

GREAT BRITAIN

Sales by units in the British organization in 1997 amounted to SEK 236 M (168), representing organic growth of 4.7 percent. Exports to Group companies in other countries amounted to SEK 8 M and other exports totaled SEK 11 M.

ASSA ABLOY's operations in Great Britain are conducted through three companies: Abloy Security Ltd., Assa Ltd. and Gorud Industries Ltd. Each has strong positions in its product and market segments. Their focus is primarily on customers with high security requirements: institutions, schools, hospitals, public authorities, large companies and military units. Sales are made mainly through specialized suppliers of security systems, building products wholesalers and OEM customers.

Products

The most important products are mechanical and electro-mechanical locks, access control systems, padlocks, industrial locks and window locks. Panic hardware are gaining in importance. The introduction of such product innovations as the ASSA 2000 lockcase has made the private housing sector a more important market.

Market and market trends

Changes are under way in the distribution segment. Large builders merchants are gradually gaining market shares at the expense of the traditional specialized hardware suppliers. The changes are creating new opportunities and challenges for ASSA ABLOY.

Increased activity is also creating opportunities for growth. In contrast, demand in the public sector has decreased due to smaller budgets.

A number of important orders were received and fulfilled during the year. Comprehensive security systems were

delivered to the British Defense Department office in Abbey Wood, and to Great Britain's most recent and completely new university in Lincoln. Moreover, the American Air Force is now using ASSA ABLOY's security products as standard equipment at all of its bases in England.

Trend towards higher security

Demand for well-organized security packages containing quality products from a single supplier is increasing steadily. Rapid delivery and after-market service, as well as effective and reliable key control are becoming increasingly important parts of security packages.

The Government's Latham report, which is now beginning to have an impact, is urging building contractors to focus on total life-cycle costs rather than on initial construction costs of commercial and public buildings. This favors suppliers of quality products, including ASSA ABLOY.

UNITS IN THE BRITISH ORGANIZATION

Abloy Security Ltd

Markets and sells electromechanical locks, padlocks and industrial locks from Abloy Oy.

Managing director: Robin Rice

ASSA Ltd

Markets and sells a complete program of lock products from Assa, Ruko and SOLID.

Managing director: Duncan Horton

Gorud Industries Ltd.

Markets and sells door and window hardware.

Managing director: Bjorn Mønster

Abloy Security Ltd, Ireland

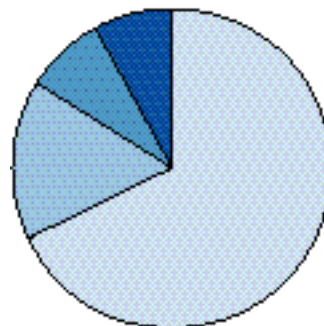
Markets and sells Abloy's products in Ireland.

Managing director: Robin Rice

TRENDS IN GREAT BRITAIN

SEK M	1997	1996	1995	1994	1993
Sales	236	168	252	146	127
Average number of employees	147	131	108	104	93

SALES PER PRODUCT GROUP



- n Mechanical locks, lock systems and accessories, 68%
- n Electromechanical locks and electronic locks, 16%
- n Industrial locks, 8%
- n Door and window hardware, 8%

FRANCE / BELGIUM

Sales by units within the French organization amounted to SEK 844 M. Exports to Group companies in other countries amounted to SEK 2 M and other exports totaled SEK 140 M. The figures pertain to the period May 22 through December 1997.

The acquired French companies – Vachette, JPM Chauvat, Bezault and Laperche – and Litto in Belgium are all active in the security and building sector. The products are distributed via such traditional channels as wholesalers and ironmongers, as well as through Do-It-Yourself (DIY) outlets and OEM customers. The companies are well represented in the French DIY-outlets, which are important channels for reaching private customers and craftsmen. The French group's total sales to the DIY-outlets exceed SEK 130 M (FRF 100 M). Sales of the Belgian company Litto have amounted to SEK 38 M since the acquisition.

Products

Vachette manufactures a complete line of lock cylinders, ranging from standardized five-pin cylinders to such patented high-security cylinders as the VIP and Radial models, as well as lock cases, rim locks, panic bars and escape devices, industrial locks, padlocks and furniture locks.

Bezault is the leading manufacturer of door and window hardware in France.

Laperche makes mortice and rim locks, multipoint locks and escape devices under the Laperche brand name, as well as electronic locks that are sold under the ICB label.

JPM Chauvat, which also manufactures locks and cylinders, is Europe's leading producer of panic bars and escape devices.

Litto supplies mainly high-security locks and lock cylinders in the Belgian market, where the company occupies a leading position.

Market and market trends

Despite continued low activity in the building sector, operations of the French companies were relatively stable. The market for retrofit was larger than the new-building market in many cases. French customers are increasingly interested in complex lock systems, such as the master key system. This trend has been especially striking in Government agencies and institutions. The French companies are well advanced, with complete systems and products, in this sector. A higher rate of activity was already noted at the end of 1997. A fairly positive trend for the market is foreseen in 1998. Exports of all the French units were higher in 1997. Sales to customers in Europe and Asia now exceed exports to the former French colonies. The forecast for 1998 indicates continuing good growth in this area.

Trend towards higher security

Despite weak growth in the French economy, the market was characterized largely by constant demand for quality and security. Demand for mechanical and electronic security products is increasing and the number of lock cylinders with the national "A2P" high-security mark now represents an important part of ASSA ABLOY's total sales.

Panic bars ensure rapid and safe evacuation of buildings when emergencies occur – and this product, in a segment where Vachette and JPM dominate the market, is as a rule specified in public sports arenas and other public facilities.

UNITS IN THE FRENCH/BELGIAN ORGANIZATION

ASSA ABLOY France

Parent company for ASSA ABLOY's operations in France.

President and country manager: Bo Dankis

Bezault S.A.

Manufactures and sells door and window hardware.

President: Michel Brassié

JPM Chauvat S.A.

Manufactures and sells locks, cylinders, panic bars and escape devices

President: Claude Alemany

Laperche S.A.

Manufactures and sells locks and cylinders as well as electronic locks.

President: Robert Fidanza

Litto S.A.

Manufactures and sells locks and cylinders, with emphasis on high security.

President: Ferdinand Clapdorp

Vachette S.A.

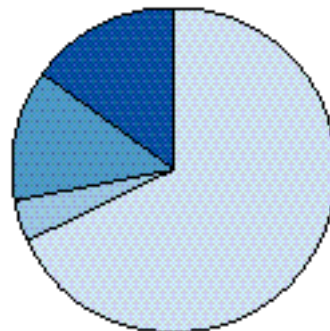
Manufacturer of a comprehensive line of products comprising mainly locks and high-security cylinders as well as panic bars and escape devices.

President: Bo Dankis

TRENDS

SEK M	1997	1996	1995	1994	1993
Sales	844	-	-	-	-
Number of employees	1 180	-	-	-	-

SALES PER PRODUCT GROUP



- n Mechanical locks, lock systems and accessories, 68%
- n Electromechanical locks and electronic locks, 4%
- n Industrial locks, 13%
- n Door and window hardware, 15%

CZECH REPUBLIC

Sales by units within the Czech organization in 1997 amounted to SEK 68 M. Exports amounted to SEK 16 M. The figures pertain to the period July 1 through December 31.

During the summer ASSA ABLOY acquired the greater part (86 percent) of the shares of FAB a.s., the largest lock manufacturer in the Czech Republic. The FAB Group consists of four local factories and a subsidiary in Slovakia.

Products

The FAB Rychnov nad Kneznou factory manufactures various mechanical security products, with an emphasis on construction locks, profile cylinder locks and supplementary locks. FAB Dhoulaves produces car locks, primarily for the domestic Skoda-VW group. Padlocks and cable locks are manufactured by FAB-Kostele nad Orlici. The fourth plant in the Czech Republic, FAB-Sedlolo, makes electronic accessories for car locks and furniture locks. FAB SLOVAKIA s.r.o., in Slovakia, manufactures lockcases and also sells the FAB Group's other products.

Market and market trends

The market for building locks was stable during 1997. Construction activity declined and is not expected to increase appreciably in 1998.

Sales of master key systems, which are largely affected by demands for higher security, increased by 26 percent in 1997. This increase is expected to continue in 1998. The most interesting projects in 1997 involved The Bank CSOR Praha, the CP Pardubice insurance company and the Charles University Hospital in Hradec Kralove.

In the telecommunications sector, SPT Telecom, the Czech operator, selected FAB as a supplier of industrial

locks, most of which are to be delivered during 1998.

Sales of car locks increased substantially in 1997. An agreement covering continued deliveries for the Skoda FELICIA model was signed during the year. At the end of the year a contract was also signed covering deliveries for Skoda's latest model, the OCTAVIA.

Trend towards higher security

Crime – as well as customers' concern for security – has increased steadily in the Czech Republic in recent years. There is increased demand for both mechanical security products and mechanical and electronic systems. The trend is clearest among large companies, institutions and government agencies.

UNITS IN THE CZECH ORGANIZATION

FAB a.s.

President: Zdenek Remes

FAB a.s. factories:

FAB Rychnov nad Kneznou manufactures building locks and mechanical security products.

FAB Dhoulaves manufactures car locks.

FAB-Kostele nad Orlici manufactures padlocks and cable locks.

FAB-Sedlolo makes electronic accessories and furniture locks.

FAB SLOVAKIA s.r.o., Slovakia produces lockcases and markets and sells the FAB Group's other products.

President: Jaroslav Holzer

TRENDS

SEK M	1997	1996	1995	1994	1993
Sales	68	-	-	-	-
Number of employees	385	-	-	-	-

SALES PER PRODUCT GROUP



- n Mechanical locks, lock systems and accessories, 63%
- n Industrial locks, 1%
- n Car locks, 36%

UNITED STATES

Sales by units within the American organization in 1997 amounted to SEK 2,402 M (1,872), representing organic growth of 11.4 percent. Exports to Group companies in other countries amounted to SEK 10 M and other exports totaled SEK 100 M.

ASSA ABLOY is the second-largest organization in the American market for lock products and door hardware. Its product line also includes steel security doors, steel frames and wooden doors for the commercial and institutional markets.

The Group is represented by seven strong brand names: Arrow, ASSA, ABLOY, Sargent, Curries, Graham and McKinney.

Products

ASSA Inc. focuses on high-security cylinders. Arrow Lock manufactures mainly mechanical locks and lock cylinders. Abloy Security concentrates primarily on industrial locks.

The products made by Curries, Graham, McKinney and Sargent are designed primarily to meet demands from the commercial and institutional markets.

Curries manufactures a complete line of steel security

doors and steel frames for both indoor and outdoor applications. Graham's products consist of doors made from various types of wood and offering different finishes.

McKinney's hinges are produced in a broad range of models to meet varying requirements in terms of security, durability and capacity.

Sargent has a complete American program of cylindrical locks, mortice locks, exit devices and door closers.

Market and market trends

Operating in the strong American economy, Group companies developed well above expectations during the year. Sales exceeded 1996 invoicing by 11.4 percent and all units are showing substantial favorable growth.

The increases in sales of the individual companies varied between 4 percent and 34 percent. The strong trend in domestic business was supported by export sales, mainly to customers in Canada and the Far East. The Group's presence in these regions was strengthened through ASSA ABLOY Far East and the restructuring of Sargent's operations in Canada. These moves are expected to result in increased sales in 1998.

Abloy Security's focus on OEM customers and indus-

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UNITS IN THE AMERICAN ORGANIZATION

ASSA ABLOY Inc.

Parent Company for ASSA ABLOY's operations in the United States.

President and country manager for the US: Clas Thelin

Abloy Security Inc.

Active in the market for industrial locks.

President: Charles E. Armstrong

Arrow Lock Manufacturing Co. Inc.

Mechanical locks and lock cylinders, with emphasis on the after-sales market and the northeastern U.S.

President: Henrik Hall

ASSA Inc.

Occupies a leading position in the high-security segment of the market.

President: Henrik Hall

Curries Co.

Manufactures steel security doors and steel door frames.

President: Jerry N. Currie

ESSEX Industries Inc.

Markets and sells Sargent's, McKinney's, Curries' and Graham's products

President: Clas Thelin

Graham Manufacturing Corp.

Manufactures wooden security doors.

President: Jerry N. Currie

McKinney Products Co.

Manufactures a broad, complete line of hinges.

President: Ari Hakkarainen

Sargent Manufacturing Co.

Focus on cylindrical locks, mortice locks, exit devices and door closers.

President: Robert Haversat.

Sargent of Canada Ltd

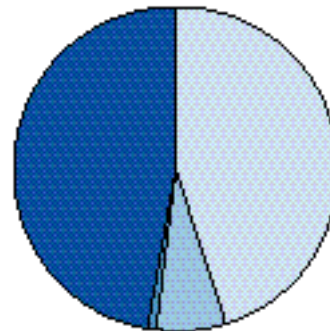
Manufactures and sells Sargent's products in Canada

President: Greg M Erwin

TRENDS

SEK M	1997	1996	1995	1994	1993
Sales	2 402	1 872	284	289	280
Average number of employees	2 406	2 450	311	319	326

SALES PER PRODUCT GROUP



- n Mechanical locks, lock systems and accessories, 45%
- n Electromechanical locks and electronic locks, 7%
- n Industrial locks, 1%
- n Door hardware and security doors, 47%

trial locks made by both Abloy and Assa has had a very positive impact on the company's growth. During the year additional inroads have been made with a double-digit volume growth and improved margins as a result.

Arrow's geographical presence was broadened during the year. This trend was notably strong in the north-eastern parts of the United States. The organizational changes that were made in the New York market have been favourable. The product program is stable and has been expanded, mainly through the addition of the interchangeable Flex Core high-security cylinder.

ASSA Inc is showing strong growth in volume of business in the high-security cylinder field. The ongoing restructuring of distribution in this segment of the American market has benefited the company, which added a number of strong distributors during the year. A sharper focus on Abloy's high-security cylinder program has also started to pay off.

Curries has further strengthened its position in the market during the year. Substantial investments have resulted in increased production capacity, among other improvements. A new service center was built in Mason City, Iowa where the company has also added welding and fabrication capacity. Taken as a whole, these moves have further raised the degree of service offered.

One of the most encouraging experiences during the year was the turnaround of the Graham operation. The growth in Graham's volume was well above expectations. A new automatic bonding line was installed during the latter part of the year to further increase the company's product program and competitiveness. McKinney increased both the volumes of its business and its market shares in 1997. Despite the competitive nature of this business McKinney was able to raise its margins. The company has made a number of improvements in production in order to increase its efficiency.

Sargent continued the favourable growth it has shown in recent years. The investments in core operations that were begun in 1996 are continuing and have already showed a positive impact on both quality and the overall efficiency.

The organizational changes have increased the interaction with customers at all levels. A number of new and improved products have been introduced during the past 18 months with a favourable effect on the sales trend. Additional products are under way.

The division into smaller product-line-oriented profit centers in the Sargent company has had a positive impact on operations. It has meant, not least of all, broader and more active involvement by all persons within the organization.

Management responsibilities and other objectives were clarified for ESSEX Industries, the common sales organization for Graham, Curries, McKinney and Sargent. This yielded results during the year and created a strong base for future growth.

Arrow and Assa established a sales organization in the New York area, broadening the base of their operations and increasing their presence in this market.

The group filled a number of important orders during the year. Systems and products were delivered to McCormick Place in Chicago, the world's largest convention hall, to Raven Stadium in Baltimore, to The Boeing Company in Seattle, and to the George Bush Presidential Library in Texas. China's tallest building, Jin Mao, was also equipped with American products supplied by the group in cooperation with ASSA ABLOY Far East.

[Trend towards higher security](#)

Recent events such as the bombing in Oklahoma City and security problems in high schools and universities have resulted in concrete measures and stricter security regulations in the U.S. This has also involved a change of focus within the industry. The Group has been a driving force in the formation of the High-Security Lock Manufacturers Council. The Council's main task is to distribute information pertaining to measures that raise levels of security.

During 1997 major efforts were made, jointly with the Finnish organization, to develop a new door closer for the American market.

VINGCARD

Sales by units within VingCard in 1997 amounted to SEK 794 M (681), representing organic growth of 31.7 percent.

VingCard, whose parent company is in Moss, Norway, has subsidiaries in eleven countries and distribution facilities in another 70. On July 1, 1997 VingCard purchased Elsafe International a.s., the Norwegian safe manufacturer, strengthening its position as the world's leading supplier of hotel security. Elsafe's digital safes for hotel rooms have 60 percent of the global market and supplements VingCard's product program. The coordination of VingCard's and Elsafe's sales is expected to yield definite synergies. In North America, for example, VingCard and Elsafe companies are being integrated to form a regional organization consisting of eight local offices in order to come closer to customers.

Products

The company develops, manufactures and sells high-security lock systems and safes used by hotels and cruise ships. Every day more than 1.7 million hotel guests in 132 countries use the world's best selling key-card systems, the VingCard 3000 and the VingCard 2100. In all, approximately 500,000 Elsafe safes have been installed in 3,000 hotel rooms in more than 75 countries.

VingCard's business concept is based on easily recodable card locks with magnetic strips that can be recoded for each new guest. Safes will also be easily recodable and guests will be offered safes based on the use of either a key card or a digital code.

The most interesting product innovation in 1997 was the VingCard Vision check-in terminal. This work station, which is user-friendly and easy for front-desk hotel personnel to master, is equipped with a touch screen. The built-in modem provides access, as needed, to VingCard's 24-hour service line.

Market and market trends

VingCard's sales were stable during the year. Sales in Europe and Latin America are increasing while orders from Asia have declined slightly as a result of the financial crisis in the region. There are approximately 132 million hotel rooms throughout the world. Card locks have been installed in four million rooms, half of which have been equipped with VingCard products. There is a potential for greater sales to both existing customers – in the form of upgrades and service – and to hotels that lack card locks.

Residential facilities on university and college campuses constitute a new customer group. These modern housing areas, where students live in separate rooms in large complexes, resemble hotels in certain respects.

VingCard is able to increase the feelings of calmness and security on the part of both students and their parents by supplying security systems for these campuses. A separate unit, VingCard Persona, has been established to cultivate the university market, initially in the U.S.

VingCard's organization was strengthened in 1997 through the acquisition of Elsafe. The operations in Moss were also restructured to form product-oriented profit centres. The breakdown into small units was made following the rapid growth in recent years and is designed to improve the efficiency in product flows and further raise the level of service. The profit centres include After-market Products & Service, which is designed to focus on the after-sales market, which did not receive adequate attention during the years of rapid growth. This sector is deemed to offer a substantial potential for business in the form of upgrades, preventive service and other after-market products.

Trend towards higher security

VingCard has led the trend towards higher security in hotels and cruise ships since the end of the 1970s. The establishment of VingCard Persona during the year was one more step in this direction. With Elsafe's safes, the physical property of the hotel guests is also secured.

VINGCARD UNITS

VingCard a.s.

World leader in hotel security systems.

President and head of the VingCard Group: Åke Sund

Elsafe International a.s.

World leader in digital safes for hotel rooms.

President: Alvin Berg

VingCard subsidiaries

Brazil. President: Rune Venås

Great Britain. President: Howard Witt

France. President: Christian Henon

Hong Kong. President: Tommy Leung

Japan. President: Yoshimi Tsutaki

Canada. President: Larry Cechet

Singapore. President: Fred Johansson

Spain. President: Jorge Garcia Martinez

Thailand. President: Phonlavit Manchakra

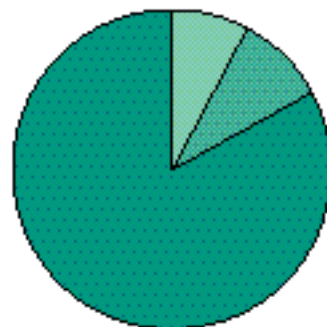
Germany. President: Ansgar Frische

USA. President: Terje Aasen

TRENDS IN VINGCARD

SEK M	1997	1996	1995	1994	1993
Sales	794	681	525	446	272
Average number of employees	605	623	558	449	303

SALES PER PRODUCT GROUP



- n Marine 8%
- n Hotel safes 9%
- n Hotel locks 83%