



Interim Report  
January - June 2004

11<sup>th</sup> August 2004

Stockholm

# Agenda

## Information meeting

- |                          |                                  |
|--------------------------|----------------------------------|
| q Introduction           | Henrik Brehmer                   |
| q Group Summary          | Thomas Berglund                  |
| q Divisional Performance | Thomas Berglund                  |
| q Financial Review       | Håkan Winberg                    |
| q The Focus              | Thomas Berglund                  |
| q Q&A                    | Thomas Berglund<br>Håkan Winberg |
| q Closing                | Henrik Brehmer                   |



## Group Summary

# Highlights

## 2nd Quarter 2004 - back to growth

	<u>Q2 - 04</u>	<u>Q2 - 03</u>
q Organic sales growth:	2%	- 4%
q Operating margin:	6.4%	5.7%
q PBT, increase:	38%	-31%
q Free cash flow, % of adjusted income:	152%	25%

Half “true” improvement - half “extraordinary” comparables

# Key Financial Data

MSEK	Q2 - 2004	Q2 - 2003	H1 - 2004	H1 - 2003
Sales	14,830	14,581	29,283	29,400
<i>Organic sales growth, %<sup>1</sup></i>	2	-4	2	-4
Operating income	947	835	1,824	1,736
<i>Real Change, %</i>	15	-16	9	-12
<i>Operating margin, %</i>	6.4	5.7	6.2	5.9
Income before taxes	534	393	998	865
<i>Real Change, %</i>	38	-31	17	-22
Free cash flow	987	132	1,000	377
<i>% of adjusted income</i>	152	25	81	35
<i>Return on capital employed, %</i>	-	-	18	19

<sup>1</sup> Adjusted for changes in exchange rates, acquisitions and divestitures

Outlook for full year remains unchanged: 15 - 20 % PBT increase

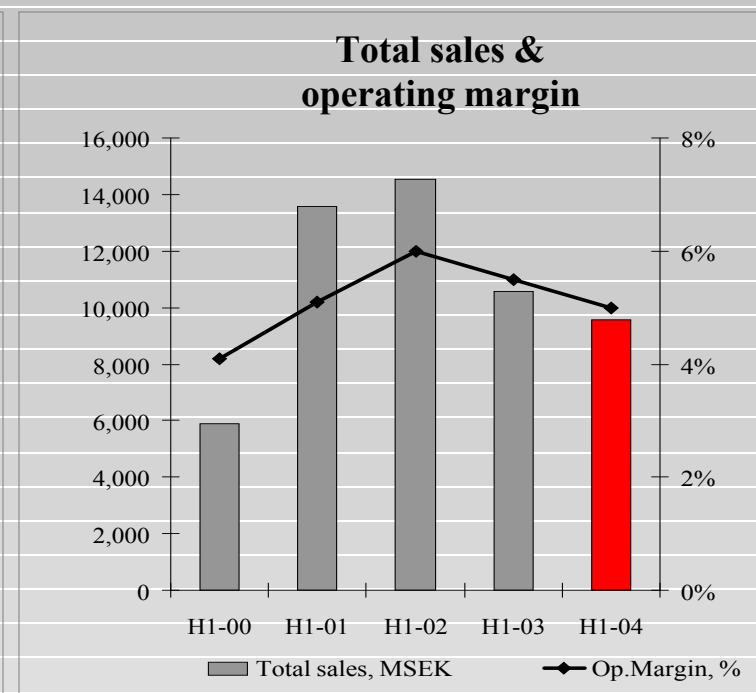


## Divisional Performance

# Security Services USA

MSEK	Q2 2004	Q2 2003	H1 2004	H1 2003
<b>Total sales</b>	<b>4,792</b>	<b>5,150</b>	<b>9,573</b>	<b>10,577</b>
<i>Organic sales growth, %</i>	-2	-13	-1	-11
<b>Operating income</b>	<b>246</b>	<b>282</b>	<b>483</b>	<b>577</b>
<i>Operating margin, %</i>	5.1	5.5	5.0	5.5
<i>Op. cap employed as % of sales<sup>1</sup></i>	-	-	5	5
Capital employed <sup>1</sup>	-	-	7,352	8,454
<b>ROCE, %</b>	-	-	<b>15</b>	<b>17</b>

<sup>1</sup> Calculated after the reversal of the sale of account receivables of MSEK 1,698 (1,777)



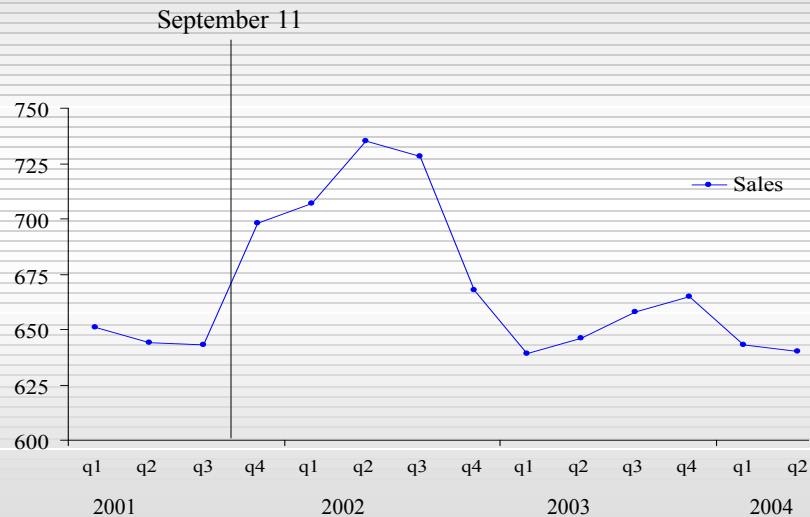
- q Sales volumes stabilizing in tough market
- q Margin has begun to recover slightly in Q2
- q Organization slowly gaining strength and momentum

## Key Drivers: (annualized)

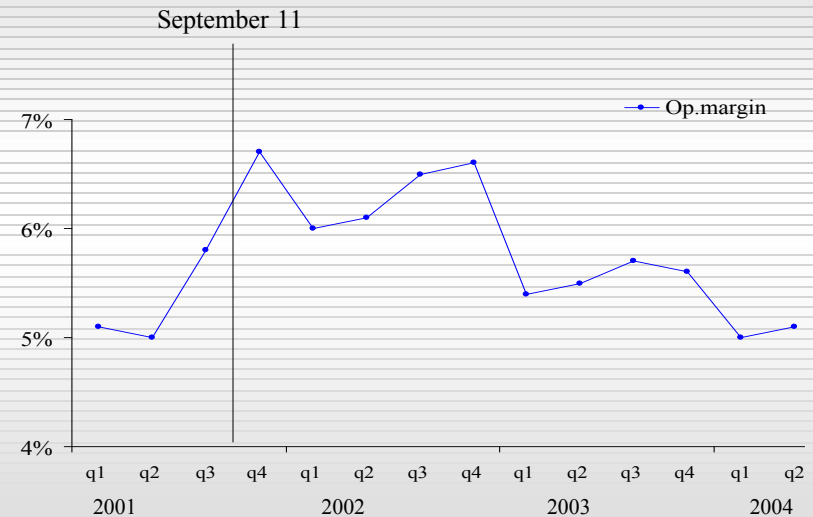
- q Contract portfolio growth 0 %
- q Wages and prices up 1-1.5%
- q Client retention 88% (87)
- q Employee turnover 65% (58)

# Security Services USA

## Sales, MUSD



## Operating Margin, %



### q Organic sales

- - 2 % in Q2 2004 starting to stabilize

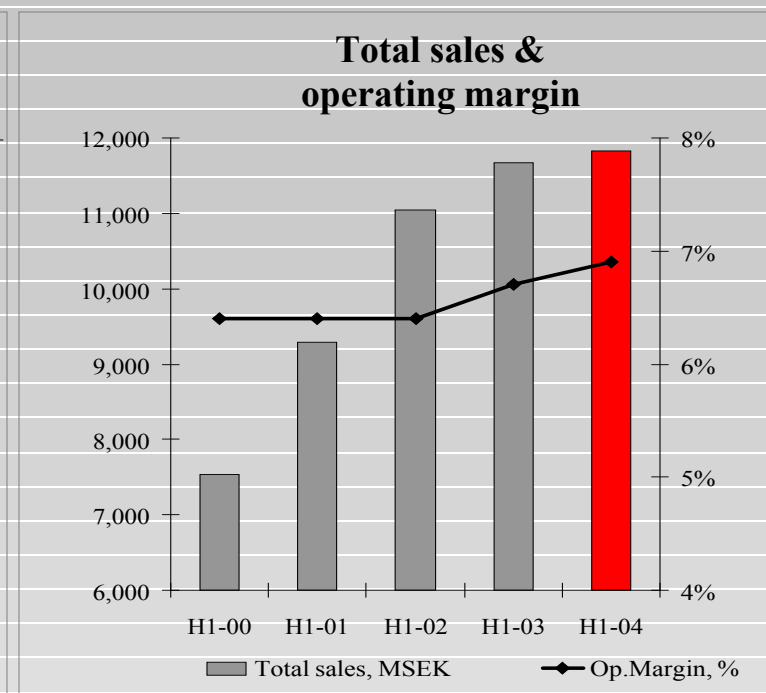
### q Operating margin

- 5.1% - slowly recovering after SUI impact in Q1



# Security Services Europe

MSEK	Q2 2004	Q2 2003	H1 2004	H1 2003
<b>Total sales</b>	<b>5,987</b>	<b>5,895</b>	<b>11,835</b>	<b>11,668</b>
<i>Organic sales growth, %</i>	3	5	3	5
<b>Operating income</b>	<b>406</b>	<b>402</b>	<b>813</b>	<b>784</b>
<i>Operating margin, %</i>	6.8	6.8	6.9	6.7
<i>Op. cap employed as % of sales</i>	-	-	7	11
Capital employed	-	-	6,045	7,456
<b>ROCE, %</b>	-	-	<b>29</b>	<b>23</b>



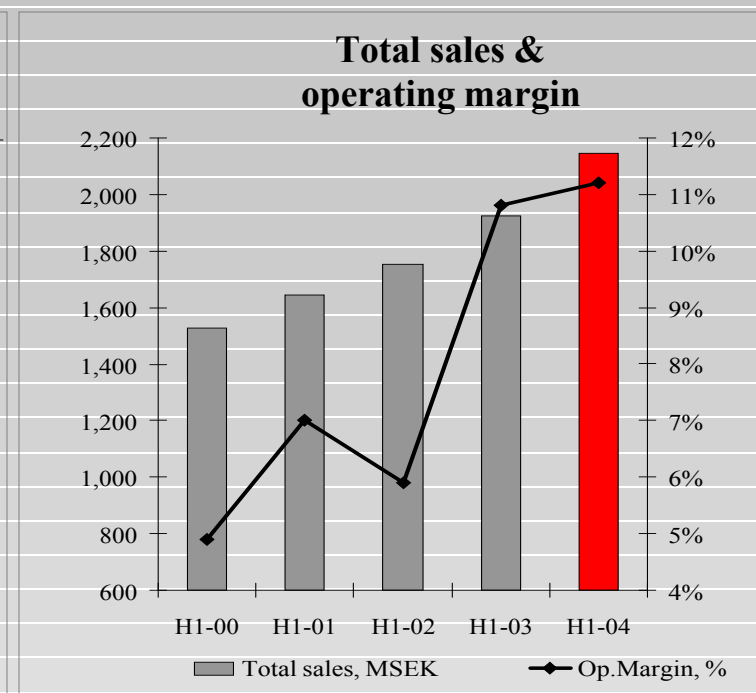
- q Sales growth slowly picking up
- q Increased focus on timesharing and combined services sales will support growth
- q Margin improvement will come back in H2 due to sales growth and timing of price increases

## Key Drivers: (annualized)

- q Contract portfolio growth 4%
- q Wages and prices up 3%
- q Client retention above 90% (90)
- q Employee turnover 33% (32)

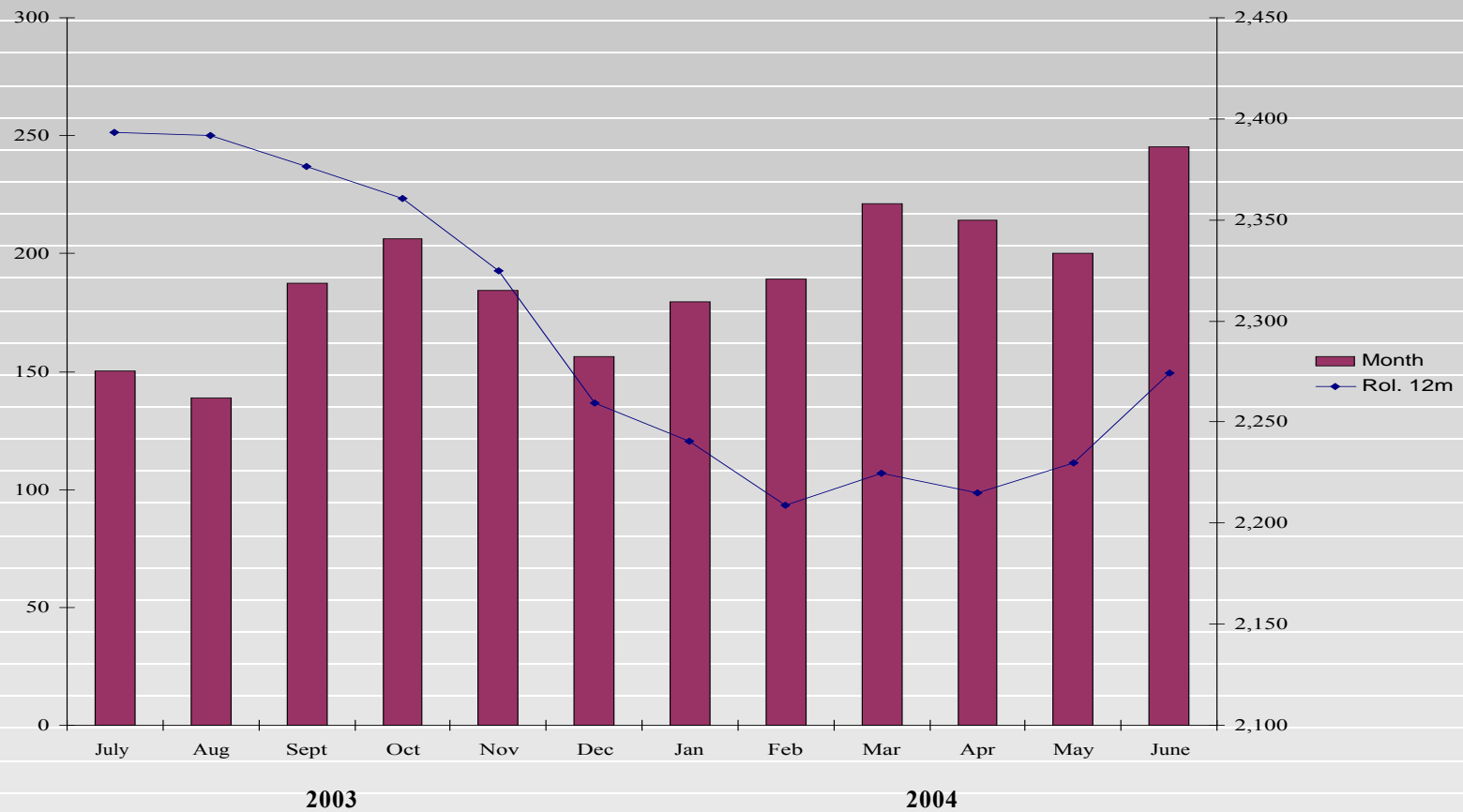
# Security Systems

MSEK	Q2 2004	Q2 2003	H1 2004	H1 2003
<b>Total sales</b>	<b>1,140</b>	<b>990</b>	<b>2,144</b>	<b>1,924</b>
<i>Organic sales growth, %</i>	<i>0</i>	<i>5</i>	<i>1</i>	<i>6</i>
<b>Operating income</b>	<b>135</b>	<b>125</b>	<b>241</b>	<b>208</b>
<i>Operating margin, %</i>	<i>11.8</i>	<i>12.6</i>	<i>11.2</i>	<i>10.8</i>
<i>Op. cap employed as % of sales</i>	-	-	<i>14</i>	<i>21</i>
Capital employed	-	-	3,086	1,369
<b>ROCE, %</b>	-	-	<b>15</b>	<b>28</b>



- q Sales growth to pick up in H2 from increased order intake in Q2
- q Margin to stay ahead of last year
- q Bell creates a strong and focused platform in the UK

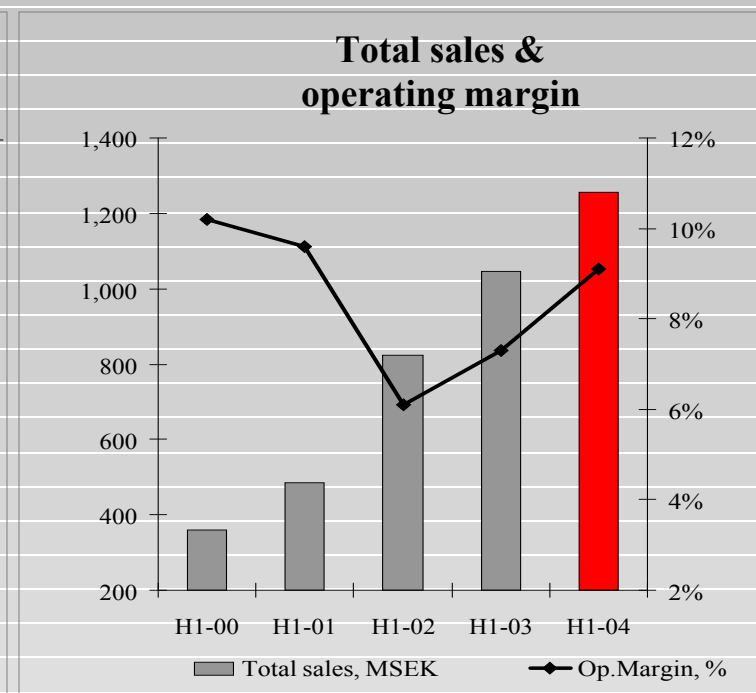
# Order Intake - Security Systems



Order intake in Q2 to drive sales growth in H2

# Direct

MSEK	Q2 2004	Q2 2003	H1 2004	H1 2003
<b>Total sales</b>	<b>648</b>	<b>538</b>	<b>1,256</b>	<b>1,046</b>
<i>Organic sales growth, %</i>	21	17	21	19
<b>Operating income</b>	<b>62</b>	<b>44</b>	<b>114</b>	<b>76</b>
<i>Operating margin, %</i>	9.6	8.2	9.1	7.3
<i>Op. cap employed as % of sales</i>	-	-	27	27
Capital employed	-	-	1,215	1,123
<b>ROCE, %</b>	-	-	<b>19</b>	<b>15</b>



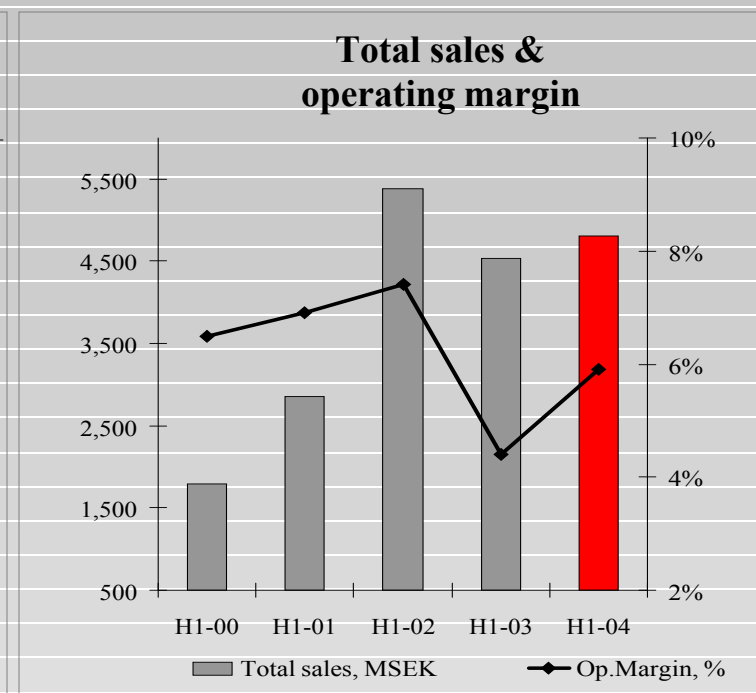
- q Expansion of consumer concept continues successfully
- q Start up in The Netherlands on track
- q Margin improvement
  - stable  $\approx$  10 % in traditional Direct
  - getting closer to 10 % in third party monitoring

## Key Drivers:

- q 72,000 (54,500) new alarms installed in traditional Direct - sales speed increased 32 %
- q Portfolio growth in traditional Direct 28 % to 491,800 (384,700) connected alarms

# Cash Handling Services

MSEK	Q2 2004	Q2 2003	H1 2004	H1 2003
<b>Total sales</b>	<b>2,438</b>	<b>2,196</b>	<b>4,814</b>	<b>4,539</b>
<i>Organic sales growth, %</i>	4	-4	3	-7
<b>Operating income</b>	<b>162</b>	<b>38</b>	<b>285</b>	<b>200</b>
<i>Operating margin, %</i>	6.6	1.7	5.9	4.4
<i>Op. cap employed as % of sales</i>	-	-	27	24
Capital employed	-	-	5,247	5,155
<b>ROCE, %</b>	-	-	<b>11</b>	<b>13</b>

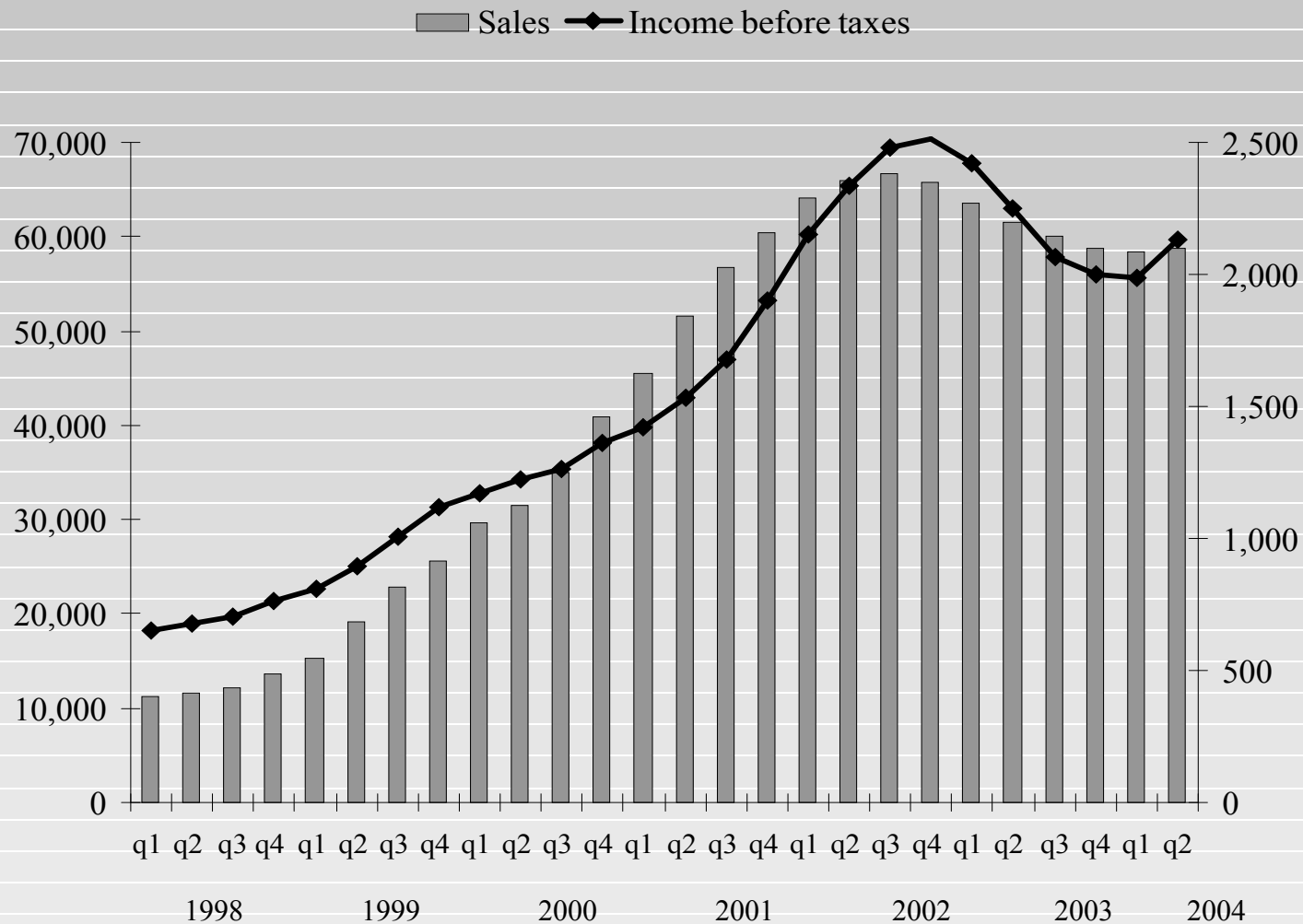


- q Organic sales growth increasing - tough comparable out of the way
- q Cash processing UK (SCM) into profit in Q2 - expected to stay in profit and continue to improve
- q Germany still difficult but improving - 29 MSEK negative impact on income in H1
- q Margin set to continue to improve



# Financial Review

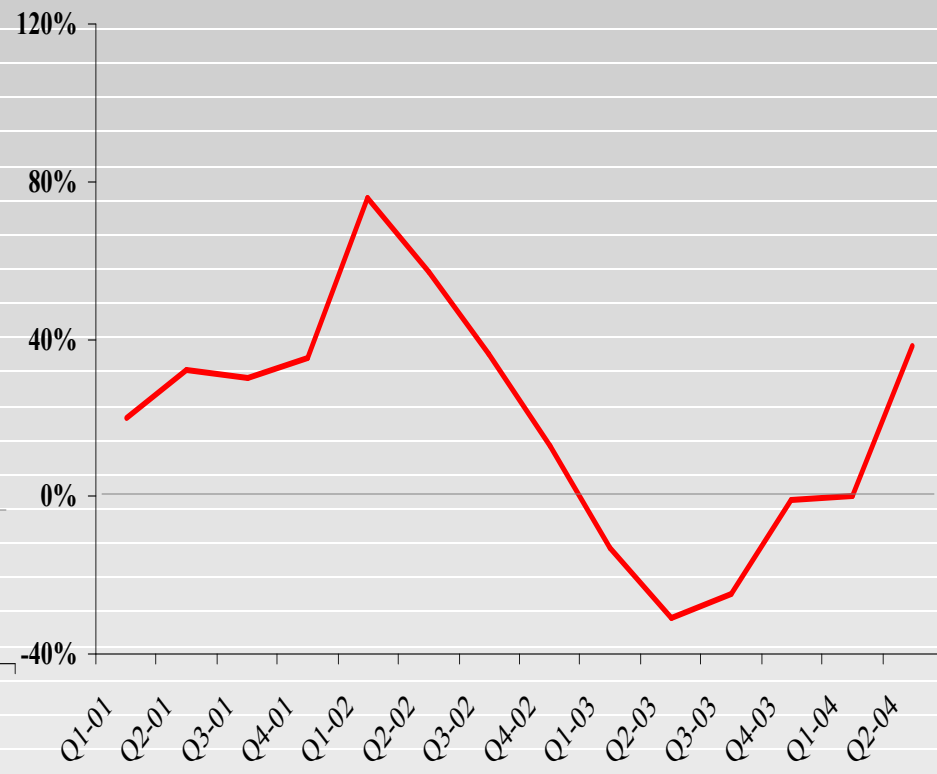
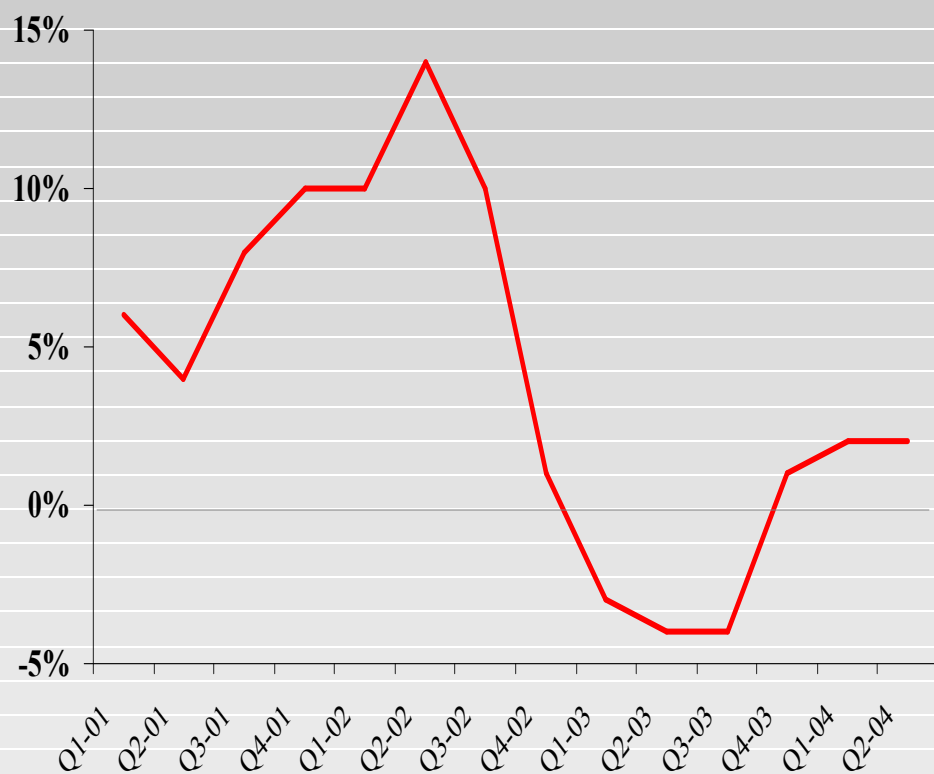
# Rolling 12 Months Trend



# Quarterly Year-on-Year Trends

Organic sales growth, %, 2001-2004

Income before taxes, real change, %, 2001 - 2004





# Income

<b>MSEK</b>	<b>Q2 - 2004 Apr-Jun</b>	<b>Q2 - 2003 Apr-Jun</b>	<b>H1 - 2004 Jan-Jun</b>	<b>H1 - 2003 Jan-Jun</b>	<b>FY - 2003 Jan-Dec</b>	<b>FY - 2002 Jan-Dec</b>
<b>Total Sales</b>	<b>14,829.6</b>	<b>14,580.9</b>	<b>29,282.5</b>	<b>29,400.2</b>	<b>58,850.3</b>	<b>65,685.3</b>
<i>Organic sales growth, %<sup>1</sup></i>	<i>2</i>	<i>-4</i>	<i>2</i>	<i>-4</i>	<i>-3</i>	<i>8</i>
<b>Operating income</b>	<b>946.8</b>	<b>835.1</b>	<b>1,823.7</b>	<b>1,735.9</b>	<b>3,732.0</b>	<b>4,458.4</b>
<i>Real Change, %</i>	<i>15</i>	<i>-16</i>	<i>9</i>	<i>-12</i>	<i>-9</i>	<i>20</i>
<i>Operating margin, %</i>	<i>6.4</i>	<i>5.7</i>	<i>6.2</i>	<i>5.9</i>	<i>6.3</i>	<i>6.8</i>
Net financial items	-127.4	-159.5	-261.6	-311.2	-596.8	-782.3
Operating income after financial items	819.4	675.6	1,562.1	1,424.7	3,135.2	3,676.1
<i>Real Change, %</i>	<i>24</i>	<i>-17</i>	<i>13</i>	<i>-12</i>	<i>-9</i>	<i>29</i>
Amortization of goodwill	-285.7	-282.7	-564.4	-559.6	-1,137.0	-1,164.5
<b>Income before taxes</b>	<b>533.7</b>	<b>392.9</b>	<b>997.7</b>	<b>865.1</b>	<b>1,998.2</b>	<b>2,511.6</b>
<i>Real Change, %</i>	<i>38</i>	<i>-31</i>	<i>17</i>	<i>-22</i>	<i>-17</i>	<i>38</i>
Current taxes	-171.3	-155.9	-329.6	-336.3	-675.2	-620.8
Deferred taxes	-28.8	6.3	-44.5	9.6	-78.9	-376.2
Minority share in net income	-0.2	-0.4	-0.3	-0.3	-1.8	-28.8
<i>Full tax rate, %</i>	<i>37.5</i>	<i>38.1</i>	<i>37.5</i>	<i>37.8</i>	<i>37.7</i>	<i>39.7</i>
<b>Net income for the period</b>	<b>333.4</b>	<b>242.9</b>	<b>623.3</b>	<b>538.1</b>	<b>1,242.3</b>	<b>1,485.8</b>
Net income excluding goodwill	619.1	525.6	1,187.7	1,097.7	2,379.3	2,650.3
EPS before goodwill	1.66	1.43	3.19	2.98	6.43	7.23
EPS after goodwill	0.91	0.69	1.71	1.52	3.45	4.14

# SEK/USD exch. rate 1999 - 2004



2003 PBT adjusted for current exchange rates is MSEK 1,975  
 - forecast +15% (MSEK 2,271) to +20% (MSEK 2,370)

# Cash Flow

	<b>Q2 - 2004</b>	<b>Q2 - 2003</b>	<b>H1 - 2004</b>	<b>H1 - 2003</b>	<b>FY - 2003</b>	<b>FY - 2002</b>
<b>Operating cash flow MSEK</b>	<b>Apr-Jun</b>	<b>Apr-Jun</b>	<b>Jan-Jun</b>	<b>Jan-Jun</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>
<b>Operating activities</b>						
Op. income before amortization of goodwill	<b>946.8</b>	<b>835.1</b>	<b>1,823.7</b>	<b>1,735.9</b>	<b>3,732.0</b>	<b>4,458.4</b>
Investments in fixed assets	-445.5	-411.1	-863.7	-889.7	-1,718.6	-1,746.1
Depreciation (excl. amortization of goodwill)	399.0	384.3	789.2	760.0	1,564.1	1,493.5
Change in accounts receivable	96.7	121.5	20.7	-135.0	-368.1	808.6
Changes in other operating capital employed	233.0	-413.2	-391.6	-638.0	-282.2	173.8
<b>Cash flow from operating activities</b>	<b>1,230.0</b>	<b>516.6</b>	<b>1,378.3</b>	<b>833.2</b>	<b>2,927.2</b>	<b>5,188.2</b>
<b>Cash flow from operating activities %</b>	<b>130</b>	<b>62</b>	<b>76</b>	<b>48</b>	<b>78</b>	<b>116</b>
Net financial items paid	-107.0	-119.8	-191.7	-244.7	-615.0	-794.6
Income taxes paid	-136.5	-264.7	-187.0	-211.2	-510.9	-678.2
<b>Free cash flow</b>	<b>986.5</b>	<b>132.1</b>	<b>999.6</b>	<b>377.3</b>	<b>1,801.3</b>	<b>3,715.4</b>
<b>Free cash flow, %</b>	<b>152</b>	<b>25</b>	<b>81</b>	<b>35</b>	<b>73</b>	<b>122</b>
Cash flow from investing activities, acquisitions	-1,735.3	-966.7	-1,860.0	-1,207.0	-1,307.8	-1,709.7
Cash flow from financing activities, dividend	-730.1	-730.1	-730.1	-730.1	-730.1	-542.0
Cash flow from financing activities, other	-12.6	1,001.9	-289.7	1,328.5	2,302.4	571.5
<b>Cash flow for the period</b>	<b>-1,491.5</b>	<b>-562.8</b>	<b>-1,880.2</b>	<b>-231.3</b>	<b>2,065.8</b>	<b>2,035.2</b>

# Capital Employed and Financing

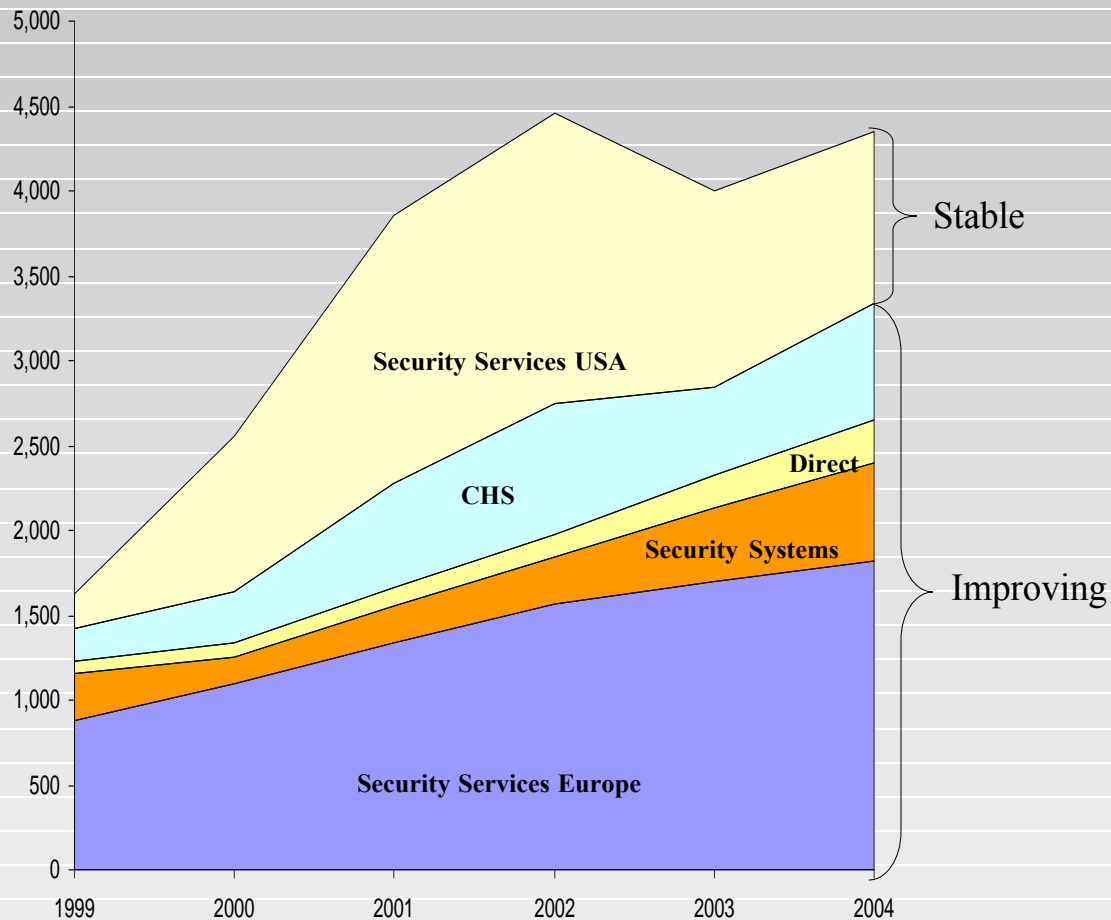
	2004		2003		2002	
<b>MSEK</b>	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>
<b>Operating capital employed</b>	<b>5,381.9</b>	<b>5,554.0</b>	<b>5,521.4</b>	<b>5,780.6</b>	<b>5,316.6</b>	<b>4,890.9</b>
<i>Return on op. cap. employed, %</i>	70	67	72	76	84	83
<i>Op. cap. employed as % of sales</i>	9	9	9	10	9	7
Goodwill	16,203.8	15,088.1	14,777.8	16,143.3	16,214.4	16,672.2
<b>Capital employed</b>	<b>21,585.7</b>	<b>20,642.1</b>	<b>20,299.2</b>	<b>21,923.9</b>	<b>21,531.0</b>	<b>21,563.1</b>
<i>Return on capital employed, %</i>	18	18	18	19	20	21
<b>Net debt</b>	<b>-10,795.0</b>	<b>-9,351.4</b>	<b>-9,082.5</b>	<b>-10,801.3</b>	<b>-9,603.0</b>	<b>-9,886.8</b>
<b>Minority interest</b>	<b>12.6</b>	<b>13.4</b>	<b>15.6</b>	<b>14.4</b>	<b>13.6</b>	<b>13.2</b>
<b>Shareholders' equity</b>	<b>10,778.1</b>	<b>11,277.3</b>	<b>11,201.1</b>	<b>11,108.2</b>	<b>11,914.4</b>	<b>11,663.1</b>
<i>Net debt equity ratio/multiple</i>	1.00	0.83	0.81	0.97	0.81	0.85



The Focus

# The Focus

Share of operating result, MSEK



q Continued refinement

q Sales growth and margins in Security Services USA

Perform 15-20 % increase in PBT 2004 for total Group



*Integrity Vigilance Helpfulness*