

# ASSA ABLOY

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.

**Third quarter report 2004**



# Business Review Q3 2004

- Sales, SEK 6,447 M (5,930) + 9%
  - + 6% organic growth
  - + 12% in local currencies
- Operating margin, (EBITA) 15.1% (13.9)
  - Neutral impact from raw material costs
- Income before tax, SEK 605 M (467) + 30%
- Operating cash flow, SEK 1,082 M (1,054)
  - All-time high, 179% of Income before tax
- EPS, SEK 1.07 (0.81) + 32%

# Growth focus

- Expansion within core business
- Front-loading competence and skill-profiles
  - Emphasis on marketing and sales skills
- Gradually moving the Group into high growth areas
  - Asia/ China
  - Consumer
  - Electronic door solutions



# Leverage

- Low performers
  - US detention group divested
- Redundancies
  - 500 employees of 1,400 has left
  - Negotiations regarding 1,000 employees have been completed
- Savings
  - SEK 450 M on annual basis by latter part of 2005
  - SEK 150 M to be realized in 2004
  - SEK 200 M more to be realized in 2005



# Financial highlights Q3 and nine months 2004

SEK M	3rd Quarter			Nine months		
	2004	2003	Change	2004	2003	Change
<b>Sales</b>	<b>6,447</b>	<b>5,930</b>	<b>+9%</b>	<b>19,263</b>	<b>17,983</b>	<b>+7%</b>
<i>Whereof</i>						
Organic growth			+6%			+6%
Acquisitions			+6%			+5%
FX-differences	-176		-3%	-738		-4%
<b>EBITA-margin (%)</b>	<b>15.1</b>	<b>13.9</b>		<b>14.5</b>	<b>13.6</b>	
Income before taxes	605	467	+30%	1,706	1,342	+27%
<i>Whereof</i>						
FX-differences	-16		-3%	-60		-4%
<b>Operating cash flow</b>	<b>1,082</b>	<b>1,054</b>	<b>+3%</b>	<b>2,349</b>	<b>2,196</b>	<b>+7%</b>
EPS (SEK)	1.07	0.81	+32%	3.02	2.34	+29%
EPS before GW (SEK)	1.71	1.46	+17%	4.98	4.28	+16%

# EMEA business review

EUR M	3 <sup>rd</sup> Quarter			Nine months		
	2004	2003	Change	2004	2003	Change
Sales	282	260	+8%	902	825	+9%
<i>Organic growth</i>			+4%			+4%
EBITA	41	33	+24%	134	108	+24%
EBITA-margin (%)	14.7	12.7		14.8	13.0	
RoCE before goodwill amortization (%)	14.8	12.1		16.7	13.4	
Operating cash flow before paid interest	67	50	34%	132	109	+21%

# EMEA business review Q3 2004

- Mixed growth pattern, good growth in Scandinavia, Benelux, Spain and Israel but slower growth in UK, Italy, France and Germany
- Margin positively effected by volume and increased restructuring savings
- Strong cash flow following a weaker start of the year

# Americas business review

USD M	3 <sup>rd</sup> Quarter			Nine months		
	2004	2003	Change	2004	2003	Change
Sales	299	280	+7%	854	811	+5%
<i>Organic growth</i>			+7%			+5%
EBITA	54	47	+15%	148	130	+14%
EBITA-margin (%)	17.9	16.8		17.4	16.1	
RoCE before goodwill amortization (%)	19.8	17.3		18.7	15.6	
Operating cash flow before paid interest	49	57	-14%	126	134	-6%



# Americas business review Q3 2004

- Market conditions in commercial sector improved slightly
- Architectural Hardware reports good growth and improved margins
- Door Group shows strong growth and better margins in spite of higher material costs
- Continued excellent performance in Residential Group
- Restructuring completed

# Asia Pacific business review

AUD M	3 <sup>rd</sup> Quarter			Nine months		
	2004	2003	Change	2004	2003	Change
Sales	93	81	+15%	252	225	+12%
<i>Organic growth</i>			+5%			+9%
EBITA	15	13	+15%	36	31	+16%
EBITA-margin (%)	16.0	16.0		14.2	14.0	
RoCE before goodwill amortization (%)	19.0	17.4		15.9	13.3	
Operating cash flow before paid interest	8	7	+14%	36	26	+38%

# Asia Pacific business review Q3 2004

- Continued strong growth in Asia
- Australian demand in the residential area somewhat softer
- Margins seasonally stronger affected by sales regional sales mix

# Global Technologies business review

SEK M	3 <sup>rd</sup> Quarter			Nine months		
	2004	2003	Change	2004	2003	Change
Sales	1,253	1,000	+25%	3,642	2,991	+22%
<i>Organic growth</i>			+7%			+6%
EBITA	182	139	+31%	474	382	+24%
EBITA-margin (%)	14.5	13.9		13.0	12.8	
RoCE before goodwill amortization (%)	13.4	10.6		11.8	9.5	
Operating cash flow before paid interest	258	156	+65%	489	386	+27%

# Global Technologies business review Q3 2004

- Identification Technology
  - Back to double digit growth in the quarter
  - Significantly improved profitability from synergies and volume
- Door Automatics
  - Accelerated sales trend drives margin expansion
- Hospitality Group
  - Negative organic growth in a mixed market but still at break-even
  - Restructuring continues

# Dividend policy

- IFRS transition in 2005 will lead to higher reported Net income as goodwill will no longer be amortised
- Board of Directors have decided to revise the Dividend policy to:
  - Long term distribution of 33-50% of net income after standard tax 28 % but always taking into account ASSA ABLOY's long-term financing requirements
- Leads to considerable dividend increase
  - Suggested to be applied from 2005 based upon pro forma net income

# Key data

(excl. restructuring cost in Q4 2003)

SEK M	30 Sep 2004	31 Dec 2003
Capital employed	23,949	22,984
whereof goodwill	14,699	14,766
Net debt	13,331	12,290
Equity	10,598	10,678
Equity ratio	34.0%	35.9%
Interest cover ratio	5.7	4.7
Net debt/equity	1.26	1.15
Return on capital employed (RoCE)	11.2%	9.6%
RoCE excl. goodwill amortization	15.2%	13.3%
Return on shareholder's equity	13.0%	9.9%

# Outlook 2004-2005

- Organic sales growth to continue at a good rate
- The EBITA margin is expected to improve. Margin expansion in 2005 will mainly be generated by savings from the restructuring program
- Continued good cash generation excluding restructuring payments



# Long term Outlook

- Increase in security driven demand
- Focus on end-user value and innovations
- Leverage on ASSA ABLOY's strong positions

***Accelerated growth and increased profitability***

# unlock your life

We are here to provide the best locking solutions, making the world safer and more secure to create more freedom in people's lives.

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