



**The World's Leading Lock Group**

The ASSA ABLOY Group is the world's leading manufacturer and supplier of locking solutions, dedicated to satisfying end-user needs for security, safety and convenience.

**First Quarter Report 2003**

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# ASSA ABLOY's ambition is to provide the best locking solutions, making the world safer and more secure



The ASSA ABLOY Group includes 50 of the world's top locking brands. We employ around 30,000 highly skilled men and women in more than 100 companies. And we are present in 130 countries. Our annual sales are approximately EUR 3 billion.

# **ASSA ABLOY 1994 to 2002**

## **The creation of a global leader**

- Sales from SEK 3 billion to SEK 25 billion, 30% per year
- Pre-tax profit from SEK 70 M to SEK 2 015 M, 50% per year
- Operating cash flow from SEK 100 M to SEK 3 525 M
- EBITA-margin increased from 4 to 14%
- EPS twenty fold – average up 45% per year
- 100 companies acquired – restructured the lock industry

# How we see the locks business

- Mature business – strong local standards, leaders and brands
  - barriers to entry
- Majority of sales to existing buildings
  - creates stability and recurring revenue
- Trend towards higher security
  - increasing need to protect life and property
- Growing intelligent locking solutions – large and small customers
  - combines security, safety and convenience
- New construction and security driven growth in emerging markets

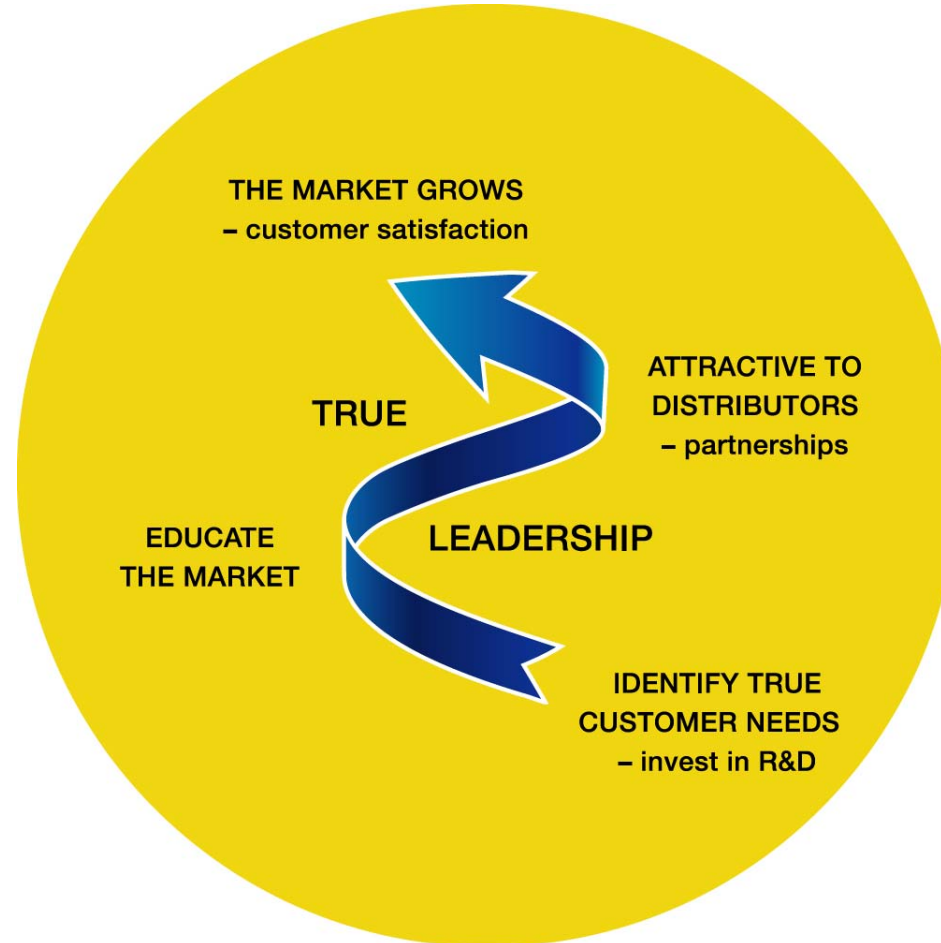
# ASSA ABLOY's strategy

- **General**
  - focus on locking solutions
  - lead the trend towards higher security
  - focus on EPS and cash flow
- **Mature markets**
  - multidomestic/acquisitions/local brands
  - benchmarking/cross learning
  - synergies/cross selling
- **New markets**
  - local leadership - organic growth
  - low cost production opportunities
- **Electromechanics and Door Automatics**
  - joint technology in local standards
  - total openings concept - interacting products

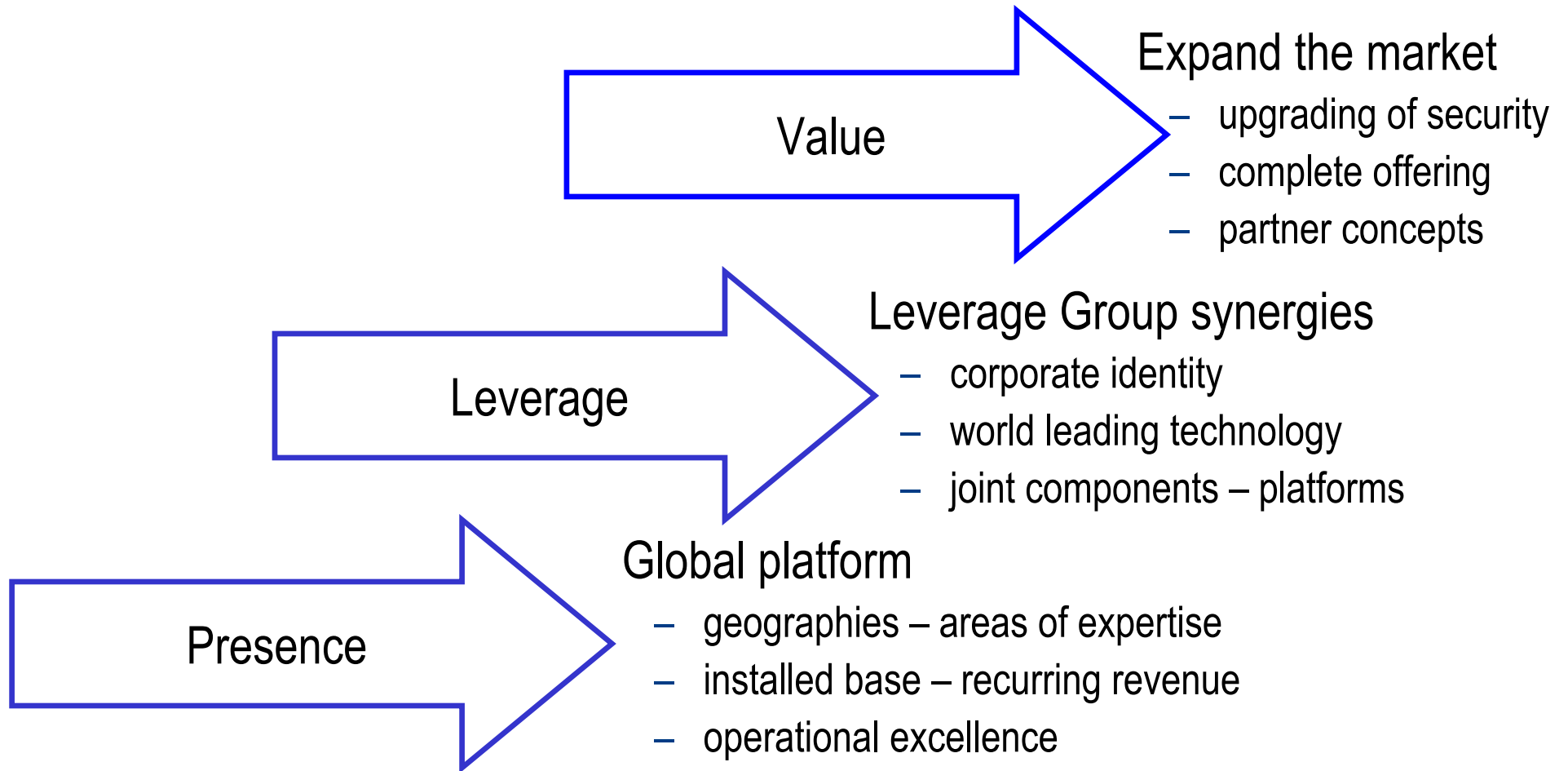


# Our way of working

Leading the trend towards higher security



# Our step by step Group development strategy



# Financial goal for ASSA ABLOY

## – a 5-year perspective (excl. new acquisitions)

- 20% return on capital employed (including goodwill and amortizations) through
  - organic growth 2% above GDP over a business cycle
  - 2-3% margin improvement
    - stand alone improvement through local operation excellence
    - Group efforts in R&D, purchasing and production
  - capital rationalization – maintained absolute level for several years
    - inventory reductions through improved workflows
    - maintained Cap Ex level through synergies in production
  - accumulated goodwill amortization of SEK 5billion



# First Quarter Highlights

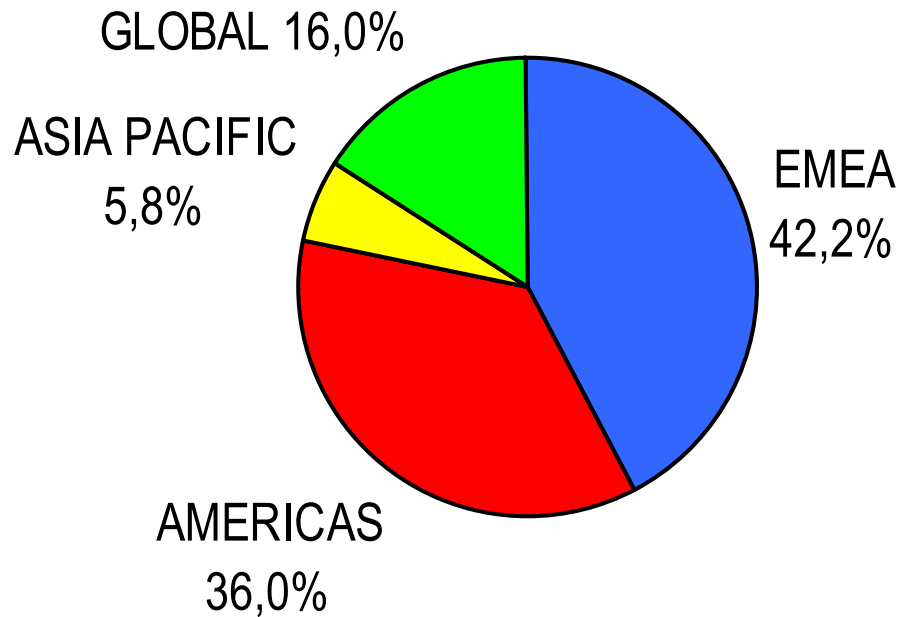
- Sales increase 9% in local currencies, flat organic growth
- Pretax profit – SEK 468 M (461) – up 2%, currency adjusted 13%
- Continued EBITA-margin improvement, 0.1 %
- Acquisition of Black & Decker's European Security Hardware Division
- New organization to increase flexibility, take advantage of synergies and respond to market opportunities more quickly

# New Organization

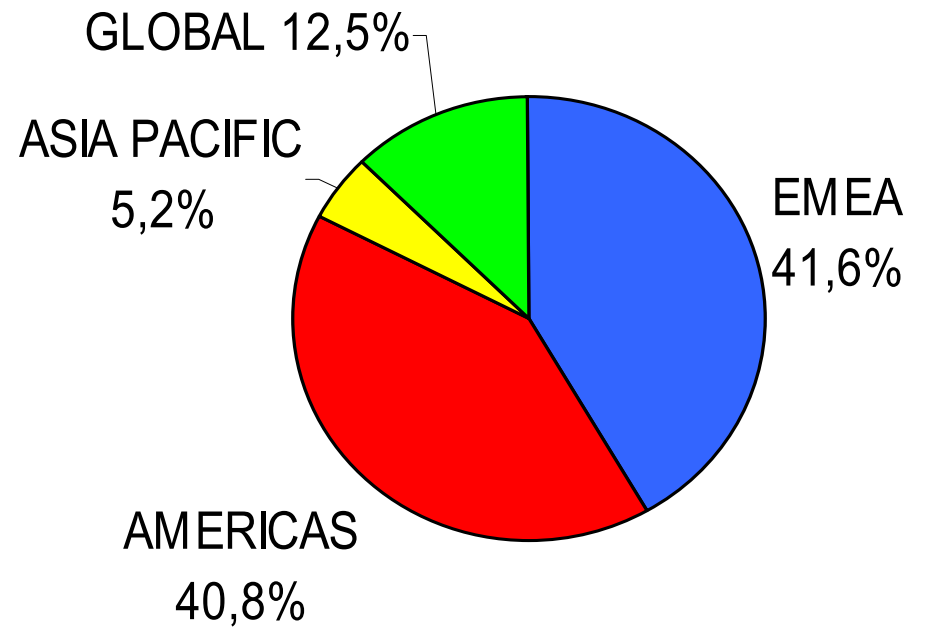
- Bo Dankis, President & CEO
- Clas Thelin, Executive Vice President – Americas
- Hans Johansson, Executive Vice President – EMEA
- Geoff Norcott, Executive Vice President – Asia Pacific
- Göran Jansson, CFO & Executive Vice President – Global Technologies Business
- Åke Sund, Group Vice President – Market and Business Development

# New Segments

## SALES



## EBITA



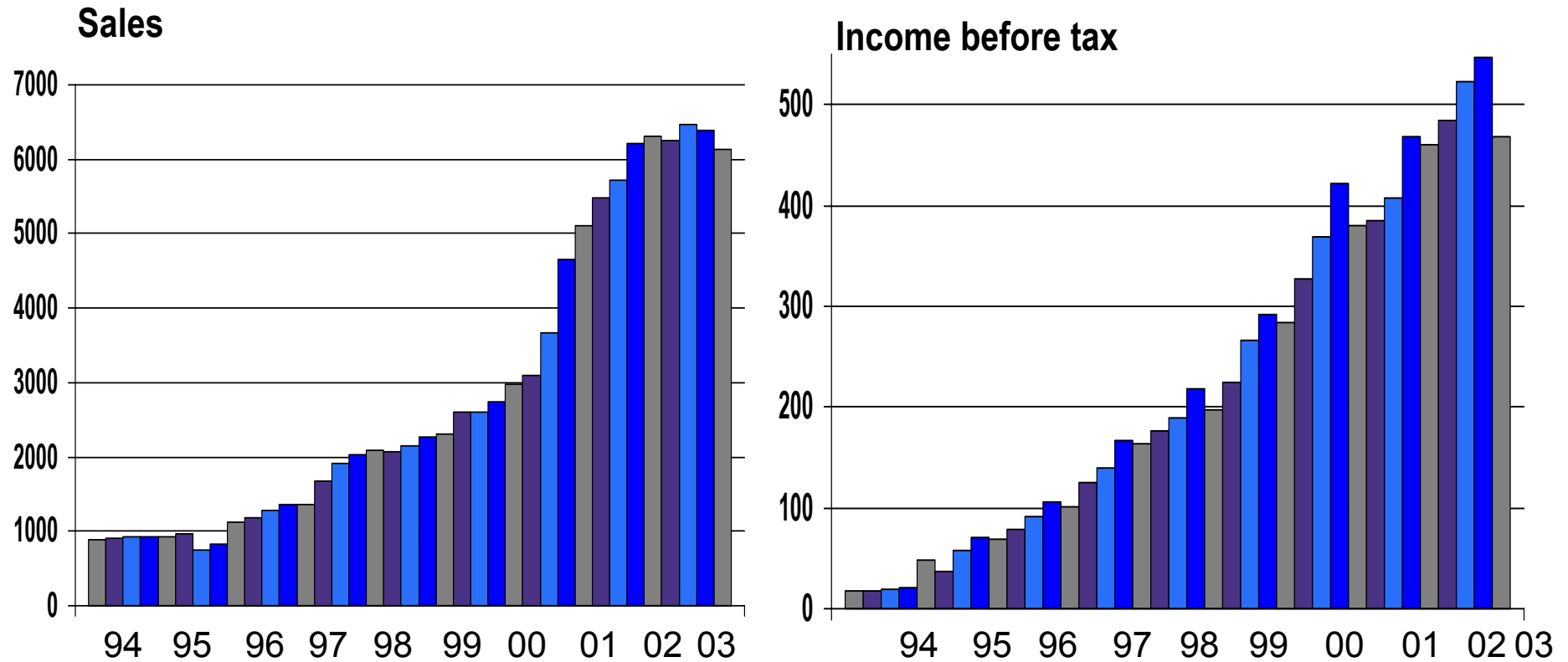
# The message

- No change in objectives
  - ROCE 20%
- No change in strategies
  - Emphasis shifts to *leverage* and *value*
- Setting a higher pace with a trimmed executive team

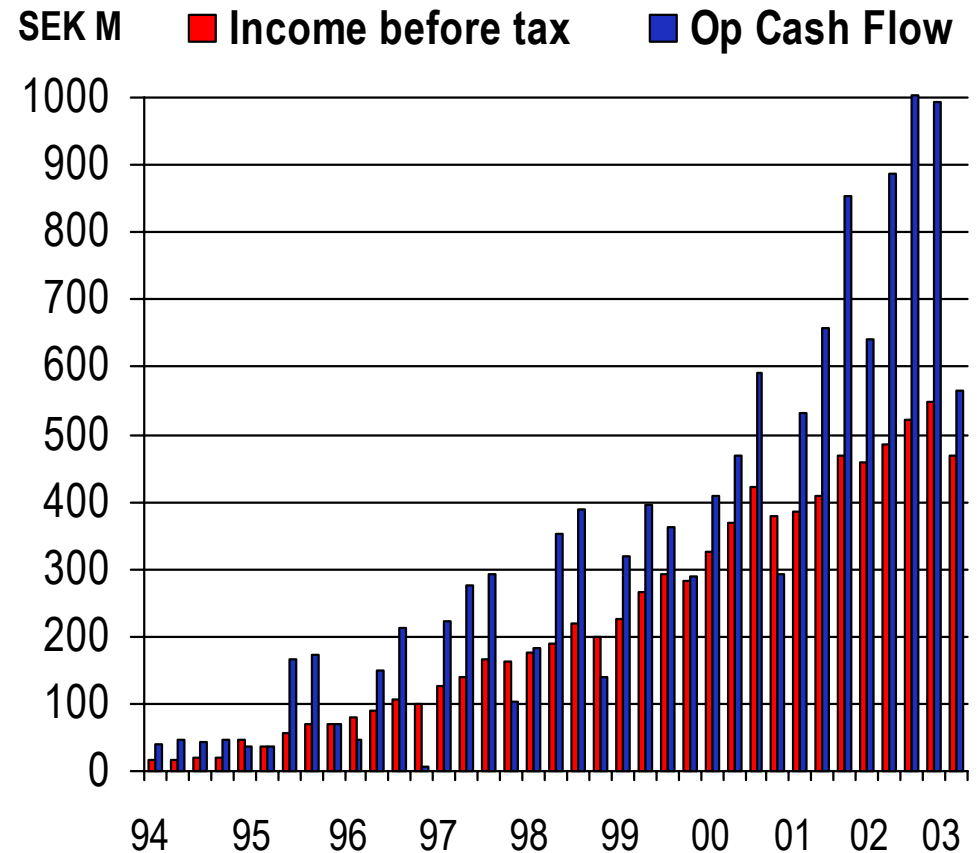
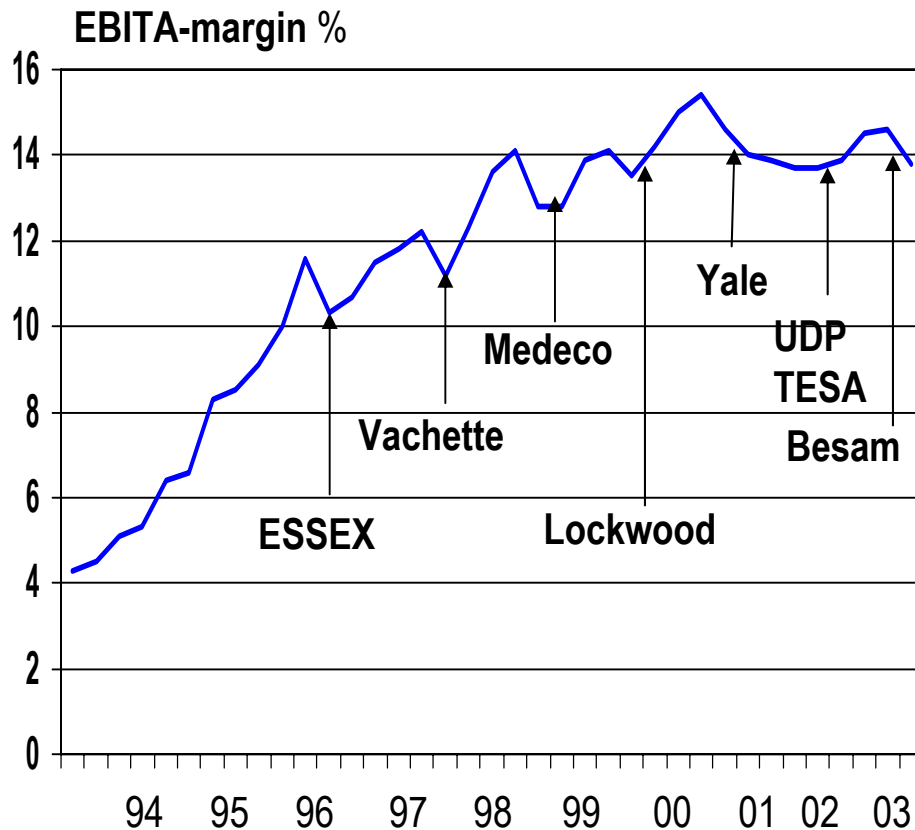
# Financial highlights Q1 2003

SEK M	2003	2002	03/02
Sales	6,124	6,303	-3%
→ <i>Organic growth</i>			0%
→ <i>Acquisitions</i>			9%
→ <i>FX – differences</i>			-12%
EBITA-margin (%)	13.8	13.7	
Income before taxes	468	461	2%
→ <i>FX - differences</i>	-53		-11%
Operating cash flow	564	643	-12%
EPS (SEK)	0.82	0.81	1%
EPS before GW (SEK)	1.48	1.45	2%

# Development 1994 to 2003 per quarter (SEK M)



# Development 1994 to 2003 per quarter



# Business review per segment

## EMEA

EUR M	First Quarter			
	2003	2002	03/02	2002
Sales	288	291	-1%	1,152
→ <i>Organic growth</i>			0%	
EBITA	40	40	0%	155
EBITA – margin (%)	14.0	13.7		13.4
RoCE before goodwill (%)	29.4	26.3		27.0
Operating cash flow before paid interests	26	22	+18%	190



# Business review per segment

## EMEA , cont'd

- Nordic countries, Sweden in particular, develop in a positive way – driven by product launches and new sales channels
- CLIQ technology well received in Europe – gains overall market share in Germany
- France – encouraging development in DIY balances de-stocking in traditional distribution
- UK – high cross-sales activity – partly compensates for the planned change in distribution
- Internal sourcing from eastern Europe to reduce cost level in process

# Business review per segment

## Americas

USD M	First Quarter			
	2003	2002	03/02	2002
Sales	263	269	-2%	1,095
→ <i>Organic growth</i>			-1%	
EBITA	42	39	8%	178
EBITA – margin (%)	15.8	14.3		16.3
RoCE before goodwill (%)	38.1	33.9		39.2
Operating cash flow before paid interests	36	41	-12%	191

# Business review per segment

## Americas, cont'd

- Strong margin improvement in slow markets
- Market direction still unclear in North America
- Increased market co-ordination between the different sales organizations
- Door business most affected by the slow market
- Continued successful growth of the Mexican operations and integration of Poli in Chile

# Business review per segment

## Asia Pacific

AUD M	First Quarter			
	2003	2002	03/02	2002
Sales	72	66	9%	307
→ <i>Organic growth</i>			9%	
EBITA	9	6	50%	39
EBITA – margin (%)	12.2	9.0		12.8
RoCE before goodwill (%)	24.1	15.7		17.3
Operating cash flow before paid interests	7	12	-42%	43

# Business review per segment

## Asia Pacific, cont'd

- Continued good organic growth in Australia and New Zealand
- Impressive margin improvements – increased customer value through higher security offerings in the whole region
- Australia – the successful market expansion concept acts as role model for other countries

# Business review per segment

## Global Technologies

SEK M	First Quarter			
	2003	2002	03/02	2002
Sales	1,005	603	66%	3,285
→ <i>Organic growth</i>			1%	
EBITA	110	102		450
EBITA – margin (%)	10.9	16.9		13.7
RoCE before goodwill (%)	39.7	56.1		45.0
Operating cash flow before paid interests	93	124	-25%	540

# Business review per segment

## Global Technologies, cont'd

- Strong growth in Door Automatics, after-market more than compensates weak new project sales
- Margin dilution caused by consolidation of Besam and Interlock – combined with start-up costs in the Hospitality Group
- Identification – continued profitable expansion
- Hospitality Group – still positive margin despite depressed market

# Outlook 2003

- Stable volumes in a soft market with continued margin improvements and good cash generation
- Strong confidence that security driven demand will increase over time
- The Group intends to grow and increase profit by
  - leverage on its strong position
  - increased focus on customer value



# ASSA ABLOY income statement and cash flow

SEK M	Q1 2003	Q1 2002	2002
Sales	6,124	6,303	25,397
Operating income before goodwill amortization (EBITA)	846	863	3,595
EBITA %	13.8	13.7	14.2
Goodwill amortization	-244	-232	-957
Financial items	-135	-171	-631
Income before taxes	468	461	2,015
Profit margin (EBT) %	7.6	7.3	7.9
Operating cash flow	564	643	3,525

# ASSA ABLOY key data

SEK M	31 Mar 2003	31 Dec 2002
Capital employed	26,452	26,701
- whereof goodwill	15,755	16,213
Net debt	13,702	13,989
Equity	12,435	12,381
Equity ratio	38.9%	38.2%
Interest cover ratio	3.9	3.9
Net debt/equity	1.10	1.13
Operating return on capital employed	13.2%	13.4%
Return on capital employed	9.5%	9.9%
Return on shareholders' equity	9.1%	9.9%

# ASSA ABLOY balance sheet

SEK M	31 Mar 2003	31 Dec 2002
Intangible fixed assets	15,927	16,386
Tangible and other fixed assets	6,681	6,843
Current assets	10,132	10,032
<b>Total assets</b>	<b>32,740</b>	<b>33,261</b>
Equity	12,435	12,381
Interest bearing debt	15,194	15,545
Other liabilities	5,111	5,335
<b>Total equity and liabilities</b>	<b>32,740</b>	<b>33,261</b>

## Currency exposure %

