



# **ASSA ABLOY**

ANNUAL REPORT 1998



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Financial information from ASSA ABLOY  
will be published as follows:

**Interim reports**

January 1–March 31: May 5, 1999

January 1–June 30: August 9, 1999

January 1–September 30: November 8, 1999

Year-end report for 1999: February 9, 2000

Annual report for 1999: March 2000

Annual reports and other reports may be ordered from:

ASSA ABLOY AB, P.O. Box 703 40, SE-107 23 Stockholm, Sweden

Tel: +46-8-698 85 70. Fax: +46-8-698 85 85.

[www.assaabloy.se](http://www.assaabloy.se)

**Welcome to the Annual General Meeting**

ASSA ABLOY AB (publ.), registered corporate number 556059-3575  
will hold its Annual General Meeting on Wednesday, May 5, 1999, at  
2:00 p.m. in Industrisalen, at Industrihuset, Storgatan 19, Stockholm.

**Who is entitled to participate in the Annual General Meeting?**

The right to participate in ASSA ABLOY's Annual General Meeting is  
limited to shareholders who are listed in the printout of the share  
register made on April 25, 1999, and who notify ASSA ABLOY AB  
of their intention to participate in the Annual General Meeting not later  
than 4:00 p.m. on Friday, April 30, 1999.

**How to register in the share register**

ASSA ABLOY AB's share register is maintained by the Swedish  
Securities Register Center (VPC AB). Only holdings registered in the  
owner's name are reported under the shareholder's name in the share  
register. To be entitled to participate in the Annual General Meeting,  
shareholders who have registered their shares in the name of a  
trustee must re-register the shares in their own names.

Shareholders who have registered their shares in the name of a  
trustee, should request the bank or stockbroker acting as trustee to  
temporarily register the shares for voting-right registration a few  
banking days prior to Friday, April 23, 1999.

**How to submit notice of intention to participate**

Notice of intention to participate in the Annual General Meeting may  
be submitted by mail to ASSA ABLOY AB, P.O. Box 703 40, SE-107 23  
Stockholm, Sweden or by telephone: +46-(08)-698 85 70.

Notification must include the shareholder's name, personal identity  
number (registration number), address and telephone number, as well  
as information regarding the number of shares. Shareholders wishing to  
participate in the Annual General Meeting must submit notification of  
their intention to participate not later than 4:00 p.m. on Friday,  
April 30, 1999, when the notification period expires.

The Board of Directors and President propose that a dividend of SEK  
2.50 per share is to be paid to shareholders for the 1998 financial year.

In addition, the Board proposes a share split corresponding to one  
share for four new shares (1:4).



# All units contributed to higher profit

- **Sales amounted to SEK 8,582 M (6,968)**, corresponding to an increase of 23 percent.

- **Profit after financial income and expense** increased by 39 percent, and amounted to SEK 748 M (537).

- **Earnings per share** increased by 43 percent to SEK 7.28 (5.09).

- **Cash flow before tax** amounted to SEK 1,023 M (841), corresponding to an increase of 22 percent.

- **Organic growth** of comparable units in local currency amounted to 6 percent (8).

- **Continued benchmarking**, coordination and transfer of know-how between units is providing the impetus for improved profits and cash flow.

- **Nine companies were acquired** during the year, of which three were in the United States, and one each in Germany, Mexico, Hong Kong, Poland, Romania and Canada. The major acquisitions are:

**Urbis**, the leading lock manufacturer in Romania, was acquired in April.

**Medeco**, the leading manufacturer of high security cylinders in the United States, was acquired in July.

**Securitron**, the leading American manufacturer of magnetic locks and electronic panic bars, was acquired in November.

In April, 49 percent of **Cerrajeras Scovil** was acquired in Mexico. ASSA ABLOY has an option to purchase the remaining 51 percent of the shares.

## ASSA ABLOY: summary

### Stable organic growth

- Higher security trend.
- After market sales more than half the volume.
- Electromechanical products – cross sales – new markets.

### Increasing margins

- Improvements in each unit – benchmarking/know-how transfers.

### Cash flow even stronger

- Work flow and balance sheet rationalization.
- Goodwill amortization.

### Consolidation opportunities

#### – focus on EPS

- Fragmented industry – harmonization and R&D requirements lead to consolidation.
- Strong cash flow funds acquisitions.

## Strength based on traditions and visions

**E**arnings per share have increased more than eightfold since the company was first listed, and in 1998 the increase was 43 percent. Profit before tax increased to SEK 748 M and pro forma sales, including our most recent acquisition in Australia, now amount to more than SEK

10 billion. Cash flow before tax exceeded SEK 1 billion, which is a good testimonial to achievements throughout the Group.

The lock business has an unusually long history. Our oldest company dates back to 1645. There has always been a need for locks to protect lives, property and business operations and this need is constantly growing as vulnerability, property values and crime increase. There has been a high degree of creativity in this area, and there are considerable variations in the standards adopted in different countries. This restricts export possibilities. Local actors have dominated the scene, and most of them have not operated at the international level.

A lock company's sales normally show stable growth. Half the sales are often generated by existing installations. Our own installed base amounts to more than half a billion locks. A continuous need for better and safer lock products creates satisfactory growth. The demand for user-friendly products and fast emergency-exit features are important driving factors. Electro-mechanical products show the fastest growth, and it is essential that they are competitive at both the local and the global level. Many of these products are

based on advanced technologies but require adaptation to meet local requirements.

All lock companies were founded by families, many of which are still active. Extensive product portfolios and unique locks per door make considerable demands on product design, logistics and production processes. There are considerable differences between the various producers in terms of efficiency, and there is often substantial potential for improvement.

In this environment, we have seen interesting growth opportunities and taken the lead in an international consolidation process. Our development is based on stable organic growth, increasing margins by continuously learning from each other, benchmarking, and the exploitation of synergies – mainly in product development and production. Continuous capital rationalization and co-ordination of investments contributes to strong cash flow and increases opportunities for further acquisitions. We have achieved a leading position in the world, although our total market share is only 6-7 percent.

We have taken important steps in our development in the past year. Despite a weakened economy in many parts of the world, organic growth of 6 percent was achieved. All units report higher earnings and the strong cash flow during the year made it possible to implement five major acquisitions.

Our Finnish business has developed well, with growth of 8 percent. The door closer plant is now in full operation and is producing nearly half a million units. Exports to Russia came to a halt in August, and although there is evidently a need for good locks in Russia, it is difficult to assess developments in the immediate future.

New construction in the Swedish market is increasing slightly, after a historic low which lasted for several years. Organic growth is five percent.

The Norwegian units report growth of five percent. The merger of TrioVing and





Møller Undall has been successful and continues to generate satisfactory earnings growth. The Norwegian economy seems to be entering a weaker period but upgrading of security standards is expected to contribute to continued growth.

Ruko in Denmark shows growth of 3 percent, excluding the effects of the nationwide strike during the spring. Growth has been in line with the other Nordic countries. A stainless steel door hardware program, FUNXION, has been introduced with good growth potential for the entire Group.

FAB in the Czech Republic has developed well, both in terms of volume and earnings. Organic growth is 11 percent. The need for better locks is increasing steadily and the car lock unit is doing particularly well, with deliveries for all Skoda models.

There has been no growth in the institutions and large office segment covered by Ikon in Germany, after numerous projects in connection with reunification and the transfer of the capital to Berlin. Despite unchanged sales, the net margin reached the 10 percent level and is expected to rise further. The Dörrenhaus operations, which were recently acquired, have been considerably rationalized and unprofitable products have been phased out.

The UK units show good growth. The market seems to have weakened somewhat, although there is increasing demand for high security lock products.

Integration of the French units is proceeding better than expected. The motivation among the personnel in the units is high and earnings are developing faster than expected. During 1999, we should be able to achieve the original goal of an improved net margin of 2-3 percent. There is a clear potential for continued improvements. The volume increased by 3 percent, despite the phasing-out of unprofitable items and products not related to locks. During 1999, further products with sales of FFR 25-30 M will be phased out.

The North American business continues to develop well. Organic growth amounts to nine percent and the net

margin is increasing in all units. The restructuring implemented in recent years has led to a considerable reduction in working capital and shorter lead times. We do not see any clear indications of a weakening as yet, but assume somewhat lower growth in 1999. Earnings are expected to continue to improve.

VingCard, including Elsafe, shows an increase of eight percent, despite a weaker Asian market during the second half of 1998. Europe is currently the fastest growing market. After several years' strong volume growth, a rationalization project is now under way. This is expected to make an appreciable contribution to earnings.

Sales in Asia, excluding VingCard, increased an encouraging 32 percent during the year, despite the crisis in the area. During the present conditions it has been difficult to retain the right resources in the right place at the right time. We expect more stable conditions and continued growth in 1999.

We have made several important acquisitions during the year. The acquisition of Medeco enabled us to supplement our product portfolio with cylinders from the foremost manufacturer in the U.S. Medeco has an extensive installed base, with a share of after-market sales of over 70 percent. During the autumn, we acquired Securitron, the leading manufacturer of electro-magnetic locks in the U.S. The company has shown strong growth for many years and is also expected to be able to play an important part in the Group's operations in Europe. The integration of the two companies is proceeding according to plan and they are expected to achieve satisfactory growth and contribute to our earnings per share in 1999.

Urbis in Romania and 49 percent of Scovill in Mexico were also acquired in 1998. Urbis dominates its home market and reports a growing need for security products. Scovill has a strong position in Mexico and sales to Latin America are increasing.

We made an additional exciting and important acquisition at the beginning of 1999. We have reached agreement with EMAIL Ltd. regarding the acquisition of

50 percent of the shares in Lockwood, Australia's leading lock manufacturer. We have an option to buy the remaining shares in three years' time. The company will be included in our management and benchmarking program from the start. Lockwood's sales amount to approx. AUD 170 M and profitability before net financial items is 7 percent. We expect an improvement potential of at least 4-5 percent. The company will strengthen our position in Asia considerably.

So far, most of the improvements in our earnings have been due to substantial rationalization in the units concerned. There is clearly scope for continued improvements in this area.

At the same time, we are making intensive efforts to develop our group strengths. Lock companies are normally strong in certain areas but lack products in others. However, all products are principally available within the group, and there are many opportunities for growth. Furthermore, in many countries there are product areas where the security level has been neglected and needs have not yet been identified. One example is emergency exit fittings in the Scandinavian countries.

A third of our products are global today, and include common and often highly technological components, many of them from the electro-mechanical area where development and production are being coordinated step by step. Other technical development is coordinated by the Group's Product Council. Coordination is also increasing in purchasing, an area with an interesting savings potential.

All in all, we are moving towards an exciting future with many challenges and opportunities. Our strong position, the security-driven growth, the rationalization potential and a continued consolidation of the industry all provide opportunities for continued favorable development of earnings per share.

  
Stockholm, February 1999  
Carl-Henric Svanberg

## GROUP DEVELOPMENT:

### Statements of income

	1998	1998	1997	1996
	EUR M <sup>1)</sup>	SEK M	SEK M	SEK M
Net sales	904	8,582	6,968	4,958
Cost of goods sold	-576	-5,463	-4,496	-3,259
Gross profit	328	3,119	2,472	1,699
Expenses	-212	-2,018	-1,662	-1,183
<b>Operating result before goodwill amortization</b>	<b>116</b>	<b>1,101</b>	<b>810</b>	<b>516</b>
Goodwill amortization	-15	-138	-103	-56
<b>Operating result</b>	<b>101</b>	<b>963</b>	<b>707</b>	<b>460</b>
Net financial items	-24	-228	-179	-122
Share in earnings of associated companies	2	13	9	7
<b>Result after financial income and expenses</b>	<b>79</b>	<b>748</b>	<b>537</b>	<b>345</b>
Taxes	-23	-212	-183	-97
Minority interest	-1	-10	-2	0
<b>Net result of the year</b>	<b>55</b>	<b>526</b>	<b>352</b>	<b>248</b>

### Balance sheets

	1998	1998	1997	1996
	EUR M <sup>1)</sup>	SEK M	SEK M	SEK M
Intangible fixed assets	281	2,668	1,969	1,108
Tangible fixed assets	293	2,778	2,559	1,662
Financial fixed assets	68	648	419	100
Inventories	141	1,339	1,179	849
Accounts receivable	150	1,427	1,261	693
Other noninterest-bearing current assets	23	221	179	135
Liquid assets	15	138	126	137
<b>Total assets</b>	<b>971</b>	<b>9,219</b>	<b>7,692</b>	<b>4,684</b>
Shareholders' equity	286	2,715	2,317	1,408
Minority interests	3	32	24	9
Interest-bearing provisions	68	650	556	574
Interest-bearing long-term liabilities	381	3,609	2,924	1,626
Other noninterest-bearing long-term liabilities	52	491	421	160
Interest-bearing current liabilities	14	133	89	22
Other noninterest-bearing current liabilities	167	1,589	1,361	885
<b>Total shareholders' equity and liabilities</b>	<b>971</b>	<b>9,219</b>	<b>7,692</b>	<b>4,684</b>

1) 1 EUR = 9,4954 SEK.

### Sales per organizational unit<sup>2)</sup>

	1998	1998	1997	1996
	EUR M <sup>1)</sup>	SEK M	SEK M	SEK M
Sweden	94	887	841	750
Finland	85	811	744	620
Norway	54	513	531	346
Denmark	32	301	288	268
Germany	61	583	533	501
France	158	1,504	844	-
United Kingdom	28	266	236	168
Czech Rep./Slovakia	20	186	68	-
United States	307	2,916	2,402	1,872
Hotel security, VingCard	100	952	794	681
Elimination for internal sales	-35	-337	-313	-248
<b>Total</b>	<b>904</b>	<b>8,582</b>	<b>6,968</b>	<b>4,958</b>

2) Including exports from each market.

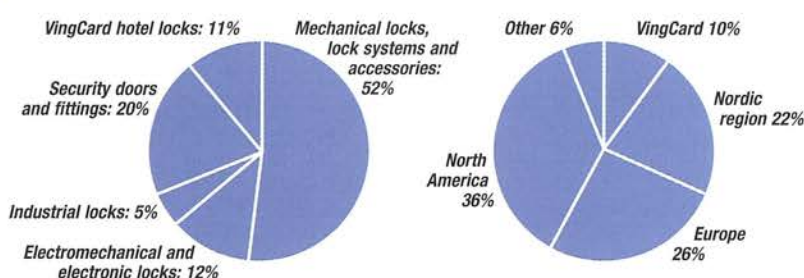
### Sales per country<sup>2)</sup>

	1998	1998	1997	1996
	EUR M <sup>1)</sup>	SEK M	SEK M	SEK M
United States	337	3,198	2,652	2,113
France	138	1,309	735	30
Sweden	69	658	627	583
Germany	56	528	475	458
Finland	53	505	471	402
Norway	51	489	514	339
United Kingdom	33	316	273	214
Denmark	32	308	287	254
Canada	18	171	122	100
Czech Rep./Slovakia	16	155	57	5
Belgium	14	134	95	52
The Netherlands	9	80	68	35
China and Hong Kong	8	78	62	65
Asia (excl. China, Hong Kong and Japan)	7	63	93	55
Africa	6	58	39	7
Italy	6	52	40	15
Spain	5	48	39	35
Middle East	4	38	34	11
Baltic states	4	36	29	19
Switzerland	4	35	28	25
Russia	3	31	27	17
Australia	3	30	35	29
Poland	3	26	17	13
Japan	1	13	24	14
Other countries	24	223	125	68
<b>Total</b>	<b>904</b>	<b>8,582</b>	<b>6,968</b>	<b>4,958</b>

2) Sales to customers in each country.

Sales per product group  
total SEK 8,582 M

Sales per geographical area  
total SEK 8,582 M





## Key figures

	1998	1997	1996	1995	1994 <sup>1)</sup>
Net sales, SEK M	8,582	6,968	4,958	3,457	3,540
Gross margin, %	18.5	16.8	14.6	12.6	10.0
Operating margin before goodwill amortization, %	12.8	11.6	10.4	7.5	4.9
Result after financial income and expenses, SEK M	748	537	345	213	76
Profit margin, %	8.7	7.7	7.0	6.2	2.1
Cash flow after tax, SEK M	728	676	372	345	139
Net investments, SEK M	335	274	163	187	139
Total assets, SEK M	9,219	7,692	4,684	2,470	2,850
Shareholders' equity, SEK M	2,715	2,317	1,408	928	776
Net debt, SEK M	4,237	3,442	2,085	659	1,055
Capital employed, SEK M	7,126	5,909	3,640	1,714	2,047
Equity/assets ratio, %	29.8	30.4	30.3	37.9	27.7
Interest coverage, times	4.2	3.8	3.6	4.8	1.9
Debt/equity ratio	1.56	1.49	1.48	0.71	1.36
Return on shareholders' equity after tax, %	20.9	18.9	21.2	16.9	7.4
Return on capital employed before goodwill amortization, %	25.9	24.6	24.9	15.4	9.4
Return on capital employed, %	15.1	15.2	17.8	14.3	8.2
Earnings per share after tax and full conversion, SEK	7.28	5.09	3.86	2.34	0.87
Shareholders' equity per share, after full conversion, SEK	41:15	35:82	21:75	15:87	12:70
Number of shares, thousands	71,076	70,732	64,311	53,592	53,592
Number of shares after full conversion, thousands	73,862	73,862	66,349	55,421	53,592
Average number of employees	10,545	8,088	6,317	4,274	4,703

1) The comparative figures for 1994 are reported pro forma, and calculated using standard tax.

## Definitions

**Gross margin:** Operating result before depreciation as a percentage of sales.

**Operating margin before goodwill amortization:** Operating result before goodwill amortization as percentage of net sales.

**Profit margin:** Result after net financial items as a percentage of sales.

**Cash flow:** Based on the cash flow analysis, see page 52.

**Net debt:** Interest-bearing liabilities less interest-bearing investments.

**Capital employed:** Total assets reduced by noninterest-bearing current liabilities including deferred tax liability.

**Equity/assets ratio:** Shareholders' equity including minority as a percentage of total assets.

**Interest cover:** Result after net financial items in relation to financial expenses.

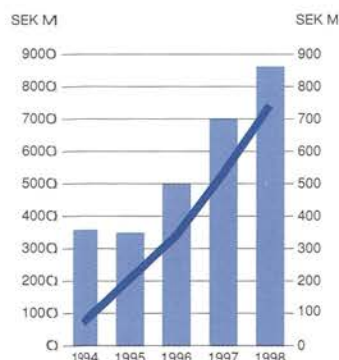
**Return on shareholders' equity after taxes:** Result after net financial items, less full tax, in relation to average shareholders' equity after full conversion.

**Return on capital employed before goodwill amortization:** Result after net financial items plus financial expenses and goodwill amortization in relation to average capital employed excluding goodwill.

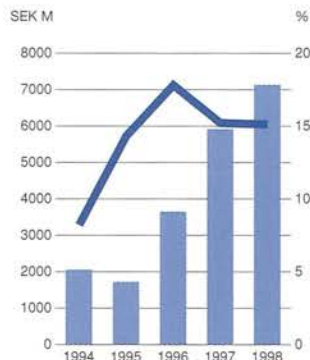
**Return on capital employed:** Result after net financial items plus financial expenses in relation to average capital employed.

**Earnings per share after taxes:** Result after net financial items, less full tax, divided by the average number of shares after full conversion.

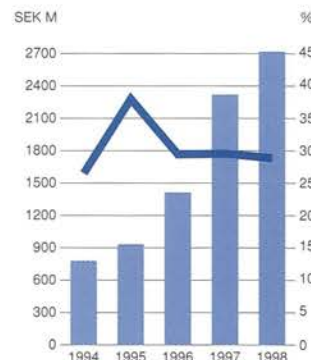
**Sales:** ■  
**Result after financial income and expenses:** ■



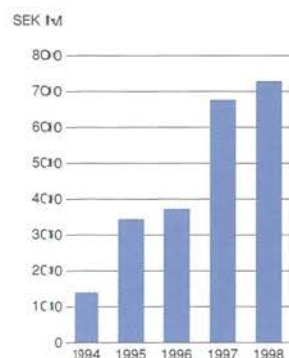
**Capital employed:** ■  
**Return on capital employed:** ■



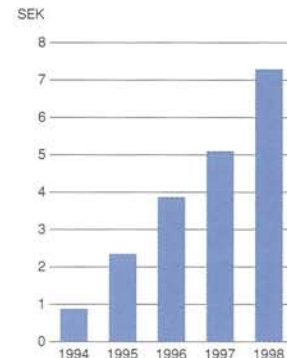
**Shareholders' equity:** ■  
**Equity / asset ratio:** ■



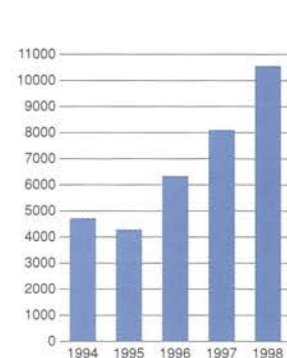
**Cash flow after tax**



**Earnings per share after tax after full conversion**



**Average number of employees**





# Continued strong share trend

**A**SSA ABLOY AB has been listed on the Stockholm Stock Exchange since November 8, 1994. In October 1995, the share was moved to the A list. The price of the ASSA ABLOY share rose by 47.6 percent in 1998. During the same period, the Stockholm Stock Exchange's general index rose by 9.8 percent. The closing price at year-end was SEK 310, corresponding to a market capitalization of SEK 22,006 M. Including all shares due for conversion, it is estimated that the market capitalization was SEK 22,897 M. The number of shareholders at year-end was approximately 8,800. Institutional

investors, excluding the main shareholders, represent about 50 percent of the capital. Non-Swedish investors, including Metra Oy Ab, account for 61 percent of the capital.

During the year, a total of 16 million shares were traded, corresponding to an average of approximately 67,000 shares for each trading day and corresponding to 23 percent of the shares outstanding.

## Share capital

ASSA ABLOY's share capital amounts to SEK 71 M, distributed among 4,190,412 Series A shares and 66,885,571 B shares.

All shares have a par value of SEK 1.00 and provide the holders with equal rights to the Company's assets and earnings. Each Series A share entitles a holder to 10 votes, while B shares provide one vote.

## Convertible debentures for personnel

In 1995, convertible debentures were offered to employees in the ASSA ABLOY Group. About 400 employees participated in the first issue in 1995. The debenture loan amounted to SEK 75,004,375 and extends from June 29, 1995, to June 30, 2000. Conversion into Series B shares is in progress and rights may be exercised in the

## ASSA ABLOY AB's share trend



period from July 1, 1998 to July 15, 2000. During 1998, a request for the conversion of debt instruments with a par value of SEK 12,275,981 was submitted. The Swedish Patent and Registration Office has registered 343,865 of these shares. On full conversion at an exercise price of SEK 35.70. There will be a total of 72,833,080 shares.

A second convertible debenture loan was issued during 1997. A total of 1,400 persons participated in the offering. This debenture loan amounts to SEK 250,000,000 and extends from December 8, 1997 to December 2, 2002. Conversion may be exercised for Series B shares from December 1, 2000 to November 15, 2002. At full conversion, and an exercise price of SEK 243, an additional 1,028,806 shares will be created.

#### Dividend and dividend policy

The Board of Directors and President propose that SEK 2.50 per share be paid as a dividend to shareholders for the 1998 financial year, corresponding to a direct return on the Series B share price at December 30, 1998, of 0.8 percent. The aim is that, in the long term, the dividend should correspond to approximately one-third of ASSA ABLOY's average earnings after net financial items and standard tax, but always taking into account ASSA ABLOY's long-term financial requirements.

## Data per share

SEK/share	1998	1997	1996	1995 <sup>1)</sup>	1994
Earnings after 28% standard tax	8:15	5:56	3:88	2:47	0:87
Earnings after full tax method	7:28	5:09	3:86	2:34	—
Dividend <sup>2)</sup>	2:50	1:75	1:21	0:87	—
Dividend, % <sup>3)</sup>	31,0	31,5	31,2	35,2	—
Direct yield, % <sup>4)</sup>	0,8	0,8	1,0	1,6	—
Share price at end of period	310:00	210:00	124:00	56:05	23:05
Highest share price	376:00	217:00	126:50	64:18	30:74
Lowest share price	200:00	121:50	52:40	22:15	18:98
Shareholders' equity	41:16	35:82	21:75	15:87	12:70
Number of shares (1,000s) <sup>5)</sup>	73 862	73 862	66 349	55 421	53 592

1) 1995 adjusted for new issues.

2) Proposed dividend.

3) Dividend as a percentage of earnings per share after 28% standard tax.

4) Dividend as a percentage of the share price at the end of the period.

5) After full conversion.

## Share capital

Year	Transaction	A-shares	C-shares	B-shares	Share capital *SEK
1989			20,000		2,000,000
1994	100:1 split			2,000,000	2,000,000
1994	Bonus issue				
1994	Non-cash issue	1,746,005	1,428,550	50,417,555	53,592,110
1996	New share issue	2,095,206	1,714,260	60,501,066	64,310,532
1996	Conversion of C-shares into A-shares	3,809,466		60,501,066	64,310,532
1997	New share issue	4,190,412		66,541,706	70,732,118
1998	Converted debentures			344,000	71,076,118
2000	Unconverted debentures			1,756,962	72,833,080
2002	Unconverted debentures			1,028,806	73,861,886

\* 1 SEK per share – balanced number of shares.

## Ownership structure

Data is based on the share register as of Dec. 30, 1998 and subsequent changes known to the company.

Owner	A-shares	B-shares	Capital %	Voting rights %
Metra Oy Ab	2,304,726	15,405,234	29.1	38.1
Janus Capital Funds	-	7,618,741	10.7	7.0
Investment AB Latour with subsidiaries	-	5,568,500	7.8	5.1
SPP	-	3,055,390	4.3	2.8
Melker Schörling + family and companies	330,000	2,676,966	4.2	5.5
Nordbanken Unit Trusts	-	2,408,700	3.4	2.2
Robur Unit Trusts	-	1,823,354	2.6	1.7
SÄKI	1,555,686	124,150	2.4	14.4
Trygg-Hansa Insurance	-	1,198,157	1.7	1.1
Carl-Henric Svanberg + family and companies	-	1,162,640	1.6	1.1
Other shareholders with more than 50,000 shares	-	2,032,7018	28.6	18.7
Shareholders with 501–50,000 shares	-	4,699,984	6.6	4.3
Shareholders with up to 500 shares	-	816,737	1.1	0.8
Total number	4,190,412	66,885,571	100.0	100.0



# A fragmented market is being transformed

**A**SSA ABLOY is the world's largest lock company, with projected annual sales in 1999 of approximately SEK 10 billion. Its share of a fragmented global market is 6–7 percent. The Group is based on the Nordic region, with market-leading positions in all the Nordic countries. ASSA ABLOY also has strong positions in France, Germany, Belgium, United Kingdom, the Czech Republic, Slovakia and Romania. The Group is the second-largest player in the North American market.

Through VingCard, ASSA ABLOY is a world leader in the electronic hotel lock sector.

The Group operates in the following product segments: construction locks, industrial locks, door and window hardware and other accessories, electro-mechanical locks and hotel locks. In the United States, ASSA ABLOY is also active in the security door product segment, and in automobile locks in the Czech Republic.

ASSA ABLOY was created as a result of the spin-off of ASSA to Securitas AB's shareholders as a dividend in November 1994. Abloy was subsequently acquired from Metra Oy Ab through a new issue of shares. As a result, Metra Oy Ab became the majority shareholder in ASSA ABLOY AB.

## Market

The global lock market is fragmented and comprises many small and medium-size companies. Many of these have extremely strong positions in their local markets, with long histories and strong brands. This primarily applies to markets in Europe and North America. On the whole, established standards and strong local

brands do not exist in other parts of the world. There are only a few multinational players, and their joint share of the world market is relatively small. It is estimated that total lock market sales are approximately SEK 150 billion.

Strong local brand names and standards, long product lives and a large number of installed locks also contribute to stability. This also applies to proximity to national distributors and customers, customized solutions and brand loyalty. Consequently, the after-sales market accounts for about 50 percent of sales, which reduces dependence on the cyclical construction industry.

## Growth factors

### ● *Trend towards higher security*

The need to protect information and property is increasing everywhere in modern society. Many people feel insecure in an increasingly anonymous society with greater criminality. Moreover, today's high-tech society is increasingly vulnerable to breakdowns, and the need to safeguard information and knowledge is becoming increasingly important. As a result, the need for better lock products is increasing steadily, in applications ranging from simple balcony doors to computer rooms. By continuously developing and marketing products that meet these needs, ASSA ABLOY is establishing a basis for stable long-term organic growth which is 2–3 percent higher than that of the GDP.

### ● *Electronic aspects*

Increased security requirements are accompanied by demands for convenience and safe evacuation in the event of fire, for example. More sophisticated functions are required which are increasingly solved

by electronic or electromechanical means. Sales of electromechanical products are growing more rapidly than the market as a whole. The development costs are clearly higher than for traditional lock products and thus require a critical mass in which the size of a company becomes an important competitive weapon.

While electromechanical solutions are of a universal nature, success in this area requires adaptation to local standards and lock dimensions, as well as integration with other mechanical locking systems.

#### ● New markets

In many new markets, such as Asia, the Baltic States, the Middle East and Latin America, an increasing proportion of the population enjoys a high standard of living, and hence the need for security has increased. These groups are demanding lock products that are more advanced than those manufactured locally.

#### Competitive situation

As noted above, the lock industry is fragmented globally but is well consolidated locally, with a limited number of competitors – often family-owned – in each market. Some harmonization and internationalization is under way, with a growing proportion of global products and technologies, particularly in the electromechanical area. However, support for local products, the long life of the products and the number of locks installed prolong this process significantly. In recent years, a structural transformation has been initiated in which larger corporate groups are formed and local players are uncertain about their ability to compete in the long term.

The major international players include



The "Bibliothèque National de France" in Paris was equipped with lock cylinders from Vachette, panic bars from JPM and handles from Bezault.

Ingersoll Rand, the American company, (which owns for example Schlage in the United States and Newman Tonks in the UK). Ingersoll Rand's lock division has annual sales of approximately SEK 8 billion. Williams Holdings, a British company, (with Yale in the U.S. and Chubb in the UK) has sales of approximately SEK 6 billion.

Other major players are Black & Decker (America), whose lock division – including Kwikset in the U.S. and Dom in Germany – has sales of SEK 6 billion. KABA of

Switzerland has annual sales of SEK 2.5 billion.

In addition there are a number of local players with strong positions. This also applies within individual product segments where, for example, Ilco Unican of Canada is a world leader in key blanks.

Standards and products are global in the hotel lock sector. Tesa, which is owned by Williams, plays a prominent role in this segment.



# Benchmarking creates an efficient organization

## Strategy

### **Our products and markets**

#### ● *Focus on the lock segment*

ASSA ABLOY's strategy is based on focusing on locks and lock-related products in order to achieve maximum efficiency in developing markets, products and production. Because all companies within the Group are working in the same area of business, there is an environment for the successful transfer of knowledge, and benchmarking between the various units within the Group. The best performance can always be transferred directly to another unit, and this stimulates a genuine increase in know-how at all levels in the organization.

#### ● *Focus on the trend towards higher security*

ASSA ABLOY's product development takes place in close cooperation with customers, the police and the insurance companies. Comprehensive efforts are also made to inform and train the various participants in the market as regards to the Group's products and security solutions. Retailers, architects, security officers and end-users are key target groups.

### **Our management model**

#### ● *Multi-domestic*

ASSA ABLOY is a world leader in its field, but proximity to customers and experience of local requirements, business arrangements and distribution patterns are the basic prerequisites for success in the lock industry. Accordingly, responsibility is cle-

arly decentralized to a single manager in each country. Each country constitutes a natural building block in the Group's operations.

In view of its global market coverage, VingCard is organized separately since in many respects its operations involve opportunities and threats that require different treatment compared with other lock companies in the Group.

#### ● *Executive management*

Country managers and VingCard's president are members of the Group management team. The management group's most experienced managers – the Group Vice Presidents – are responsible for a number of countries and thus help to ensure that ASSA ABLOY's management model and methods are applied.

### **Active internal benchmarking and inter-company learning processes**

The Group endeavors to achieve a "horizontal" and flexible organization, with active internal benchmarking and inter-company learning.

All country managers meet on a regular basis, and compare their operations. Substantial improvements in efficiency have been achieved since everyone has something to learn. Despite considerable differences in profitability between the various individual units, the basic attitude is that even the best operations still have a great deal to learn from the others.

#### ● *Group strengths*

A high proportion of the improvement in

earnings achieved in both established and recently acquired units is a result of rationalization measures in the individual units. As described above, this is the result of continuous benchmarking and transfers of know-how between Group units.

In areas exposed to a considerable measure of global competition – representing approximately one third of the Group's products – there is increasing coordination of development and production, even though sales take place locally under separate brand names. There is also substantial cooperation in technical development between the various units, coordinated by the Group Product Council. In addition, Group procurement of raw materials, components and finished products is being coordinated. This is expected to result in additional savings.

In order to promote efficient financing and management of financial transactions, and to minimize financial risks, the Group has a central finance department.

#### ● *Wider ownership participation*

ASSA ABLOY wants employees and executives to participate in the company to the greatest possible extent. Approximately 1,600 of the Group's 11,000 employees hold shares and convertible debentures amounting to approximately eight percent of the shares when fully diluted. Group executives have substantial shareholdings.

#### ● *Group information*

In a rapidly growing Group, there is a great need for a regular flow of informa-



tion. The Group newspaper, ASSA ABLOY News, places special emphasis on the Group's strategy and growth. Group news, reports on successful projects and descriptions of new units and acquisitions are presented in nine languages.

### Our expansion strategy

#### ● Organic growth

ASSA ABLOY's ability to generate organic growth on a continuing basis is a critical factor for the Group's success in the long term. This is achieved by intensive development efforts in both mature and new markets.

In mature markets where ASSA ABLOY is already established, this is primarily a matter of active product development, together with customers and others with a stake in the market. Cross-selling between Group units reduces development costs and permits more rapid market development.

In growth markets where there are no strong local players or brand names, new operations are established via Group subsidiaries. These markets often require products based on standards which differ from those which apply in Europe and the United States. ASSA ABLOY enjoys a strategic advantage as a result of its comprehensive product program.

#### ● Acquisitions in mature markets

Brand names, existing installations, and local standards and traditions are significant barriers to entry in mature markets. As a result, acquisitions of leading companies in such markets are a key feature of

ASSA ABLOY's strategy. The Group's strong cash flow helps to finance this type of expansion. In principle, the aim when making acquisitions is that the company concerned will contribute to the growth in Group earnings per share in the year after acquisition.

## Financial goals

The points noted above constitute ASSA ABLOY's strategy for the continued achievement of a satisfactory earnings trend, with a focus on earnings per share.

The financial goal is to have a return of more than 20 percent on capital employed. As a result of the acquisitions that have been made and the goodwill items that have arisen in this connection, maintaining this goal – which was set when the Group was formed in 1994 – is, in practice, an increasingly stringent objective. The return in 1998 was 15 percent. Most of the improvement which is required is expected to be achieved as a result of higher margins, although there are also possibilities of reducing the amount of capital tied-up.

An equity/assets ratio of 25 percent is considered adequate, taking into account the relative stability of the market and the strong cash flow.

## Step by step...

ASSA ABLOY's approach to corporate development is based on the cornerstones of our management philosophy: Realism, Vision, Courage and Ethics. The individual company's traditions, strengths and employees provide the natural starting point. In the case of recently acquired units, however, financial information is immediately adjusted to comply with a common format.

The aim is to create an environment in which people seek an exchange of knowledge between units and participate in an active benchmarking process, ensuring that everyone gains.

The following "ladder" shows the stages taken to achieve the ultimate objective: maximum shareholder value.





# “Every individual has the ability and ambition to do a good job”

**A**SSA ABLOY is characterized by a positive approach towards its employees. Every individual is considered able and willing to make a satisfactory contribution, and management is responsible for creating conditions that make this possible. Realism, vision, courage and ethics are cornerstones of the management philosophy that characterizes ASSA ABLOY.

**Realism** means that decisions, actions and leadership should always be based on thorough knowledge of the various sectors of the business. It is, of course, essential for a manager to have an overview, but detailed knowledge often provides the answers to important questions.

The **Vision** that is an important driving force in each operation must be realistic and based on solid experience. ASSA ABLOY's vision is to be the leading lock company in the world. “Leading” means not only being the largest company, but also the player that clearly sets the pace in the industry.

**Courage** and energy are required for success in today's dynamic society, in which changes have to be handled rapidly. Courage develops naturally when it is based on sound knowledge and a clear vision.

**Ethics** within the Company, reflected in both attitudes and actions, determine the degree of trust, creativity, ambition and commitment shown by employees. High ethical standards, with an emphasis on setting a good example, are essential if the Company is to be able to attract and retain the best employees.

As a result, the skills and commitment of employees and managers are important factors for ASSA ABLOY's continued success and growth. Accordingly, skill-enhancing measures – job rotation and training programs, for example – are conducted at all levels in the Group. The sharp focus on the lock market and active benchmarking establish favorable prerequisites for exchanges of experience between employees and between units within ASSA ABLOY. As part of this activity, the Company conducts the annual “ASSA ABLOY Management Program” in which approximately 25 employees have an opportunity to hone their leadership skills. The entire program is carried out by Group Management and is based on case studies from ASSA ABLOY. Nearly 100 managers have participated in this program.

Ever since the Group was established, various forms of ownership participation have been an important means of promo-



The company's management philosophy is based on four cornerstones: Realism, Vision, Courage and Ethics.

ting employee and management participation and the company's long-term growth. Accordingly, convertible debenture programs were offered to Group employees in 1995 and 1997. As a result of these programs and their own substantial investments, approximately 1,600 employees jointly own about eight percent of ASSA ABLOY AB.

Communication is important at all levels. “ASSA ABLOY News” is issued four times a year, in nine languages, to disseminate information on a continuous basis and keep all 11,000 employees up-to-date on what is happening in the Group.

This publication provides an opportunity to present newly acquired units and to describe important organizational changes and successful projects, from which everyone can learn.

A “100 Meeting,” which is arranged every other year, was held in June 1998.

This Meeting brings the Group's senior executives together, to establish unanimous support for the joint visions, objectives and strategies – and it provides an opportunity for an exchange of experience and ideas.



ASSA ABLOY brings together its 100 most important managers every other year to review the Group's visions, strategies and objectives.



ASSA ABLOY's annual Management Program is conducted entirely under the company's auspices. There are two primary objectives: 1. Increased learning and “cross fertilization” between units. 2. Problem-solving related to actual challenges faced in the business – for example in the production of cylinders at Vachette in France.



# Much to gain from environmentally compatible production

**A**s a rule, environmental issues are closely linked with efficiency and successful business operations. So it is a simple matter to gain the support of managers and other employees for a well-thought-out environmental strategy. Environmental issues have high priority on the Group's agenda. In 1996, it was decided in principle that all companies should be certified in accordance with the ISO 14001 Environmental Management Standard.

Environmental management closely resembles quality assurance. It involves daily efforts and affects all areas of the company, including the selection of materials used in products, the way materials are utilized, disposal of residual products and waste, and the cleaning and reuse of chemicals. It also involves the choice of packaging material and the manner in which products are distributed. The long life of lock products obviously means that they have less impact on the environment since they are replaced at very infrequent intervals – 30 years or more is not unusual.

The environmental management standard helps the company to focus on environmental problems in its daily operations and find solutions – which often prove to be not only less expensive and better for the environment, but also better for employees working with the products and for end-users. Assa's new nickel-free key is a good example. It is produced specifically for persons who are allergic to nickel, an increasingly common problem.

There is strong vertical integration of production processes at ASSA ABLOY. Security products are manufactured from raw materials such as steel and brass and processed into finished packaged products ready to be delivered to customers. As a result, companies in the ASSA ABLOY Group have excellent control over design, production methods and the utilization of resources, enabling them – with few con-

straints – to create security products that have a low impact on the environment.

The high quality and functional requirements expected of security products constitute an important constraint. This obviously affects the choice of materials, machining requirements and distribution routines – which may occasionally conflict with environmental requirements.

This presents a challenge, of course!

Some of the ASSA ABLOY companies who have introduced the ISO 14001 standard and received environmental certification are Assa, Abloy, Ikon and Ruko.

## Quality assurance – an area for continuous improvement

Security, trust and quality are closely related. ASSA ABLOY companies continuously improve the quality of their performance in all areas: products, development, delivery reliability and, not least, the handling of security documentation pertaining to lock systems which have been installed.

To assist them in this area, all companies in the Group – with few exceptions – have already adopted the international ISO 9001 (or 9002) standard. This standard does not create quality in the companies' processes simply because it has been adopted. The quality stamp that a company receives when it has been certified is not a final seal of approval. It marks the inauguration of a program of continuous improvement.

The quality system helps companies to measure, monitor and improve their quality – and discover defects and rectify them in time – helping them to learn from their mistakes and improve steadily.

That is the way to establish long-term quality.

Computers and microprocessors are to be found everywhere today – and ASSA ABLOY is no exception. As the new millennium approaches, there are

a number of questions regarding the ability of software and hardware to handle the "Y2K problem" in a satisfactory manner. ASSA ABLOY has conducted a comprehensive stocktaking operation and implemented an action plan to ensure that all applications – involving administrative and technical systems, and also suppliers – will be able to handle the problem.

Eighty percent of the products supplied by ASSA ABLOY are mechanical and are not affected by the millennium shift. Most of the remaining electromechanical products are supplied as "stand alone" devices, although they often form part of various systems.

The company's IT function is certified in accordance with the Swedish IT Commission's Year 2000 checklist.



The ISO 14001 environmental standard has a high priority.

ASSA's nickel-free key, specially developed for people who are allergic to nickel.





# Prevention is increasingly important in a vulnerable society

**T**he need for security is nothing new. Safety and security are among man's fundamental needs. Originally, caves were "locked" with a rock in front of the entrance. Locks made of knotted ropes were used thousands of years ago, and padlocks have been utilized by traveling merchants for centuries. The modern lock industry and widespread use of locks began to develop in the 19th century.

## Modern society

Urbanization and concentrations of people in and around large cities have resulted in increased anonymity and a sense of insecurity. The likelihood that a crime will be solved is small and, statistically, everyone can expect to experience one or more break-ins during their lifetime. Such phenomena as "neighborhood watches against crime" are designed to replace the earlier monitoring of neighbors and local occurrences.

Industrialized societies are characterized by the "more for less" concept. Companies have to be efficient in the face of ever keener competition. Concepts such as "just in time" deliveries and "lean production" have become increasingly important guiding principles. Information flows are computerized and communication between different parts of a company is automated.

The pace of development is increasing. The period from identification of a need to development and production is becoming shorter – and the life of products is also being curtailed. Increased competitiveness

and flexibility are appreciated by customers, providing that everything works the way it should.

All these developments are extremely positive, of course.

## Increased vulnerability

At the same time, this means reduced safety margins. Inventories are small or nonexistent, development periods are rapid and product lives are short. There is no margin for error if the company wants to continue to be competitive. The margin between success and failure has narrowed!

Many machines are operating 24 hours a day, and the cost of duplicate resources is too high. Production equipment is becoming increasingly dependent on the company's information technology (IT) systems. Insurance can provide protection against financial loss, but not against the loss of customers or trust.

Crime is on the increase. It is a fact of life and is growing in terms of both "content" and methods. Man's greater mobility is helping to make the fight against crime more difficult.

Just as cars became major targets for thieves when they began to be common in society, electronic equipment and computers are now highly attractive objects and can be readily converted into cash. They are also located everywhere – in homes as well as in companies. And the consequences of a theft – in the form of lost information – are often greater than the immediate loss.

## Safety, security and user-friendliness – hand in hand

The best approach is to prevent attacks. The next best is to detect and provide warning when something is happening. These factors underlie the trend towards higher security.

The first important step is to have proper doors, windows and locks – preferably supplemented to control daytime personnel movements. Not all attacks come from outside.

Will more security arrangements make things safer? Unfortunately, this is not always the case. Excessively rigorous secu-



More security does not always mean higher security, if the product is not user-friendly. More security may even make it difficult to evacuate the premises, as in this apartment in Genoa, Italy.

rity planning can result in a system which is so impractical that it is not used, and the impression given by an otherwise prestigious building may be impaired by unwieldy, conspicuous security systems. An excessively complicated system can also jeopardize safety, making it impossible to escape in the event of fire.

More is not always better. A lock system that cannot be maintained diminishes rapidly in value as protection against exterior and interior intrusion. What is needed is not merely a technically secure product but one that can be adapted to changes and can grow with the business. This is where modern lock systems and products differ from their predecessors.

Safe emergency exit requirements may often conflict with protection against theft or other threats. A department store is a good example. It must be possible to lock unmonitored exits while, at the same time it has to be possible to evacuate the building rapidly in the event of fire. Modern



One of ASSA ABLOY's most important guiding principles for product development is meeting the need for greater security, while simultaneously taking into account user-friendliness and the need for safe emergency exits.

solutions are available in the form of a combination of mechanical and electronic devices – time-delayed escape fittings, fitted with alarm devices. Security and safety must go hand in hand.

Greater security, in prestigious premises in particular, imposes greater demands on the design of security products. Parts of systems that are clearly visible should offer a “sober” impression and should fit in architecturally with various environments. Lock components should be as invisible as possible.

#### Opinion leaders create new product needs

The growing need for secure products and the somewhat conflicting demands of security, convenience, user-friendliness and styling are resulting in a multiplicity of new security products that are replacing or supplementing existing installations. They are also contributing to an increasing interest in security and security products.

More sophisticated functions are normally solved by electronic and electromechanical means, but there is also a comparable trend for mechanical “basic products.”

Organizations such as the police and insurance companies, which are in a position to influence public opinion are contributing actively to the search for new solutions and they are drawing attention to new products. These opinion-leaders are playing an important role in the growing trend towards higher security.

## Towards a growing market

Obviously, one important prerequisite for an expanding market is a greater need for security. But this is not enough. Suppliers must actively develop and market a continuous flow of new and improved products to meet this need. The “positive spiral” is based on a keen ear, co-operation, development and customer satisfaction.

### The positive spiral



- The market grows.
- Customers are offered product with added-value.
- Investments in research and development create safer, more secure and more user-friendly products.
- Close cooperation with customers, dealers, insurance companies, police authorities and fire departments.

### The vicious spiral



- Too little invested in development.
- Customers are not offered added value, products become increasingly similar.
- Focus on price competition.
- Less and less invested in development.
- The market stagnates.



# A security system is only as strong as its weakest link

**D**evelopment is a term with many meanings. At ASSA ABLOY, development applies not only to products, but also to employees, dealers, installers, and end-users. A security system is only as strong as its weakest link and – in addition to a good product – all locks and security products require proper installation, operation and efficient maintenance. All aspects are important and impose heavy demands on information, advisory services and training.

## Products

The trend toward higher security, the development of production technology and the new opportunities offered by modern electronics are creating conditions for the development of lock and security products that meet the market's high expectations. Products introduced during the past five years account for 35 percent of the Group's sales. "Electromechanical products" – a combination of mechanical engineering and electronics – account for a growing proportion of ASSA ABLOY's sales and have the highest growth rates. The largest investments in development are being made in such areas as lock cylinders, electromechanical locks, hotel locks and emergency-escape products. In addition, there is growing demand for complete systems for doors and windows in which a number of inter-

acting products form a single unit.

To an ever-greater degree, concern for the environment is influencing the design of products, the selection and use of materials, and recycling requirements. The increasing allergy-related demand for keys made of nickel-free alloys is a good example.

## Markets

Delivery of security is based on trust. A lock company builds trust by carrying out a long-term, methodical program based on quality in all operations. This is an important platform for all companies in the ASSA ABLOY Group. Moreover, security is much more than the products involved! Distributors, installers and locksmiths need continuous training to enable them to solve the end-users' problems efficiently, make proper installations and perform maintenance efficiently. Training and support are also required if the security system is to be utilized and managed properly. This may be provided by the distributor or, in some cases, directly by the lock manufacturer.

## The industry

Confidence in the industry, its products and systems is particularly important in the security industry. People have to be able to rely on a supplier of security. This means that it is important for all compa-

nies in the industry to work in the same direction. This takes place, for example, in the work of national and international trade associations and as a result of participation in standardization programs, in which common security specifications are drawn up with a focus on functional requirements. ASSA ABLOY companies play a very active part in this process. The various countries have much to learn from each other, and substantial progress has been made in recent years.

On the other hand, in contrast with the situation in many other industries, there are limited opportunities for the mechanical standards established at the international level to achieve an immediate impact. The industry is characterized by products that last a long time – often 30 years or more – and they are installed in buildings that, in their turn, may last for 100 years.

The diverse mechanical designs and materials used in different parts of the world make it difficult to achieve appropriate common solutions. In some parts of the world, doors have traditionally opened inward, and in other regions they have opened outward. Doors in countries with cold winters tend to be thicker. Wood or metal may be the dominant materials, with varying use of glass. The strength of the doors also varies considerably.



Solid's card-reader/keypad offers convenience by day and security at night. Assa's deadlocking latch and Solid's electrical strike offer controlled, reliable daytime access. The ASSA motorlock provides maximum night-time security. Abloy-Primo door pulls are easy to use – even by the elderly and disabled. The Abloy door closer ensures that the door shuts properly, every time.

## Key Control

An example of the use of the security pyramid for key control in the European market.

### Absolute key control

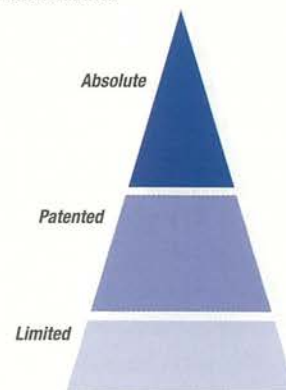
requires an approved and registered authorized service agreement between the system owner and a licensed service centre or the manufacturer. The key must have a unique electronic code and a patented mechanical code. ASSA Twin-tronic, IKON Ikotron and ABLOY EXEC ID are examples of cylinders based on this technology.

### Patented key control

means that extra keys are manufactured only from patented and design-protected key blanks. An approved and registered authorized service agreement is required for follow-up orders for keys and service. ASSA Twin Combi, Ruko Combi II, IKON Sperrwelle, ABLOY Disk-Lock Pro, TrioVing Twin and Vachette Radial are examples of cylinders that use this technology.

### Limited key control

means that the keys can be copied if the customer has a sample key and valid identification.



### ASSA ABLOY Selected New Products 1998

**Sweden: Combi and 7000** – patented cylinders. **179** – panic exit, meeting the new CEN standards. **Nickel free** – allergy safe keys and accessories. **820** – window lock, can be locked whilst still providing ventilation for maximum intrusion security.

**Finland: EXEC ID** – electromechanical cylinder. **DC240** and **DC241** – european line of Door closers. **8140** and **EL440** – mortised solenoid locks for central Europe.

**Norway: TrioVing Twin** – high security cylinder with patented key blanks for copy protection.

**Denmark: Combi Plus** – patented high security cylinder providing system design also on the side code for larger lock systems. **Funxion** – the "eternal" stainless steel series of SUPERELLIPSE® inspired door furniture

**Germany: SK6 Sperrwelle** – high security cylinder approved in the highest security class with more than 100 million combinations. **SK6-1RP60**, 6-pin high security cylinder. **S423** – steel protective plate with anti-panic function.

**UK: Ruko Flexcore** – patented cylinder range to meet demands for key copy protection. **Coin locks** – meeting severe environmental requirements. **Compact 2000** – heavy duty lock case meeting the new CEN standards.

**France: 2010 A2P\*\*\*** – highest security class, up to 7 point rimlock. **"Bigsur"** – motorised multipoint rimlock for use with access control. **Nautil** – a new series of designed door handles and accessories in anodised aluminium.

**Belgium: MP 75** – security cylinder.

**US: The Unlatch** – patented replacement for electric strikes, strong and invisible. **SAM (Shear Aligning Magnalock)** – unique patented self aligning mortised magnetic lock. **Keypad Operated Cylindrical Lever Lock** – wireless single door, low cost access control. **CTV (Center and Top latch Vertical rod)** – three point latching with full panic function for double doors. **Freewheeling 8200** – mortise lock vandal resistant trim for most door types.

**Czech Republic: FAB SLS 24** – pick resistant 5 pin & lever cylinder with numerous combinations. **FAB 1576/7B** – heavy duty single and multi-point rim lock. **FAB 2035** – new versatile industrial cylinder. **SKODA lock sets** – mechanical and transponder based.

**VingCard: PowerSafe** – lap-top adapted hotel safe with charging facility. **Y2K** – software and upgrade for hotel lock installations. **A-Series** – audit trail safe for the middle market.



# Continuous product development

**A** great deal has happened in the past 100 years – particularly during the past five years. New products are being introduced to meet the changing security needs of a new era, and traditional products are gradually being improved to provide new functions.

The need to service its installed base is one of the lock industry's most important tasks. After-market sales often account for more than half the total volume. This means that lock manufacturers have to be able to replace lock products which may be 30 years old with new items that provide comparable or upgraded functions and are compatible with the existing apertures in the door.

## Mechanical locks, lock systems and accessories

Lock cylinders are an important product area in which ASSA ABLOY has a strong position in many countries. Lock cylinders, or more often lock systems based on lock cylinders with totally different functions, are the cornerstones in all security systems. While the exterior shape of lock cylinders has been the same for decades, the functions provided have been developed considerably.

A number of lines of development have been pursued: pin cylinders, disc cylinders, side bars, star-shaped pin configurations – all with a specific purpose. The aim of each design is to create wide opportunities for variation, thus enabling the company to offer each customer a unique lock system. Patented keys offer a higher degree of security since the keys can only be duplicated by an authorized dealer.

The level of security can be further improved by a combination of mechanical and electronic codes. A lost key can simply be "coded" out of the system and will no longer constitute a security risk.

There are lock cases for many different types of doors, depending on the material, thickness, etc. Specifications vary, in accordance with the security requirements and the type of usage (exterior door, office door, fire door, etc.). Where there are particularly strict demands for protection against intrusion, various forms of multipoint locking are becoming increasingly common. Locks of this type, which have a number of simultaneously maneuverable locking bolts for exterior or mortise mounting, are already common, for example in United Kingdom and France and in large cities in the United States. They are also being increasingly used in many other countries. Multipoint locks are an important growth area for ASSA ABLOY.

Padlocks are sold in the consumer market and also to professional customers, including military facilities and telecom operators, where padlocks form part of an overall system.

## Fittings and security doors

Hinges must provide the same high level of security as locks and cylinders. A secure opening must be regarded as a single unit. Door and window fittings, handles, security plates and decorative fittings around a lock are natural elements in a complete range of security products.

In most countries door and window companies are important ASSA ABLOY customers. They often have special design requirements to facilitate factory assembly. In the U.S., ASSA ABLOY has its own major production facility of complete security doors.

Locking yourself in is not enough if you want to feel safe. People also have to be able to escape, in the event of a fire for example. Situations of this nature are all too common and there is a growing awareness of the danger of being "too locked in." As a



The Sargent 8200 lock was developed to handle the very high demands for both strength and security in the American institutional market.



Electronics are used in the Sargent Elektroguard and JPM Push Control to prevent misuse of panic bars. They are used only when required in an emergency.



Fire-resistant steel doors made by Curries and fire doors with wood paneling produced by Graham prevent the spread of fire while allowing time for safe evacuation.



ASSA/Ruko and ABLOY padlocks are available in various security categories.

result, there is a growing demand for safe emergency exit solutions. This may consist of a mechanical panic bar, but special escape fittings, with alarm and time-delay features have also been developed and are sold by ASSA ABLOY all over the world.

### Electromechanical and electronic locks

The market for access control is expected to grow by 8–12 percent a year. An electrically controlled lock – an electric strike, a motorlock or a magnetic lock – is required for each door connected to an access control system.

Electric strikes, the most common form of electric lock, are used in doors with high traffic flows. Motorized locks offer design and security advantages and are increasingly employed. Magnetic locks have scored major successes in the American access control market.

The combination of more doors and increased demands for modifications to meet disablement norms and convenience requirements is creating a growing need for automatic operation. Once a person has established his or her credentials, the rest takes place automatically. Abloy's automatic swing door systems are currently sold in several ASSA ABLOY markets.

### Industrial locks

There is a large number of applications in which locks are built into special equipment ranging from lockers and mail boxes to pay telephones and gaming machines, parking meters and vending machines. The customer needs a secure lock cylinder, generally one that meets high security specifications. The lock company prepares specifications for the product jointly with the manufacturer, designing a product based on the company's own locking technology. Today, these products

increasingly contain a combination of electronic and mechanical locking technology. Assa, Abloy and Medeco are world leaders in this field.

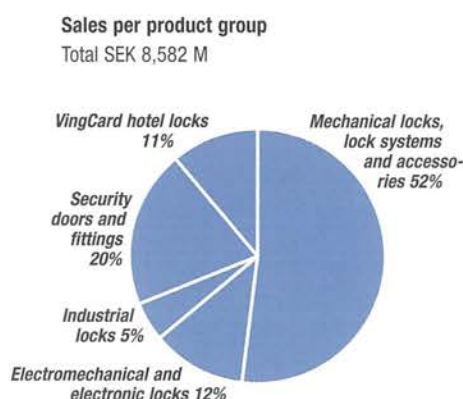
### Hotel locks

Liability is a critical issue for the hotel industry throughout the world. The ability to offer hotel guests safe accommodation imposes considerable demands on locks and the management of keys or cards.

There are also increasing demands by hotels for efficient administration and integration with other systems, Hotel locks currently constitute a separate market niche, with a limited number of major players. VingCard, an ASSA ABLOY company, was the first to introduce this type of lock and is a world leader in this field.



VingCard's various card-reader systems are available in several upgraded models, depending on the size of the hotel. The principle is always the same: insert the card, pull it out and open the door.



A strong door and high resistance forced entry is achieved using a multi-point lock. Shown here is a 7-point lock from the French company Vachette.





# Modern security is based on a long tradition

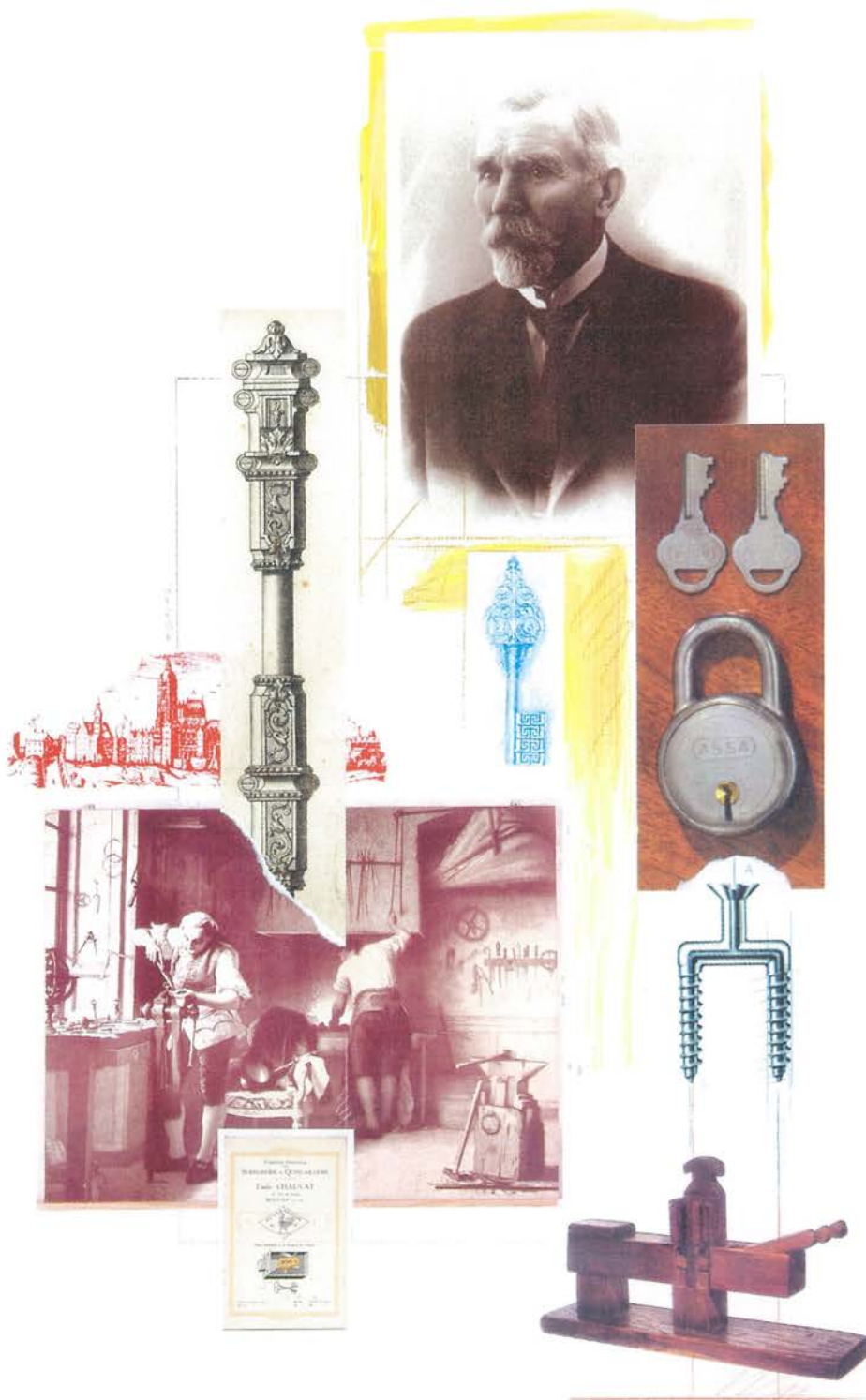
“I have to work; otherwise life is meaningless!” That was the favorite maxim of the legendary August Stenman, the industrialist who, in 1881, sowed the first seeds of the company that is today ASSA ABLOY. When he was not quite 30 years old, he borrowed money for a forge in Eskilstuna. In his younger days August Stenman had been a journeyman in Europe and the United States where he had learned techniques and established contacts that later proved critical for the future of his company.

ASSA ABLOY is now one of the world's leading lock companies, with approximately 11,000 employees in 27 countries. The present organization was formed in 1994 when the lock operations of the Swedish Securitas AB and the Finnish Metra Oy Ab companies were merged. In connection with the merger, the company's shares were listed on the Stockholm Stock Exchange.

August Stenman's curiosity and entrepreneurial spirit propelled the company forward by leaps and bounds. Initially, he bought new machines, but later he learned how to design and build special equipment. He was a pioneer in the automatic tools field when he installed the first hinge machine in 1890. Some of his methods would probably be considered industrial espionage today – for example when he arranged for one of his clerks to take a job as a cleaner in competitors' factories, where he had plenty of time to make drawings of the machines.

Long before the word “benchmarking” was coined, Stenman established the principle that makes ASSA ABLOY so successful today: Take advantage of each others' operations and experience in the Group's various companies.

Abloy in Finland also has a long history that began in 1907 when Emil Henriksson, a mechanic in Helsinki, invented the disk cylinder that is still an important part of today's product line. The first patent was





registered in 1919 and a new company was founded – Ab Lukko Oy, from which the Abloy name is derived.

Ab Lukko Oy eventually became part of the Wärtsilä Group and the production capacity in Joensuu was expanded over the years. Today, 750 people are engaged in the production of construction locks, electro-mechanical locks and fire door systems. In 1997, the fine working environment at Joensuu, which is a relatively sparsely populated district, received the Finnish Ministry of Labor's "Excellent Employer" award.

### Internationalization

ASSA Stenman soon appreciated the importance of being seen in the marketplace. In 1967, with a touch of irony, the company launched a notable campaign in which it introduced a "Z" screw, a square screw, a double screw and an angle screw! In earlier days Mrs. Stenman contributed to the success of the enterprise by embroidering her husband's initials in reverse. And that is how the ASSA name originated.

August Stenman's "disciple" and successor, Sixten Nilsson, quickly adopted such modern marketing methods as direct-mail advertising and succeeded in expanding in the world market from his home base. Nilsson began an era that can be characterized by its strong focus on the export market. He travelled to countries near and far to establish customer relationships – and customers from as far away as India, Japan and Latin America visited the factory in Eskilstuna.

ASSA ABLOY has pursued a policy of internationalization over the course of years and is now represented by its own subsidiaries in Sweden, Finland, Norway, Denmark, Germany, United Kingdom, France, Belgium, the Czech Republic, Slovakia, Romania, Poland, Singapore, Mexico and the United States. Its strategy in mature markets is to purchase leading

companies, while new operations are established in growth markets through subsidiaries.

### From hinges to security

From hinges, locks and equipment for emergency exits to total systems for increased security – that is one way of summarizing ASSA ABLOY product development. Many of the requirements for locks have changed since the beginning in 1881, but the essential need is still the same: to be part of a protection system for people and property, based on today's requirements.

Stenman's "security pyramid" is a flexible system of locks that covers every conceivable level of need, from housing accommodation with standard keys to facilities such as nuclear plants and defense installations that have strict security requirements. Lock systems can also be supplied for use in hospitals, schools, industrial plants and ships. Today there is a strong demand for electromechanical locks as efforts are made to increase security in the retail trade and in banking, where longer opening hours are increasing the risk of criminal activities.

ASSA ABLOY's employees in the United States can be proud of lock installations in such buildings as the White House, the United Nations Headquarters and the U.S. Supreme Court Building. Following the bomb attack on the World Trade Center in 1993, the need for reliable security became obvious. The contract was awarded to ASSA, which currently has approximately 20,000 locks installed in the complex. ASSA ABLOY has ten units in the United States, the oldest of which – Sargent – has been in business for 135 years. As early as the mid-19th century, Sargent was a good example of how the trend towards higher security had developed. The company started by producing everything from screws to tools. In recent years it has focused on locks and doors. Today, Sargent is a leader in door locks and equipment for

emergency exits.

In 1976, VingCard, a Norwegian company, introduced another world innovation, easily re-codeable card based locks for hotels and cruise ships. The lock was installed for the first time in what was then the world's tallest hotel, the Peach Tree Plaza in Atlanta, operated by the West Inn chain. Today, two million hotel guests in more than 135 countries throughout the world are able to use an "intelligent" lock that conveys a sense of security since it is reprogrammed for each new guest.

### Growing range of security services

When the Danish locksmith Rudolf Koreska started the Ruko company in 1930, its products were hardware. But in 1998 the company followed the trend towards higher security by establishing a special security center in which specially trained employees offer customers services related to the company's products.

The current leader in the European market for emergency exits is JPM, which is undoubtedly the oldest company in the ASSA ABLOY Group. JPM was founded in 1645 by Jean Paul Maquennehen, a Flemish clockmaker. The big breakthrough for JPM occurred nearly 300 years later, in 1970, with its introduction of the world's first security equipment for emergency exits. Today the company has installed both panic bars and lock cases, for example in the La Défense complex in the financial district in Paris.

ASSA ABLOY's market has thus grown from simple locks to today's more sophisticated security solutions. In all, the company has installed half a billion locks worldwide.

A great deal has happened in the past 100 years but ASSA ABLOY's growth has, in fact, been subject to the same driving force the whole time – people's increased need for safety and security – for themselves, for those close to them, and for their property.



## Increased coordination between subsidiaries generates growth

**S**ales by units within the Swedish organization amounted to SEK 887 M (847) in 1998, representing organic growth of 5 percent.

Exports to Group companies in other countries amounted to SEK 137 M, and other exports totaled SEK 111 M.

ASSA ABLOY's activities in Sweden comprise Assa AB, Assa Industri AB, FIX AB, AB Fas Låsfabrik and Solid AB. The Swedish units have complete coverage of the entire security products sector, from advanced access-control systems to building fittings for windows and doors.

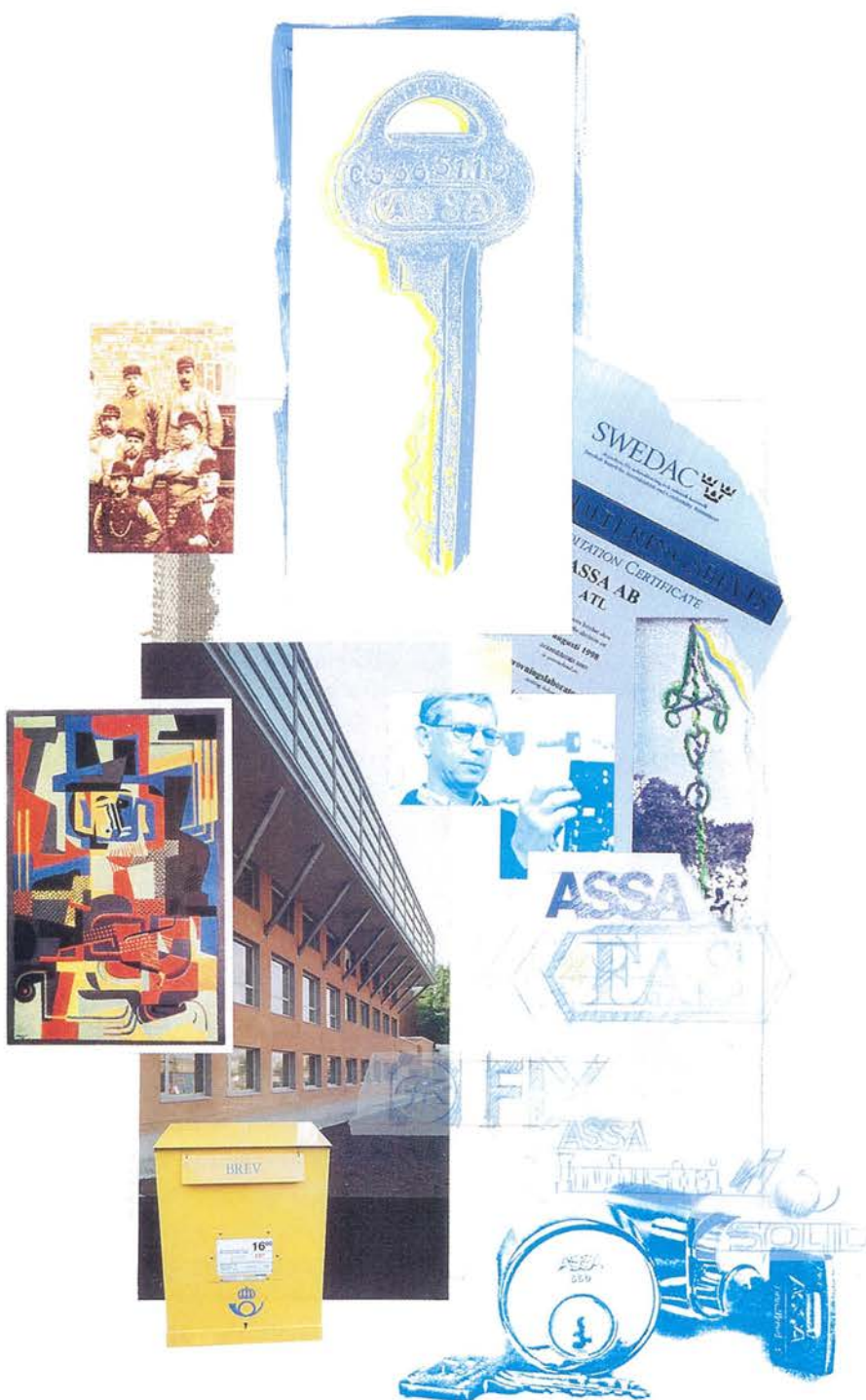
Activities in 1998 were characterized by a significant increase in coordination between Group companies in Sweden and abroad. The structure of sales organizations in the project market construction lock sector was coordinated during the year.

### Products

Assa AB markets security systems based on a complete program of lock products for the project and consumer market, which include locks and fittings for doors and windows. Assa Industri manufactures and markets products for industrial customers (OEM), with special focus on hinges, lock housings and industrial cylinder locks sold directly to customers or through industrial distributors. FIX AB also concentrates on industrial customers, with the window industry as its primary target group.

Solid AB's product range focuses on electromechanical locks. The company works with the ABLOY and SOLID brand names. AB Fas Låsfabrik manufactures and markets supplementary locks for private homes and safety cabinets.

Several new products were introduced





in 1998. FAS launched a new Duo Proof generation of mortise deadlocks. Assa AB developed a new series of door closers in cooperation with Abloy of Finland. Assa also introduced a new patented 7000 series of cylinder locks especially designed for institutional buildings.

During the year, Assa Industri developed a combination card and coin lock which was launched successfully in the American market. The company's range of industrial locks was upgraded through further development to include locks with exchangeable lock cases and locks with electric switches.

Working in cooperation with Abloy, Solid developed a motorlock device that can be directly linked to access-control systems. A smartcard scanner was also developed, as well as a new system for laundry room bookings in apartment buildings. Finally, FIX AB, introduced a new range of espagnolettes for PVC doors, primarily for the British market.

### Markets and market trends

After several years of very weak trends in new construction, the market showed some signs of growth in 1998. The increase was unevenly distributed between different geographic regions in Sweden, however. Growth is concentrated in university cities and major metropolitan areas. The repair, remodeling and renovation market has been affected negatively to some extent by the weak finances of tenant-owner building societies.

Greater attention to building evacuation in emergency situations, particularly in the event of fire, may be noted. JPM, ASSA ABLOY's French subsidiary, is the leading European supplier of emergency exit fittings and provides the Swedish organiza-

tion with expertise and key products.

Assa and Solid are coordinating their sales operations to increase marketing efficiency. The new range of door closers developed in cooperation with Abloy offers strong potential in the electro-mechanical market and is expected to support continued favorable sales growth in 1999. FAS AB reported favorable development in 1998, strengthening its position of market leadership. Assa Industri and FIX AB, both of which work primarily in the OEM (Original Equipment Manufacturers) sector suffered negative effects of ongoing structural changes in the Swedish/Norwegian joinery sector. The process of change is expected to continue in 1999. Export market shares are expected to develop favorably in the coming year.

### Trend towards higher security

For more than 100 years, ASSA's fundamental mission has been to offer protection in keeping with the times. When Assa launched the first pin tumbler lock cylinder in 1945, this was the result of the greater demand for security that emerged in the wake of increased affluence and greater sophistication on the part of criminals. The same holds true today as Assa introduces the 7000-series cylinder, a new lock manufactured with extreme precision and interacting tumbler elements, pick proof pins, special components to prevent attacks with drills and jemmyes, and patented protection to prevent illegal key copying.

Working in cooperation with crime-prevention organizations and public authorities such as rescue service squads, our mission is to understand, analyze and make sure the market is always supplied with products for tomorrow's needs.

## Sweden

### Assa AB

Mechanical and electromechanical lock products.  
President: Hans Johansson.

### Assa Industri AB

Lock cases, hinges and cabinet locks, with a focus on industrial customers.  
President: Hans Johansson.

### AB FAS Låsfabrik

Market leader in mortise deadlocks.  
President: Ulf Petersson.

### FIX AB

Espagnolettes and fixtures.  
President: Stellan Svensson.

### Solid AB

Access-control systems and electric striking plates.  
President: Håkan Wolgast.

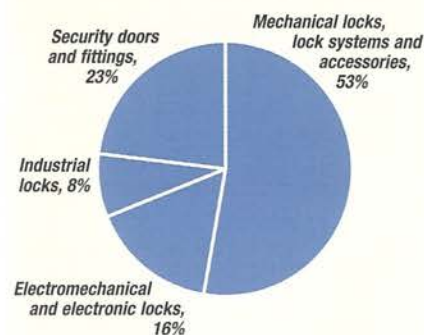
Other companies in the Swedish organization are:

**Assa Portuguesa LDA,**  
**Assa Balt Ltd.** (not included in the table below)

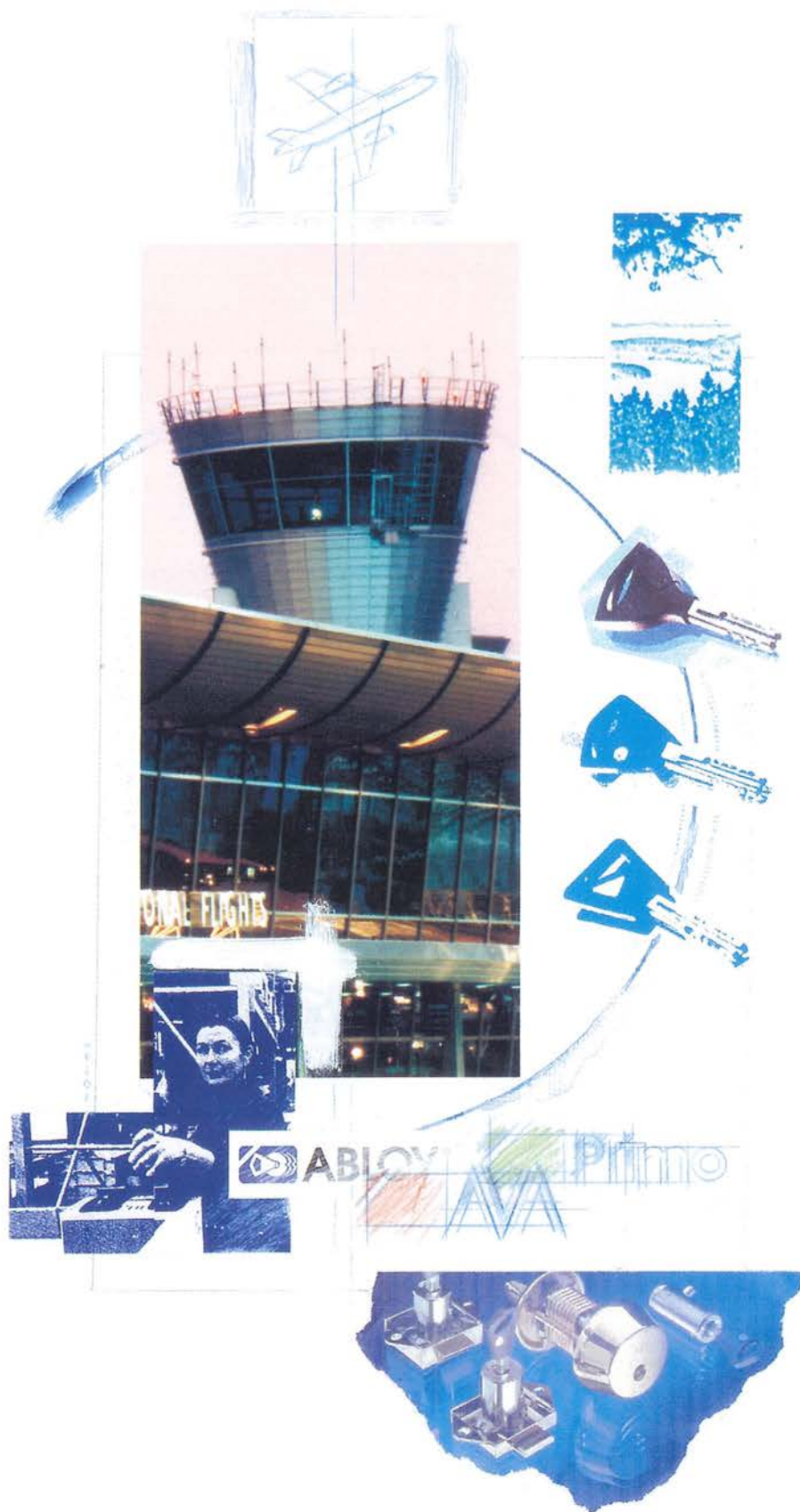
## Trends

SEK M	1998	1997	1996	1995	1994
Sales	887	847	752	745	696
Average No. of employees	834	859	804	783	856

## Sales by product group



# High quality trend increases demand



**S**ales by units within the Finnish organization amounted to SEK 811 M (744) in 1998, representing organic growth of 8 percent.

Exports to Group companies in other countries amounted to SEK 198 M, and other exports totaled SEK 125 M.

ASSA ABLOY's operations in Finland are conducted by Abloy Oy, which manufactures and markets mechanical and electromechanical locks, door closers, fire alarm system handles and fittings under ABLOY and PRIMO brand names.

## Products

Abloy Oy launched several new products in domestic and export markets in 1998. ABLOY EXEC, a high-security cylinder, was developed further, and sales increased in key export markets. There was also further development of the "intelligent" ABLOY EXEC ID products.

The new plant for door closers, manufactured primarily for the American market, achieved full capacity during the year. This project has proved highly successful, and is making a contribution to Abloy's earnings growth. The product portfolio has been supplemented by a series of high-quality door closers for the European market, introduced in Sweden during the autumn. A new range of door closers for fire doors was also introduced during the year in Finland and certain export markets.

Continued growing demand was noted



for ABLOY's electromechanical locks with various types of network links.

### Markets and market trends

Demand for products offering higher quality and security has become increasingly significant in Finland in recent years. The trend may be seen particularly clearly in growing sales of Abloy's door-closer systems and more expensive brass products.

Abloy is the world's leading product development and manufacturing company in electromechanical lock technology. Continued strong growth was noted in this sector during 1998.

Strong growth in the domestic market, which started toward year-end 1997, was sustained early in 1998, but leveled off later in the year. The slightly lower demand during the latter part of 1998 was due in part to uncertainty among industrial customers as a result of the turbulent situation in Russia. Combined with uncertainty about markets in Asia, Abloy's export sales were affected negatively during the latter part of 1998, although overall 1998 was also a good year for exports.

Abloy's unique standing as a supplier of industrial locks to telecommunication companies led to continued success during the year, and contracts were booked in new markets such as Mexico and South Africa. Sales of industrial locks and padlocks increased in several countries, including Poland and the United States. Among more notable orders in 1998 was a

contract booked in Washington, D.C. for parking meters. Production of door closers tripled compared with the preceding year, with the US, the UK and Scandinavia accounting for the strongest growth.

Potential new markets have emerged in China and India, where Abloy is now strengthening its presence with new products introduced through ASSA ABLOY's sales companies in Singapore and Hong Kong.

Continued favorable business development is expected in 1999 in line with customer demand for higher security, higher quality and new solutions.

### Trend towards higher security

Increased customer demand for higher security has characterized the market throughout the 1990s. The trend is reflected today by a new focus on integrated lock systems that offer high security and user-friendly features. In the past, locks for private homes were exclusively designed for exterior doors. This presents new challenges as Finnish customers increasingly demand systems that include window locks.

Increased use of access-control systems and automatic doors has generated strong growth for electromechanical locks, both in Finland and in export markets. Other market segments experiencing strong growth include the retail and banking sectors, where longer hours of business and growing crime are creating a demand for various types of timer locks.

## Finland

### Abloy Oy

Lock cylinders, mechanical and electromechanical locks, door closers and fittings.

*President: Matti Virtaala*

### Abloy Oy's business areas

Construction Locks – Manager: Kari Mononen.

Industrial Locks – Manager: Jouni Pitko.

Electromechanical Locks – Manager: Matti Ahola.

Building Hardware – Manager: Kyösti Sormunen.

Door Closers – Manager: Markku Kuivalainen.

### Abloy Oy Eesti Filiaal

Markets and sells Abloy products.

*Manager: Ahti Ovaskainen.*

### Abloy Security Ltd. Pty., Australia

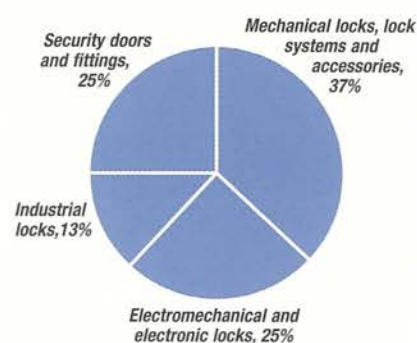
Markets and sells Abloy products.

*President: Joe Lahoud.*

## Trends

SEK M	1998	1997	1996	1995	1994
Sales	811	744	620	642	545
Average No. of employees	970	905	849	844	998

## Sales by product group



# Internal merger strengthens market leadership



**S**ales by units within the Norwegian organization amounted to SEK 513 M (531) in 1998, representing organic growth of 5 percent.

Exports to Group companies in other countries amounted to SEK 30 M, and other exports totaled SEK 29 M.

Norwegian operations consist of TrioVing a.s., which manufactures and sells security products primarily to customers in the domestic, project and consumer market, and Grorud Industrier a.s., which mainly produces hardware for OEM markets. It has been decided to merge Grorud with TrioVing. Låsgruppen, another company in the Norwegian organization, consists of several important security product retailers primarily marketing TrioVing products. Låsgruppen sold two business units in Hamar and Bergen during the year.

## Products

TrioVing is the leading brand in the Norwegian lock market. The company operates with a broad portfolio of both its own and Group products, with the aim of offering total solutions for end-customers.

Grorud manufactures fittings for doors and windows, as well as a broad program of snap-in hinges that simplify the assembly of doors in the workplace. New versions of snap-in products that prevent



personal injury were introduced during the year.

All zinc casting operations were transferred from the Group's other Norwegian units to Grorud in 1998, as well as part of the Swedish volume.

### Markets and market trends

Construction activity was strong during 1998, but some decline was noted in the fourth quarter as a result of some turbulence in the Norwegian economy. Several large projects, including Norway's Gardemoen Airport and the new National Hospital have been completed, or soon will be, triggering a shift toward the retrofit sector, with an emphasis on industrial and office buildings, where the need for security products is particularly significant.

Grorud's activities developed unfavorably in 1998 as a result of much lower volume orders from two of the company's most important export customers in the U.S. and Japan. The merger of TrioVing and Grorud is expected to provide significant marketing benefits and lower administrative expenses.

Låsgruppen sold two locksmith businesses in 1998. The new owners have structurally coordinated the activities acquired with their own operations to provide more complete coverage and service for security products and installa-

tions. In the future, Låsgruppen will continue to be a crucial factor in the Norwegian locksmith market, offering a full range of products and services with a higher security content.

### Trend towards higher security

Demand for high-security products in the Norwegian market has been weak for several years. Following the successful merger between TrioVing and MöllerUndal, a strategy focusing on a higher degree of security was introduced which is expected to generate strong future growth in the Norwegian market. Development of TrioVing's security center is an important part of this strategy. TrioVing Twin, a new cylinder program introduced during 1997, was a highly successful product in 1998, gaining significant market shares. The Twin product program offers the highest degree of security and meets future requirements for patented key control and a high degree of protection against damage and manipulation.

The merger of Grorud and TrioVing will provide improved potential to develop products that meet higher security requirements in the door and window industry.

## Norway

### Grorud Industrier a.s.\*

Manufactures fittings for doors and windows.

President: Tore Glenne

### Låsgruppen a.s.

Markets and sells locks and fittings.

President: Björn Haugsvaer

### TrioVing a.s.\*

Total supplier of locks and security products for the Norwegian market.

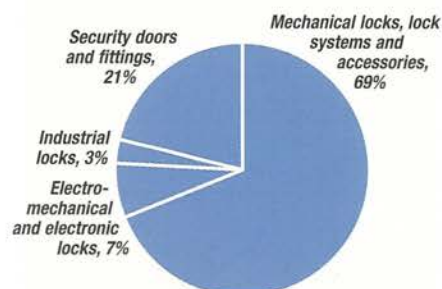
President: Tor-Arne Jensen

\*Grorud will be merged with TrioVing in 1999.

## Trends

SEK M	1998	1997	1996	1995	1994
Sales	513	531	346	235	232
Average No. of employees	503	531	413	272	271

## Sales by product group



## Focus on high security increases market share



**S**ales by units within the Danish organization in 1998 amounted to SEK 301 M (288), representing organic growth of 3 percent.

Exports to Group companies in other countries amounted to SEK 27 M and other exports totaled SEK 37 M.

ASSA ABLOY's operations in Denmark are based on proprietary products manufactured by A/S Ruko and products made by Group companies in other countries, such as Assa, Abloy, FIX and VingCard. Sales of products manufactured by other Group companies increased in 1998, and Ruko also strengthened its market position during the year.

### Products

Ruko's production is focused on locks and cylinders, with particular emphasis on high-security master key systems. Sales of electromechanical locks assumed greater importance during the year.

Ruko acquired the rights to Superlock and Keybank software programs in 1998. These programs, which are used for calculations for master key systems, are now sold in Denmark and export markets as Ruko A2 Software. This software permits the simple computation of optimal security solutions for large organizations and achieves satisfactory control over all keys



in a master key system.

The Ruko Service A/S subsidiary, with three regional offices in different parts of Denmark, cultivates the after-sales market. FIX A/S, another subsidiary, manages OEM sales to the Danish door and window industry.

Ruko has developed a new range of stainless steel fittings based on a superellipse design. Marketed under the FUNXION brand name, the new fittings will be distributed through local ASSA ABLOY companies all over the world.

### Markets and market trends

The Danish construction market was characterized by relatively sluggish development during the year, but Ruko maintained its high market share. A two-week nationwide strike in the spring of 1998 led to some loss of sales.

During 1998, considerable effort was devoted to the introduction of new forms of cooperation with Danish locksmiths, with strong focus on increased sales of high-security cylinders and related products. A number of Ruko security centers were established as part of this program. The security centers are staffed with specially trained personnel to promote sales and offer services related to the Group's mechanical and electromechanical products and access control systems.

Ruko's close cooperation with wholesalers and retailers and new forms of cooperation activities described above are

expected to generate continued strong sales growth and maintain the company's strong market position.

The expanded product range marketed by FIX A/S proved successful in sales terms. Since sales are based on commission, most of the growth is reflected in the results achieved by manufacturing units in Sweden and Norway.

### Trend towards higher security

When Ruko was founded by locksmith RUDOLF KOoreska in 1930, the company's activities were concentrated on security locks and cylinders. Rudolf Koreska was a visionary who understood the importance of information and training to increase market awareness of the need for security products. In 1941, he published a book on the reliable and effective installation of locks. The tradition lives on today through Ruko's range of high-security products and new developments in the distribution chain, as reflected in Ruko's Security center. Development of the Combi range, the next generation of Ruko's most sophisticated security cylinders, is now completed, ready for a market launch in early 1999.

## Denmark

### A/S Ruko

Total supplier of locks and security products in the Danish market.

President: Carl Trock.

### FIX A/S

Sells ASSA ABLOY products to the Danish door and window industry.

President: Keld Madsen.

### Ruko Service A/S

Supplies after-sales service for lock systems.

President: Carl Trock.

### ASSA-Ruko Sicherheitssysteme GmbH

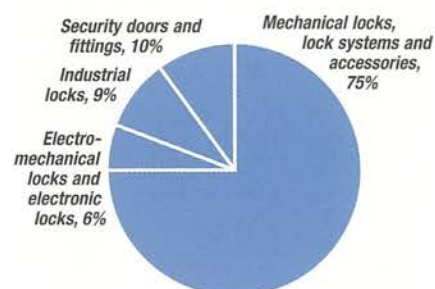
Markets and sells Assa and Ruko lock program in the German market.

President: Svend Mølgaard Petersen.

## Trends

SEK M	1998	1997	1996	1995	1994
Sales	301	288	268	284	233
Average No. of employees	320	327	318	301	299

## Sales per product group



## GERMANY:

# Chasing costs pays off in a weak market



**S**ales by units within the German organization in 1998 amounted to SEK 583 M (533), representing organic growth of 1 percent.

Exports to Group companies in other countries amounted to SEK 0,9 M. Other exports amounted to SEK 146 M.

ASSA ABLOY's operations in Germany are based on IKON AG, a company established in 1926 and formerly known as Zeiss IKON AG. The company has a long tradition of expertise as a precision-engineering manufacturer and technological pioneer. In addition to locks and lock systems, the German company previously manufactured cameras, optical and measuring instruments under the name Zeiss

IKON. Today, IKON's production is concentrated on lock cylinders and lock systems. The company has become Germany's leading supplier of sophisticated system solutions.

The IKON Group also includes BAB IKON GmbH, Wilhelm Dörrenhaus GmbH and three sales companies, Dupéray S.A. in Belgium, Ambouw B.V. in the Netherlands and IKON Cully S.A. in Switzerland.

### Products

Over the years, IKON has supplied a large number of lock systems. Extension, service and renewal of these systems account for more than two thirds of the company's sales. The product range is based on complete lock systems. Other product areas include electromechanical locks, industrial cylinders and products for access-



control systems. There is a steady increase in renewals, service and the need for higher security.

The BAB IKON GmbH subsidiary manufactures lock cylinders in Potsdam. Wilhelm Dörrenhaus GmbH, based in Heiligenhaus near Düsseldorf, which was acquired in early 1998, produces lock cases. The integration of Wilhelm Dörrenhaus GmbH offers marketing and administration synergies, and broadens IKON's product range to provide a more complete package. Considerable effort has been devoted to reorganization of the company, making it a modern production plant. This has involved weeding out unprofitable products, for example, and introducing simpler work flows. The aim has been improved customer service and more efficient production.

### Markets and market trends

New construction in Germany has declined in recent years, following the high level of activity after reunification. The deficit in public finances has reduced public sector investments and subsidies to the construction industry. IKON primarily concentrates on sophisticated systems mainly supplied to large organizations and the public sector, where the trend is weak.

During recent years, the IKON Group has worked hard to reduce delivery times and improve delivery reliability. IKON is now the market's most flexible supplier and offers the shortest delivery times.

Determined efforts to reduce costs and increase operating efficiency have been highly successful. The IKON Group's pro-

fitability improved sharply, compared with the preceding year, despite weak market conditions. It is expected that the improvement in earnings will continue. A continued focus on product development and marketing, supported by the improved delivery service, is expected to further strengthen IKON's market position.

The fragmented Germany market will probably undergo structural change during the next few years. The Group plans to play an active role in this process.

### Trend towards higher security

The standards and security levels of locks and lock systems in the German-language countries of Europe are very advanced. A large number of companies and private individuals use sophisticated lock systems. DIN (Deutsche Industri Norm), the German standards authority, makes stringent demands on security products. New products that offer higher security are introduced by several suppliers every year. IKON is the leading developer and supplier of lock systems and cylinders. With its large base of installed locks and lock systems, IKON commands a unique position in the German after-sales market.

New mechanical solutions and, in particular, combinations of electronic and mechanical locks, offer interesting new solutions that meet constantly increasing security requirements. IKON will continue to focus strongly on development, production and sales of new high-security products.

## Germany

### IKON AG Präzisionstechnik

Mainly manufactures and sells high-security cylinders and advanced lock systems.

President: Eero Leskinen.

### BAB-IKON GmbH Schliesstechnik

Mainly manufactures and sells small lock systems and standard products.

President: Eero Leskinen.

### Wilhelm Dörrenhaus

Manufactures and sells standard and special lock cases, mainly for wooden doors.

President: Eero Leskinen and Dietger Dörrenhaus.

### Ambouw B.V.

Markets and sells locks and building hardware in the Netherlands market.

President: Bernd Zierleyn.

### Dupéray S.A.

Markets and sells a complete range of lock products and fittings in the Belgian market, mainly supplied by IKON.

President: Frans Quix.

### IKON Cully SA

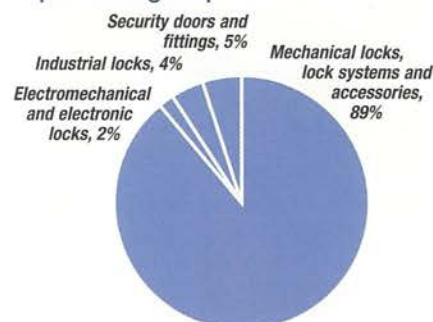
Markets and sells IKON and BAB-IKON products in the Swiss market.

President: Ugo Zanolari.

## Trends

SEK M	1998	1997	1996	1995	1994
Sales	583	533	501	574	569
Average No. of employees	771	697	717	817	964

### Sales by product group



## Growth as a result of new sales channels and higher security requirements



**S**ales by units in the British organization amounted to SEK 266 M (236) in 1998, representing organic growth of 7 percent.

Exports to Group companies in other countries amounted to SEK 3 M and other exports totaled SEK 17 M.

ASSA ABLOY's operations in the United Kingdom are conducted through three companies: Assa Ltd., Abloy Security Ltd. and Grorud Industries Ltd. The primary focus is on customers with high security requirements, such as schools, hospitals, public authorities, large companies and the armed forces. The main sales channels are specialized security system dealers, building products suppliers and OEM customers.

ASSA established its first sales office in London in 1946. Current operations are located in Croydon, to the south of London, where ASSA Ltd. was formed in 1986. Abloy Ltd. was founded in 1982 as a sales company for the Finnish company, Abloy Oy, with operations based in Watford to the north of London. Grorud opened a plant in the UK in 1959 for the manufacture of wood-machining tools. The current operation was established in 1988 in Consett in County Durham, in the north of England.

### Products

The main products are mechanical and electromechanical locks, access-control



systems, padlocks, industrial locks and window locks. Escape fittings are another product area which is becoming increasingly important.

ASSA and Abloy mainly sell products manufactured by other Group companies. Grorud, on the other hand, has its own production operations and is primarily a supplier to UK window and door manufacturers.

### Market and market trends

On the whole, there was strong growth in the UK construction market during 1998, although some stagnation could be noted in the latter part of the year. Restraints have been applied to overall public expenditure, but increased funds were channelled to health care and education services, which are significant market segments for ASSA and Abloy.

ASSA ABLOY's UK subsidiaries won a number of important orders during the year, including a total contract with Wales Public Libraries, reflecting a growing tendency in the construction industry to order all products from a single supplier. Increased sales activity was also noted in connection with the upgrading of school buildings in Scotland, focusing on emergency exit systems, door handles, cylinder locks and hinges.

During the year, a review of the product range was initiated, with a view to eliminating unprofitable items from the ranges of the companies concerned.

### Trend towards higher security

The trend towards higher security and higher quality in the UK construction market can be seen particularly clearly in increased demand from the institutional and public sectors. This is one result of the official Latham Report, which emphasizes the importance of focusing on the total life-cycle cost of building projects rather than the initial construction cost. This benefits suppliers of quality products, such as the ASSA ABLOY Group.

The legal protection against unauthorized copying of keys, previously provided by copyright, has now been withdrawn. As a result, there is a growing shift in favor of quality products with full patent protection.

## United Kingdom and Ireland

### Abloy Security Ltd.

Primarily markets and sells Abloy electromechanical locks, padlocks and industrial locks.

President: Robin Rice.

### ASSA Ltd.

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

President: Duncan Horton.

### Grorud Industries Ltd.

Markets and sells door and window fittings.

President: Bjørn Mønster.

### Abloy Security Ltd., Ireland

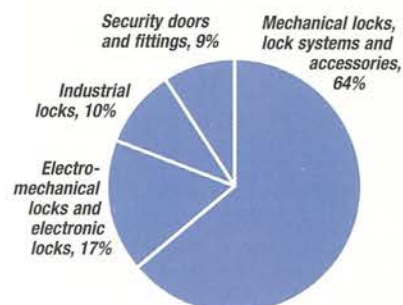
Markets and sells Abloy products in Ireland.

President: Robin Rice.

## Trends

SEK M	1998	1997	1996	1995	1994
Sales	266	236	168	252	146
Average No. of employees	132	147	131	108	104

## Sales by product group



# Evacuation security requirements generate growth

**S**ales by units within the French and Belgian organization amounted to SEK 1,504 M (844) in 1998. This corresponds to organic growth of 3 percent.

Exports to Group companies in other countries amounted to SEK 3 M, and other exports totaled SEK 266 M.

ASSA ABLOY's operations in France comprise the JPM, Laperche, Vachette and Bezault subsidiaries and the Litto lock manufacturing operation in Belgium. These companies all have venerable traditions. JPM, which is the oldest, was founded in 1645 by Jean Paul Maquennehen, a clockmaker who started a lock factory 200 km northeast of Paris.

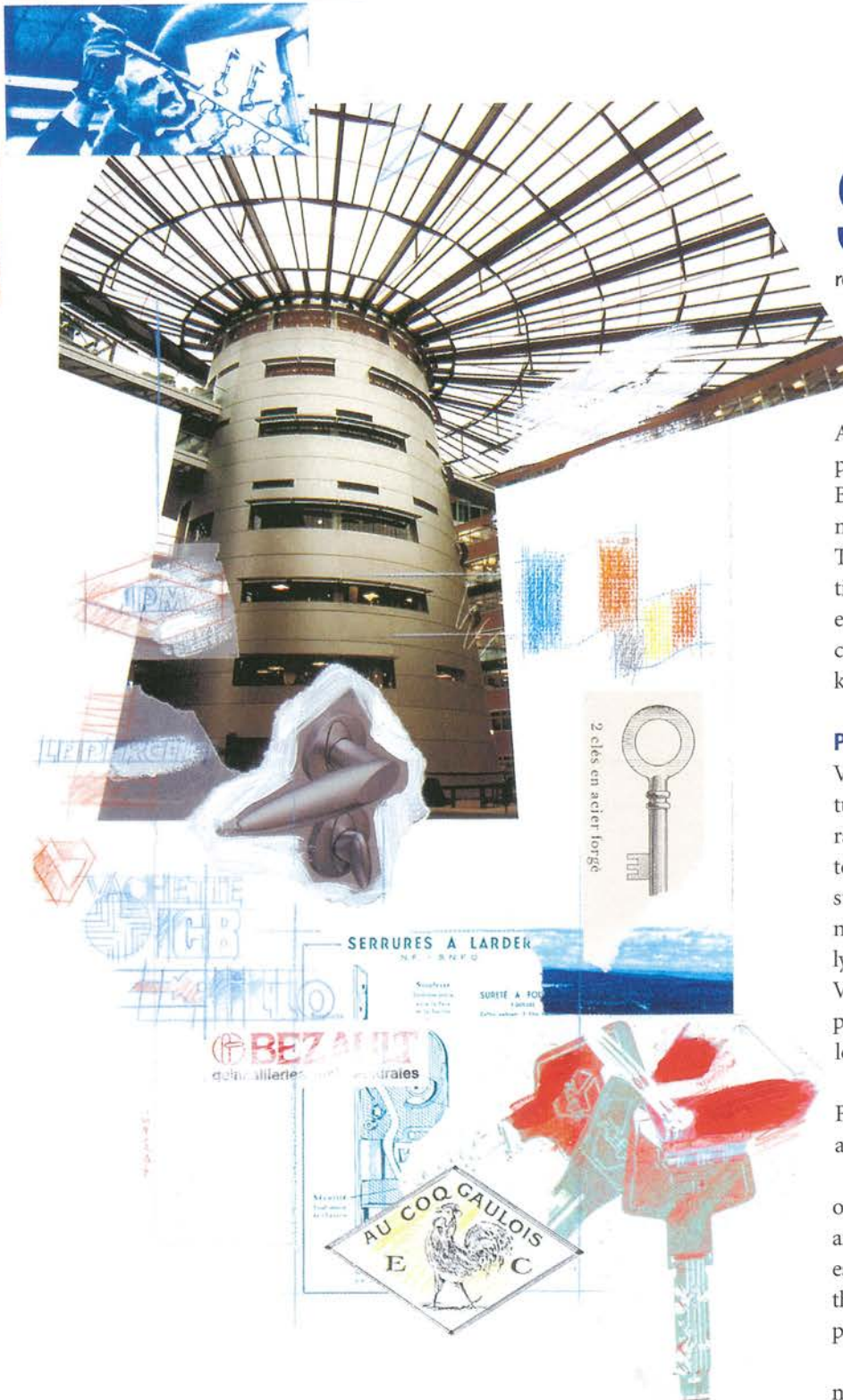
## Products

Vachette is now France's leading manufacturer of a complete line of lock cylinders, ranging from simple standardized models to high-security cylinders. Vachette's state-of-the-art product is the Radial model, a multi-pin lock offering extremely high security and a number of options. Vachette also manufactures lock cases, panic bars, escape devices, industrial locks, padlocks and furniture locks.

Bezault, which was founded in 1870, is France's leading manufacturer of door and window fittings.

JPM is Europe's leading manufacturer of panic bars and emergency exit fittings, and hence plays an important part in the establishment of European standards for this expanding product range. The company also makes locks and lock cylinders.

Laperche manufactures electromechanical locks, mortise and rim locks and





cylinders. The company is particularly well known for its high quality multipoint locks.

Litto in Belgium mainly manufactures high-security cylinders and interior-door locks for the Belgian market, where the company occupies a leading position. The Litto trademark is associated with high quality and is well known in the Belgian market.

#### Market and market trends

The French units made an excellent start in 1998. Development in the first half of the year was considerably better than in the corresponding period in 1997, but sales in the third quarter were less than in the preceding year. There was a recovery in the fourth quarter, however.

Vachette, the largest unit, increased its share of the domestic market during the year. The launching of new products at the end of the year is expected to contribute to new growth in the future.

JPM has successfully exploited the growing French market during 1998, thus breaking the stagnant volume trend of recent years. The panic bar product area achieved satisfactory growth, particularly in export markets. It is expected that this growth pattern will be maintained, especially in view of the new export channels for JPM within ASSA ABLOY.

Bezault also reinforced its position during the year and exports to other Group companies increased substantially.

During the year, Laperche concentrated on higher productivity, resulting in more rapid deliveries and lower inventory costs. The sub-critical and loss-making ICB ope-

ration supplying access control products for major facilities such as airports was divested in early 1999. ICB sales amounted to FFR 23 M.

Litto's operations in 1998 were characterized by a focus on quality, and the company received ISO 9001 quality certification during the year. Growth was particularly marked in master key systems.

The elimination of unprofitable items and products unrelated to locks commenced during the year. This affected sales to some extent. This process will continue in 1999 and, in combination with the divestment of ICB, is expected to reduce sales by FFR 20-25 M.

#### Trend towards higher security

There continues to be considerable demand for quality and high-security products, combined with a greater degree of user friendliness. There is a steady increase in the demand for panic bars and escape fittings as a result of the increased focus by institutions in an increasing number of countries on safe emergency exits for premises to which the public has access. Vachette and JPM dominate this market. JPM developed the world's first escape fittings as early as 1970.

In Belgium, Litto has taken steps to encourage the trend towards a higher level of security. The company has, for example, developed a new high-security cylinder and launched campaigns for a security program for the Belgian market.

## France/Belgium

### ASSA ABLOY S.A. 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 fittings.

President: Michel Brassié.

### JPM S.A.

Manufactures and sells locks, cylinders, panic bars and escape fittings.

President: Claude Alemany.

### Laperche S.A.

Manufactures and sells locks, multipoint locks, cylinders and electromechanical locks.

President: Robert Fidanza.

### Vachette S.A.

Manufactures and sells a comprehensive line of products mainly comprising locks, multipoint locks, high-security cylinders, panic bars and escape fittings.

President: Bo Dankis.

### Litto n.v.

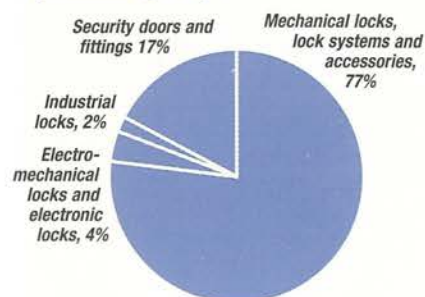
Manufactures and sells locks and cylinders, with an emphasis on high security.

President: Fernand Clapdorp.

## Trends

SEK M	1998	1997	1996	1995	1994
Sales	1,504	844	-	-	-
Average No. of employees	1,989	1,180	-	-	-

## Sales by product group



# Increasing security requirements stimulate growth



**S**ales by units within the Czech organization in 1998 amounted to SEK 186 M (68).

This corresponds to organic growth of 11 percent.

ASSA ABLOY's operations in the Czech Republic are conducted via FAB a.s., consisting of four local manufacturing units in the Czech Republic and a subsidiary in Slovakia. FAB has been the largest lock manufacturer in the country ever since its establishment in 1911, and is currently rated as one of the Czech Republic's most successful companies in any category. Production of cylinders and related items commenced in the 1930s. The manufacture of vehicle locks, the company's second major area of operations, started in the 1950s.

## Products

FAB's current range comprises construction locks (cylinders, lockcases and rim locks), industrial locks, padlocks, cable locks and car locks. During the year, FAB launched several new products to meet higher security specifications, including new types of



industrial locks and door locks.

Car locks are made by a special production unit. Motor industry requirements differ from those of other customers, particularly as regards technical specifications, quality control and just-in-time supply routines, integrated with the final phases of the vehicle assembly process. The electronic aspects of car locking systems are becoming more pronounced as transponders are incorporated as a key component. FAB's contract for locks for Skoda's new Octavia model was an important order in 1998.

#### Market and market trends

Despite a decline in economic activity in the Czech Republic during the year – for example in the construction sector – FAB increased its sales by 11 percent, largely due to increased demand for more secure locks. Higher sales to Skoda were also an important factor.

FAB managed to win new customers and contracts during 1998. The largest and most important order was placed by SPT Telecom, the leading telecom operator in the Czech Republic.

On the whole, the outlook for 1999 appears to be satisfactory, although the

recovery of the Czech economy is obviously a crucial factor.

#### Trend towards higher security

Crime has increased steadily in the Czech Republic in recent years, leading to greater concern about security on the part of customers and a more active stance by the insurance companies. This has led to stiffer requirements on customers and locking systems.

During the year, ASSA ABLOY and FAB decided to set up a sales company in Prague, based on project sales. The aim is to achieve maximum compliance with the requirements for locks for new buildings. Greater awareness of security aspects as a result of the increase in crime is also expected to result in higher sales for master key and other high-security products.

## Czech Republic

#### FAB a.s.

Manufactures building locks and mechanical security products.  
*President: Zdenek Remes.*

#### FAB DhoulaVes

manufactures car locks.

#### FAB-Kostele nad Orlici

manufactures padlocks and cable locks.

#### FAB-SedloloV

manufactures electrical accessories and furniture locks.

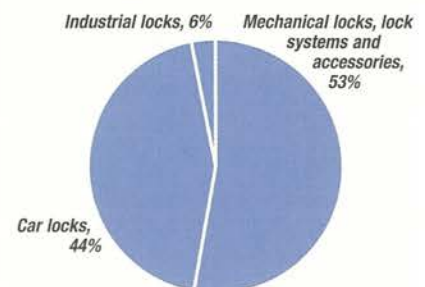
#### FAB SLOVAKIA s.r.o.

manufactures lockcases; markets and sells other FAB Group products.  
*President: Jaroslav Holzer.*

## Trends

SEK M	1998	1997	1996	1995	1994
Sales	186	68	-	-	-
Average No. of employees	892	385	-	-	-

## Sales by product group



UNITED STATES:

## Major acquisitions provide a broader product base





**S**ales by units within the American organization in 1998 amounted to SEK 2,916 M (2,402). This corresponds to organic growth of 9 percent.

Exports to Group companies in other countries amounted to SEK 13 M and other exports totaled SEK 149 M.

In its sector, ASSA ABLOY is the second-largest company in the American market.

Operations are conducted by seven companies: ASSA, Arrow, Abloy, Sargent, Curries, Graham and McKinney. Further companies were acquired during the year.

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

Products made by Curries, Graham, McKinney and Sargent are primarily designed to meet requirements of the commercial and institutional markets by offering a complete range of locks, lock products and steel and wooden doors.

During the year, the US Group's position was strengthened by a number of acquisitions. Medeco Security Locks, the leading high-security cylinder company in the U.S., was acquired during the first half of the year, and consolidated into operations as from July 1. Later in the year, Securitron Magnalock, the leading magnetic lock company, was acquired. Both these

acquisitions are important from a strategic viewpoint and are achieving satisfactory growth as higher security requirements become increasingly stringent. Medeco also has extensive sales in Canada. In combination with the acquisition of Abloy Canada in the autumn, Medeco substantially reinforced the Group's position in the Canadian market. Abloy Canada has been Abloy's independent distributor in the Canadian market for the past 30 years.

Another important event which strengthened ASSA ABLOY's presence in the New York area was the purchase of New England Lock & Hardware Company, including the rights to the legendary Segal product range.

In all, these four acquisitions, in combination with continued growth in the existing units, resulted in further reinforcement of ASSA ABLOY's position in the North American market. In addition, the acquisitions broadened the distribution network.

### Products

The acquisitions resulted in a broader product base, but existing companies also launched a number of new successful products.

The purchase of Medeco Security Locks gave the Group a broad spectrum of high quality products. Medeco's lock cylinders for doors and industrial applications are

leading products in the American market. Medeco's product program also includes electromechanical and high-security locks.

In addition to magnetic locks, Securitron is also the market leader in escape systems and a major player in high-security switches.

Sargent's introduction of the Finnish-made door closer program on the North American market was very successful. In addition, Sargent developed a new cylindrical lock in cooperation with Arrow. Other new products include a new, innovative emergency exit system for double doors and an automatic door-opening system.

During the year, Graham successfully upgraded its entire product program and is now offering a complete range of architectural systems for plywood doors with fully linked lock cases.

Curries and McKinney also enhanced and developed their respective hollow metal doors and hinge product lines.

### Markets and market trends

On the whole, American operations developed favorably during 1998, although the first half of the year was somewhat mixed, with an extremely strong start followed by a decline in the second quarter. The second half of the year was considerably more stable, even if growth was slightly lower

than in the corresponding period in 1997.

Abloy continued to focus on the industrial market. Further development occurred in a number of niche markets, and growth is expected to continue in 1999. Assa retained its position as a manufacturer of high-security door lock products, and achieved some breakthroughs in the institutional market.

Curries improved its strong performance further during the year. Product lead-times were reduced appreciably as a result of changes in the order scheduling process. Shorter lead-times also helped to reduce inventory costs.

After a year with a 34 percent growth (1997) Graham's sales has increased by 27 percent in 1998, resulting in higher market shares. During the year, growth received an additional boost as the result of the introduction of a completely new range of wooden doors at the beginning of the year. McKinney's sales also increased substantially for the second year in a row, despite greater competition. During the year, the McKinney operation was consolidated with its fellow subsidiary, Sargent. Both companies now have the same management.

Restructuring of Sargent in recent years bore fruit in 1998. Operations are more closely focused on individual product lines, for example cylindrical locks, emergency exit solutions and door closers. Restructuring has resulted in shorter lead-

times, higher efficiency and better quality. It also improved the prerequisites for product development, leading to the launching of a number of new products during the year. This trend is expected to continue during 1999.

Following their acquisition, Medeco and Securitron developed positively after their consolidation into the Group. Medeco is developing a number of interesting products for the industrial lock sector which are due to be launched during 1999, including locks for parking meters and payphones. Securitron's growth continued during the year and new products are expected to lead to additional and more rapid growth in the future. Securitron's extensive distribution network will also provide a broader customer base for other Group companies.

Overall, ASSA ABLOY's American operations are expected to achieve further growth during 1999, although the growth rate will probably be lower than in the past two years.

**Trend towards higher security**

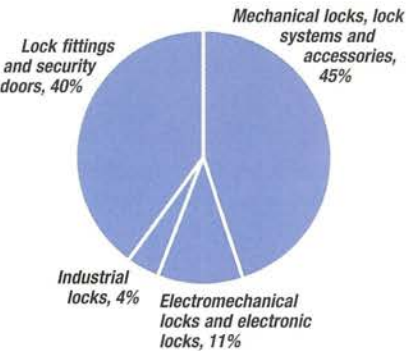
When Mr. Segal introduced the "Jimmy proof" lock in 1912 in New York, this represented a major step towards greater awareness of door-security aspects. As a policeman, he had considerable experience of the way burglars operated. In principle, the situation is the same today, although current realities impose different

requirements – but also offer new opportunities. The breakthrough for electromechanical locks has established unique opportunities to combine a high level of security with user-friendly features. The growing need for security is changing the prerequisites for the entire door market and for the lock industry. ASSA ABLOY is well placed to meet this challenge.

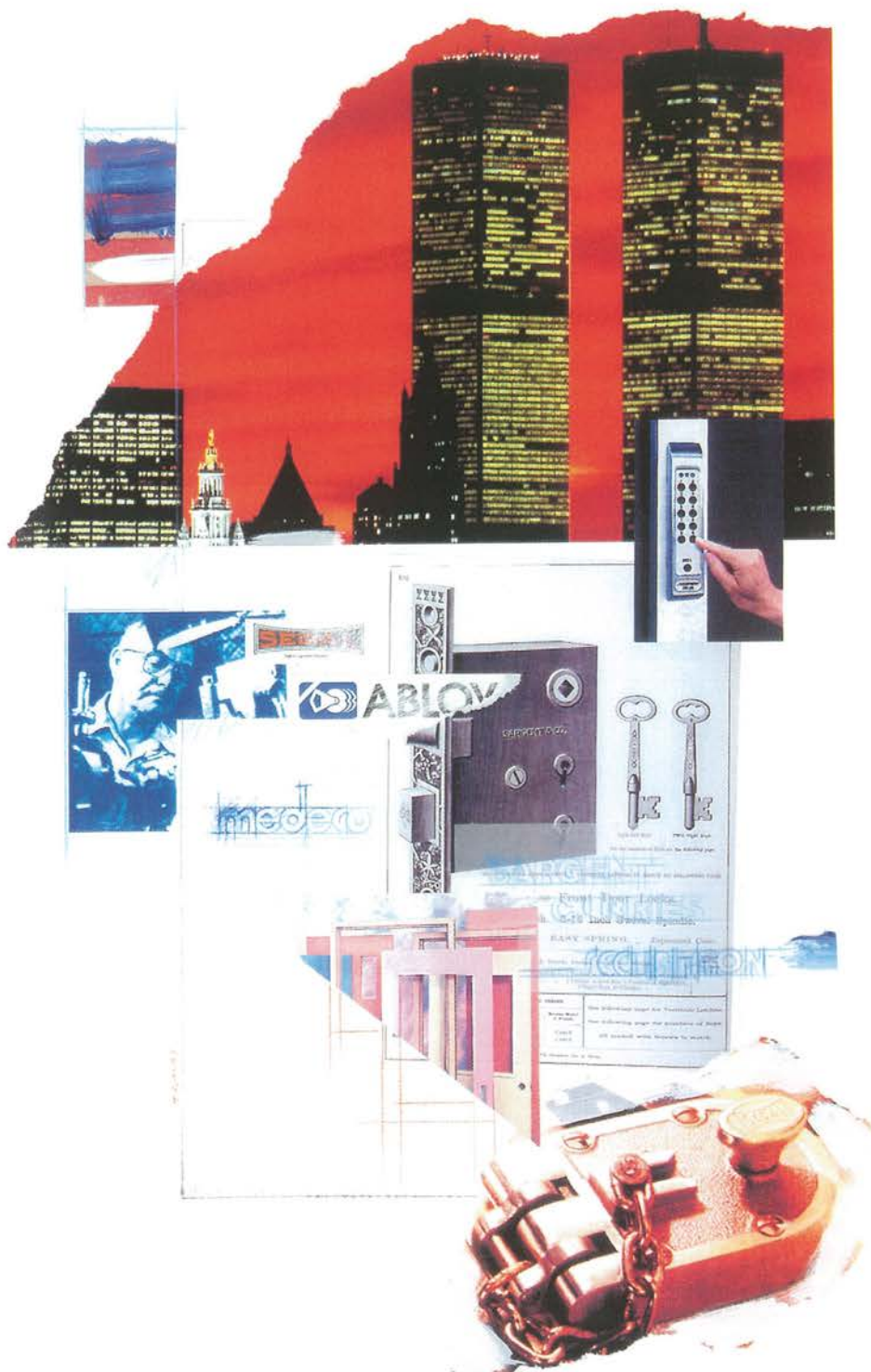
**Trends**

SEK M	1998	1997	1996	1995	1994
Sales	2,916	2,402	1,872	284	289
Average No. of employees	2,715	2,406	2,450	311	319

**Sales by product group**







## Units in the American organization

### **ASSA ABLOY Inc.**

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

*President and country manager: 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 an 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 security doors and steel door frames.

*President: Jerry N. Currie.*

### **ESSEX Industries Inc.**

Joint sales program for Curries, Graham, McKinney and Sargent.

*Vice president, Sales and Marketing: Joseph J. Hynds.*

### **Graham Manufacturing Corp.**

Makes wooden security doors.

*President: Jerry N. Currie.*

### **McKinney Products Co.**

Manufactures a broad, complete line of hinges.

*President: Thanasis Molokotos.*

### **Medeco Security Locks Inc.**

Market leader in high-security locks and lock systems for doors and industrial applications.

*President: Bernd-Dieter Wempen.*

### **NEL Corporation**

Primarily focuses on marketing and sales of exterior security house locks under the SEGAL brand.

*Director of sales: James Egan.*

### **Sargent Manufacturing Co.**

Focus on cylindrical locks, mortise dead locks, panic bars and door closers.

*President: Thanasis Molokotos.*

### **Securitron Magnalock Corp.**

A market leader in magnetic locks and other electromechanical lock products.

*President: Robert Cook.*

### **Abloy Canada Inc.**

Markets and sells Abloy's products in Canada.

*President: Steven Timmons.*

### **Sargent of Canada Ltd.**

Markets and sells Sargent products in Canada.

*General manager: Greg M. Erwin.*

### **Medeco of Canada**

Markets and sells Medeco products in Canada.

*Director: Alan Heaney.*

## A complex collage titled "MURBIS" in a stylized, blue, hand-drawn font. The collage includes several distinct elements: a digital door lock with a keypad (numbers 1-9, \*, 0, and a small icon) and a circular dial; a circular frame containing a stylized, abstract face with large eyes and a wide mouth; a street scene with buildings, mountains in the background, and a tall, thin tower; a coat of arms featuring a white eagle on a red shield; and a black and white portrait of a man with glasses. The background is a mix of light blue and white, with some faint, sketchy lines and shapes. The overall style is artistic and layered, suggesting a connection between technology, art, and urban environments.

## ASIA

ASSA ABLOY's regional head office was established in Singapore in January 1996. As a result of the acquisition of Secureware International Pte and Abloy Security Pte Ltd. in Singapore in 1997 and the Precise Security Ltd. distributorship in Hong Kong in 1998, the Group has acquired a satisfactory platform for sales in the region. ASSA ABLOY's sales primarily consist of lock products for commercial premises and institutions. The banking, oil and telecom industries are also important customers for industrial locks. These customer categories have been less affected by the economic downturn in Asia.

The strong economic growth in China will probably slacken slightly, although the outlook in China and Taiwan is considered to be satisfactory. As the values at stake increase, both commercial and institutional customers are demanding higher levels of security. An increasing number of customers specify and can afford quality locking systems offering a high degree of security.

There is increasing awareness of security aspects throughout Southeast Asia, and this provides the prerequisites for continued satisfactory growth, with demand ranging from the secure transportation of high-value shipments to the protection of military installations, telecom equipment and other sensitive and valuable items. Customers include Ericsson, Nokia, Cisco and Singapore Airlines.

## MEXICO

Scovill Locks was founded in 1958 as an assembly plant for Schlage Lock, a U.S.



company. During the year, ASSA ABLOY acquired 49 percent of Scovill, with an option to acquire the remaining 51 percent within a three-year period. Scovill manufactures a number of lock-types, both tubular and cylindrical, and also makes door bolts, lobby locks and electronic hotel locks.

Scovill Locks has been a market leader in Mexico in the door lock sector for the past 20 years. Full-year sales in 1998 amounted to SEK 130 M. A strong customer base and strong brands enabled the company to take the lead in the development of new products.

Scovill Locks has developed special products for every segment of the market, ranging from simple, inexpensive locks for low-income groups to higher quality products for more affluent customers. Scovill considers that the market is ready for ASSA ABLOY's new high-security products.

Crime is steadily increasing in Mexico, particularly in the major cities in which 50 percent of Mexico's 100 million inhabitants live. As a result, Scovill Locks is making every effort to introduce a wider range of high-security locks. Incorporation into the ASSA ABLOY Group will facilitate the launching of new products. Scovill gives the Group access to a cost-effective production unit within NAFTA and close to the United States – one of the ASSA ABLOY Group's largest markets.

#### ROMANIA

ASSA ABLOY has been operating in the Romanian market since 1996 under the Assa, Abloy and VingCard names. Urbis, a local state-owned manufacturer with a market share of approximately 60 percent, was acquired on May 1, 1998. Full-year sales in 1998 amounted to SEK 50 M.

ASSA ABLOY Romania primarily sells products manufactured by Group companies in other countries. Comprehensive measures to improve production methods, products and marketing at Urbis are

currently being introduced. Development is primarily being implemented by the company's existing management personnel.

The Romanian economy continues to experience considerable problems. For the most part, Romanian industry is out of date, and an extensive privatization program is under way.

Romania's housing facilities and institutions require renovation. This is expected to lead to considerable construction activity in the next few years.

The company's Romanian units achieved satisfactory growth during 1998, and it is anticipated that development in 1999 will continue to be favorable.

#### POLAND

ASSA ABLOY's operations in Poland consist of Assa-Solid Poland, the market leader in the Polish high-security market. Sales during the year amounted to SEK 6 M. There is strong growth in this market and the agencies for Abloy and Boda products were taken over during the year, which is expected to result in a further increase in sales during 1999.

Examples of major projects include locking systems for Epstein, Warsaw's largest office block, and for the University Library, the largest university library in Europe.

#### THE BALTIC COUNTRIES

Group operations in the Baltic countries are conducted via the local sales offices of the Swedish and Finnish export organizations. Sales are continuing to grow in a satisfactory manner, and amounted to SEK 31 M. The crisis in Russia has also affected the Baltic countries, resulting in a slightly lower growth rate in lock sales.

### New markets

#### ASIA

**ASSA ABLOY Pte Ltd**

*President: Lennart Robertsson.*

#### MEXICO

**Scovill Locks, S.A. DE C.V.**

*President: Roberto Lebrija Castilla.*

#### ROMANIA

**Urbis Security S.r.l.**

*President: Jerry Pull.*

**ASSA ABLOY Romania S.r.l.**

*Country manager: Hans Johansson.*

#### POLAND

**Assa Solid Poland Spz.o.o**

*President: Danuta Zielecka.*

**ASSA ABLOY Poland Spz.o.o**

*Country manager: Hans Johansson.*

## Sales coordination leads to substantial synergies



**S**ales by VingCard units amounted to SEK 952 M (794) in 1998, corresponding to organic growth of 8 percent.

VingCard in Norway is the world leader in lock systems for the hotel market. Elsafe International was incorporated into the operations in 1997. Elsafe manufactures and sells digital safes for hotels.

The acquisition of Elsafe, which has roughly half the world market, supplements and reinforces VingCard's market leadership in hotel security systems. Coordination of sales and service between the two companies offers considerable synergies.

### Products

VingCard develops, manufactures and sells high-security lock systems and safes used by hotels and cruise ships. In 1998, installations included more than two million VingCard locks and 500,000 Elsafe safes. In all, it is estimated that approximately four million hotel rooms have electronic locks, which means that VingCard has a global market share of approximately 50 percent, with customers in 133 countries all over the world.

VingCard's business concept is based on card locks with magnetic strips which can be readily recoded for each new guest. Digital safes are also recoded for each new user. VingCard's flagship in the past year has been the Ving-



Card "Vision" check-in terminal. This work station, which is equipped with a touch screen, is user-friendly and easy for hotel personnel to master. When required, the built-in modem provides online access to VingCard's round-the-clock service. In addition the flexibility permits integration with other systems in the hotel concerned.

VingCard's product is unique in the sense that it constitutes a fully integrated electromechanical locking product which does not require a permanent link with a central computer since encryption is on a magnetic card.

### Market

VingCard's sales in Europe, the Middle East, Africa and the maritime sector developed strongly in 1998. Development was satisfactory in the U.S. market during the year, but the Asian market declined as a result of the economic crisis in the region.

There continues to be considerable potential for further growth. There are currently approximately 13 million hotel rooms throughout the world. Growth by up to two million new hotel rooms is anticipated during the next few years. Card locks are installed in four million rooms, half of which are equipped with VingCard products. There is a potential for new sales to existing customers – in the form of upgrades – and to hotels with traditional locks.

Restructuring of the VingCard plant in Moss in Norway has improved the effi-

ency of the product flow and improved the service level. An increased focus on after-market sales has also paid for itself in the form of greater customer benefits and higher profit.

Residential facilities on university and college campuses constitute a new customer category. This form of accommodation, in which students live in separate rooms in large complexes, resembles a hotel in many respects. A special unit, VingCard Persona, has been established to serve this market.

### Trend towards higher security

VingCard invented the recodable card lock in 1976, thus solving one of the major problems in the hotel business – keeping track of keys. Ever since, VingCard's business concept has been closely in tune with the trend towards higher security in the hotel sector. Wherever people sleep, they must be able to feel safe. The establishment of VingCard Persona is a further step in this direction.

At the same time, there is a growing need to protect hotel guests' property – for example passports, money and, to an increasing extent, laptop computers. Elsafe's product provides effective and convenient protection to meet this need.

## VingCard

### 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.

**Canada.** President: Larry Cechet.

**France.** President: Christian Henon.

**Germany.** President: Ansgar Frische.

**Hong Kong.** President: Tommy Leung.

**Japan.** President: Yoshimi Tsutaki.

**Singapore.** President: Fred Johansson.

**Spain.** President: Jorge Garcia Martinez.

**Thailand.** President: Phonlavit Manchakra.

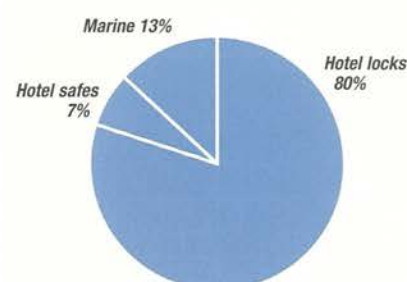
**UK.** President: Howard Witt.

**United States.** President: Terje Aasen.

## Trends

SEK M	1998	1997	1996	1995	1994
Sales	952	794	681	525	446
Average No. of employees	669	605	623	558	449

## Sales by product group



## REPORT OF THE BOARD OF DIRECTORS

The Annual Report of ASSA ABLOY AB (publ) [Corporate Organization number 556059-3575] contains the Group's accounts for the fiscal year January 1-December 31, 1998.

### Ownership

ASSA ABLOY's principal shareholders are Metra Oy Ab (24.9 percent of the capital and 35.4 percent of the votes), Investment AB Latour/SÄKI (10.2 percent of the capital and 19.5 percent of the votes) and Melker Schörling (4.2 percent of the capital and 5.5 percent of the votes). They are represented on the Board of Directors by Georg Ehrnrooth and Ole Johansson, Gustaf Douglas and Melker Schörling.

### Management

The Board determines the Group's overall strategy, and the acquisition of companies and real estate. In other respects, the Board is responsible for the organization and administration of the Group in accordance with the Swedish Companies Act. New instructions for the Board were drawn up in 1998.

The Board consists of seven members, two employee representatives and two deputy employee representatives. The Board meets on not less than four occasions a year, of which one is a meeting combined with a visit and an in-depth review of a country in which the company has operations. During 1998, the Board met on five occasions.

The auditors participate in the Board's annual year-end meeting and, as a result, no special auditing committee is appointed for this purpose.

The Group's management group consists of 13 persons. Geographical responsibilities are allocated within the management group to ensure rapid and short decision-making paths. The Group endeavors to achieve a non-hierarchical and simple organizational structure, and hence considerable emphasis is placed on decentralization of the decision-process.

In the annual budget process, the Board and Group management establish frameworks, laying the basis for a high degree of decentralization of the Group's operations. Joint financial and accounting policy establishes the financial control and monitoring framework.

### Important events

**Group coordination.** Benchmarking between the various units has produced results in the form of higher productivity and lower costs. Coordination of the various units within the Group continued during the year, with an increased number of intra-Group transactions. Several joint Group projects were implemented during the year.

**Acquisitions.** The Group's strategy for acquisitions in mature markets led to the acquisition of a total of 9 new companies in 1998. Overall, this is expected to increase sales by about SEK 700 M on a full-year basis. These acquisitions have increased the Group's goodwill by SEK 705 M and Group goodwill amortization by approximately SEK 37 M a year. In principle, no provisions have been made for restructuring costs in connection with acquisitions.

Acquisitions have been implemented in Europe in Germany, Poland, and

Romania. The total purchase price amounted to SEK 67 M, with SEK 5 M booked for goodwill, and the goodwill amortization period is 15 years.

Wilhelm Dörrenhaus GmbH, Germany's second largest lock case manufacturer, was acquired in January 1998. The company's sales in 1998 amounted to SEK 45 M. This acquisition represents a step towards achieving a broader product program in the German market.

ASSA-Solid Poland Ltd. was acquired in January 1998. This company, which is located in Warsaw, has been Assa's and Solid's agent for several years, with annual sales of SEK 6 M.

Urbis, the leading lock manufacturer in Romania, with 70% of the market, was acquired in April. Full-year sales amounted to SEK 50 M in 1998.

One acquisition was made in Asia, in Hong Kong. The purchase price amounted to SEK 2 M, with SEK 1 M booked for goodwill, and the goodwill amortization period is 10 years.

Precise Security Supplies (Far East) Ltd. was acquired in January 1998 via a newly formed company, ASSA ABLOY Ltd. Hong Kong. Precise Security Supplies has operated as Sargent's agent for several years. Sales in 1998 totalled SEK 8.0 M.

Acquisitions have been implemented in North America in Mexico, the United States and Canada. The total purchase price amounted to SEK 917 M, with SEK 699 M booked for goodwill. The goodwill amortization periods are 20 and 10 years, respectively.

During April, 49 percent of Cerrajeras Scovill was acquired. Scovill is one of Mexico's three leading lock manufacturers. The acquisition provides a platform for exports to several parts of Latin America. In addition, Mexico is a member of the NAFTA free trade area, thus giving the Group a cost-effective production unit close to the important U.S. market. ASSA ABLOY has an option to acquire the remaining 51 percent of the shares in accordance with a formula based on the company's profit trend. In 1998, the company's sales totalled approximately SEK 130 M. The company is consolidated in accordance with the equity method.

Medeco was acquired on July 1. This company is the leading U.S. manufacturer

### Acquisitions during 1998 (SEK M)

Date	Company	Country	Main operation	Sales
Nov. 1998	ABLOY Canada	Canada	Distribution	15
Oct. 1998	New England H&L	USA	Magnetic locks	16
Oct. 1998	Securitron Magnalock	USA	Locks	150
July 1998	Medeco	USA	High-security cylinders	400
May 1998	Scovill (49%)	Mexico	Locks	130
Apr. 1998	Urbis	Romania	Locks	50
Jan. 1998	ASSA-Solid Poland	Poland	Distribution	6
Jan. 1998	Precise Security Supplies	Hong Kong	Distribution	8
Jan. 1998	Dörrenhaus	Germany	Lock cases	45



of mechanical high-security cylinders for doors, payphones, gaming machines and parking meters. Medeco also plays an important part in the development and manufacture of electromechanical lock systems. Medeco has led the field in high-security products for more than 20 years, giving it a substantial installation base which generates more than half the company's sales.

ASSA ABLOY has a leading position in the American lock market. As a result of the acquisition of Medeco, the Group will have access to the leading cylinder brand in the U.S., thus reinforcing the product program for the new-building construction market. In addition, Medeco's base of installed products will strengthen ASSA ABLOY's position in the after-market and create potential for additional sales of lock products, utilizing the excellent co-operation with locksmiths developed by Medeco over the years.

Medeco is located in Salem, Virginia and has approximately 500 employees. Manufacturing is highly automated and the company shows satisfactory profitability.

Full-year sales in 1998 totalled SEK 400 M.

Securitron Magnalock is the leading manufacturer of magnetic locks and electronic panic bars in the United States. The acquisition of Securitron supplements the Group's operations by adding an important category of electromechanical lock products to the range and opening up new distribution channels for this type of product. The market for electromechanical lock products is one of the most rapidly growing segments in the lock market, partly because it involves key components used in all electronic security systems. Full-year sales in 1998 were approximately SEK 150 M.

New England Lock & Hardware Co. was acquired in October. This U.S. company has been manufacturing lock products since the turn of the century under the Segal brand-name, one of the most widely sold door locks in the New York area. Full-year sales were approximately SEK 16 M in 1998.

ABLOY Canada, which has been an independent ABLOY agent for 20 years, was acquired in November. This acquisi-

tion further strengthens ASSA ABLOY's position in the high-security segment in Canada. Full-year sales were approximately SEK 15 M in 1998.

### Comments on the Income Statement

Group sales amounted to SEK 8,581.7 M (6,968.5), an increase of 23.1 percent compared with 1997. In the case of comparable units, this represents an increase of 5.9 percent (8.2). The increase is mainly due to higher volumes in all units. The effects of foreign exchange movements had an impact of SEK 197.4 M (379.1) on sales.

Operating income before depreciation amounted to SEK 1,585.7 M (1,168.7), an increase of 35.7 percent compared with 1997. This increase is primarily due to improvements in all operational units. The gross margin, defined as operating income before depreciation in relation to sales, amounted to 18.5 percent.

Group income before goodwill amortization amounted to SEK 1,101.3 (810.3), an increase of 35.9 percent. The operating margin before goodwill amortization amounted to 12.8 percent (11.6).

Goodwill amortization amounted to SEK 138.5 M (103.0). This increase is attributable to acquisitions during 1997 and 1998.

Consolidated income after financial income and expenses amounts to SEK 748.4 M (536.6), an increase of 39.5 percent compared with the preceding year. Participations in associated companies are mainly the result of changes in holdings in Keso S.A. and Scovill. In translating the income statements of subsidiaries, foreign exchange effects had an impact of SEK 10.5 M (8.1) on Group income. The interest coverage multiple was 4.2 (3.8).

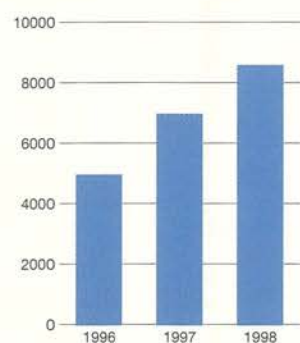
The Parent Company's income before appropriations and taxes amounted to SEK 2,593.9 M (616.9). Earnings include capital gains of SEK 2,519 M on internal Group divestment of shares in subsidiaries in connection with Group restructuring.

### Comments on the cash flow analysis

The consolidated cash flow after taxes and corporate acquisitions amounted to SEK 1,022.8 M (841.3), corresponding to approximately 11.9 percent (12.1) of sales. Group operating capital increased by SEK 71.9 M (reduction of 145.6), of which SEK

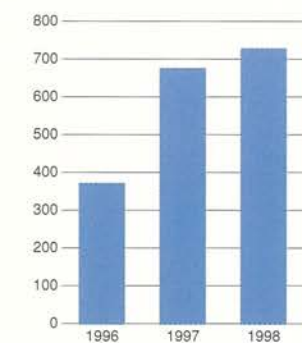
**Sales**

SEK M



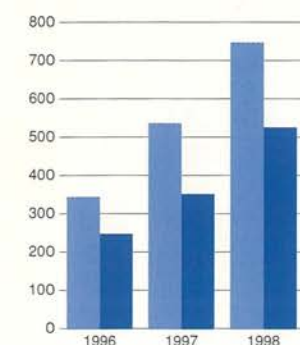
**Cash flow after tax**

SEK M



**Result after financial items and expenses:** ■ Net income: ■

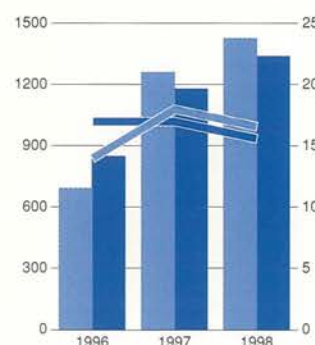
SEK M



**Accounts receivable:** ■ – percentage of sales.

**Inventory:** ■ – percentage of sales.

SEK M





65.8 M was due to negative foreign exchange effects.

Consolidated total depreciation exceeded investment by SEK 287.7 M.

A dividend of SEK 123.8 M was paid for the 1998 financial year, which represents SEK 1.75 (1.21) per share.

The cost of acquisitions made in 1998 was largely paid from the consolidated cash flow. In all, acquisitions had an impact of SEK 1,390.0 M on liabilities.

Consolidated net liabilities increased by SEK 795.3 M (1,357.1).

### Comments on the balance sheet

Accounts receivable amounted to SEK 1,426.8 M (1,261.3), corresponding to 16.6 (18.1) percent of sales. The increase was largely due to the acquisition of accounts receivable totaling SEK 81 M and foreign exchange losses of SEK 69 M.

Inventories amounted to SEK 1,339.1 M (1,179.2), which corresponds to 15.6 (16.9) percent of sales. This increase is also largely attributable to the acquisition of inventories amounting to SEK 84 M and foreign exchange losses of SEK 61

Capital employed in the Group – defined as total assets less non-interest-bearing short and long-term liabilities, including deferred tax liabilities – amounted to SEK 7,125.7 M (5,909.0), corresponding to 83.0 (84.8) percent of sales.

Goodwill amounted to SEK 2,524.3 M (1,834.8). The increase includes exchange rate losses of approximately SEK 106 M and new acquisition goodwill of approximately SEK 705 M.

Group holdings of buildings and land totalled SEK 1,347.9 M (1,240.1). Direct investments in property, plant and equipment amounted to SEK 335.2 M (273.5). Total depreciation and amortization amounted to SEK 622.9 M (461.4), of which amortization of goodwill accounted for SEK 138.5 M (103.0).

The return on capital employed was 15.1 (15.2) percent.

### Financing

Liquid funds amounted to SEK 137.8 M (125.9). The liquid funds are invested in banks with high credit ratings. Net debt amounted to SEK 4,237.3 M (3,442.0), of which SEK 637.1 M (555.5) consisted of pension liabilities. Shareholders' equity

totalled SEK 2,715.2 M (2,317.1).

The equity/assets ratio was 29.8 (30.4) percent. The debt/equity ratio, defined as net debt divided by shareholders' equity, was 1.56 (1.49).

The interest-coverage ratio, defined as result after net financial items divided by financial expenses, was 4.16 (3.84). The Group's long-term loan financing mainly consists of the five-year Multi-Currency Revolving Credit agreement for a maximum of USD 500 M, of which USD 325 had been utilized at December 31.

Fixed-interest-rate periods for borrowings are generally short. This is partly because Group revenues largely follow the trends in each country, and partly due to the strong cash flow.

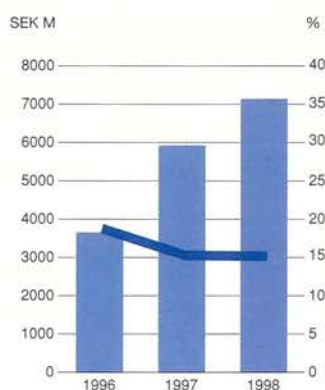
### Currency risks

Since the Group has operations in several countries and transactions take place in a number of different currencies, measures are taken to limit currency exposure. Cur-

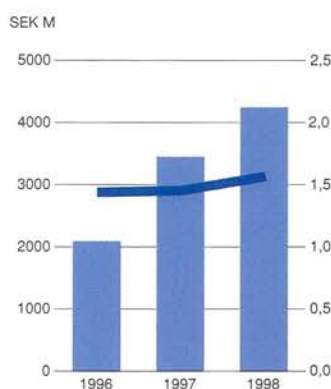
rency risks in the form of "translation exposure" (the risk that foreign exchange movements will affect the SEK value of the Group's net assets in foreign subsidiaries) are limited since the subsidiaries only borrowed funds in local currency. In addition, the Parent Company arranges "equity hedging" (loans and forward contracts in currencies).

Currency risks in the form of so-called transaction exposure are limited since the greater part of the Group's production and sales takes place within the countries concerned. Exports mainly involve VingCard and the Scandinavian units for which the USD dollar is the predominant currency. These exposures, which are related to future payment flows in foreign currency, are minimized by means of the purchase of forward contracts by subsidiaries, mainly from the Group's internal bank, to cover anticipated flows in foreign currencies. The internal bank is subsequently responsible for minimizing

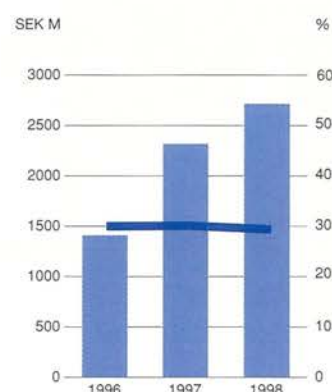
Capital employed: ■  
Return on capital employed: ■



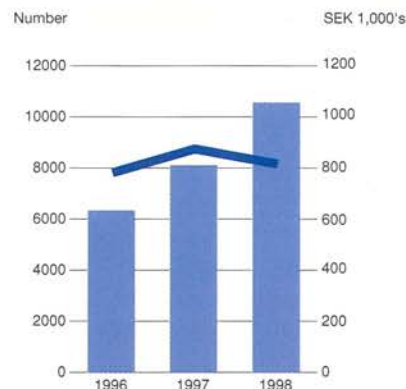
Net debt: ■  
Debt/equity ratio: ■



Shareholders equity: ■  
Equity/assets ratio: ■



Average number of employees: ■  
Sales per employee: ■





the Group's net currency exposure.

Translation of foreign subsidiaries' earnings affects the Group's income in SEK. A general appreciation of the Swedish krona by one percent has a negative impact of approximately SEK 4 M on Group earnings.

### Coordinated finance operations

Finance operations in ASSA ABLOY are coordinated by means of a Group internal bank function, which supports operational activities by identifying, quantifying and minimizing any financial risks that arise. Responsibility for identifying and hedging transaction exposure rests with the various operating units. Because the internal and external financing operations are concentrated in the Group's own internal bank, which is largely operated via ASSA ABLOY Treasury SA, Geneva, the advantages of large-scale operations are achieved, for example as regards the pricing of lending and borrowing. In addition, it is possible to match local surpluses and deficits against those in other companies and in countries in which the Group is active.

### Taxes

The Group's total tax expense amounted to SEK 212.0 M (182.7), corresponding to 28.3 (34.1) percent of income before tax.

### Personnel

The average number of employees was 10,545 (8,088). The increase was mainly due to the acquisition of companies in the United States and Romania.

The Group's total wage, salary and other remuneration payments, including holiday pay but excluding social welfare costs, amounted to SEK 2,248.8 M (1,877.1).

The average number of employees in the Parent Company was 15 (14).

### Introduction of the Euro

On January 1, 1999, the new common European currency, the Euro, will be introduced in many countries covered by the Group. The countries concerned are primarily Finland, Germany, France, Belgium, the Netherlands, Spain and Portugal. These countries account for approximately 35 percent of Group sales. It is expected that subsidiaries in countries

such as Sweden which do not form part of "Euro-land" will also be affected since the Euro will probably be used as a parallel currency for payments in these countries.

The introduction of the Euro is expected to result in reduced financial risk within the Group. ASSA ABLOY intends to switch to Euro accounting when this is permitted. The integration of European capital markets will facilitate the procurement of funds, which reduces the Group's financing risk. Since all revenues and expenses for operations in the countries concerned are, in principle, in local currency, foreign exchange flows are relatively limited. This implies that the effects of introduction of the Euro will be relatively insignificant.

### Year 2000 problem

Computers and, in particular, microprocessors are used in all possible locations today. The ASSA ABLOY Group is no exception. A number of question marks concerning the ability of computer soft-

ware and hardware to cope with the year 2000 in an appropriate manner have been raised in connection with the new millennium. A comprehensive stocktaking has been carried out within the Group, and an action plan implemented, with the aim of ensuring that all applications, administrative and technical and suppliers, can handle the situation.

Mechanical products comprise 80 percent of the Group's deliveries, and they are not affected. Most of the remaining 20 percent, which are electromechanical products, are "Stand alone", even if they are often employed in various systems.

### Outlook for 1999

ASSA ABLOY's development opportunities continue to be considerable. ASSA ABLOY's strong position, security-driven growth, the potential for continued rationalization and consolidation in the industry all point to continued satisfactory profit development.

### Proposed disposition of earnings

As shown in the consolidated balance sheet, the Group's unrestricted equity amounts to SEK 637.9 M (637.9). No transfer to restricted equity in the Group is required. The following unappropriated earnings are available for disposition by the shareholders at the Annual General Meeting:

Profit for the year, SEK 2,592,132,541

Unappropriated earnings brought forward, SEK 822,655,625

Total, SEK 3,414,788,166

The Board of Directors and the President propose a dividend of SEK 2.50 per share, or a total of SEK 182,082,700.00, to be distributed to the shareholders and the remainder, SEK 3,232,270,546.81, to be retained in the business.

Stockholm, February 9, 1999

Georg Ehrnrooth  
*Chairman*

Melker Schörling

Gustaf Douglas  
*Vice Chairman*

Per-Olof Eriksson

Ole Johansson

Gerhard Wendt

Carl-Henric Svanberg  
*President*

Mats Persson  
*Employee representative*

Gösta Johnsson  
*Employee representative*

Our auditors' report was issued on February 16, 1999.  
Öhrlings Coopers & Lybrand AB

Nils Brehmer  
*Authorized Public Accountant*

Anders Lundin  
*Authorized Public Accountant*

## CONSOLIDATED INCOME STATEMENT AND CASH FLOW STATEMENT

### Consolidated income statement

	1998 EUR M <sup>1)</sup>	1998 SEK M	1997 SEK M	1996 SEK M
Sales	903.8	8,581.7	6,968.5	4,958.5
Cost of goods sold	-575.4	-5,463.0	-4,496.6	-3,259.0
<b>Gross profit</b>	<b>328.4</b>	<b>3,118.7</b>	<b>2,471.9</b>	<b>1,699.5</b>
Selling expenses	-144.1	-1,368.1	-1,121.0	-768.2
Administrative expenses	-54.0	-513.1	-451.8	-369.8
Research and development costs	-10.0	-95.1	-88.7	-62.0
Other operating income	9.1	86.4	79.7	50.6
Other operating expenses	-13.4	-127.5	-79.8	-34.3
<b>Operating result before goodwill amortization</b>	<b>116.0</b>	<b>1,101.3</b>	<b>810.3</b>	<b>515.8</b>
Goodwill amortization	-14.6	-138.5	-103.0	-56.3
<b>Operating result</b>	<b>101.4</b>	<b>962.8</b>	<b>707.3</b>	<b>459.5</b>
Result from financial income and expenses (Note 7)	-24.0	-227.8	-179.0	-121.7
Result from participations in associated companies (Note 6)	1.4	13.4	8.3	7.4
<b>Result after financial income and expenses</b>	<b>78.8</b>	<b>748.4</b>	<b>536.6</b>	<b>345.2</b>
Tax on profit for the year (Note 8)	-22.3	-211.6	-181.1	-97.4
Other taxes	-	-0.4	-1.6	-
Minority interest	-1.1	-10.4	-1.7	-0.3
<b>Net result for the year</b>	<b>55.4</b>	<b>526.0</b>	<b>352.2</b>	<b>247.5</b>

1) 1 EUR = 9.4954 SEK.

### Consolidated cash flow statement

	1998 EUR M <sup>1)</sup>	1998 SEK M	1997 SEK M	1996 SEK M
Operating result	101.4	962.8	707.3	459.5
Depreciation (Note 4)	65.6	622.9	461.4	265.0
Financial items	-24.0	-227.8	-179.0	-121.7
Taxes paid	-23.4	-222.5	-186.1	-109.4
<b>Cash flow before change in working capital</b>	<b>119.6</b>	<b>1,135.4</b>	<b>803.6</b>	<b>493.4</b>
Change in working capital:				
Inventories				
increase/decrease (-/+)	-9.3	-88.4	80.1	-10.2
Accounts receivable,				
increase/decrease (-/+)	-8.9	-84.6	-107.6	92.0
Current receivable				
increase/decrease (-/+)	-3.1	-29.5	-8.1	-31.6
Current operating liabilities				
increase/decrease (+/-)	13.7	130.5	181.2	-8.5
<b>Cash flow before investments</b>	<b>112.0</b>	<b>1,063.4</b>	<b>949.2</b>	<b>535.1</b>
Investments in operating assets	-35.3	-335.2	-273.5	-163.3
<b>Cash flow</b>	<b>76.7</b>	<b>728.2</b>	<b>675.7</b>	<b>371.8</b>
Indirect investments through acquisitions:				
Goodwill	-75.6	-717.5	-1,155.4	-944.9
Capital employed	-6.6	-62.3	-127.6	-726.1
Operating capital	-12.2	-116.0	-548.4	-349.8
Investments in associated companies	-11.0	-104.2	-	-
New share issue	-	-	642.2	300.1
Dividend	-13.1	-123.8	-80.3	-53.6
Acquired net debt	-41.3	-391.8	-550.3	-
Other	-0.8	-7.9	-213.0	-23.6
<b>Change in net debt</b>	<b>-83.9</b>	<b>-795.3</b>	<b>-1,357.1</b>	<b>-1,426.1</b>
<b>STATEMENT OF NET DEBT</b>				
Long-term loans	447.1	4,245.8	3,479.1	2,200.3
Short-term loans	14.0	132.5	88.7	21.6
Short-term investments	-2.1	-19.6	-5.5	-9.4
Cash and bank balances	-12.8	-121.4	-120.4	-127.6
<b>Net debt</b>	<b>446.2</b>	<b>4,237.3</b>	<b>3,442.0</b>	<b>2,084.9</b>

Cash flow before taxes: Cash flow after taxes + reversal of paid taxes + reversal of change in tax liabilities (728.2 + 222.5 + 72.1 = 1,022.8)



## CONSOLIDATED BALANCE SHEET

### Assets

	Dec. 31, 1998 EUR M <sup>1)</sup>	Dec. 31, 1998 SEK M	Dec. 31, 1997 SEK M	Dec. 31, 1996 SEK M
<b>Fixed assets</b>				
<b>Intangible fixed assets</b>				
Goodwill (Note 9)	265.9	2,524.3	1,834.8	979.2
Intangible rights (Note 10)	15.1	143.7	134.1	129.2
<b>Total intangible fixed assets</b>	<b>281.0</b>	<b>2,668.0</b>	<b>1,968.9</b>	<b>1,108.4</b>
<b>Tangible fixed assets</b> (Note 11)				
Buildings	107.4	1,020.1	949.4	550.0
Land and land improvements	34.5	327.8	290.7	239.9
Construction in progress	11.5	108.6	91.3	29.3
Machinery	110.6	1,050.5	976.0	657.5
Equipment	28.5	270.8	252.0	185.5
<b>Total tangible fixed assets</b>	<b>292.5</b>	<b>2,777.8</b>	<b>2,559.4</b>	<b>1,662.2</b>
<b>Financial fixed assets</b> (Note 12)				
Shares in associated companies	16.1	152.9	43.0	38.8
Other shares and participations	0.3	3.2	2.4	9.4
Long-term receivables	18.1	171.9	39.1	51.4
Deferred tax receivables	33.7	319.8	334.4	-
<b>Total financial assets</b>	<b>68.2</b>	<b>647.8</b>	<b>418.9</b>	<b>99.6</b>
<b>Total fixed assets</b>	<b>641.7</b>	<b>6,093.6</b>	<b>4,947.2</b>	<b>2,870.2</b>
<b>Current assets</b>				
Inventories and work in progress (Note 13)	141.0	1,339.1	1,179.2	849.1
Accounts receivable	150.3	1,426.8	1,261.3	692.8
Prepaid expenses and accrued income (Note 15)	7.4	70.4	58.4	43.0
Other receivables	16.0	151.1	120.0	92.3
Short-term investment	1.7	16.4	5.5	9.4
Cash and bank balances	12.8	121.4	120.4	127.6
<b>Total current assets</b>	<b>329.2</b>	<b>3,125.2</b>	<b>2,744.8</b>	<b>1,814.2</b>
<b>TOTAL ASSETS</b>	<b>970.9</b>	<b>9,218.8</b>	<b>7,692.0</b>	<b>4,684.4</b>
<b>ASSETS PLEDGED</b> (Note 23)				
Real estate mortgages	15.1	143.3	133.9	130.0
Chattel mortgages	0.3	3.1	2.9	2.0

1) 1 EUR = 9,4954 SEK.

### Equity and liabilities

	Dec. 31, 1998 EUR M <sup>1)</sup>	Dec. 31, 1998 SEK M	Dec. 31, 1997 SEK M	Dec. 31, 1996 SEK M
<b>Shareholders' equity (Note 16)</b>				
<b>Restricted equity</b>				
Share capital	7.5	71.1	70.7	64.3
Restricted reserves	211.3	2,006.2	1,437.0	734.3
<b>Total restricted equity</b>	<b>218.8</b>	<b>2,077.3</b>	<b>1,507.7</b>	<b>798.6</b>
<b>Unrestricted equity</b>				
Unrestricted reserves	11.8	111.9	457.2	362.4
Net result for the year	55.4	526.0	352.2	247.5
<b>Total unrestricted equity</b>	<b>67.2</b>	<b>637.9</b>	<b>809.4</b>	<b>609.9</b>
<b>Total equity</b>	<b>286.0</b>	<b>2,715.2</b>	<b>2,317.1</b>	<b>1,408.5</b>
<b>Minority interest</b>	<b>3.4</b>	<b>32.1</b>	<b>24.1</b>	<b>9.5</b>
<b>Provisions</b>				
Provisions for PRI pensions	5.6	52.9	49.3	46.9
Provisions for other pensions	61.5	584.2	506.2	527.1
Other provisions	1.3	12.7	0.8	-
<b>Total provisions</b>	<b>68.4</b>	<b>649.8</b>	<b>556.3</b>	<b>574.0</b>
<b>Long-term liabilities (Note 18)</b>				
Long-term loans	347.2	3,296.0	2,598.5	1,551.3
Debenture loans (Note 20)	32.9	312.7	325.0	75.0
Other long-term non-interest bearing liabilities	8.8	83.7	3.3	33.5
Deferred tax liabilities (Note 21)	42.9	407.7	418.2	126.3
<b>Total long-term liabilities</b>	<b>431.8</b>	<b>4,100.1</b>	<b>3,345.0</b>	<b>1,786.1</b>
<b>Current liabilities</b>				
Short-term loans	14.0	132.5	88.7	21.6
Income tax liability	8.5	80.9	145.2	68.6
Accounts payable	56.0	532.0	450.7	264.5
Accrued expenses and prepaid income (Note 22)	83.3	791.4	558.3	392.1
Other current liabilities	19.5	184.8	206.6	159.5
<b>Total current liabilities</b>	<b>181.3</b>	<b>1,721.6</b>	<b>1,449.5</b>	<b>906.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>970.9</b>	<b>9,218.8</b>	<b>7,692.0</b>	<b>4,684.4</b>
<b>CONTINGENT LIABILITIES</b> (Note 24)				
Guarantees	13.1	124.8	122.5	70.2
Other	0.6	5.3	4.8	-

## PARENT COMPANY INCOME STATEMENT AND CASH FLOW STATEMENT

### Parent company income statement

	1998 EUR M <sup>1)</sup>	1998 SEK M	1997 SEK M
Administrative expenses	-7.6	-71.9	-85.7
Other operating income	0.4	3.6	3.6
<b>Operating loss</b>	<b>-7.2</b>	<b>-68.3</b>	<b>-82.1</b>
Result from financial investments:			
Result from shares and participations in subsidiaries (Note 5)	341.5	3,242.3	790.9
Total financial income and expenses (Note 7)	-61.1	-580.1	-91.9
<b>Result after financial items</b>	<b>273.2</b>	<b>2,593.9</b>	<b>616.9</b>
Appropriations (Note 10)	-	-	-0.4
<b>Result before tax</b>	<b>273.2</b>	<b>2,593.9</b>	<b>616.5</b>
Tax on profit for the year (Note 11)	-0.2	-1.7	1.6
<b>Net result for the year</b>	<b>273.0</b>	<b>2,592.2</b>	<b>618.1</b>

1) 1 EUR = 9,4954 SEK.

### Parent company cash flow statement

	1998 EUR M <sup>1)</sup>	1998 SEK M	1997 SEK M
Administrative expenses			
excluding depreciation	-7.2	-68.3	-82.1
Other operating expenses (Note 4)	0.4	3.4	3.2
Financial items	280.4	2,662.2	699.0
Taxes paid	-0.2	-1.7	1.6
<b>Cash flow before change in working capital</b>	<b>273.4</b>	<b>2,595.6</b>	<b>621.7</b>
Change in working capital			
Current receivables increase/decrease (-/+)	-2.4	-22.4	-23.7
Current operating liabilities increase/decrease (+/-)	53.5	508.4	-4.0
<b>Cash flow before investments</b>	<b>324.5</b>	<b>3,081.6</b>	<b>594.0</b>
Investments in operating assets	-0.2	-2.1	-3.9
Investments in shares in subsidiaries	-447.8	-4,251.5	-278.2
Investments in shares in associated companies	-11.0	-104.2	-
<b>Cash flow</b>	<b>-134.5</b>	<b>-1,276.2</b>	<b>311.9</b>
Dividend	-13.0	-123.8	-80.3
New share issue	-	-	642.2
New issue as a result of conversion to shares	1.3	12.2	-
Change in receivables/liabilities in subsidiaries	7.7	72.8	-595.6
Other	-	-	-0.2
<b>Change in net debt increase/decrease (-/+)</b>	<b>-138.5</b>	<b>-1,315.0</b>	<b>278.0</b>
<b>STATEMENT OF NET DEBT</b>			
Long-term loans	432.5	4,106.7	2,923.1
Short-term loans	133.1	1,264.4	391.3
Long-term receivables	-13.9	-132.4	-13.2
Current receivables	-406.5	-3,859.5	-3,433.6
Cash and bank balances	-	-	-74.0
<b>Net debt</b>	<b>145.2</b>	<b>1,379.2</b>	<b>-206.4</b>



## PARENT COMPANY BALANCE SHEET

### Assets

	1998 EUR M <sup>1)</sup>	1998 SEK M	1997 SEK M
<b>Fixed assets</b>			
<b>Tangible fixed assets (Note 11)</b>			
Equipment	1.1	10.1	11.4
<b>Total tangible fixed assets</b>	<b>1.1</b>	<b>10.1</b>	<b>11.4</b>
<b>Financial fixed assets (Note 12)</b>			
Shares in subsidiaries	616.2	5,851.7	1,330.2
Shares in associated companies	11.0	104.2	-
Receivables due from subsidiaries	0.2	1.7	1.7
Other long-term receivables	14.0	133.2	13.3
<b>Total financial fixed assets</b>	<b>641.4</b>	<b>6,090.8</b>	<b>1,345.2</b>
<b>Total fixed assets</b>	<b>642.5</b>	<b>6,100.9</b>	<b>1,356.6</b>
<b>Current assets</b>			
Receivables due from subsidiaries	486.8	4,621.9	4,231.7
Tax claim	1.0	9.8	9.8
Loans to senior executives (Note 14)	0.1	1.4	1.4
Other receivables	0.2	1.5	14.9
Prepaid expenses and accrued income (Note 15)	0.4	4.0	3.3
Other short-term investments	-	-	2.2
Cash and bank balances	-	-	74.0
<b>Total current assets</b>	<b>488.5</b>	<b>4,638.6</b>	<b>4,337.3</b>
<b>TOTAL ASSETS</b>	<b>1,131.0</b>	<b>10,739.5</b>	<b>5,693.9</b>

#### ASSETS PLEDGED (Note 23)

1) 1 EUR = 9.4954 SEK

### Equity and liabilities

	1998 EUR M <sup>1)</sup>	1998 SEK M	1997 SEK M
<b>Shareholders' equity (Note 16)</b>			
<b>Restricted equity</b>			
Share capital	7.5	71.1	70.7
Share premium reserve	68.2	647.6	635.7
Statutory reserve	68.0	645.4	645.4
<b>Total restricted equity</b>	<b>143.7</b>	<b>1,364.1</b>	<b>1,351.8</b>
<b>Unrestricted equity</b>			
Retained earnings	86.6	822.7	328.4
Net result for the year	273.0	2,592.1	618.1
<b>Total unrestricted equity</b>	<b>359.6</b>	<b>3,414.8</b>	<b>946.5</b>
<b>Total shareholders' equity</b>	<b>503.3</b>	<b>4,778.9</b>	<b>2,298.3</b>
<b>Untaxed reserve (Note 17)</b>	<b>2.8</b>	<b>26.8</b>	<b>26.8</b>
<b>Long-term liabilities</b>			
Long-term loans (Note 18)	330.2	3,135.2	2,356.7
Debenture loans (Note 20)	32.9	312.7	325.0
Corporate credit (Note 19)	69.4	658.7	241.4
<b>Total long-term liabilities</b>	<b>432.5</b>	<b>4,106.6</b>	<b>2,923.1</b>
<b>Current liabilities</b>			
Short-term loans	11.5	109.3	44.5
Accounts payable	0.4	3.9	4.5
Liabilities to subsidiaries	123.3	1,170.8	350.1
Accrued expenses and prepaid income (Note 22)	57.2	543.2	46.6
<b>Total current liabilities</b>	<b>192.4</b>	<b>1,827.2</b>	<b>445.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,131.0</b>	<b>10,739.5</b>	<b>5,693.9</b>
<b>CONTINGENT LIABILITIES (Note 24)</b>			
Guarantees	12.8	122.0	113.8

## NOTES:

### Note 1. Accounting and valuation principles

The Group complies with the Annual Accounts Act, the recommendations of the Swedish Financial Accounting Standards Council and the Swedish Accounting Standards Board, and statements which are in accordance with the listing contract of the Stockholm Stock Exchange.

The accounting standards are unchanged compared with the preceding year.

#### Consolidated accounts

The consolidated financial statements include the Parent Company and companies in which the Parent Company held more than 50 percent of the votes at year-end. The consolidated income statement includes companies acquired during the year, with values as from the date of acquisition. Companies sold during the year are excluded as from the beginning of the year. The consolidated financial statements are prepared in accordance with the purchase method, which means that the acquisition value of shares in subsidiaries is eliminated against their shareholders' equity at the time of acquisition. In this context, shareholders' equity in subsidiaries is determined on the basis of a market valuation of assets, liabilities and provisions at the date of acquisition. If required in accordance with the purchase method, an allocation is made to a restructuring reserve. In the case of untaxed reserves in acquired subsidiaries, the estimated tax liability is reported as a long-term liability in accordance with the tax rate in each country. If the acquisition value of shares in a subsidiary exceeds the acquired shareholders' equity, as computed above, the difference is reported in the form of goodwill which is amortized according to plan.

#### Associated companies

Associated companies are defined as companies which are not subsidiaries but companies in which the Parent Company has shareholdings which, directly or indirectly, represent at least 20 percent of all participations. Participations in associated companies are reported in accordance with the equity method. The consolidated income statement includes shares in the earnings of associated companies after financial income

and expense. In cases in which the acquisition value of shares in associated companies was higher than the shareholders' equity in the acquired company at the acquisition date, the difference is amortized on the same basis as consolidated goodwill, following an analysis of the character of the surplus value, and is charged against participation in the income of associated companies. Participation in the income taxes of subsidiaries is included in the Group's tax expense. In the consolidated balance sheet, shareholdings in associated companies are reported at the acquisition value, adjusted for dividends and participation in earnings after the date of acquisition. In determining the equity share, untaxed reserves are attributed to shareholders' equity after deduction for estimated tax.

#### Translation of foreign subsidiaries

The Group applies the current method in accordance with the draft recommendation of the Swedish Institute of Authorized Public Accountants. The current method has been applied so that all balance sheet items except shareholders' equity are translated at the closing day rate. Shareholders' equity is translated at the rate on the investment date. Statements of income are translated at the average rate for the financial year.

The resulting translation differences have been entered against shareholders' equity in the balance sheet, and are not reported in the income statement.

To a certain extent the Group hedges its net assets in foreign currencies by balancing assets against corresponding foreign liabilities or forward contracts. This means that changes in exchange rates have only a limited impact on ASSA ABLOY's shareholders' equity. Interest differentials on forward contracts are annualized and are reported in the income statement.

#### Inter-Group sales

Pricing of deliveries between Group companies is in accordance with business principles and at market prices. Internal profits arising from intra-Group sales have been eliminated.

#### Receivables, liabilities and provisions in foreign currency

Receivables, liabilities and provisions in foreign currency in the individual companies have been translated at the year-end rate. The forward rate has been used when exchange rates have been hedged by means of forward contracts.

#### Intangible and tangible assets

Tangible and intangible assets are reported at acquisition value after deduction for accumulated depreciation according to plan.

#### Leasing

Only operational leasing occurs in the Group. Reporting is in accordance with recommendation RR6 of the Swedish Financial Accounting Standards Council.

#### Research and development

Research and development costs are expensed as they are incurred.

#### Inventories

Inventories are valued at the lower of cost and market value in accordance with the FIFO method. Requisite deductions have been made for obsolescence. Deductions are made for internal profits arising from deliveries between Group companies.

#### Receivables

Receivables have been valued in the amounts expected to be received.

#### Provisions

Provisions have been made for all obligations attributable to the fiscal year or prior fiscal years which, on the closing date, were likely to be incurred, but which were uncertain as to amount or date of payment.

#### Depreciation according to plan

Depreciation according to plan is based on the historical cost of assets, with due consideration of the estimated economic life of the asset. A depreciation period of five years has been applied for intangible rights. The depreciation period for office buildings is 50 years, and 25 years for industrial buildings.



A depreciation period of seven years is applied to machinery and other technical facilities. Equipment and tools are depreciated over five years. Group goodwill is amortized over 10-20 years, depending on the type of company concerned. Goodwill in well-established companies with independent and well-known trademarks, is amortized over 10 years. Goodwill in companies that, in addition, constitute a strategic acquisition in terms of products or markets is amortized over 20 years.

### Taxation

In accounting for taxes, ASSA ABLOY AB complies with Swedish accounting principles and international standards. Provisions are made for all taxes that are expected to apply to the income reported. These taxes have been estimated in accordance with the tax regulations in each country and are reported as taxes paid. In addition to taxes paid, provision is made for taxes for costs and revenue that affect the financial statements and income taxation, but during different periods ("accrual differences").

Accrual differences pertain to changes in untaxed reserves in accordance with the tax legislation rules in certain countries. Local tax rates have been used for accrual differences that are not expected to be reversed in the foreseeable future (more than three years). Deferred tax has also been calculated for balance sheet items whose balance sheet value deviates from the respective company's taxable values. Since it is possible to accurately determine the loss deduction for an acquired U.S. unit, a break-down has been made of goodwill for the Essex acquisition. This break-down means that the proportion of the purchase amount which pertained to deferred tax recoveries is reported as such.

### Note 2. Sales per organizational unit<sup>1)</sup>

	1998 SEK M	1997 SEK M	1996 SEK M
Sweden	887	841	750
Finland	811	744	620
Norway	513	531	346
Denmark	301	288	268
Germany	583	533	501
France	1,504	844	-
United Kingdom	266	236	168
Czech Republic/Slovakia	186	68	-
United States	2,916	2,402	1,872
Hotel locks, VingCard	952	794	681
Eliminations for internal sales	-337	-313	-248
<b>Total</b>	<b>8,582</b>	<b>6,968</b>	<b>4,958</b>

1) Including exports from respective markets.

### Note 3. Salaries and wages, other remuneration and social costs\*

#### Salaries and wages, other remunerations (of which bonus)

Group	1998 SEK M	1997 SEK M	1996 SEK M
Sweden	184.9 (1.3)	175.8 (1.0)	153.5 (1.0)
Finland	190.9 (0.2)	174.2 (0.4)	156.9 (0.3)
Norway	239.8 (0.8)	237.0 (0.9)	190.4 (0.4)
Denmark	89.0 (0.7)	85.0 (0.2)	80.3 (0.4)
Germany	209.4 (0.2)	187.5 (0.1)	192.0 (0.1)
United Kingdom	46.3 (0.7)	44.6 (0.5)	31.9 (0.4)
Belgium	26.4 (0.1)	17.1 (0.2)	7.7 (-)
France	357.9 (1.0)	233.8 (0.2)	3.0 (-)
The Netherlands	6.3 (-)	7.2 (-)	- (-)
Czech Republic	28.8 (0.1)	11.0 (-)	- (-)
Canada	14.7 (0.1)	7.1 (-)	5.0 (-)
Australia	3.7 (0.1)	3.7 (0.1)	3.3 (-)
United States	803.9 (4.7)	665.6 (0.9)	565.0 (1.3)
Hong Kong	6.0 (-)	3.1 (0.2)	1.7 (0.1)
Japan	1.4 (-)	1.5 (-)	1.5 (-)
Singapore	9.6 (0.2)	7.5 (-)	0.8 (-)
Romania	7.0 (-)	- (-)	- (-)
Other	22.8 (0.2)	15.4 (0.2)	12.3 (0.2)
<b>Total</b>	<b>2,248.8 (10.4)</b>	<b>1,877.1 (4.9)</b>	<b>1,405.3 (4.2)</b>

#### Parent Company

Sweden	15.7 (0.8)	12.1 (0.6)	8.5 (0.5)
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#### Social costs (of which pensions)

Group	1998 SEK M	1997 SEK M	1996 SEK M
<b>Total</b>	<b>763.5 (147.5)</b>	<b>579.9 (116.4)</b>	<b>421.7 (97.6)</b>

#### Parent Company

Sweden	6.5 (1.6)	5.1 (1.1)	3.7 (0.9)
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\*Complete specification in accordance with the Annual Accounts Act can be obtained from ASSA ABLOY AB.

#### Senior executives' remuneration

A fee of SEK 150,000 (150,000) was paid during the year to the Chairman of the Board, which was decided on by the Board within the framework for fee amounts set by the Annual General Meeting, which totals SEK 675,000 (675,000). The President was paid a salary and other remunerations of SEK 3,389,000 (3,307,000). Bonuses were also paid in the amount of SEK 800,000 (600,000).

#### Other remuneration

There is no pension agreement for the Chairman of the Board. The President has pension benefits corresponding to the applicable ITP plan. For the other members of executive management, the same benefits apply as for the President. There is no severance pay agreement for the Chairman of the Board. For the President, an agreement stipulates that 100 percent of 24 months salary be paid as severance. Severance payment applies only when termination is by the Company. For other members of executive management, it is stipulated that 100 percent of 12 months salary be paid as severance.

## Note 4. Depreciation

	Group			Parent Company		
	1998 SEK M	1997 SEK M	1996 SEK M	1998 SEK M	1997 SEK M	1996 SEK M
Goodwill	138.5	103.0	56.3	-	-	-
Intangible rights	41.3	20.2	16.5	-	-	-
Machinery	306.8	225.0	129.4	-	-	-
Equipment	81.9	72.3	36.5	3.4	3.2	2.5
Buildings	54.4	40.9	26.3	-	-	-
<b>Total</b>	<b>622.9</b>	<b>461.4</b>	<b>265.0</b>	<b>3.4</b>	<b>3.2</b>	<b>2.5</b>

## Note 5. Result from participations in group companies

Parent company			
	1998 SEK M	1997 SEK M	1996 SEK M
Dividends	723.0	776.6	186.9
Capital gain			
from sales	2,519.3	14.3	-
<b>Total</b>	<b>3,242.3</b>	<b>790.9</b>	<b>186.9</b>

## Note 6. Result from participations in associated companies

Group			
	1998 SEK M	1997 SEK M	1996 SEK M
Participation in operating result	13.4	8.3	7.4

## Note 7. Financial income and expenses

	Group			Parent Company	
	1998	1997	1996	1998	1997
Interest income, long-term investments	1.2	0.9	0.6	-	-
Dividends	-	0.8	0.6	-	-
Exchange rate differences, long-term investments	0.5	0.5	-0.2	-	-
Interest income, other	12.9	12.3	10.1	2.6	2.6
Exchange rate differences, receivables	-322.8	165.4	33.8	-1.2	5.1
Interest income from Group companies	-	-	-	164.6	174.6
Exchange rate differences from Group companies, receivables	-	-	-	-47.2	173.4
Interest expense	-236.9	-189.2	-132.3	-187.0	-153.4
Exchange rate differences, liabilities	317.3	-169.7	-34.3	-457.4	-269.7
Interest expense from Group companies	-	-	-	-35.3	-20.4
Exchange rate differences from Group companies, liabilities	-	-	-	-19.2	-4.1
<b>Total</b>	<b>-227.8</b>	<b>-179.0</b>	<b>-121.7</b>	<b>-580.1</b>	<b>-91.9</b>

## Note 8. Tax

	Group			Parent company	
	1998 SEK M	1997 SEK M	1996 SEK M	1998 SEK M	1997 SEK M
Taxes paid	-228.8	-193.7	-77.3	-	0.3
Taxes attributable to prior years	6.7	7.6	-32.1	-1.7	1.3
Change in deferred tax for the year	10.5	5.0	12.0	-	-
<b>Total</b>	<b>-211.6</b>	<b>-181.1</b>	<b>-97.4</b>	<b>-1.7</b>	<b>1.6</b>



## Note 9. Goodwill

Group	1998 SEK M	1997 SEK M	1996 SEK M
<b>Acquisition cost, Jan. 1</b>	<b>2,212.7</b>	<b>1,221.3</b>	<b>225.4</b>
Purchases/acquisitions	728.3	884.7	990.8
Sales/disposals	-14.4	-	-
Reclassifications	-	-	-
Translation differences	119.2	106.7	5.1
<b>Accumulated acquisition cost, Dec. 31</b>	<b>3,045.8</b>	<b>2,212.7</b>	<b>1,221.3</b>
<b>Depreciation, Jan. 1</b>	<b>-377.9</b>	<b>-242.1</b>	<b>-146.1</b>
Purchase/acquisitions	-	-4.5	-37.4
Sales/disposals	6.1	-	-
Reclassifications	-	-	2.6
Amortization for the year	-138.5	-103.0	-56.3
Translation differences	-11.2	-28.3	-4.9
<b>Accumulated depreciation, Dec. 31</b>	<b>-521.5</b>	<b>-377.9</b>	<b>-242.1</b>
<b>Planned residual value Dec. 31</b>	<b>2,524.3</b>	<b>1,834.8</b>	<b>979.2</b>

## Note 10. Intangible rights

Group	1998 SEK M	1997 SEK M	1996 SEK M
<b>Acquisition cost, Jan 1</b>	<b>221.4</b>	<b>179.3</b>	<b>74.8</b>
Purchases/acquisitions	47.7	16.2	116.3
Sales/disposals	-1.1	-5.5	-11.1
Reclassifications	-	-	-
Translation differences	9.6	31.4	-0.7
<b>Accumulated acquisition cost, Dec. 31</b>	<b>277.6</b>	<b>221.4</b>	<b>179.3</b>
<b>Depreciation, Jan. 1</b>	<b>-87.3</b>	<b>-50.1</b>	<b>-40.8</b>
Purchases/acquisitions	-0.3	-17.9	-4.2
Sales/disposals	1.1	5.4	11.1
Reclassifications	-	-	-
Amortization for the year	-41.3	-20.2	-16.5
Translation differences	-6.1	-4.5	0.3
<b>Accumulated depreciation, Dec. 31</b>	<b>-133.9</b>	<b>-87.3</b>	<b>-50.1</b>
<b>Planned residual value, Dec. 31</b>	<b>143.7</b>	<b>134.1</b>	<b>129.2</b>

## Note 11. Tangible fixed assets

### Buildings

Group	1998 SEK M	1997 SEK M	1996 SEK M
<b>Acquisition cost, Jan. 1</b>	<b>1,371.0</b>	<b>822.2</b>	<b>571.5</b>
Purchases/acquisitions	87.9	513.3	267.9
Sales/disposals	-10.9	-6.0	-10.9
Reclassifications	0.6	-	-
Translation differences	80.7	41.5	-6.3
<b>Accumulated acquisition costs, Dec. 31</b>	<b>1,529.3</b>	<b>1,371.0</b>	<b>822.2</b>
<b>Depreciation, Jan. 1</b>	<b>-421.6</b>	<b>-272.2</b>	<b>-202.9</b>
Purchases/acquisitions	-6.0	-99.3	-52.3
Sales/disposals	1.5	1.7	6.4
Reclassifications	-	-	-
Depreciation for the year	-54.4	-40.9	-26.3
Translation differences	-28.7	-10.9	2.9
<b>Accumulated depreciation, Dec. 31</b>	<b>-509.2</b>	<b>-421.6</b>	<b>-272.2</b>
<b>Planned residual value, Dec 31</b>	<b>1,020.1</b>	<b>949.4</b>	<b>550.0</b>

The taxable value of the Group's Swedish buildings amounted to SEK 67.4 M.

## Note 11. Tangible fixed assets, cont.

### Land

Group	1998 SEK M	1997 SEK M	1996 SEK M
<b>Acquisition cost, Jan. 1</b>	<b>292.5</b>	<b>240.9</b>	<b>222.6</b>
Purchases/acquisitions	19.7	50.7	26.0
Sales/disposals	-0.9	-2.1	-2.5
Reclassifications	-	-	-
Translation differences	18.3	3.0	-5.2
<b>Accumulated acquisition cost, Dec. 31</b>	<b>329.6</b>	<b>292.5</b>	<b>240.9</b>
<b>Depreciation, Jan. 1</b>	<b>-1.8</b>	<b>-1.0</b>	<b>-1.0</b>
Sales/disposals	-	-0.8	-
Reclassifications	-	-	-
Depreciation for the year	-	-	-
Translation differences	-	-	-
<b>Accumulated depreciation, Dec. 31</b>	<b>-1.8</b>	<b>-1.8</b>	<b>-1.0</b>
<b>Planned residual value, Dec. 31</b>	<b>327.8</b>	<b>290.7</b>	<b>239.9</b>

The taxable value of the Group's Swedish land amounted to SEK 12.0 M.

### Machinery

Group	1998 SEK M	1997 SEK M	1996 SEK M
<b>Acquisition cost, Jan. 1</b>	<b>2,629.3</b>	<b>1,671.4</b>	<b>1,042.6</b>
Purchases/acquisitions	333.4	969.4	697.0
Sales/disposals	-25.2	-57.3	-59.0
Reclassifications	18.6	-76.2	-
Translation differences	160.0	122.0	-9.2
<b>Accumulated acquisition cost, Dec. 31</b>	<b>3,116.1</b>	<b>2,629.3</b>	<b>1,671.4</b>
<b>Depreciation, Jan. 1</b>	<b>-1,653.3</b>	<b>-1,013.8</b>	<b>-669.1</b>
Purchases/acquisitions	-16.1	-448.3	-270.3
Sales/disposals	22.5	26.1	48.4
Reclassifications	-6.4	72.3	-
Depreciation for the year	-306.8	-225.0	-129.4
Translation differences	-105.5	-64.6	6.6
<b>Accumulated depreciation, Dec. 31</b>	<b>-2,065.6</b>	<b>-1,653.3</b>	<b>-1,013.8</b>
<b>Planned residual value, Dec. 31</b>	<b>1,050.5</b>	<b>976.0</b>	<b>657.6</b>

### Equipment

	Group			Parent Company	
	1998 SEK M	1997 SEK M	1996 SEK M	1998 SEK M	1997 SEK M
<b>Acquisition cost, Jan. 1</b>	<b>730.8</b>	<b>471.4</b>	<b>294.1</b>	<b>18.2</b>	<b>15.0</b>
Purchases/acquisitions	104.5	246.3	196.6	3.7	4.6
Sales/disposals	-59.2	-63.4	-16.6	-4.9	-1.4
Reclassifications	-9.4	76.2	-	-	-
Translation differences	35.5	0.3	-2.7	-	-
<b>Accumulated acquisition cost, Dec. 31</b>	<b>802.2</b>	<b>730.8</b>	<b>471.4</b>	<b>17.0</b>	<b>18.2</b>
<b>Depreciation, Jan. 1</b>	<b>-478.8</b>	<b>-286.0</b>	<b>-188.7</b>	<b>-6.8</b>	<b>-4.3</b>
Purchases/acquisitions	-8.9	-111.2	-76.2	-	-
Sales/disposals	54.2	54.8	13.6	3.3	0.7
Reclassifications	9.2	-63.5	-	-	-
Depreciation for the year	-81.9	-72.3	-36.5	-3.4	-3.2
Translation differences	-25.2	-0.6	1.8	-	-
<b>Accumulated depreciation, Dec. 31</b>	<b>-531.4</b>	<b>-478.8</b>	<b>-286.0</b>	<b>-6.9</b>	<b>-6.8</b>
<b>Planned residual value, Dec. 31</b>	<b>270.8</b>	<b>252.0</b>	<b>185.5</b>	<b>10.1</b>	<b>11.4</b>



## Note 12. Financial fixed assets

### Share holdings in subsidiaries

Amounts in millions

	Org. number, site	Number	% share			Book value		
			Share-capital	Voting rights		Nominal value	Direct ownership	
<b>ASSA ABLOY Sverige AB,</b>	556061-8455 Gothenburg	70	100	100	SEK	7.0	SEK	14.0
Assa AB	556034-3161 Eskilstuna	20,000	100	100	SEK	2.0		
ASSA Portuguesa LDA	10145 Alfragide	1	100	100	PTE	0.5		
ASSA Balt Ltd.	10116821 Tallinn	400	100	100	EEK	0.4		
Assa Industri AB	556038-2870 Eskilstuna	5,000	100	100	SEK	5.0		
AB FAS Låsfabrik	556025-4467 Eskilstuna	500	100	100	SEK	1.0		
Solid AB	556314-6009 Stockholm	10,000	100	100	SEK	1.0		
FIX AB	556209-7062 Gothenburg	75,000	100	100	SEK	7.5		
<b>ASSA ABLOY OY</b>	699.757 Joensuu	800,000	100	100	FIM	100.0	SEK	631.0
Abloy OY	465.943 Joensuu	2,400,000	100	100	FIM	40.8		
OOO ASSA ABLOY	R9081.17 Moscow	1	100	100	RUR	0.1		
ASSA ABLOY Romania Srl	J08/4398/1994 Brasov	100	100	100	ROL	17.5		
URBIS Security SRL	J40/3566/1998 Bucharest	35	100	100	ROL	35.0		
ASSA Romania SRL	J08/698/1998 Brasov	353	100	100	ROL	35.3		
ASSA Solid Poland Sp.z.o.o	29480 Warsaw	5,791	100	100	PLN	0.6		
ASSA ABLOY Poland Sp.z.o.o.	53503 Warsaw	100	100	100	PLN	0.0		
<b>ASSA ABLOY Norge a.s.</b>	979207476 Moss	150,000	100	100	NOK	150.0	SEK	154.8
TrioVing a.s.	933703290 Moss	20,000	100	100	NOK	20.0		
Vingcard a.s.	974493438 Moss	12,000	100	100	NOK	12.0		
VingCard Systems S.A	B 323 946 863 Paris	17,500	100	100	FRF	1.8		
VingCard Systems HK Ltd	179931 Hong Kong	10,000	100	100	HKD	0.0		
VingCard Systems Canada Ltd/Ltee	804820 Bolton	5,000	100	100	CAD	0.0		
VingCard Systems Thailand Co., Ltd	11335/2532 Bangkok	50,000	100	100	THB	5.0		
K.K. VingCard System	18.6.86 Tokyo	200	100	100	JPY	10.0		
VingCard Systems Espana SA	79/28144/B129425 Barcelona	10,000	100	100	ESP	10.0		
Vingcard Singapore Pte	199708049H Singapore	300,000	100	100	SGD	0.3		
VingCard America Latina Ltde	CGC 01668285/0001-04 Rio de J.	1	100	100	BRC	0.2		
Elsafe International a.s.	932271133 Leksvik	9,510	100	100	NOK	9.5		
Elsafe a.s.	943098646 Leksvik	200	100	100	NOK	0.2		
Låsgruppen a.s.	877023532 Drammen	500	100	100	NOK	0.5		
Låsgruppen Drammen a.s.	977023637 Drammen	1,000	100	100	NOK	0.5		
Låsgruppen Trondheim AS	862152042 Trondheim	350	100	100	NOK	0.4		
Låsgruppen Fredrikstad AS	956928451 Fredrikstad	100	68	68	NOK	0.0		
Låsgruppen Stavanger AS	856928632 Stavanger	100	80	80	NOK	0.0		
Låsgruppen Sandefjord AS	975836681 Sandefjord	600	100	100	NOK	0.3		
Låsgruppen Hamar AS	958596103 Hamar	200	84	84	NOK	0.1		
Låsgruppen Oslo AS	944544038 Oslo	300	67	67	NOK	0.2		
Gorud Industrier AS	937783841 Oslo	924,393	100	100	NOK	37.0		
<b>A/S Ruko</b>	16.287 Herlev	760	100	100	DKK	10.0	SEK	191.8
Fix A/S	164.111 Silkeborg	500	100	100	DKK	0.5		
Ruko Service A/S	150.489 Herlev	1,000	100	100	DKK	0.5		
<b>ASSA ABLOY Deutschland GmbH</b>	HRB 66227 Berlin	2	100	100	DEM	0.0	SEK	90.0
Wilhelm Dörrenhaus GbmH	861 Krone bei Velbert	1	100	100	DEM	0.0		
IKON AG Präzisionstechnik	HRB 31666 Berlin	394,451	99	99	DEM	19.7		
BAB IKON GmbH Schliesstechnik	B 257 Potsdam	1	100	100	DEM	3.0		
Dupéray S.A.	568.768 Brussels	12,433	100	100	BEF	63.0		
IKON CULLY S.A.	485 Cully	200	100	100	CHF	0.2		
AMBOUW B.V.	31021889 Hoevelaken	25	100	100	NLG	0.0		
Striffler Nederland B.V.	8017187 Hoevelaken	25	100	100	NLG	0.0		
ASSA-Ruko Sicherheitssysteme GmbH	HRB 14327 Cologne	1	100	100	DEM	0.5		
VingCard Hotelsicherheitsysteme GmbH	HRB 1741 Heiligenhaus	1	100	100	DEM	0.1		

## Note 12. Share holdings in subsidiaries, cont.

Amounts in millions

	Org. number, site	Number	% share			Book value		
			Share-capital	Voting rights		Nominal value	Direct ownership	
<b>ASSA ABLOY France S.A.</b>	412140907 Nanterre	1,000,000	100	100	FRF	100.0	SEK	173.6
Vachette S.A.	552052672 Paris	395,307	100	100	FRF	39.5		
Laperche S.A.	615780178 Friville Esc.	41,880	100	100	FRF	33.4		
Litto n.v (Belgium)	17/405269760 Nieuwenport	4,425	98	98	BEF	14.6		
Bezault S.A.	665980025 Lounge	26,400	100	100	FRF	7.9		
JPM S.A.	348014218 Moulins	12,000	100	100	FRF	12.0		
<b>FAB a.s.</b>	4553 4578 Rychnow n. Kn.	135,930	93	93	CZK	135.9	SEK	154.4
FAB Slovakia s.r.o.	31610994 Nova Bana	1	100	100	SKK	15.0		
<b>ASSA ABLOY Ltd, UK</b>	2096505 Croydon	1,330,000	100	100	GBP	1.3	SEK	25.8
Abloy Security Ltd (UK)	2078532 Watford	275,000	100	100	GBP	0.3		
Abloy Security Ltd (Ireland)	137552 Dublin	100	100	100	IEP	0.0		
VingCard (UK) Ltd	1591345 Reading	155,000	100	100	GBP	0.2		
ASSA Ltd (UK)	2066014 Croydon	800,000	100	100	GBP	0.8		
Gorud Industries (UK)	400718 Co. Durham	5,919,000	100	100	GBP	0.6		
<b>ASSA ABLOY Inc</b>	39347-83 New Haven, CT	100	100	100	USD	17.6	SEK	655.9
ASSA ABLOY Export Inc	14782 Barbados	1,000	100	100	USD	*		
Arrow Lock Manufacturing Co Inc	725358061 Brooklyn, NY	1,000	100	100	USD	8.0		
ASSA Inc	88271209 Brooklyn, NY	10	100	100	USD	0.0		
Abloy Security Inc	170112 Irving, TX	1,000,000	100	100	USD	1.0		
VingCard Inc, USA	653288-0 Dallas, TX	3,200	100	100	USD	3.6		
Elsafe Inc	1136618 Orlando, FL	750,000	100	100	USD	0.8		
Elsafe Hawaii Inc.	49660D1 Honolulu, HI	40,000	100	100	USD	0.0		
Curries Company	725358084 Mason City, IA	1,000	100	100	USD	30.0		
Graham Manufacturing Corporation	011G05867 Mason City IA	1,000	100	100	USD	5.0		
McKinney Products Company	725358083 Scranton, PA	1,000	100	100	USD	15.0		
Sargent Manufacturing Company	725358062 New Haven, CT	1,000	100	100	USD	73.0		
ASSA ABLOY Canada Ltd	202097-1 Markham	14,760	100	100	CAD	2.0		
ESSEX Industries, Inc	731311010 New Haven, CT	100	100	100	USD	0.1		
ESSEX Northeast Service Center Co	Bethlehem	1,000	100	100	USD	*		
Securitron Magnalock Corporation	2431292 Sparks, NV	100	100	100	USD	*		
MEDECO Security Locks Inc	Salem, VA	1,570	100	100	USD	0.0		
NEL Corp	2948001 Norwalk, CT	100	100	100	USD	*		
<b>Abloy Holdings Ltd</b>	1148165260 St Laurent, Can	1	100	100	CAD	*	SEK	12.6
Abloy Canada Inc	111-6456 Ville St Laurent, Can	100	100	100	CAD	*		
<b>ASSA ABLOY Pte Ltd</b>	199606073E Singapore	100,000	100	100	SGD	0.1	SEK	0.5
Secureware International Pte Ltd	199307933K Singapore	321,092	100	100	SGD	0.3		
Abloy Security Pte Ltd	198304784C Singapore	350,000	100	100	SGD	0.4		
<b>ASSA ABLOY Ltd (HK)</b>	629401 Hong Kong	50,000	100	100	HKD	0.5	SEK	0.5
Precise Security (FAR EAST) Ltd	451136 Hong Kong	156,000	100	100	HKD	*		
Precise Enterprise Ltd	526900 Hong Kong	125,736	100	100	HKD	*		
<b>Abloy Security Pty. Ltd (Australia)</b>	ACN 050102497 Brookvale	250,000	100	100	AUD	0.3	SEK	2.8
<b>ASSA Access Support AB</b>	556190-0738 Stockholm	100	100	100	SEK	0.0	SEK	0.1
<b>ASSA ABLOY Financial Services AB</b>	556283-0264 Stockholm	10	100	100	SEK	1.0	SEK	0.9
<b>ASSA ABLOY Treasury S.A.</b>	1198-192123 Geneva	72,300,000	100	100	CHF	723.0	SEK	3,743.0
<b>Total</b>							<b>SEK</b>	<b>5,851.7</b>

\* No par value.

The list does not include dormant companies and companies with a value of less than SEK 100,000.

The annual report submitted to the Patent and Registry Office contains a full statutory specification of shares in subsidiary companies.



## Shares in associated companies

Amounts in millions

	Org. number, Site	Number	% share		Nominal value	Book value
			Share-capital	Voting rights		
Keso Holding AG	5819 Zug	1,750	35	35	CHF 1,750	SEK 48.5
Keso Deutschland GmbH	2790 Buchholz	1	50	50	DEM 0,1	SEK 2.2
AWEK Industrial Patents Ltd Oy	1036014-6 Helsinki	50	25	25	FIM 0,1	SEK 0.2
Låsgruppen Wilhelm Nielsen a.s.	934372816 Bergen	610	50	50	NOK 0,6	SEK 9.8
Scovill			49			SEK 92.2
<b>Total</b>						<b>SEK 152.9</b>

## Other shares and participations

Book value

Subsidiaries' holdings (SEK M)	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996
Rönningstrand Eiendom AS	0.5	-	-
Keso Holding AG	1.7	-	-
JKF	-	0.8	-
GIAB	-	0.7	-
FAB	-	-	7.6
Abloy Security Singapore (Pte) Ltd	-	-	0.1
Hahle Oy	-	-	0.4
Other	1.0	0.9	1.3
<b>Total</b>	<b>3.2</b>	<b>2.4</b>	<b>9.4</b>

## Long-term receivables

SEK M	Group			Parent Company	
	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1998	Dec. 31, 1997
Receivables due from insurance company	17.2	16.7	14.7	-	-
Own holdings of convertibles	133.7	16.8	-	132.4	13.1
Receivables due from pension institute	14.1	-	29.5	-	-
Other	6.9	5.6	7.2	0.8	0.2
<b>Total</b>	<b>171.9</b>	<b>39.1</b>	<b>51.4</b>	<b>133.2</b>	<b>13.3</b>

## Deferred tax receivables

Group SEK M	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996
Loss deduction	282.5	286.7	-
Other	37.3	47.7	-
<b>Total</b>	<b>319.8</b>	<b>334.4</b>	<b>-</b>

## Note 13. Inventory

Group	1998	1997	1996
SEK M			
Materials and inventory items	384.3	297.4	198.0
Work in progress	493.0	467.5	377.9
Finished goods	456.0	406.8	266.5
Paid in advance	5.8	7.5	6.7
<b>Total</b>	<b>1,339.1</b>	<b>1,179.2</b>	<b>849.1</b>

## Note 14. Loans to key executives

The Parent Company has loaned SGD 0.1 M (0.1) to the president and SEK 0.7 M (0.7) to the marketing director of the Group company ASSA ABLOY Pte Ltd, Singapore. The loans are interest free.

## Note 15. Prepaid expenses and accrued income

SEK M	Group			Parent Company	
	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1998	Dec. 31, 1997
Prepaid expenses	14.5	11.8	8.2	1.0	2.7
Accrued income	10.2	8.6	5.7	0.9	-
Other	45.7	38.0	29.1	2.1	0.6
<b>Total</b>	<b>70.4</b>	<b>58.4</b>	<b>43.0</b>	<b>4.0</b>	<b>3.3</b>

## Note 16. Equity

Dec. 31, 1998 Group, SEK M	Share capital	Restricted reserves	Unrestricted reserves	Total
Opening balance, Jan. 1	70.7	1,437.0	809.4	2,317.1
New share issue	-	-	-	-
Converted shares	0.4	11.9	-	12.3
Dividend	-	-	-123.8	-123.8
Shift between unrestricted and restricted reserves	-	557.3	-557.3	-
Exchange difference for the year	-	-	-16.4	-16.4
Net result for the year	-	-	526.0	526.0
Closing balance, Dec. 31	71.1	2,006.2	637.9	2,715.2

Dec. 31, 1997 Group, SEK M	Share capital	Restricted reserves	Unrestricted reserves	Total
Opening balance, Jan. 1	64.3	734.3	609.9	1,408.5
New share issue	6.4	635.7	-	642.1
Dividend	-	-	-80.3	-80.3
Shift between unrestricted and restricted reserves	-	67.0	-67.0	-
Exchange difference for the year	-	-	-5.4	-5.4
Net result for the year	-	-	352.2	352.2
Closing balance, Dec. 31	70.7	1,437.0	809.4	2,317.1

Dec. 31, 1996 Group, SEK M	Share capital	Restricted reserves	Unrestricted reserves	Total
Opening balance, Jan. 1	53.6	445.7	428.8	928.1
New share issue	10.7	289.4	-	300.1
Dividend	-	-	-53.6	-53.6
Shift between unrestricted and restricted reserves	-	-0.8	0.8	-
Exchange difference for the year	-	-	-13.6	-13.6
Net result for the year	-	-	247.5	247.5
Closing balance, Dec. 31	64.3	734.3	609.9	1,408.5

Dec. 31, 1998 Parent Company, SEK M	Share capital	Premium reserve	Restricted reserve	Retained earnings	Total
Opening balance, Jan. 1	70.7	635.7	645.4	946.5	2,298.3
New share issue	-	-	-	-	-
Converted shares	0.4	11.9	-	-	12.3
Dividend	-	-	-	-123.8	-123.8
Net result for the year	-	-	-	2,592.1	2,592.1
Closing balance, Dec. 31	71.1	647.6	645.4	3,414.8	4,778.9

Number of shares	Voting rights	Number of shares
A-Series shares	41,904,120	4,190,412
B-Series shares	66,885,571	66,885,571
Total	108,789,691	71,075,983

Dec. 31, 1997 Parent Company, SEK M	Share capital	Premium reserve	Restricted reserve	Retained earnings	Total
Opening balance, Jan. 1	64.3	0.0	645.4	408.7	1,118.4
New share issue	6.4	635.7	-	-	642.1
Dividend	-	-	-	-80.3	-80.3
Net result for the year	-	-	-	618.1	618.1
Closing balance, Dec. 31	70.7	635.7	645.4	946.5	2,298.3

Number of shares	Voting rights	Number of shares
A-Series shares	41,904,120	4,190,412
B-Series shares	66,541,706	66,541,706
Total	108,445,826	70,732,118



## Note 17. Untaxed reserves

### Parent Company

SEK M	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996
Difference between book depreciation and planned depreciation	3.2	3.2	2.8
Profit equalization reserve, 1994	8.4	8.4	8.4
Profit equalization reserve, 1995	11.4	11.4	11.4
Profit equalization reserve, 1996	3.8	3.8	3.8
Profit equalization reserve, 1997	-	-	-
<b>Total</b>	<b>26.8</b>	<b>26.8</b>	<b>26.4</b>

## Note 18. Long-term liabilities falling due for payment later than five years after fiscal closing date

SEK M	Group			Parent Company	
	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1998	Dec. 31, 1997
Liabilities to credit institutions	42.8	46.5	49.5	-	-
Other liabilities	1.3	2.0	-	-	-
<b>Total</b>	<b>44.1</b>	<b>48.5</b>	<b>49.5</b>	<b>0.0</b>	<b>0.0</b>

## Note 19. Corporate credit line

Check credits granted in the amount of SEK 271.8 M (417.7), of which SEK 92.0 M (132.1) utilized.

## Note 20. Convertible debenture loans

SEK M	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996
	312.7	325.0	75.0

The convertible debenture loans, 95/00 and 97/02, have variable interest rates corresponding to 12-month STIBOR less 0.25 percent. The loan terms are from June 29, 1995 to June 30, 2000 and from December 8, 1997 to December 2, 2002, respectively.

For convertible debenture loan 95/00, conversion can be made to B-series shares during the period from July 1, 1998 through June 15, 2000, and for convertible debenture loan 97/02, conversion can be made to B-series shares during the period from December 1, 2000 through November 15, 2002. At full conversion for convertible debenture loan 95/00, at a SEK 35:70 conversion rate, 2,100,962 shares would arise.

(During 1998 343 865 shares have arisen.  $2\,100\,962 - 343\,865 = 1\,757\,097$ )

At full conversion for convertible debenture loan 97/02, at a SEK 243.00 conversion rate, 1,028,806 shares would arise.

## Note 21. Deferred tax liabilities

SEK M	Group			Parent Company	
	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1998	Dec. 31, 1997
Untaxed reserves	147.4	145.9	118.9	7.5	7.5
Surplus values	225.9	237.5	18.8	-	-
Other	34.4	34.8	-11.4	-	-
<b>Total</b>	<b>407.7</b>	<b>418.2</b>	<b>126.3</b>	<b>7.5</b>	<b>7.5</b>

## Note 22. Accrued expenses and prepaid income

SEK M	Group			Parent Company	
	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1998	Dec. 31, 1997
Accrued expenses, personnel	333.5	315.4	193.6	5.4	4.7
Other accrued expenses	109.4	70.5	91.5	535.3	38.5
Other	348.5	172.4	107.0	2.5	3.4
<b>Total</b>	<b>791.4</b>	<b>558.3</b>	<b>392.1</b>	<b>543.2</b>	<b>46.6</b>

## Note 23. Assets pledged

### Group

SEK M	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996
Pertains to long-term liabilities to credit institutions			
Real estate mortgages	143.3	133.9	130.0
Chattel mortgages	3.1	2.9	2.0
<b>Total</b>	<b>146.4</b>	<b>136.8</b>	<b>132.0</b>

## Note 24. Contingent liabilities

SEK M	Group			Parent Company	
	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1998	Dec. 31, 1997
Guarantees	57.5	59.6	19.0	1.8	1.5
Guarantees on behalf of subsidiaries	67.3	62.9	51.2	120.2	112.3
Other	5.3	4.8	-	-	-
<b>Total</b>	<b>130.1</b>	<b>127.3</b>	<b>70.2</b>	<b>122.0</b>	<b>113.8</b>

## Note 25. Personnel by country, distribution by men and women

	Women			Men			Total		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
Sweden	366	361	325	477	492	479	843	853	804
Finland	373	352	337	575	527	496	948	879	833
Norway	275	285	273	616	624	542	891	909	815
Denmark	137	144	138	163	165	159	300	309	297
Germany	362	342	382	373	320	329	735	662	711
United Kingdom	54	65	70	91	91	69	145	156	139
Belgium	46	27	5	68	47	20	114	74	25
France	704	431	4	1,211	710	5	1,915	1,141	9
The Netherlands	7	7	-	19	18	-	26	25	-
Czech Republic	469	205	-	373	159	-	842	364	-
Canada	15	5	7	20	13	11	35	18	18
Australia	2	2	4	13	14	13	15	16	17
United States	851	694	701	2,000	1,842	1,886	2,851	2,536	2,587
Hong Kong	8	4	3	20	11	5	28	15	8
Japan	1	1	1	2	2	2	3	3	3
Singapore	15	14	-	30	18	-	45	32	-
Romania	356	-	-	290	-	-	646	-	-
Other	67	39	14	96	57	37	163	96	51
<b>Total</b>	<b>4,108</b>	<b>2,978</b>	<b>2,264</b>	<b>6,437</b>	<b>5,110</b>	<b>4,053</b>	<b>10,545</b>	<b>8,088</b>	<b>6,317</b>
Parent Company, Sweden	6	6	4	9	8	6	15	14	10



## AUDITOR'S REPORT:

To the Annual General Meeting of ASSA ABLOY AB (publ)  
Org. no. 556059-3575

We have examined the annual report, consolidated statements and accounts, as well as the Board of Directors' and the President's administration of ASSA ABLOY AB (publ) for the fiscal year 1998. It is the Board of Directors and the President who are responsible for the accounting documents and administration. Our responsibility is to comment on the annual report, consolidated statements and administration based on our audit.

The audit has been performed in accordance with generally acceptable auditing practice. This means that we have planned and carried out the audit in such a way as to be reasonably sure that the annual report and consolidated statements contain no significant errors. An audit involves examining a selection of subsidiary data and other information that support amounts appearing in the accounts. An audit also includes a probe of the accounting principles and the Board of Directors' and the President's application of them, and an assessment of the accumulated information in the annual report and consolidated statements. We have examined the important decisions, actions and conditions within the Company in order to be able to determine if any Board member or the President is liable for damages to company or otherwise acted contrary to the Companies Act, the Annual Accounts Act or the Articles of Association. We consider that our audit provides us with reasonable grounds for the comments below.

The annual report and consolidated statements have been prepared in accordance with the Annual Accounts Act, and we herewith recommend

**that** the income statement and balance sheet of the Parent Company be approved and

**that** disposition of the Parent Company's profits be in accordance with the proposal in the Board of Directors' Report.

Neither the Board members nor the President have committed any act or otherwise been guilty of any negligence which, in our judgment, would render them liable for damages to the Company, and we herewith recommend

**that** the members of the Board and the President be relieved of responsibility for the fiscal year.

Stockholm, February 12, 1999

Öhrlings Coopers & Lybrand AB

Nils Brehmer

Anders Lundin

Authorized Public Accountant Authorized Public Accountant

## ASSA ABLOY'S BOARD

### Georg Ehrnrooth

b. 1940 (Chairman)

President and CEO of Metra Oy Ab  
Board chairman of Pensions-Varma, board member of Sampo-Gruppen, Sandvik AB, Oy Karl Fazer Ab and others, member of the board of administration of Rautaruuki Oy, MeritaBank and others, board member of the Industry and Employers' Central Association and the Metal Industry Central Association and a board member of Sandvik AB.  
Chairman of ASSA ABLOY AB since 1994.  
Shareholding in ASSA ABLOY AB (through company): 55,000 Series B shares.

### Melker Schörling

b. 1947 (Vice Chairman)

Board chairman of Securitas AB, board member of Cardo AB, Hennes & Mauritz AB and the Federation of Swedish Industries.  
Board member of ASSA ABLOY AB since 1994.  
Shareholding in ASSA ABLOY AB (privately and through company): 330,000 Series A and 2,676,966 Series B shares.

### Gustaf Douglas

b. 1938

Owner of Förvaltnings AB Wasatornet (principal owner of Investment AB Latour and SÄKI). Board member of Investment AB Latour, Fagerhult, Stockholm Chamber of Commerce and SÄKI. Vice chairman of Swedish Television AB and Securitas AB. Board member of Munksjö, Pharmacia & Upjohn AB, Telelarm Care and Stiftelsen Svenska Dagbladet.  
Board member of ASSA ABLOY AB since 1994.  
Shareholding in ASSA ABLOY AB through Investment AB Latour: 4,800,000 Series B shares and through SÄKI AB: 1,555,686 Series A shares and 124,150 B shares.

### Per-Olof Eriksson

b. 1938

Board chairman of Svenska Kraftnät, Odlander Fredriksson & Co. AB and Thermia AB.  
Board member of AB Custos and Sandvik AB, Svenska Handelsbanken, SSAB Svenskt Stål AB, AB SKF, AB Volvo, Skanska AB, NV Koninklijke Sphinx Gustafsberg, the Royal Institute of Technology, the Federation of Swedish Industries and Preem Petroleum AB.  
Member of IVA.  
Board member of ASSA ABLOY AB since 1995.  
Shareholding in ASSA ABLOY AB: 1,000 Series B shares and convertibles corresponding to 1,575 Series B shares.

### Ole Johansson

b. 1951

President and CEO of Wärtsilä NSD Oy Ab.  
Board member of Sato Yhtymä Oy.  
Board member of ASSA ABLOY AB since 1994.  
Shareholding in ASSA ABLOY AB: 10,120 Series B shares and convertibles corresponding to 1,575 Series B shares.

### Gerhard Wendt

b. 1934

Board chairman of Oy Algot Ab, Instrumentarium Oy and Outokumpu Oy.  
Board member of Kone Oy, A Ahlström Osakeyhtiö, Vaisala Oy, Imatran Voima Oy, Treaskonttori Oy, Wärtsilä Diesel International Ltd Oy and a member of Lagerqvist International Advisory Board.  
Board member of ASSA ABLOY AB since 1995.  
Shareholding in ASSA ABLOY AB: convertibles corresponding to 1,575 Series B shares.

### Carl-Henric Svanberg

b. 1952

President of ASSA ABLOY AB and CEO of ASSA ABLOY.  
Board member of ASSA ABLOY AB since 1995.  
Shareholding in ASSA ABLOY AB through company: 1,160,000 Series B shares and convertibles corresponding to 66,513 Series B shares.

## DEPUTY MEMBERS

### Rune Hjälml

b. 1964

Union trustee at FIX AB, employee representative, Swedish Metal Workers Union.  
Board member of ASSA ABLOY AB since 1994.  
Board member of Lindholmens Utvecklings AB since 1995.  
Shareholding in ASSA ABLOY AB: 0.

### Per-Edvin Nyström

b. 1955

Union trustee at Assa Industri AB, employee representative, Swedish Metal Workers Union.  
Board member of ASSA ABLOY AB since 1994.  
Shareholding in ASSA ABLOY AB: 200 Series B shares and convertibles corresponding to 1,575 Series B shares.



### Mats Persson

b. 1955

Union trustee at Assa AB, employee representative, Swedish Metal Workers Union.  
Board member of Securitas AB 1990-1994.  
Board member of ASSA ABLOY AB since 1994.  
Shareholding in ASSA ABLOY: 0

### Gösta Johnson

b. 1942

Union trustee at Assa AB, employee representative, Federation of Salaried Employees in Industry and Services.  
Chairman of EWC within ASSA ABLOY since 1996.  
Board member of ASSA ABLOY AB since 1997.  
Shareholding in ASSA ABLOY AB: convertibles corresponding to 1,575 Series B shares.

From the left: Melker Schörling, Gustaf Douglas, Carl-Henric Svanberg, Per-Olof Eriksson, Georg Ehrnrooth, Gösta Johnson, Rune Hjälml, Ole Johansson, Per Edvin Nyström, Gerhard Wendt.



## ASSA ABLOY'S MANAGEMENT GROUP



*Carl-Henric Svanberg, Joakim Westh and Göran Jansson.*



*Åke Sund, Lennart Robertsson and Clas Thelin.*



*Bo Dankis, Otto Hansen, Eero Leskinen and Duncan Horton.*



*Hans Johansson, Carl Trock and Matti Virtaala.*

### **Carl-Henric Svanberg**

b. 1952  
President of ASSA ABLOY AB and CEO of ASSA ABLOY. Employed at ASSA ABLOY since the Group was formed.  
Shareholding in ASSA ABLOY AB through company: 1,160,000 Series B shares and convertibles corresponding to 66,513 Series B shares.

### **Bo Dankis**

b. 1954  
President of ASSA ABLOY France S.A and country manager for France.  
Employed at ASSA ABLOY since 1997.  
Shareholding in ASSA ABLOY AB: options corresponding to 60,000 Series B shares and convertibles corresponding to 1,575 Series B shares.

### **Otto Hansen**

b. 1937  
Chairman of operations in Denmark, Germany and United Kingdom.  
Group Vice President of ASSA ABLOY.  
Employed at ASSA ABLOY since the Group was formed.  
Shareholding in ASSA ABLOY AB: 71,720 Series B shares and convertibles corresponding to 64,938 Series B shares.

### **Duncan Horton**

b. 1946  
President of ASSA Ltd. and country manager for the UK.  
Employed at ASSA ABLOY since the Group was formed.  
Shareholding in ASSA ABLOY AB: 270,517 Series B shares and convertibles corresponding to 66,513 Series B shares.

### **Göran Jansson**

b. 1958  
Director of Administration and Finance at ASSA ABLOY since 1997.  
Employed at ASSA ABLOY AB since 1997.  
Shareholding in ASSA ABLOY AB: 9,000 Series B shares, options corresponding to 60,000 Series B shares and convertibles corresponding to 1,575 Series B shares.

### **Hans Johansson**

b. 1955  
President of Assa AB and ASSA Industri AB and country manager for Sweden and Norway.  
Group Vice President of ASSA ABLOY.  
Employed at ASSA ABLOY since the Group was formed.  
Shareholding in ASSA ABLOY AB: 103,000 Series B shares and convertibles corresponding to 66,513 Series B shares.

### **Eero Leskinen**

b. 1956  
President of IKON AG and country manager for Germany.  
Group Vice President of ASSA ABLOY.  
Employed at ASSA ABLOY since the Group was formed.  
Shareholding in ASSA ABLOY AB: 168,300 Series B shares and convertibles corresponding to 66,513 Series B shares.

### **Lennart Robertsson**

b. 1959  
President of ASSA ABLOY Pte. Ltd. (Singapore).  
Regional manager for the Far East.  
Employed at ASSA ABLOY since 1995.  
Shareholding in ASSA ABLOY AB: 660 Series B shares and convertibles corresponding to 58,997 Series B shares.

### **Åke Sund**

b. 1957  
President of VingCard a.s. and head of the VingCard Group.  
Group Vice President of ASSA ABLOY.  
Employed at ASSA ABLOY since the Group was formed.  
Shareholding in ASSA ABLOY AB: 20,400 Series B shares and convertibles corresponding to 66,513 Series B shares.

### **Clas Thelin**

b. 1954  
President of ASSA ABLOY Inc. and country manager for the U.S.  
Group Vice President of ASSA ABLOY. Employed at ASSA ABLOY since the Group was formed.  
Shareholding in ASSA ABLOY AB: 44,000 Series B shares and convertibles corresponding to 66,513 Series B shares.

### **Carl Trock**

b. 1954  
President of A/S Ruko and country manager for Denmark. Employed at A/S Ruko since 1996  
Shareholding in ASSA ABLOY AB: options corresponding to 10,000 Series B shares and convertibles corresponding to 1,575 Series B shares.

### **Matti Virtaala**

b. 1951  
President of Abloy Oy and country manager for Finland.  
Group Vice President of ASSA ABLOY. Employed at ASSA ABLOY since the Group was formed.  
Shareholding in ASSA ABLOY AB: 197,560 Series B shares and convertibles corresponding to 66,513 Series B shares.

### **Joakim Westh**

b. 1961  
Director of ASSA ABLOY Strategic Development.  
Group Vice President of ASSA ABLOY.  
Employed at ASSA ABLOY since 1996.  
Shareholding in ASSA ABLOY AB: 16,200 Series B shares, options corresponding to 60,000 Series B shares and convertibles corresponding to 1,575 Series B shares.

### **AUDITORS**

Öhrlings Coopers & Lybrands AB  
Authorized Public Accountants  
Nils Brehmer, b. 1934, and  
Anders Lundin, b. 1956.  
Auditors for the ASSA Group since 1988.

## ASSA ABLOY'S ORGANIZATION:

### Sweden

AB FAS Låsfabrik  
Assa AB  
ASSA Industri AB  
Assa Säkerhetsgruppen AB  
FIX AB  
SOLID AB  
ASSA ABLOY Romania Srl  
Assa Balt Ltd  
Assa Portuguesa LDA

### Finland

Abloy Oy  
Abloy Oy Eesti Filiaal  
Abloy Security Pty Ltd,

### Norway

Gorud Industrier a. s  
Låsgruppen a.s  
TrioVing a.s

### Denmark

A/S Ruko  
FIX A/S  
Ruko Service A/S  
ASSA-Ruko Sicherheitssysteme GmbH

### Germany

Ambouw B.V  
BAB-IKON GmbH  
IKON AG  
Wilhelm Dörrenhaus GmbH  
Dupéray S.A, Belgium  
IKON Cully S.A, Switzerland

### United Kingdom / Ireland

Abloy Security Ltd  
ASSA Ltd  
Gorud Industries Ltd  
Abloy Security Ltd, Ireland

### France/Belgium

Bezault S.A.  
JPM S.A.  
Laperche S.A.  
Vachette S.A.  
Litto N.V., Belgium

### Czech Republic

FAB a.s

### United States

Abloy Security Inc.  
Arrow Lock Manufacturing Co Inc.  
ASSA Inc.  
Curries Co.  
ESSEX Industries Inc.  
Graham Manufacturing Corp.  
McKinney Products Co.  
Medeco Security Locks Inc.  
New England Lock & Hardware Co.  
Sargent Manufacturing Co.  
Securitron Magnalock Corp.  
Sargent of Canada Ltd., Canada  
Abloy Canada Inc.

### Asia

ASSA ABLOY Ltd., Hong Kong  
ASSA ABLOY Pte. Ltd., Singapore

### VingCard

Elsafe a.s  
Elsafe Inc., USA  
VingCard a.s  
VingCard Inc., USA

### VingCard companies:

Brazil,  
Canada,  
France,  
Germany  
Hong Kong/China,  
Japan,  
Singapore,  
Spain,  
Thailand,  
UK,  
– and sales offices and distributors  
in some 70 countries.



"La Grande Arche" in Paris, one of the world's most prestigious office complexes. The "Défense" district is equipped with locks and security products supplied by ASSA ABLOY's French companies.



Göteborgsoperan – the new opera in western Sweden is equipped with locks and security products supplied by ASSA ABLOY's Swedish companies.



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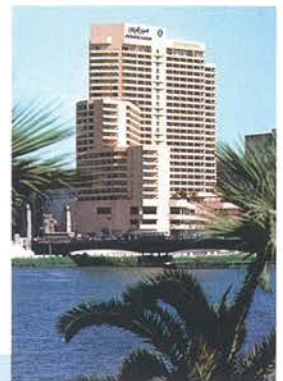
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Hotel Semiramis  
Interconti in Cairo,  
where VingCard  
installed its two  
millionth hotel lock.  
The occasion was  
celebrated in  
February 1999, in Cairo.



The UN headquarters in New York offers an international environment which presents a unique security challenge as a result of its location in central Manhattan. Lock systems and products supplied by a number of ASSA ABLOY companies are utilized - Medeco high-security cylinders and industrial locks, Arrow lock cases, and Securitron magnetic locks and electronic emergency exit fittings.



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