

# Q2 report 2006

## Johan Molin, President and CEO



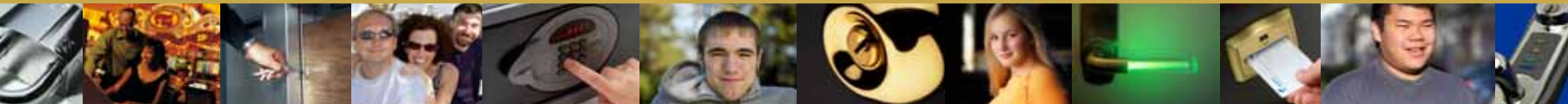
**ASSA ABLOY**

The World's Leading Lock Group

# Financial highlights Q2

- **Continued good growth**
  - High pace in North and South America
  - Europe good despite less working days
  - Increased activity in ASIA
- **Sales** **SEK 7 689 M** **+10%**
  - +7% organic +2% acquired growth
- **EBIT\*** **SEK 1 151 M** **+13%**
- **EPS\*** **SEK 1.95** **+11%**

\*Excluding restructuring cost of SEK 520 M



# Financial highlights H1

|   |                     |             |
|---|---------------------|-------------|
| ■ <b>Sales</b>                            | <b>SEK 15 342 M</b> | <b>+16%</b> |
| +9% organic growth<br>+2% acquired growth |                     |             |
| ■ <b>EBIT*</b>                            | <b>SEK 2 261 M</b>  | <b>+18%</b> |
| ■ <b>EPS*</b>                             | <b>SEK 3.83</b>     | <b>+18%</b> |

\*Excluding restructuring cost of SEK 520 M



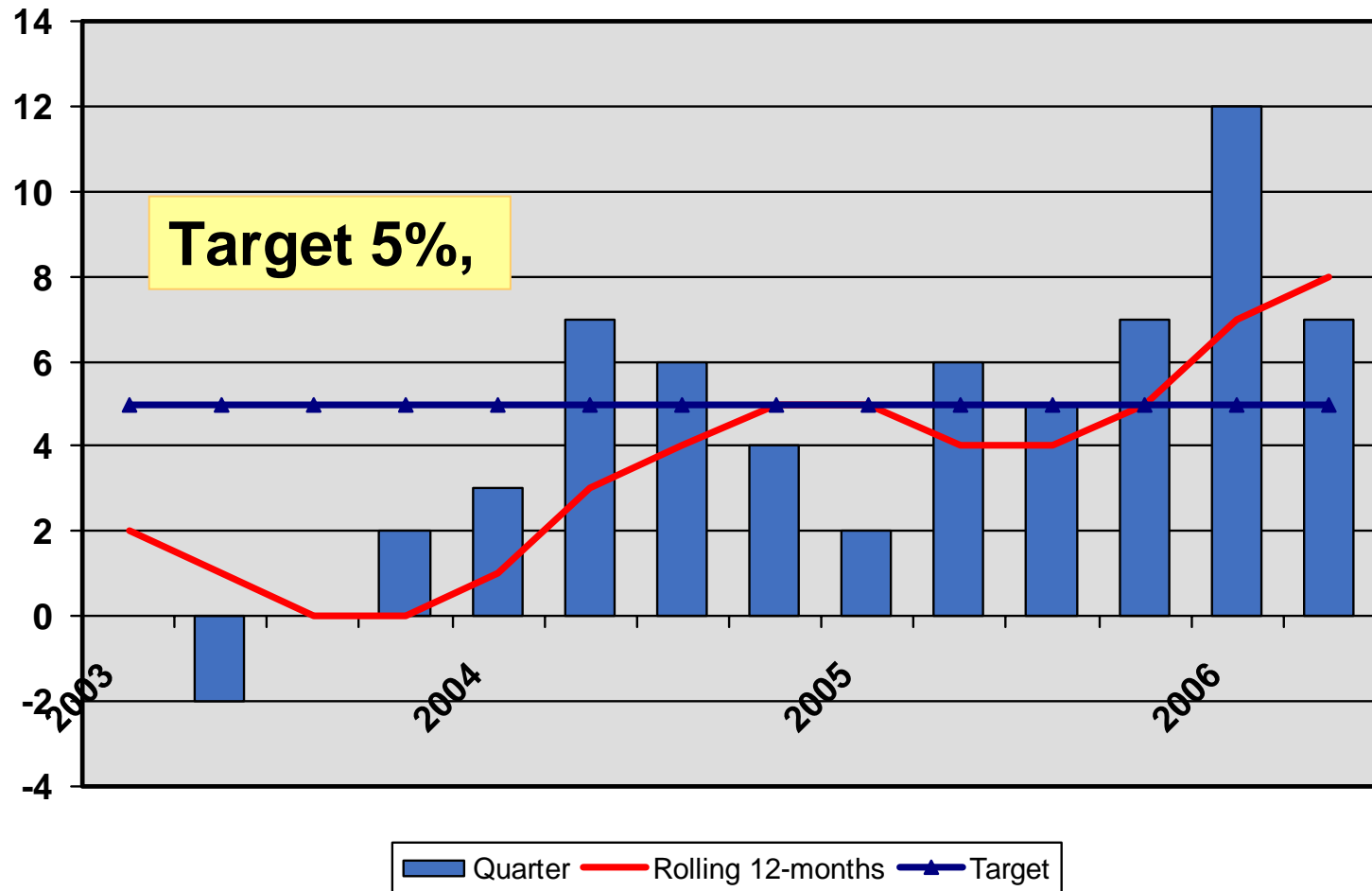
# Financial highlights Q2 and Half year 2006

| SEK M                          | 2nd Quarter   |              |             | Half year     |               |             |
|--------------------------------|---------------|--------------|-------------|---------------|---------------|-------------|
|                                | 2006          | 2005         | Change      | 2006          | 2005          | Change      |
| <b>Sales</b>                   | <b>7,689</b>  | <b>6,984</b> | <b>+10%</b> | <b>15,342</b> | <b>13,253</b> | <b>+16%</b> |
| <i>Whereof</i>                 |               |              |             |               |               |             |
| Organic growth                 |               |              | +7%         |               |               | +9%         |
| Acquisitions                   |               |              | +2%         |               |               | +2%         |
| FX-differences                 | 46            |              | +1%         | 560           |               | +4%         |
| <b>Operating income (EBIT)</b> | <b>1,151*</b> | <b>1,022</b> |             | <b>2,261*</b> | <b>1,912</b>  |             |
| EBIT-margin (%)                | 15.0*         | 14.6         |             | 14.7*         | 14.4          |             |
| <b>Operating cash flow</b>     | <b>833</b>    | <b>813</b>   | <b>+2%</b>  | <b>1,420</b>  | <b>1,362</b>  | <b>+4%</b>  |
| <b>EPS (SEK)</b>               | <b>1.95*</b>  | <b>1.75</b>  | <b>+11%</b> | <b>3.83*</b>  | <b>3.24</b>   | <b>+18%</b> |

\*Excluding SEK 520 M restructuring costs

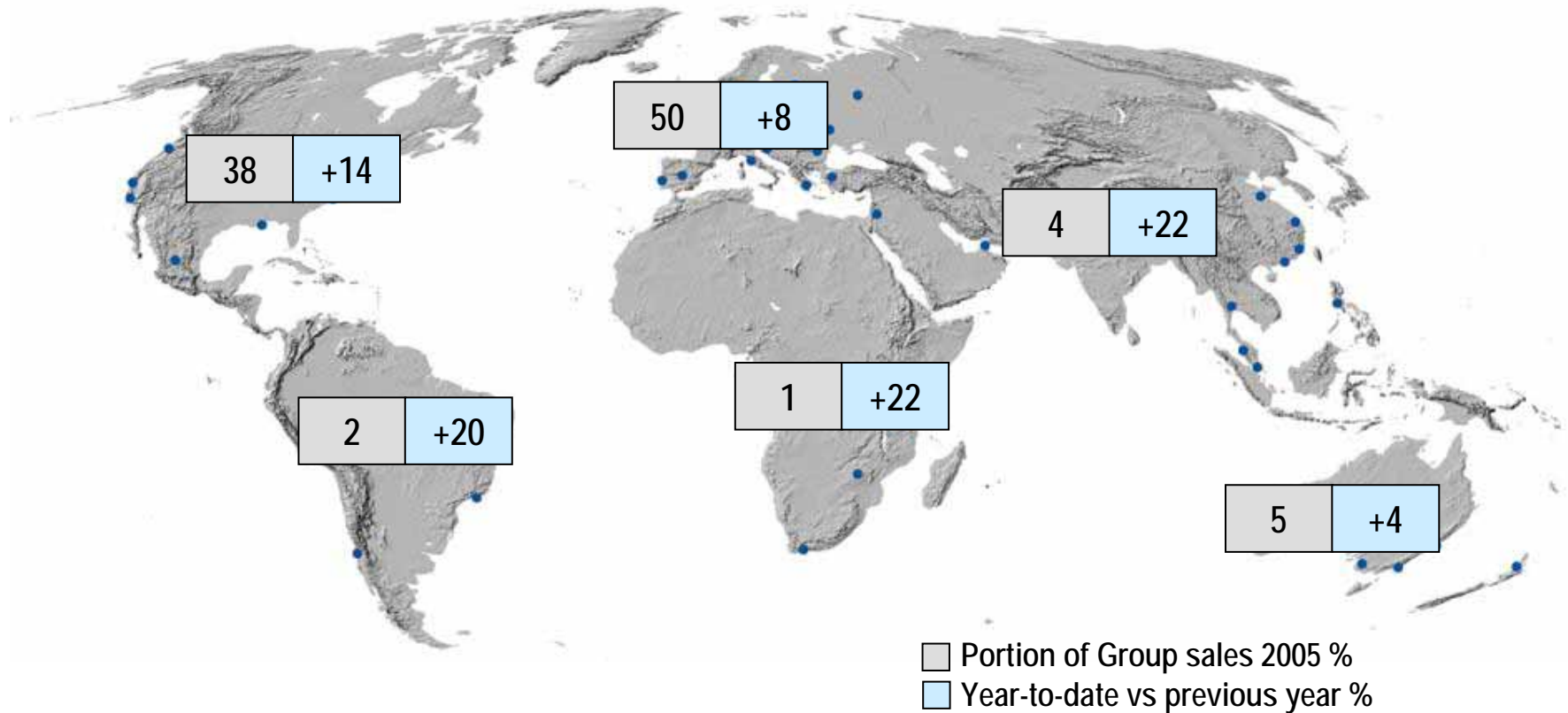


# Organic growth %

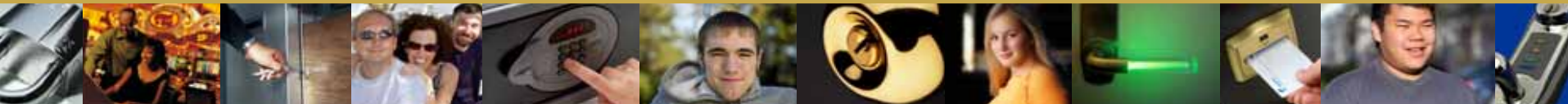
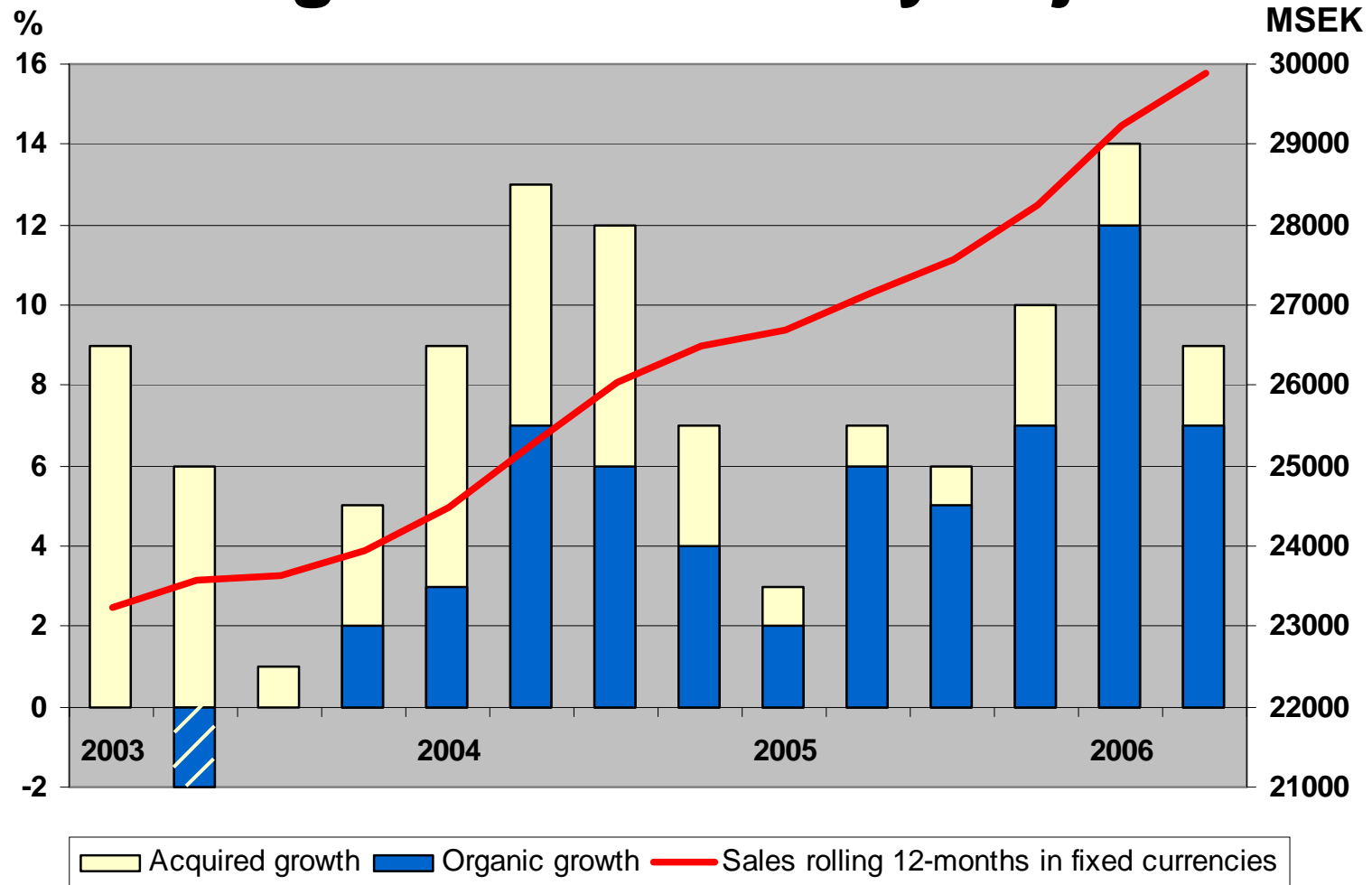




# Sales distribution in local currencies H1

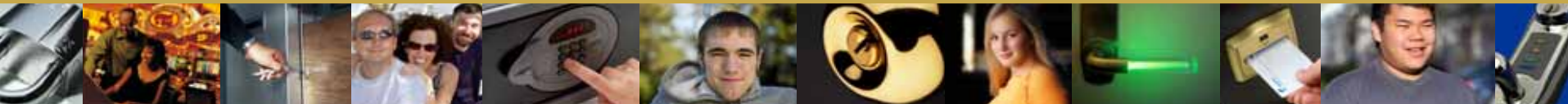


# Sales growth - currency adjusted



# Growth highlights

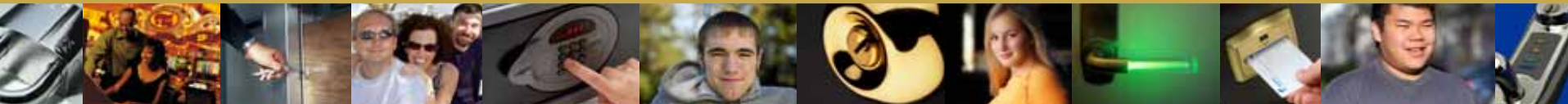
- Gain of market share in North America
- Continued strong demand of high security & access control
- Introduction of AXIO, Edge reader and remote control locks
- Appointment of CTO for coordinated product development



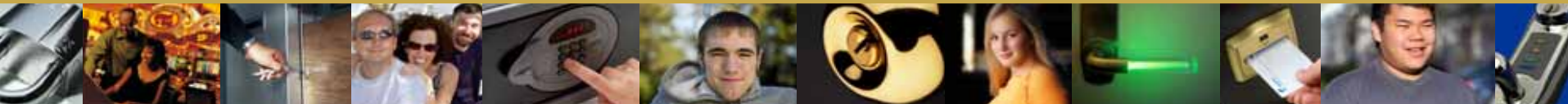
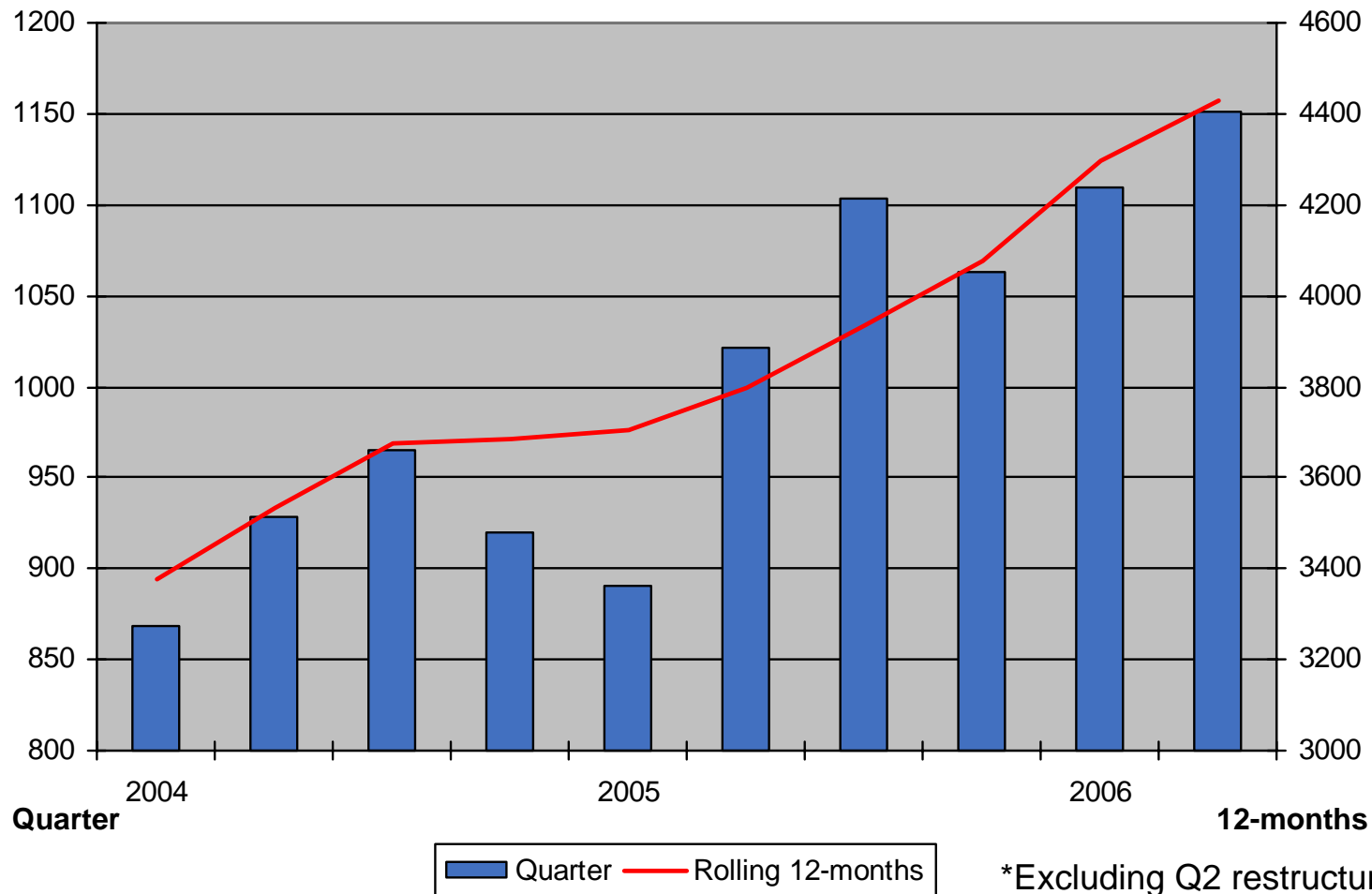


# Acquisitions

- Fargo Electronics, USA (Global Technologies)
  - Sales expected to exceed USD 90 M with continued strong margin
  - Global leader in secure identity card issuance systems
  - Conversion from magnetic stripe to secure RFID-cards
  - Sales synergies
  - Slightly dilutive to EPS in 2006 and accretive from 2007
- VisionCard (Schwab & Partners), Austria (Global Technologies)
  - Sales EUR 13 M and EBIT > 10%
  - RFID-card manufacturer with strong position in Europe
  - Immediately EPS-accretive

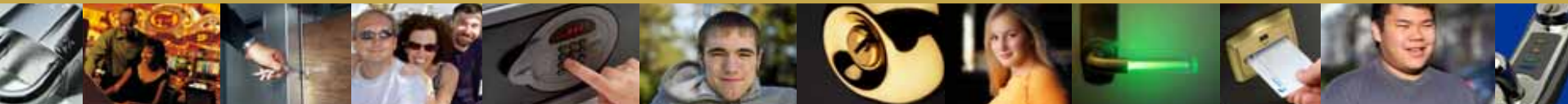


# Operating income\* (EBIT) SEK M



# Margin highlights

- Raw material increases offset through price increases
  - Price increase +3% in Q2
  - Dilutes group margin -0.4%
- Restructuring progressing in line with plan
  - Closure of CE Marshall, Dörrenhaus, Laperche and Arrow announced
  - Reduction of 100 employees
  - Projects initiated in Q2 with costs of SEK 520 M
  - Total program SEK 1250 + 200 M, savings SEK 600 M



# Appointment of new management



Tomas Eliasson, CFO



Ulf Södergren, CTO



# Appointment of new management



Tzachi Wiesenfeld, EMEA

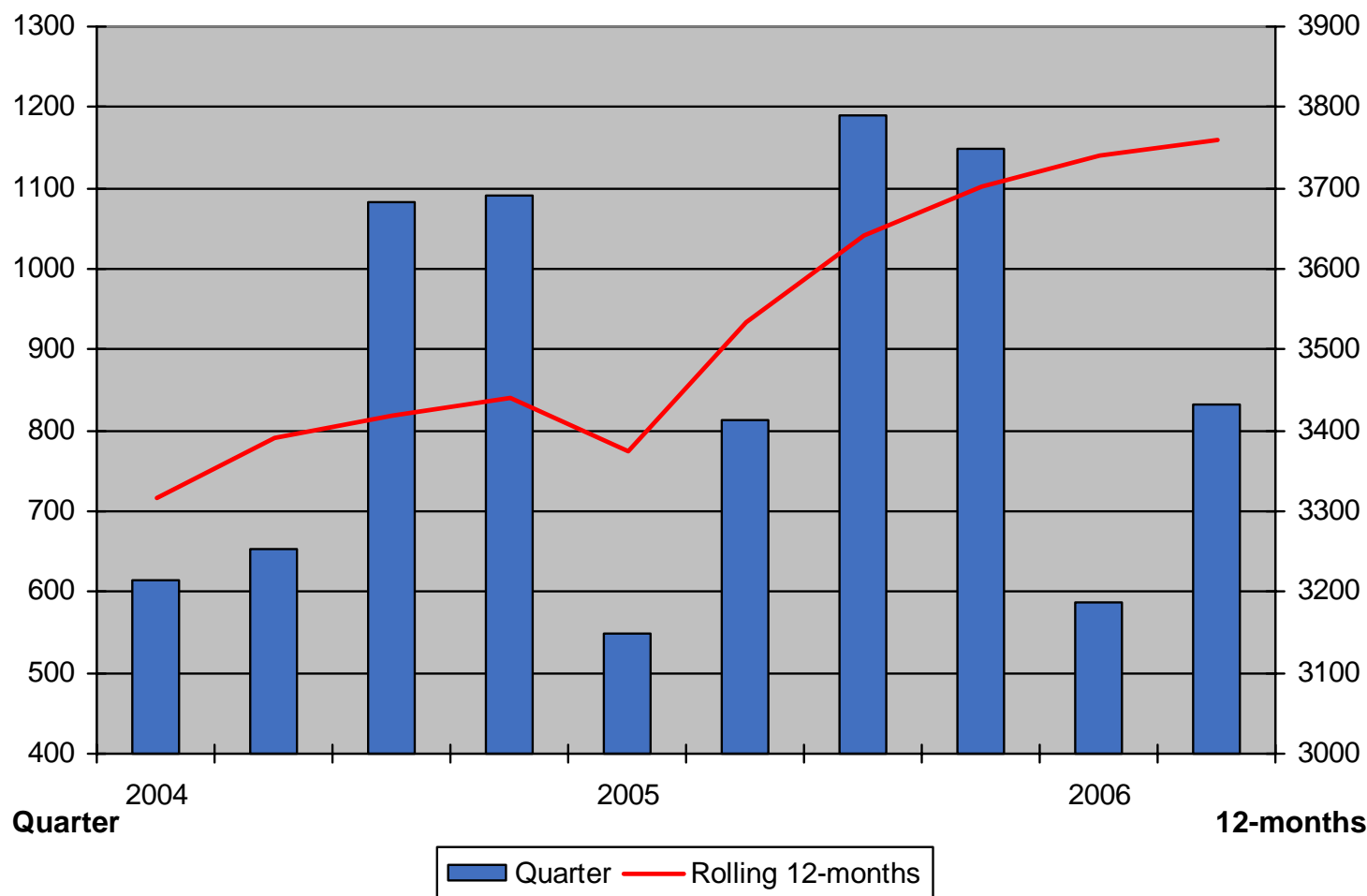


Martin Brandt, Asia Pacific

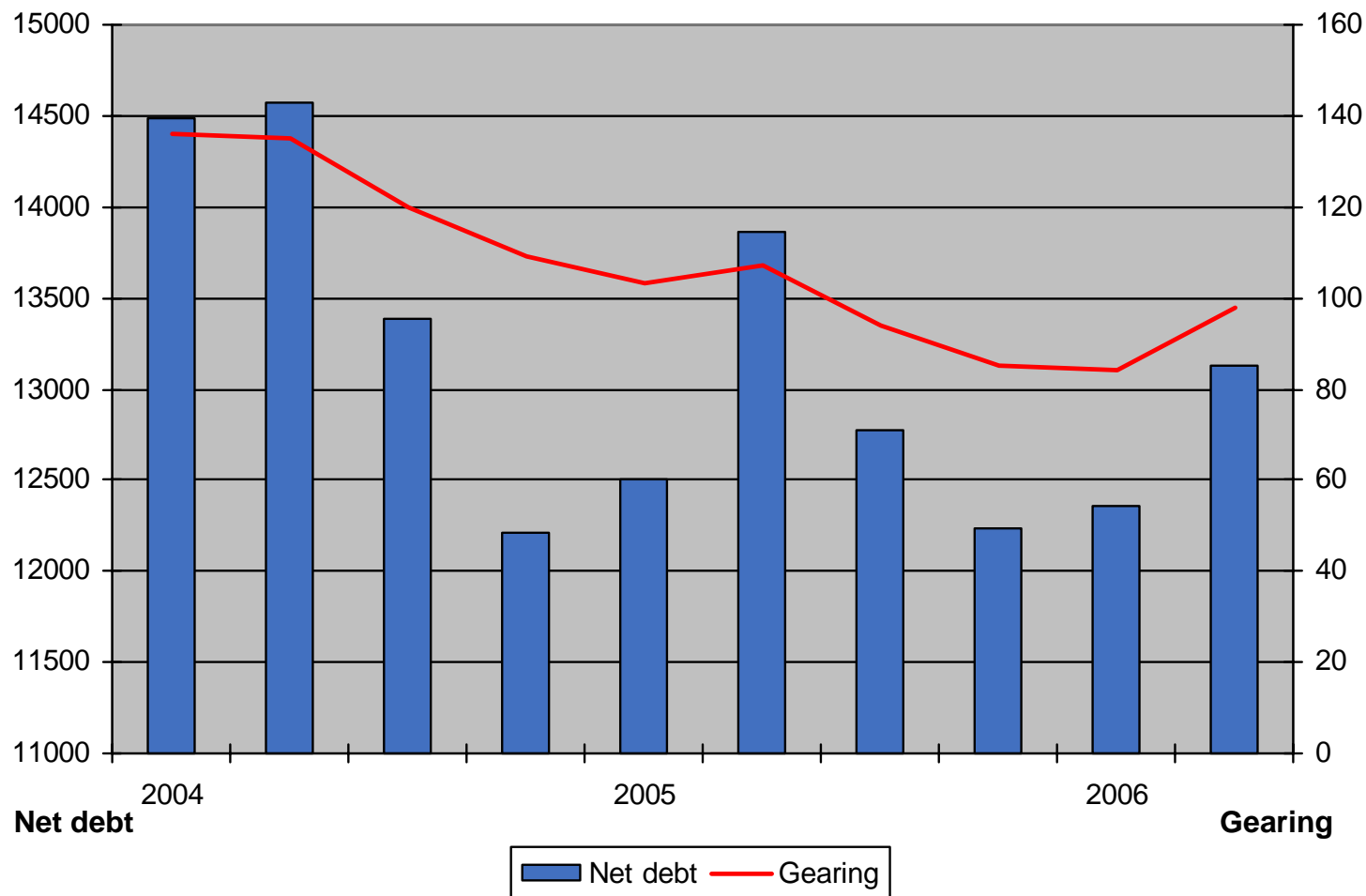




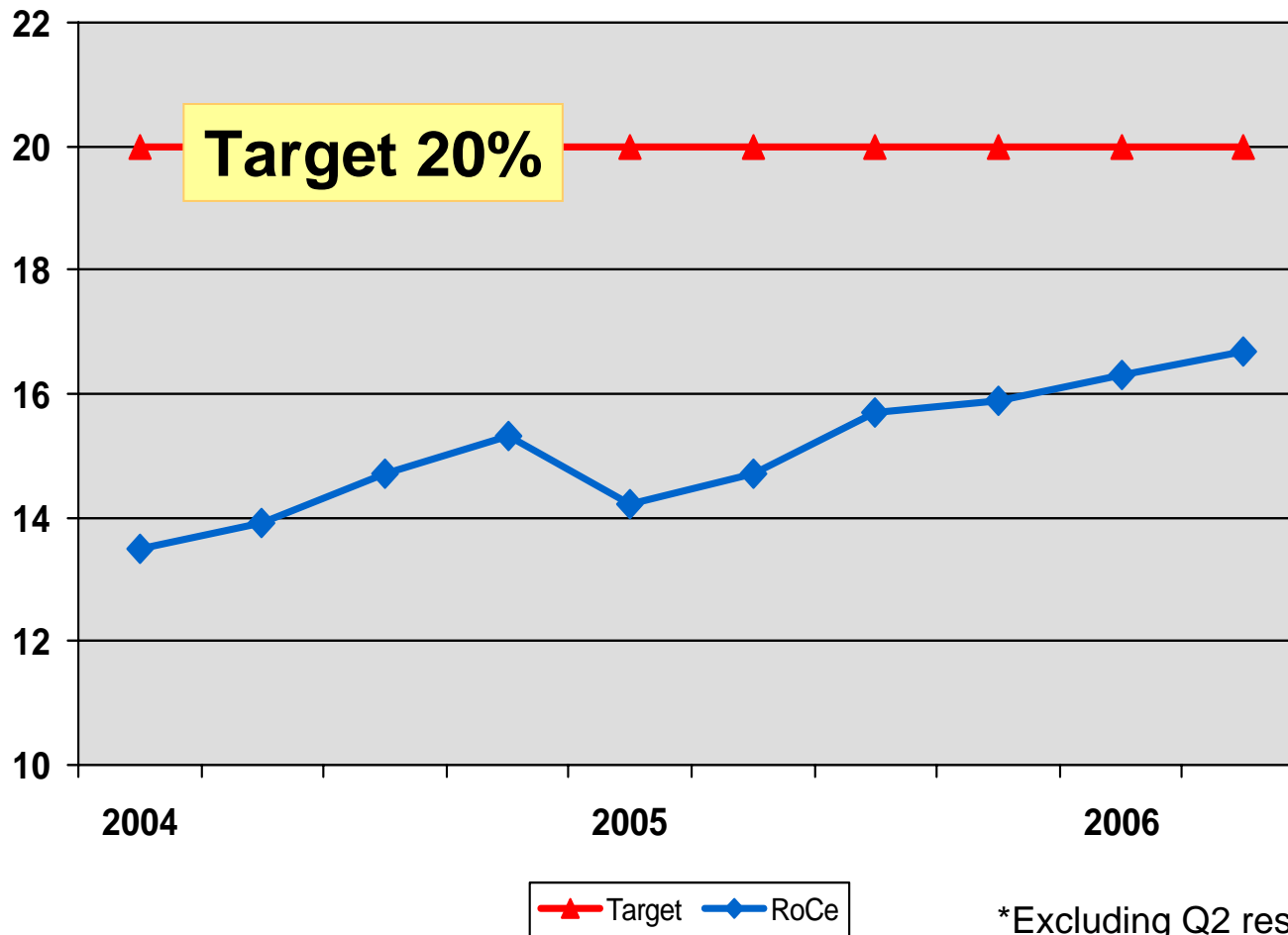
# Operating cash flow SEK M



# Gearing % and Net debt SEK M



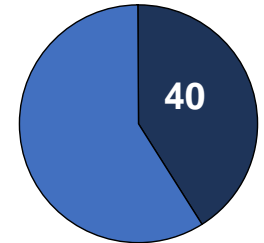
# Return on Capital Employed\* %



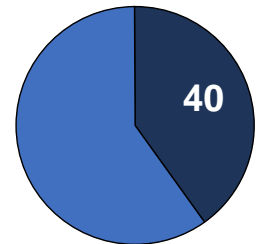
# Division - EMEA

- Strong sales development in Nordic, Eastern Europe and Africa
- Improved trend in Germany, Benelux and UK
- Growth in all markets in Q2 despite less working days
- Operating margin (EBIT)
  - + Volume
  - + Savings
  - Price increase offset cost increase

**SALES**  
share of  
Group total %



**EBIT**  
share of  
Group total %



# EMEA financial review

| EUR M                                       | 2nd Quarter |      |        | Half year |      |        |
|---|-------------|------|--------|-----------|------|--------|
|   | 2006        | 2005 | Change | 2006      | 2005 | Change |
| Sales                                       | 334         | 325  | +3%    | 676       | 630  | +7%    |
| <i>Organic growth</i>                       |             |      | +4%    |           |      | +7%    |
| <i>Acquired growth</i>                      |             |      | -1%    |           |      | 0%     |
| EBIT  | 53*         | 47   | +13%   | 104*      | 91   | +14%   |
| EBIT-margin (%)                             | 15.9*       | 14.5 |        | 15.4*     | 14.4 |        |
| RoCE (%)                                    | 18.8*       | 16.4 |        | 18.6*     | 16.0 |        |
| Operating cash flow<br>before paid interest | 44          | 35   | +26%   | 76        | 60   | +27%   |

\*Excluding restructuring of EUR 45 M

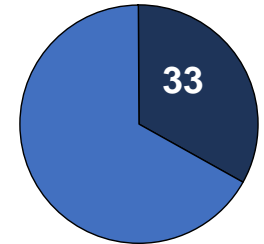




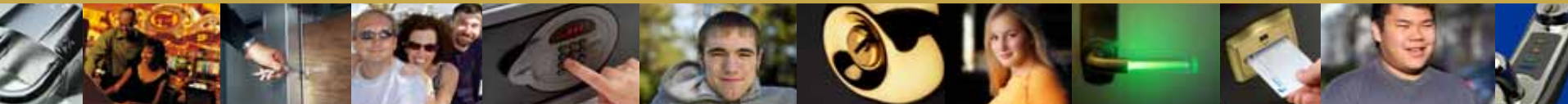
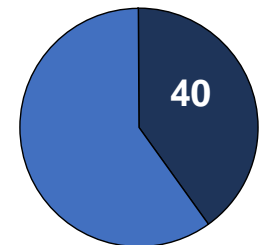
# Division - Americas

- Strong sales especially within Door, Electromechanical and Residential Groups
- Mexico continues its recovery
- Acquisitions, Adams Rite and Baron show good development
- Operating margin (EBIT)
  - + Volume
  - Price increase offset cost increase

**SALES**  
share of  
Group total %



**EBIT**  
share of  
Group total %



# Americas financial review

| USD M                                       | 2nd Quarter |      |        | Half year |      |        |
|---|-------------|------|--------|-----------|------|--------|
|   | 2006        | 2005 | Change | 2006      | 2005 | Change |
| Sales                                       | 353         | 298  | +18%   | 675       | 581  | +16%   |
| <i>Organic growth</i>                       |             |      | +10%   |           |      | +11%   |
| <i>Acquired growth</i>                      |             |      | +7%    |           |      | +4%    |
| EBIT  | 67*         | 53   | +26%   | 127*      | 104  | +22%   |
| EBIT-margin (%)                             | 19.0*       | 17.8 |        | 18.8*     | 17.9 |        |
| RoCE (%)                                    | 22.1*       | 19.5 |        | 21.7*     | 18.9 |        |
| Operating cash flow<br>before paid interest | 61          | 53   | +15%   | 96        | 85   | +13%   |

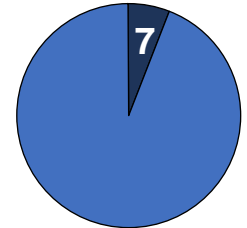
\*Excluding restructuring of USD 8 M



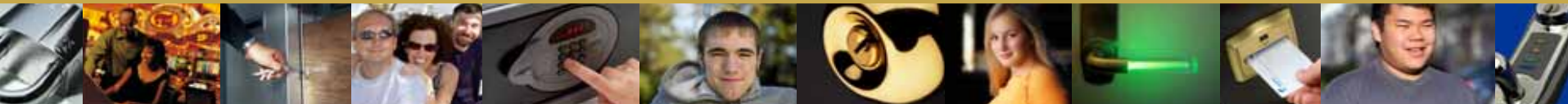
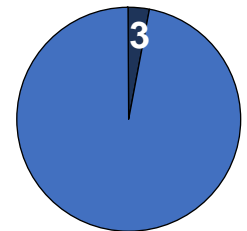
# Division - Asia Pacific

- Continued good growth in China
  - Good development in security doors
- Flat demand in AU/NZ residential markets
- Operating margin (EBIT)
  - + Volume
  - Raw material increases
  - Change in management -2.0 MAUD
- Additional price increases H2

**SALES**  
share of  
Group total %



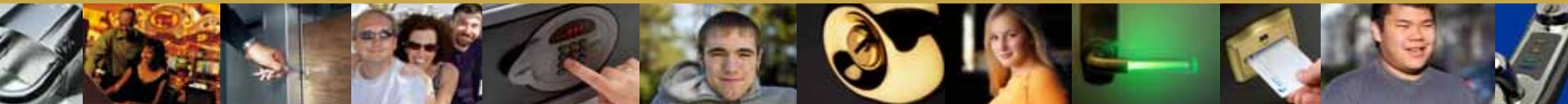
**EBIT**  
share of  
Group total %



# Asia Pacific financial review

| AUD M                                       | 2nd Quarter |      |        | Half year |      |        |
|---|-------------|------|--------|-----------|------|--------|
|   | 2006        | 2005 | Change | 2006      | 2005 | Change |
| Sales                                       | 105         | 95   | +11%   | 198       | 176  | +12%   |
| <i>Organic growth</i>                       |             |      | +4%    |           |      | +5%    |
| <i>Acquired growth</i>                      |             |      | +7%    |           |      | +6%    |
| EBIT  | 8*          | 12   | -33%   | 14*       | 20   | -30%   |
| EBIT-margin (%)                             | 7.7*        | 12.6 |        | 7.1*      | 11.1 |        |
| RoCE (%)                                    | 9.2*        | 14.9 |        | 8.2*      | 12.0 |        |
| Operating cash flow<br>before paid interest | 12          | 19   | -37%   | 13        | 34   | -62%   |

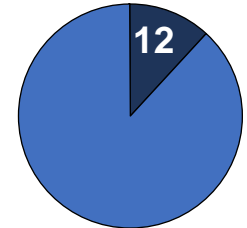
\*Excluding restructuring AUD 7 M



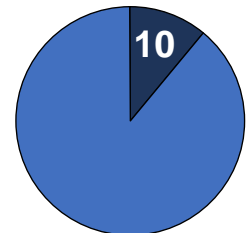
# Division - Global Technologies

- Increased growth pace in all segments
  - New products and geographic expansion in HID
  - Fargo addition from August
  - Strong growth in RFID-sales and inlays for passports
  - Strong bookings and renewed hotel lock range
- Operating margin (EBIT)
  - + Move of production to Malaysia and China
  - Investment in sales & marketing within HID

**SALES**  
share of  
Group total %



**EBIT**  
share of  
Group total %





# Global Technologies financial review

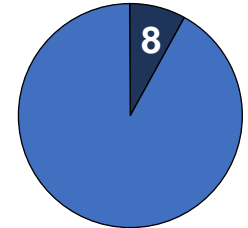
| SEK M                                       | 2nd Quarter |      |        | Half year |       |        |
|---|-------------|------|--------|-----------|-------|--------|
|   | 2006        | 2005 | Change | 2006      | 2005  | Change |
| Sales                                       | 936         | 832  | +13%   | 1,886     | 1,605 | +17%   |
| <i>Organic growth</i>                       |             |      | +11%   |           |       | +11%   |
| <i>Acquired growth</i>                      |             |      | +1%    |           |       | 0%     |
| EBIT  | 116         | 113  | +3%    | 250       | 219   | +14%   |
| EBIT-margin (%)                             | 12.4        | 13.6 |        | 13.3      | 13.6  |        |
| RoCE (%)                                    | 15.1        | 15.4 |        | 16.9      | 15.7  |        |
| Operating cash flow<br>before paid interest | 118         | 60   | +97%   | 123       | 120   | +3%    |



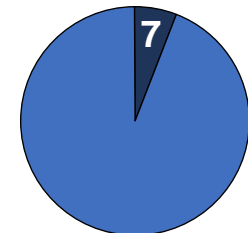
# Entrance Systems

- Good sales development despite fewer working days
- Operating margin (EBIT)
  - + Volume development
  - Low service demand in Q2
  - Aluminium price increases
  - Dilution from acquisitions

**SALES**  
share of  
Group total %



**EBIT**  
share of  
Group total %



# Entrance systems financial review

| SEK M                                       | 2nd Quarter |      |        | Half year |       |        |
|---|-------------|------|--------|-----------|-------|--------|
|   | 2006        | 2005 | Change | 2006      | 2005  | Change |
| Sales                                       | 660         | 586  | +13%   | 1,277     | 1,081 | +18%   |
| <i>Organic growth</i>                       |             |      | +7%    |           |       | +9%    |
| <i>Acquired growth</i>                      |             |      | +4%    |           |       | +4%    |
| EBIT  | 84          | 83   | +1%    | 161       | 146   | +10%   |
| EBIT-margin (%)                             | 12.7        | 14.2 |        | 12.6      | 13.5  |        |
| RoCE (%)                                    | 11.0        | 12.0 |        | 10.1      | 10.3  |        |
| Operating cash flow<br>before paid interest | 78          | 101  | -23%   | 201       | 231   | -13%   |



# Conclusion

- Good growth and market momentum
- Acquisitions and new products adds growth
- Restructuring on track
- Executive team complete



# Outlook

- Organic sales growth is expected to continue at a good rate
- The operating margin (EBIT) and operating cash flow are expected to develop well, excluding effects from additional restructuring





# Q&A



**ASSA ABLOY**

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