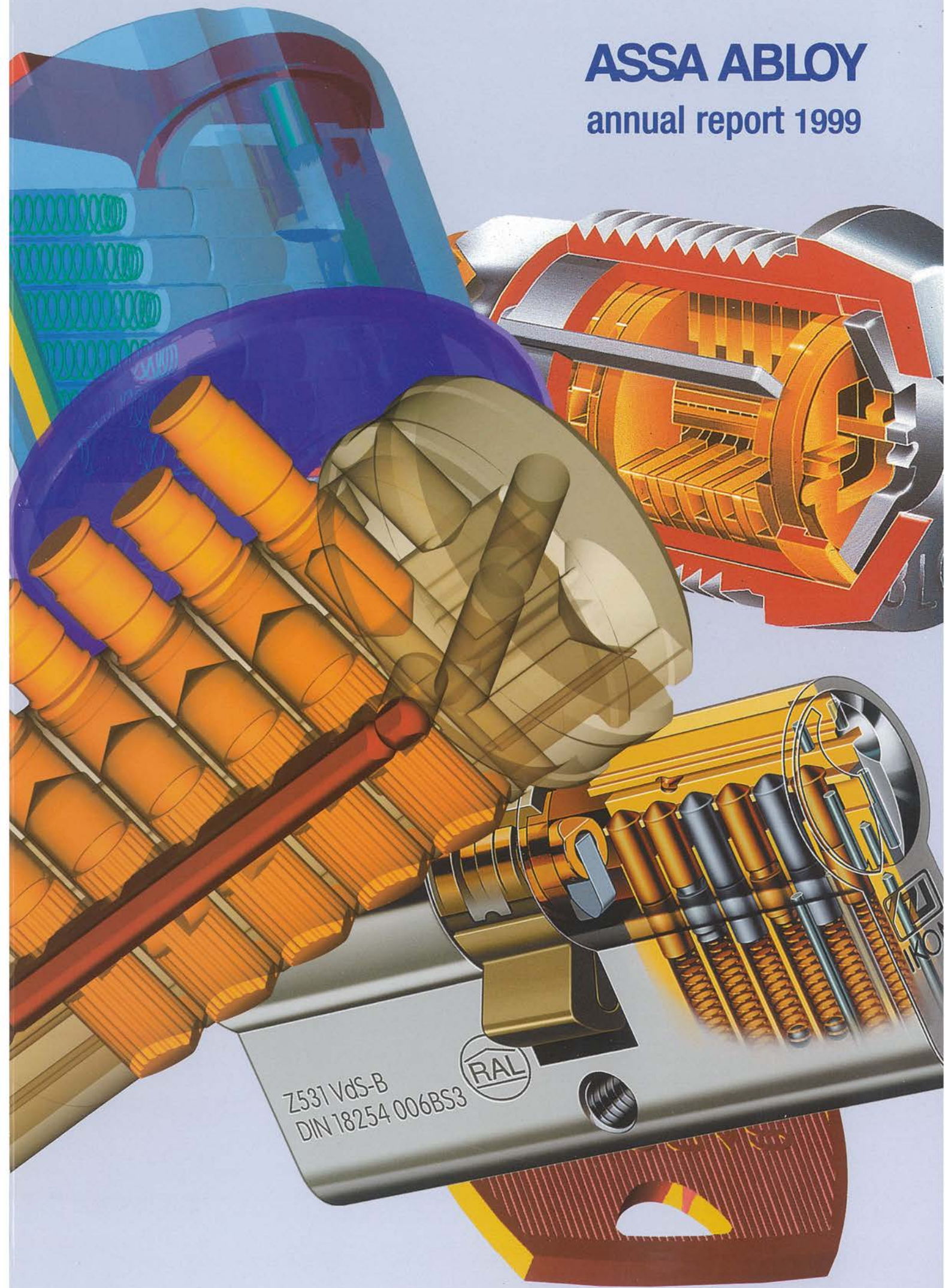


ASSA ABLOY

annual report 1999



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Contents

The Annual General Meeting of ASSA ABLOY AB	2
The year 1999 in brief	3
Statement by the President	4
Group development	6
The ASSA ABLOY share	8
ASSA ABLOY and the lock industry	10
Strategy and financial objectives	12
Management philosophy	14
Environmental management and quality	16
The trend towards higher security	18
ASSA ABLOY in development	20
ASSA ABLOY's products	22
Getting closer to the customer	24
Scandinavia	26
Finland	30
Germany	32
United Kingdom and Ireland	34
France and Belgium	36
North America	38
Australia and New Zealand	42
New markets	44
VingCard	48
FINANCIAL STATEMENTS:	
Report of the Board of Directors	50
Consolidated income statement and cash flow statement	56
Consolidated balance sheet	57
Parent Company income statement and cash flow statement	58
Parent Company balance sheet	59
Accounting and valuation principles	60
Financial risk management	62
Notes to the income statements and balance sheets	63
Audit report	73
ASSA ABLOY's Board of Directors	74
ASSA ABLOY's Management Team	75
Addresses	76

The Annual General Meeting of ASSA ABLOY AB

will be held at Ingenjörsvetenskapsakademien,
'Wallenbergsalen', Grev Turegatan 16, Stockholm,
at 3 p.m. on Wednesday May 3 2000.

Notice of attendance

at the Annual General Meeting

Shareholders wishing to attend the Meeting must:

- be recorded in the register of shareholders kept by Värdepapperscentralen VPC AB (Swedish Central Securities Depository and Clearing Organisation), no later than April 20* 2000 and:
- give notice of attendance to ASSA ABLOY AB, Box 70340, 107 23 Stockholm, tel. +46 8 506 485 00 by 4 p.m. on April 25 2000. 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 held.

Any shareholders whose shares are nominee-registered must also, in order to be entitled to take part in the Meeting, request a temporary entry in the register of shareholders kept by VPC. Shareholders must notify the nominee about this well before April 20* 2000, when this entry must have been effected.

*The formal date is April 23 2000. However, due to holidays, the actual printout of the register takes place on April 20 2000.

Financial information from ASSA ABLOY will be published as follows:

Interim reports:

January 1 – March 31: May 3 2000

January 1 – June 30: August 10 2000

January 1 – September 30: November 13 2000

Year-end report for 2000: February 7 2001

Annual report for 2000: March 2001

Annual reports and other reports may
be ordered from:

ASSA ABLOY AB, P.O. Box 70340,

SE-107 23 Stockholm, Sweden

Tel: +46 8 506 485 00. Fax: +46 8 506 485 85

www.assaabloy.se

Continued strong growth in sales and earnings

- **Sales** amounted to SEK 10,277 M (8,582), an increase of 20 percent.
- **Organic growth** in comparable units in local currency amounted to 5 percent (6).
- **Income before tax** increased by 31 percent to SEK 981 M (748).
- **Earnings per share** increased by 26 percent to SEK 2.25 (1.78).
- **Operating cash flow** amounted to SEK 1,218 M (1,028), an increase of 18 percent.
- **Cash earnings per share** (CEPS) increased by 15 percent to SEK 4.38 (3.80).
- **Coordination and transfer of know-how** between units, facilitated through the benchmarking process, is providing the foundation for improved earnings and cash flow.
- **During the year** 11 companies were acquired, two in Sweden, two in France and one each in Australia, Canada, Denmark, Finland, Germany, Israel and Spain. The major acquisitions are:
 - Lockwood, the leading lock manufacturer in Australia.
 - effeff in Germany, the world's leading manufacturer of electric strikes.
 - Mul-T-Lock, Israel's leading manufacturer of locks and high-security cylinders.
- **ASSA ABLOY** completed a share issue in July where SEK 1,985 M was raised, with a subscription rate of 99.8 percent.

ASSA ABLOY: growth profile

Stable organic growth

- Trend towards higher security.
- After-market sales more than half the volume.
- Electromechanical products
 - cross sales – new markets.

Increasing margins

- Improvements in each unit
 - benchmarking
 - transfer of know-how

Cash flow even stronger

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

Consolidation opportunities

– focus on earnings per share (EPS)

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

Creating Group strength step by step

1999 was yet another eventful and important year for the ASSA ABLOY Group. Sales increased by 20 percent to SEK 10,277 M, income before taxes increased by 31 percent to SEK 981 M and earnings per share increased by 26 percent to SEK 2.25. Operating cash flow, a good measure of the strength of operations, amounted to SEK 1,218 M. Organic growth was good after a weak first quarter, and for the year in total amounted to 5 percent.

We have made 11 acquisitions, strengthening us in various areas. The acquisition of effeff in Germany has given us a world-leading position in electromechanical locking. Lockwood has provided us with a leading position in Australia and South East Asia.

Our strategy remains intact, i.e. to develop products and concepts focusing on the lock business in order to offer our customers continuously improved solutions to their security problems. This process of development is carried out in close cooperation with end-users and other decision makers in the market. In addition to our end customers, the police, the fire service and insurance companies are important partners in discussing requirements and creating products and systems that work properly in all situations.

Our business is based on stable organic growth that during the year amounted to five percent for the Group. The year started weakly but ended stronger. The first quarter appeared rather weak partly because of the comparison with the very strong start of 1998. It was also affected by a decrease in sales to Russia and Ving-Card's decreased sales in Asia due to a drop in new construction.

In addition, we continue to strengthen our position through acquisitions in different parts of the world, sharing knowledge and improving operations locally. We exploit synergies through common R&D and production of more global products, not least in the area of electromechanics, and through cross sales within the Group. In addition to the growth created in national operations, there are good growth opportunities for Group companies to expand their product portfolios by adding other Group products in their countries.

One of the year's most important events is the acquisition of effeff. Electromechanical locking is used for door control of access control systems of various kinds. With effeff manufacturing electric strikes, Abloy manufacturing motorized locks and Securitron producing magnetic locks, the Group now has a leading position in all areas of electromechanical locking. The growth rate for these products is closely tied to the growth of the access control business and is considerably higher than for more traditional lock products.

In Australia, Lockwood has developed better than expected since being acquired. The management has quickly taken advantage of experience and products in the other ASSA ABLOY companies, and we expect to reach our goal – of a four to five percent margin increase within four years – earlier than expected.

We continue to increase our margins through intensive benchmarking and the exploitation of synergies. Operating cash flow exceeds income before taxes for the sixth year in a row thanks to continuous focus on work flows and capital employed.

Looking at our various operations, the Finnish companies ended the year strongly. The year started weak since Finland in

particular was affected by the decreasing Russian sales, both directly and indirectly via Finnish entrepreneurs. However, a stronger home market combined with success on other export markets, particularly in the area of electromechanics, has contributed to an increase in sales during the year. The rate of increase towards the end of the year exceeded 20 percent.

The Scandinavian countries developed well. The Swedish and Danish units show stable growth and increasing margins. A new range of door closers has been successfully launched in Sweden. Two distributors have been acquired: Sloth & Co. in Denmark and AKI Låsgrossisten in Sweden. Both acquisitions give us the opportunity to approach our customers even more closely and to increase our quality of service. TrioVing of Norway had a weaker start in 1999, but sales picked up during the autumn as the Norwegian economy improved. The need for high-security locks is evident and the TrioVing Twin high-security cylinder, launched in 1998, already constitutes more than 25 percent of all new cylinder sales. Continued rationalizations during the year have proved successful and contribute to an increased profitability.

Our German company IKON shows stable development, and an increase in demand toward the end of the year was noticeable. A number of new products are about to be launched and growth is expected to increase this year. The acquisition of effeff has clearly improved our position. Both sales and earnings are improving better than expected. The integration work is going well including the coordination of various marketing and sales activities.

The French operation continues to develop well. The phase-out of non-profitable products has contributed to improved



margins but has consequently had a negative effect on sales. Our position has strengthened substantially through the acquisitions of Stremler, France's leading manufacturer of locks for aluminum and glass doors, and Fichet, the leading manufacturer of high-security cylinders.

The American units continue to show good growth and we estimate that we are gradually gaining market share. Rationalization is continuing and margins are increasing as a result. Securitron, manufacturer of magnetic locks, shows particularly good growth. In Canada, we have strengthened our position through organic growth as well as a few smaller acquisitions, and we achieved total sales of SEK 267 M. In Mexico, Scovill shows good development after a downturn in 1998 due to the turbulence in Latin America.

Growth in the new markets has been good and amounts to 26 percent. Poland, for example, has nearly doubled its sales. In Asia, Lockwood and ASSA ABLOY have merged to create the leading sales force in South East Asia. Sales in the region amount to SEK 200 M and China shows particularly good growth, with sales increased from SEK 8 M to SEK 25 M. We expect this growth to continue.

Finally, VingCard has had a mixed year. Sales in Europe are growing strongly as are Latin America and the marine segment, albeit from a low level. USA is experiencing a temporary slowdown after the last few years' extensive upgrading of hotel security, and Asia shows a clear downturn. The business in Asia is driven by new construction and there is presently an over-capacity in the hotel market as a

result of the crisis.

Apart from the important work of developing each individual market, a number of projects are in progress with the aim of developing our Group strength. Our Product Council is responsible for coordinating development within the electro-mechanical area that is quickly gaining in importance. Demands on security are continuously rising, but at the same time the lock products must be user-friendly enough to ensure proper use and to make emergency exiting easy. These three requirements of security, user-friendliness and safe emergency exiting are to some degree conflicting. Electronics and electromechanics create opportunities for more efficient solutions. Although the technology is the same throughout the world, it must be adjusted to local demands by cooperating closely with the customers. A good – and gratifying – example is that we have been entrusted by the US Department of Defense with the task of upgrading the lock security in the Pentagon.

Purchasing in the European and US companies is coordinated by the Purchasing Council and savings are substantial. Another important area is the development of IT solutions for interfaces with customers and suppliers. Here we can learn from each other's successes and mistakes and also create common solutions. Within the production itself, however, we believe in simpler IT systems and often manual solutions.

All in all, the locks business offers good opportunities for continued growth. The need for security is constantly increasing, and the business is currently experiencing a consolidation that creates further acquisition opportunities. All companies in the Group still have much to learn from each other and there is room for further improvement of margins. We therefore look forward to a continued exciting development for the Group.

Carl-Henric Svanberg
 Stockholm, February 2000
 Carl-Henric Svanberg

Group development:

Statements of income

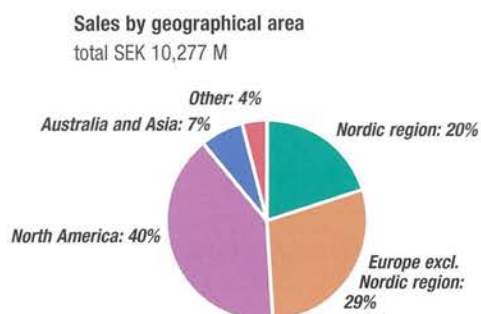
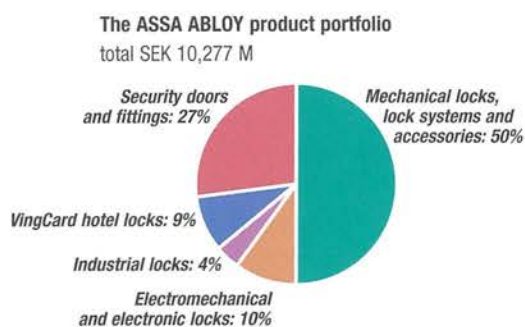
	1999	1999	1998	1997
	EUR M ¹⁾	SEK M	SEK M	SEK M
Sales	1,171	10,277	8,582	6,968
Cost of goods sold	-716	-6,282	-5,463	-4,496
Gross income	455	3,995	3,119	2,472
Selling and administrative expenses	-298	-2,612	-2,018	-1,662
Operating income before goodwill amortization	157	1,383	1,101	810
Goodwill amortization	-21	-189	-138	-103
Operating income	136	1,194	963	707
Net financial items	-26	-230	-228	-179
Share in earnings of associated companies	2	17	13	9
Income before tax	112	981	748	537
Tax	-32	-280	-212	-183
Minority interests	-2	-14	-10	-2
Net income	78	687	526	352

Capital employed and financing

	1999	1999	1998	1997
	EUR M ²⁾	SEK M	SEK M	SEK M
Capital employed	1,006	8,602	6,984	5,783
– of which goodwill	380	3,246	2,524	1,835
Net debt	351	2,998	4,237	3,442
Minority interests	31	267	32	24
Shareholders' equity	624	5,337	2,715	2,317

1) 1 EUR = 8.78 SEK.

2) 1 EUR = 8.55 SEK.



Sales by organizational unit ³⁾

	1999	1999	1998	1997
	EUR M ¹⁾	SEK M	SEK M	SEK M
Scandinavia	202	1,777	1,701	1,660
Finland	102	898	811	744
Germany	71	621	583	533
France	179	1,576	1,504	844
United Kingdom	31	270	266	236
United States	424	3,721	2,916	2,402
Australia	68	590	–	–
New Markets	45	398	186	68
Hotel locks, VingCard/Timelox	110	965	952	794
Elimination for internal sales	-61	-539	-337	-313
Total	1,171	10,277	8,582	6,968

3) Including exports from each market.

Sales by country ⁴⁾

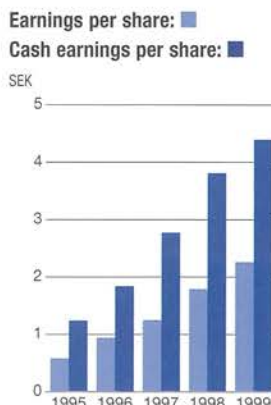
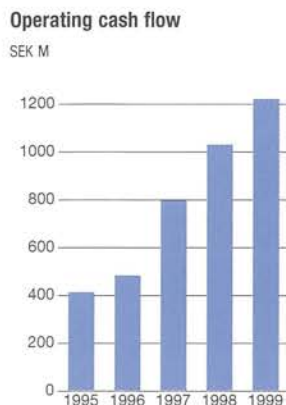
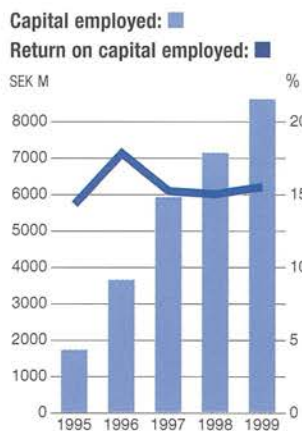
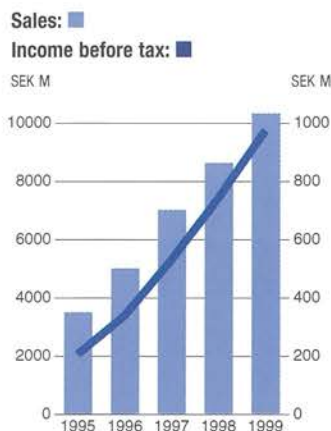
	1999	1999	1998	1997
	EUR M ¹⁾	SEK M	SEK M	SEK M
United States	437	3,835	3,198	2,652
France	162	1,419	1,309	735
Sweden	84	741	658	627
Australia	64	563	30	35
Finland	62	540	505	471
Germany	60	528	528	475
Norway	54	476	489	514
United Kingdom	39	340	316	273
Denmark	37	329	308	287
Canada	30	267	171	122
Czech Rep.	18	159	155	57
Belgium	17	147	134	95
Asia (excl. China, Hong Kong and Japan)	13	113	63	93
Spain	11	100	48	39
The Netherlands	10	89	80	68
Italy	8	68	52	40
China and Hong Kong	7	62	78	62
Poland	5	43	26	17
Africa	5	40	58	39
Middle East	5	40	38	34
Switzerland	4	36	35	28
Baltic countries	4	34	36	29
Japan	3	25	13	24
Russia	2	15	31	27
Other countries	30	268	223	125
Total	1,171	10,277	8,582	6,968

4) Sales to customers in each country.

Key data

	1999	1998	1997	1996	1995
Sales, SEK M	10,277	8,582	6,968	4,958	3,457
Organic growth, %	5	6	8	8	8
Gross margin (EBITDA), %	18.1	18.5	16.8	14.6	12.6
Operating margin before goodwill amortization (EBITA), %	13.5	12.8	11.6	10.4	7.5
Operating margin (EBIT), %	11.6	11.2	10.1	9.3	7.2
Income before tax, SEK M	981	748	537	345	213
Profit margin (EBT), %	9.5	8.7	7.7	7.0	6.2
Operating cash flow, SEK M	1,218	1,028	796	481	411
Net capital expenditure, SEK M	391	316	260	163	187
Depreciation and amortization, SEK M	667	623	461	265	184
Total assets, SEK M	11,289	9,219	7,692	4,684	2,470
Shareholders' equity, SEK M	5,337	2,715	2,317	1,408	928
Net debt, SEK M	2,998	4,237	3,442	2,085	659
Capital employed, SEK M	8,602	6,984	5,783	3,503	1,596
Equity ratio, %	49.6	29.8	30.4	30.3	37.9
Interest coverage ratio, times	5.3	4.4	4.1	3.8	5.9
Net debt / equity ratio, times	0.56	1.56	1.49	1.48	0.71
Return on shareholders' equity, %	16.1	19.0	17.2	20.2	15.8
Return on capital employed before goodwill amortization, %	28.5	26.4	25.2	25.9	16.1
Return on capital employed, %	15.5	15.2	15.3	18.3	14.9
Earnings per share after tax and full conversion, SEK ¹⁾	2.25	1.78	1.24	0.94	0.57
Cash earnings per share after tax and full conversion, SEK ¹⁾	4.38	3.80	2.76	1.83	1.23
Shareholders' equity per share after full conversion, SEK ¹⁾	17.38	10.07	8.75	5.47	4.43
Number of shares, thousands	314,409	284,304	282,928	257,244	214,368
Number of shares after full conversion, thousands	324,200	295,448	295,448	265,396	221,684
Average number of employees	12,654	10,545	8,088	6,317	4,274

1) Comparative figures are adjusted for dilution related to new rights issue, with the adjustment factor 0.9784, and for the split



Definitions

Organic growth: Change in sales for comparable units in local currency and adjusted for acquisitions.

Gross margin: Operating income before depreciation and amortization as a percentage of sales.

Operating margin before goodwill amortization: Operating income before goodwill amortization as a percentage of sales.

Operating margin: Operating income as a percentage of sales.

Profit margin: Income before tax as a percentage of sales.

Operating cash flow: Based on the consolidated cash flow statement.

Net capital expenditure: Purchase of tangible fixed assets reduced by sale of tangible fixed assets.

Depreciation and amortization: Depreciation / amortization of tangible and intangible fixed assets.

Net debt: Interest-bearing liabilities less interest-bearing assets.

Capital employed: Total assets reduced by interest-bearing assets and non-interest-bearing liabilities including deferred tax liability.

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

Interest coverage ratio: Income before tax plus interest net in relation to interest net.

Return on shareholders' equity: Net income plus interest expense after tax regarding convertible debenture loan in relation to average shareholders' equity after full conversion.

Return on capital employed before goodwill amortization: Income before tax plus interest net and goodwill amortization in relation to average capital employed excluding goodwill.

Return on capital employed: Income before tax plus interest net in relation to average capital employed.

Earnings per share after tax and full conversion: Net income plus interest expenses after tax regarding convertible debenture loan in relation to weighted average number of shares after full conversion.

Cash earnings per share after tax and full conversion: Net income plus interest expenses after tax regarding convertible debenture loan, plus depreciation, amortization and minority interests, minus share in earnings of associated companies and adjusted for change in deferred tax in relation to weighted average number of shares after full conversion.

Shareholders' equity per share after full conversion: Shareholders' equity plus convertible debenture loan in relation to number of shares after full conversion.

The ASSA ABLOY share:

ASSA 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 58 percent in 1999. During the same period, the Stockholm Stock Exchange's general index rose by 66 percent. The closing price at year-end was SEK 119.5, corresponding to a market capitalization of SEK 37,572 M. Including all shares due for conversion, it is estimated that the market capitalization was SEK 38,742 M. The number of shareholders at year-end was approximately 12,400. Insti-

tutional investors, excluding the main shareholders, represent about 50 percent of the capital. Non-Swedish investors, including Metra Oyj Abp, account for 57 percent of the capital.

During the year, a total of 79 million shares were traded, corresponding to an average of approximately 314,461 shares for each trading day and corresponding to 25 percent of the shares outstanding.

Share capital

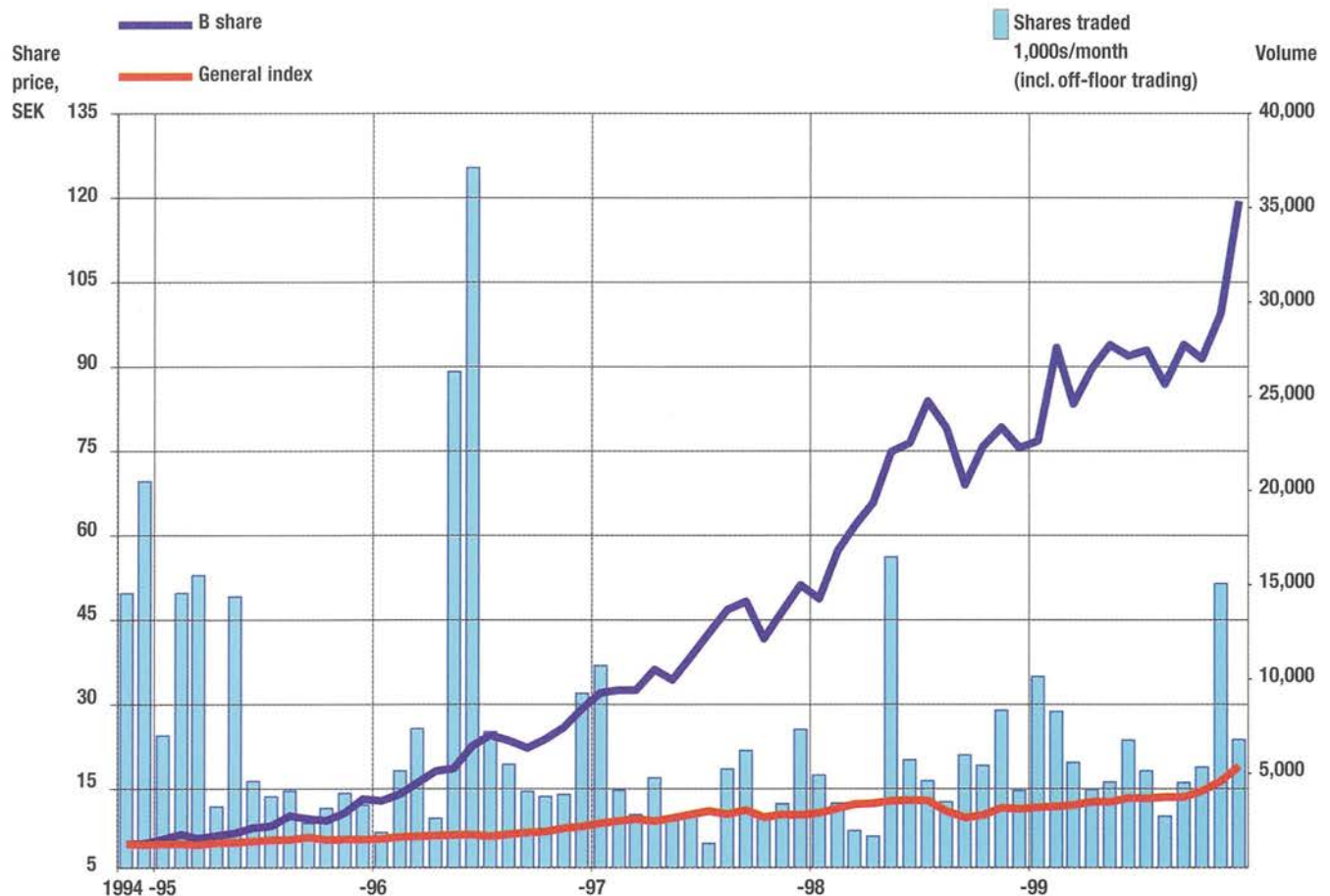
ASSA ABLOY's share capital at year-end amounted to SEK 314,408,642, distributed among 18,437,812 Series A shares and

295,970,830 Series 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 Series 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

ASSA ABLOY AB's share trend



2000. Conversion into Series B shares is in progress and rights may be exercised in the period from July 1 1998 to June 15 2000. During 1999, a request for the conversion of debt instruments with a par value of SEK 14,030,663 was submitted. The Swedish Patent and Registration Office has registered 700,334 of these shares. The exercise price is SEK 8.70. On full conversion there will be a total of 319,998,167 shares.

A second convertible debenture loan was issued during 1997. A total of 1,400 employees participated in this issue. 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. The exercise price is SEK 59.50. On full conversion an additional 4,201,681 shares will be created.

Dividend and dividend policy

The Board of Directors and President propose that SEK 0.75 per share be paid as a dividend to shareholders for the 1999 financial year, corresponding to a direct return on the Series B share price at December 31 1999 of 0.6 percent. The aim is that, in the long term, the dividend should correspond to approximately one-third of ASSA ABLOY's average earnings after standard tax, but always taking into account ASSA ABLOY's long-term financial requirements.

Data per share¹⁾

SEK/share	1999	1998	1997	1996	1995	1994
Earnings after 28% standard tax	2.27	1.79	1.36	0.95	0.60	0.21
Earnings after full tax method	2.25	1.78	1.24	0.94	0.57	—
Dividend	0.75 ²⁾	0.61	0.44	0.30	0.22	—
Dividend, % ³⁾	33.0	34.1	32.2	31.6	36.7	—
Direct yield, % ⁴⁾	0.6	0.8	0.8	1.0	1.6	—
Share price at end of period	119.50	75.65	51.24	29.28	13.24	5.34
Highest share price	140.00	92.73	52.95	28.97	15.16	5.76
Lowest share price	73.21	48.07	28.69	12.38	5.23	4.48
Shareholders' equity	17.38	10.07	8.75	5.47	4.43	3.11
Number of shares (1000s) ⁵⁾	324,200	295,448	295,448	265,396	221,684	214,368

1) Adjusted for new issues.

2) Proposed dividend.

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

4) Dividend as 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			343,865	71,075,983
1999	Converted debentures before split			293,991	71,369,974
1999	Bonus issue				
1999	Split 4:1	16,761,648		268,718,248	285,479,896
1999	New share issue	18,437,812		295,564,487	314,002,299
1999	Converted debentures after split and new rights issue			406,343	314,408,642
2000	Unconverted debentures			5,589,525	319,998,167
2002	Unconverted debentures			4,201,681	324,199,848

* SEK 1 per share – balanced number of shares.

Ownership structure

Data is based on the share register as of Dec. 30 1999

Owner	A shares	B shares	Capital %	Voting rights %
Metra Oyj Abp	10,140,794	57,183,029	21.4	33.0
Säkl	6,845,018	880,000	2.5	14.4
Melker Schörling + family and companies	1,452,000	11,281,818	4.1	5.4
Janus Capital Corp.		26,782,738	8.5	5.6
Investment AB Latour		23,512,000	7.5	4.9
SPP		11,115,555	3.5	2.3
Roburs unit trusts		10,496,360	3.3	2.2
Nordbankens unit trusts		9,985,040	3.2	2.1
SEB unit trusts		8,276,150	2.6	1.7
SEB group of companies*		5,839,690	1.9	1.2
Other shareholders with more than 50,000 shares		114,333,889	36.3	23.8
Shareholders with 501-50,000 shares		14,852,572	4.7	3.1
Shareholders with up to 500 shares		1,431,989	0.5	0.3
Total number	18,437,812	295,970,830	100.0	100.0

* Within the SEB group of companies, SEB-Trygg Insurance holds 5,209,890 shares and SEB-stiftelsen 589,500 shares.

ASSA ABLOY and the lock industry:

A traditional and growing market

ASSA ABLOY is the largest lock company in the world, with projected sales exceeding SEK 13 billion in 2000. ASSA ABLOY's share of the still fragmented world market is 7-9 percent. The Group has its origins in the Nordic countries and holds market-leading positions there. The Group also has strong positions in continental Europe and North America. A market-leading position was also achieved in Australia and South East Asia through the acquisition of Lockwood in 1999. The Group has considerably strengthened its position in the area of electromechanical locking through the acquisition of effeff in Germany. Within the electromechanical area ASSA ABLOY holds a world-leading position in hotel security through its subsidiaries VingCard and Timelox.

Product segments where the Group is active are:

- Mechanical locks, lock systems and accessories (including construction locking)
- Electromechanical and electronic locks
- Security doors and fittings (including door and window hardware)
- Industrial locks (including automobile locks)
- Hotel locks

ASSA ABLOY was created as a result of the spin-off of Assa to Securitas AB's shareholders in November 1994. Abloy was subsequently acquired from the Finnish company Metra Oy Ab through a new issue of shares. As a result Metra Oy Ab became the largest 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 to 200 billion, depending on how the market is defined.

Strong local brand names and standards, long product lives and the large number of installed locks make the lock market highly stable. Other factors are customized solutions, brand loyalty and manufacturers' proximity to national distributors and customers. In consequence, the retrofit market accounts for more than



50 percent of sales, which reduces dependence on cyclical new construction activities.

In general the present market conditions and distribution patterns are stable. However, Do-It-Yourself (DIY) retailers are gaining ground, especially in the residential segment. The growth of these modern means of distribution is fastest in new markets where traditional distribution has not been developed to the same extent.

E-commerce opens up new and exciting opportunities for more efficient business-to-business relationships based on interactive specification tools and order handling. It is also possible that direct distribution to residential customers through Internet sales may develop, although the wide range of products available, the security aspect and insurance requirements as well as the frequent need for skilled installation may limit the opportunities for growth.



The Pentagon in Washington, headquarters of the US Department of Defense, is undergoing a major overhaul and upgrade that will take some seven years to complete. ASSA Inc. has won the contract to supply the security needs of this prestigious building, which will require over 200,000 maximum high-security cylinders.

Growth factors

● Trend towards higher security

The need to protect information and property is increasing throughout modern society. Many people feel insecure in an increasingly anonymous society and perceive criminality as a substantial threat. Today's high-tech society is also more vulnerable to breakdowns, and the need to safeguard vital information is becoming ever more important. As a result, the demand for better lock products is growing steadily in applications ranging from simple balcony doors to the protection of computer rooms. By continuously developing and marketing products that meet these needs, ASSA ABLOY is establishing a basis for stable, long-term organic growth 2-3 percent higher than the compounded GDP growth for applicable countries.

● Electromechanical locking products

Rising demands on security increase both the number of security products used and their security level. These security considerations may run counter to needs for

safe, fast evacuation of buildings and for convenience. The resulting demands for more sophisticated functions are increasingly being met by electromechanical and electronic means, and sales of electromechanical products are growing significantly faster than the lock market as a whole. Since development costs are typically higher than for traditional lock products, a critical mass of sales is essential, and the size of a company becomes an important competitive advantage. While electromechanical solutions are of a universal nature, successful selling also requires adaptation to local lock dimensions and standards and integration with other mechanical locking systems.

● New markets

In many new markets, such as Asia, eastern Europe, 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 now demanding lock products that are more advanced than those manufactured locally.

Competitive situation

The lock industry is fragmented globally but is in many countries well consolidated locally, with a limited number of competitors – often family-owned – in each market. In recent years, a structural transformation has been initiated in which larger corporate groups are formed. This transformation is partly driven by the growing proportion of global products and technologies, particularly in the electromechanical area. However, the large installed base and the long product lifetime create a need for continued supply and support of these local products and therefore put limits on the globalization process.

The major international players include Ingersoll Rand, a diversified US corporation that owns well-known brands like Schlage in the United States and Newman Tonks in the UK. Ingersoll Rand's lock division has annual sales of approximately SEK 9 billion. Williams Holdings, a diversified British corporation, owns the Yale and Chubb brands and has large operations in the UK and the US. Its lock division has sales of approximately SEK 6 billion. Other major players are Black & Decker (USA), whose lock division – including the Kwikset brand in the USA and Dom in Germany – has sales of SEK 6 billion, and the Swiss security hardware company KABA, which has annual sales of SEK 3 billion.

In addition there are a number of local players with strong positions. There are also strong players within individual product segments: for example, Ilco Unican of Canada is a world leader in key blanks. The hotel lock segment is unique in that standards and products are global. Williams Holdings, through its subsidiary Tesa, plays an important role in this segment.

A multi-domestic organization with cross-learning between countries

Our products and markets

Focus on the lock segment

ASSA ABLOY's strategy is focused on locks and lock-related products in order to achieve maximum efficiency in the development of markets, products and production. Because all companies within the Group work in the same industry, there is an environment for successful transfer of knowledge and for benchmarking between the various units within the Group. The best performance can always be transferred directly to another unit to produce 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 insurance companies, police and fire departments, end-users and other important decision-makers. We also make comprehensive efforts to inform and train important target groups such as retailers, architects and security officers about the Group's products and security solutions. As the DIY distribution channel gains importance in the residential segment, opportunities are developing for the Group to present its security solutions more directly to the end-user.

Our management model

Multi-domestic

ASSA ABLOY is a world leader in the lock business, but closeness to local customers in each country and experience of local requirements, business arrangements and distribution patterns are still the basic prerequisites for success in the lock

industry. Accordingly, responsibility is clearly decentralized to a single manager in each country. Each country constitutes a natural building block in the Group's operations.

The hotel lock market is by its nature much more global, forming in effect a single market. VingCard is therefore organized separately from the Group's national lock companies so as to respond effectively to the opportunities and threats of the international hotel market.

Executive management structure

All Country Managers are members of the Group management team. The management team's most experienced managers – the Group Vice Presidents – are each responsible for a number of countries and help to ensure that ASSA ABLOY's management model and methods are applied consistently throughout the Group.

Internal efficiency through benchmarking and cross-learning

A continuous improvement process

The Group endeavors to achieve a flexible 'horizontal' organization, with clear responsibilities and active internal benchmarking and cross-learning between the different companies.

In ASSA ABLOY it is a basic assumption that "profit drives growth". Profitable organizations tend to grow, whereas non-profitable organizations seldom reach profitability by adding volume.

In the benchmarking process all operating units are compared each month on cost levels, margins, critical balance sheet figures and growth. The benchmarking

report is distributed to the units so that managers can see their relative performance. Since every manager has a natural ambition to improve performance and strive for excellence, the benchmarking tool is the driver behind ASSA ABLOY's continuous improvement.

All Country Managers meet on a regular basis and compare their operations. Despite differences in profitability between individual units, the basic attitude is that even the best operations have a great deal to learn from the others. Managers at other levels also meet to share experience and transfer know-how.

Building on Group strengths

Significant rationalization and improved efficiency have resulted from the continuous benchmarking, cross-learning and transfers of know-how described above, and these are responsible for a high proportion of the improvement in earnings achieved in both established and recently acquired units.

In market sectors exposed to serious international competition – representing approximately one third of the Group's products – there is an active coordination of development and production to achieve economies of scale. The Group Product Council plays an instrumental role in coordinating technical development at the various units, including the management of joint projects.

Group procurement of raw materials, components and finished products is coordinated by the Group Purchasing Council. Substantial savings are steadily being achieved and a joint supplier database is being developed to further

enhance this process.

A Group Treasury Department is located in Geneva to promote efficient financing and management of financial transactions and to minimize financial risk exposure.

Wider participation in ownership

ASSA ABLOY wants employees and executives to participate in the company to the greatest possible extent. Approximately 1,700 of the Group's 13,000 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 information. The Group newspaper ASSA ABLOY NEWS is published in nine languages and plays an important role in communicating the Group's strategy and development. ASSA ABLOY NEWS also presents success stories from various companies throughout the Group and introduces newly acquired companies.

Our expansion strategy

Organic growth

ASSA ABLOY's ability to generate organic growth on a continuing basis is critical to the Group's long-term success. We achieve this by means of intensive development efforts in both mature and new markets.

In mature markets where ASSA ABLOY is already established, organic growth depends to a large extent on successful product and market development that meets the increasing need for higher-security products. In addition, all Group companies are involved in cross-selling projects, i.e. adding products from other Group companies to their product portfolios. These cross-selling projects represent significant growth opportunities for the Group.

In new markets where there are no strong local players or brand names, new Group companies are established. Products for these markets must often be based on different standards from those applying in Europe and the United States.

ASSA ABLOY enjoys a strategic advantage as a result of its comprehensive product range.

In all markets, Internet and e-commerce solutions are increasingly important tools in improving distribution efficiency by speeding information transfer between manufacturer and customer.

As the DIY distribution channel becomes more important in mature as well as new markets, ASSA ABLOY is increasing its efforts to provide solutions that fit this means of distribution.

Acquisitions in mature markets

Brand names, existing installations, and local standards and traditions are significant barriers to entering mature markets. As a result, acquisitions of leading companies in such markets are a crucial part 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 should contribute to growth in

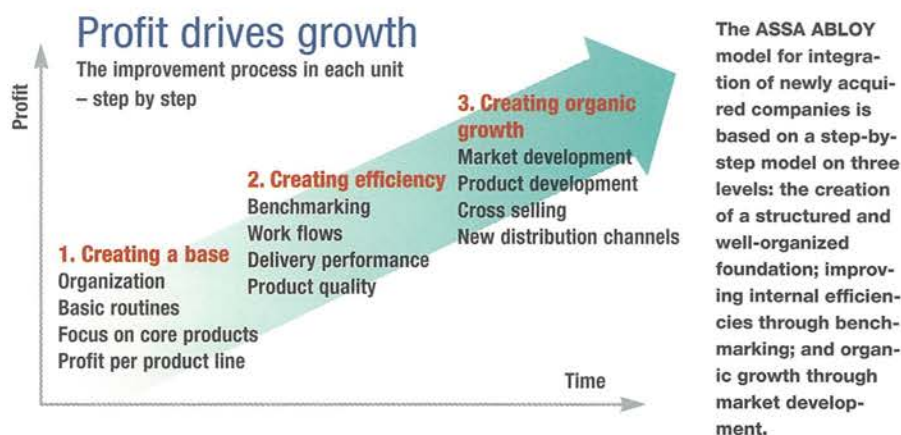
Group earnings per share in the year after the acquisition.

Financial goals

The strategy described above is designed to continue the achievement of a satisfactory earnings trend, with a focus on earnings per share.

ASSA ABLOY's financial goal is to achieve a return of more than 20 percent on capital employed. This goal was set when the Group was formed in 1994. The goal is increasing automatically because of the goodwill added through the acquisitions made. The return in 1999 was 15.5 percent. Most of the improvement required is expected to be achieved through higher margins, although there are possibilities of further reductions in the capital employed in the business.

An equity/assets ratio of 25 percent is considered sufficient, taking into account the relative stability of the lock market and the Group's strong cash flow.



In May 1999, CFO's and controllers from all ASSA ABLOY companies gathered for a two-day conference in Gimo, Sweden.

Management philosophy:



Management meetings, with representation from most parts of the world, are held each year. Focus is put on learning each other's products and identifying and exploiting the many new opportunities for cross sales.

"High ethical standards, with an emphasis on setting a good example"

ASSA ABLOY's management approach is characterized by a spirit of trust and positive thinking. Management is responsible for creating an atmosphere that encourages employees to make the most of their individual skills for the benefit of the whole company. To realize this, our management philosophy is based on the four cornerstones of realism, vision, courage and ethics.

Realism means that decisions, actions and leadership should always stem from a thorough knowledge of every sector of the lock business. While it is essential for a manager to maintain an overview of the business, the answers to many important questions often lie in the details.

Vision is a driving force in each operation. It must be based on a realistic view of the market. This comes from solid experience. ASSA ABLOY's vision is to become the world's true leading lock company. To achieve this, we must continue to set standards of excellence for others to follow.

Courage and energy are essential criteria for success in today's fast-changing world. Courage develops and thrives naturally when it is based on sound knowledge and clear vision.

Ethics are the lifeblood of any company. They are reflected in the attitudes and the actions of every employee. Good ethics are a prerequisite to trust, creativity, ambition and commitment. Maintaining high ethical standards, with an emphasis on

setting a good example, is essential to the Group's ability to recruit and retain the best employees. And high standards are of particular importance in the security business where trust is an integral part of the products we offer to our customers.



Valuable exchange of experiences

Our continued success and growth depend on the skills and commitment of every employee and every manager. For this reason, skill enhancement, job rotation and training programs are conducted continuously at all levels within the Group. Our sharp focus on the lock market and active benchmarking establish a good framework for a valuable exchange of ideas and experiences among ASSA ABLOY employees from all over the world. As part of this activity, the Group conducts an annual 'ASSA ABLOY Management Program' in which some 25 employees, chosen from throughout the Group, have an opportunity to hone their leadership skills on a selection of real-life case studies, under the supervision of senior management. To date, more than 100 managers have participated in this program.

Many other management training programs are conducted at a local level. For example, Abloy in Finland has run a training program for senior employees since

1994. 100 employees have now taken part in Abloy's AVEK program, which consists of three 2-3 day seminars that lay emphasis on business strategy, leadership, and communicative and social skills. In France, the Human Resources departments of the various ASSA ABLOY companies actively exchange ideas about training and communication, with an agreed objective that all employees should spend at least three days a year on training. In the United States, Curries and Graham have formed a partnership with 13 other businesses in Mason City, Iowa, and the local Community College. The variety of topics offered by the College allows each of the 50 Curries and Graham managers that take part each year to develop a personal training program to suit their individual needs. During 1999 Curries and Graham have also conducted a 3-month in-house program for their 75 shop-floor supervisors, directed at giving them the tools they need to manage people effectively and to retain good employees.

Since the Group was first established,

participation in ownership has been an important means of encouraging commitment and motivation among employees and management and thereby promoting the company's long-term growth.

To ensure a regular flow of up-to-date information to all 13,000 of our employees throughout the world, a regular internal newspaper ASSA ABLOY NEWS, is published four times a year in nine languages.

Every second year ASSA ABLOY arranges a '100 Meeting' at which its 100 most senior executives exchange experience and ideas and review and agree the Group's visions, objectives and strategies. The last '100 Meeting' was held in June 1998 and the next will be during 2000. In 1999 a number of smaller management meetings more like work sessions were held, with representation from most parts of the world. Following the Group's rapid growth, these were designed to promote the learning of each other's products and to identify and exploit the many new opportunities for cross sales.



The ASSA ABLOY Management Program is one of several training activities within the Group. Each year 25 employees have an opportunity to hone their leadership skills on a selection of real-life case studies. This session is at Medeco, USA.

Environmental management and quality:

Customers benefit from continuous improvements and higher efficiency



Assa provides a complete allergy-adapted package for door security which the construction company Skanska has recently used when building new allergy-friendly houses in Sweden.

In 1996, it was decided in principle that all Group companies should seek to become certified in accordance with the ISO 14001 Environmental Management Standard. Since environmental issues are closely linked to general efficiency in the use of materials, they can contribute direct economic benefits. Good environmental management is also in line with most people's wishes, including those of employees. Finally, it is an area increasingly appreciated – and monitored – by customers.

Environmental management involves daily efforts and affects all areas of the company, including the selection of materials used in products, the way materials are utilized, the disposal of residual mate-

rials and waste, and the cleaning and re-use of chemicals. It also influences the choice of packaging materials and the methods used to distribute products. The long life of lock products means that they already have less impact on the environment than many other products, since they are replaced at very infrequent intervals – 30 years or more is not unusual.

Allergy-friendly materials

The Environmental Management Standard helps a company to focus on environmental issues in its daily operations. The solutions found often prove to be not only less expensive and better for the environment, but also better for the employees working with the products and for custo-

mers and end-users. Assa's nickel-free key, the Miralloy surface treatment and powder-coated products for interior doors are good examples. These are all designed to protect people who are allergic to nickel, an increasingly common problem. A complete nickel-free package was developed for the construction company Skanska and has been used when building new allergy-friendly houses in Sweden.

The vertical integration of production processes at ASSA ABLOY is strong. Security products are manufactured from raw materials such as steel and brass and processed into finished packaged products ready for delivery to customers. As a result, companies in the ASSA ABLOY Group have excellent control over design,

production methods and the utilization of resources at every stage in the sequence, and can use this to create security products having a low impact on the environment. There are few constraints, but important ones are the high quality and the strict functional requirements expected from security products. These can affect the choice of materials, machining requirements and distribution routines in ways that may occasionally conflict with environmental requirements.

Recycling pays

Surface treatment is an important area of technology where the ASSA ABLOY companies are continually striving to improve environmental performance. To look attractive and resist many years of daily use, most security products need either a decorative metallic layer or a lacquer. In the last few years many of the companies have made major investments intended not just to meet the requirements of the environmental codes, but to follow even stricter internal rules which exceed the codes' requirements.

As well as giving environmental benefits, these investments very often pay off well by saving material and by introducing advanced handling processes that reduce the cost of waste treatment. In Germany,

for example, IKON has changed from a solvent dye lacquer to a low-temperature powder coating, which has eliminated the need for environmentally aggressive solvents. In France, a powder recycling system installed at JPM has been shown to pay for itself in just one year. The main saving lies in reduced losses of the powder itself, but the system has also cut inventories and significantly reduced disposal costs and maintenance costs. Color changes are also quicker now, increasing flexibility and productivity.

For some years now, Abloy, Assa and many other Group companies have had a highly developed structure for collecting and sorting waste. This not only produces a very clean factory environment which pleases employees; it also yields a direct payback from sales of metals recovered from the different processes in the factories. Abloy in Finland is one company that draws up an 'Eco-balance' every year. This shows that emissions of different heavy metals have been reduced by between 20 percent and 40 percent between 1996 and 1998, even though production volumes increased by 37 percent over the same period.

Abloy has also involved its authorized A-quality dealers in the recycling program, each dealer having a system of 'Eco-points'. The system ensures that all product scrap is reprocessed under Abloy's control.

The Danish company Ruko manufactures locks and high-security cylinders and has a factory filled with metalworking machine tools that consume large volumes of cutting fluids for cooling and lubrication. A major investment in a coolant recycling plant was completed

during 1999 that will reduce waste by 100,000 liters over a three-year period.

These examples are just a few of the Group's environmental initiatives. There are many more already up and running – and many more to come.

Quality assurance

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

To assist them in the area of quality management, virtually all companies in the Group – with few exceptions – have already adopted the international ISO 9001/9002 Quality Assurance Standard. However, this quality stamp is not a final seal of approval, and adopting the Standard does not in itself create quality in the companies' processes. Rather, it marks the inauguration of an ongoing program of improvement. The companies' quality management systems are what the Standard certifies – systems that will help companies to measure and monitor their quality; to discover defects and rectify them in time; to learn from their mistakes and steadily improve performance so as to establish sustained, long-term quality.

Many of the ASSA ABLOY companies hold quality and environmental certification. Here are some examples.

Quality certification ISO 9001:

- Assa AB
- Abloy Oy
- AZBE B ZUBIA S.A.
- Björkboda Lås Oy Ab
- FIX AB
- IKON AG
- Laperche S.A.
- Litto n.v.
- Lockwood Security Products Pty Ltd
- Medeco Security Locks, Inc.
- Ruko A/S
- Securitron Magnalock Inc.
- Vachette S.A.

Environmental certification ISO 14001:

- Assa AB
- Abloy Oy
- FIX AB
- Ruko A/S
- IKON AG



Environmental measures can also be cost-effective. A powder recycling system installed at JPM in France has paid for itself in just one year.



The trend towards higher security:

Growing needs for physical protection in the information society

We live in an information age. Wide-band communications channels, ever more powerful computers and, above all, the exponential growth of the Internet mean that information and communication are becoming increasingly important all over the world. Business today depends crucially on fast transfer of information: in the factory, at the office and in dealings with external suppliers and customers. Individual householders are taking to e-mail, voicemail, electronic shopping and the Internet at a rate of tens of thousands a day. New records are achieved day by day and we are all communicating volumes of information not dreamed of only a few years ago.

And yet the information society is still in its infancy. In the foreseeable future its growth is expected to accelerate rather than level out. In this new age, what are the security needs? Is information security the key to the future?

Information security is certainly one key, but not the only one. It is true that much of today's development effort in the security field is focused on this area. In recent years the word encryption has entered people's daily language, and techniques once used exclusively by the world's most advanced defense forces have become part of the public domain. And there is no doubt about the importance of information security. It is vital for bank transactions and for electronic commerce on the Internet. It allows communication of commercially sensitive information between manufacturers, wholesalers and distributors. There is also an ever-increasing flow of information inside and between government departments, much of it dealing with citizens' private affairs or company-confidential matters. A lot remains to be done before all the information currently stored in databases or moving between computers is securely protected from unauthorized access.

Locks and physical security

But even if information security were perfect, it could never stand on its own. Advanced cryptographic systems can only block electronic routes of access to databases or information flows. The hardware itself still needs physical protection: the computers that hold the information and the terminals that transmit it. The huge concentration of data in large information systems makes them vulnerable to attack and calls for ever more advanced levels of physical security. Today's manufacturing practices based on just-in-time production, minimal stocks and e-commerce are wholly dependent on computers and information exchange. There is also the economic success of the 'crime business', which in most countries around the world has shown stable, long-term growth at a rate higher than GNP. All these factors drive the trend towards higher security, demanding new functional requirements that are changing faster than ever before.

Higher security does not just mean stronger locks, however. It also calls for solutions that are both smarter and more convenient than before. Solutions providing flexibility in use. In response to these demands, a new generation of security systems and products has been born that can be adapted to individual (and often rapidly changing) requirements while remaining very convenient to use and providing high security levels over a long period of time.

Regular security reviews

All aspects of modern society are characterized by increased technical sophistication and demands for ever-greater efficiency. Production is precisely tailored to market demands, offices are supported by advanced electronic equipment, homes are equipped with computers and expensive household appliances. From the smallest cottage to the biggest multinational business, demands on security are increasing. Every section of this modern society needs to take a fresh look at its security requirements.

Solutions that were considered the height of security only a few years ago are now merely standard practice in most applications. And installations 10, 20 or even 30 years old simply do not meet all the requirements of today's society, even if they were state-of-the-art when installed. For new buildings and refurbishments it is natural to survey the latest technology, but it is equally important to consider upgrading existing installations at a regular security review.

To protect the new investments contain-

ed in every modern building and also to meet the requirements of the insurance companies, you need, at the very least, a highly pick-resistant installation and mechanically strong locks and accessories that comply with modern standards. Ideally, old lock systems should be upgraded to the current state of the art, from a lock system without key control to a lock system with key control and from mechanical solutions to combined electrical/mechanical solutions that can meet safety and convenience requirements as well as those of security.

The pace of technical progress is increasing all the time. This calls for regular reassessment and upgrading, which are indeed happening more and more as governments, local authorities, companies and households become more aware of the growing need for better security – often as a result of events in their neighborhood. This goes to explain why every year, at every level and in every market, there is a gradual shift towards better and more secure products, higher-security lock solutions, and a higher proportion of electromechanical products, which offer higher security without compromising safety and convenience.

From cylindrical to mortise locks

A particular trend in North America, and also in parts of the Far East influenced by American standards, is the trend from cheap and simple cylindrical locks to heavier-duty types, and from cylindrical locks towards mortise locks. The trend is led by professional and institutional end-users but also discernible in other seg-

ments of the market. Growing levels of violence and crime are forcing end-users to move towards the idea – familiar in Europe for several decades now – that doors and locks must be a strong barrier to unauthorized entry.

In many of the fast-developing countries of eastern Europe and the Far East there have been few lock standards in the past, but standards based on existing examples, mostly from western Europe and the USA, are now under consideration almost everywhere.

The trend towards higher security thus now extends across the world, influencing all products and every level of society.

Security needs are on the rise

At the office



In hotels



At home



When traveling



Leading the trend towards higher security



Meeting security challenges in a changing world

If you could harness it, the power of thought would be the ideal security control device, opening a door when you wished and keeping it closed and locked at other times. This is impossible, of course, but you might suppose that modern computer electronics could achieve much the same and require only a minute expenditure of energy.

In practice, however, significant energy is normally needed to move the strong mechanical components on which security still ultimately depends. If the lock is well designed, quite small amounts of electricity can achieve this. Alternatively, you can use a strong magnetic or electric field to create a force. This could avoid using moving mechanical parts at all, but it consumes considerable amounts of energy.

Security, safety and convenience

The most powerful security products available today are based on a combination of mechanics, electrics and intelligent electronics working well together. The use of electromechanical security products is increasing all the time, showing a good double-digit growth rate worldwide. Major factors in this growth are the increased use of access control and the need to combine higher levels of security with safety and convenience features.

The well-established products for latching and locking doors – electric

strikes, motorized locks and magnetic locks – are all used for access control and for remote or timer control. They are now increasingly accompanied by convenience products like door operators for automatic door opening and closing, and by safety products like time-delayed exits which resolve the contradiction between a secure door and a safe exit route.

This strong development of electromechanical products and the growing market for them has not eliminated the need for new mechanical products. New types of cylinders can provide key control for many years to come. New multi-point locks make doors stronger, offer increased security against burglary, and can be motorized for interlocking doors in banks, monitoring centers etc. The increased use of panic exits in a wide variety of environments calls for new designs for the new century.

Local realities decide

Different countries and continents have very different traditions, attitudes and driving forces when it comes to security and safety.

The USA is strongly influenced by liability. Personal liability lawsuits are common and awards, when granted, can be substantial. This makes it very expensive to erect or own a building with poor escape facilities. Considerations of liability have made the US market a strongly pro-

nounced safety market, with security also important in special areas such as hotels.

The market in northern Europe, especially Germany and Scandinavia, has been driven very much by considerations of high security, led by the insurance companies and the police. Stringent rules and requirements for locks and security products and their application have been laid down.

In southern Europe, security has always been of great importance. In the last few decades solutions balancing safety and security demands have been found. This development can partly be explained by a disaster several years ago in a Geneva discotheque in which many people died. This led to the creation of stricter standards for the fast evacuation of public buildings and other places where many people gather for work or pleasure.

The newer markets of the Far East and eastern Europe are picking up a variety of trends from elsewhere. As transport, communication and more open borders make the world a lot smaller – stimulating foreign travel, working abroad and permanent migration – there is a general tendency for standards to converge. Customers become increasingly aware of requirements and solutions in other parts of the world, and markets where either security or safety has been paramount are gradually learning the importance of the other.



Lock functions are viewed with different emphasis in different parts of the world. Countries can learn a lot from each other, and the growing pool of knowledge in turn creates new and better products.

An opportunity for ASSA ABLOY

For ASSA ABLOY, with its strong presence in many different countries, the differences between markets, and the increasing flow of know-how and expectation across borders, have already proved a source of important opportunities. Each country is in a position to supply a full assortment of established products whose R&D is already paid for. And as well as serving the needs of each market, there is a great opportunity to expand into less developed market sectors. For example, experience in northern Europe can be used to reinforce growing security awareness in the US market. Scandinavia's gradually increasing demand for safe exit routes from buildings can be encouraged by US and southern European experience. Further development of security is possible in southern Europe and elsewhere. And there is scope for all the Group's products in the new markets of eastern Europe and the Far East.

These trends have led to the identification of major cross-selling opportunities within the Group, and a lot of cross-selling has begun. Both electromechanical and mechanical products require adaptation to the mechanical standards of each market so that the core technology can be fully exploited.

Joint development

Cross-selling and the exchange of know-how have stimulated further cooperation between Group companies and a number of projects have been initiated on a bilateral or multilateral basis to develop and share core technology. The manufacture of Abloy door closers in Finland for the US companies is a good example of a project launched in 1998. Door operators and motorized locks are already sold in many new areas and magnetic locks from Securitron in the USA have likewise been adapted to many different markets. Similar projects have been initiated for a number of mechanical products, with the object of creating a new shared core technology which can then be adapted to the specific needs of each market by the local companies around the world.

ASSA ABLOY's steady expansion has enabled it to reach a critical mass where new development pays off. The multi-domestic structure ensures that the ASSA ABLOY companies in each market have a strong foothold created by strong local brands, a local presence and – especially valuable – detailed know-how. At the same time, the future needs of many different markets can often be synthesized into a single need for important core technology, often requiring major financial strength for its realization.

On top of a growing need for security, there are new demands for safety and convenience in security products. Manufacturers have to satisfy all of these often conflicting requirements.



Adding value through product development

ASSA ABLOY's business is founded on the manufacturing of individual security products. But every day more and more of these products are finding their way into a great variety of sophisticated systems, making it increasingly important to design and develop products from the outset to fit these systems. Many long-established traditional products are evolving into something new. Sometimes this just involves enhancing the mechanical performance, but increasingly often now, electrical functions are being integrated into the older mechanical products.

Focus on innovation

The ASSA ABLOY Group has a long tradition of innovation. One good way to measure innovation is to look at the number of active patents. At the end of 1999 the Group had around 450 active original patents, each registered in many different countries.

Patents provide an important way of protecting key blanks, and many of the patented innovations cover manufacturing methods for keys and security designs for lock cylinders. Lock cases are another product group with fairly complex designs incorporating many interesting security, safety and convenience features. The ASSA ABLOY Group companies

devote a lot of effort to making substantial product improvements that will produce strong, long-lasting patents, rather than developing trivial new features for the sake of getting a patent. The most recently launched products have patents valid until 2014-2015.

The distribution of patents among the different product groups is shown in the pie chart. In total, nearly half of the active patents cover keys, locks and lock cases. Behind this group, security doors and fittings account for 29 percent and electromechanical products for 15 percent of the patents.

International cross-fertilization

ASSA ABLOY's companies throughout the world focus strongly on locks and security products, both mechanical and electromechanical. This means that a great number of widely dispersed companies within the Group are busy with the same types of products, creating many opportunities for synergy and the sharing of know-how.

To coordinate product development internationally, a Group Product Council has been active for some years, and a number of areas of synergy have been identified over this period. Multipoint locks and lock cases, mechanical cylinders, exit devices and electromechanical

products were the first areas in which a lot of know-how has already been shared. Cooperation on development and production also leads to increased cross-selling and to the identification of new opportunities, both geographically and productwise. In many fields, too, there are opportunities to develop a shared core technology.

Mechanical locks

The many developments in lock and cylinder technology over the last few years have generated pressure for the renewal of old lock systems, with upgrading to state-of-the-art security. The latest new products and concepts include longer patent protection for key blanks, double mechanical systems, and better system design capabilities. The demand for upgrading is growing in most markets and often leads to renewal of other products like handles and fittings at the same time.

An interesting new type of product was brought into the ASSA ABLOY Group when AZBE in Spain was acquired during 1999. More than two years ago the company started to market a new-generation electromechanical cylinder called Meca-tronic. This is a patented technology for creating a small lock system or a small 'keyed alike' residential system which allows users to cancel a lost key by means of a simple reprogramming procedure

without having to change their mechanical cylinders. It is based on the mechanically coded key and cylinder of the company's reversible key system, and provides strong mechanical protection enhanced with an electronic code. There is a growing market demand for lock products of this type which maintain the established security levels of high-security mechanical locks and cylinders but provide additional flexibility.

Fittings and security doors

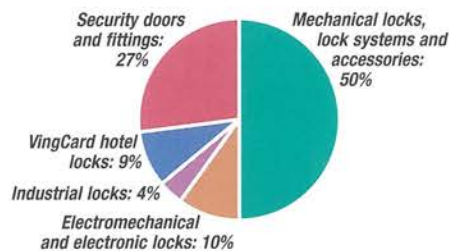
Even if locks are the most obvious security product, the other components of a door or window are just as important in creating a secure and safe environment. The hinges, for example, need to be as strong and secure as the lock itself. As a result, the door and window industry in most countries forms a major customer for ASSA ABLOY. In other countries the door industry has become more integrated into the lock and security business. In the USA, for example, ASSA ABLOY has a significant interest in door manufacturing through Curries and Graham.

In France, Fichet Serrurerie Bâtiment, a new company in the Group, has a similar background as a door manufacturer with strong links to the lock industry and a strong nationwide security distribution network. Its main products are security doors for homes, including integrated, attractive high-security lock installations.

Electromechanical products

With a double-digit rate of sales growth, electromechanical products are seen as a major opportunity by many Group companies. Abloy is now distributing its products widely within the Group accompanied by application advice and drawings to enable them to be combined with electromechanical products from other Group members. This makes it easier to start selling new products, even if most products require some adaptation to local mechanical standards before launch. Efforts are under way to coordinate the mechanical design of the products for the many different markets and to make them easy to connect together for reliable performance and ease of maintenance.

The ASSA ABLOY product portfolio



Industrial locks

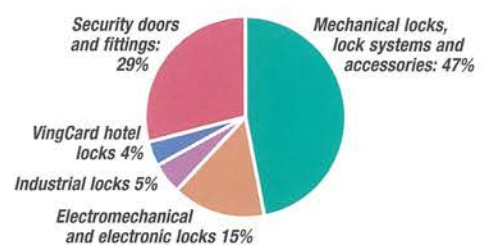
Assa, Abloy and other Group companies sell industrial locks – or camlocks as they are usually called in the USA – in many different markets. Medeco in the USA has provided the market with mechanical camlocks since 1976 and has added a growing proportion of electromechanical camlocks during the last decade.

Camlocks form a very different market segment from construction locks. Camlocks are locks integrated in other products like vending machines, gaming machines, parking meters and payment machines, many of them highly complex pieces of machinery. The main purpose of the locks is of course to keep unauthorized persons away from the valuables, which may include both the money in the machines and any contents for sale. But the lock also becomes part of the daily routine of the vending company. It should support the regular servicing of the machines to replenish stock or paper for receipts and to collect the income. The lock becomes a central part of planning the daily service tour, capable of meeting increasing demands for time stamping and registration so that the company can monitor and improve its performance.

Hotel locks

The new DA VINCI series of locks from VingCard is a good example of the growing importance of design in all areas. It is also a good example of how new technologies are introduced into lock products. The DA VINCI locks can handle both traditional magnetic cards and 'smart' cards with built-in chips to provide high security and greater flexibility. The same applies to the latest advanced hotel locks from

Patents by product group



Timelox, a new company in the ASSA ABLOY Group.

Elsafe has continued with the development of security products for the hotel room. A new safe for storing personal computers has been launched and offers advanced support functions for the computer.

Products for the handicapped

The elderly and handicapped form a growing proportion of society in many countries, and special solutions are needed to create a secure, safe and convenient environment for them. This often involves delayed exits, motor locks and automatic door operators as well as other electromechanical features.



The very wide assortment of products within the ASSA ABLOY Group provides rich opportunities to address most important market needs in every country. Examples are the Abloy door closer manufactured in Finland for Sargent in the USA and the new Australian cylinder, Lockwood Twin, which uses patented design features from Assa in Sweden.

The security business depends on trust

“The proof of the pudding is in the eating.” The old proverb remains true for most products you buy, whether you are a private or company purchaser. You buy a new machine for your workshop or a toaster for the kitchen. You turn on the power and see what happens. Does the machine cut metal as the vendor promised? Is the toast golden brown as you expected?

Security products are different. They are there to protect you against something that happens very seldom but, when it happens, may be of life-or-death importance. Until that moment security products are really not tested. A burglar tries to get in through a door or window. Will he succeed or fail? Will he have a chance to cause damage or loss? There is a fire and hundreds of people need to evacuate the building – fast. Will the exit doors open? Will they let people escape in time?

It is often not possible (or, if possible, far too costly) to organize truly realistic tests of a security system or product to see if it works on your site. Usually you simply buy a product you trust from an installer you trust – and hope that your judgment is right.

Generating trust

As a buyer of security products you need to have trust in the solution. But what generates such trust? It must be based on products of high quality with the right security characteristics for your specific needs – size of door, frequency of use, method of fixing and so on. But the products must also be fitted correctly. For this you need a professional installer who can plan the installation properly and who

knows the traps to avoid when making a security installation. He must also know the products intimately, based on first-hand information from the manufacturer. And of course the installer and his staff must be wholly trustworthy. They will know everything about your installation and any weaknesses it may have.

All these factors are important in a traditional mechanical security installation. Since the principles of building a mechanical lock system or a mechanical master key system are well-established, they will be known to most reputable locksmiths and ironmongers. However, the continuing development of methods and products means that a close relationship with the manufacturer is still important. For modern electromechanical products, which offer far more flexibility in combining security, safety and convenience, the continuous update of know-how is a great deal more important. Since there are more options, there are also more ways of getting things wrong. Close exchange of knowledge between manufacturer and installer becomes a must.

Feedback from the end-user

With these more complex products, a need also arises for direct contact between the manufacturer and the actual end-user. This will usually be channeled through the distributor/installer but nonetheless needs to be direct. In order to develop the next generation of products the manufacturer needs to get feedback on products already in use. But he also needs to know

about new security threats, new ways of organizing office work, new building methods and materials.

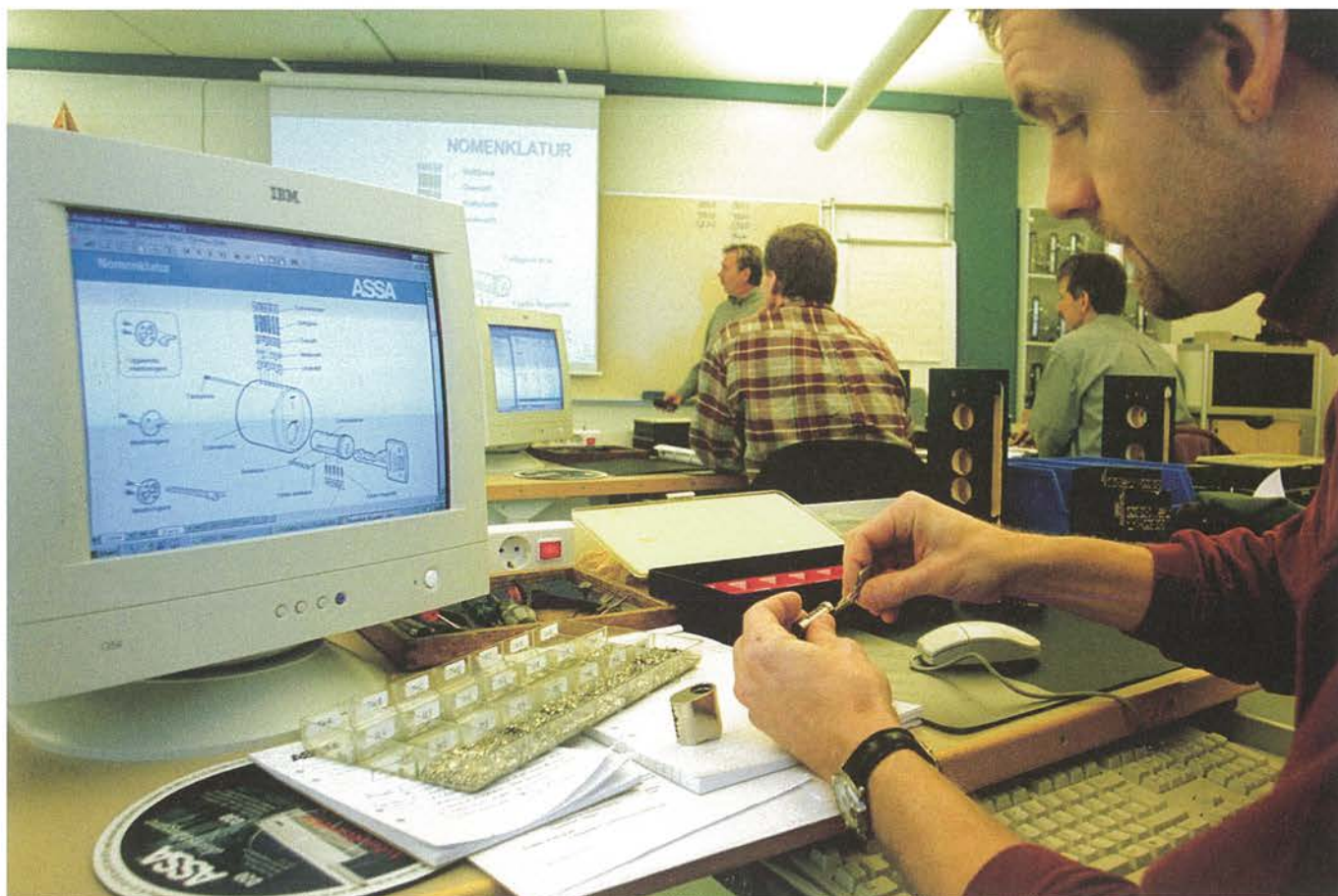
The ASSA ABLOY Group companies make it a priority to maintain close relations with both end-users and distributors. And to listen carefully to them.

Training and support for distributors

Today's high-technology security products depend on knowledgeable and skillful distributors and installers. The ASSA ABLOY companies devote a great deal of effort to supporting their distributors, who are mostly locksmiths but also include ironmongers, contract



Special solutions are needed to create a secure, safe and convenient environment for the elderly and the handicapped. For many years Securitron in the USA has provided delayed exit systems that prevent disoriented elderly people from becoming lost or injured.



Training and supporting distributors is an important element of a lock company's responsibility towards its real customers, the end-users. Many ASSA ABLOY companies offer a wide variety of training on their own premises, as here at the Assa training center in Eskilstuna, Sweden.

hardware dealers and DIY retailers. Most of the ASSA ABLOY companies offer a wide variety of training courses many times a year, some at their own factories, but many on the distributor's own premises where they can reach all grades of staff. Subjects of training courses range from introducing new products to installing lock systems; from basic electric knowledge for installers to the details of fitting electric strikes or motor locks or how best to organize a lock business.

Training and supporting distributors is an essential part of a lock company's responsibility towards its real customers, the end-users. The Assa training center in Sweden and the Medeco center in the USA are good examples.

Innovation or responsiveness?

In the past, most new security products have originated in a technical innovation by the manufacturer. There must be a market need, of course, but usually the innovation has come first and the need has become apparent later.

Now things are beginning to change. The new technologies that have evolved, especially in electronics, open up thousands of 'revolutionary' possibilities. Some might turn out to be marketable, but many would not survive. A more efficient approach, these days, is to listen carefully to the market – to the actual end-user – and then try to make the products asked for. Often the request is not expressed directly as a product specification, but rather in terms of weaknesses or desirable functions in already existing products. The manufacturer needs to interpret these inputs and convert them into visions of innovative new products which the market will really want.

This is a great challenge for distributors and manufacturers alike, but also an excellent opportunity for them to develop the market together by perceiving market needs, creating new products and concepts and then establishing them on the market.

The ASSA ABLOY Group companies try to remain constantly alert to such

opportunities, to remain close to the market with their eyes and ears open so that future generations of new products will continue to give customer satisfaction.

Higher security demands close contacts

In countries where high security is a priority, close and direct contacts between the manufacturers and the end-users of security products, supported by distributors who are close to both, have already proved essential. When buying a qualified master key system or an advanced electromechanical installation, it is impractical to pick and choose components from several different suppliers. You need a total solution, well proven, in which all the products fit together. This must come from one manufacturer who accepts responsibility and offers functional guarantees.

As the demand for higher security spreads to more markets, it will continue to drive manufacturers closer to end-users and to emphasize the need to have available a complete range of door and window security products.

Scandinavia:

Consolidated sales by companies in the Scandinavian countries amounted to SEK 1,777 M (1,701), representing organic growth of 6 percent.

Increased market activity in Scandinavia

In Scandinavia ASSA ABLOY's activities consist of operations in Sweden, Norway and Denmark.

Market and market trends

The Scandinavian operations continue to show good growth. The main source of this positive development is a strong local product mix, supported by products from other Group companies marketed in Scandinavia. Cross-selling is an increasingly important factor for success.

Sweden and Denmark have displayed stronger growth than Norway. This can partly be explained by factors affecting the underlying local economies. The construction markets in Scandinavia have shown modest growth during 1999. Growth has been strongest in Sweden, followed by Denmark. Norway started the year weaker, mainly explained by a slowing economy and higher interest rates, but there is now an increasing demand from the distributors indicating a possible turn towards higher growth.

Sweden

Sales by companies in the Swedish organization amounted to SEK 958 M (887), representing organic growth of 8 percent. Export sales to Group companies in other countries amounted to SEK 144 M and other exports totaled SEK 115 M.

ASSA ABLOY's activities in Sweden comprise Assa AB, Assa Industri AB, FIX AB, AB FAS Låsfabrik and Solid AB.

Assa Industri and FIX both manufacture and market OEM products for industrial customers. Assa Industri manufactures hinges, lock cases and industrial cylinder locks. FIX produces espagnolettes and fittings, with the window industry as its primary target group. FAS Låsfabrik manufactures and markets supplementary locks for private homes and safes.

Assa and Solid are both active in the construction-project and residential markets. Assa manufactures and markets security systems based on a complete range of lock products, which include



locks and fittings for doors and windows. Solid's product range focuses on electro-mechanical lock products under the ABLOY and SOLID brand names.

Locksmiths form the main distribution channel for Assa and Solid - a channel currently undergoing dynamic development because of the increased importance of electromechanical products and a resulting change in product mix. During 1999 Assa and Solid have further increased the cooperation with their distributors, and a new operational model introduced in sales and marketing has significantly improved efficiency.

In addition, the locksmith distributor AKI Låsgrossisten was acquired late in the year. Through this acquisition Assa and Solid will strengthen their distribution



For over a year the Stockholm Underground operator SL Bansystem AB has been working with Assa Industri AB to raise the level of security on existing underground trains. The chief aim has been to avoid ingress into carriages by trespassers who may cause damage, endangering both railway staff and passengers. The new security solution is based on Assa Industri's patented Desmo cylinder, which also meets SL Bansystem's wishes for improved key control and a more user-friendly locking system.

lock. The new lock meets all the demands regarding physical characteristics, manipulation resistance and stringent key control.

The customer base of the Swedish companies consists increasingly of more qualified and more educated customers. This facilitates opportunities for collaborative development projects between Group companies and their customers. A good example of a successful project is the 'safe living project' conducted jointly by

Assa and the Swedish real estate company Lundberg Fastigheter. The Swedish companies are leading the trend towards higher security, working closely with crime prevention organizations and public authorities. Our mission is to understand and analyze the market and to make sure that it is supplied with products that will meet tomorrow's needs.

capacity in Sweden and will be able to further improve their customer service.

A large number of new products have been launched during 1999. Assa Industri launched a new hinge system and Assa an upgraded series of high-security cylinders and a new range of exit devices and door handles. An area of particularly positive development for Assa Industri is locks for bank safes, where close relationships with a major new customer group have been developed.

Solid has set a new standard for electric locking with the launch of a new 'Multi' concept for electric strikes. The company also introduced a new reading technique, used in its access control systems.

FAS has collaborated with its customers to develop a new and enhanced prison cell



The safety of children is one of the guiding lights of FIX product development. An accident in Glasgow in Scotland opened the eyes of the local housing department to the importance of child safety fittings on windows, and they offered free installation of child-safe ventilators to all families with children. More than 200,000 of these FIX fittings have now been installed.

Norway

Sales by companies in the Norwegian organization amounted to SEK 521 M (513), representing organic growth of 3 percent. Export sales to Group companies in other countries amounted to SEK 46 M and other exports totaled SEK 40 M.

ASSA ABLOY Norge a.s. consists of two companies: TrioVing a.s. and Låsgruppen a.s. During the year Grorud Industrier a.s. has been merged into TrioVing and now forms the TrioVing Industri division while continuing to use the Grorud brand name. TrioVing sells to the construction-project, OEM and retrofit markets. Låsgruppen consists of five locksmith companies.

During the year TrioVing has strengthened its relationship with the Norwegian Locksmith Association and its security centers. The Norwegian market position has become stronger through continuous upgrades of the product portfolio with a



The Norwegian oil company Norsk Hydro has equipped a large number of its facilities with the TrioVing Twin cylinder, supplied through Låsgruppen.

focus on electromechanical products and high-security locking systems. Sales of the TrioVing Twin high-security cylinder have tripled, partly due to important contracts for locking systems from the Norwegian Technical University in Trondheim and the oil company Norsk Hydro.

Låsgruppen is an independent group of locksmith retailers which together with other leading locksmiths forms part of the TrioVing Security Centers group. These centers play a dominant role in trying to develop the market for high-security products with its demands for skilled installers and good after-service. High standards in

the handling of security information are another essential qualification for membership of TrioVing Security Centers.

There is a substantial demand in Norway for more secure, safer and more convenient high-security solutions. The Norwegian companies strive to meet these needs. As a direct response TrioVing launched a new line of high-security cylinders, TrioVing Twin Control. TrioVing has jointly with effeff developed a new electric strike which was launched with great success during 1999.

As a result of its close cooperation with the locksmiths, TrioVing has been able to take the new TrioVing Twin Control to the Do-It-Yourself market while still keeping full key control and offering the customer excellent service through the locksmiths' shops.

Denmark

Sales by companies in the Danish organization amounted to SEK 298 M (301), representing organic growth of 6 percent. Export sales to Group companies in other countries amounted to SEK 42 M and other exports totaled SEK 6 M.

ASSA ABLOY's operations in Denmark are based on products manufactured by Ruko A/S and products made by Group companies in other countries, such as Assa, Abloy, FIX and VingCard. Sales of Group company products increased in 1999, and Ruko has further strengthened this trend by establishing service centers specializing in Group products.

Ruko's core business is locks and cylinders, especially high-security master key systems. However, sales of electromechanical locks and access control systems are increasing in importance. The subsidiary Ruko Service A/S takes care of after-sales services. The subsidiary FIX A/S is responsible for sales of Group products to the Danish door and window industry.

During 1999, Ruko reached an agreement to acquire the lock wholesaler Sloth & Co, and will acquire the majority of the shares in summer 2000. The company has 25 employees and sales of DKK 100 M.

During 1999 Ruko launched a new range of high-security cylinders for master keying called Combi Plus, and has also introduced new window locks to the Danish market. The company's new FUNXION series of stainless-steel door

Scandinavia

SWEDEN:

Assa AB

Manufactures and markets mechanical and electromechanical lock products.
President and country manager: Hans Johansson.

Assa Industri AB

Manufactures and markets lock cases, hinges and cabinet locks for industrial customers.
President: Hans Johansson.

AB FAS Låsfabrik

Market leader in mortise deadlocks.
President: Ulf Petersson.

FIX AB

Manufactures and markets espagnolettes and fixtures.
President: Stellan Svensson.

Solid AB

Markets electromechanical lock products under the ABLOY and SOLID brand names.
President: Håkan Wolgast.

Another company in the Swedish organization is **ASSA Portuguesa LDA** (not included in the table below).

NORWAY:

Låsgruppen a.s.

Markets and sells locks and fittings.
President: Bjørn Haugsvaer.

TrioVing a.s.

Total supplier of locks and security products for the Norwegian market.
President: Tor-Arne Jensen.

DENMARK:

Ruko A/S

Total supplier of locks and security products for the Danish market.
President and country manager: Carl Trock.

FIX A/S

Sells ASSA ABLOY products to the Danish door and window industry.
President: Keld Madsen.

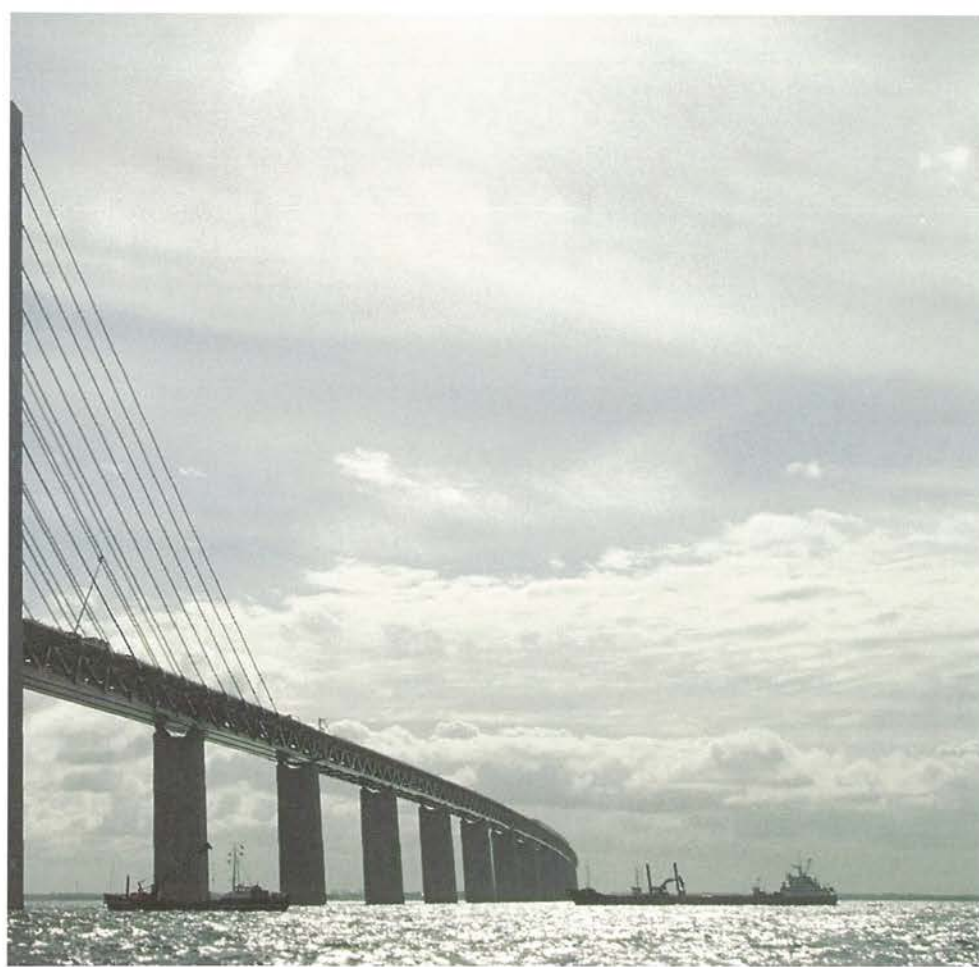
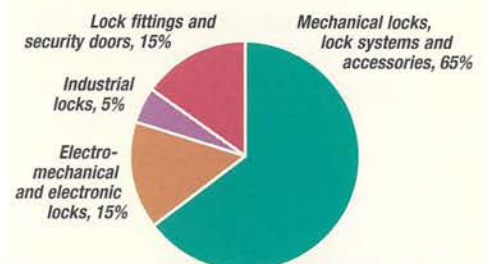
Ruko Service A/S

Supplier of after-sales service for lock systems.
President: Carl Trock.

Trends

SEK M	1999	1998	1997	1996	1995
Sales	1,777	1,701	1,660	1,364	1,264
Average no. of employees	1,651	1,657	1,702	1,530	1,352

Sales by product group



The new link between Denmark and Sweden, the Øresundsbro, has been supplied with Ruko Combi Plus locks and motor locks as well as locks from Assa in Sweden. Funxion door handles were also chosen for their resistance to extreme weather conditions.

hardware has penetrated a number of export markets, sold through local ASSA ABLOY Group companies.

Ruko is leading the trend towards higher security in the Danish market and is maintaining its strong position by virtue of its close cooperation with professional distributors and by strengthening its distribution capacity through the acquisition of Sloth & Co. Another contribution to Ruko's steady growth is its successful co-operation with insurance companies and

public agencies.

A notable success resulting from the establishment of the new Ruko Security Centers was the sale of a complete electronic access control system to the main hospital in Esbjerg. These locksmith centers sell mechanical and electro-mechanical security products and have highly skilled and trained staff who can advise and offer services on all aspects of the total product range.



The Esbjerg Hospital had an acute need to control access to the various parts of the hospital. "Every day there is heavy traffic of employees and visitors at the same time", says Lars Brinck, deputy manager of the technical department. "Based on consultation with the locksmith company Esbjerg Låseteknik, we chose the Solicard 6,300 electronic access control system. This offers precisely the security and control that we want and at the same time simplifies administration of security because we avoid managing innumerable keys."

Finland:

Sales by companies in the Finnish organization in 1999 amounted to SEK 898 M (811). Organic growth was 5 percent.

Export sales to Group companies in other countries amounted to SEK 267 M, and other exports totaled SEK 59 M.



Demand for intelligent high security generates strong growth

Operations of ASSA ABLOY in Finland consist of Abloy Oy and Björkboda Lås Oy Ab, which was acquired during the year. Abloy Oy manufactures and markets mechanical and electromechanical locks, door closers, fire-door closing systems, handles and fittings. Björkboda Lås Oy Ab produces lock cases for interior doors, cylinder lock cases and high-security lever locks. The brand names are ABLOY, PRIMO and BODA.

Market and market trends

Demand for products of high quality and high security continues to increase in Fin-

land. The 'intelligent' ABLOY EXEC ID product, an electromechanical cylinder launched in 1998, has gained a good foothold on the Finnish market. Demand for the company's brass-finished products has also continued to increase. Throughout the world the need for convenient locking solutions continues to rise. One driving factor is the rising proportion of old people in the population, which increases the need for electromechanical products such as motor locks and door operators for easier access.

Domestic sales growth has continued in spite of the decrease in indirect sales to

Russia. Export sales in many markets, in particular the USA, central Europe and South Africa, contributed to the rise in total 1999 sales. Despite the slow economic recovery in many Asian markets, Abloy managed to improve its sales there remarkably, with an increased market share in China and South East Asia. India is another promising market where Abloy has enjoyed a successful start-up.

Products

The new door-closer plant enabled new products to be introduced and resulted in a strong increase in sales in 1999. New

"Airport of the year"– Helsinki Airport, chosen as the best airport in the world by IATA (the International Air Transport Association), is a noteworthy Abloy customer with its combination of high-security locking and convenient access. In recent years the airport has undergone renovation and large-scale extension.

To guarantee flawless key control that is also easy to update, ABLOY EXEC was chosen as the locking solution for the modernized airport.

In order to facilitate the flow of a large number of travelers every day, the route doors are furnished with ABLOY door automatics. ABLOY motor locks are used to secure access control doors.

UL-approved door closers for the institutional market in the USA were launched and deliveries of UL-approved fireguard products began. Abloy now also offers a complete range of door closers for Europe. During the year these were launched in France through the three ASSA ABLOY units there.

The ABLOY PRIVAT lock case package was selected by the Finnish door manufacturers for use in their standard product line. The introduction of a new electro-mechanical lock range for the French market and a new door operator for fire-rated doors strengthened the electro-mechanical product portfolio further. The PRIMO range of building hardware was strengthened by a new door pull with modular construction.

Trend towards higher security

Increased customer demand for higher security has characterized the market throughout the 1990s. The trend is illustrated today by the success of the intelligent locking solutions marketed as ABLOY EXEC ID and of the ABLOY EXEC and ABLOY DISKLOCK PRO high-security cylinders for buildings, as well as various industrial locking applications – e.g. in the telecommunication, vending and gaming industries.

Growing interest in integrated lock systems in Finland has created a demand for LonWorks™ technology for building automation. New ABLOY electromechanical locks have been developed conforming to this cross-industry standard, which promotes higher security and convenience in integrated building automation systems.



The Bio Rex cinema in Helsinki, Finland, is equipped with ABLOY construction locks.

Customer relations

Abloy's sales personnel work closely with builders and architects, guiding them to choose the right products that both follow the authorities' regulations and meet constructional requirements for burglar resistance. Installations are made by an authorized ABLOY dealer, who also works with the end-user and Abloy to provide after-sales service.

Abloy arranges regular training for its dealers, both general instruction for sales personnel and training seminars on specific product groups for locksmiths. This makes it possible for the dealers to have employees specializing in different products to serve different customer segments.

For its sales offices abroad Abloy runs two product training seminars each year. Members of the technical customer service team also visit sales offices round the world to give product training to customers and personnel when needed.

Finland

Abloy Oy

Manufactures and markets lock cylinders, mechanical and electromechanical locks, door closers and fittings.

President and country manager: Matti Virtaala

Abloy Oy's business areas

Construction Locks. Manager: Kari Mononen.
Industrial Locks. Manager: Juha Pikkarainen.
Electromechanical Locks. Manager: Matti Ahola.
Building Hardware. Manager: Kyösti Sormunen.
Door Closers. Manager: Markku Kuivalainen.
Exports. Manager: Jari Toivanen.

Abloy Oy Eesti Filiaal

Markets and sells ABLOY products in the Baltic countries.

Manager: Ahti Ovaskainen.

Abloy Oy Representative Office Russia

Markets and sells ABLOY products in Russia.

Manager: Lauri Honka

Abloy Oy Representative Office Ukraine

Markets and sells ABLOY products in Ukraine.

Manager: Volodymyr Livinsky.

Björkboda Lås Oy Ab

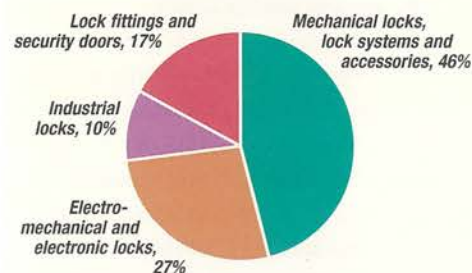
Manufactures and markets lock cases.

President: Henry Engblom.

Trends

SEK M	1999	1998	1997	1996	1995
Sales	898	811	744	620	642
Average no. of employees	1,020	970	905	849	844

Sales by product group



Germany:

Strengthened position through the acquisition of effeff

Sales by companies in the German organization in 1999 amounted to SEK 621 M (583), representing organic growth of 1 percent.

Export sales to Group companies in other countries amounted to SEK 1 M and other exports totaled SEK 155 M.

The Germany operations of ASSA ABLOY consist of the IKON Group, which includes the three manufacturing companies IKON AG, BAB-IKON GmbH and Wilhelm Dörrenhaus GmbH in Germany and the three sales companies Dupéray S.A. in Belgium, Ambouw B.V. in the Netherlands and IKON Cully S.A. in Switzerland. IKON's production is concentrated on master key lock cylinders and locking systems while BAB-IKON manufactures standard lock cylinders and Wilhelm Dörrenhaus produces lock cases. Also included in the German operation is the sales company ASSA-Ruko Sicherheitssysteme GmbH.

An important event for the German operations of ASSA ABLOY in 1999 was the agreement to acquire effeff Fritz Fuss GmbH & Co. effeff is the world's leading manufacturer of electric strikes. A majority shareholding in the company was acquired on February 1 2000, the date from which the company is being consolidated with ASSA ABLOY. However the integration of effeff started in 1999.

Market and market trends

The German security and hardware market is the largest high-security market in Europe. The German standards authority DIN (Deutsches Institut für Normung) and other institutions set stringent specifications for security products. The German lock industry is still highly fragmented with many small and medium-sized family-owned companies. However the



Deutsche Telecom in Germany is currently undertaking a complete upgrade of its security systems. The project involves mechanical security in the shape of cylinders from IKON; electro-mechanical security locks from effeff and ABLOY; and electronic components, access control systems and card readers from effeff, which is the main supplier in this field.

market is undergoing structural change and the ASSA ABLOY Group is playing an active role in this process.

Following the high level of construction activity after the reunification of Germany, the market has been in decline in recent years. However, construction activities are starting to increase after this period of

stagnation and are expected to take off next year. The deficit in public finances has reduced investments in the public sector and subsidies to the construction industry. Since IKON concentrates on sophisticated systems, mainly supplied to large organizations and the public sector, it has suffered from the weakness in this

market segment. A continued focus on product development and marketing, supported by a dramatically improved delivery service, has strengthened IKON's market position.

Demand for electronic and electromechanical security products is increasing at roughly twice the rate for mechanical security products. All types of electronic access control systems require an electromechanical locking device on each door. Electric strikes are the most common and effeff has become the world leader in this field over the last 25 years.

Products

IKON has supplied a large number of lock systems over the years. More than two thirds of the company's sales are for the extension, service and renewal of existing systems. IKON launched two new cylinders during 1999: a standard cylinder with color key-head and the IKOTRON 2 electronic cylinder. BAB-IKON launched a new standard type of cylinder with security card and Dörrenhaus launched two new lock cases for the door industry.

The effeff electric strike is an attractive addition for all the ASSA ABLOY companies worldwide. R&D investments in the electromechanical area are much higher than for traditional lock products. Being part of a larger group is an important factor for continued success, since you are able to draw upon larger resources. This will result in higher product quality and shorter time-to-market cycles.

Trend towards higher security

The need to protect both real and intellectual property is increasing. In the residential as well as the commercial market there is a need for higher-security lock systems. The combination of electronic and electromechanical solutions creates new possibilities of combining not only high security and high safety but also convenience for the end-user. The ASSA ABLOY companies in Germany as well as effeff have a long tradition of launching products based on these concepts, and are continuously developing new security solutions in collaboration with architects, security specialists and public authorities.

With their large base of installed locks and lock systems, the companies have a unique position in the German after-market and have unrivalled opportunities to influence future development.

Customer relations

In seeking to provide outstanding service to its customers, the IKON Group focuses on flexibility and short delivery times. The companies also help their customers and distributors in making security plans and in specifying high-security solutions. The combination of excellent products and the specification, service and support functions offered by the Group gives ASSA ABLOY a unique position.

effeff and IKON stress the importance of building long-term relationships with customers by such means as workshops, joint strategies and joint participation in fairs. Training courses are one important instrument in breeding these relations, and around 8,000 people attend each year. Courses are given not only to direct customers but also to decision-makers involved in building projects such as architects, electrical planners and members of the police and fire departments. Through this forum the company obtains valuable feedback on products' functionality and user-friendliness as well as suggestions for new products.

Cooperation with customers, insurance companies, police and distributors brings the German companies closer to the true needs of their customers and helps them to offer better security solutions.

Germany

IKON AG Präzisionstechnik

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

President and country manager: Eero Leskinen.

BAB-IKON GmbH Schliesstechnik

Manufactures and sells small lock systems and standard lock products.

President: Eero Leskinen.

effeff Fritz Fuss GmbH & Co.*

Manufactures and sells electronic and electromechanical security systems.

President: Dr. Willi Merkel.

* Consolidated as of February 1 2000.

Not included in the table below.

Wilhelm Dörrenhaus GmbH

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

Presidents: Holger Ritz and Dietger W Dörrenhaus.

Ambouw B.V.

Markets and sells locks and building hardware in the Netherlands market, mainly supplied by IKON and other ASSA ABLOY companies.

President: Gert Lubbersen.

ASSA-Ruko Sicherheitssysteme GmbH

Markets and sells the ASSA and Ruko lock ranges in the German market.

President: Svend Mølgaard Petersen.

Dupéray S.A.

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

President: Frans Quix.

IKON Cully S.A.

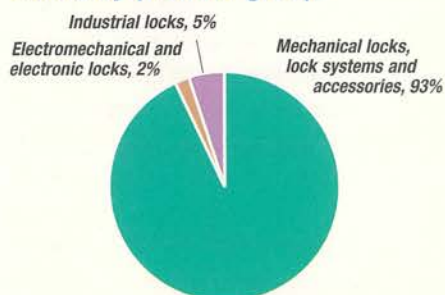
Markets and sells IKON, BAB-IKON and ABLOY products in the Swiss market.

President: Ugo Zanolari.

Trends

SEK M	1999	1998	1997	1996	1995
Sales	621	583	533	501	574
Average no. of employees	774	771	697	717	817

Sales by product group



The Treptower Complex, owned by Allianz Insurance Inc., forms a new landmark in the city of Treptow in former East Germany. All buildings are equipped with IKON master key systems.

United Kingdom and Ireland:

Sales by companies in the UK organization in 1999 amounted to SEK 270 M (266).

Export sales to Group companies in other countries amounted to SEK 1 M, and other exports totaled SEK 25 M.



Successful focus on high-security solutions

In the United Kingdom and Ireland ASSA ABLOY's operations are conducted through the 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. Each company offers packages of products tailored to the requirements of these particular markets, where the high quality of ASSA ABLOY products gives them a competitive advantage over traditional alternatives. However, it is also necessary to offer several product levels to meet the security, safety, convenience and cost requirements of different customers. The main sales channels are specialized security system dealers, building product suppliers and OEM customers.

Market and market trends

The UK construction market showed no clear overall trend in 1999. Certain areas, such as commercial property and domestic housing, showed strong growth.

However, there was a significant reduction in spending on social and government-funded building. The pre-Millennium boom of construction in the leisure sector shows signs of abating as projects reach completion. These developments made it important to identify and focus on specific market sectors where opportunities could be found. The UK subsidiaries won a number of important orders during the year, including a contract with the Queens' Medical Centre in Nottingham to upgrade its security which reflects customers' growing awareness of the advantages of patented security solutions.

Products

The major product ranges are mechanical and electromechanical locks, access control systems, industrial and window locks, escape hardware and door fittings. New products were launched in all these categories during 1999. Moreover, the UK operations are increasingly sourcing additional products from other ASSA ABLOY companies to complete their product offer-

ings. Examples include exit devices from JPM in France, high-security cylinders from Medeco in the USA, electric strikes from effeff in Germany, FUNXION door fittings from Ruko in Denmark, and door closers from Abloy in Finland. ASSA Ltd and Abloy Security Ltd primarily sell products manufactured by other ASSA ABLOY Group companies. Grorud on the other hand has its own production, which it supplies mainly to the UK window and door manufacturing industries.

Trend towards higher security

Customers in the UK are increasingly looking for complete packages of products from a single source. By using the resources of the entire Group, ASSA ABLOY can meet this requirement. The three UK subsidiaries each target specific market segments with distinct offerings of high-quality, internally compatible products.

The progressive introduction of new European standards continues to raise customers' awareness of security issues and create a demand for higher-quality



Over the past 10 years Manchester United Football Club has become a leading force in the business of football. Inevitably the football ground and associated premises have developed and grown too. To achieve a high level of security the Club chose to upgrade to the patent-protected ASSA Twin Combi System.



products. This forms an important opportunity for ASSA ABLOY, and the company provides information and guidance to customers through contacts with their decision-makers. However, as the standards become accepted they will form a new baseline in the industry and will soon create demand for additional security and safety beyond that called for in the standards. ASSA ABLOY has therefore identified the specialist security bodies who influence specifications for government, the major public utilities and other organizations with more demanding requirements, and is working closely with them.

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. Both ASSA Ltd and Abloy Security Ltd have ensured that customers are aware of the need for patent protection, and are meeting the demand with both existing patented cylinders and a phased program of new product development.

Customer relations

The UK market for security products has traditionally been low-priced and dominated by the distribution chain. ASSA ABLOY has an opportunity to change this by opening direct dialog with end-users in selected industries. By means of newsletters, sales visits, training seminars, and literature specifically targeted on the needs of distinct market sectors, these customers are being made aware of the advantages of using high-quality products in terms of cost-effectiveness, security and convenience. Specialist assistance with drawing up master key systems or access control is provided as necessary. To complete the chain, support and service are provided by a network of carefully selected local stockists. To guarantee quality of service, high priority is placed on training of both ASSA ABLOY staff and that of the stockists.

United Kingdom and Ireland

Abloy Security Ltd.

Primarily markets ABLOY electromechanical locks, padlocks and industrial locks.

President: Robin Rice.

ASSA Ltd.

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

President and country manager: Duncan Horton.

Gorud Industries Ltd.

Manufactures and markets door and window fittings.

President: Bjørn Mønster.

Abloy Security Ltd., Ireland

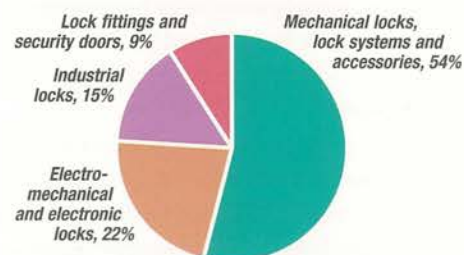
Markets ABLOY products in Ireland.

President: Robin Rice.

Trends

SEK M	1999	1998	1997	1996	1995
Sales	270	266	236	168	252
Average no. of employees	128	132	147	131	108

Sales by product group



France and Belgium:

Sales by companies in the French and Belgian organization in 1999 amounted to SEK 1,576 M (1,504). The organic growth was 3 percent.

Export sales to Group companies amounted to SEK 7 M and exports outside the Group totaled SEK 235 M.

Year end surge provides excellent platform for 2000

The operations of ASSA ABLOY FRANCE consist of the JPM, Laperche, Vachette, Stremmer and Bezault companies in France, plus Litto in Belgium. In December 1999 ASSA ABLOY acquired Fichet Serrurerie Bâtiment, the high-security lock division of the French company Fichet Bauche.

Market and market trends

ASSA ABLOY FRANCE enjoyed a better performance in the second half of the year compared to last year, partly because France's construction industry finally started to recover from a period of low investment. Overall, 1999 showed moderate sales growth but good improvements in margins. During the year, several loss-making products and distribution channels were closed down, affecting sales negatively. In export markets, a slowdown in growth in the volatile but significant African market was partially offset by rising export sales in Europe as well as increased inter-company sales. The export volumes improved significantly by the end of the year.

Belgium's economy is now emerging from last year's slowdown. After five consecutive years of downturns, during which Litto has continued to show good growth, residential construction has returned to 1994 levels. Growth in the home improvement sector has gathered pace.

Products

During 1999, Vachette introduced a new multipoint mortise lock, the Cremone bolt 2800 series. Designed to meet growing demand from door and window manufacturers, this new product extends the existing range and increases sales potential.

JPM is the market-leading company in Europe in the field of panic exit devices, and has seen an increased demand for these devices as a result of new European standards. The company's whole range of electromechanical exit devices performed well during 1999 and shows good prospects for 2000 as the market demand for more sophisticated products is set to increase.

Laperche continued to broaden its range of advanced product solutions during 1999. Following the introduction of a motorized multipoint lock for access control systems, Laperche scored another success with its mechanical multipoint mortise lock, which was approved by the French insurance certification body. Laperche also developed a new patented cylinder lock system with a copy-proof key.

Bezault launched three new lever handle lines, Jazz, Opera and Onyx during 1999. Other new products included a stainless-steel pull/push bar line, new additions to the Signature line, and Rosette 99, a patented concept for fitting lever handle sets on doors with roses or escutcheons.

In April 1999 the Group acquired Stremmer, which has extended its French product range with locks for glass and aluminum-frame doors.

Fichet Serrurerie Bâtiment, which was acquired in December 1999, manufactures and sells high-security cylinders,



The commercial aircraft manufacturer Airbus Industrie chose Vachette – on the strength of its product quality, its proprietary copy-proof key technology, its customer service and its brand image – as one of a panel of suppliers to equip its Toulouse site with new cylinders. To date, Vachette has fitted 8,000 Radial Si and 3,000 Radial VIP cylinders there.

Vachette will also equip Airbus Industrie's new mock-up center, which will display a representative selection of the company's aircraft at full scale for marketing purposes.

high-security locks and security doors.

To mark its 75th anniversary, Litto, the Belgian company, launched its patented MP75 high-security cylinder. This replaces the MP60 range which has been the most popular cylinder in masterkey systems in Belgium over the past fifteen years.

Trend towards higher security

Raising awareness of security by educating customers and end-users in France remains a priority for the Group. This is coordinated with an ambitious R&D program within the French ASSA ABLOY companies to support an extended range of high-security products. The companies



In 1999 Vachette set out to improve customer service by reducing assembly and supply times for orders for up to 50 of its master key cylinders from 13 days to less than two days. This goal has been well received by customers.

are adopting a variety of approaches such as pilot sites, hot-line services and pilot customer initiatives in order to understand and serve customers' present and future needs.

The French ASSA ABLOY companies also work closely with European standardization committees to enhance the security features of products such as panic exit devices. In France, Group companies are focusing on increasing the security rating of cylinder locks through the testing and promotion of the A2P labels (the French label for infraction-tested and certified cylinder lock sets).

Customer relations

Customer satisfaction has been a major focus in 1999 for the French ASSA ABLOY companies.

In order to provide superior service and satisfy rising customer expectations, Vachette set an ambitious target to reduce lead-times for its Radial masterkey cylinders in October 1998. The goal was to reduce the assembly and supply time for orders for up to 50 Radial masterkey cylinders from 13 days to less than two days.

This goal was achieved through a common effort, without any significant need for investments, and has been well received by customers.

One customer, the ironmonger UMHS, recently increased the number of orders it places with Vachette as a result of the new service. The company's Managing Director, M. Olivier Scialom explains: "Vachette's faster delivery times and improved service rating were decisive factors in committing us to its Pro VIP service".

To create closer relationships with specialist ironmongers and the security managers of nationwide companies, Laperche has introduced a new service for a pilot group of customers. Under the contracted service, customers receive advice and technical assistance from the company's sales force as well as having access to troubleshooting and after-sales services via a company hotline. By providing a system of direct contact with customers that delivers a rapid response to their security needs, the company has acquired an invaluable platform for the development of innovative new products.

France and 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.

Fichet Serrurerie Bâtiment*

Manufactures and sells high-security cylinders, high-security locks and security doors.

President: Frédéric Chanel.

JPM S.A.

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

President: Jouni Pitko.

Laperche S.A.

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

President: Robert Fidanza.

Stremler S.A.

Manufactures and sells locks and fittings for glass and aluminum-frame doors.

President: Robert Fidanza.

Vachette S.A.

Manufactures and sells a comprehensive range of products including 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.

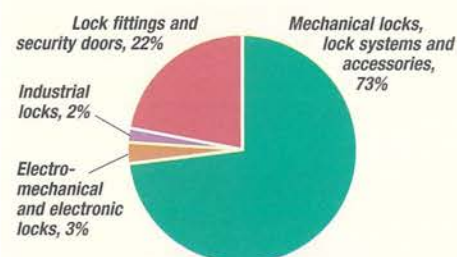
President: Fernand Clapdorp.

* Not included in the table below.

Trends

SEK M	1999	1998	1997	1996	1995
Sales	1,576	1,504	844	-	-
Average no. of employees	2,084	1,989	1,180	-	-

Sales by product group



North America:

Total sales for the North American Group in 1999 were SEK 3,721 M (2,916).

Organic growth was 7 percent.

Export sales to Group companies amounted to SEK 22 M and exports outside the Group totaled SEK 269 M.



Continued strong growth overall, especially in Canada

The ASSA ABLOY Group has further strengthened its position in North America during the year and now has 16 operating units in the USA, Canada and Mexico. In addition to a strong focus on the commercial and institutional market, advances have also been made on the residential side. The US units are Abloy Security, Arrow, ASSA, Curries, Emtek, ESSEX, Graham, McKinney, Medeco, NEL Corporation, Sargent and Securitron Magnalock. In Canada operations are conducted through Abloy Canada, Medeco of Canada and Sargent of Canada and in Mexico through Scovill Locks.

Abloy Security focuses on the OEM

market, industrial locking products and padlocks. The company has shown stable and profitable growth and has developed a number of new applications as well as further strengthening its position in established areas.

Arrow Lock has concentrated on broadening its product portfolio of locks and door hardware. Arrow has also restructured its operations in order to implement a profit center organization similar to those established in other units within the Group. The company has a strong position in the North East and especially in New York City.

ASSA Inc. has continued to focus its efforts on marketing its strong range of

high-security cylinders to institutions and end-users. ASSA is well-established, and the excellent quality reputation of its product range has been recognized again this year through a number of important orders.

Curries and Graham have both shown double-digit growth in sales with improved profitability during 1999. Curries manufactures hollow metal doors and frames and Graham produces architectural flush wood doors. Both companies are now operating in 'paperless environments' where all transfer of information and data needed in the manufacturing process is conducted on-line. This has increased efficiency and reduced risks of



In developing a safe and secure opening solution for the Minneapolis school district, Curries and Graham worked closely with their distributor, the architects and the school itself. Dan Marx, Vice President of Glewwe Doors, Inc., commented: "The best part of this relationship is the flexibility Curries and Graham exhibited in creating the products our customer needed." The school chose Curries' steel-stiffened-core doors and Graham's Timberstrand® doors.

From left to right. Dan Marx, VP, Glewwe Doors, Inc.; Gary Flack, Director of Customer Relations, Graham; George Sastro, Minneapolis School District; Dean Peterson, ESSEX sales representative.

North America

ASSA ABLOY North America 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: Scot T Hooper.

Arrow Lock Manufacturing Company
Mechanical locks and lock cylinders, with an emphasis on the after-market and the North-eastern USA.
President: Charles E Armstrong.

ASSA Inc.
Occupies a leading position in the high-security segment of the market.
National Sales Manager: Thomas Demont.

Curries Company
Manufactures hollow metal doors and frames.
President: Jerry N Currie.

Emtex Products Inc.
Decorative locks and hardware for the residential market.
President: Thomas Millar.

ESSEX Industries, Inc.
Joint sales operation for Curries, Graham, McKinney, Sargent and Securitron.
Vice President, Sales and Marketing: Joseph J Hynds, Jr.

Graham Manufacturing Corporation
Manufacturer of architectural flush wood doors.
President: Jerry N Currie.

McKinney Products Company
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 rim locks under the SEGAL brand.
Director of Sales: James Egan.

Sargent Manufacturing Company
Manufacturer of a complete line of locks and door hardware with a wide range of cylindrical locks, mortise locks, exit devices, door closers, electro-mechanical products and cylinder systems.
President: Thanasis Molokotos.

Securitron Magnalock Corp.
Market leader in magnetic locks and other electromechanical lock products.
President: Robert Cook.

Scovill Locks, S.A. de C.V.
Market leader in Mexico in cylindrical and tubular locks.
President: Roberto Lebrija Castilla.

Abloy Canada Inc.
Markets and sells ABLOY products in Canada.
President: Stephen Timmons.

Medeco of Canada
Markets and sells Medeco products in Canada.
Director: Alan Heaney.

Sargent of Canada Ltd.
Markets and sells Sargent products in Canada.
General Manager: Greg M Erwin.

errors and quality problems.

McKinney, which manufactures architectural-grade hinges, has also shown strong and stable growth in a very competitive sector of the market. During 1999 the company has considerably improved delivery as well as financial performance. The restructuring of the manufacturing process to a profit center organization has now been fully implemented. An important factor in the positive development of McKinney has been the joint management structure with Sargent.

Medeco, which was acquired in 1998, is developing well under its new management. The company is the clear market leader in high-security locking. Its product

range includes high-security cylinders and related products as well as high-security industrial locking products and electromechanical products for door and industrial security applications. The locksmith distribution channel continues to show the strongest growth, while particular emphasis has been put on the industrial locking sector during the year.

NEL Corporation focuses on the residential market under the SEGAL brand. Its operations are now consolidated with Medeco, a connection of particular value for future growth in the New York market. The Do-It-Yourself (DIY) market is considered to have the greatest potential for the SEGAL product range, and a separate

sales and marketing organization has been established to approach this segment.

Sargent's capital expenditure program has paid off further in 1999, assisted by efficiency gains resulting from improved production flows and the profit center organization implemented three years ago. The company, which has a broad product portfolio of high-grade locks and architectural hardware products, has strengthened its position in the institutional market. This success is mainly due to additional customer focus, reduced lead-times and improved product quality.

Securitron has experienced a year with double-digit sales growth and improved profitability. The MagnaCare lifetime warranty program, new products and closer affiliation with ASSA ABLOY's ESSEX Industries sales and marketing group are some of the key factors behind the positive development.

Emtek, based in Los Angeles, California, was acquired during the year. Emtek focuses strongly on the decorative residential lock and hardware market, and has developed a unique concept for this market, based on short lead-times and a flexible and attractive product range offered at competitive prices.

In Canada, Sargent and Medeco both show double-digit sales growth for 1999. Sargent is the largest operating entity in the ASSA ABLOY Canada operation, followed by Medeco which is the clear market leader in the Canadian high-security market. The Abloy Canada company acquired in 1998 is also developing well, with a complete range of high-security products utilizing the Abloy disc-type cylinder technology. The acquisition of Arrow Canada was completed during 1999 and the company is currently being consolidated with ASSA ABLOY Canada.

In Mexico, Scovill Locks, which is 49% owned by the ASSA ABLOY Group, has shown positive development during the year. Scovill produces a number of lock types and has a dominant position in cylindrical and tubular locks. During 1999 the company has strengthened its position in the residential market, which is currently showing strong growth. Scovill has also improved lead-times through restructuring of the assembly operation



High security was a top priority when building the Scranton Federal Courthouse in Pennsylvania. As well as federal courtrooms, the building contains temporary prisoner holding areas and offices for the Marshal, the FBI and the Secret Service.

The project is an excellent example of how the ESSEX companies work together. ESSEX Industries was involved in the design and bidding phases of construction, and the manufacturing companies Curries, Graham, McKinney and Sargent supplied security products through their common distribution channel.

and a focused capital expenditure program. Scovill has proved to be a reliable and competent source of low-cost products, primarily for the North American market, and a number of intra-Group projects have been successfully initiated in 1999.

Market and market trends

The North American market shows continued strength, with stable growth in the USA and even stronger development in Canada. Neither of the economies shows any sign of weakening. With additional focus on the after-market as well as on the less cyclical institutional sector, the outlook is good.

The acquisition of Emtek has given the Group new opportunities in the residential market. Design is increasingly important in the lock industry, and Emtek's focus on decorative hardware and its



design expertise are therefore important added values for the Group.

In New York City a joint sales and marketing effort directed at locksmiths and dealers has been initiated by the three main local players, Arrow, Medeco and NEL. Because of its high level of name recognition, NEL's SEGAL product range offers particularly exciting opportunities for sales through DIY distribution channels.

The breakthrough in the acceptance of electromechanical locks has established unique opportunities to combine a high level of security with user-friendly features. But at the same time it becomes more important that the different components fit and work well together. This package approach is commonly known as

the Total Openings Concept. With the collective expertise that we have within the different operating units, the ASSA ABLOY Group is in a good position to service this need. The ESSEX sales and marketing organization offers additional value here with its ability to supply products and joint solutions from Curries, Graham, McKinney, Sargent and Securitron. By focusing on distributors, architects and end-users, ESSEX reaches all the main elements in the decision-making chain.

However, electromechanical products present a challenge to our current way of distribution. A new multi-channel approach may be needed, combining traditional handling methods with new approaches to the different distribution channels available.

Overall, ASSA ABLOY's North American operations are expected to achieve further growth during 2000.

Products

A large number of new products have been introduced during the year. Arrow has launched a completely new range of tubular locks aimed at the housing market, developed jointly with Scovill in Mexico.

Successful product launches by Sargent in 1999 include a cylindrical keypad lock, a new automatic door operator and a cast-iron door closer. Medeco has launched a series of high-security industrial locks of the removable-core type which have been well received in the gaming industry, primarily due to the reduced installation and replacement time of the cylinder.

Other new products include embossed multi-panel doors from Curries, integrated door exit devices from Curries and Sargent, and several new traditional designs from Emtex.

Trend towards higher security

With the rise in the number of incidents and tragedies at schools and work places in North America, security has become an increasingly important, and increasingly high-profile, issue.

However, it will take time for the security factor to become part of building codes and regulations in the way that safety already is today.

The insurance companies have no deve-

loped standards regarding security, and consequently there are no real incentives offered from their side.

Through the High Security Manufacturers Council, ASSA ABLOY has started to work more actively on informing insurance companies and authorities about different types of high-security locks and the opportunities they offer for increasing the security level of building entries.

The Builder's Hardware Manufacturers Association (BHMA) has also begun work on an official standard for high-security locks, which will aid and add force to the industry's future activities in this field. The ASSA ABLOY Group is taking a highly active role in this work.

In another initiative, Medeco has successfully worked on providing training and information to crime prevention authorities about methods of preventing unauthorized entry and alternative solutions to achieve different security levels.

Customer relations

Major efforts have been devoted to increasing efficiency and optimizing added value throughout the distribution chain. On the contract hardware side, Securitron's products have been added to the ESSEX Total Openings Package, which already includes Sargent, McKinney, Curries and Graham. The partnership between the ASSA ABLOY Group and the Contract Hardware Distribution channel has been made even closer with the aim of avoiding overlap. The ESSEX sales force has been strengthened with additional personnel to address all segments of the market, including in particular architectural sales representatives and consultants and representatives focused on end-users.

With the object of helping contract hardware distributors to increase their efficiency and eliminate duplication of work, the ASSA ABLOY Group has further developed its ProTech software application tool. For example it is now possible to use the system for direct on-line ordering of Curries' doors.

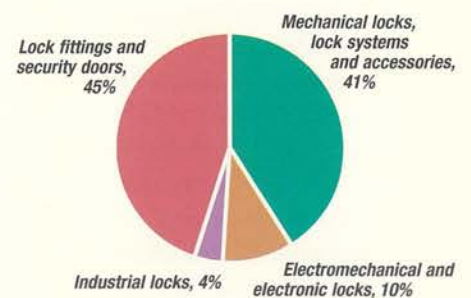
Medeco has introduced a package of focused programs and training to support independent locksmiths in their general business development, helping them to become more efficient and more successful.

North America

Trends

SEK M	1999	1998	1997	1996	1995
Sales	3,721	2,916	2,402	1,872	284
Average no. of employees	3,305	2,715	2,406	2,450	311

Sales by product group



Australia and New Zealand:

Sales by companies in the Australian organization in 1999 amounted to SEK 590 M.

Export sales to other Group companies amounted to SEK 2 M and other exports totaled SEK 14 M.



Major acquisition gives the Group a strong market stake

In Australia and New Zealand ASSA ABLOY's operations are conducted through Lockwood Security Products Pty Ltd and its subsidiaries Abloy Security Pty Ltd and Lockwood Arrow N.Z. Lockwood Security Products is a 50/50 joint venture created between ASSA ABLOY and Email Pty Ltd in April 1999. The joint venture is fully integrated into ASSA ABLOY's management structure and ASSA ABLOY has a three-year option to acquire the remaining shares. Operations in New Zealand are conducted through Lockwood Arrow N.Z.

During its first year as a member of the ASSA ABLOY Group, Lockwood's main focus has been to strengthen its foundation: i.e. to clean out loss-making products and those of less strategic importance, to improve operational efficiency and lead times, and to take advantage of Group experience and products.

Market and market trends

The Australian market for construction hardware remains strong. The residential market is experiencing a pull-ahead effect anticipating a new tax system to be implemented in July 2000. This positive trend is expected to last until then but will most likely be offset by the new taxation rules after that, and a slower general growth in late 2000 can be expected.

Products

The Lockwood name is synonymous with security hardware in Australia. Lockwood Security Products is the clear market leader in both the residential and commercial markets in Australia through its Lockwood, Whitco and Efco brands. Its product ranges include window hardware, rimlocks and door hardware, padlocks, mortise locks, special keying, and door closer products. Lockwood Arrow, in New Zealand, not only distributes Australian-sourced products but manufactures its

own range of aluminum-bodied door closers. Abloy Security supports the full range of ABLOY products.

Following the establishment of the joint venture, Lockwood's product development program has been tailored to best complement the ASSA ABLOY product range.

Product launches during the year included a new variable-strength door closer from Lockwood Arrow in New Zealand and new patio handle designs and a range of window locks from Lockwood's Residential Products Division in Australia. A new keying system based on Swedish ASSA technology and panic exit devices from JPM in France have been developed to suit the Australian market and will be launched in early 2000.

Trend towards higher security

There are low levels of regulation and standardization in the Australian industry compared with the European market. As

With installations of Lockwood Arrow door closers and Lockwood 3570 mortise locks, Lockwood is the major security hardware provider to Stadium Australia in Sydney where the Olympic Games will be held in 2000. Jim McAuliffe, Lockwood's National Sales Manager, Commercial, (left) and David Jones, Sales Manager, Commercial, (right) are seen here with Bill Allen, Major Project Representative of Stadium Australia.

Customer relations

Lockwood is committed to excellence in customer service, as exemplified by the company's support of the Master Locksmiths' Association of Australia, the training of apprentices, the training of security advisers and community policing personnel, and the provision of advice to insurers and fire authorities.

A Retail Training Program originally developed for training retailers' security advisers so impressed several of the state police forces in Australia that they requested Lockwood to train their Community Policing / Crime Prevention Officers using the same course.

To further reinforce community awareness, a series of short television films sponsored by Lockwood was produced to promote the need for higher security and safety in residential applications. A member of the Victorian Police Force appeared in these films presenting the issues to the public. This initiative was not only agreed to but was enthusiastically supported by all state police forces.

a result, Lockwood is working actively to improve and enhance local standards – and encourage their wider application – by maintaining close cooperation with legislative authorities, the police and fire departments, insurance companies and customers. Lockwood has a considerable base of installed locks, giving the company a strong position in the after-market. In 1999 after-market sales accounted for approximately 50 percent of total sales. The company's broad product range in both commercial and residential sectors also facilitates its efforts to develop the trend towards higher security.

The Lockwood joint venture has created a great potential for cross-selling of other ASSA ABLOY Group companies' products in Australia. This in itself contributes to the trend towards higher security.

Both the national fire authorities and the police department have worked in conjunction with Lockwood to increase security awareness in Australia. In 1999 Lockwood continued to invest in television advertising to promote the higher security and safety aspects of the Lockwood 001 Deadlatch with safety release, which was endorsed by the fire authorities.



Australia/ New Zealand

Lockwood Security Products Pty Ltd.

Manufactures and markets lock products such as door and window hardware, mortise locks, rimlocks and door closers for the Australian residential and commercial markets.

President: Geoff Norcott.

Lockwood Arrow N.Z

Manufactures door closers and markets Lockwood products in the New Zealand market.

President: Bruce Pollard.

Abloy Security Pty Ltd.

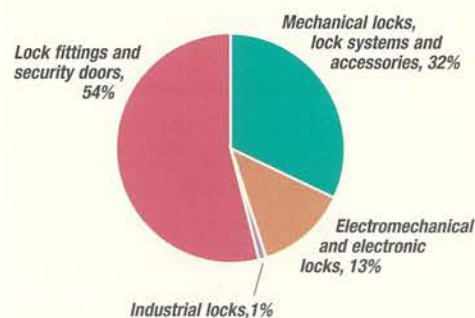
Markets and sells the full range of ABLOY products.

President: Joe Lahoud.

Trends

SEK M	1999	1998	1997	1996	1995
Sales	590	-	-	-	-
Average no. of employees	1,111	-	-	-	-

Sales by product group



New markets:

Rising security demands in Asia, Spain and eastern Europe boost sales



One of ASSA ABLOY Lockwood Asia's most prestigious projects during 1999 was Hong Kong's new Chap Lap Kok (CLK) airport, which upgraded security by installing exit devices from Sargent, USA. Ricky Leung, Chief Engineer of the Airport Authority, explains: "Our annual security revision showed that we had to further improve security for the access between the Arrival and Departure areas, while still ensuring safe exit in case of emergency. We chose the Sargent exit devices for their superior quality and aesthetics but also because ASSA ABLOY could modify the product to accommodate our existing control and monitoring system."

Consolidated sales within new markets for ASSA ABLOY amounted to SEK 398 M (186).

Asia

Group sales in Asia, excluding VingCard, amounted to SEK 93 M (47) in 1999.

ASSA ABLOY's regional head office is located in Singapore. As one consequence of the joint venture with the Australian Lockwood group in April 1999, the Group's Asian operation took over the management of Lockwood's regional sales and marketing companies. ASSA ABLOY Lockwood Asia Pte Ltd was created and has offices in Singapore, Malaysia, China and Thailand. Subsequent activities have concentrated on implementing common strategies and business systems, on team building among the Group companies, and on building strong relations with

regional distributors.

ASSA ABLOY's sales in Asia primarily consist of a comprehensive range of lock products for commercial premises, institutions and residential developments, sold direct or through selected distributors. Industrial locking is another major segment where ASSA ABLOY supplies complete security solutions direct to end-users and original equipment manufacturers (OEM). The retrofit market is still at an infant stage in most Asian countries but ASSA ABLOY has progressed well in the retail market during the year, as illustrated by a 'shop within a shop' concept developed for the ABLOY product range. ASSA ABLOY Lockwood's objective is to promote a few strong international brands such as SARGENT, ASSA, Lockwood, Vachette and ABLOY.

Asia is slowly recovering after two years of economic crisis and falling GDP. The



construction industries are badly affected and many markets have still to recover. ASSA ABLOY and Lockwood have continued to build a strong foundation in the region and show good year-on-year growth.

The company is working hard to implement solutions that combine security, safety, convenience and design. The introduction of the ABLOY EXEC key system during the year was received with enthusiasm by so-called Professional End Users (PEU) such as the armed forces and the oil and telecoms industries. The increased focus on fire regulations in the region will support Group products for emergency exits.



FAB will supply car locks for Skoda's new Fabia model.

Czech Republic

Sales by companies within the Czech organization in 1999 amounted to SEK 187 M (186).

ASSA ABLOY's operations in the Czech Republic are conducted via FAB a.s., which consists of three local manufacturing units in the Czech Republic and a subsidiary in Slovakia. FAB is the largest lock manufacturer in the country. Its current range comprises construction locks (cylinders, lock cases and rim locks), industrial locks, padlocks, cable locks and car locks.

During 1999 FAB launched a number of new products to meet the country's increased demands for higher security. The major product innovations are the 2400B high-security cylinder and a new master keying system. As a result, FAB has become the first company in the Czech Republic authorized to deliver complete locking systems to state institutions that have to protect confidential data.

A contract to supply car locks for Skoda's new Fabia model was an important order in 1999. FAB has applied for a patent for its car locks, which significantly improves the prospects for new orders within the Volkswagen Group.

Despite a stagnant economy in the Czech Republic during the year, FAB has increased its sales of master keying systems as a consequence of shortened deli-

very times. FAB is working actively to promote higher security through cooperation with the police and the insurance companies. High compensation claims are leading the insurance companies to demand better security at customers' premises. This both increases demand for FAB's high-security cylinders and makes higher prices possible. The insurance companies have started to grant a discount on premiums if the customer installs the FAB 2400B cylinder. On the whole, the outlook for 2000 appears to be satisfactory, although the recovery of the Czech and Slovak economies is obviously a crucial factor.



FAB's 2400B cylinder with high-security shield.

Romania

1999 sales for the Romanian companies, ASSA ABLOY Romania and Urbis Security, amounted to SEK 46 M (36).

ASSA ABLOY Romania sells high-security products from a number of Group companies. In 1999 Vachette's strong range of panic bars was added to products from Assa, Abloy and VingCard, making an active contribution to the trend towards higher security. Important orders during the year came from banks, insurance companies and hotels, and the security of the country's payphones has been increased through the installation of Desmo cylinders from Assa in Sweden.

The integration of Urbis Security is going well and the company has further strengthened its position through improved distribution and increased availability of products. A new marketing and sales organization and the launch of a security package have also contributed to the strong position.

The Romanian economy continues to experience considerable problems. A large part of the country's industry is out of date and an extensive privatization program is underway. The country's housing and institutions require renovation and this is expected to lead to significant construction activity in the next few years.

The Group's Romanian companies achieved satisfactory growth in 1999 and it is anticipated that development in 2000 will continue to be favorable.

Poland

Sales in Poland in 1999 amounted to SEK 27 M (10).

ASSA ABLOY's operations in Poland are conducted through ASSA ABLOY Poland Sp.z o.o. The company markets and sells products from other Group companies, including security cylinders, mechanical locks and camlocks from Assa, Abloy and Boda, access control systems from Solid, and FUNXION door hardware from Ruko.

ASSA ABLOY is the institutional market leader with many installations of Assa's master key systems in public and office buildings. Major projects in 1999 included the Supreme Court, the Warsaw University Library, the Stock Exchange and the Warsaw Financial Center. ABLOY locks are to be found at Polish Telecom, the National Bank of Poland and in heating and power plants all over the country. ASSA ABLOY Poland is also one of the main suppliers to Polish door manufacturers.

ASSA ABLOY Poland is working active-

The Baltic countries

Sales in the Baltic countries in 1999 amounted to SEK 14 M (12).

ASSA ABLOY's operations in the Baltic countries – Estonia, Latvia and Lithuania – are conducted through the Assa subsidiary ASSABalt AS and Abloy's local sales office Abloy Oy Eesti Filiaal, both located in Estonia. Activity has been low in the construction industry due to the weak Baltic economies, although ASSA ABLOY has kept its market leadership. However the forecast for 2000 indicates growth for the construction industry towards the second half of the year.

Interesting projects during 1999 included ASSABalt's installation of high-security products in Tallinn's tallest building, the Union Bank. Abloy's most important project was at Tallinn Airport, where high-security cylinders, door closers and building hardware were installed.

The lack of a local lock standard in the Baltic countries makes it very important to educate the consumer. Assa and Abloy are continuously developing a greater awareness of the importance of security, safety and convenience through customer training and through editorials and advertising in Baltic media. The top-of-the-line ASSA lock has, despite its relative high price, done very well in the Baltic market. Among Abloy's products, there was increased demand for ABLOY DISKLOCK PRO cylinders, electromechanical locks and door closers and for BODA mechanical lock cases. Starting in 1994, Assa and Abloy have established a large network of authorized dealers, enabling the two companies to maintain a strong market position throughout the recession. Assa and Abloy are clearly leading the trend towards higher security in the Baltic countries.



The new Warsaw University Library is equipped with Assa's master key systems.

The Polish economy is experiencing an upswing. The institutional market is growing, especially in the larger urban areas, and demand from the OEM market is rising. Building and renovation of private houses are increasing sales to the residential market.

ly to raise awareness of the importance of security, safety and convenience and is participating in a joint program of seminars with the Society of Polish Architects and leading investors. Promotion of panic hardware for safe evacuation is another focus for the company for 2000.



One of AZBE's most important contracts during 1999 was for locking systems for the Palace of Justice in Vitoria.

Spain

Sales for ASSA ABLOY Ibérica in 1999 amounted to SEK 44 M.

ASSA ABLOY Ibérica is the holding company for the AZBE and VingCard operations in Spain. AZBE, acquired on June 2 1999, manufactures and markets locks, cylinders, multi-point locks, high-security cylinders and rim locks. VingCard Systems España markets and sells hotel locks as well as ABLOY electromechanical locks, padlocks and industrial locks.

AZBE is a major player on the fragmented Spanish lock market with a large base of installed locks. The company's state-of-the-art product is the Mecatronic electro-mechanical cylinder. During 1999 the company launched a new range of high-security cylinders.

The Spanish construction market showed strong growth during the year,

resulting in a number of important contracts for AZBE including locking systems for the Palaces of Justice in Bilbao and Vitoria and the Basque Central Government buildings, and mailbox locks for the Spanish Postal Service.

Following its consolidation into the ASSA ABLOY Group, AZBE has developed positively and the Group operations in Spain are expected to achieve further growth in 2000 based on launching of new products, cross-selling of other ASSA ABLOY products and new distribution channels.

There is a strong trend towards higher security in Spain. The demand for good-quality high-security products is growing steadily and ASSA ABLOY's Spanish operations are taking an active role in promoting this trend.

New Markets

ASIA:

ASSA ABLOY Lockwood Asia Pte Ltd.

Markets and sells Group products primarily for commercial premises and institutions in Asia.
President: Lennart Robertsson.

CZECH REPUBLIC:*

FAB a.s.

Manufactures and markets construction locks, industrial locks, padlocks, cable locks and car locks.
President: Vladimír Bayer.

FAB Slovakia s.r.o.

Manufactures lock cases; markets and sells other FAB products.
President: Jaroslav Holzer.

ROMANIA:

Country manager: Jerry Pull.

ASSA ABLOY Romania S.r.l.

Markets and sells high-security products from other Group companies.
President: Attila Sylvestor.

Urbis Security S.r.l.

Manufactures and markets locks and fittings.
President: Attila Sylvestor.

POLAND:

ASSA ABLOY Poland Sp. z o.o.

Markets and sells products from other Group companies in the Polish market.
President: Jakub Gawęcki.

THE BALTIC COUNTRIES:

ASSABalt AS

Markets and sells ASSA products in the Baltic countries.
President: Tarmo Talvet.

Abloy Oy Eesti Filiaal

Markets and sells ABLOY products in the Baltic countries.
Manager: Ahti Ovaskainen.

SPAIN:*

AZBE B. ZUBIA S.A.

Manufactures and markets locks, cylinders, multi-point locks, high-security cylinders and rim locks.
President: Jorge García Martínez.

VingCard Systems España S.A.**

Markets and sells hotel locks as well as ABLOY electromechanical locks, padlocks and industrial locks.
President: Jorge García Martínez.

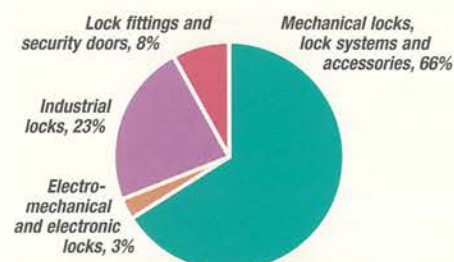
* new in New Markets in the 1999 Annual Report.

** not included in the table below.

Trends

SEK M	1999	1998	1997	1996	1995
Sales	398	186	68	-	-
Average no. of employees	1,856	1,936	385	-	-

Sales by product group



VingCard:

Sales by companies in the VingCard organization in 1999 amounted to SEK 965 M (952). Export sales to Group companies in other countries totaled SEK 35 M.

Bright prospects for the hotel market leader

The VingCard Group develops, manufactures and sells high-security locking systems and safes for the hotel and marine industries.

VingCard's business concept is based on card locks that accept key cards with magnetic stripes and are quickly recoded for each new guest. For hotels and cruise ships that require integrated systems, the key card can also be used as a charge card in adjacent shops and restaurants.

VingCard's subsidiary, Elsafe International a.s, offers in-room hotel safes, also recodable, based on the use of a personal digital code, key card or credit card.

Market and market trends

There are currently some 5 million card locks installed in the hospitality market worldwide out of a total base of approximately 13 million hotel rooms. The upgrade of older systems combined with major renovation and new construction, as well as penetration of the concept to smaller hotels, all mean that there will be continued good potential for growth over the coming years.

The market for electronic in-room safes is expected to continue to grow rapidly. More and more city hotels are now installing safes in their rooms as a standard safety and convenience feature, in addition to the established market for safes within larger resort properties.

VingCard sales in Europe, the Middle East and Africa increased again substantially during 1999. Market indications are for continuous growth into the new millennium. Electronic card-operated locking

systems are now standard in most major hotels in these regions, and smaller hotels are following suit. General security awareness among hotel guests lends support to these developments. One of the major challenges has been price cutting from the competition, which threatens the general profitability throughout the industry.

The US market weakened somewhat during the second half of the year but is expected to see future growth thanks to the need to upgrade the large number of electronic locks sold in the early 1990s.

Canada and Latin America are growing steadily. Asia has declined somewhat over the last few years due to the general economic conditions in that region, but is now showing promising signs of recovery. The cruise ship market is growing and so is VingCard's marine sector as a whole. The marine division has had another good year and future demand is strong.

VingCard's Persona product group, catering to residential facilities on university and college campuses, launched its locking and access system in early 1999. VingCard expects this market to grow substantially in the years to come, due to the general need for intelligent and convenient security solutions in the institutional market.

Products

Customers in 135 countries use VingCard and Elsafe security products every day.

This year VingCard has introduced smart-card technology through its new DA VINCI lock. The contemporary design of the lock originates from modern

Danish industrial design and will clearly add to the atmosphere of any prestigious full-service hotel. The modular concept, offering a wide selection of handles and hardware configurations in finishes to customers' choice, makes it even easier to respond to customer needs. The DA VINCI lock reads both smart cards and magstripe cards and operates on the Windows NT/98 and CE platforms.

Elsafe has this year launched a new series of in-room safes, the Infinity Collection, suitable for storing laptop computers. Features include advanced re-programmable electronics, flexible battery arrangements and contemporary design.



The Starwood hotel chain is a major customer of the VingCard Group. Its Security Council recently visited the VingCard factory in Norway. "I was amazed to see the production process and the extensive and detailed craftsmanship behind each lock", said Council Chairman Marc Lannoy. "Ideally, all those working with locking systems should see these processes to really understand and value the complexity of the lock!"

Trend towards higher security

VingCard's business concept "to provide peace of mind whenever people sleep away from home" requires bold and sustained innovation. As the world market



VingCard has worked in close cooperation with the cruise industry for many years. The world's largest cruise liner, Royal Caribbean Cruises' Voyager of the Seas, uses VingCard's combined card solution, where the key card also serves as charge card, boarding pass and gangway access control. The ship also has Elsafes installed.

leader it is VingCard's responsibility to develop the industry continuously and ensure that customers' current and future needs are met. With the new DA VINCI lock VingCard is adding a new perspective to the industry, offering maximum security and convenience combined with modern design.

Customer relations

The VingCard Group has long traditions of looking after its customers and working closely with them. Working partnerships with important customers have been established all over the world for many years, and VingCard has had a dedicated hotel chain department since 1994. Through this department VingCard has been able to maintain close contacts with its customers, encouraging healthy dis-

cussions and the exchange of ideas and experience.

VingCard's partnership with major customers is essential to the wellbeing of the entire industry. The goal of maximum security for hotel guests can only be reached if VingCard and its customers cooperate and share ideas for improvements.

Timelox

In November 1999 ASSA ABLOY acquired Timelox AB, a company that like VingCard operates in the hotel lock segment. Timelox has 46 employees and sales of SEK 84 M of which 90 percent is export. The company has created a strong position in Sweden as well as in the Las Vegas area with its many hotels.

Timelox's product range covers card-operated electromechanical locks and systems for the hospitality market as well as the commercial market for off-line access control products. Timelox will add important technological expertise to ASSA ABLOY, for example with its newly developed lock based on smart-card technology.

VingCard

VingCard a.s

World leader in hotel security systems.
President and CEO of the VingCard Group:
Dag Schjervén.

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 Martínez.

Thailand. President: Phonlavit Manchakra.

UK. President: Howard Witt.

USA. President: Mats Gustafsson.

Timelox AB*

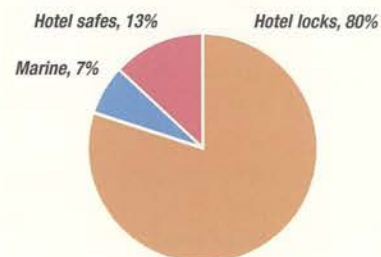
Manufactures and markets card-operated electro-mechanical locks mainly for the hospitality market.
President: Jan Wabréus

*Timelox is not part of the VingCard organization and is not included in the table below.

Trends

SEK M	1999	1998	1997	1996	1995
Sales	965	952	794	681	525
Average no. of employees	692	669	605	623	558

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 financial year January 1 – December 31 1999.

Ownership

ASSA ABLOY's principal shareholders are Metra Oyj Abp (21.4 percent of the capital and 33.0 percent of the votes), Investment AB Latour/Säki (9.9 percent of the capital and 19.3 percent of the votes) and Melker Schörling (4.1 percent of the capital and 5.4 percent of the votes). They are represented on the Board of Directors by, respectively, Georg Ehrnrooth and Göran Ehrnrooth; 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 working procedures, in compliance with the Swedish Companies Act were established 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 1999, seven Board meetings were held.

ASSA ABLOY's auditor participates in the Board's annual year-end meeting and, as a result, no special auditing committee is appointed.

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-making 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. The common financial and accounting policy establishes the financial control and monitoring framework.

Important events

Group coordination. Continuous benchmarking between the various units has continued to produce results in the form of higher productivity. During the year greater focus has been placed on growth by cross-selling of products on new markets where the Group is represented. Coordination among the various units within the Group progressed. During the year joint purchasing contracts for the Group were signed which are expected to generate significant cost savings.

Bonus issue and split. It was resolved at the Annual General Meeting on May 5 1999 to increase the registered share capital of the Company through a bonus issue. Before the bonus issue the share capital amounted to SEK 71,369,974, divided among 4,190,412 Series A shares and 67,179,562 Series B shares, the shares of both series having a par value of SEK 1. The share capital was increased by SEK 214,109,922 to SEK 285,479,896 by means of a transfer of SEK 214,109,922 from the Company's share premium reserve to its registered share capital. The bonus issue was accomplished by increasing the par value of each share from SEK 1 to SEK 4.

The Meeting further resolved that, following the Company's bonus issue, the par value of the shares should be reduced from SEK 4 to SEK 1 per share by means of splitting (a 1:4 split). Each holder of

Acquisitions during 1999 (SEK M)

Date	Company	Country	Main Business	Estimated sales
1999-04	Lockwood	Australia	Locks, full range	850
1999-04	Stremler	France	Locks for glass and aluminum-frame doors	100
1999-05	*effeff	Germany	Electromechanical locks	1130
1999-06	AZBE	Spain	Locks	90
1999-06	*Sloth & Co	Denmark	Distribution	120
1999-07	Björkboda Lås	Finland	Lock cases	135
1999-11	Timelox	Sweden	Hotel locks	80
1999-12	Fichet	France	High-security locks	240
1999-12	Arrow Lock Mfg. Inc.	Canada	Distribution	8
1999-12	*AKI	Sweden	Distribution	100
1999-12	*Mul-T-Lock	Israel	High-security locks	830

* will be consolidated during 2000.

Series A shares and Series B shares was thereby entitled to receive, without payment, four new shares of the same Series, each having a par value of SEK 1, for every share held.

The bonus issue and split were executed by VPC (the Securities Register Center) on June 4 1999.

New issue of shares (1:10 rights issue). As part of the financing of company acquisitions, the Board of Directors proposed a new issue of shares, which was approved at the Extraordinary General Meeting on June 4 1999. The new shares

were issued at a subscription price of SEK 70 per share, after the split had been effected. Ten existing Series A shares carried rights to subscribe for one new Series A share and ten existing Series B shares carried rights to subscribe for one new Series B share. The prospectus was made public on June 10 1999 and the subscription period ran from June 14 1999 to July 2 1999. The subscription rate was 99.8 percent and the issue raised SEK 1,985.2 M after transaction expenses.

Following the issue, the total number of shares in ASSA ABLOY AB was

314,002,299, of which 18,437,812 were Series A shares and 295,564,487 were Series B shares.

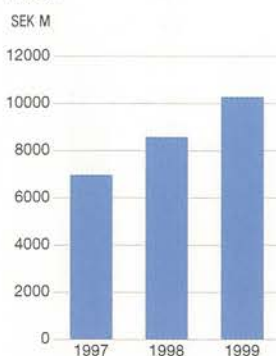
Acquisitions. In accordance with the Group's strategy of achieving growth in mature markets by means of acquisitions, eleven new companies were acquired during the year. In total, these acquisitions are expected to increase sales by around SEK 3700 M on a full-year basis. Sales increased by about SEK 750 M during 1999 as a result of the acquisitions carried out, and the Group's goodwill has increased by SEK 838 M. Most of this will be amortized over 20 years. In principle, no provisions have been made for restructuring costs in connection with acquisitions.

Acquisition of Lockwood. 50 percent of Lockwood was acquired in April with an option to purchase the remaining 50 percent after three years. A leading position in Australia was obtained through the acquisition. In addition the Group's position in Asia was strengthened by the combination of Lockwood's and ASSA ABLOY's sales organizations in the region. The acquisition contributed positively to earnings per share in 1999.

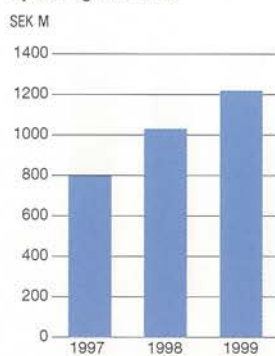
Acquisition of Stremmer. Stremmer was acquired during the second half of April. Stremmer is France's leading manufacturer of locks for glass and aluminum doors. Stremmer brings the ASSA ABLOY Group important know-how in a rapidly growing product segment. The acquisition contributed positively to earnings per share in 1999.

Acquisition of AZBE. AZBE was acquired at the beginning of June. The company is one of Spain's leading lock manufacturers. The acquisition gave the ASSA ABLOY Group a strong market position in Spain, complementing our previously

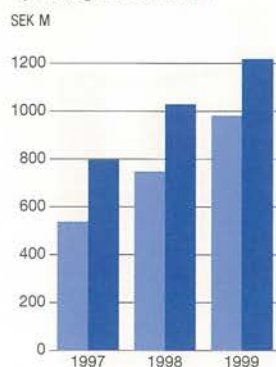
Sales



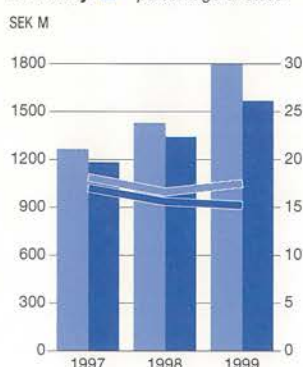
Operating cash flow



Income before tax: ■
Operating cash flow: ■



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



established sales organization. The acquisition is expected to contribute to earnings per share in 2000.

Acquisition of effeff. The acquisition of effeff, which manufactures electromechanical strikes, is a contributor towards creating a world-leading position for the Group in electromechanical locking. In the early summer of 1999, ASSA ABLOY made a public offer to the minority shareholders of the public shares. The offer resulted in the acquisition of two-thirds of the public shares. The principal shareholder's holding was taken over on February 1 2000, giving ASSA ABLOY control of 90 percent of the company. The company is expected to contribute to earnings per share from the date of takeover.

Acquisition of Sloth & Co. In September an agreement was signed for the acquisition of the Danish locksmith distributor Sloth & Co A/S. ASSA ABLOY's Danish subsidiary Ruko has strengthened its distribution capacity in Denmark as a result of the acquisition and can offer improved service to customers. Under the agreement 50 percent of the shares will be acquired in summer 2000, and there is an option to acquire the remaining shares in 2003. The acquisition will contribute to earnings per share in 2000.

Acquisition of Björkboda Lås. Björkboda was acquired in July. The company is Finland's leading manufacturer of lock cases, with significant export business mainly to the other Nordic countries as well as to the Baltic countries. The company has contributed to earnings per share from the date of takeover.

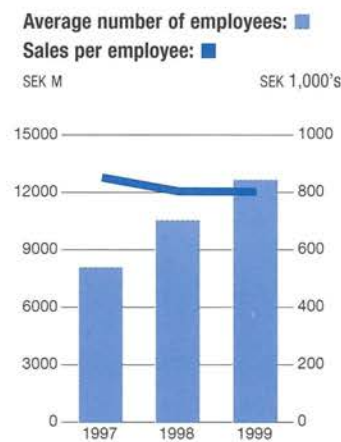
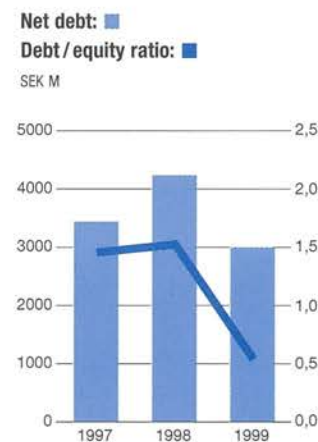
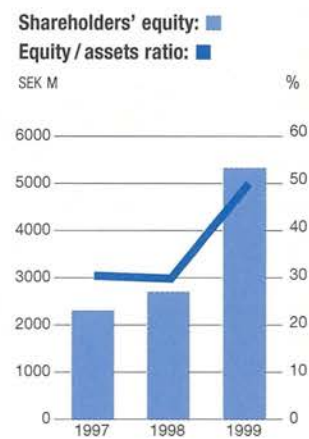
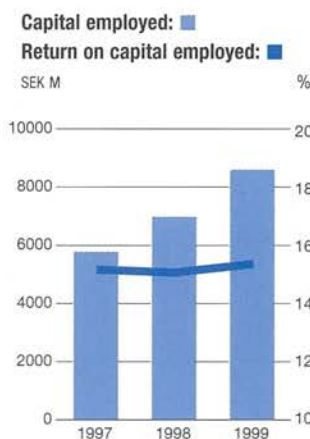
Acquisition of Timelox. Timelox AB was acquired in November. Like VingCard, the company operates in the hotel lock sector. The company has achieved

strong positions in Sweden and in Las Vegas with its many hotels – areas where VingCard is relatively weak. Timelox also brings ASSA ABLOY important technical expertise and has, for example, developed a new hotel lock based on smart-card technology. Timelox is expected to contribute to earnings per share in 2000.

Acquisition of Fichet. The French company Fichet Serrurerie Bâtiment was acquired in December. The company was

previously part of Fichet Bauche, forming their high-security lock division. Fichet is probably France's strongest brand name in high-security locks and contributes both important products and useful distribution channels. Fichet is expected to contribute to earnings per share in 2000.

Acquisition of Arrow Canada. Arrow Canada was acquired in December. The company is an independent distributor in Canada for Arrow Lock USA. Since it was



formed in 1994 it has built a strong position for the Arrow brand name on the Canadian market. The acquisition further strengthens the ASSA ABLOY Group's standing on the Canadian market. The acquisition will have a positive effect on earnings per share from 2000.

Acquisition of AKI Låsgrossisten. AKI was acquired during December. AKI is a leading lock wholesaler in Sweden. AKI's most important customers comprise locksmiths, who are also ASSA's most important distribution channel. The acquisition strengthens ASSA's distribution capacity in Sweden. The acquisition is expected to produce a positive effect on earnings per share in 2000.

Acquisition of Mul-T-Lock. During December an agreement was reached for the acquisition of shares representing 89 percent of the shares in the public company Mul-T-Lock in Israel. The acquisition was carried out on January 31 2000. Mul-T-Lock is Israel's leading manufacturer of locks, lock cylinders and security doors, with a significant export business. The company has available a modern production plant and has a range of products that can work in many markets. The acquisition is expected to produce a positive effect on earnings per share from 2001.

Comments on the Income Statement

Group sales totaled SEK 10,277.2 M (8,581.7). This is an increase of 20 percent compared with 1998. In local currencies the increase amounted to 18 percent, comprising organic growth of 5 percent (6) for comparable units, while acquired units accounted for 13 percent of the increase in volume.

Earnings before interest, tax, depreciation and amortization (EBITDA) amount-

ed to SEK 1,860.7 M (1,585.7). This was an increase of 17 percent compared with 1998. The increase is primarily due to improvements in operational units and to acquisitions. The gross margin, defined as EBITDA in relation to sales, was 18.1 percent (18.5).

Operating income before goodwill amortization amounted to SEK 1,382.4 M (1,101.3), an increase of 26 percent. The operating margin before goodwill amortization was 13.5 percent (12.8).

Goodwill amortization amounted to SEK 189.0 M (138.5). The increase is attributable to acquisitions during 1998 and 1999.

Consolidated income before tax amounted to SEK 980.6 M (748.4). This represents an increase of 31 percent compared with the preceding year. The new issue made during the year affected net financial items positively. Share in earnings of associated companies relates mainly to the holdings in Scovill. In translating the income statements of subsidiaries, foreign exchange effects had a positive impact of SEK 33.8 M (10.5) on income before tax. Profit margin, defined as income before tax in relation to sales, was 9.5 percent (8.7).

1999 compared with 1998:

Income before tax 1998	748
• Improvement in profit margin, organic growth and acquisitions	218
• Increase in goodwill amortization and interest expenses in connection with acquisitions	-83
• Interest effects of operating cash flow	26
• New issue	38
• Effects of foreign exchange movements	34
• Income before tax 1999	981

The Group's tax charge totaled SEK 279.6 M (212.0), corresponding to an effective

tax rate of 28.5 percent (28.3) in relation to income before tax.

The Parent Company's income before tax amounted to SEK 261.2 M (2,593.9). Income in 1998 included capital gains totaling 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 operating cash flow amounted to SEK 1,218.5 M (1,028.3), equivalent to some 124 percent (137) of income before tax. Cash flow from operating activities before interest and tax totaled SEK 1,862.6 M (1,631.3), an increase of 14 percent over the previous year.

Capital expenditure on tangible fixed assets, less sales of tangible fixed assets, amounted to SEK 390.2 M (316.2), which corresponded to 86 percent (71) of depreciation of tangible fixed assets applicable to the financial year. Total purchase price for investments in subsidiaries amounted to SEK 716.8 M (859.1).

Acquired net debt totals SEK 514.9 M (214.5). The acquisitions carried out in 1999 were to a large extent paid out of the Group's strong operating cash flow and from the new issue, which brought in a net SEK 1,985.2 M after transaction expenses. The dividend to shareholders for the 1998 financial year was SEK 178.2 M (123.8), which represents about SEK 0.61 per share.

The Parent Company's cash flow amounted to SEK 78.5 M (-74.0).

Comments on the balance sheet

Accounts receivable amounted to SEK 1,796.2M (1,426.8), corresponding to 17.5 percent (16.6) of sales. The increase was chiefly due to the acquisitions and to

foreign exchange effects.

Inventories amounted to SEK 1,564.7 M (1,339.1), which corresponds to 15.2 (15.6) percent of sales. This increase is also attributable primarily to the acquisitions and to foreign exchange effects.

Intangible fixed assets amounted to SEK 3388.1 M (2668.0). The increase includes newly acquired goodwill of about SEK 838 M.

Tangible fixed assets amounted to SEK 2,955.4 M (2,777.8). Direct investments in tangible fixed assets totaled SEK 432.2 M (367.3).

Capital employed in the Group – defined as total assets less interest-bearing assets and non-interest-bearing short and long-term liabilities, including deferred tax liabilities – amounted to SEK 8,602 M (6,984), corresponding to 76 percent (74) of sales. The relative increase is due in part to the acquisition of Fichtel in December 1999. The return on capital employed was 15.5 (15.2) percent.

The Parent Company has invested further in shares in subsidiaries. The main investment corresponding to CHF 300 M reflects a non-cash issue in ASSA ABLOY Treasury S.A. Net receivables due from subsidiaries have decreased during the year by SEK 1,899 M.

Financing

Cash and cash equivalents amounted to SEK 196.2 M (121.4). Cash and cash equivalents are invested in banks with high credit ratings. Net debt amounted to SEK 2,997.7 M (4237.3), of which SEK 606.6 M (637.1) consisted of pension liabilities. Net debt was affected positively by the new issue and the strong operating cash flow.

The Group's long-term loan financing consists mainly of the five-year Multi-

Currency Revolving Credit agreement for a maximum of USD 500 M. At year-end USD 139 M had been utilized. The interest-coverage ratio, defined as income before taxes increased by net interest divided by net interest, was 5.3 (4.4).

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

Shareholders' equity totaled SEK 5,337.0 M (2,715.2). The equity/assets ratio was 49.6 percent (29.8). The debt/equity ratio, defined as net debt divided by shareholders' equity, was 0.56 (1.56).

Personnel

The average number of employees was 12,654 (10,545). The increase was mainly due to the acquisition of companies in Australia and the USA.

The Group's total wage, salary and other remuneration payments, including holiday pay but excluding social welfare costs, amounted to SEK 2784.3 M (2,248.8).

The average number of employees in the Parent Company was 21 (15).

Introduction of the Euro

The new common European currency, the Euro, was introduced on January 1 1999 in many of the countries where the Group operates. The main countries concerned are Finland, Germany, France, Belgium, the Netherlands, Spain and Portugal. These countries account for around 31 percent of Group sales. It is expected that companies in countries not currently inside the Euro-zone, such as Sweden, will also be affected since the Euro will probably be used as a parallel currency for pay-

ments in these countries.

The introduction of the Euro is expected to reduce financial risk within the Group. ASSA ABLOY intends to prepare financial statements in Euro when permitted in Sweden. 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.

Environmental impact

Four of the ASSA ABLOY Group's subsidiaries in Sweden carry out permitted business activities in accordance with environmental regulations. The Group's permitted and registered activities affect the external environment chiefly through the subsidiaries Assa AB, Assa Industri AB, AB FAS Låsfabrik and Fix AB. The companies operate machine shops and foundries and associated surface-coating plants which have an impact on the external environment through the discharge of water and air.

The subsidiaries Assa AB, Assa Industri AB, AB FAS Låsfabrik and Fix AB are actively addressing environmental questions, and three of the four are certified in accordance with SS-EN-ISO 14001. The fourth company expects to achieve certification during the first quarter of 2000.

The Year 2000 problem

A number of questions were raised about the ability of computer software and hardware to handle the year 2000 correctly at the turn of the century. A comprehensive

assessment was carried out within the ASSA ABLOY Group and appropriate measures taken to ensure that all applications and administrative and technical systems could handle the problem. The action plan also included ensuring that the Group's suppliers could handle the problem.

ASSA ABLOY's measures proved effective and the Group has experienced no problems due to the year 2000.

Outstanding legal disputes

ASSA ABLOY was informed on November 17 1999 of the verdict of a jury at a court in Dallas, Texas, which means that VingCard could be required to pay damages of around USD 12.5 M on the grounds of an alleged wrongful notice of termination of a subcontractor's contract.

The judge in the case has now formally confirmed the jury's verdict and VingCard has appealed to the court of next instance, the Texas Court of Appeals.

VingCard and its American lawyers expect a significantly better outcome in the Texas Court of Appeals but the process will take a further 1-2 years to complete.

ASSA ABLOY has not been able to make a final judgment about this situation and the potential final cost for the Group. Accordingly, no provision has been created in the Group balance sheet.

Outlook for 2000

ASSA ABLOY's opportunities for development 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 development of profit in 2000.

Proposed disposition of earnings

As shown in the consolidated balance sheet, the Group's unrestricted equity amounts to SEK 1,871.6 M (637.9). No transfer to the Group's restricted equity is required. The following unappropriated earnings are available for disposition by the shareholders at the Annual General Meeting:

Net income for the year: SEK 264,546,136
Unappropriated earnings brought forward: SEK 3,236,638,113
Total: SEK 3,501,184,249

The Board of Directors and the President propose that a dividend of SEK 0.75 per share, a maximum total of SEK 239,998,625, be distributed to shareholders and that the remainder be carried forward to the new financial year.

Stockholm, February 9 2000

Georg Ernrooth
Chairman

Melker Schörling
Vice Chairman

Gustaf Douglas

Per-Olof Eriksson

Göran Ehrnrooth

Gerhard Wendt

Carl-Henric Svanberg
President

Mats Persson
Employee representative

Gösta Johnsson
Employee representative

My audit report was issued on February 11 2000.

Anders Lundin
Authorized Public Accountant

Öhrlings PricewaterhouseCoopers AB

Consolidated income statement and cash flow statement

Consolidated income statement

	1999 EUR M ¹⁾	1999 SEK M	1998 SEK M	1997 SEK M
Sales (Note 1)	1,170.5	10,277.2	8,581.7	6,968.5
Cost of goods sold	-715.5	-6,282.5	-5,463.0	-4,496.6
Gross income	455.0	3,994.7	3,118.7	2,471.9
Selling expenses	-189.6	-1,664.5	-1,368.1	-1,121.0
Administrative expenses (Note 5)	-84.8	-744.2	-513.1	-451.8
Research and development costs	-17.3	-151.7	-95.1	-88.7
Other operating income	11.2	98.5	86.4	79.7
Other operating expenses	-17.1	-150.4	-127.5	-79.8
Operating income before goodwill amortization (Note 2)	157.4	1,382.4	1,101.3	810.3
Goodwill amortization (Note 4)	-21.5	-189.0	-138.5	-103.0
Operating income	135.9	1,193.4	962.8	707.3
Financial items (Note 7)	-26.2	-230.1	-227.8	-179.0
Share in earnings of associated companies	2.0	17.3	13.4	8.3
Income before tax	111.7	980.6	748.4	536.6
Tax on profit for the year (Note 8)	-31.7	-278.3	-211.6	-181.1
Other taxes	-0.2	-1.3	-0.4	-1.6
Minority interests	-1.6	-14.1	-10.4	-1.7
Net income	78.2	686.9	526.0	352.2

1) 1 EUR = 8.78 SEK.

2) 1 EUR = 8.55 SEK.

Consolidated cash flow statement

	1999 EUR M ¹⁾	1999 SEK M	1998 SEK M	1997 SEK M
OPERATING ACTIVITIES				
Operating income	135.9	1 193.4	962.8	707.6
Depreciation and amortization (Note 4)	76.0	667.3	622.9	461.4
Adjustment for non-cash items (Note 24)	0.2	1.9	45.6	-40.8
Cash flow before interest and tax	212.1	1,862.6	1,631.3	1,128.3
Paid and received interest (Note 24)	-25.8	-226.8	-199.3	-185.3
Paid income tax	-22.5	-197.8	-292.7	-169.6
Cash flow before changes in working capital	163.8	1,438.0	1,139.3	773.4
Changes in working capital (Note 24)	-3.1	-27.1	-87.5	113.2
Cash flow from operating activities	160.7	1,410.9	1,051.8	886.6
INVESTING ACTIVITIES				
Purchase and sale of tangible fixed assets (Note 24)	-44.4	-390.2	-316.2	-260.1
Investment in subsidiaries	-70.8	-621.5	-825.5	-1,815.9
Investment in associates	-0.4	-3.9	-109.9	-4.2
Other investments (Note 24)	-45.4	-398.4	-162.2	33.3
Cash flow from investing activities	-161.0	-1,414.0	-1,413.8	-2,046.9
FINANCING ACTIVITIES				
Proceeds from issuance of share capital	226.1	1 985.2	-	642.2
Dividends paid	-20.3	-178.2	-123.8	-80.4
Net cash effects from changes in borrowings	-195.2	-1,713.6	480.8	562.1
Cash flow from financing activities	10.6	93.4	357.0	1 123.9
CASH FLOW (Note 24)	10.3	90.3	-5.0	-36.4
CHANGE IN NET DEBT				
Net debt as at January 1²⁾	495.6	4,237.3	3,442.0	2,084.9
Cash flow impact on net debt	-205.5	-1,803.9	485.8	598.5
Net debt in acquired subsidiaries	58.6	514.9	214.5	567.3
Translation differences and other	1.9	49.4	95.0	191.3
Net debt as at December 31²⁾	350.6	2,997.7	4,237.3	3,442.0
OPERATING CASH FLOW				
Cash flow from operating activities	160.7	1,410.9	1,051.8	886.6
Purchase and sale of tangible fixed assets (Note 24)	-44.4	-390.2	-316.2	-260.1
Adjustment for paid income tax	22.5	197.8	292.7	169.6
Operating cash flow	138.8	1,218.5	1,028.3	796.1

Consolidated balance sheet

Assets

	Dec. 31 1999 EUR M ²⁾	Dec. 31 1999 SEK M	Dec. 31 1998 SEK M	Dec. 31 1997 SEK M
Fixed assets				
Intangible fixed assets				
Goodwill (Note 9)	379.6	3,245.8	2,524.3	1,834.8
Intangible rights (Note 10)	16.6	142.3	143.7	134.1
Total intangible fixed assets	396.2	3,388.1	2,668.0	1,968.9
Tangible fixed assets				
(Note 12)				
Buildings	126.0	1,077.7	1,020.1	949.4
Land and land improvements	41.6	356.0	327.8	290.7
Construction in progress	16.0	136.5	108.6	91.3
Machinery	127.3	1,088.3	1,050.5	976.0
Equipment	34.7	296.9	270.8	252.0
Total tangible fixed assets	345.6	2,955.4	2,777.8	2,559.4
Financial fixed assets				
(Note 12)				
Shares in associated companies	19.8	169.0	152.9	43.0
Other shares and participations	38.6	330.2	3.2	2.4
Long-term receivables	3.4	29.0	171.9	39.1
Deferred tax receivables	38.2	326.6	319.8	334.4
Total financial assets	100.0	854.8	647.8	418.9
Total fixed assets	841.8	7,198.3	6,093.6	4,947.2
Current assets				
Inventories and work in progress (Note 13)	183.0	1,564.7	1,339.1	1,179.2
Accounts receivable	210.1	1,796.2	1,426.8	1,261.3
Prepaid expenses and accrued income	11.5	98.2	70.4	58.4
Other receivables	21.6	184.8	151.1	120.0
Short-term investments	29.5	252.1	16.4	5.5
Cash and bank balances	22.8	195.1	121.4	120.4
Total current assets	478.5	4,091.1	3,125.2	2,744.8
TOTAL ASSETS	1,320.3	11,289.4	9,218.8	7,692.0
ASSETS PLEDGED				
(Note 20)				
Real estate mortgages	2.8	24.0	143.3	133.9
Chattel mortgages	18.0	2.1	3.1	2.9

2) 1 EUR = 8.55 SEK.

Equity and liabilities

	Dec. 31 1999 EUR M ²⁾	Dec. 31 1999 SEK M	Dec. 31 1998 SEK M	Dec. 31 1997 SEK M
Shareholders' equity (Note 14)				
Restricted equity				
Share capital	36.8	314.4	71.1	70.7
Restricted reserves	368.5	3,151.0	2,006.2	1,437.0
Total restricted equity	405.3	3,465.4	2,077.3	1,507.7
Unrestricted equity				
Unrestricted reserves	140.7	1,184.7	111.9	457.2
Net income	78.2	686.9	526.0	352.2
Total unrestricted equity	218.9	1,871.6	637.9	809.4
Total equity	624.2	5,337.0	2,715.2	2,317.1
Minority interests	31.2	266.8	32.1	24.1
Provisions				
Provisions for PRI pensions	6.5	55.8	52.9	49.3
Provisions for other pensions	64.4	550.8	584.2	506.2
Deferred tax liabilities	39.0	333.7	407.7	418.2
Total provisions	109.9	940.3	1,044.8	973.7
Long-term liabilities (Note 16)				
Long-term loans	268.9	2,298.9	3,296.0	2,598.5
Convertible debenture loans (Note 18)	34.9	298.6	312.7	325.0
Other long-term non-interest-bearing liabilities	0.3	2.8	83.7	3.3
Total long-term liabilities	304.1	2,600.3	3,692.4	2,926.8
Current liabilities				
Short-term loans	9.1	77.9	132.5	88.7
Income tax liability	19.1	163.5	80.9	145.2
Accounts payable	75.6	646.7	532.0	450.7
Accrued expenses and prepaid income (Note 19)	103.7	886.9	791.4	558.3
Other current liabilities	43.3	370.0	197.5	207.4
Total current liabilities	250.8	2,145.0	1,734.3	1,450.3
TOTAL EQUITY AND LIABILITIES	1,320.3	11,289.4	9,218.8	7,692.0
CONTINGENT LIABILITIES				
(Note 21)				
Guarantees	19.4	165.8	124.8	122.5
Other	13.2	112.7	5.3	4.8

Parent Company income statement and cash flow statement

Parent Company income statement

	1999 EUR M ¹⁾	1999 SEK M	1998 SEK M
Administrative expenses (Note 3)	-12.5	-109.9	-71.9
Other operating income	3.6	31.4	3.6
Operating income (Note 2)	-8.9	-78.5	-68.3
Income from financial investments:			
Income from shares and participations in subsidiaries (Note 6)	48.6	426.5	3,242.3
Financial items (Note 7)	-9.9	-86.8	-580.1
Income before tax	29.8	261.2	2,593.9
Tax on profit for the year (Note 8)	0.3	3.3	-1.7
Net income	30.1	264.5	2,592.2

1) 1 EUR = 8.78 SEK.

2) 1 EUR = 8.55 SEK.

Parent Company cash flow statement

	1999 EUR M ¹⁾	1999 SEK M	1998 SEK M
Net income	30.1	264.5	2,592.2
Depreciation (Note 4)	0.4	3.4	3.4
Sale of shares (Note 6)	0.0	0.3	-2,519.3
Cash flow before change in working capital	30.5	268.2	76.3
Current receivables increase/decrease (-/+)	0.9	7.5	14.9
Current operating liabilities increase/decrease (+/-)	-57.1	-501.5	496.0
Change in working capital	-56.2	-494.0	510.9
Cash flow from operating activities	-25.7	-225.8	587.2
INVESTING ACTIVITIES			
Investments in equipment	-0.5	-4.8	-2.1
Investments in subsidiaries	-245.2	-2,153.2	-4,633.4
Sale of shares in subsidiaries	21.9	192.1	2,631.2
Change in receivables / liabilities in subsidiaries	216.3	1,899.4	430.5
Investments in associated companies	-	-	-104.0
Other investments	-13.2	-115.7	-119.9
Cash flow from investments	-20.7	-182.2	-1,797.7
FINANCING ACTIVITIES			
New share issue	227.4	1,996.6	-
Dividend	-20.3	-178.1	-123.8
Net cash effect from changes in borrowings	-151.8	-1,332.0	1,260.3
Cash flow from financing activities	55.3	486.5	1,136.5
CASH FLOW	8.9	78.5	-74.0
CASH AND CASH EQUIVALENTS (Note 23)			
Cash and cash equivalents as of January 1²⁾	0.0	0.0	74.0
Cash flow	8.9	78.5	-74.0
Cash and cash equivalents as of December 31²⁾	9.2	78.5	0.0

Parent Company balance sheet

Assets

	Dec. 31 1999 EUR M ²⁾	Dec. 31 1999 SEK M	Dec. 31 1998 SEK M
Fixed assets			
Tangible fixed assets (Note 11)			
Equipment	1.4	11.6	10.1
Total tangible fixed assets	1.4	11.6	10.1
Financial fixed assets (Note 12)			
Shares in subsidiaries	913.8	7,812.5	5,851.7
Shares in associated companies	12.2	104.2	104.2
Receivables due from subsidiaries	0.2	1.8	1.7
Other long-term receivables	0.3	2.9	133.2
Total financial fixed assets	926.5	7,921.4	6,090.8
Total fixed assets	927.9	7,933.0	6,100.9
Current assets			
Receivables due from subsidiaries	262.0	2,240.5	4,621.9
Tax claim	-	-	9.8
Other receivables	0.3	2.3	2.9
Prepaid expenses and accrued income	0.8	6.9	4.0
Other short-term investments	28.8	246.0	-
Cash and bank balances	9.2	78.5	-
Total current assets	301.1	2,574.2	4,638.6
TOTAL ASSETS	1,229.0	10,507.2	10,739.5
ASSETS PLEDGED (Note 20)	-	-	-

2) 1 EUR = 8.55 SEK.

Equity and liabilities

	Dec. 31 1999 EUR M ²⁾	Dec. 31 1999 SEK M	Dec. 31 1998 SEK M
Shareholders' equity (Note 14)			
Restricted equity			
Share capital	36.8	314.4	71.1
Share premium reserve	282.5	2,415.0	647.6
Statutory reserve	75.5	645.4	645.4
Total restricted equity	394.8	3,374.8	1,364.1
Unrestricted equity			
Retained earnings	379.4	3,236.7	822.7
Net income	30.1	264.5	2,592.1
Total unrestricted equity	409.5	3,501.2	3,414.8
Total shareholders' equity	804.3	6,876.0	4,778.9
Untaxed reserve (Note 15)	3.1	26.8	26.8
Long-term liabilities			
Long-term loans (Note 16)	196.7	1,682.1	3,135.2
Convertible debenture loans (Note 18)	34.9	298.6	312.7
Corporate credit line (Note 17)	97.3	831.8	658.7
Total long-term liabilities	328.9	2,812.5	4,106.6
Current liabilities			
Short-term loans	6.7	57.3	109.3
Accounts payable	0.7	5.7	3.9
Liabilities to subsidiaries	80.6	689.0	1,170.8
Accrued expenses and prepaid income (Note 19)	4.7	39.9	543.2
Total current liabilities	92.7	791.9	1,827.2
TOTAL EQUITY AND LIABILITIES	1,229.0	10,507.2	10,739.5
CONTINGENT LIABILITIES (Note 21)			
Guarantees	13.0	111.2	122.0

Accounting and valuation principles

The Group's accounting and valuation principles comply with Sweden's Annual Accounts Act and the standards of the Swedish Financial Accounting Standards Council, in accordance with the listing contract of the Stockholm Stock Exchange.

The accounting principles 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, as well as companies in which the Parent Company exercises control by some other means.

The consolidated income statement includes companies acquired during the year, with values as from the date of acquisition. 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 the fair value 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 provision. In the case of untaxed reserves in acquired subsidiaries, the estimated tax liability is reported as provision 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 as goodwill, which is amortized according to plan. If the acquisition value of shares in subsidiaries is less than the acquired shareholders' equity, the difference has reduced the acquired company's non-monetary assets.

Minority interests

Minority interests in the year's income statement and shareholders' equity are based on subsidiaries' accounts prepared in accordance with the Group's accounting principles.

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 income before taxes of associated companies. 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 share in earnings 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 income 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 so-called current method for translating the accounts of all foreign subsidiaries that are considered to operate with a high degree of independence. The current method has been applied so that all balance sheet items except net income are translated at the closing-day rate. Net income is translated at the average rate, the difference arising

thereby is taken directly to unrestricted reserves. Subsidiaries' income statements are translated at the average rate for the financial year.

During part of the year the Group hedged its net assets in foreign currencies by balancing assets against corresponding foreign liabilities or forward contracts. Exchange rate differences on forward contracts have been taken directly to shareholders' equity. Interest differentials on forward contracts are annualized and reported in the income statement.

Exchange rates

The rates for currencies used in the Group were as follows (average for the year and rate at year-end):

		Average rate	Year-end rate
Australia	AUD	5.32	5.57
Belgium	BEF	0.22	0.21
Brazil	BRL	4.66	4.75
Canada	CAD	5.57	5.87
Switzerland	CHF	5.52	5.33
Czech Republic	CZK	0.24	0.24
Germany	DEM	4.52	4.37
Denmark	DKK	1.19	1.15
Estonia	EEK	0.56	0.55
Spain	ESP	0.053	0.051
Finland	FIM	1.49	1.44
France	FRF	1.35	1.30
Great Britain	GBP	13.41	13.77
Hong Kong	HKD	1.07	1.10
Hungary	HUF	0.035	0.034
Italy	ITL	0.0046	0.0044
Japan	JPY	0.074	0.083
Mexico	MXN	0.87	0.90
Netherlands	NLG	4.01	3.88
Norway	NOK	1.06	1.06
Poland	PLN	2.09	2.06
Portugal	PTE	0.044	0.043
Romania	ROL	0.00056	0.00047
Russia	RUR	0.34	0.31
Singapore	SGD	4.90	5.12
Slovakia	SKK	0.20	0.20
Thailand	THB	0.22	0.23
USA	USD	8.29	8.52

Sales

Sales of goods are reported at the time of delivery to the customer. Sales are reported less VAT, discounts, returns and freight.

Intra-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.

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.

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. 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. 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.

Taxation

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 tax charge for the year. In addition provision is made for taxes for costs and revenue that affect both the financial statements and income taxation but in different periods.

Tax related to untaxed reserves in accordance with tax legislation rules in certain countries has been reflected using applicable local tax rates. Deferred tax has been assessed in the opening balance of acquired companies. Deferred tax assets are recognized for the carryforward of the tax losses that can be utilized against future taxable income.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. The reported cash flow includes only transactions involving cash payments.

As well as cash and bank balances, cash and cash equivalents are taken to include short-term investments that are exposed to only small risks of change in value and have a maturity date less than three months from the date of acquisition.

Intangible and tangible assets

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

Inventories

Inventories are valued at the lower of cost and net realizable value in accordance with the FIFO method. Provisions have been made for obsolescence. Deductions are made for internal profits arising from deliveries between Group companies. Work in progress and finished goods include both direct costs incurred and an allocation of indirect manufacturing costs.

Receivables

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

Receivables, liabilities and provisions in foreign currency

Receivables, liabilities and provisions in foreign currency in individual companies' accounts 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.

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. In making provisions for pensions, companies follow their country's local rules.

Financial risk management

ASSA ABLOY is exposed to a variety of financial risks through its international business operations.

Organization and activities

ASSA ABLOY's financial policy, which is reviewed annually by the Board of Directors, constitutes a framework of guidelines and regulations for the management of financial risks and financial activities in general.

ASSA ABLOY's financial activities are coordinated centrally within the subsidiary ASSA ABLOY Treasury S.A. in Switzerland, which functions as the Group's internal bank. External financial transactions are conducted by the internal bank, which also handles transactions involving foreign currencies and interest rates. The internal bank achieves several economies of scale, for example concerning pricing of various interest rates.

Financing and liquidity risks

Financing and liquidity risks are defined as the risks of being unable to meet payment obligations as a result of inadequate liquidity or difficulties in obtaining credit from external sources. The internal bank is responsible for external borrowing and external investments. ASSA ABLOY strives to have access, on every occasion, to both short-term and long-term loan facilities appropriate to its anticipated needs for the year ahead, apart from larger acquisitions.

Counterparty risks

Financial risk management exposes ASSA ABLOY to certain counterparty

risks. This exposure arises, for instance, from the placement of surplus cash and through the use of derivative instruments. Group financial policy prescribes detailed rules for handling counterparty risks. Risks related to the placement of surplus cash are reduced by the use of cash pools.

Interest-rate risk

Interest-rate fluctuations have a direct impact on ASSA ABLOY's net interests, but there is also an indirect effect on the Group's operating income as a result of the impact of interest rates on the economy as a whole. The internal bank is responsible for identifying and managing the Group's interest-rate exposure. Interest duration in the Group is generally short, with an average duration of less than a year. At year-end, the average interest duration was around nine months.

Currency risk

Currency risks affect ASSA ABLOY mainly through translation of capital employed and net debt, through translation of income in foreign subsidiaries, and through flow of goods between countries ('transaction exposure').

Translation exposure. During the past year, as in previous years, ASSA ABLOY has had an equity hedge program to protect shareholders' equity by balancing net assets in foreign currencies with matching foreign liabilities or forward contracts. In accordance with a Board decision, the equity hedge program applying to forward contracts was terminated during the fall. This means that shareholders' equity will be affected by translation differences to a greater extent than previously.

Exposure of Group earnings. A general strengthening of the Swedish krona by one percent has a negative impact of about SEK 4 M on Group earnings.

Transaction exposure. Currency risks in the form of transaction exposure, or the relative values of exports and imports of goods, is limited in the Group. The exposure that does exist relates in particular to VingCard's exports from Norway, chiefly to the USA, and to Abloy's exports from Finland to the USA. ASSA ABLOY's policy is to keep transaction exposure within a specified framework.

Cash management

Cash management in subsidiaries focuses on minimizing operating capital employed. The internal bank manages a Group-wide netting system to minimize the number of payment transactions and related costs. In countries with several operating companies, surpluses and deficits are matched in the local subsidiaries at country level through cash pool solutions. The internal bank manages the investment or financing of these cash pools.

Financial derivative instruments

Financial derivative instruments such as currency and interest-rate forwards are used to the extent necessary. The object of using derivative instruments is solely to reduce exposure to financial risks. Financial derivative instruments are not used with speculative intent.

Notes:

Note 1. Sales by organizational unit¹⁾

	1999 SEK M	1998 SEK M	1997 SEK M
Scandinavia	1,777	1,701	1,660
Finland	898	811	744
Germany	621	583	533
France	1,576	1,504	844
United Kingdom	270	266	236
United States	3,721	2,916	2,402
Australia	590	-	-
New Markets	398	186	68
Hotel locks, VingCard /Timelox	965	952	794
Eliminations for internal sales	-539	-337	-313
Total	10,277	8,582	6,968

1) Including exports from each market.

Note 2. Salaries and wages, other remuneration and social costs

Salaries and wages, other remuneration (of which bonus)

Group	1999 SEK M	1998 SEK M	1997 SEK M
Sweden	205.2 (1.5)	184.9 (1.3)	175.8 (1.0)
Finland	206.5 (0.5)	190.9 (0.2)	174.2 (0.4)
Norway	235.2 (0.6)	239.8 (0.8)	237.0 (0.9)
Denmark	90.4 (0.2)	89.0 (0.7)	85.0 (0.2)
Germany	212.2 (-)	209.4 (0.2)	187.5 (0.1)
United Kingdom	50.3 (0.1)	46.3 (0.7)	44.6 (0.5)
Belgium	27.9 (0.1)	26.4 (0.1)	17.1 (0.2)
France	406.9 (1.0)	357.9 (1.0)	233.8 (0.2)
The Netherlands	7.7 (-)	6.3 (-)	7.2 (-)
Czech Republic	29.7 (0.5)	28.8 (0.1)	11.0 (-)
Canada	20.7 (-)	14.7 (0.1)	7.1 (-)
Australia	209.1 (-)	3.7 (0.1)	3.7 (0.1)
United States	998.9 (4.0)	803.9 (4.7)	665.6 (0.9)
Hong Kong	7.5 (0.3)	6.0 (-)	3.1 (0.2)
Japan	2.1 (-)	1.4 (-)	1.5 (-)
Singapore	10.9 (-)	9.6 (0.2)	7.5 (-)
Romania	8.1 (-)	7.0 (-)	- (-)
Other	55.0 (0.3)	22.8 (0.2)	15.4 (0.2)
Total	2,784.3 (9.1)	2,248.8 (10.4)	1,877.1 (4.9)

Parent Company

Sweden	21.7 (0.8)	15.7 (0.8)	12.1 (0.6)
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Social costs (of which pensions)

Group	1999 SEK M	1998 SEK M	1997 SEK M
Total	792.2 (155.4)	763.5 (147.5)	579.9 (116.4)

Parent Company

Sweden	11.8 (3.7)	6.5 (1.6)	5.1 (1.1)
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Senior executives' remuneration

A fee of SEK 180,000 (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 total SEK 810,000 (675,000).

The President was paid a salary and other remuneration of SEK 3,896,000 (3,389,000). Bonuses were also paid in the amount of SEK 800,000 (800,000).

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 3. Fees paid to audit firms

	Group 1999 SEK M	Parent Company 1999 SEK M
Audit		
Öhrlings PricewaterhouseCoopers	10.6	1.0
Others	1.1	-
Other assignments		
Öhrlings PricewaterhouseCoopers	7.5	2.7
Others	2.9	-
Total	22.1	3.7

Note 4. Depreciation and amortization

	Group 1999 SEK M	1998 SEK M	1997 SEK M	Parent Company 1999 SEK M	1998 SEK M
Goodwill	189.0	138.5	103.0	-	-
Intangible rights	23.0	41.3	20.2	-	-
Machinery	275.5	306.8	225.0	-	-
Equipment	108.0	81.9	72.3	3.4	3.4
Buildings	71.8	54.4	40.9	-	-
Total	667.3	622.9	461.4	3.4	3.4

Note 5. Operational leasing agreements

	Group 1999 SEK M	Parent Company 1999 SEK M
Leasing fees paid during the year	33.3	2.1
Nominal value of agreed future leasing fees		
Due for payment 2000	38.9	4.2
Due for payment 2001	32.5	4.9
Due for payment 2002	21.4	5.1
Due for payment 2003	17.2	5.1
Due for payment 2004	9.5	5.1
Due for payment 2005 or later	7.1	-
Total	126.6	24.4

Note 6. Income from participations in group companies

Parent Company	1999 SEK M	1998 SEK M
Dividends	426.8	723.0
Capital gain from sales	-0.3	2,519.3
Total	426.5	3,242.3

Note 7. Financial items

	Group			Parent Company	
	1999 SEK M	1998 SEK M	1997 SEK M	1999 SEK M	1998 SEK M
Interest income, long-term investments	1.4	1.2	0.9	-	-
Dividends	-	-	0.8	-	-
Exchange rate differences, long-term investments	-3.3	0.5	0.5	-	-
Interest income, other	12.7	12.9	12.3	4.2	2.6
Exchange rate differences, receivables	130.7	-322.8	165.4	0.8	-1.2
Interest income from Group companies	-	-	-	160.2	164.6
Exchange rate differences from Group companies, receivables	-	-	-	-199.6	-47.2
Interest expense	-242.6	-236.9	-189.2	-148.9	-187.0
Exchange rate differences, liabilities	-129.0	317.3	-169.7	93.6	-457.4
Interest expense from Group companies	-	-	-	-60.4	-35.3
Exchange rate differences from Group companies, liabilities	-	-	-	63.3	-19.2
Total	-230.1	-227.8	-179.0	-86.8	-580.1

Note 8. Tax

	Group			Parent Company	
	1999 SEK M	1998 SEK M	1997 SEK M	1999 SEK M	1998 SEK M
Tax paid	-287.6	-228.8	-193.7	-	-
Tax attributable to prior years	1.2	6.7	7.6	3.3	-1.7
Change in deferred tax for the year	8.1	10.5	5.0	-	-
Total	-278.3	-211.6	-181.1	3.3	-1.7

Note 9. Goodwill

Group	1999 SEK M	1998 SEK M	1997 SEK M
Acquisition cost, Jan. 1	3,045.8	2,212.7	1,221.3
Purchases/acquisitions	838.2	728.3	884.7
Sales/disposals	-	-14.4	-
Reclassifications	14.9	-	-
Translation differences	45.0	119.2	106.7
Accumulated acquisition cost, Dec. 31	3,943.9	3,045.8	2,212.7
Amortization, Jan. 1	-521.5	-377.9	-242.1
Purchases/acquisitions	-	-	-4.5
Sales/disposals	-	6.1	-
Amortization for the year	-189.0	-138.5	-103.0
Translation differences	12.4	-11.2	-28.3
Accumulated amortization, Dec. 31	-698.1	-521.5	-377.9
Net book value, Dec. 31	3,245.8	2,524.3	1,834.8

Note 10. Intangible rights

Group	1999 SEK M	1998 SEK M	1997 SEK M
Acquisition cost, Jan. 1	277.6	221.4	179.3
Purchases/acquisitions	23.2	47.7	16.2
Sales/disposals	-	-1.1	-5.5
Translation differences	-5.0	9.6	31.4
Accumulated acquisition cost, Dec. 31	295.8	277.6	221.4
Amortization, Jan. 1	-133.9	-87.3	-50.1
Purchases/acquisitions	-1.6	-0.3	-17.9
Sales/disposals	-	1.1	5.4
Amortization for the year	-23.0	-41.3	-20.2
Translation differences	5.0	-6.1	-4.5
Accumulated amortization, Dec. 31	-153.5	-133.9	-87.3
Net book value, Dec. 31	142.3	143.7	134.1

Note 11. Tangible fixed assets

– buildings

Group	1999 SEK M	1998 SEK M	1997 SEK M
Acquisition cost, Jan. 1	1,529.3	1,371.0	822.2
Purchases/acquisitions	156.4	87.9	513.3
Sales/disposals	-1.2	-10.9	-6.0
Reclassifications	31.8	0.6	-
Translation differences	-80.7	80.7	41.5
Accumulated acquisition cost, Dec. 31	1,635.6	1,529.3	1,371.0
Depreciation, Jan. 1	-509.2	-421.6	-272.2
Purchases/acquisitions	-6.3	-6.0	-99.3
Sales/disposals	0.9	1.5	1.7
Depreciation for the year	-71.8	-54.4	-40.9
Translation differences	28.5	-28.7	-10.9
Accumulated depreciation, Dec. 31	-557.9	-509.2	-421.6
Net book value, Dec. 31	1,077.7	1,020.1	949.4

The taxable value of the Group's Swedish buildings amounted to SEK 67.9 M.

– land

Group	1999 SEK M	1998 SEK M	1997 SEK M
Acquisition cost, Jan. 1	329.6	292.5	240.9
Purchases/acquisitions	48.1	19.7	50.7
Sales/disposals	-	-0.9	-2.1
Reclassifications	1.1	-	-
Translation differences	-20.9	18.3	3.0
Accumulated acquisition cost, Dec. 31	357.9	329.6	292.5
Depreciation, Jan. 1	-1.8	-1.8	-1.0
Sales/disposals	-0.2	-	-0.8
Reclassifications	0.1	-	-
Accumulated depreciation, Dec. 31	-1.9	-1.8	-1.8
Net book value, Dec. 31	356.0	327.8	290.7

The taxable value of the Group's Swedish land amounted to SEK 12.5 M.

– equipment

	Group			Parent Company	
	1999 SEK M	1998 SEK M	1997 SEK M	1999 SEK M	1998 SEK M
Acquisition cost, Jan. 1	802.2	730.8	471.4	17.0	18.2
Purchases/acquisitions	155.6	104.5	246.3	6.1	3.7
Sales/disposals	-40.8	-59.2	-63.4	-3.5	-4.9
Reclassifications	4.2	-9.4	76.2	-	-
Translation differences	-21.9	35.5	0.3	-	-
Accumulated acquisition cost, Dec. 31	899.3	802.2	730.8	19.6	17.0
Depreciation, Jan. 1	-531.4	-478.8	-286.0	-6.9	-6.8
Purchases/acquisitions	-15.8	-8.9	-111.2	-	-
Sales/disposals	36.1	54.2	54.8	2.3	3.3
Reclassifications	-1.8	9.2	-63.5	-	-
Depreciation for the year	-108.0	-81.9	-72.3	-3.4	-3.4
Translation differences	18.5	-25.2	-0.6	-	-
Accumulated depreciation, Dec. 31	-602.4	-531.4	-478.8	-8.0	-6.9
Net book value, Dec. 31	296.9	270.8	252.0	11.6	10.1

– machinery

Group	1999 SEK M	1998 SEK M	1997 SEK M
Acquisition cost, Jan. 1	3,116.1	2,629.3	1,671.4
Purchases/acquisitions	430.3	333.4	969.4
Sales/disposals	- 36.7	-25.2	-57.3
Reclassifications	-	18.6	-76.2
Translation differences	-130.2	160.0	122.0
Accumulated acquisition cost, Dec. 31	3,379.5	3,116.1	2,629.3
Depreciation, Jan. 1	-2,065.6	-1,653.3	-1,013.8
Purchases/acquisitions	-63.2	-16.1	-448.3
Sales/disposals	22.4	22.5	26.1
Reclassifications	-	-6.4	72.3
Depreciation for the year	-275.5	-306.8	-225.0
Translation differences	90.7	-105.5	-64.6
Accumulated depreciation, Dec. 31	-2,291.2	-2,065.6	-1,653.3
Net book value, Dec. 31	1,088.3	1,050.5	976.0

Note 12. Financial fixed assets

Share holdings in subsidiaries

Amounts in millions

	Org. number, reg.office	Number	% share		Nominal value	Book value
			Share capital	Voting rights		
ASSA ABLOY Sverige AB,	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 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	10,000	100	100	SEK 1.0	
Timelox AB	556214-7735 Landskrona	15,000	100	100	SEK 1,5	SEK 40.0
Timelox GmbH	HRB 2282 Vaihingen	1	100	100	DEM 0.025	
Timelox Ltd	2656958 Essex	50	100	100	GBP 0.0	
Timelox Inc	223330529 Hamilton, NJ	1,000	100	100	USD 1.0	
Timelox Ibérica S.A.	A-82043779 Madrid	25	100	100	ESP 2.5	
ASSA ABLOY OY	699.757 Joensuu	800,000	100	100	FIM 100.0	SEK 631.0
ASSABalt AS	10116821 Tallinn	400	100	100	EEK 0.4	
FAB a.s	4553 4578 Rychnov n. Kn.	138,725	95	95	CZK 138.7	
FAB SLOVAKIA s.r.o.	31610994 Nová Bana	1	100	100	SKK 15.0	
Lockware s.r.o.	25771078 Prague	1	100	100	CZK 3.0	
Abloy OY	465.943 Joensuu	2,400,000	100	100	FIM 40.8	
ASSA ABLOY Venäjä OY	709.404 Joensuu	200	100	100	FIM 0.2	
ASSA ABLOY Romania SRL	J08/4398/1994 Brasov	100	100	100	ROL 17.5	
URBIS Security SRL	J40/3566/1998 Bucharest	74,287	100	100	ROL 74287.0	
ASSA Abloy Poland Sp.z.o.o.	29480 Warsaw	10,791	100	100	PLN 1.1	
Björkboda Lås Oy AB	616.073 Helsinki	10,000	100	100	FIM 10.0	
ASSA ABLOY Norge a.s	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 (France)	B 323 946 863 Paris	17,500	100	100	FRF 1.8	
VingCard Systems HK Ltd (Hong Kong)	179931 Hong Kong	10,000	100	100	HKD 0.01	
VingCard Systems Canada Ltd/Ltee	804820 Bolton	1	100	100	CAD 1.5	
VingCard Systems Thailand Co Ltd	11335 / 2532 Bangkok	100,000	100	100	THB 10.0	
K.K. VingCard Systems (Japan)	18.6.86 Tokyo	200	100	100	JPY 10.0	
VingCard Systems España S A	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 Ltda	CGC 01668285/0001-04 Rio de Janeiro	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 a.s	862152042 Trondheim	350	100	100	NOK 0.4	
Låsgruppen Fredrikstad a.s	956928451 Fredrikstad	68	68	68	NOK 0.05	
Låsgruppen Stavanger a.s	856928632 Stavanger	80	80	80	NOK 0.05	
Låsgruppen Sandefjord a.s	975836681 Sandefjord	600	100	100	NOK 0.3	
Låsgruppen Oslo a.s	944544038 Oslo	300	100	100	NOK 0.3	
Ruko A/S	16.287 Herlev	5,000	100	100	DKK 10.0	SEK 191.8
Fix A/S	164.111 Silkeborg	1,000	100	100	DKK 0.5	
Ruko Service A/S	150.489 Herlev	500	100	100	DKK 0.5	
ASSA ABLOY Deutschland GmbH	HRB 66227 Berlin	2	100	100	DEM 0.05	SEK 247.4
Wilhelm Dörrenhaus GbmH	861 Krone bei Velbert	2	100	100	DEM 0.05	
ASSA ABLOY Holding GmbH	HRB 56324 Berlin	1	100	100	DEM 16.0	
IKON AG Präzisionstechnik	HRB 31666 Berlin	394,487	99	99	DEM 19.7	
BAB IKON GmbH Schliesstechnik	B 257 Potsdam	1	100	100	DEM 3.0	
Dupéray S.A. (Belgium)	568.768 Brussels	12,433	100	100	BEF 63.0	
IKON Cully S.A. (Switzerland)	485 Cully	200	100	100	CHF 0.2	
Ambouw B.V. (Netherlands)	31021889 Hoevelaken	25	100	100	NLG 0.025	
Striffler Nederland B.V.	8017187 Hoevelaken	25	100	100	NLG 0.025	
ASSA-Ruko Sicherheitssysteme GmbH	HRB 14327 Cologne	1	100	100	DEM 0.5	
VingCard Hotelsicherheitssysteme GmbH	HRB 1741 Heiligenhaus	2	100	100	DEM 0.2	

Note 12. Share holdings in subsidiaries, cont.

Amounts in millions

	Org. number, reg. office	Number	% share		Nominal value	Book value
			Share capital	Voting rights		
ASSA ABLOY France S.A.	412140907 Nanterre	1,000,000	100	100	FRF 100.0	SEK 262.1
Vachette S.A.	552052672 Paris	395,310	100	100	FRF 39.5	
Laperche S.A.	615780178 Friville Escarbotin	41,880	100	100	FRF 3.4	
Litto (Belgium)	17/405269760 Nieuwenpoort	4,425	98	98	BEF 14.6	
Bezault S.A.	665980025 Longué	26,400	100	100	FRF 7.9	
Stremmer S.A.	B 301271789 Abbeville	7,590	100	100	FRF 0.8	
Assa Abloy Ibérica S.L.	ES-B-20664785 Guipuzcoa	1,500	100	100	EUR 0.015	
AZBE B. ZUBIA S.A.	ES-A-20020004 Guipuzcoa	120,600	100	100	ESP 120.6	
JPM S.A.	348014218 Moulins	12,000	100	100	FRF 12.0	
Ficht Serrurerie Bâtiment S.A.S.	408024529 RCS Saint Valéry sur Som.	37,891	100	100	FRF 37.9	
ASSA ABLOY Ltd, UK	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	
Medeco Security Locks Ltd	1368008 Croydon	100	100	100	GBP 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	
Grorud Industries Ltd	400718 Consett	5,919,000	100	100	GBP 0.6	
ASSA ABLOY Inc	39347-83 Salem, Oregon	100	100	100	USD *	SEK 656.0
ASSA ABLOY Export Inc	14782 Barbados	1,000	100	100	USD 0.001	
Arrow Lock Manufacturing Co Inc	725358061 Brooklyn, NY	1,000	100	100	USD 0.0	
ASSA Inc	88271209 Brooklyn, NY	10	100	100	USD *	
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 *	
Elsafe Inc	1136618 Orlando, FL	750,000	100	100	USD 0.75	
Elsafe Hawaii Inc	49660D1 Hawaii, USA	40,000	100	100	USD 0.04	
EI Holdings Corporation	888319184 New Haven, CT	100	100	100	USD 0.0	
Curries Company	725358084 Mason City, IA	1,000	100	100	USD 0.0	
Graham Manufacturing Corporation	011605867 Mason City, IA	1,000	100	100	USD 0.0	
McKinney Products Company	725358083 Scranton, PA	1,000	100	100	USD 0.0	
Sargent Manufacturing Company	725358062 New Haven, CT	1,000	100	100	USD 0.0	
NEL Corp LCC	2948001 Norwalk, CT	100	100	100	USD 0.0	
ASSA ABLOY of Canada Ltd	202097-1 Markham, CAN	7,260	100	100	CAD *	
ESSEX Industries, Inc	731311010 New Haven, CT	100	100	100	USD 0.0	
ESSEX Northeast Service Center Co	2895251 Bethlehem	1,000	100	100	USD 0.0	
VingCard Systems Ltd (UK)	845519 Watford, UK	1,023,502	100	100	GBP 1.0	
Securitron Magnalock Corporation	2431292 Sparks, NV	100	100	100	USD 0.0	
MEDECO Security Locks Inc	118173-4 Salem, VA	1,570	100	100	USD 0.157	
Abloy Holdings Ltd	1148165260 St Laurent, Can	1	100	100	CAD *	SEK 12.6
Seligson Enterprises Ltd	047400-2 St Laurent, Can	250,500	100	100	CAD *	
Abloy Canada Inc	111-6456 Ville St Laurent, Can	100	100	100	CAD 0.001	
Lockwood Security Products Pty Ltd	CAN 086451907 Huntingdale	40,000,000	50	50	AUD 40	SEK 208.0
Lockwood Arrow Ltd	AK 25082 Auckland	2,900,000	100	100	NZD	
Lockwood Brands Pty	CAN 086877741 Huntingdale	2	100	100	AUD	
Abloy Security Pty Ltd	ACN 050102497 Brookvale	250,000	100	100	AUD 0.3	
Assa Abloy Lockwood Asia Pte Ltd	199804395K Singapore	50,000	50	50	SGD 0.1	SEK 15.2
ASSA ABLOY Pte Ltd	199606073E Singapore	100,000	100	100	SGD 0.1	
ASSA ABLOY Ltd	629401 Hong Kong	50,000	100	100	HKD 0.5	
Email Building Products (S) Pte Ltd	198301076Z Singapore	1,430,000	100	100	SGD 1.4	
Email Building Products Sdn Bhd	374148-V Kuala Lumpur	1,000,000	100	100	MYR 1.0	
BPG Holdings (Thailand) Ltd	808/2539 Bangkok	111,000	100	100	THB 11.0	
Email Building Products (Thailand) Ltd	(2) 1833/2539 Bangkok	180,000	90	90	THB 18.0	

* no par value

Note 12. Share holdings in subsidiaries, cont.

Amounts in millions

	Org. number, reg. office	Number	% share		Nominal value	Book value
			Share capital	Voting rights		
Locktrade B.V.	8015687 Hoevelaken	6,300	100	100	NLG 0.1	SEK 0.4
McIlwraith-Davey Inc	947736 California	52,587	100	100	USD 1.292	
Emtek Products Inc.	947734 California	2,300	100	100	USD *	
ASSA ABLÖY Financial Services AB	556283-0264 Stockholm	10	100	100	SEK 1.0	SEK 0.9
ASSA ABLÖY Treasury S.A.	1198-192123 Geneva	72,300,000	100	100	CHF 723.0	SEK 5,352.5
Total						7,812.5

* no par value.

Shares in associated companies

Amounts in millions

	Org. number, reg. office	Number	% share		Nominal value	Book value
			Share capital	Voting rights		
Keso Holding AG	5819 Zug	1,750	35	35	CHF 1.8	SEK 41.1
Keso Deutschland GmbH	2790 Buchholz	1	50	50	DEM 0.1	SEK 3.7
AWEK Industrial Patents Ltd Oy	1036014-6 Helsinki	50	25	25	FIM 0.1	SEK 0.1
Låsgruppen Wilhelm Nielsen A.S.	934372816 Bergen	305	50	50	NOK 0.3	SEK 10.2
Industrial Cerrajera Scovill S.A. de C.V.	ICS961204HR7 Mexico D.F.	84,427,163	49	49	MXN *	SEK 113.9
Total						SEK 169.0

* no par value.

Other shares and participations

Book value

Subsidiaries' holdings (SEK M)	Dec. 31 1999 SEK M	Dec. 31 1998 SEK M	Dec. 31 1997 SEK M
effeff Fritz Fuss GmbH Co	325.2	-	-
Other	5.0	3.2	2.4
Total	330.2	3.2	2.4

Long-term receivables

	Group			Parent Company	
	Dec. 31 1999 SEK M	Dec. 31 1998 SEK M	Dec. 31 1997 SEK M	Dec. 31 1999 SEK M	Dec. 31 1998 SEK M
Receivables due from insurance company	17.5	17.2	16.7	-	-
Own holdings of convertibles	-	133.7	16.8	-	132.4
Other	11.5	21.0	5.6	2.9	0.8
Total	29.0	171.9	39.1	2.9	133.2

Note 13. Inventory

Group

	Dec. 31 1999 SEK M	Dec. 31 1998 SEK M	Dec. 31 1997 SEK M
Materials and inventory items	419.3	384.3	297.4
Work in progress	574.0	493.0	467.5
Finished goods	559.9	456.0	406.8
Paid in advance	11.5	5.8	7.5
Total	1,564.7	1,339.1	1,179.2

Note 14. Shareholder's equity

Dec. 31 1999 Group, SEK M	Share capital	Restricted reserves	Unrestricted reserves	Total
Opening balance, Jan. 1	71.1	2,006.2	637.9	2,715.2
Bonus issue	214.1	-214.1	-	-
New share issue	28.5	1,956.7*	-	1,985.2
Converted shares	0.7	13.4	-	14.1
Dividend	-	-	-178.2	-178.2
Shift between unrestricted and restricted reserves	-	-611.2	611.2	-
Exchange difference for the year	-	-	113.8	113.8
Net income	-	-	686.9	686.9
Closing balance, Dec. 31	314.4	3,151.0	1,871.6	5,337.0

* The amount raised through the new share issue has been reduced by SEK 11.3 M corresponding to transaction costs after tax.

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
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 income	-	-	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 income	-	-	352.2	352.2
Closing balance, Dec. 31	70.7	1,437.0	809.4	2,317.1

Dec. 31 1999 Parent Company, SEK M	Share capital	Premium reserve	Restricted reserves	Retained earnings	Total
Opening balance, Jan. 1	71.1	647.6	645.4	3,414.8	4,778.9
Bonus issue	214.1	-214.1	-	-	-
New share issue	28.5	1,968.0	-	-	1,996.5
Converted shares	0.7	13.5	-	-	14.2
Dividend	-	-	-	-178.1	-178.1
Net income	-	-	-	264.5	264.5
Closing balance, Dec. 31	314.4	2,415.0	645.4	3,501.2	6,876.0

Number of shares	Voting rights	Number of shares
Series A shares	184,378,120	18,437,812
Series B shares	295,970,830	295,970,830
Total	480,348,950	314,408,642

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

Note 15. Untaxed reserves

Parent Company

SEK M	Dec. 31 1999	Dec. 31 1998
Difference between book depreciation and planned depreciation	3.2	3.2
Profit equalization reserve, 1994	8.4	8.4
Profit equalization reserve, 1995	11.4	11.4
Profit equalization reserve, 1996	3.8	3.8
Total	26.8	26.8

Note 16. Long-term liabilities falling due for payment later than five years after the financial year

SEK M	Group			Parent Company	
	Dec. 31 1999	Dec. 31 1998	Dec. 31 1997	Dec. 31 1999	Dec. 31 1998
Liabilities to credit institutions	7.2	42.8	46.5	-	-
Other liabilities	0.9	1.3	2.0	-	-
Total	8.1	44.1	48.5	-	-

Note 17. Corporate credit line

Check credits granted in the amount of SEK 370.8 M (271.8), of which SEK 59.1 M (92.0) is utilized.

Note 18. Convertible debenture loans

SEK M	Dec. 31 1999	Dec. 31 1998	Dec. 31 1997
	298.6	312.7	325.0

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 Series B shares during the period from July 1 1998 through June 15 2000, and for convertible debenture loan 97/02, conversion can be made to Series B shares during the period from December 1 2000 through November 15 2002. At full conversion for convertible debenture loan 95/00, at a SEK 8:70 conversion rate, 5,589,525 shares would arise. At full conversion for convertible debenture loan 97/02, at a SEK 59:50 conversion rate, 4,201,681 shares would arise.

Note 19. Accrued expenses and prepaid income

SEK M	Group			Parent Company	
	Dec. 31 1999	Dec. 31 1998	Dec. 31 1997	Dec. 31 1999	Dec. 31 1998
Accrued expenses, personnel	417.3	333.5	315.4	6.9	5.4
Other	469.6	457.9	242.9	33.0	537.8
Total	886.9	791.4	558.3	39.9	543.2

Note 20. Assets pledged

Group

SEK M	Dec. 31 1999	Dec. 31 1998	Dec. 31 1997
Pertains to long-term liabilities to credit institutions:			
Real estate mortgages	24.0	143.3	133.9
Chattel mortgages	2.1	3.1	2.9
Total	26.1	146.4	136.8

Note 21. Contingent liabilities

SEK M	Group			Parent Company	
	Dec. 31 1999	Dec. 31 1998	Dec. 31 1997	Dec. 31 1999	Dec. 31 1998
Guarantees	90.6	57.5	59.6	3.0	1.8
Guarantees on behalf of subsidiaries	75.2	67.3	62.9	108.2	120.2
Other	112.7	5.3	4.8	-	-
Total	278.5	130.1	127.3	111.2	122.0

Note 22. Personnel by country, distribution by men and women

	Women			Men			Total		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Sweden	370	366	361	520	477	492	890	843	853
Finland	390	373	352	615	575	527	1,005	948	879
Norway	289	275	285	586	616	624	875	891	909
Denmark	129	137	144	149	163	165	278	300	309
Germany	351	362	342	368	373	320	719	735	662
United Kingdom	52	54	65	97	91	91	149	145	156
Belgium	47	46	27	70	68	47	117	114	74
France	755	704	431	1,255	1,211	710	2,010	1,915	1,141
The Netherlands	8	7	7	20	19	18	28	26	25
Czech Republic	413	469	205	355	373	159	768	842	364
Canada	27	15	5	42	20	13	69	35	18
Australia	460	2	2	603	13	14	1,063	15	16
United States	1,036	851	694	2,364	2,000	1,842	3,400	2,851	2,536
Hong Kong	7	8	4	18	20	11	25	28	15
Japan	1	1	1	4	2	2	5	3	3
Singapore	21	15	14	37	30	18	58	45	32
Romania	459	356	-	399	290	-	858	646	-
Other	127	67	39	210	96	57	337	163	96
Total	4,942	4,108	2,978	7,712	6,437	5,110	12,654	10,545	8,088
Parent Company, Sweden	9	6	6	12	9	8	21	15	14

Note 23. Cash and cash equivalents

SEK M	Group			Parent Company	
	1999	1998	1997	1999	1998
Cash and bank balances	195.1	121.4	120.4	78.5	-
Short-term investments	1.1	-	-	-	-
Cash and cash equivalents	196.2	121.4	120.4	78.5	-

Short-term investments in the Group balance sheet amounted to SEK 252.1 M (121.4) at year-end, of which SEK 251 M (16.4) comprised receivables with a maturity date more than three months ahead and other investments. These items are not classified as cash and cash equivalents and are not included in the list above.

Short-term investments in the Parent Company balance sheet amounted to SEK 246.0 M (0).

Note 24. Cash flow

Group

Adjustment for non cash items	SEK M 1999	SEK M 1998	SEK M 1997
Sale of fixed assets	-0.9	-1.0	-4.0
Change in provisions for pensions	2.8	46.6	-36.8
Adjustment for non cash items	1.9	45.6	-40.8
Paid and received interest	SEK M 1999	SEK M 1998	SEK M 1997
Paid interest	-230.0	-212.8	-198.8
Received interest	3.3	13.5	13.5
Paid and received interest	-226.8	-199.3	-185.3
Change in working capital	SEK M 1999	SEK M 1998	SEK M 1997
Inventories increase/decrease (-/+)	-3.7	-23.4	146.1
Accounts receivable increase/decrease (-/+)	-111.3	-19.1	-58.0
Other receivables increase/decrease (-/+)	-17.1	0.2	39.9
Trade and other payables increase/decrease (-/+)	105.0	-45.2	-14.8
Change in working capital	-27.1	-87.5	113.2
Purchase of tangible fixed assets	SEK M 1999	SEK M 1998	SEK M 1997
Purchase of tangible fixed assets	-432.2	-367.3	-303.8
Sale of tangible fixed assets	42.0	51.1	43.7
Purchase of tangible fixed assets	-390.2	-316.2	-260.1
Investments in subsidiaries	SEK M 1999	SEK M 1998	SEK M 1997
Acquired capital employed	1,440.4	1,073.6	2,383.3
Whereof goodwill	838.2	717.5	1,155.4
Less acquired net debt	-514.9	-214.5	-551.9
Less minority interests acquired	-208.6	-	-
Total purchase price	716.8	859.1	1,831.4
Less acquired cash	-60.5	-33.6	-15.5
Less purchase price not yet paid	-34.8	-	-
Investments in subsidiaries	621.5	825.5	1,815.9
Other investments	SEK M 1999	SEK M 1998	SEK M 1997
Investment in other shares and participations	-338.8	-	-
Investment and sale of other financial assets	-59.5	-162.2	33.3
Other investments	-398.3	-162.2	33.3
Cash and cash equivalents	SEK M 1999	SEK M 1998	SEK M 1997
Cash and cash equivalents as at January 1	121.4	120.4	143.1
Cash flow	90.3	-5.0	-36.4
Effect of exchange rate changes	-15.5	6.0	13.7
Cash and cash equivalents as at December 31 (Note 23)	196.2	121.4	120.4

Audit report:

To the general meeting of the shareholders
of ASSA ABLOY AB (publ.)
Corporate identity number 556059-3575

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of ASSA ABLOY AB (publ.) for the financial year 1999. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. I also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the financial position of the company and group and of the results of operations in accordance with generally accepted accounting standards in Sweden.

I recommend to the general meeting of shareholders that the income statement and balance sheet for the parent company and group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the board of directors and the managing director be discharged from liability for the financial year.

Stockholm February 11 2000

Anders Lundin
Authorized Public Accountant

Öhrlings PricewaterhouseCoopers AB

ASSA ABLOY's Board of Directors



Georg Ehrnrooth

b. 1940 (Chairman)
President and CEO of Metra Oyj Abp.
Board chairman of Pensions-Varma, Sanitec Oyj Abp.
Board member of Nokia Oyj Abp, Sampo-Gruppen, Sandvik AB, Oyj Karl Fazer Abp and others, member of the board of administration of Rautaruukki Oyj and MeritaBank Abp.
Chairman of ASSA ABLOY AB since 1994.
Shareholding in ASSA ABLOY AB (through company): 242,000 Series B shares.



Melker Schörling

b. 1947 (Vice Chairman)
Board chairman of Securitas AB, Hexagon AB and TeleLarm Care AB. Board member of Cardo AB, Hennes & Mauritz AB, Skandia AB and the Federation of Swedish Industries.
Board member of ASSA ABLOY AB since 1994.
Shareholding in ASSA ABLOY AB, privately and through company: 1,452,000 Series A shares and 11,281,818 Series B shares.



Gustaf Douglas

b. 1938
Owner of Förvaltnings AB Wasatornet (principal owner of Investment AB Latour and Säkl).
Board chairman of Investment AB Latour, Fagerhult, Stockholm Chamber of Commerce and Säkl. 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: 23,512,000 Series B shares and through Säkl AB: 6,845,018 Series A shares and 880,000 Series 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, 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: 4,400 Series B shares and convertibles corresponding to 6,426 Series B shares.



Göran J. Ehrnrooth

b. 1934
Board chairman of Fiskars Oyj Abp.
Board member of Metra Oyj Abp.
Member of the board of Administration of Rautaruukki Oyj.
Board member of ASSA ABLOY AB since 1999.
Shareholding in ASSA ABLOY AB: 0



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, Kyro 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 6,426 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: 4,651,616 Series B shares and convertibles corresponding to 272,672 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 Johnsson

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 6,426 Series B shares.

DEPUTY MEMBERS



Lisbeth Staaf

b. 1955
Union trustee at FIX AB.
Board member of Medichus AB.
Board member of ASSA ABLOY AB since 1999.
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: 880 Series B shares and convertibles corresponding to 6,426 Series B shares.

ASSA ABLOY's Management Team



Göran Jansson, Åke Sund and Carl-Henric Svanberg.



Lennart Robertsson, Geoff Norcott and Clas Thelin.



Bo Dankis, Eero Leskinen and Duncan Horton.



Otto Hansen, Matti Virtaala, Hans Johansson and Carl Trock.

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: 4,651,616 Series B shares and convertibles corresponding to 272,672 Series B shares.

Bo Dankis

b. 1954

President of ASSA ABLOY France S.A and country manager for France.
Group Vice President of ASSA ABLOY.
Employed at ASSA ABLOY since 1997.
Shareholding in ASSA ABLOY AB: options corresponding to 144,400 Series B shares and convertibles corresponding to 6,426 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: 546,632 Series B shares and convertibles corresponding to 266,246 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: 1,147,395 Series B shares and convertibles corresponding to 272,672 Series B shares.

Göran Jansson

b. 1958

Chief Financial Officer.
Employed at ASSA ABLOY AB since 1997.
Shareholding in ASSA ABLOY AB: 341,600 Series B shares and convertibles corresponding to 6,426 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: 411,830 Series B shares and convertibles corresponding to 272,672 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: Convertibles corresponding to 6,426 Series B shares.

Geoff Norcott

b. 1947

President of Lockwood Security Products Pty Ltd.
Employed at ASSA ABLOY since 1999.
Shareholding in ASSA ABLOY AB: options corresponding to 82,069 Series B shares.

Lennart Robertsson

b. 1959

President of ASSA ABLOY Lockwood Asia Pte. Ltd.
Regional manager for the Far East.
Employed at ASSA ABLOY since 1995.
Shareholding in ASSA ABLOY AB: 2,904 Series B shares and convertibles corresponding to 241,856 Series B shares.

Dag Schjerven

b. 1954

President of VingCard a.s. and head of the VingCard Group.
Employed at ASSA ABLOY since 1 October, 1999.

Åke Sund

b. 1957

Group Vice President of ASSA ABLOY, Market Development.
Employed at ASSA ABLOY since the Group was formed.
Shareholding in ASSA ABLOY AB: 89,760 Series B shares and convertibles corresponding to 272,672 Series B shares.

Clas Thelin

b. 1954

President of ASSA ABLOY North America Inc. and country manager for the USA.
Group Vice President of ASSA ABLOY. Employed at ASSA ABLOY since the Group was formed.
Shareholding in ASSA ABLOY AB: 193,600 Series B shares and convertibles corresponding to 272,672 Series B shares.

Carl Trock

b. 1954

President of Ruko A/S and country manager for Denmark. Employed at ASSA ABLOY since 1996.
Shareholding in ASSA ABLOY AB: options corresponding to 41,034 Series B shares and convertibles corresponding to 6,426 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: 864,864 Series B shares and convertibles corresponding to 272,672 Series B shares.

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Anders Lundin, b. 1956.
Authorized Public Accountant.
Öhrlings PricewaterhouseCoopers AB
Auditor for the Assa Group since 1988
and for ASSA ABLOY since 1994.

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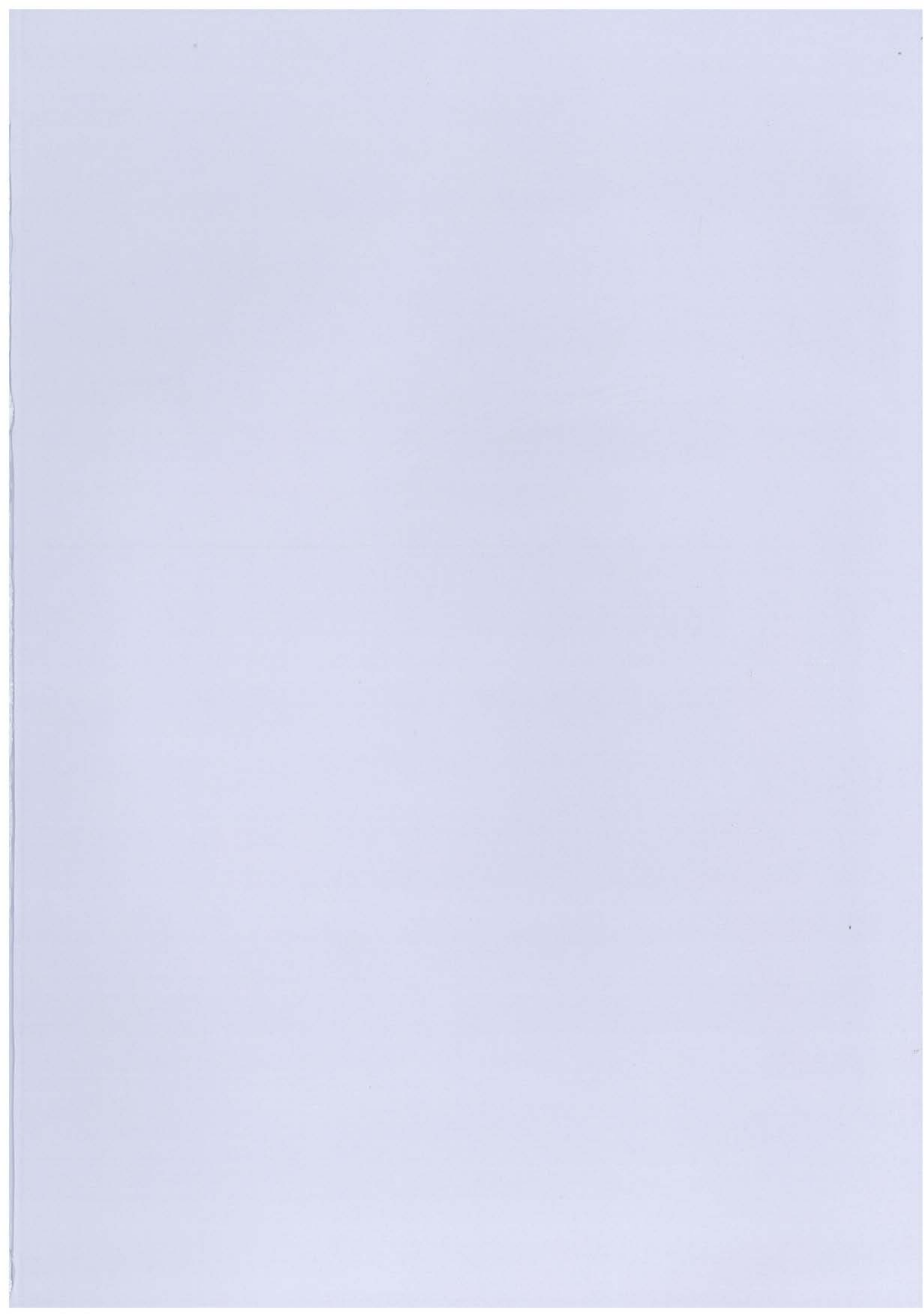
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