

4 November, 1997, No. 16

## **Interim Report January-September 1997**

- Sales increased by 38% to 4949 MSEK (3594)
- The increase in sales for comparable units was 9%
- Income before taxes increased by 53% to 366 MSEK (240)
- Cash flow before tax amounted to 534 MSEK(258)

### **Sales and result, January-September 1997**

Sales during the period January-September 1997 amounted to 4949 MSEK (3594), corresponding to an increase of 38%. Organic growth for comparable units and in local currencies amounted to 9%. Changed exchange rates have affected sales with 267 MSEK compared with the same period last year and the recently acquired units stand for 542 of the period's sales.

The Group's result before tax increased by 53% to 366 MSEK. Earnings per share for the first nine months increased to 3,73 SEK (2,77). Earnings per share has been calculated after full conversion and on the average number of shares. The average number of shares has been adjusted for the rights issue carried through during the period.

Operating cash flow before acquisitions and tax amounted to 534 MSEK. Translation of the working capital into SEK has affected the cash flow calculation negatively by 25 MSEK. The improved cash flow is primarily due to the continuous enhancement of the capital employed in the Group companies. At the same time, the acquired companies contribute more to the cash flow than to the profit due to goodwill depreciation.

### **Development of the subsidiaries**

The growth for the companies in the Group continues to be good. The Finnish units' turnover has increased to a total of 21% compared with the same period last year. This is explained by a recovery in the Finnish construction market, increasing volumes for industrial and electromechanical products as well as strong growth in the Baltic countries and Russia.

The Swedish units show a growth corresponding to 14% despite a continued weak construction cycle. The growth increase is mainly due to increased after market sales and exports.

TrioVing, Grorud and Låsgruppen, the units operating in the Norwegian market, have increased their sales by 10%. Efficiency has improved significantly in connection with the reorganisation and cost adjustment, which has been carried through after the acquisitions of Grorud and Møller Undall in 1996.

Ruko in Denmark has showed an increased sales rate during the third quarter and the increase for the period January to September now amounts to 7%.

Ikon in Germany has, in the current weak construction market, improved and continues to improve its efficiency and competitiveness considerably and is presently strengthening its market position step by step. Sales during the first nine months have increased by 2%.

The English units showed a certain slow-down in the market during the third quarter and the sales increase now corresponds to 5%. It is mainly the demand from institutions and authorities that has decreased somewhat.

The US operations continue to develop well in the currently strong market. The actions that have been taken after the acquisition of the ESSEX group simultaneously add to a stable profit increase. The US units show a total sales increase of 12% compared to the same period the previous year.

The integration of the new French units is going smoothly. The profit goals that were set up at the time of the acquisition are still considered to be well within reach. Sales and profit exceed expectations and generate a small but gratifying surplus after acquisition costs. The French market continues to be weak although a further weakening is not expected. Even the newly acquired Czech company, FAB, develops well and contributes with a small surplus.

VingCard showed stable sales during the third quarter but drops, as expected, in comparison to the same period last year when sales accelerated significantly during the autumn. At this time, several hotel chains upgraded their hotel locks in the US simultaneously and thereby created a temporary peak. Sales in Europe and Latin America continue to show strong growth while the order intake in Asia has diminished somewhat due to the prevailing problems in the region. The integration of Elsafe is going according to plan and will give synergies in the areas of sales and maintenance.

### **Important events**

The following acquisitions have been made during the third quarter:

- Elsafe, the world's leading supplier of electronic safes with sales amounting to approx. 140 MNOK
- FAB, the Czech Republic's leading lock producer with a total market share exceeding 70% and sales of approx. 150 MSEK. FAB also has a strong position in Slovakia
- Abloy Security Pte Ltd in Singapore with sales amounting to approx. 20 MSEK.

The shareholder's meeting resolved, per 30 September, to offer the employees of Assa Abloy to subscribe for convertible debentures in the company. The convertible debenture loan will amount to nominally no more than 250 MSEK. The offer is valid during the period 20 October - 7 November, with payment date set for 8 December. The interest rate on the convertible debenture loan corresponds to 12-month STIBOR less 25 basis points. The duration is 8 December 1997 – 2 December 2002. The conversion price is set at 243 SEK.

### **Financial position**

The total assets of the Group have, through the acquisition, increased to 7769 MSEK. The net debt during the first nine months has increased by 1546 MSEK and now amounts to 3631MSEK.

Through the consolidation of the newly acquired units, all balance sheet related key figures have been affected negatively.

### **Employees**

The number of employees has increased to 9503 as a result of the acquisitions.

### **Forecast**

The expectation of a continued good profit development of ASSA ABLOY in 1997 remains unchanged.

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ASSA ABLOY is the world's leading lock group with sales exceeding 7 000 MSEK. The number of employees is approx. 9 500. ASSA ABLOY develops, manufactures and markets mechanical, industrial, electromechanical and electronic locks and hotel locks. The group has market leading positions in Sweden, Finland, Norway, Denmark, Germany, France, Belgium, the Czech Republic and in the United States as well as within the segment for hotel security world-wide.

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# FINANCIAL INFORMATION

## CONSOLIDATED INCOME STATEMENT

MSEK	Jan - Sep 1997	Jan - Sep 1996
Sales	4 949,0	3 594,1
Cost of goods sold	-3 218,9	-2 349,9
<b>Operating margin</b>	<b>1 730,2</b>	<b>1 244,2</b>
Administrative costs	-1 166,3	-878,5
<b>Operating result before goodwill depreciation</b>	<b>563,9</b>	<b>365,7</b>
Goodwill depreciation	-72,1	-41,9
<b>Operating result</b>	<b>491,8</b>	<b>323,8</b>
Financial net	-131,2	-89,5
Share of result in associated companies	5,3	5,5
<b>Result after financial items</b>	<b>365,9</b>	<b>239,8</b>
Taxes	-109,8	-67,1
Minority interests	-1,3	-
<b>Net result of the year</b>	<b>254,8</b>	<b>172,8</b>

## CONSOLIDATED BALANCE SHEET

MSEK	30 Sep 1997	30 Sep 1996
Intangible fixed assets	2 241,4	1 108,3
Tangible fixed assets	2 517,2	1 662,2
Other fixed assets	120,4	99,6
Inventories	1 172,5	849,1
Receivables	1 309,5	692,7
Other non-interest bearing current assets	198,3	135,4
Liquid assets	209,5	137,0
<b>Total assets</b>	<b>7 768,9</b>	<b>4 684,4</b>
Shareholders' equity	2 206,8	1 408,5
Minority interests	29,5	9,5
Interest bearing provisions	601,4	574,0
Interest-bearing long term liabilities	3 084,7	1 626,3
Other non-interest bearing long term liabilities	353,7	92,0
Interest-bearing current liabilities	154,6	21,6
Other non-interest bearing current liabilities	1 338,2	952,5
<b>Total liabilities and shareholders' equity</b>	<b>7 768,9</b>	<b>4 684,4</b>

## SALES PER UNIT

		Jan - Sep 1997	Jan - Sep 1996	1) %
Sweden, ASSA / Abloy / FAS / FIX / SOLID	MSEK	617	541	+14
Finland, Abloy	MFIM	364	302	+21
Norway, TrioVing / Låsgruppen / Grorud	MNOK	356	205	+10
Denmark, Ruko	MDKK	179	167	+7
Germany, IKON	MDEM	92	85	+2
France, Vachette, JPM, others	MFRF	366		
United Kingdom, ASSA / Abloy / Grorud	MGBP	14,5	11,7	+5
Czech Republic, FAB	MCZK	119		
USA, Arrow / ASSA / Abloy / ESSEX	MUSD	237	218	+12
Hotel locks, VingCard	MNOK	510	468	+6
<b>Total</b>	<b>MSEK</b>	<b>4 949</b>	<b>3 594</b>	<b>+9</b>

1) The change refers to comparable units

## KEY DATA

	Jan - Sep 1997	Jan - Dec 1996	Jan - Sep 1996
Cashflow before taxes, MSEK	534	469	258
Operating margin, %	35,0	34,3	34,6
Profitmargin (profit before tax), %	7,4	7,0	6,7
Net investments, MSEK	161	163	104
Shareholders' equity, MSEK	2207	1409	1334
Net borrowings, MSEK	3 631	2 085	2 215
Capital employed, MSEK	6 077	3 640	3 730
Equity ratio, %	28,4	30,1	28,1
Interest cover	4,1	3,4	3,4
Net borrowings / equity	1,65	1,48	1,66
Return on capital employed before goodwill depreciation, %	15,8	20,4	18,8
Return on capital employed, %	13,8	18,3	17,1
Return on shareholders' equity after tax, %	18,8	21,2	20,4
Profit per share after tax and full conversion, SEK	3:73	3:86	2:77
Shareholders' equity per share after full conversion, SEK	31:36	21:75	20:73
Number of shares (1000's)	70 732	64 311	64 311
Number of shares after full conversion (1000's)	72 833	66 349	66 140
Average number of employees	7 585	6 317	6 292