

## Strong growth for ASSA ABLOY in all parts except Europe

Written by Australian Business

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STOCKHOLM, Sweden--( [BUSINESS WIRE](#) )--Regulatory News:

-- Sales rose by 5%, with organic growth of 3%, and totaled SEK 12,131 M (11,545).

-- Strong growth in Americas, Asia Pacific and Global Technologies.

-- Stable but low demand in EMEA and Entrance Systems.

-- Operating income (EBIT) increased by 8% and amounted to SEK 2,090 M (1,932).

The operating margin was 17.2% (16.7).

-- Net income amounted to SEK 1,474 M (1,316).

-- Earnings per share rose by 13% to SEK 3.98 (3.53).

-- Operating cash flow increased by 11% and amounted to SEK 2,175 M (1,967).

-- Preparation for a new restructuring program has begun, with a planned launch in the fourth quarter.

-- Contracts have been signed for the acquisition of Ameristar (USA), Mercor (Poland),

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Xinmao (China) and Huasheng (China), which have combined annual sales of around SEK 2,000 M.

### SALES AND INCOME

Third quarter

2012

<b>Sales, SEK M</b>	<b>11,545</b>	<b>12,131</b>
of which,		
Organic growth		+3%
Acquisitions		+3%

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Exchange-rate effects -133

**Operating income (EBIT), SEK M 1,932 2,090**

Operating margin (EBIT), % 16.7 17.2

Income before tax, SEK M 1,766 1,966

Net income, SEK M 1,316 1,474

Operating cash flow, SEK M 1,967 2,175

**Earnings per share (EPS), SEK 3.53 3.98**

### COMMENTS BY THE PRESIDENT AND CEO

“I am very pleased to report that Americas, Asia Pacific and Global Technologies all

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had strong organic growth,” says Johan Molin, President and CEO. “EMEA also grew, by 1% organically, and showed clear signs of having bottomed out, while Entrance Systems had a surprisingly small fall of just 1% despite its exposure to European industry. Total growth for the Group was 6% in local currencies, made up of 3% organic growth and 3% acquired growth. Exchange-rate effects remained negative at -1%, which meant that total growth ended up at 5%.

“The Group’s earnings reached a record level, largely due to good growth arising from new products, which accounted for 26% of sales value, with growth in electromechanical products especially strong. In addition, major savings and efficiency measures in production continued to make good contributions to earnings.

“Agreements of acquisition were signed with several interesting companies during the quarter. Especially exciting is the acquisition of Ameristar, which complements our product portfolio in North America very well. Investment in emerging markets also continued with the acquisitions of Mercor in Poland and Huasheng and Xinmao in China. In total these acquisitions will provide an addition of around SEK 2,000 M to our sales.

“My judgment is that the world economy is slowly on the way to improving, although still affected by the budget cutbacks that many countries are making. Our strategy therefore remains unchanged, to reduce our dependence on mature markets and to expand strongly in the emerging markets, which are expected to go on growing well. Another continuing priority will be investments in new products, especially in the growth area of electromechanics.”

### THIRD QUARTER

The Group’s sales totaled SEK 12,131 M (11,545), an increase of 5% compared with the third quarter of 2012. Organic growth for comparable units was 3% (1). Acquired units contributed 3% (7). Exchange-rate effects had an impact of SEK –133 M on sales, that is –1% (–2).

Operating income before depreciation, EBITDA, amounted to SEK 2,339 M (2,183). The corresponding EBITDA margin was 19.3% (18.9). The Group’s operating income,

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EBIT, amounted to SEK 2,090 M (1,932), a rise of 8%. The operating margin was 17.2% (16.7).

Net financial items amounted to SEK –124 M (–166). The Group's income before tax amounted to SEK 1,966 M (1,766), an improvement of 11% compared with the previous year. Exchange-rate effects had an impact of SEK –52 M on the Group's income before tax. The profit margin was 16.2% (15.3). The underlying effective tax rate on an annual basis is expected to be 25% (24). Earnings per share amounted to SEK 3.98 (3.53), an increase of 13%.

### FIRST NINE MONTHS OF THE YEAR

Sales for the part-year period totaled SEK 35,239 M (34,380), representing an increase of 2%. Organic growth was 2% (2). Acquired units contributed 4% (10). Exchange-rate effects had an impact of SEK –1,021 M on sales, that is –4% (2), compared with the first nine months of 2012.

Operating income before depreciation, EBITDA, for the part-year period amounted to SEK 6,477 M (6,268). The corresponding margin was 18.4% (18.2). The Group's operating income, EBIT, amounted to SEK 5,722 M (5,471), which was an increase of 5%. The corresponding EBIT operating margin was 16.2% (15.9).

Earnings per share for the part-year period amounted to SEK 10.76 (10.18), a rise of 6%. Operating cash flow totaled SEK 4,262 M (3,885).

### RESTRUCTURING MEASURES

The preparation of a new restructuring program has begun, with a planned launch in the fourth quarter. A total of some thirty production units and offices are expected to be closed over a three-year period. The restructuring costs are expected to total about SEK 1,000 M and the payback time is estimated to be around three years.

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Payments related to all existing restructuring programs amounted to SEK 118 M in the quarter. The restructuring programs proceeded according to plan and led to a reduction in personnel of 127 people during the quarter and 7,084 people since the projects began. At the end of the quarter provisions of SEK 664 M remained in the balance sheet for carrying out the programs.

### COMMENTS BY DIVISION

#### EMEA

Sales for the quarter in EMEA division totaled SEK 3,163 M (3,093), with organic growth of 1% (1). The market showed growth in Scandinavia, Finland, eastern Europe, Germany, Italy and Africa, and stable demand in Britain. Sales growth in France, the Netherlands, Spain and Israel was negative. Acquired growth amounted to 1%. Operating income totaled SEK 545 M (539), which represented an operating margin (EBIT) of 17.2% (17.4). Return on capital employed amounted to 20.0% (21.0). Operating cash flow before interest paid totaled SEK 613 M (751).

#### AMERICAS

Sales for the quarter in Americas division totaled SEK 2,590 M (2,474), with organic growth of 7% (3). The sales trends for traditional lock products, electromechanical products, the private residential market and South America were very strong. Security doors and high-security products showed good growth, while Canada and Mexico showed a weak negative trend. Acquired growth amounted to 0%. Operating income totaled SEK 549 M (510) and the operating margin was 21.2% (20.6). Return on capital employed amounted to 25.7% (23.9). Operating cash flow before interest paid totaled SEK 673 M (529).

#### ASIA PACIFIC

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Sales for the quarter in Asia Pacific division totaled SEK 2,095 M (1,979), with organic growth of 6% (3). Australia, New Zealand and South Korea showed strong growth. China showed good growth, while South-East Asia had a weakly negative trend. Acquired growth amounted to 2%. Operating income totaled SEK 331 M (293), representing an operating margin (EBIT) of 15.8% (14.8). The quarter's return on capital employed amounted to 20.8% (22.0). Operating cash flow before interest paid totaled SEK 193 M (374).

### GLOBAL TECHNOLOGIES

Sales for the quarter in Global Technologies division totaled SEK 1,645 M (1,568), with organic growth of 7% (3). HID had strong growth in access control and logical access together with a strong growth in project orders. Identification technology was stable while Government ID had a negative trend. Hospitality showed strong growth, mainly from the important renovation market. Profitability improved for both Business Units. Acquired growth amounted to 0%. The division's operating income amounted to SEK 326 M (298), with an operating margin (EBIT) of 19.8% (19.0). Return on capital employed amounted to 21.1% (18.3). Operating cash flow before interest paid totaled SEK 313 M (298).

### ENTRANCE SYSTEMS

Sales for the quarter in Entrance Systems division totaled SEK 2,900 M (2,648), with organic growth of -1% (-2). Demand in Europe remained weak while Americas and Asia showed good growth. Sales in door automation and industrial doors were stable. The trends for high-speed doors and docking systems were negative. The sales trend for Ditec remained negative, affected by the weak economic trend in southern Europe. Acquired growth amounted to 11%. Operating income totaled SEK 405 M (370), giving an operating margin of 14.0% (14.0). Return on capital employed amounted to 11.6% (11.2). Operating cash flow before interest paid totaled SEK 487 M (327).

### ACQUISITIONS AND DIVESTMENTS

During the quarter one minor acquisition was consolidated. The combined acquisition price for the six acquisitions completed in the part-year period amounted to SEK 246 M, and preliminary acquisition analyses indicate that goodwill and other intangible assets with

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indefinite useful life amount to SEK 206 M. The acquisition price is adjusted for acquired net debt and estimated earn-outs. Estimated earn-outs amount to SEK 79 M.

On 6 September it was announced that ASSA ABLOY had signed a contract to acquire Mercor SA's fire-door business. Mercor is a leading Polish manufacturer of security and fire doors in eastern Europe. The company has about 550 employees and its sales in 2013 are expected to total SEK 370 M.

On 1 October it was announced that ASSA ABLOY had signed a contract to acquire the American company Ameristar, the leading American manufacturer of perimeter security in the form of high-security fences and gates. The company has about 650 employees and its sales in 2013 are expected to total about SEK 1,100 M.

On 14 October it was announced that ASSA ABLOY had signed contracts to acquire the Chinese companies Xinmao and Huasheng, regional leaders in fire and security doors in the provinces of Heilongjiang and Shandong respectively. The companies have 360 and 460 employees respectively and their sales in 2014 are expected to total SEK 190 M and SEK 210 M respectively.

In August 2013 the joint-venture contract with Pan Pan in China was terminated by ASSA ABLOY's acquisition of the outstanding 30% of shares.

## ORGANIZATION

Magnus Kagevik has been appointed Executive Vice President and Head of Asia Pacific Division with effect from 1 January 2014. He succeeds Jonas Persson who is leaving ASSA ABLOY after four years for a position outside the Group. Magnus Kagevik has worked at ASSA ABLOY since 2007 as Vice President Operations in EMEA division and was appointed Market Region Manager for Eastern Europe in 2011.

## SUSTAINABLE DEVELOPMENT

Increasing the efficiency of energy use in the Group's factories and sales companies is a priority area for achieving a reduced environmental impact and lower costs. The improvement work is managed locally in the Group's units, often with support from the Kaizen methodology to identify and prioritize different activities. By such methods Abloy Oy in Finland has reduced its annual energy consumption by 7,000 MWh. This means that in the last three years it has cut its energy consumption per manufactured product by over 10%.

The Group's ambition is to continue to increase the information contained in its external sustainability reporting, for example as regards energy consumption, emission of greenhouse gases and related improvement activities. In its reporting to the CDP (Carbon Disclosure Project) for the 2012 business year, the Group's points score improved to 69 points, against 38 in the previous year.

### **PARENT COMPANY**

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 1,401 M (1,119) for the part-year period. Income before tax amounted to SEK 1,926 M (1,006). Investments in tangible and intangible assets totaled SEK 81 M (9). Liquidity is good and the equity ratio was 46.3% (48.2).

### **ACCOUNTING PRINCIPLES**

ASSA ABLOY applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. Significant accounting and valuation principles are detailed on pages 90-95 of the 2012 Annual Report.

This Interim Report was prepared in accordance with IAS 34 'Interim Financial Reporting' and the Annual Accounts Act. The Interim Report for the Parent company was prepared in accordance with the Annual Accounts Act and RFR 2 'Reporting by a Legal Entity'.

## **EFFECTS OF CHANGED ACCOUNTING PRINCIPLES**

In 2013 financial reporting is affected by changes relating to the reporting of defined-benefit pension plans. The changed accounting principles remove the option of using the so-called corridor method: that is, the option of reporting only a proportion of actuarial gains and losses as income or expense. The significant changed valuations are instead reported as they arise in 'Other comprehensive income'. The changes also mean that the return on plan assets is no longer reported as expected return but is reported as an interest income item in the income statement, based on the value of the discount rate at the start of the financial year. The accounting principles for defined-benefit pension plans are therefore changed from the Group's accounting principles in the 2012 Annual Report and the Interim Reports published earlier in 2012.

The new principles affect reporting retroactively, and the opening balance at 1 January 2012 has been recalculated, as have the comparatives for 2012. On the balance-sheet date of 1 January 2012, pension obligations and net debt increased by SEK 1,092 M. Equity was reduced by SEK 737 M and financial assets increased by SEK 355 M. Operating income for the quarter and the full year 2012 is unchanged. Financial items for the quarter and the full year 2012 improved by SEK 18 M and SEK 53 M respectively. The tax expense for the quarter and the full year 2012 increased by SEK 6 M and SEK 6 M respectively. Net profit for the quarter and the full year 2012 increased by SEK 12 M and SEK 47 M respectively. Earnings per share after dilution for the quarter and the full year 2012 increased by SEK 0.03 per share and SEK 0.13 per share respectively.

## **TRANSACTIONS WITH RELATED PARTIES**

No transactions that significantly affected the company's position and income have taken place between ASSA ABLOY and related parties.

## **RISKS AND UNCERTAINTY FACTORS**

As an international Group with a wide geographic spread, ASSA ABLOY is exposed to

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a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. The financial risks are related to such factors as exchange rates, interest rates, liquidity, the giving of credit, raw materials and financial instruments. Risk management in ASSA ABLOY aims to identify, control and reduce risks. This work begins with an assessment of the probability of risks occurring and their potential effect on the Group. For a more detailed description of risks and risk management, see the 2012 Annual Report. No significant risks other than the risks described there are judged to have occurred.

### AUDIT

This Report has not been the subject of special review by the Company's Auditor.

### OUTLOOK\*

Long-term outlook

Long term, ASSA ABLOY expects an increase in security-driven demand. Focus on end-user value and innovation as well as leverage on ASSA ABLOY's strong position will accelerate growth and increase profitability.

Organic sales growth is expected to continue at a good rate. The operating margin (EBIT) and operating cash flow are expected to develop well.

*\* Outlook published on 19 July 2013:*

Long-term outlook

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### FINANCIAL INFORMATION

The End-of-Year Report and Quarterly Report for the fourth quarter will be published on 7 February 2014.

ASSA ABLOY is holding an analysts' meeting at 10.00 today at Operaterrassen in Stockholm. The analysts' meeting can also be followed on the Internet at [www.assaabloy.com](http://www.assaabloy.com). It is possible to submit questions by telephone on: +46 8 5052 0270, +44 207 509 5139 or +1 718 354 1226.

This information is that which ASSA ABLOY is required to disclose under the Swedish Securities Exchange and Clearing Operations Act and/or the Swedish Financial Instruments Trading Act. The information is released for publication at 08.00 on 28 October.

<http://mb.cision.com/Main/7333/9488508/176303.pdf>

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