ASSA ABLOY

# Q2 Report 2013

Johan Molin
President & CEO

# Financial highlights Q2 2013

- **Back to growth despite weak Europe**
  - Strong growth in Americas and Global Tech
  - Growth in APAC
  - EMEA and ESD suffering from weak Europe
  - Important gains of efficiency and savings
  - Good sales from new products

- **Sales** **12,239 MSEK** **+2%**

  +3% organic, +4% acquired growth, -5% currency

- **EBIT** **1,970 MSEK** **+5%**

  Currency effect -96 MSEK

- **EPS** **3.71 SEK** **+5%***

  Forecasted tax rate 25%

*) 2012 restated for changed pension accounting principles.

# Financial highlights Jan-Jun 2013

- **Solid performance in a tough market**

- **Sales** **23,108 MSEK** **+1%**
  +1% organic, +4% acquired growth, -4% currency
- **EBIT** **3,632 MSEK** **+3%**
  Currency effect -159 MSEK
- **EPS** **6.78 SEK** **+2%***
  Forecasted tax rate 25%

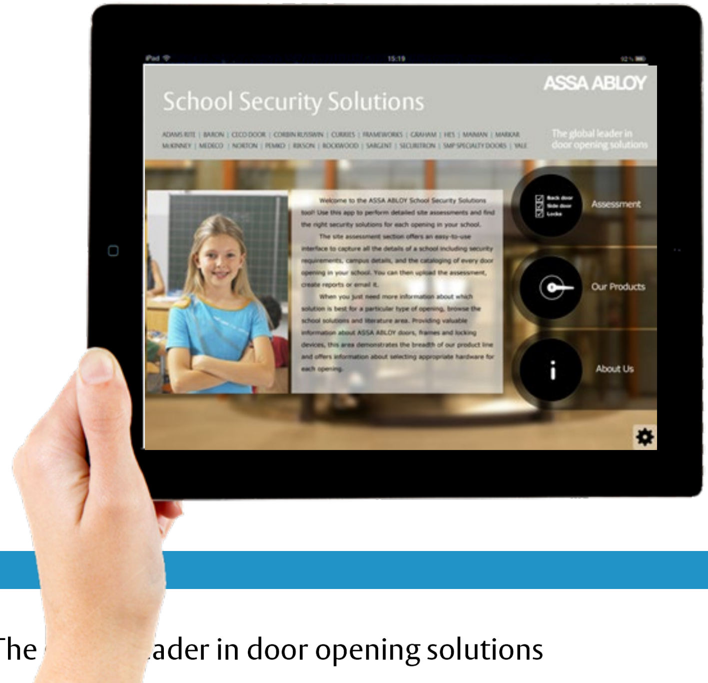
*) 2012 restated for changed pension accounting principles.

# Market highlights

- Strong growth of Digital door locks
  - Yale chosen for AT&T home security system
- Oberthur adapts SEOS
  - NFC SIM cards preloaded with SEOS
- Shine, new digital door lock for glass doors
  - Retail and light commercial doors
- School security program launched

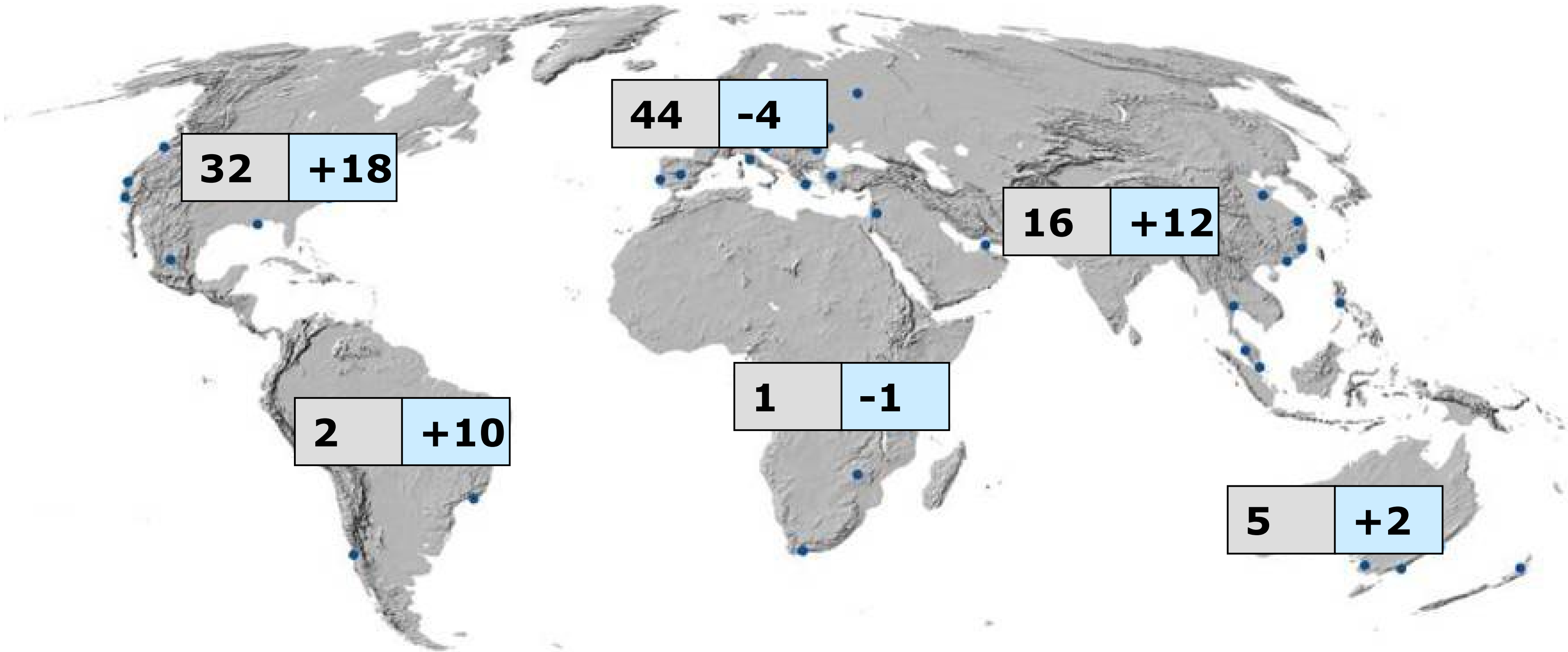
# Education Solutions Showroom


## Sales Tools



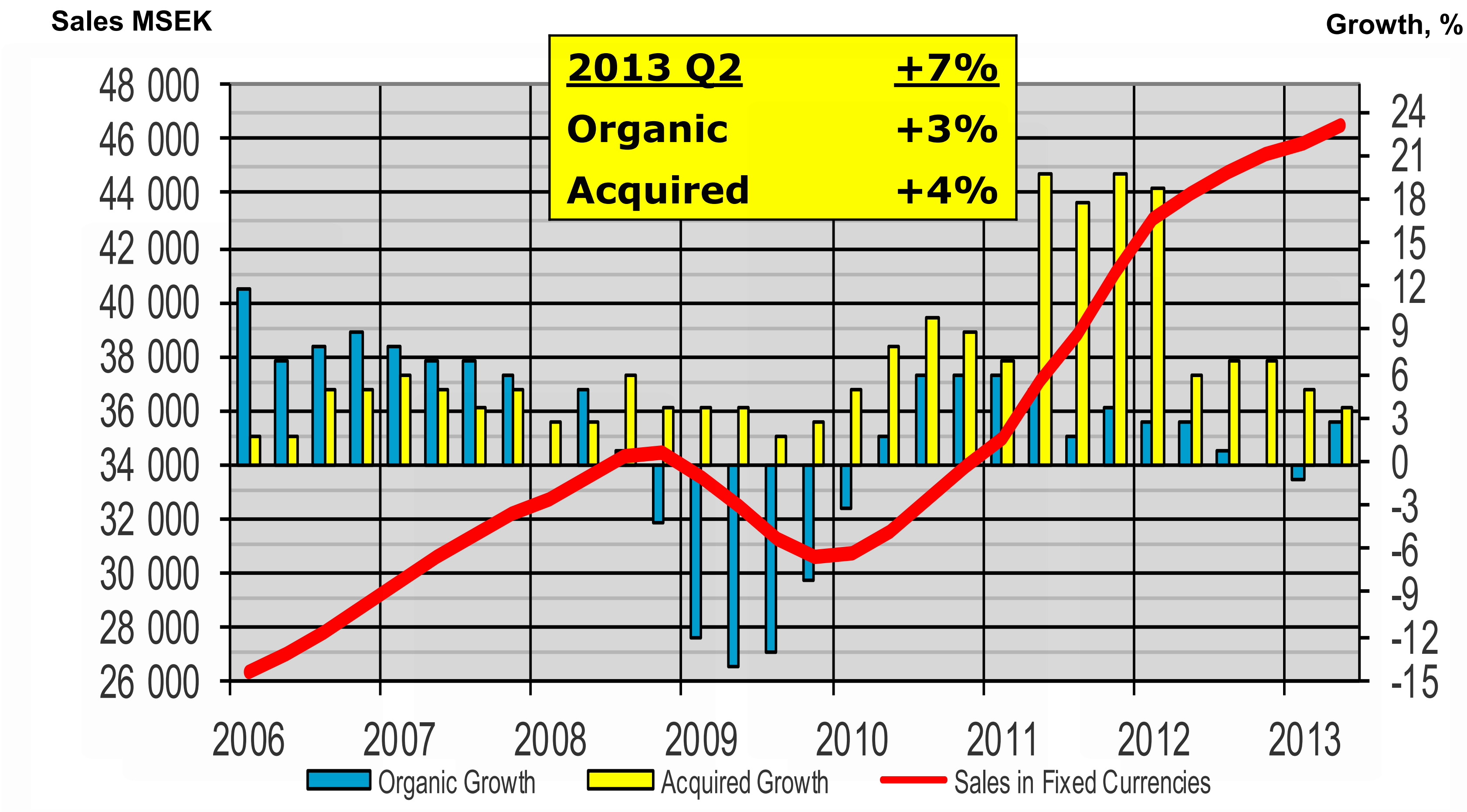

## School Safety Solutions – Awareness & Education

# Group sales in local currencies Jan-Jun 2013

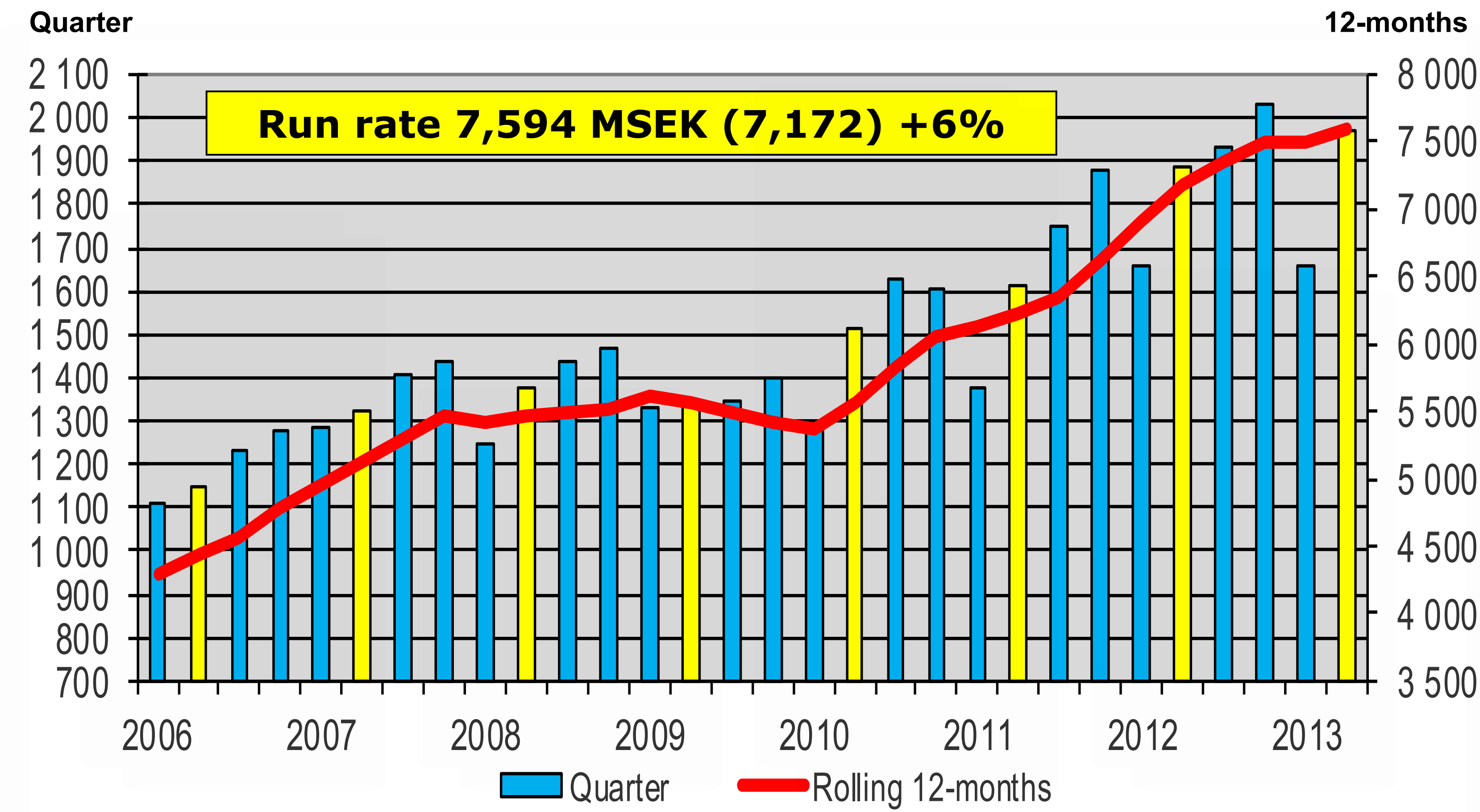



Share of Group sales 2013 YTD, %
Year-to-date vs previous year, %

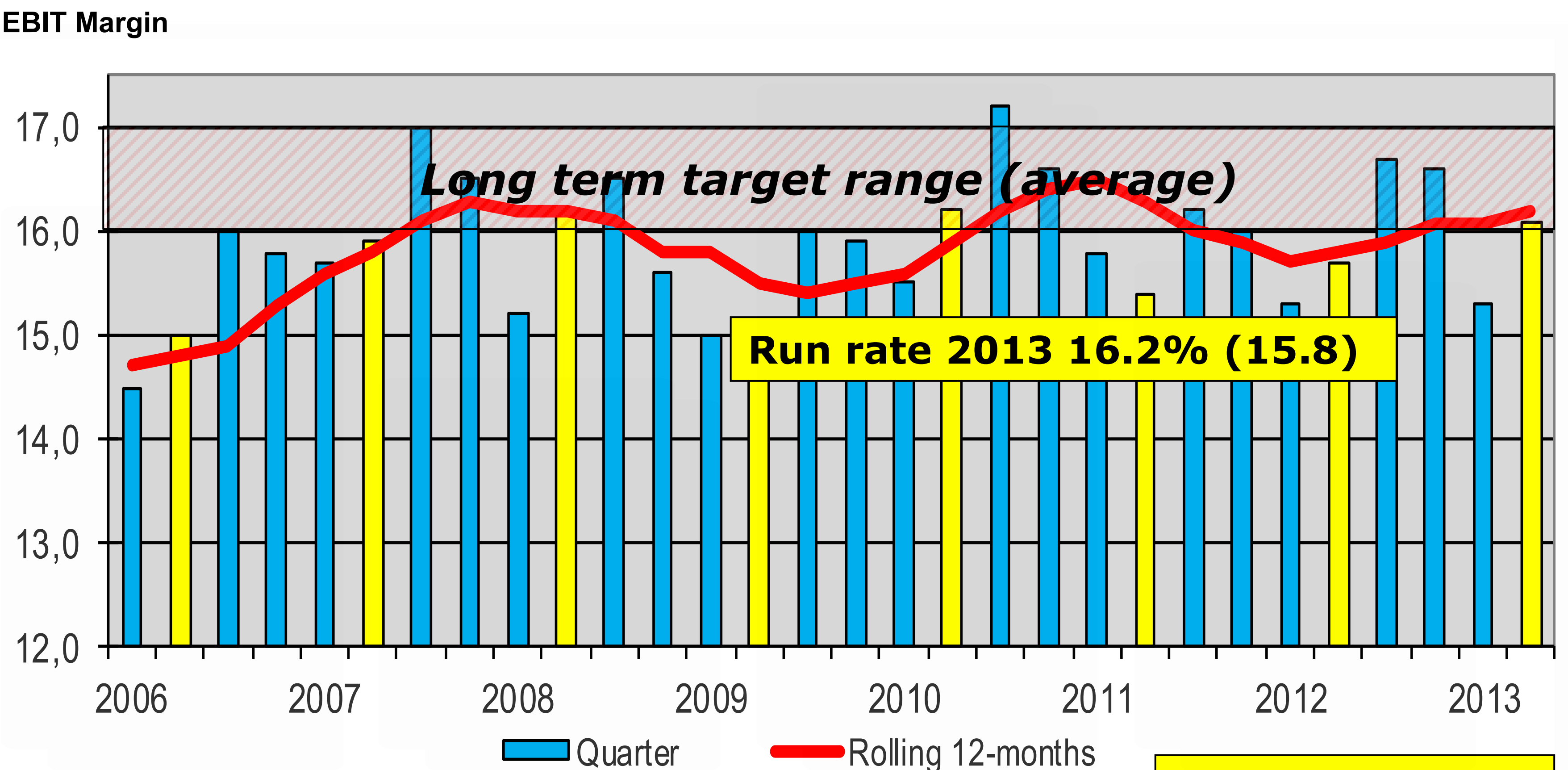
# Sales growth, currency adjusted



# Operating income (EBIT), MSEK



# Operating margin (EBIT)*, %

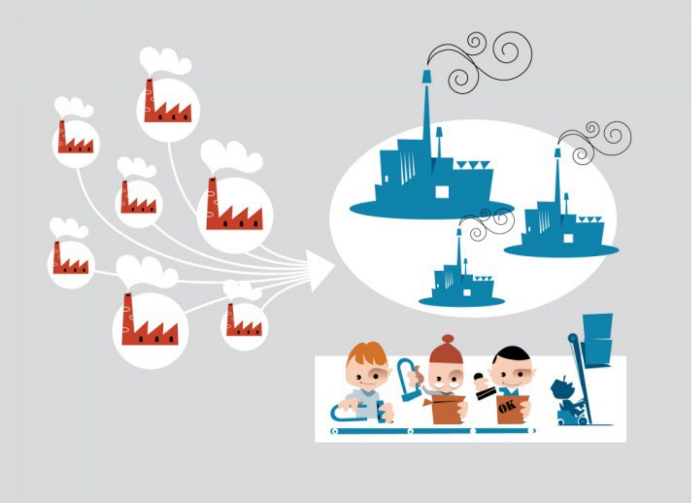



**2013 Dilution**

| | |
|---|---|
| QTD | 0.0% |
| H2 | -0.1% |

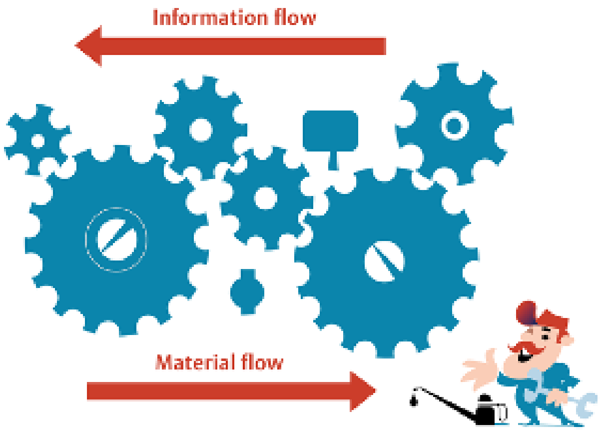
# Manufacturing footprint

- Status manufacturing footprint programs 2006-2011:
  - 55 factories closed to date, 13 to go
  - 64 factories converted to assembly, 11 to go
  - 28 offices closed, 1 to go
- Personal reduction QTD 91p and total 6,957p
- 578p in further planned reductions




→ 793 MSEK of the provision remains for all programs

# Margin highlights Q2 2013




**EBIT margin 16.1% (15.7) 0.4%**

+ Volume increase +2%, price +1%

+ Margin expansion 0.4%
    + Organic growth
    + Manufacturing footprint
    + Capacity adjustments

Dilution from acquisitions 0.0%

# Acquisitions 2013

- **Fully active pipeline**
- **5 acquisitions done in 2013**
- **Annualized sales 170 MSEK**
- **Added sales 0,3%**

# Acquisitions in the quarter

- Glenridge, ESD
  Distributor of **industrial doors** in Canada with total sales of 20 MSEK

- Toddco, ESD
  Manufacturer of **Industrial doors** in Australia with sales of 20 MSEK

# Division - EMEA

- Stabilisation in Q2, but still weak
- Growth in Scandinavia, Germany, UK, Africa, Middle east and Eastern Europe
- Continued decline in Spain, Italy, France, Holland and Finland
- Good profit due to savings, despite maintaining front end

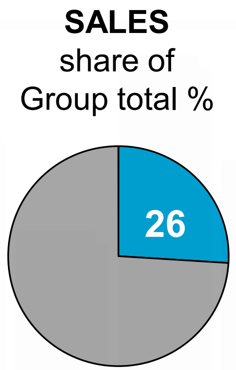
- Operating margin (EBIT)

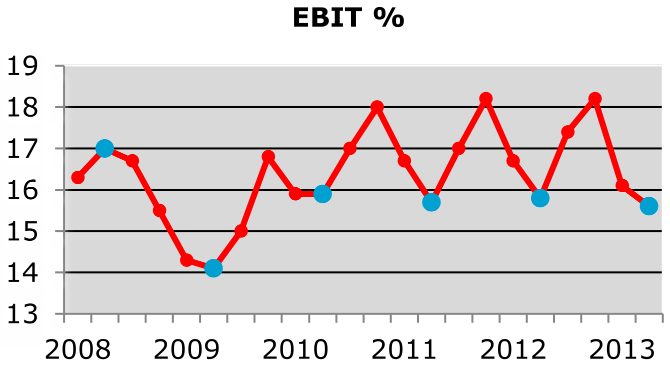
  \- Organic 0%

  ++ Footprint savings

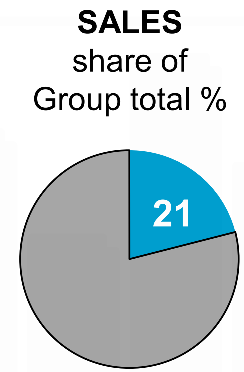
  \- Material cost

  \- SG&A



# Division - Americas




- Strong general demand in the US with strong growth in AHW, Doors, Electromechanical and Residential
- Slowing growth in Brazil, Chile and Colombia
- Slightly negative in Mexico and Canada
- Record high margin despite  investments in R&D and front end

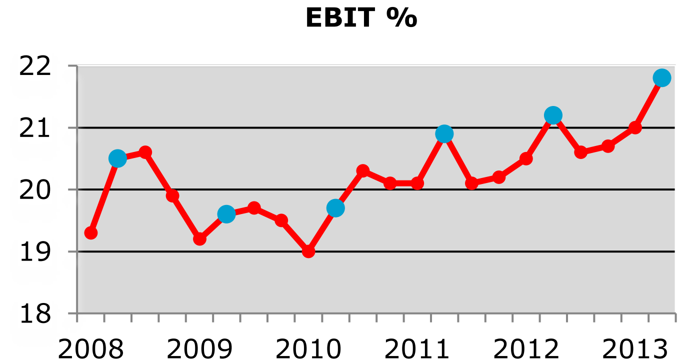
- Operating margin (EBIT)

  + Organic  +8%

  + Material cost

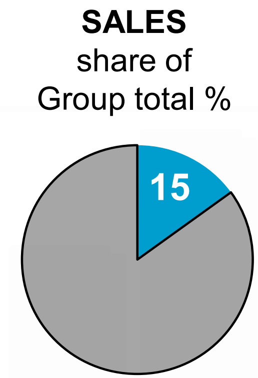
  + Efficiency improvement

  - SG&A



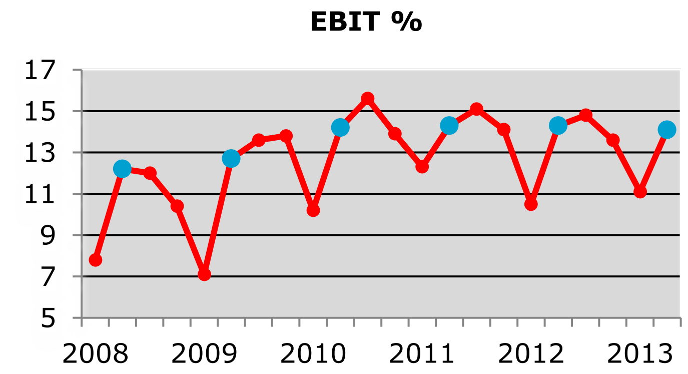
# Division - Asia Pacific

- Strong growth in Korea (DDL) and New Zeeland
- Good growth in China despite the decline in export to EMEA
- Small growth in Australia and South East Asia
- Continued adjustment of workforce in China to mitigate high salary increases



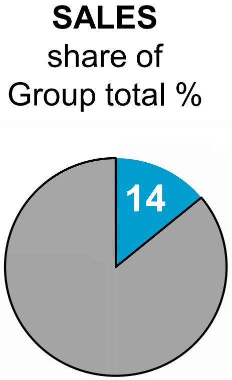

- Operating margin (EBIT)

= Organic +3%
+ Material cost
+ Efficiency in China
- Mix & cost pressure

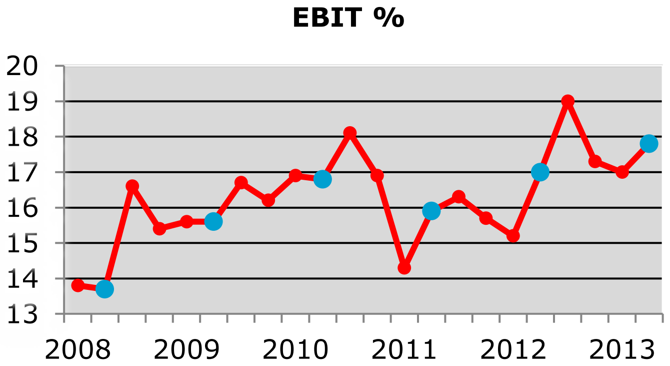


# Division - Global Technologies

- HID
  - Strong growth of Access control and Secure Issuance
  - Good growth in Project sales
  - Negative in Government ID and IDT
  - Strong profit improvement
- Hospitality
  - Continued good growth from the renovation market
  - Positive construction activity in the USA



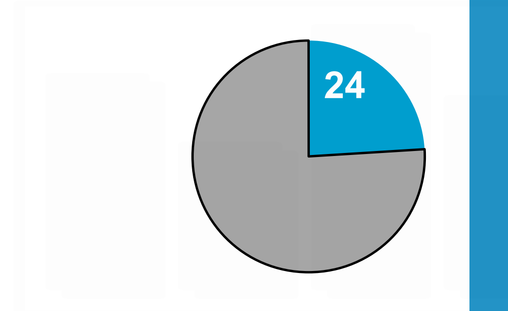

- Operating margin (EBIT)
  - \+ Organic 6%
  - \+ Leverage from core business growth
  - \+ Good improvement of AI and Lasercard



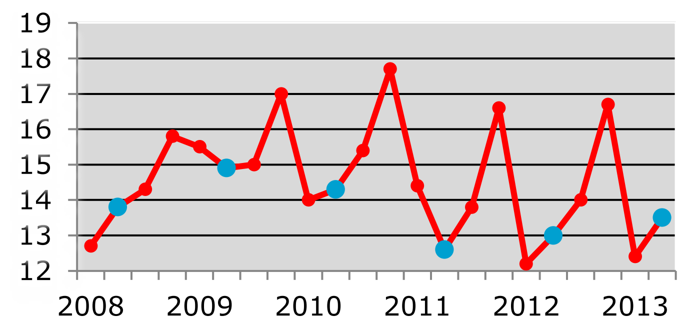
# Division - Entrance Systems

- Europe weak while Americas & Asia are growing
- Growth in Industrial and High speed doors
- Flat in Door automatics
- Very good start in 4Front with strong growth
- Sales +9% and EBIT +13%

**SALES**
share of
Group total %




**EBIT %**




- Operating margin (EBIT)
  - Organic -1%
  - Dilution -0,2%

  \+ Smooth running of integration work

  \+ Large savings on product cost and operations

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# Q2 Report 2013

Carolina Dybeck Happe
CFO

# Financial highlights Q2 2013

| MSEK | 2nd Quarter 2012 | 2nd Quarter 2013 | Change | Six months 2012 | Six months 2013 | Change |
|---|---|---|---|---|---|---|
| **Sales** | **11,997** | **12,239** | **2%** | **22,835** | **23,108** | **+1%** |
| *Whereof* | | | | | | |
| Organic growth | | | +3% | | | +1% |
| Acquired growth | | | +4% | | | +4% |
| FX-differences | | -509 | -5% | | -888 | -4% |
| **Operating income (EBIT)** | **1,885** | **1,970** | **+5%** | **3,540** | **3,632** | **+3%** |
| EBIT-margin (%) | 15.7 | 16.1 | | 15.5 | 15.7 | |
| **Operating cash flow** | **1,435** | **1,589** | **+11%** | **1,918** | **2,087** | **+9%** |
| **EPS (SEK)*** | **3.54** | **3.71** | **+5%** | **6.65** | **6.78** | **+2%** |

*) excluding non comparable items

# Bridge Analysis – Apr-Jun 2013

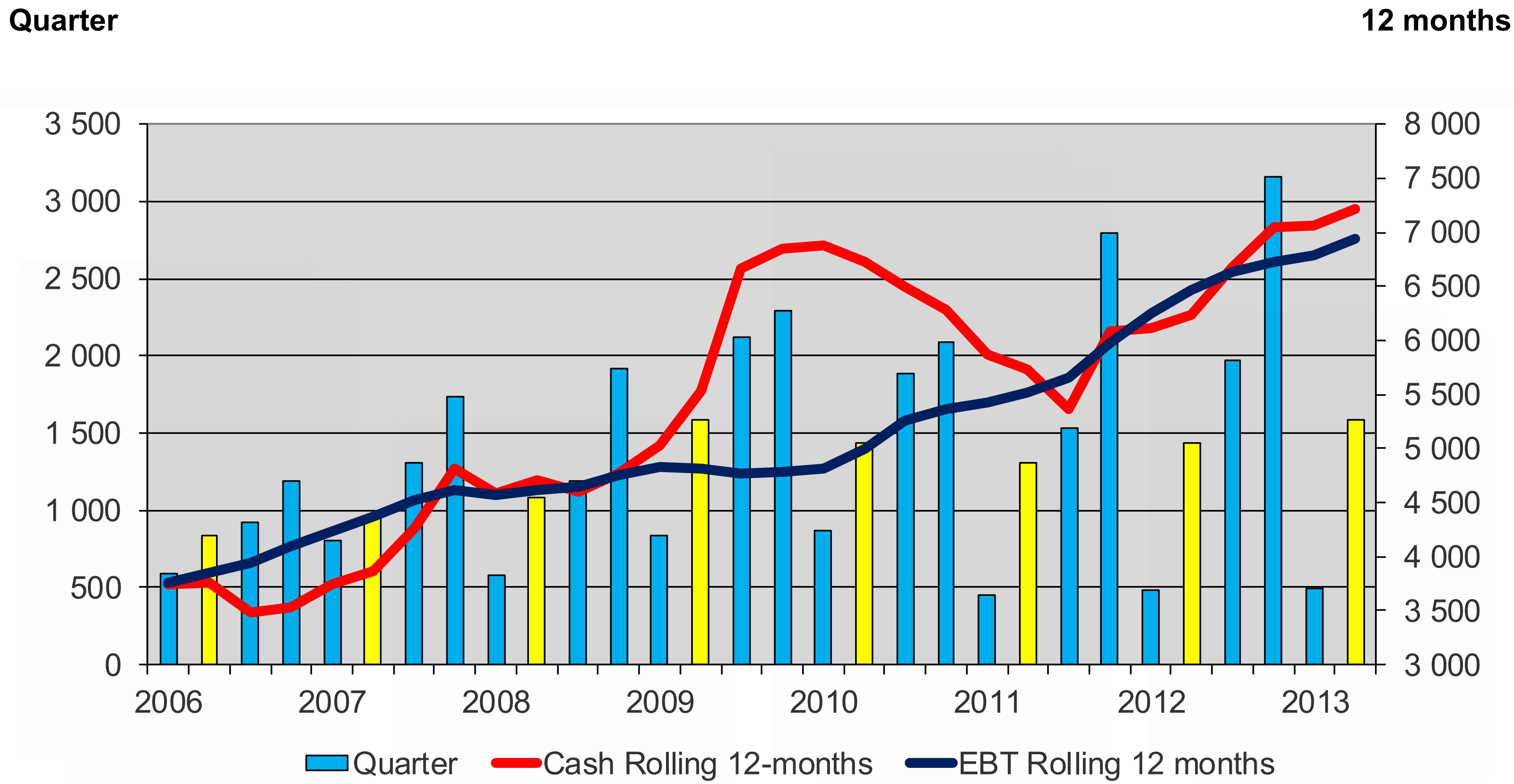
| MSEK | 2012 Apr-Jun | Organic | Currency | Acq/Div | 2013 Apr-Jun |
|---|---|---|---|---|---|
| | | 3% | -5% | 4% | 2% |
| Revenues | 11,997 | 318 | -509 | 434 | 12,239 |
| EBIT | 1,885 | 105 | -96 | 76 | 1,970 |
| % | 15.7% | 33.1% | 18.8% | 17.4% | 16.1% |

| | | | |
|---|---|---|---|
| Dilution / Accretion | 0.5% | -0.1% | 0.0% |

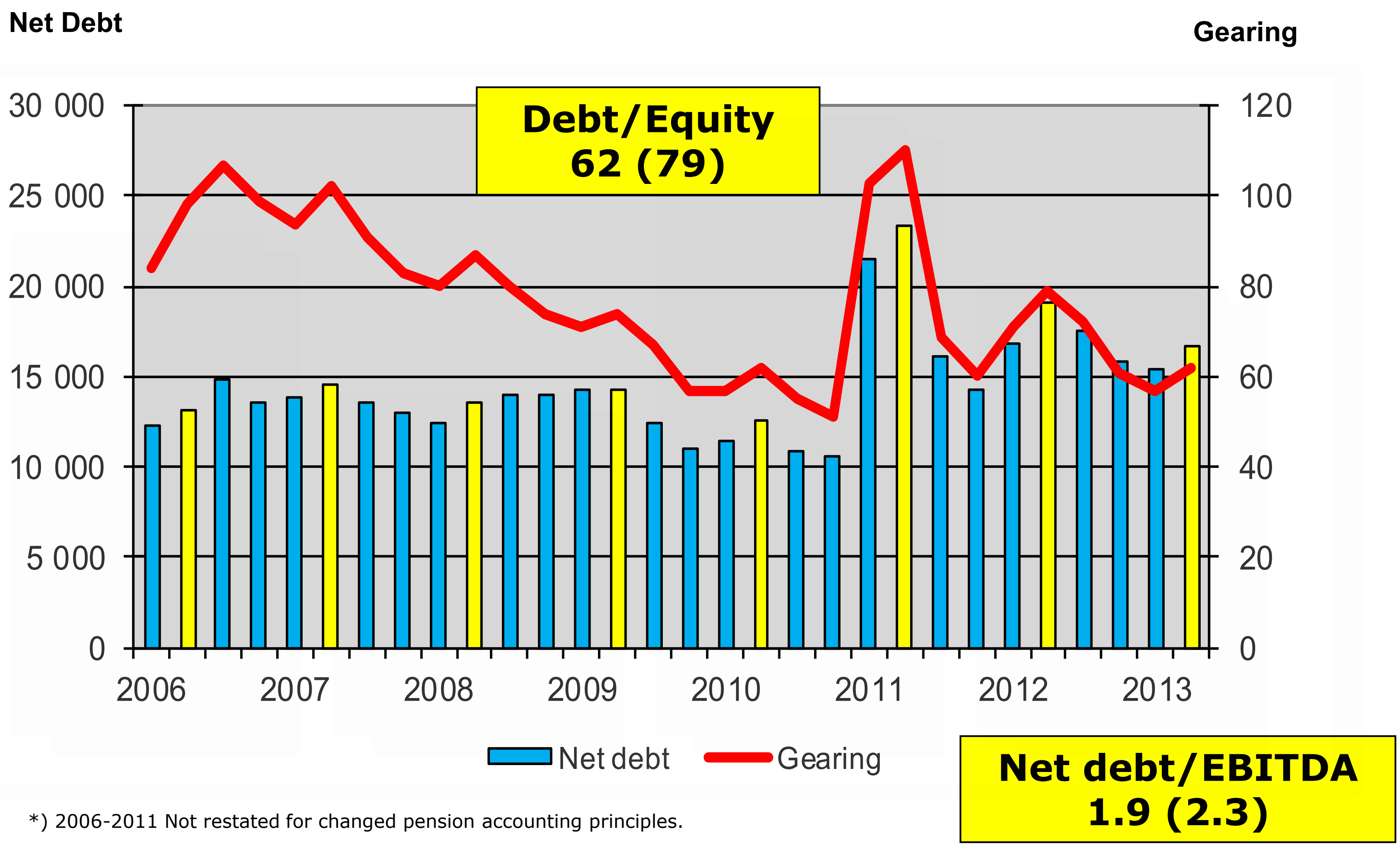
# P&L – Components as % of sales

| | 2012<br>Q2 | 2013<br>Q2 excluding acquisitions | 2013<br>Q2 |
|---|---|---|---|
| ▪ Direct material | 35.0% | 35.3% | 35.6% |
| ▪ Conversion costs | 25.9% | 25.3% | 25.3% |
| ▪ Gross Margin | 39.1% | 39.4% | 39.1% |
| ▪ S, G & A | 23.4% | 23.3% | 23.0% |
| ▪ EBIT | 15.7% | 16.1% | 16.1% |

# Operating cash flow, MSEK

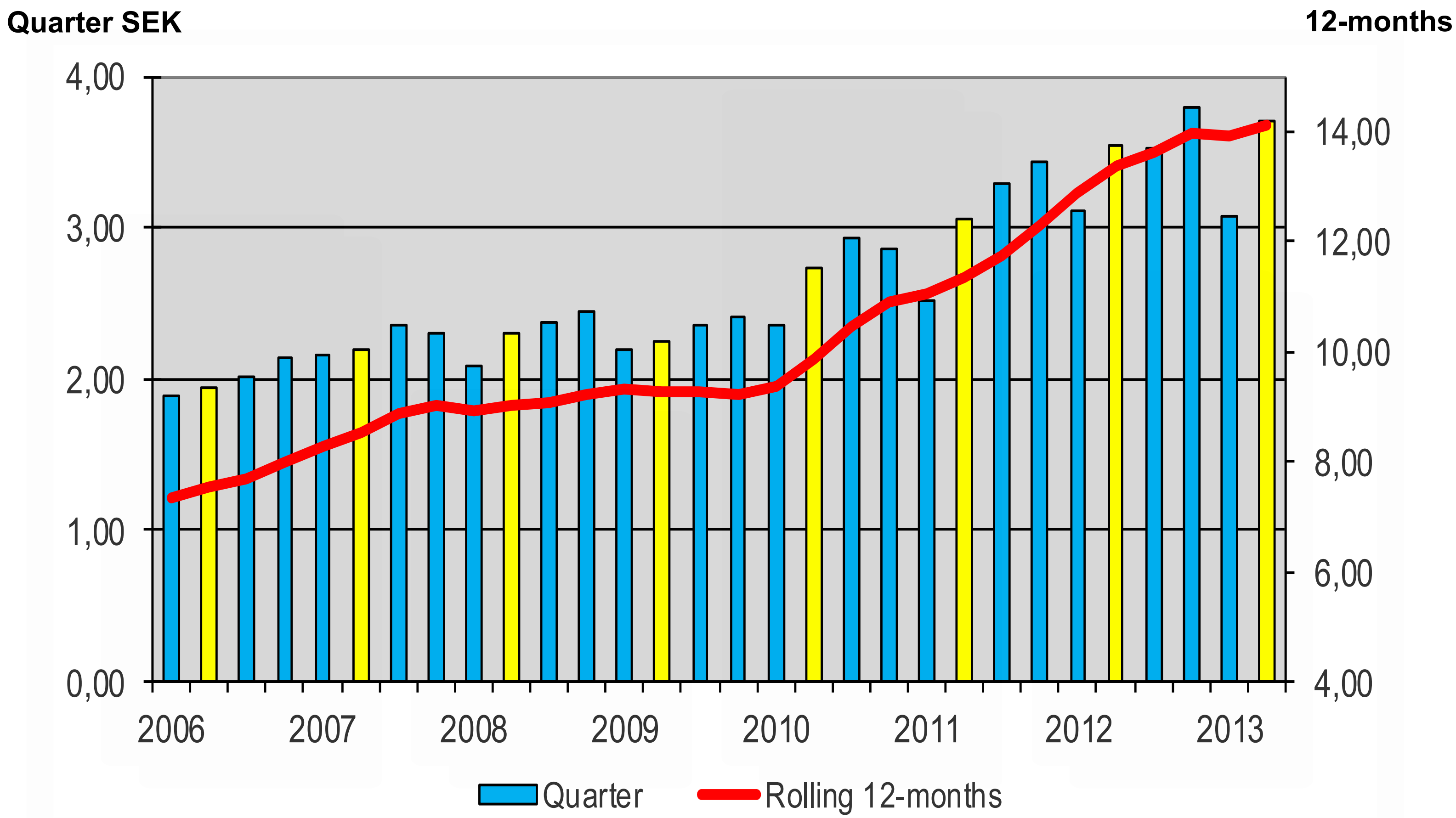


# Gearing % and net debt MSEK




*) 2006-2011 Not restated for changed pension accounting principles.

# Earnings per share, MSEK




*) Excluding restructuring costs.

**) 2006-2011 Not restated for changed pension accounting principles.

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# Q2 Report 2013

Johan Molin
President & CEO

# Q&A

# Conclusions Q2 2013

- Back to growth despite weak Europe
- Strong  growth in Americas and Global Tech
- Growth in APAC
- EMEA and ESD suffering from weak Europe
- Strong efficiency improvements supports profit
- Good sales from new products
- Good increase of EBIT by 5% to 1,970 MSEK