

Press release from ASSA ABLOY AB (publ)

5 February, 1998, No. 3

Year-End Report, Year Ended 31st December, 1997

- Sales increased by 41% to 6968 MSEK (4958)
- The organic sales growth for comparable units amounted to 8% (8)
- Income before taxes increased by 55% to 537 MSEK (345)
- Profits per share increased by 32% to 5.09 SEK (3.86)
- Cash flow before tax increased by 79% and amounted to 841 MSEK (469)
- The Board proposes a dividend of 1.75 SEK (1.21) for the financial year 1997

Sales and income, January-December, 1997

The sales of the ASSA ABLOY Group amounted to 6968 MSEK (4958), an increase of 41%. The organic growth for comparable units and in local currency amounted to 8% (8). Exchange rate changes have affected sales by +379 MSEK compared to last year and the recently acquired companies represent 985 MSEK of the year's sales.

The Group's result before tax increased by 55% to 537 MSEK (345). Exchange rate changes have had a positive effect of 8 MSEK when recalculating the subsidiaries' result into SEK. Earnings per share increased to 5.09 SEK (3.86) and has been calculated after full conversion and tax as well as on the average number of shares.

Cash flow before tax amounted to 841 MSEK (469). The improved cash flow is primarily due to the continuous enhancement of the capital employed and the positive cash flow from the recently acquired units.

Development of the subsidiaries

The Nordic units continued to grow strongly during the year. The Finnish units' sales have increased by 19% as a result of an increase in local demand, export growth for the industrial and electro-mechanical products as well as a strong growth in Russia and the Baltic States. From 1998, Abloy will supply the American units with door closers and thereby replace the current external supplier. The production capacity in Finland for these products has therefore been considerably expanded during 1997.

The Swedish business has shown a good increase, 13%, in spite of a continued low new construction level. Both after market sales and exports have increased during the year. The production of Norwegian lock cases has been moved to Sweden and contributes to the increase.

The merger of the Norwegian businesses is now completed. The results of the merger will have full effect during 1998. The reorganisation has led to a clear improvement in efficiency and a good increase in turnover, 7%.

Ruko in Denmark achieved good growth for the year as a whole, 7%, despite a relatively weak start. During the fall, the company has launched a new stainless steel hardware program. This will complement the Assa Abloy's program well and is predicted to have good growth potential within the Group.

In Germany, the internal restructuring work has been completed. The goal for 1998 of a two digit net margin will be reached. With Ikon's growth of 2%, the company is assessed to have taken market share in the continued weak German market. Ikon markets mainly cylinders and as a logical next step towards a wider product range, Germany's second largest producer of lock cases, Dörrenhaus, was acquired in January 1998. The company's sales amount to 12 MDEM. Dörrenhaus and Ikon have overlapping distribution channels and the rationalisation potential is considerable.

The English units have experienced a slow down in growth rate at the end of the year. This is mainly due to the decrease in demand from institutional customers.

The growth for the US operations continued to be strong and amounted to 11%. The integration process has so far advanced better than expected and the market share is judged to have increased since the acquisition. The goal that was set when ESSEX was acquired, i.e. a result improvement of minimum 10 MUSD, will be reached earlier than expected. Meanwhile, further potential for profit improvements has been identified.

VingCard grew 4% which should be seen in the light of the considerable growth in 1996 corresponding to 34%. The increase has been large in Europe, Latin America and on the marine side. USA has experienced a slight slow down. The crisis in Asia has not yet had any material affect on VingCard's sales.

Important events

The French lock group Vachette and JPM was acquired in the spring of 1997. The purchase price for the shares amounted to 1100 MFRF. Sales for 1997 corresponded to 1089 MFRF. The company is consolidated from 22 May. The integration process is advancing well and the goal set at the time of the acquisition of a net margin increase of 2-3% within a few years is well within reach.

As part of the financing of the acquisition, a rights issue was carried through during the spring of 1997. The issue was fully subscribed and contributed 642 MSEK. The financing was also achieved through the increase of the Multi-Currency Revolving Credit, from 250 MUSD to 500 MUSD.

During the summer of 1997, ASSA ABLOY acquired the majority of the shares in the leading lock company in the Czech Republic, the stock listed company Fab a.s. The company's sales for 1997 amounted to approx. 150 MSEK and is consolidated as of 1 July. Fab also manufactures car locks. The company is developing well. A long term agreement, for example, has been entered into with VW Skoda regarding

continued supplies of car locks to the present model Felicia and the new model Octavia.

VingCard acquired the shares in Elsafe a.s. in June 1997. The company is the world's leading supplier of digital safes for hotel rooms. Sales for 1997 amounted to 140 MSEK. The synergies between VingCard and Elsafe are considerable and the co-ordination of the overlapping marketing and distribution channels is in progress.

During the autumn of 1997 a five year convertible debenture of 250 MSEK to the employees was issued. A total of 1400 employees participated and the loan was oversubscribed 100%. At full conversion and using a conversion rate of 243 SEK, 1,028,306 shares will be issued. The loan is not listed.

Dividend

The Board proposes a dividend of 1.75 SEK (1.21) per share for the financial year 1997. The dividend for 1996 has been adjusted to take account of the 1997 rights issue. The Ordinary General Shareholder's Meeting will be held on 5 May, 1998, at 14.00 hrs in Stockholm.

Expectations for 1998

Continued good development is expected for 1998. The ongoing development and rationalisation projects in old and new units will contribute to a result increase. The potential for continued good growth within the lock business is good.

Stockholm, 5 February, 1998

Carl-Henric Svanberg
President and CEO

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 - Dec 1997	Jan - Dec 1996
Sales	6 968,5	4 958,5
Cost of goods sold	-4 496,6	-3 259,0
Operating margin	2 471,9	1 699,5
Administrative costs	-1 661,6	-1 183,7
Operating result before goodwill depreciation	810,3	515,8
Goodwill depreciation	-103,0	-56,3
Operating result	707,3	459,5
Financial net	-179,0	-121,7
Share of result in associated companies	8,3	7,4
Result after financial items	536,6	345,2
Taxes	-182,7	-97,4
Minority interests	-1,7	-0,3
Net result of the year	352,2	247,5

CONSOLIDATED BALANCE SHEET

MSEK	31 Dec 1997	31 Dec 1996
Intangible fixed assets	1 968,9	1 108,3
Tangible fixed assets	2 559,4	1 662,2
Financial fixed assets	418,9	99,6
Inventories	1 179,2	849,1
Receivables	1 261,3	692,8
Other non-interest bearing current assets	178,4	135,4
Liquid assets	125,9	137,0
Total assets	7 692,0	4 684,4
Shareholders' equity	2 317,1	1 408,5
Minority interests	24,1	9,5
Interest bearing provisions	555,5	574,0
Interest-bearing long term liabilities	2 923,5	1 626,3
Other non-interest bearing long term liabilities	421,5	159,8
Interest-bearing current liabilities	88,7	21,6
Other non-interest bearing current liabilities	1 361,6	884,7
Total liabilities and shareholders' equity	7 692,0	4 684,4

SALES PER MARKET

		Jan - Dec 1997	Jan - Dec 1996	¹⁾ %
Sweden, ASSA / Abloy / FAS / FIX / SOLID	MSEK	847	752	+13
Finland, Abloy	MFIM	505	423	+19
Norway, TrioVing / Låsgruppen / Grorud	MNOK	490	332	+9
Denmark, Ruko	MDKK	248	231	+7
Germany, IKON	MDEM	121	112	+2
France, Vachette, JPM, others	MFRF	642		
United Kingdom, ASSA / Abloy / Grorud	MGBP	18,9	16,0	+5
Czech Republic, FAB	MCZK	298		
USA, Arrow / ASSA / Abloy / ESSEX	MUSD	315	289	+11
Hotel locks, VingCard	MNOK	734	654	+4
Total	MSEK	6 968	4 958	+8

1) The change refers to comparable units

KEY DATA

	Jan - Dec 1997	Jan - Dec 1996
Cashflow before taxes, MSEK	841	469
Operating margin, %	35,5	34,3
Profitmargin (profit before tax), %	7,7	7,0
Net investments, MSEK	274	163
Shareholders' equity, MSEK	2317	1408
Net borrowings, MSEK	3 442	2 085
Capital employed, MSEK	5 909	3 640
Equity ratio, %	30,4	30,3
Interest cover	3,8	3,6
Net borrowings / equity	1,49	1,48
Return on capital employed before goodwill depreciation, %	24,6	24,9
Return on capital employed, %	15,2	17,8
Return on shareholders' equity after tax, %	18,9	21,2
Profit per share after tax and full conversion, SEK	5:09	3:86
Shareholders' equity per share after full conversion, SEK	35:82	21:75
Number of shares (1000's)	70 732	64 311
Number of shares after full conversion (1000's)	73 862	66 349
Average number of employees	8 088	6 317