

ASSA ABLOY

Q2 Report 2014

Johan Molin
President & CEO



Financial highlights Q2 2014

- **Strong development of growth and profit**

- Strong growth in APAC
- Good growth in EMEA, Americas and ESD
- Weak Global Tech mainly due to project business
- Strong cash flow

- **Sales** **13,964 MSEK** **+14%**
2% organic, 10% acquired growth, 2% currency
- **EBIT** **2,219 MSEK** **+13%**
Currency effect 15 MSEK
- **EPS** **4.14 SEK** **+12%**
Underlying tax rate 26%

Financial highlights Jan-Jun 2014

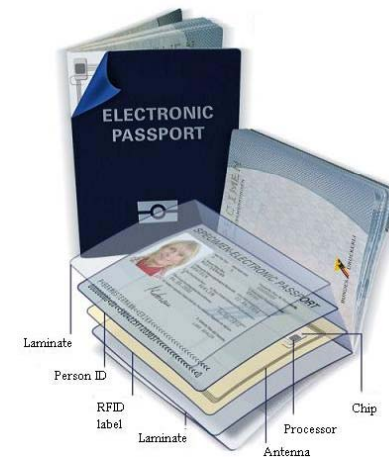
- **A strong first half**

- Good underlying savings and efficiency improvements
- Investments in R&D and Sales
- Strong contribution from acquisitions

- **Sales** **26,268 MSEK** **+14%**
3% organic, 9% acquired growth, 2% currency
- **EBIT** **4,076 MSEK** **+12%**
Currency effect 28 MSEK
- **EPS** **7.56 SEK** **+12%**
Underlying tax rate 26%

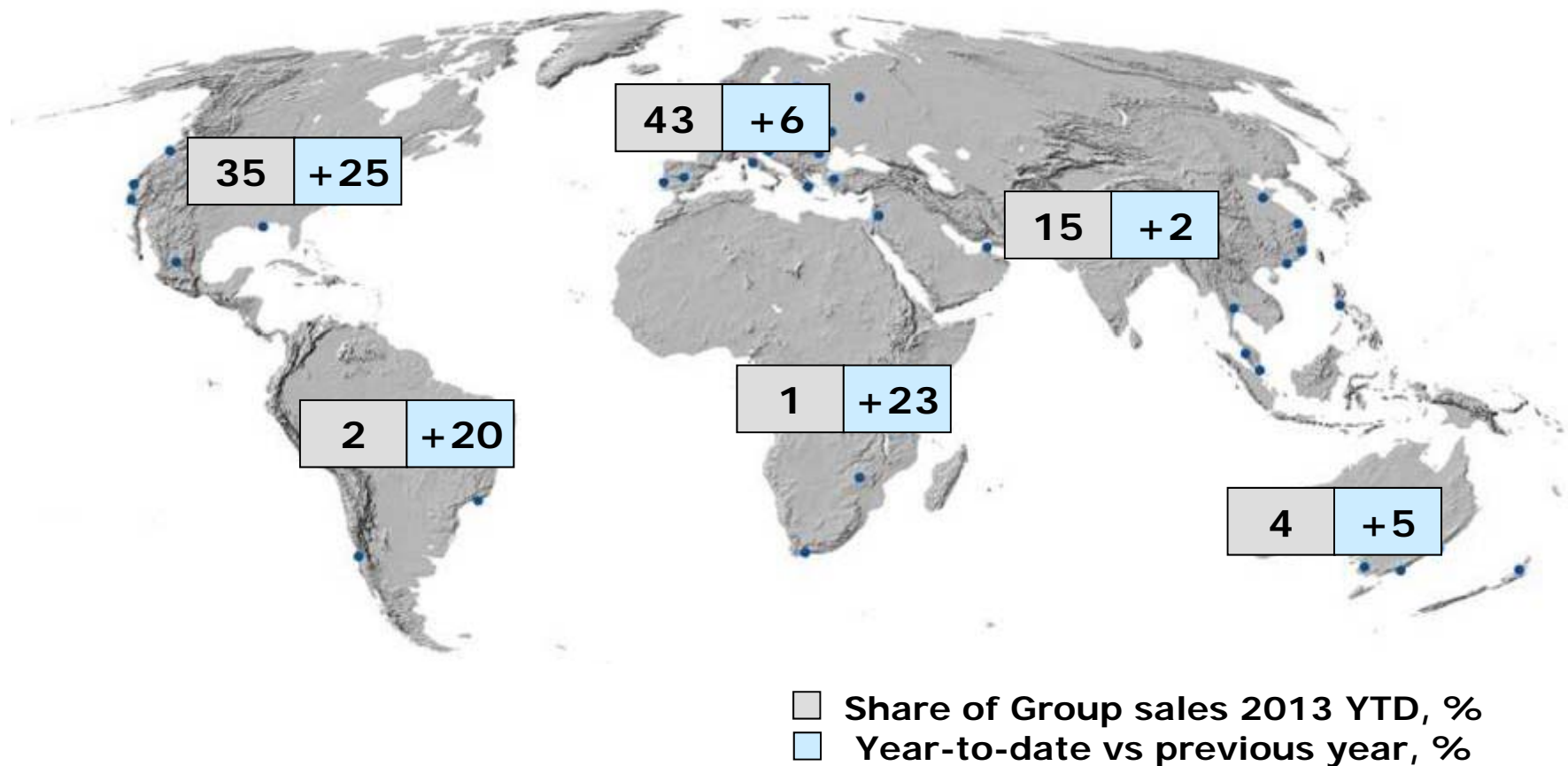
Market highlights

- Launch of eCLIQ at IFSEC
 - 2nd generation electro-mechanical cylinders
 - Scalable, flexible, cloud and suitable for small and large systems
- Good progress in Home Automation
 - US agreements with leading companies
 - H2 launch in several large EU markets
- Good progress in E-government orders
 - Saudi NID & Irish passport
- New intelligent key control system
 - RFID tagged keys
 - Restricted access, key security & audit trail
 - Small enterprises, elderly care, schools & authorities

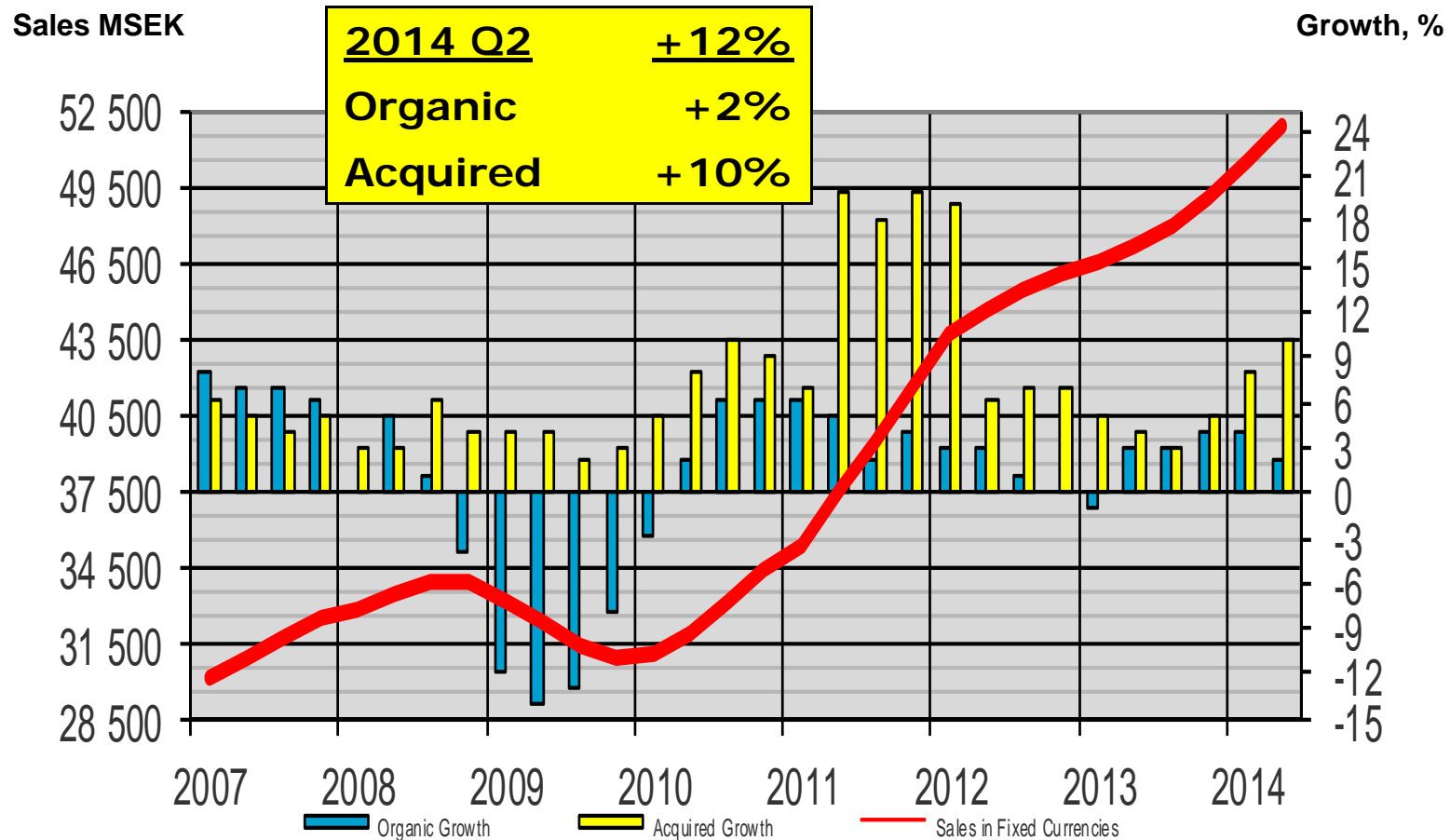


Group sales in local currencies Jan-Jun 2014

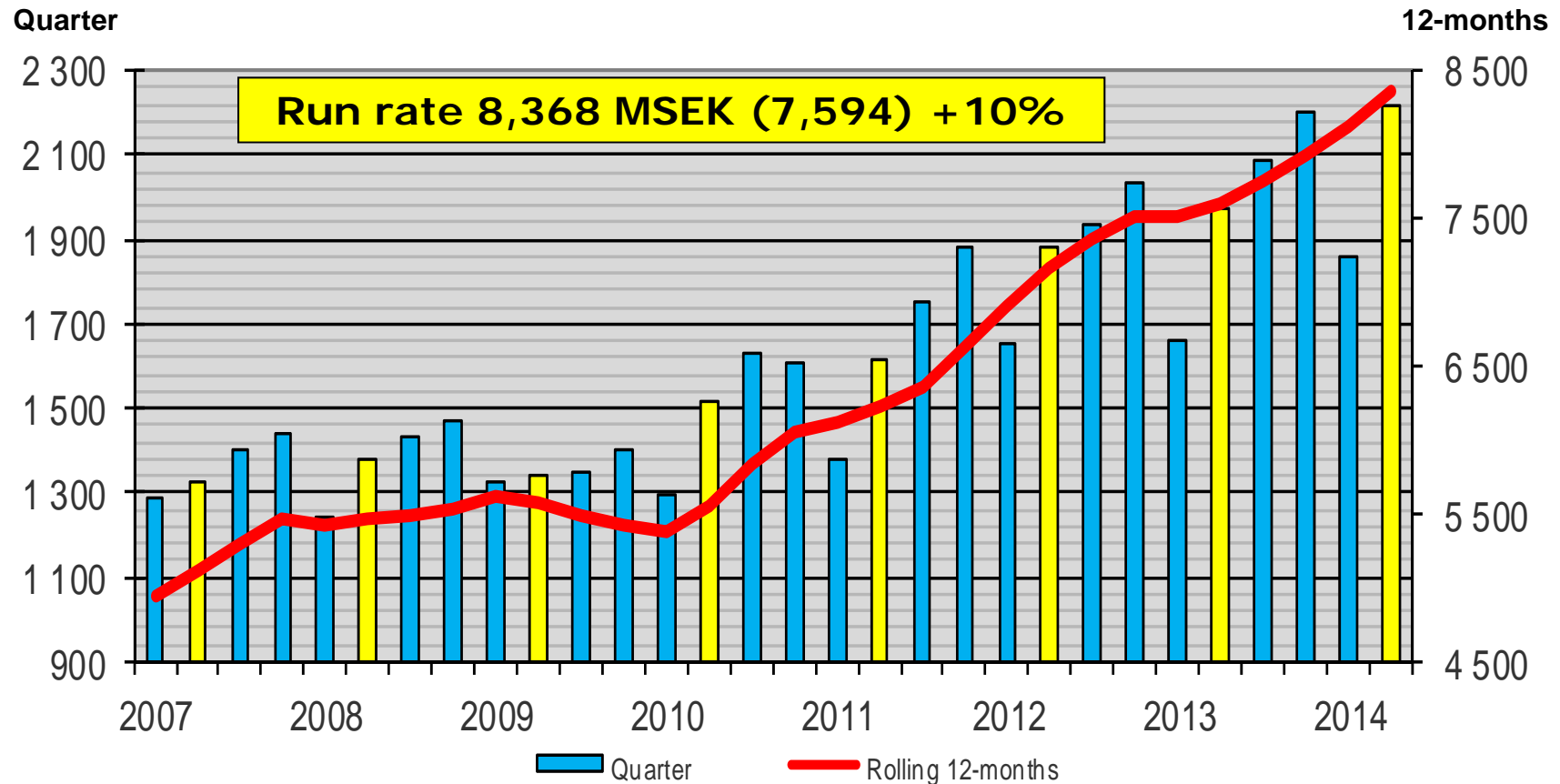
Emerging markets 23% of sales



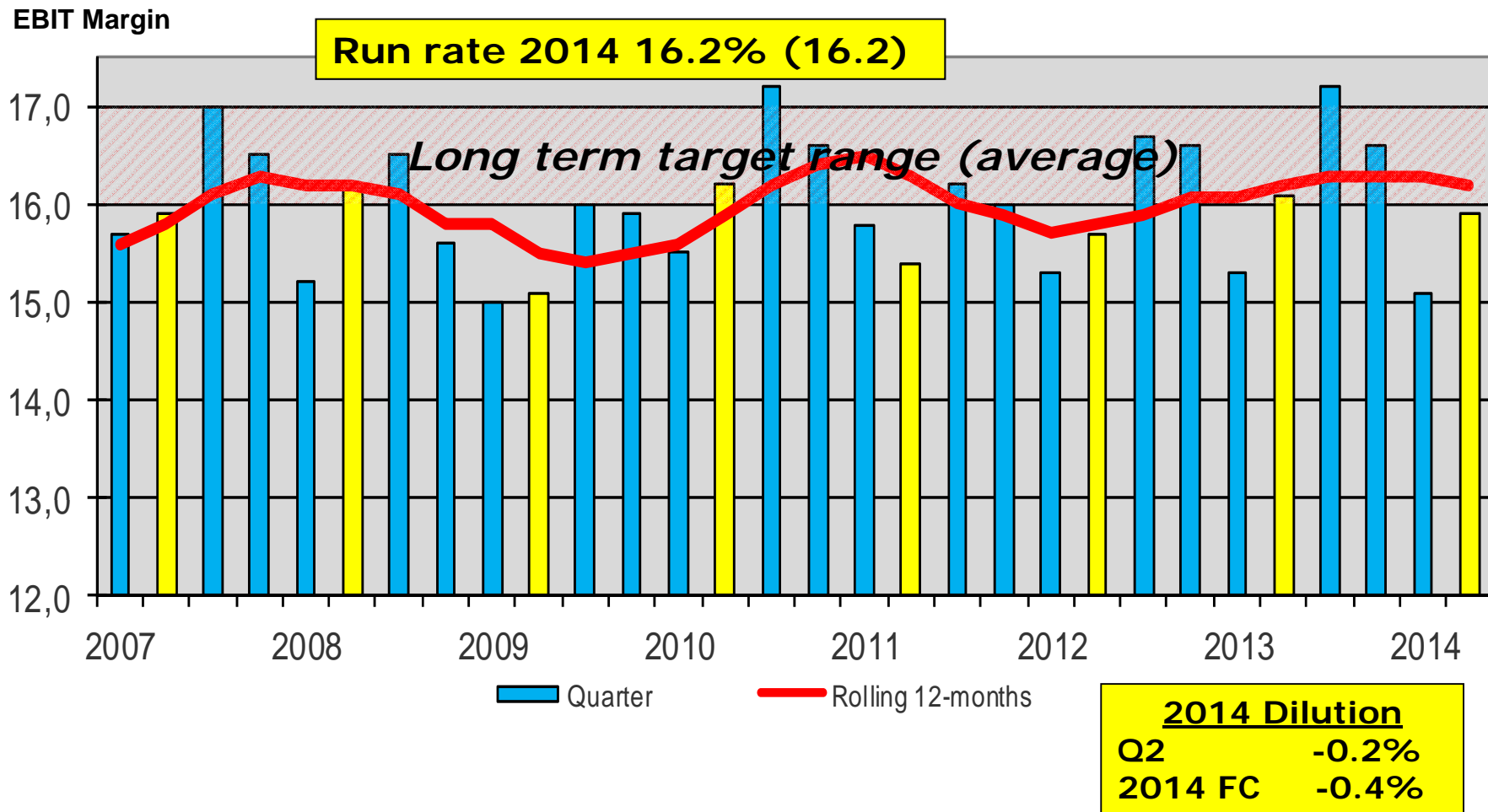
Sales growth, currency adjusted



Operating income (EBIT*), MSEK

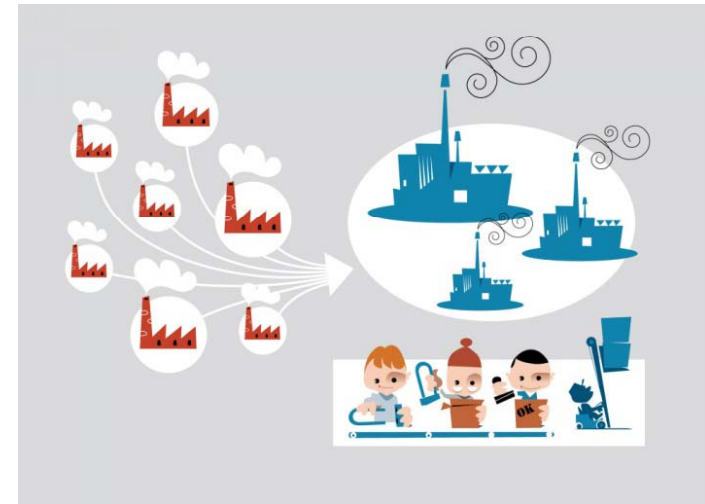


Operating margin (EBIT), %



Manufacturing footprint

- Status manufacturing footprint programs 2006-2013:
 - 61 factories closed to date, 19 to go
 - 73 factories converted to assembly, 16 to go
 - 29 offices closed, 18 to go
- Personal reduction QTD 237p and total 8,718p
- 1,266p in further planned reductions

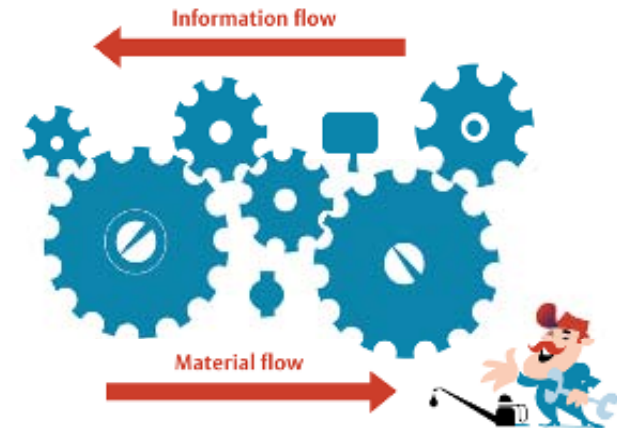


➔ 1,154 MSEK of the provision remains for all programs

Margin highlights Q2 2014

EBIT margin 15.9% (16.1) -0.2%

- + Volume increase 1%, price 1%
- + Margin decrease -0.2%
 - + Organic growth
 - + Manufacturing footprint
 - + Efficiency improvements
 - Acquisitions -0.2%



Acquisitions 2014

- Fully active pipeline
- 10 acquisitions done in 2014
- Annualized sales 1,150 MSEK
- Added sales 2.3%



ENOX, India

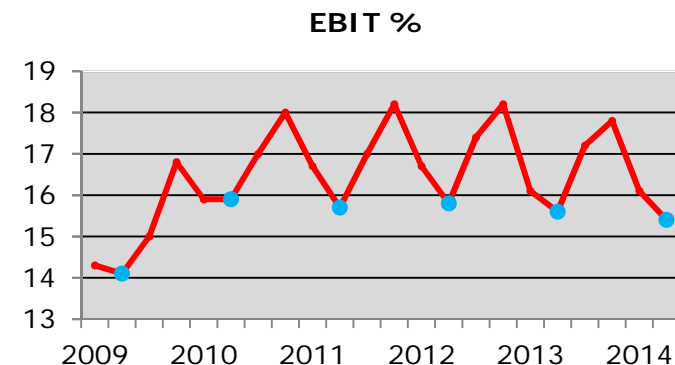
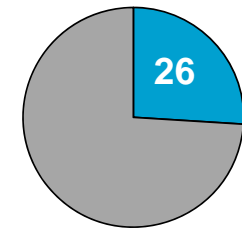
- Turnover of 130 MSEK with 220 employees
- First acquisition into the large and fast growing indian market
- Adds complimentary business channels and products to our existing indian business
- Accretive to EPS



Division - EMEA

- Strong growth in Finland, UK, Africa and Eastern Europe
- Good growth in Scandinavia & Germany and growth in Benelux and Iberia
- Flat in France and still negative in Italy and Israel
- Pleasing development of new products and efficiency
- Operating margin (EBIT)
 - + Organic 3%
 - + Footprint savings
 - Dilution & Currency (-0.6%)

SALES
share of
Group total %



EMEA Financial Review

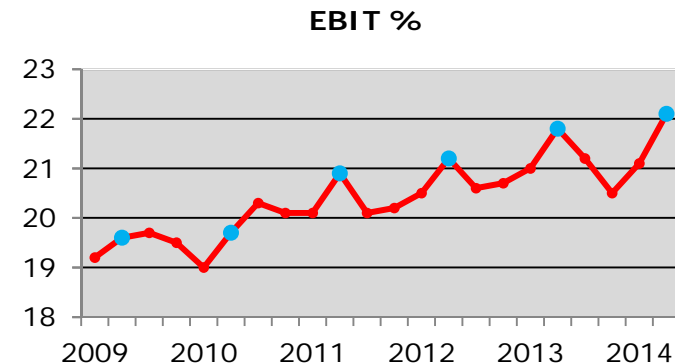
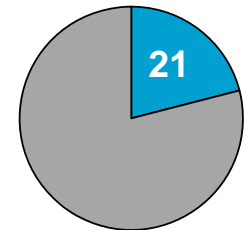
MSEK	2nd Quarter			Six months		
	2013	2014	Change	2013	2014	Change
Sales	3,285	3,672	+12%	6,456	7,183	+11%
<i>Organic growth</i>			+3%			+4%
<i>Acquired growth</i>			+4%			+4%
EBIT	511	566	+11%	1,020	1,131	+11%
EBIT-margin (%)	15.6	15.4		15.8	15.8	
RoCE (%)	18.9	18.4		19.3	19.4	
Operating cash flow before paid interest	422	498	+18%	527	759	+44%

Division - Americas

- Strong growth in Residential and South America
- Growth in AHW, Doors, Elmech, High Security
- Slight decline in Canada and Mexico
- Good development of Ameristar
- Increasing quoting activity

- Operating margin (EBIT)
 - + Organic 3%
 - + Efficiency improvements
 - = Currency & dilution (0.0%)

SALES
share of
Group total %



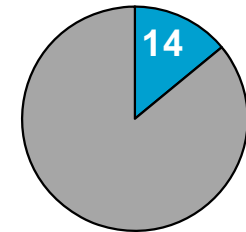
Americas Financial Review

MSEK	2nd Quarter			Six months		
	2013	2014	Change	2013	2014	Change
Sales	2,620	2,996	+14%	4,973	5,668	+14%
<i>Organic growth</i>			+3%			+2%
<i>Acquired growth</i>			+12%			+12%
EBIT	571	662	+16%	1,065	1,225	+15%
EBIT-margin (%)	21.8	22.1		21.4	21.6	
RoCE (%)	25.5	24.1		25.0	23.1	
Operating cash flow before paid interest	507	850	+68%	655	966	+47%

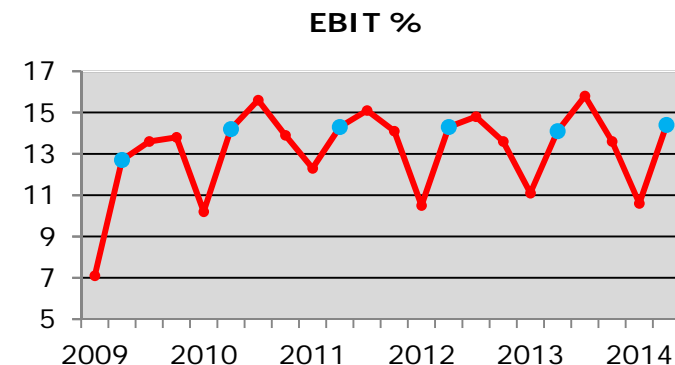
Division - Asia Pacific

- Strong growth in Australia, SEA and Korea
- Good growth in China and New Zealand
- New facility for BaoDean in China concluded
- Intensified work on automation and efficiency in China

SALES
share of
Group total %



- Operating margin (EBIT)
 - + Organic 7%
 - + Efficiency in China
 - Cost pressure in China
 - = Currency & Dilution (0%)



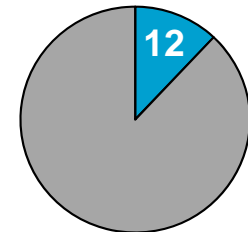
Asia Pacific Financial Review

MSEK	2nd Quarter			Six months		
	2013	2014	Change	2013	2014	Change
Sales	1,904	2,151	+13%	3,259	3,571	+10%
<i>Organic growth</i>			+7%			+5%
<i>Acquired growth</i>			+6%			+5%
EBIT	269	310	15%	420	461	+10%
EBIT-margin (%)	14.1	14.4		12.9	12.9	
RoCE (%)	20.4	15.0		16.3	11.7	
Operating cash flow before paid interest	349	300	-14%	290	162	-44%

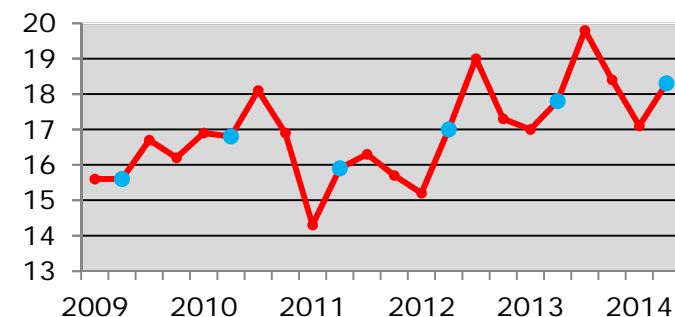
Division - Global Technologies

- **HID**
 - Strong growth in IDT (Inlay business) and Lumidigm
 - Growth in IAM (Identity and access management)
 - Weak Gov ID and strong decline in Project sales
 - Consolidation of North American operations to Austin
- **Hospitality**
 - Continued good growth
 - Good profit development
- **Operating margin (EBIT)**
 - Organic -6%
 - + Positive sales mix
 - = Currency & Dilution (+0.1%)

SALES
share of
Group total %



EBIT %



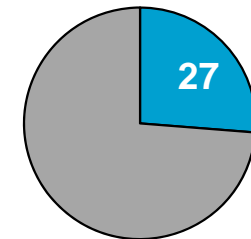
Global Technologies Financial Review

MSEK	2nd Quarter			Six months		
	2013	2014	Change	2013	2014	Change
Sales	1,711	1,722	+1%	3,137	3,241	+3%
<i>Organic growth</i>			-6%			-2%
<i>Acquired growth</i>			+5%			4%
EBIT	304	315	+4%	546	575	+5%
EBIT-margin (%)	17.8	18.3		17.4	17.7	
RoCE (%)	19.8	17.6		18.1	17.0	
Operating cash flow before paid interest	276	240	-13%	300	306	+2%

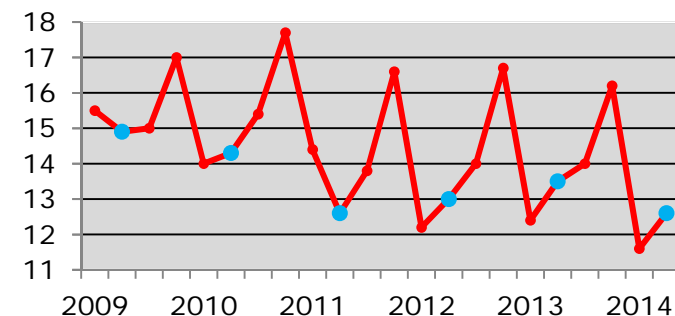
Division - Entrance Systems

- Strong growth in US operations (Amarr & 4Front) and Door Automatics
- Good growth in High Speed Doors and FlexiForce
- Growth in EU Industrial doors
- Negative in EU residential and Ditec, Italy
- Negative mix and dilution
- Operating margin (EBIT)
 - + Organic +3%
 - + Efficiency improvement
 - Negative EU sales mix
 - Dilution (-0.9%)

SALES
share of
Group total %



EBIT %



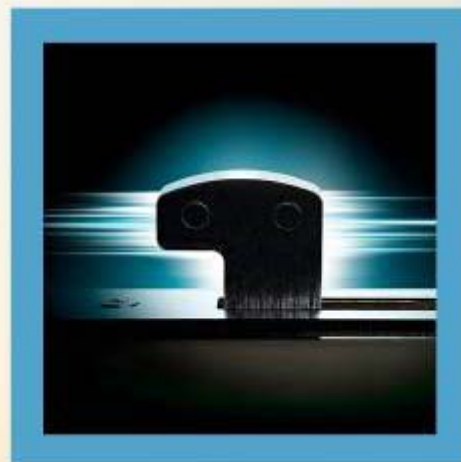
Entrance Systems Financial Review

MSEK	2nd Quarter			Six months		
	2013	2014	Change	2013	2014	Change
Sales	2,960	3,703	+25%	5,722	7,108	+24%
<i>Organic growth</i>			+3%			+4%
<i>Acquired growth</i>			+19%			+18%
EBIT	400	466	+17%	741	860	+16%
EBIT-margin (%)	13.5	12.6		13.0	12.1	
RoCE (%)	11.6	11.9		10.7	11.1	
Operating cash flow before paid interest	293	401	+37%	712	804	+13%

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Q2 Report 2014

Carolina Dybeck Happe
CFO



Financial highlights Q2 2014

MSEK	2nd Quarter			Six months		
	2013	2014	Change	2013	2014	Change
Sales	12,239	13,964	+14%	23,108	26,268	+14%
<i>Whereof</i>						
Organic growth			+2%			+3%
Acquired growth			+10%			+9%
FX-differences		+210	+2%		+319	2%
Operating income (EBIT)	1,970	2,219	+13%	3,632	4,076	+12%
EBIT-margin (%))	16.1	15.9		15.7	15.5	
Operating cash flow	1,589	1,963	+24%	2,087	2,520	21%
EPS (SEK)	3.71	4.14	+12%	6.78	7.56	+12%

Bridge Analysis – Apr-Jun 2014

MSEK	2013 Apr-Jun	Organic	Currency	Acq/Div	2014 Apr-Jun
		2%	2%	10%	14%
Revenues	12,239	248	210	1,266	13,964
EBIT	1,970	62	15	172	2,219
%	16.1%	25.2%	7.0%	13.6%	15.9%

Dilution / Accretion

0.2%

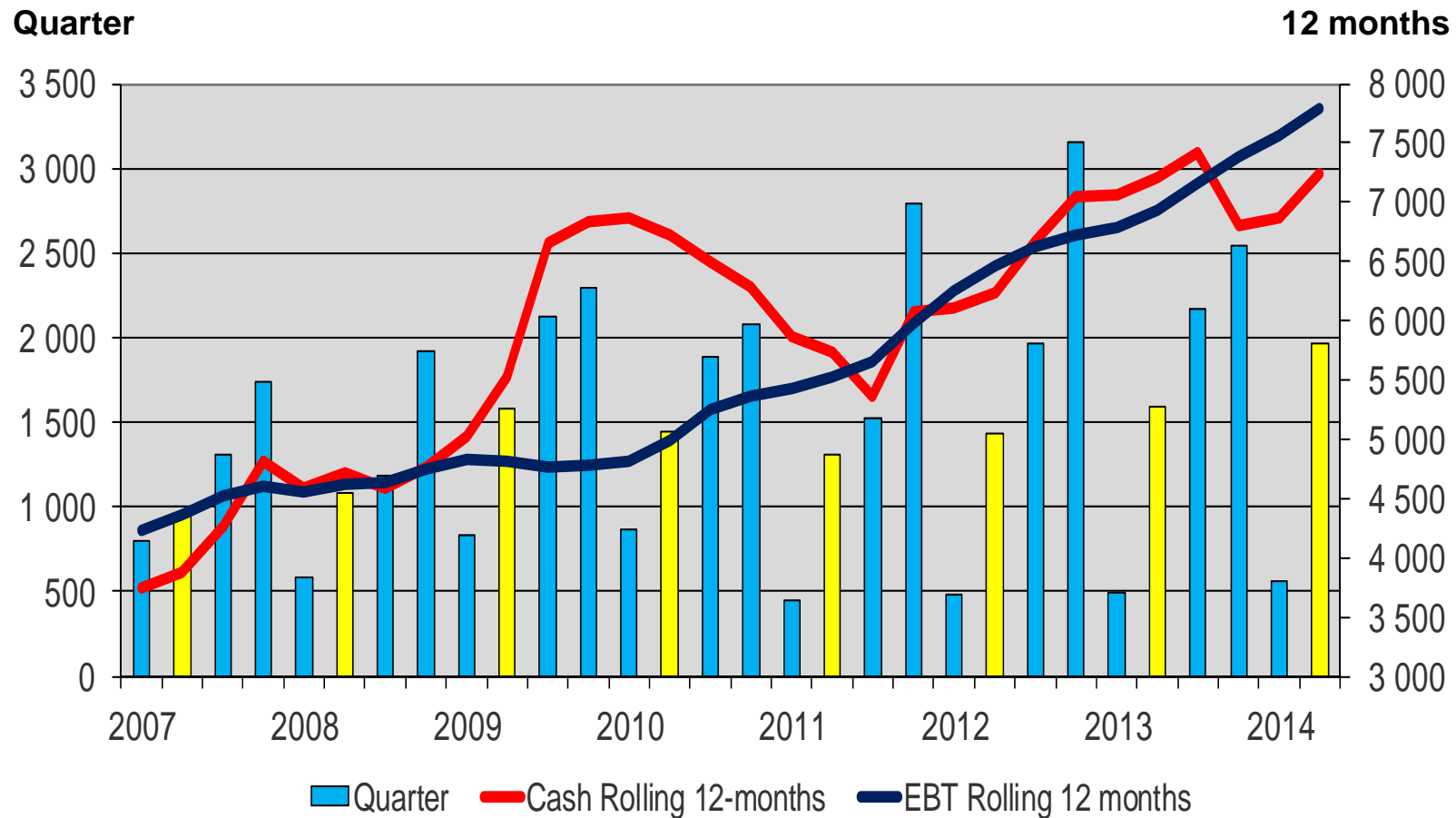
-0.2%

-0.2%

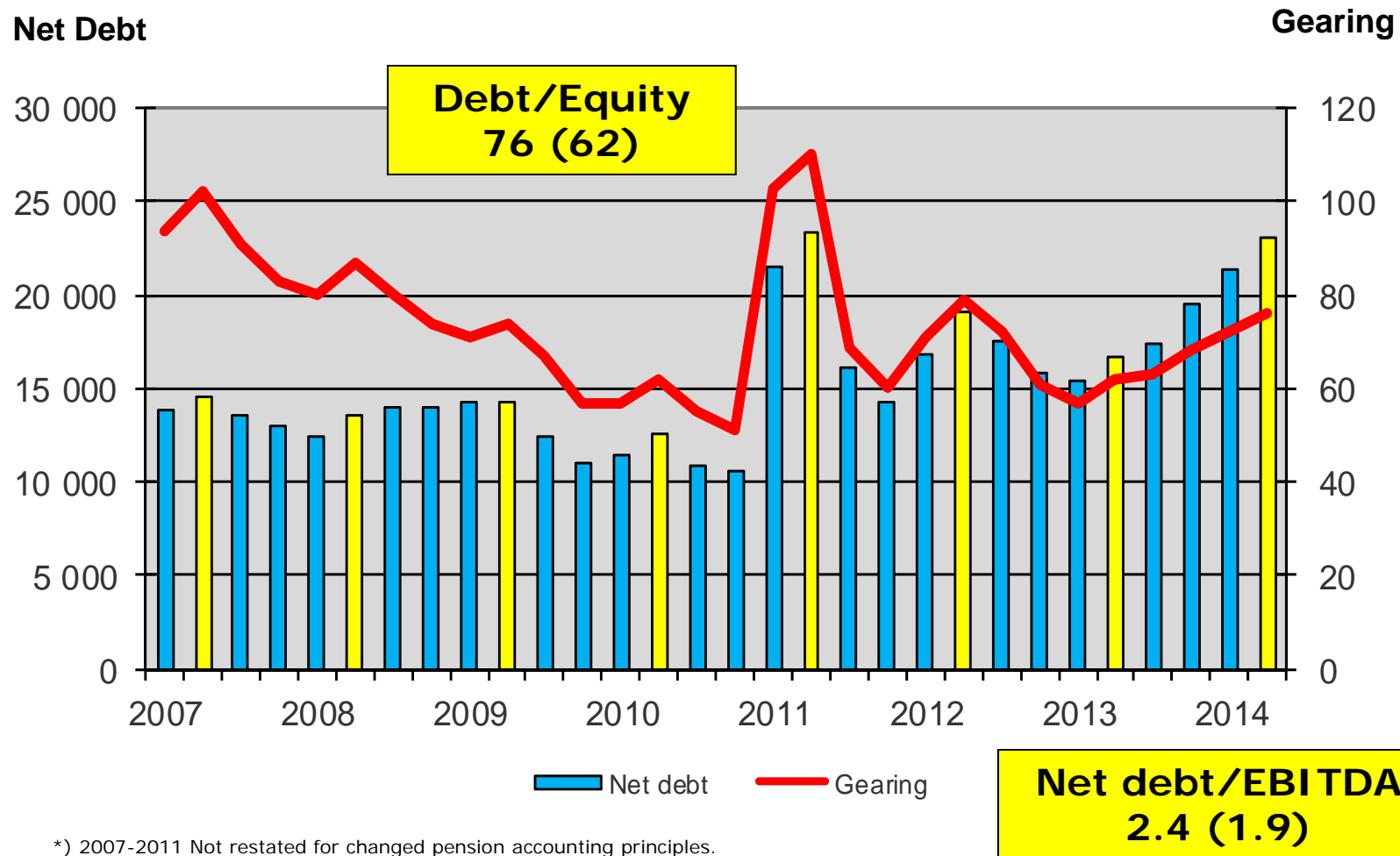
P&L Components as % of sales Apr – Jun 2014

	2013 Q2	2014 Q2 excluding acquisitions	2014 Q2
▪ Direct material	35.6%	35.2%	36.5%
▪ Conversion costs	<u>25.3%</u>	<u>25.7%</u>	<u>25.1%</u>
▪ Gross Margin	39.1%	39.1%	38.4%
▪ S, G & A	<u>23.0%</u>	<u>23.0%</u>	<u>22.5%</u>
▪ EBIT	16.1%	16.1%	15.9%

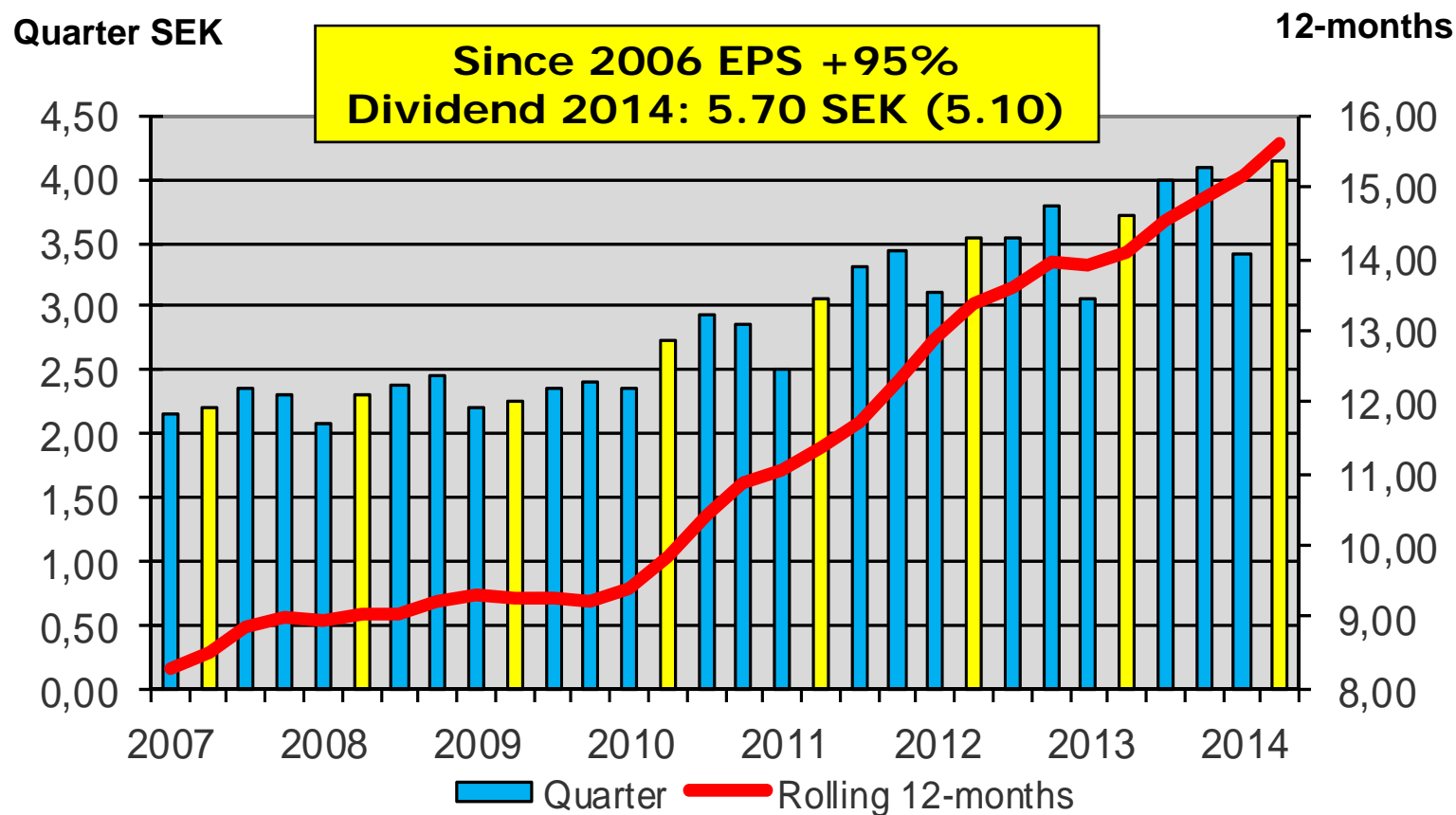
Operating cash flow, MSEK



Gearing % and net debt MSEK



Earnings per share, SEK



Excluding restructuring costs of 1,000 MSEK in Q4 and full year 2013.
 2007-2011 Not restated for changed pension accounting principles.

ASSA ABLOY

Q2 Report 2014

Johan Molin
President & CEO



Conclusions Q2 2014

- Sales growth by 14% with 2% organic
 - Strong growth in APAC, Africa and South America
 - EMEA, Americas and Entrance with good growth
 - Weak Project sales in Global Technologies
 - Efficiency improvements supports profit
 - EBIT improvement of 13% to 2,219 MSEK
 - Strong cash flow
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Q&A

