

# Year-end report 2004

## Bo Dankis, President and CEO



# Business Review Q4

- Sales, SEK 6,263 M (6,096) +3%
  - +4% organic growth
  - +7% in local currencies
- Operating margin, (EBITA) 15.1% (15.0\*)
- Income before tax, SEK 588 M (562\*) +5%
- Operating cash flow, SEK 1,090 M (1,069)
  - 185% of Income before tax
- EPS, SEK 1.03 (0.97\*) +6%

\* Excluding restructuring costs

# Business Review full year 2004

- Sales, SEK 25,526 M (24,080) +6%
  - +5% organic growth
  - +10% in local currencies
- Operating margin, (EBITA) 14.7% (13.9\*)
- Income before tax, SEK 2,294 M (1,903\*) +21%
- Operating cash flow, SEK 3,439 M (3,265)
  - 150% of Income before tax
- EPS, SEK 4.05 (3.31\*) +22%

\* Excluding restructuring costs in Q4 2003

# Leverage

- Redundancies
  - 750 employees of 1,400 has left
  - Negotiations regarding 1,150 employees have been completed
- Savings
  - SEK 450 M on annual basis by latter part of 2005
  - SEK 150 M realized in 2004
  - SEK 200 M more to be realized in 2005



# Our growth strategy

- Expansion within core business
  - Building further strength in Direct specification
  - Door and Window OEM
- Gradually moving the Group into high growth areas
  - Asia and China in particular
  - Electronic door solutions
  - Consumer



# Year-end report 2004

## Göran Jansson, Deputy CEO and CFO



**ASSA ABLOY**

The World's Leading Lock Group

# Financial highlights Q4 and full year 2004

SEK M	4th Quarter			Full year		
	2004	2003	Change	2004	2003	Change
<b>Sales</b>	<b>6,263</b>	<b>6,096</b>	<b>+3%</b>	<b>25,526</b>	<b>24,080</b>	<b>+6%</b>
<i>Whereof</i>						
Organic growth			+4%			+5%
Acquisitions			+3%			+5%
FX-differences	-244		-4%	-982		-4%
<b>EBITA-margin (%)</b>	<b>15.1</b>	<b>15.0</b>		<b>14.7</b>	<b>13.9</b>	
Income before taxes	588	562	+5%	2,294	1,903	+21%
<i>Whereof</i>						
FX-differences	-18		-3%	-78		-4%
<b>Operating cash flow</b>	<b>1,090</b>	<b>1,069</b>	<b>+2%</b>	<b>3,439</b>	<b>3,265</b>	<b>+5%</b>
EPS (SEK)	1.03	0.97	+6%	4.05	3.31	+22%
EPS before GW (SEK)	1.68	1.61	+4%	6.66	5.89	+13%

# EMEA business review

EUR M	4 <sup>th</sup> Quarter			Full year		
	2004	2003	Change	2004	2003	Change
Sales	307	291	+5%	1,210	1,116	+8%
<i>Organic growth</i>			+1%			+3%
EBITA	47	41	+15%	181	149	+21%
EBITA-margin (%)	15.3	14.1		15.0	13.4	
RoCE before goodwill amortization (%)	17.1	16.3		17.2	14.2	
Operating cash flow before paid interest	69	63	+10%	201	172	+17%



# EMEA business review Q4 2004

- Strong growth in Scandinavia, Israel and East Europe
- Stable sales in France, Benelux and Germany
- UK and Italy reported weak sales numbers in the quarter
- Margin positively impacted by increased restructuring savings
- Strong cash flow for the quarter and full year



# Americas business review

USD M	4 <sup>th</sup> Quarter			Full year		
	2004	2003	Change	2004	2003	Change
Sales	275	262	+5%	1,129	1,073	+5%
<i>Organic growth</i>			+8%			+6%
EBITA	50	46	+9%	198	176	+12%
EBITA-margin (%)	18.1	17.6		17.6	16.5	
RoCE before goodwill amortization (%)	18.9	17.1		18.7	16.2	
Operating cash flow before paid interest	66	55	+20%	192	189	+2%

# Americas business review Q4 2004

- Architectural Hardware reports modest growth and continued strong margins
- Door Group continues to show strong growth
- Continued excellent performance in Residential Group
- Strong sales in South America but weaker quarter in Mexico
- Strong quarterly cash flow



# Asia Pacific business review

AUD M	4 <sup>th</sup> Quarter			Full year		
	2004	2003	Change	2004	2003	Change
Sales	90	84	+7%	343	309	+11%
<i>Organic growth</i>			+0%			+7%
EBITA	16	15	+7%	52	46	+13%
EBITA-margin (%)	17,5	17,9		15,1	14.9	
RoCE before goodwill amortization (%)	18.4	20.7		15.5	15,1	
Operating cash flow before paid interest	15	16	-6%	51	42	+21%

# Asia Pacific business review Q4 2004

- Asia Pacifics sales and margins were seasonally good
- The quarterly weak organic growth was negatively impacted by exports from New Zealand to the USA and further weakening of the residential market in Australia
- Growth in Asia was weak in the quarter



# Global Technologies business review

SEK M	4 <sup>th</sup> Quarter			Full year		
	2004	2003	Change	2004	2003	Change
Sales	1,269	1,186	+7%	4,911	4,177	+18%
<i>Organic growth</i>			+4%			+5%
EBITA	163	160	+2%	637	542	+18%
EBITA-margin (%)	12.8	13.5		13.0	13.0	
RoCE before goodwill amortization (%)	12.5	12.3		12.2	9.9	
Operating cash flow before paid interest	163	163	0%	652	549	+19%

# Global Technologies business review Q4 2004

- Identification Technology
  - Good organic growth and continued strong margins
- Door Automatics
  - Strong organic growth drives further margin expansion
- Hospitality Group
  - Negative organic growth dilutes organic growth and margins for the division
  - Several organisational changes in North America



# Transition to IFRS

SEK billion	Reported 2004 under Swedish GAAP	Adjustments	Restated under IFRS 2004
Sales	25.5	-	25.5
EBIT	2.8	+0.9	3.7
Net income	1.5	+0.8	2.3
Capital employed	22.7	+0.8	23.5
Net debt	12.2	+0.1	12.3
Equity	10.5	+0.7	11.2



# Proposed dividend

- 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
- New policy applied pro forma (40% of adjusted Net income)
- Proposed dividend SEK 2,60 (1,25) +108%

# Key data

(excl. restructuring cost in Q4 2003)

SEK M	31 Dec 2004	31 Dec 2003
Capital employed	22,683	22,984
whereof goodwill	14,012	14,766
Net debt	12,208	12,290
Equity	10,448	10,678
Equity ratio	35.6%	35.9%
Interest cover ratio	5.7	4.7
Net debt/equity	1.17	1.15
Return on capital employed (RoCE)	11.8%	9.6%
RoCE excl. goodwill amortization	16.0%	13.3%
Return on shareholder's equity	13.2%	9.9%

# Outlook 2005

- Organic sales growth to continue at a good rate
- The EBITA margin is expected to improve. Margin expansion 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***





**ASSA ABLOY will be the most successful and innovative company in our markets by placing locks at the heart of security and providing safe and secure solutions that give true added value to our customers.**