ASSA ABLOY

The World's Leading Lock Group

Introduction to ASSA ABLOY

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

Our step-by-step Group development strategy

3. Value

Expand the market
- upgrading of security
- complete offering
- partner concepts

2. Leverage

Leverage Group synergies
- corporate identity
- world leading technology
- joint components – platforms

1. Presence

Global platform
- geographies – areas of expertise
- installed base – recurring revenue
- operational excellence

Financial goal – a 5-year perspective

excl. new acquisitions

Organic growth: about 5%
- over a business cycle

Margin improvement: 2-3%
- stand alone improvements
- leverage Group synergies

Capital rationalization: maintain absolute level
- inventory reductions
- maintained Cap Ex level

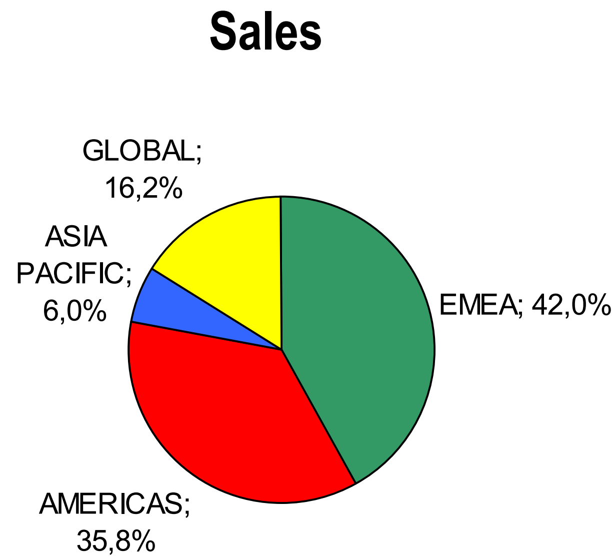
Accumulated goodwill amortization of SEK 5 billion

20%

Return on capital employed

(incl. goodwill and amortizations)

Key data Q2 2003



■ Number of brands	85
■ Number of units	151
– production units	73
– sales units	78
■ Capital employed (SEK M)	25,683
– of which goodwill	15,137
– of which fixed assets	6,055
– of which working capital	4,434
■ Number of employees	29,375

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Second Quarter Report 2003

Business Review Q2

Strong sales in June did not fully compensate for low volumes in April/May

- **EMEA** – uncertainties around general economy delayed projects and made distributors cautious
- **Americas** – locks and hardware business keeps up well, doors hit by soft new construction activity
- **Asia Pacific** – sees flat volumes and slightly improved margins in the quarter, maintains significant y-o-y improvements
- **Global Technologies** – gains on strong growth and improved margins
- New organization expands restructuring

Financial highlights Q2 2003

SEK M	2nd Quarter 2003	2nd Quarter 2002	2nd Quarter 03/02	Year to date 2003	Year to date 2002	Year to date 03/02
Sales	5,930	6,245	-5%	12,054	12,549	-4%
Whereof						
– Organic growth			*-2%*			*-1%*
– Acquisitions			*8%*			*8%*
– FX – differences	*-691*		*-11%*	*-1,420*		*-11%*
EBITA-margin (%)	13.0	13.9		13.4	13.8	
– Adj. FX and acq.		*13.3*			*13.1*	
Income before taxes	407	484	-16%	875	944	-7%
Whereof						
- FX - differences	*-40*		*-8%*	*-93*		*-10%*
Operating cash flow	577	886	-35%	1,142	1,528	-25%
EPS (SEK)	0.71	0.84	-15%	1.53	1.65	-7%
EPS before GW (SEK)	1.34	1.48	-9%	2.82	2.93	-4%

EMEA business review

Uncertainties around general economy delayed projects and made distributors cautious

- Italy – slow home market and redirected export
- Sweden, Norway – drop in market demand and higher product launch expenses
- Germany – still depressed, continued restructuring intensified
- UK, Spain – underlying margins improving, offset by restructuring costs
- France – stable volumes and margins
- Mul-T-Lock, Benelux and Finland – growing volumes – margin improvements

Business review per segment
EMEA

EUR M	2nd Quarter 2003	2002	03/02	Year to date 2003	2002	03/02
Sales	277	299	-7%	565	590	-4%
– *Organic growth*			*-3%*			*-2%*
EBITA	35	41	-15%	75	81	-7%
EBITA-margin (%)	12.6	13.7		13.2	13.7	
RoCE before goodwill (%)	24.5	27.6		27.1	26.6	
Operating cash flow before paid interests	33	57	-42%	59	80	-26%

Short term action list, EMEA

New organization expands restructuring

- Germany – consolidation of 3 manufacturing units into 1
- Italy – move and merger of 2 manufacturing units
- Scandinavia – concentration of component manufacturing
- The U.K. – consolidation of OEM product manufacturing – outsourcing to China/South Africa
- Czech Republic/U.K. – car locks assembly in place
- Spain – closing offices made redundant
- Increased investment and focus on new product launches
- Middle East – new bridgehead established

Headcount reduction – 350 people by the end of 2003

Americas business review

Locks and hardware business keeps up well, doors hit by soft new construction activity

- US Door Group suffers from lower volumes and higher steel price
- Mexico and South America sees steep downturn in market conditions
- Aftermarket, Arrow, restructuring in final phase
- Architectural Hardware improves margins despite flat volumes
- Electromechanical shows growth and improved margins
- Residential Group continued strong growth with improved margins

Business review per segment
Americas

USD M	2nd Quarter 2003	2002	03/02	Year to date 2003	2002	03/02
Sales	268	277	-3%	531	546	-3%
– *Organic growth*			*-3%*			*-2%*
EBITA	41	44	-7%	83	83	0%
EBITA-margin (%)	15.3	15.9		15.5	15.2	
RoCE before goodwill (%)	38.4	39.1		38.4	36.8	
Operating cash flow before paid interests	41	48	-15%	77	89	-13%

Short term action list, Americas

Structure development

- Aggressive cost reduction plans and development of synergies in the Door Group – profit centre structre
  - 100% ownership will speed up restructuring
- Door closer consolidation to Monroe, North Carolina
- Consolidation of manufacturing in Mexico
- Overhead reduction and right sizing plans in place at all units
- Plus aggressive sales and marketing plans to boost sales

Headcount reduction – 300 people by the end of 2003

Asia Pacific business review

Flat volumes and slightly improved margins in the quarter maintains significant y-o-y improvements

- Asia picks up at end of quarter – SARS effect reduces business pace – no lost orders
- Interlock, NZ wins significant new contracts on export OEM market
- Encouraging development on door closer operations at Guli, China
- Strong demand on Australian retrofit and commercial market
- Good cash flow generation

Business review per segment
Asia Pacific

AUD M	2nd Quarter 2003	2002	03/02	Year to date 2003	2002	03/02
Sales	72	74	-3%	144	140	3%
– *Organic growth*			*0%*			*5%*
EBITA	9	9	0%	18	15	20%
EBITA-margin (%)	12.5	12.2		12.6	10.7	
RoCE before goodwill (%)	24.7	24.7		24.3	19.5	
Operating cash flow before paid interests	12	7	71%	19	19	0%

Short term action list, Asia Pacific

Business development and sourcing are main targets

- Lockwood cooperation with Australian Housing Industry Association
- Guli, China new source for UK standard products
- Tapping synergy potentials in residential sectors of Australia and NZ
- Accelerated plans on new product launches
  - residential security
  - dropbolt and strike products

Global Technologies business review

Strong growth, margins improves

- Door Automatics doing well in Europe, US operations under restructuring
- Identification – continued profitable expansion
  - very strong performance by HID/Indala
  - Metget acquisition
- Hospitality Group – orders, margins and cash flow picking up
  - prestigious Timelox order in the US
  - Elsafe doing well – back on historical profit level

Business review per segment
Global Technologies

SEK M	2nd Quarter 2003	2nd Quarter 2002	2nd Quarter 03/02	Year to date 2003	Year to date 2002	Year to date 03/02
Sales	986	570	73%	1,991	1,173	70%
– *Organic growth*			*10%*			*6%*
EBITA	133	79	68%	243	181	34%
EBITA-margin (%)	13.5	13.9		12.2	15.4	
RoCE before goodwill (%)	41.8	57.4		42.5	42.5	
Operating cash flow before paid interests	137	120	14%	230	244	-6%

Short term action list, Global Technologies

Business development and expansion main targets

- Metget – insourcing of card inlays on behalf of HID
- Besam – continuous launch of Entrematic distributor program throughout ASSA ABLOY sales network
- Hospitality – increased cooperation on cards and admin services
- Besam USA – move to Charlotte
  - *headcount reduction – 40 people by the end of 2003*

Business review half year

- Ahead of last year in margins for comparable units in local currencies despite a disapointing Q2
- The traditional locks operations keeps up performance on most markets, defying lower activity
- New business ventures – ITG, Door Automatics – adds to Group presence and performance
- Continued good cash generation

Outlook 2003
- Q2 -

- In a soft market, in spite of increased restructuring costs, ASSA ABLOY anticipates stable volumes and margins
  - comparable units in local currencies
- Continued good cash generation
- Strong confidence that security driven demand will increase over time
- The Group will continue 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	Q2 2003	Q2 2002	YTD 2003	YTD 2002
Sales	5,930	6,245	12,054	12,549
Operating income before goodwill amortization (EBITA)	770	867	1,616	1,730
EBITA %	13.0	13.9	13.4	13.8
Goodwill amortization	-237	-232	-480	-464
Financial items	-129	-154	-264	-325
Income before taxes	407	484	875	944
Profit margin (EBT) %	6.9	7.7	7.3	7.5
Operating cash flow	577	886	1,142	1,528

ASSA ABLOY key data

SEK M	30 Jun 2003	31 Dec 2002
Capital employed	25,683	26,701
– whereof goodwill	15,137	16,213
Net debt	13,405	13,989
Equity	11,983	12,381
Equity ratio	39.2%	38.2%
Interest cover ratio	3.8	3.9
Net debt/equity	1.12	1.13
Operating return on capital employed	12.7%	13.4%
Return on capital employed	9.1%	9.9%
Return on shareholders' equity	8.6%	9.9%

ASSA ABLOY balance sheet

SEK M	31 Jun 2003	31 Dec 2002
Intangible fixed assets	15,300	16,386
Tangible and other fixed assets	6,499	6,843
Current assets	9,519	10,032
Total assets	**31,318**	**33,261**
Equity	11,983	12,381
Interest bearing debt	14,383	15,545
Other liabilities	4,952	5,335
Total equity and liabilities	**31,318**	**33,261**

Outlook 2003
- Q1-

- 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