisco Saras, BLM Site Protection
Juan Manuel Vera, Internal Service & Support

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Management Group:
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Frithjof Boonstra, BLM Secure Storage
Henk Portegies Zwart, BLM Bank & After Sales Service
Eric-Jan van Dam, BLM Site Protection
Ben Derks, Internal Service & Support

UK/IRELAND
Jay Wright ***(deceased)***
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Management Group:
Jay Wright Country manager and manager ISS until 1st March 2007.
Martin Houseman acting Country Manager and BLM Bank & Retail
Tom Rochford, BLM Secure Storage
Paul Green, BLM Site Protection
Frank Kelly, BLM After Sales Service

WESTERN ASIA, NORTH AFRICA AND SOUTH-EAST EUROPE
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Management Group:
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Ian Butler, BLM Site Protection
Nabil Shahlawi, West Asia
Dominique Girard, North Africa
Jacques Roozendaal, South East Europe
Xavier Sanso, Internal Service & Support

Region Indian Ocean RIM

William Mouat
President
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Management Group:
William Mouat, President
Sacha de La Noë, Finance
Nicholas Roberts, Country Manager India
Hindra Kurniawan, Country Manager Indonesia
Elsie Tay, Country Manager Singapore
Robert Hermans, Country Manager South Africa
Dan Turner, Country Manager Australia/New Zealand

AUSTRALIA/NEW ZEALAND
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Management Group:
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Tim Firth, BLM Site Protection
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Gurudas Parwani, BLM Retail
Dinesh Babbar, BLM Fire Products
Subhas C, BLM Site Protection

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Hindra Kurniawan, Country Manager
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Setiawan, BLM Bank
Indra Komari, BLM Retail
Listiawati, BLM Site Protection
Shirley Tamtomo, After Sales Service
William Mouat, Internal Service & Support

SINGAPORE
Elsie Tay
Gunnebo Singapore Pte Ltd
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Management Group:
Elsie Tay, Country Manager, BLM Site Protection, After Sales Service and Internal Service & Support
Jeffrey Hermawan, BLM Secure Storage
Ken Thng, Business Development Manager

SOUTH AFRICA
Robert Hermans
Gunnebo South Africa
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Management Group:
Robert Hermans, Country Manager, BLM Secure Storage, BLM Retail
David Smith, BLM Bank & Exports
John MacGregor, BLM Site Protection
Bruce Spence, After Sales & Operations
Clifford Pitout, Finance & Internal Service and Support

Gunnebo Glossary

AM
Acousto magnetic technology. Used in article surveillance. No other technology can provide theft protection over such great distances. The technology makes it possible to use small, discreet hard tags and self-adhesive anti-theft labels.

BRE
Burglary-resistant equipment.

CCTV
Closed Circuit Television. An internal video surveillance system.

CIT
Cash In Transit. Collective name for the transport of money between e.g. banks and counting centres.

CTU
Cash Transfer Unit. SafePay™ unit into which notes are emptied from the IDU.

Competence Centre
The units responsible for product sourcing – production, procurement – research and development within the Gunnebo Group.

Customer Centre
The term for Gunnebo's sales companies per country/region.

EM
Electro magnetic technology. Used in article surveillance. Compatible with metal, e.g. tags can be integrated on or into metal products.

Entrance control
An access point where personal identification is required. E.g. offices, prisons, many areas at an airport.

FRE
Fire-resistant equipment.

High-graded safes
The majority of safes sold by Gunnebo have undergone rigorous fire and burglary tests. When a safe passes these tests it becomes certified, and the highest level of certified safes are called high-graded safes.

High-security locks
Certified locks that have undergone extensive testing, including manipulation tests.

IDU
Intelligent Deposit Unit. Recirculation unit for SafePay's note unit.

Site protection
Systems used to detect unauthorised access and egress, and for identification if an alarm is triggered from an alarm system other than perimeter protection. One example is being able to distinguish whether a person, an animal or an event of some kind has triggered an alarm.

Access control
Access is registered but no personal verification is required. E.g. underground transport systems, football stadiums, swimming baths.

RF
Radio frequency technology. Used in article surveillance. Has been used for many years to help prevent shoplifting and is a solution optimised for clothing stores, department stores and supermarkets.

RFID
Radio Frequency Identification. A technology used for communicating via radio waves where the applications can both send and receive information.

RM
Radio magnetic systems. Used in article surveillance. A unique technical solution developed by Gunnebo which combines RF and EM.

SafePay™
A system developed by Gunnebo for efficient, completely closed cash handling.

SDU
Secure Deposit Unit. Recirculation unit for SafePay's note unit with dye protection.

Perimeter protection
The generic name for the outer layers, with different security levels, often applied in outdoor perimeter security.

SMB/Arcana
Site Master Bank/Arcana. A system developed by Gunnebo for integrated electronic surveillance in the bank sector. Integrates all the desired functions in one application: CCTV, access and entrance control, fire alarms, burglar alarms, etc.

SMI
Site Master Industry. A system developed by Gunnebo for integrated electronic surveillance. Mainly applied in operations with their own surveillance centre. Integrates existing applications into one system. Usually includes access and entrance control, burglar alarms, etc.

Secure Storage
Umbrella name for Gunnebo's traditional physical security range such as safes, vaults and vault doors.


For a safer world

GUNNEBO
For a safer world®

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