

Press release October 28, 2004

G U N N E B O

I N T E R I M R E P O R T

J A N U A R Y - S E P T E M B E R 2 0 0 4

Third quarter 2004

- Invoiced sales rose by 8% to MSEK 1,784 (1,654); organic growth was 2%.
- The result after financial items was a profit of MSEK 84 (84).
- The profit after tax amounted to MSEK 59 (64).
- Earnings per share amounted to SEK 1.35 (1.45).

January - September 2004

- Invoiced sales rose by 5% to MSEK 5,340 (5,104); organic growth was 1%.
- The result after financial items was a profit of MSEK 200 (207).
- The profit after tax amounted to MSEK 143 (155).
- Earnings per share amounted to SEK 3.25 (3.55).
- Cost-cutting production adjustments will be done - provisions in connection with the adjustments will impact the fourth quarter.

Forecast for 2004 as a whole

- The result for 2004 as a whole, excluding provisions for cost-cutting production adjustments, is estimated to be broadly the same as in 2003.

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Gunnebo Group

Third quarter 2004

The consolidated operating profit amounted to MSEK 99 (97), and the operating margin was 5.5 per cent (5.9). The result after financial items was a profit of MSEK 84 (84).

The operative cash flow, excluding structuring costs, amounted to MSEK 93 (106).

The Group's invoiced sales increased by 8 per cent to MSEK 1,784 (1,654). Organic growth was 2 per cent. Company acquisitions boosted invoiced sales by seven percentage points, while currency effects reduced them by one per cent.

The Group's order intake increased by 4 per cent to MSEK 1,790 (1,720).

The order intake reported for the third quarter of 2003 has been adjusted by MSEK 115 on account of delays in the delivery of SafePay and other factors. After this adjustment, organic growth was 4 per cent. Company acquisitions added eight percentage points to the order intake, while currency fluctuations reduced the order intake by one per cent.

January - September 2004

Order intake and invoiced sales

The Group's order intake increased by 5 per cent to MSEK 5,578 (5,335). Organic growth, after adjustment as above, was 3 per cent. Company acquisitions added five percentage points to the order intake, while currency effects reduced it by one point.

The Group's invoiced sales increased by 5 per cent to MSEK 5,340 (5,104). The foreign sales ratio was 91 per cent (90).

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

Result

The consolidated operating profit amounted to MSEK 238 (251). This figure includes depreciation according to plan of MSEK 180 (173), of which depreciation of goodwill accounts for MSEK 56 (50). Net financial costs amounted to MSEK 38 (44).

The profit after financial items amounted to MSEK 200 (207). Company acquisitions had the effect of reducing the profit by MSEK 13, and currency fluctuations reduced it by MSEK 12.

The sharp rise in steel prices could largely be offset by passing on the increase to customers. However, seen overall for the Group, the increase in the price of steel effectively reduced the result by in the region of MSEK 10-15.

Capital expenditure

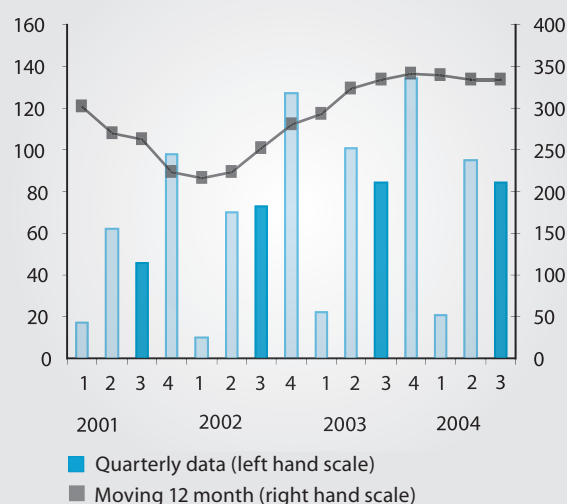
The Group's fixed capital expenditure, excluding company acquisitions, amounted to MSEK 124 (127).

Cash flow

The cash flow from continuing operations amounted to MSEK 121 (155), of which restructuring costs affecting the cash flow accounted for MSEK 44 (64).

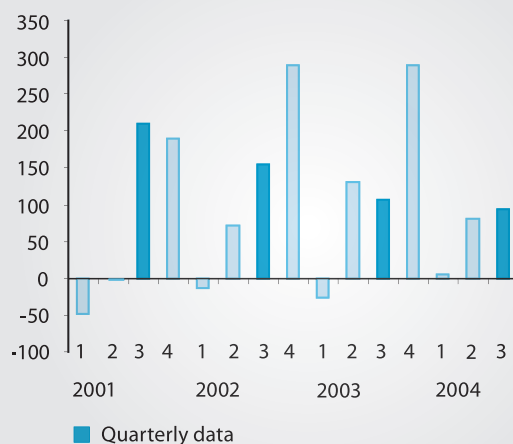
The operative cash flow after investment activities but before interest, paid tax and restructuring costs, amounted to MSEK 178 (211).

Profit after financial items, MSEK



Operative cash flow, MSEK

Before financial items, tax and structuring costs



Divisions

Gunnebo Physical Security

	July - Sept		January - Sept		Full year
MSEK	2004	2003	2004	2003	2003
Invoiced sales	596	597	1,861	1,930	2,618
Operating profit before depreciation of goodwill	32	42	109	140	209
Operating margin, %	5.4	7.0	5.9	7.3	8.0

Gunnebo Physical Security's market for banking automation has continued to grow, and the markets for traditional bank products have declined. Sales of high-graded safes for automatic cash dispensers have declined. In view of these market changes, a review of the division's production capacity for traditional security products for the banking sector has been launched, including a reduction of some 200 employees, the cost of which will be taken in the fourth quarter of 2004.

An agreement for the distribution of coin deposit machines was signed during the third quarter with Novotech Banksysteme, Austria. The division can now offer a complete range of security products for self-service in the banking sector.

Markets in southern Europe have made further good progress, while in northern Europe they have weakened, especially those in Germany, Holland and Sweden.

Some of the decline in the transfer safe business in France was compensated for by substantial orders in banking automation and for other bank products.

In Italy and Belgium, the division strengthened its market position via the acquisition of Chubb Lips, Italy, and Chubb's physical security business in Belgium earlier this year.

Agency sales in Eastern Europe and Africa have also continued to do well.

Region Americas has enjoyed continued healthy market developments and has launched a variety of products on the market for banking automation.

In Finland, the division set up a new company – Gunnebo Security Oy – during the third quarter.

The launch of SafePay is continuing in Europe, and the division now has orders in hand from more than thirty customers.

The deterioration in the division's result is largely attributable to the decline in the volume of traditional banking products and higher investments in the marketing of SafePay.

Gunnebo Integrated Security

	July - Sept		January - Sept		Full year
MSEK	2004	2003	2004	2003	2003
Invoiced sales	488	463	1,477	1,422	1,945
Operating profit before depreciation of goodwill	42	41	110	109	171
Operating margin, %	8,6	8,9	7,4	7,7	8,8

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

In the electronic security systems segment, a banking merger in France is having a temporarily adverse effect on demand. This has largely been compensated for by substantial orders for complete security systems from other banks, public authorities, casinos, universities and TV and radio stations.

A major order was booked in the third quarter from one of Spain's leading savings banks for the installation and modernisation of burglary and fire alarm systems, fire-extinguishing systems, CCTV equipment, and for Gunnebo Entrance Control's products for entrance and access control systems. The order also includes the upgrading of security at 1,000 of the bank's branches.

The bullet-resistant glass-walled premises business area has booked orders from petrol stations, banks and motorway toll booths.

Gunnebo Entrance Control is continuing to do well on its large, primary markets. In the sports and recreation grounds business area, several arenas have had its products installed.

The ImmSec immigration gate was launched during the year at several security trade fairs, and is currently being tested at a number of airports.

The acquisition of Swiss company Hammer Sicherheit has strengthened Gunnebo Entrance Control's market position in Switzerland and extended the product range, mainly in the field of fast one-at-a-time passage in confined areas.

The acquisition of Securibel in Belgium at the beginning of the year has considerably strengthened the division's position on the Belgian market.

Gunnebo Perimeter Security

	July - Sept		January - Sept		Full year
MSEK	2004	2003	2004	2003	2003
Invoiced sales	338	262	900	735	1,038
Operating profit before depreciation of goodwill	18	12	28	10	28
Operating margin, %	5.3	4.6	3.1	1.4	2.7

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

After meeting seasonally low demand early in the year, **Gunnebo Perimeter Protection's** main markets developed well during the later part of the period, with the exception of Germany and Holland, where prices are under intense pressure.

During the third quarter a major order was received from a new Danish state prison, while orders booked in earlier periods for outdoor perimeter protection for ports in the Nordic region are now being completed.

Other market segments that are doing well are outdoor perimeter protection for military installations, nuclear power stations and sports grounds.

The acquisition of Elkosta, which is active in Germany and England, complements the division's existing range of high security systems.

During the third quarter negotiations were begun on the relocation of the greater part of Elkosta's production in Salzgitter (Germany) to Wego's production facilities in Salzkotten. A provision for this was made in connection with the acquisition.

Gunnebo Troax noted firmer demand during the latter part of the period on its main markets in England and Sweden. Conditions were weaker on the markets in Switzerland, Austria and Belgium.

The first phase in the investments in production equipment and new factory layouts at the Troax factory in Hilerstorp has now been completed. Together with logistical changes they will create the right conditions for more rational and faster flows to end-customers.

Gunnebo Asia Pacific

	July - Sept		January - Sept		Full year
MSEK	2004	2003	2004	2003	2003
Invoiced sales	91	83	247	222	309
Operating profit before depreciation of goodwill	6	5	12	7	13
Operating margin, %	6.6	6.0	4.9	3.2	4.2

Gunnebo Asia Pacific's main markets, India and Indonesia, have continued to do well, as have the agency markets. The business in Australia noted a weaker performance.

Within the division's business in India a very strong order intake was noted towards the end of the period for physical security products for the banking market and fire-extinguishing systems for industry.

The modernised and enlarged factory in Halol, which manufactures high-graded bank products, has now been run in, which has enabled it to strengthen its market position in the banking sector.

In Indonesia, traditional bank products and electronic security systems have continued to make good progress.

Gunnebo Security - summary

	July - Sept		January - Sept		Full year
MSEK	2004	2003	2004	2003	2003
Invoiced sales	1,491	1,381	4,418	4,239	5,817
Operating profit before depreciation of goodwill	98	101	257	270	428
Depreciation of goodwill	-18	-15	-50	-44	-59
Operating profit after depreciation of goodwill	80	86	207	226	369
Operating margin before depreciation of goodwill, %	6.6	7.3	5.8	6.4	7.4
Operating margin after depreciation of goodwill, %	5.4	6.2	4.7	5.3	6.3

Gunnebo Security's order intake for the January-September period increased to MSEK 4,639 (4,459). Invoiced sales amounted to MSEK 4,418 (4,239). Organic growth in the order intake was 2 per cent, while invoiced sales remained unchanged.

The operating profit before depreciation of goodwill amounted to MSEK 257 (270), giving an operating margin of 5.8 per cent (6.4). The effect of acquisitions and currency fluctuations was to reduce the result by MSEK 11.

The operating profit after depreciation of goodwill amounted to MSEK 207 (226), and the operating margin was 4.7 per cent (5.3).

Gunnebo Engineering

	July - Sept		January - Sept		Full year
MSEK	2004	2003	2004	2003	2003
Invoiced sales	293	273	922	865	1,144
Operating profit before depreciation of goodwill	28	23	69	62	87
Depreciation of goodwill	-2	-2	-6	-6	-8
Operating profit after depreciation of goodwill	26	21	63	56	79
Operating margin before depreciation of goodwill, %	9.6	8.4	7.5	7.2	7.6
Operating margin after depreciation of goodwill, %	8.9	7.7	6.8	6.5	6.9

Gunnebo Engineering's order intake rose by 7 per cent during the first nine months of the year to MSEK 939 (876). Organic growth was 7 per cent. Invoiced sales rose to MSEK 922 (865), corresponding to organic growth of 7 per cent.

The operating profit before depreciation of goodwill amounted to MSEK 69 (62), giving an operating margin of 7.5 per cent (7.2).

The operating profit after depreciation of goodwill amounted to MSEK 63 (56), with an operating margin of 6.8 per cent (6.5).

All of Gunnebo Engineering's business units experienced continued buoyant market conditions.

Gunnebo Lifting's encouraging market development has continued and a new GrabiQ range for chain-sling lifting with a capacity of up to five tonnes has been launched.

Gunnebo Block, most of whose sales go to the US market, continued to do well on its markets.

Gunnebo Non Skid (anti-skid products for farming and forestry) experienced strong demand during the autumn, which sees the start of the business area's normal high season.

Gunnebo Fastening has noted a continued strong performance on its main markets in Sweden, Finland, Poland and Eastern Europe.

Liquidity and financial position

The Group's closing liquid funds amounted to MSEK 163 (31 Dec 2003: 221), over and above which the Group has undrawn lines of credit of some MSEK 1,400.

The Group's net debt increased to MSEK 1,708 (31 Dec 2003: 1,309), largely on account of company acquisitions and a change in the accounting treatment of pension liabilities. The change in accounting principles into line with the Swedish Financial Accounting Standards Council's recommendation RR29 had the effect of increasing the pension liability by MSEK 137, as a consequence of which equity declined by MSEK 98, taking account of deferred tax.

The equity ratio was 33 per cent (35), and the debt-equity ratio was 0.9 (0.9).

Employees

The number of employees in the Group at the end of the period was 8,170, which may be compared with 8,108 at the end of the previous year. The number of employees abroad was 7,224 (7,157).

Per share data

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

Earnings per share after dilution amounted to SEK 3.25 (3.55). Earnings per share for the latest 12-month period amounted to SEK 5.65 (6.25).

Equity per share after dilution amounted to SEK 42.75 (31 Dec 2003: 44.20).

The company has 10,800 shareholders.

Accounting principles

This report is made up in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 Interim reports.

As of 1 January 2004, the company applies the Swedish Financial Accounting Standards Council's recommendation RR 29 Employee benefits. The introduction of this recommendation has resulted in a reduction of MSEK 98 in the opening equity. The application of the new recommendation has not had any material effect on pension costs for the period.

Otherwise the same accounting principles and methods of calculation are applied in this interim report as in the latest annual report.

Nominations committee

The Annual General Meeting held in 2004 resolved in favour of appointing a Nominations Committee, consisting of the chairman of the Board and one representative of each of the three largest shareholders on 30 September 2004. Pursuant to this decision, the following were elected to the Nominations Committee: Roger Holtback, chairman of the Board; Nils-Olov Jönsson, Vätterledens Invest; Dan-Sten Olsson, Stena Adactum; and Torsten Johansson, Handelsbanken funds.

Forecast for 2004

In the half-yearly report it was estimated that for the year as a whole the profit after financial items would be better than it was in 2003. The result for 2004 as a whole after net financial items, excluding provisions for cost-cutting production adjustments, will be broadly the same as in 2003.

Göteborg, 28 October 2004
Bjarne Holmqvist
President and CEO

Consolidated income statement, MSEK

	July-Sept		January-Sept		Full year
	2004	2003	2004	2003	2003
Invoiced sales	1,784	1,654	5,340	5,104	6,961
Cost of goods sold	-1,187	-1,113	-3,597	-3,445	-4,680
Gross operating profit	597	541	1,743	1,659	2,281
Other operating costs	-498	-444	-1,505	-1,408	-1,882
Operating profit	99	97	238	251	399
Net financial items	-15	-13	-38	-44	-58
Profit after financial items	84	84	200	207	341
Minority interests	-1	-	-1	-	-1
Taxes	-24	-20	-56	-52	-80
Net profit for the year	59	64	143	155	260
Earnings per share, SEK	1.35	1.45	3.25	3.60	6.00
Earnings per share after dilution, SEK	1.35	1.45	3.25	3.55	5.95

Cash flow analysis, MSEK

	July-Sept		January-Sept		Full year
	2004	2003	2004	2003	2003
Cash flow from current operations before change in working capital	105	84	245	225	360
Change in working capital	-32	-6	-124	-70	105
Cash flow from current operations	73	78	121	155	465
Investments, net	-24	-41	-90	-122	-190
Acquisitions and divestments of subsidiary companies	3	-31	-57	-44	-56
Cash flow from investment activities	-21	-72	-147	-166	-246
Change in interest-bearing receivables and liabilities	-55	-58	66	-76	-260
Dividend	-	-	-99	-85	-85
Cash flow from financing activities	-55	-58	-33	-161	-345
Cash flow for the period	-3	-52	-59	-172	-126
Opening liquid funds	167	230	221	362	362
Translation differences on liquid funds	-1	-1	1	-13	-15
Closing liquid funds	163	177	163	177	221

Operating cash flow, MSEK

	July-Sept		January-Sept		Full year
	2004	2003	2004	2003	2003
Cash flow from current operations	73	78	121	155	465
Re-entry of paid tax and net financial items affecting cash	23	41	103	114	138
Net investments	-24	-41	-90	-122	-190
Operating cash flow	72	78	134	147	413
Re-entry of structuring costs affecting cash flow	21	28	44	64	87
Operating cash flow excluding structuring costs	93	106	178	211	500

Consolidated balance sheet, MSEK

	Sept 30	Dec 31
	2004	2003
Intangible fixed assets	1,192	983
Tangible fixed assets	1,012	1,009
Financial fixed assets	132	59
Inventory	1,226	1,099
Operating receivables	1,818	1,771
Liquid funds	163	177
Total assets	5,543	5,098
Equity ¹⁾	1,806	1,777
Minority interests	6	6
Interest-bearing provisions and liabilities	1,884	1,737
Other provisions and liabilities	1,847	1,578
Total equity and liabilities	5,543	5,098
¹⁾ Change in equity during the period:		
Opening balance	1,870	1,646
Dividends paid	-99	-85
Conversion	-	81
Translation differences	-10	-20
Change of accounting principles	-98	-
Net profit for the period	143	155
Closing equity	1,806	1,777

Key ratios

	January-Sept		Full year
	2004	2003	2003
Return on capital employed before depreciation of goodwill, % *	18.7	18.7	19.2
Return on capital employed, % *	11.4	11.8	12.1
Return on equity, % *	13.9	16.3	14.8
Gross margin, %	32.6	32.5	32.8
Operating margin before depreciation, % (EBITDA)	7.8	8.3	9.0
Operating margin before depreciation of goodwill, % (EBITA)	5.5	5.9	6.7
Operating profit, % (EBIT)	4.5	4.9	5.7
Profit margin, % (EBT)	3.7	4.1	4.9
Capital turnover rate *	2.0	2.0	2.0
Equity ratio, %	33	35	37
Interest cover	5.9	5.0	5.8
Debt-equity ratio	0.9	0.9	0.7

* For the past 12-month period

Data per share

	January-Sept		Full year
	2004	2003	2003
Earnings per share, SEK	3.25	3.60	6.00
Earnings per share after dilution, SEK	3.25	3.55	5.95
Equity per share, SEK	41.25	40.60	42.70
Equity per share after dilution, SEK	42.75	41.45	44.20
Cash flow per share, SEK	2.75	3.55	10.65
No. of shares at end of period, thousand	43,780	43,780	43,780
No. of shares after dilution, thousand	45,780	45,780	45,780

Invoiced sales, operating profit and operating margin, MSEK

	Invoiced sales					Operating profit					Operating margin, %				
	July-Sept		January-Sept		Full year	July-Sept		January-Sept		Full year	July-Sept		January-Sept		Full year
	2004	2003	2004	2003	2003	2004	2003	2004	2003	2003	2004	2003	2004	2003	2003
Gunnebo Security	1,491	1,381	4,418	4,239	5,817	98	101	257	270	428	6.6	7.3	5.8	6.4	7.4
Gunnebo Engineering	293	273	922	865	1,144	28	23	69	62	87	9.6	8.4	7.5	7.2	7.6
Central Group items	-	-	-	-	-	-7	-10	-32	-31	-49	-	-	-	-	-
Group total before de- preciation of goodwill	1,784	1,654	5,340	5,104	6,961	119	114	294	301	466	6.7	6.9	5.5	5.9	6.7
Depreciation of goodwill	-	-	-	-	-	-20	-17	-56	-50	-67	-	-	-	-	-
Group total	1,784	1,654	5,340	5,104	6,961	99	97	238	251	399	5.5	5.9	4.5	4.9	5.7

Quarterly data, MSEK

Consolidated income statement	2002				2003				2004		
	1	2	3	4	1	2	3	4	1	2	3
Invoiced sales	1,603	1,763	1,682	1,928	1,640	1,810	1,654	1,857	1,627	1,929	1,784
Cost of goods sold	-1,114	-1,176	-1,143	-1,305	-1,117	-1,215	-1,113	-1,235	-1,113	-1,297	- 1,187
Gross operating profit	489	587	539	623	523	595	541	622	514	632	597
Other operating costs	-457	-496	-444	-480	-484	-480	-444	-474	-483	-524	-498
Operating profit	32	91	95	143	39	115	97	148	31	108	99
Net financial items	-22	-21	-22	-16	-17	-14	-13	-14	-10	-13	-15
Profit after financial items	10	70	73	127	22	101	84	134	21	95	84
Key ratios											
Gross margin, %	30.5	33.3	32.0	32.3	31.9	32.9	32.7	33.5	31.6	32.8	33.5
Operating margin, %	2.0	5.2	5.6	7.4	2.4	6.4	5.9	8.0	1.9	5.6	5.5

Gunnebo Security

Invoiced sales	1,317	1,436	1,406	1,651	1,354	1,504	1,381	1,578	1,336	1,591	1,491
Operating profit *	44	92	99	150	51	118	101	158	47	112	98
Operating margin, % *	3.3	6.4	7.0	9.1	3.8	7.8	7.3	10.0	3.5	7.0	6.6

Gunnebo Engineering

Invoiced sales	286	327	276	277	286	306	273	279	291	338	293
Operating profit *	13	26	20	22	14	25	23	25	12	29	28
Operating margin, % *	4.5	8.0	7.2	7.9	4.9	8.2	8.4	9.0	4.1	8.6	9.6

* Before depreciation of goodwill

This report has not been examined by the company's auditors.

Financial information

Year-end release 2004	February 3, 2005
Annual report 2004	March 2005
Annual General Meeting 2005	March 31, 2005
Interim report January - March 2005	April 29, 2005



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