

Interim Report, January-June, 1998

- **Sales increased by 37% to 4163 MSEK (3035)**
- **The organic sales growth for comparable units amounted to 8% (10)**
- **Income before taxes increased by 51% to 340 MSEK (225)**
- **Cash flow before tax amounted to 287 MSEK (239)**
- **Acquisition of SECURITRON – USA's leading manufacturer of magnetic locks**
- **Acquisitions of Medeco (USA), Scovill (Mexico) and Urbis (Romania) completed**

Sales and income, January-June, 1998

The sales of the ASSA ABLOY Group amounted to 4163 MSEK (3035), an increase of 37%. The organic growth for comparable units and in local currency amounted to 8%. Exchange rate changes have affected sales by +39 MSEK compared to last year and the recently acquired companies represent 790 MSEK of the year's sales.

The Group's result before tax amounted to 340 MSEK (225), corresponding to an increase of 51%.

Translation of the foreign subsidiaries' result has not had any affect due to the change of exchange rates. Earnings per share increased to 3.25 SEK (2.31) and has been calculated after full conversion and tax as well as on the average number of shares.

Cash flow before tax amounted to 287 MSEK (239).

Development of the subsidiaries

Finland notes a continued strong growth, 15%. The domestic market as well as the export market shows good increase. The deliveries of door closers to the US continue to increase rapidly as does the export to Russia. On the Swedish market, the demand from new construction is gradually increasing, although from a low level. The organic growth amounts to 7% and the different units all shows good growth.

The lock market in Norway shows stable growth and the organic growth amounts to 5%. The merger is now completed and the result is increasing steadily. Denmark notes a lower growth due to the general strike during the spring. The underlying demand is good, however, within all the market segments.

IKON in Germany, who's customers are mainly institutions and public authorities, shows an increasing result on a continued poor market. Sales are practically on the same level as last year, and IKON is estimated to have kept its market shares within its segments. The integration of Dörrenhaus is proceeding according to plan and loss making products are being terminated. The company will start to contribute to the Group's profits next year.

The Czech company FAB shows continued good development and sales increased with 17%. Sales of construction locks are increasing mainly due to the need for better locks in spite of a certain slow down in the construction cycle. Furthermore, the sales of car locks are increasing, primarily thanks to the fact that also Skoda Octavia is now equipped with FAB locks.

Sales in the UK have developed well during the first 6 months, 9%, which is estimated to be better than the market in general.

The French units show a good growth of 8%. The market is improving and the new constructions are gradually increasing. At the same time, the integration work is running smoothly and the goals that were set at the time of the acquisition of a net margin increase of 2-3% will be reached during 1999.

The growth rate for the US units has been good, 10%. The activity weakened somewhat during the second quarter but has accelerated again during the summer and the outlook for the remainder of the year is good. All units show increasing volume as well as sales.

VingCard notes a growth of 9%. The economic downturn in Asia is now having a negative effect on sales in the area. Sales in Europe and Latin America show considerable growth while USA remains on a high level. The integration of Elsafe is running smoothly with expected positive results.

Important events

An agreement has been signed to acquire Securitron Magnalock – USA's leading manufacturer of magnetic locks and electronic panic bars.

The acquisition of Securitron is an important complement to the Group as it adds an important range of electro-mechanical lock products and opens new distribution channels for these products in general. The market for electro-mechanical lock products is one of the lock market's fastest growing segments as these products are important components in all electronic security systems.

The company has high profitability. Sales for 1998 are estimated to amount to 19 MUSD. Goodwill of approximately 15 USD arises through the acquisition. The acquisition is subject to approval from the American Antitrust Authorities.

Furthermore, the Norwegian operation has divested two locksmiths that were part of the Møller Undall Group. The divestiture has affected sales with approximately 20 MSEK during the period.

The acquisition of Medeco was completed on 1 July. The company is the US's leading manufacturer of security cylinders and shows good profitability. Sales are expected to reach 55 MUSD during 1998. The acquisition gives ASSA ABLOY access to a well established cylinder programme that the American units have previously lacked.

During April, 49% of Cerrajeras Scovill in Mexico was acquired. Scovill is one of the country's three leading lock manufacturers. With the acquisition follows a platform for exports to large parts of Latin America. Furthermore, Mexico is part of NAFTA, which gives the Group a cost efficient production unit near the important American market. ASSA ABLOY has an option to acquire the remaining 51% of the shares according to a formula based on the company's profitability development. The companies are consolidated from 1 July and 1 May respectively, and Scovill will be equity accounted. Furthermore, Romania's leading lock manufacturer, Urbis, with a market share of 70% has been acquired. The need for security is increasing and with Urbis' market leading position, ASSA ABLOY will get a unique opportunity to contribute to and grow with the development of the Romanian lock and security market. Sales for this year are expected to reach 50 MSEK. The company is consolidated as of the acquisition date.

Outlook for 1998

The expectation expressed earlier of a continued good result and volume development for ASSA ABLOY in 1998 remains unchanged.

Copenhagen, 10 August, 1998

Carl-Henric Svanberg

President and CEO

This interim report has been subject to a limited review by the company auditors.

ASSA ABLOY is the world's leading lock group with sales exceeding 8 000 MSEK. The number of employees is approx. 10 000. 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, Romania, Mexico 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-Jun 1998	Jan-Jun 1997
Sales	4 162,7	3 035,4
Cost of goods sold	-2 694,2	-1 959,9
	1 468,5	1 075,5
Operating margin		
Administrative costs	-978,8	-737,3
	489,7	338,2
Operating result before goodwill depreciation		
Goodwill depreciation	-56,6	-39,6
	433,1	298,6
Operating result		
Financial net	-100,9	-77,1
Share of result in associated companies	8,1	3,7
	340,3	225,2
Result after financial items		
Taxes	-102,5	-67,6
Minority interests	-3,5	-
	234,3	157,6
Net result of the year		

CONSOLIDATED BALANCE SHEET

MSEK

30 Jun 98 31 Dec 97

Intangible fixed assets	1 939,3	1 968,9
Tangible fixed assets	2 531,7	2 559,4
Financial fixed assets	641,1	418,9
Inventories	1 222,7	1 179,2
Receivables	1 505,1	1 261,3
Other non-interest bearing current assets	284,3	178,4
Liquid assets	73,5	125,9
	8 197,7	7 692,0

Total assets

Shareholders' equity	2 449,8	2 317,1
Minority interests	27,6	24,1
Interest bearing provisions	564,5	555,5
Interest-bearing long term liabilities	2 802,5	2 923,5
Other non-interest bearing long term liabilities	417,3	421,5
Interest-bearing current liabilities	318,8	88,7
Other non-interest bearing current liabilities	1617,2	1361,6
	8 197,7	7 692,0

Total liabilities and shareholders' equity**SALES PER ORGANISATIONAL UNIT**

		Jan - Jun 1998	Jan - Jun 1997	1) %
Sweden	MSEK	452	421	+7
Finland	MFIM	284	248	+15
Norway	MNOK	248	244	+5
Denmark	MDKK	121	120	+1
Germany	MDEM	65	61	-2
France	MFRF	589	102	+8
United Kingdom	MGBP	10,7	9,8	+9
Czech Republic	MCZK	388	-	+17
USA	MUSD	166	151	+10
Hotel locks, VingCard	MNOK	443	314	+9
Total	MSEK	4 163	3 035	+8

1) The change refers to comparable units

KEY DATA**Jan - Jun 1998 Jan - Dec 1997**

Cashflow before taxes, MSEK	287	841
Operating margin, %	35,3	35,5
Profitmargin (profit before tax), %	8,2	7,7
Net investments, MSEK	132	274
Depreciation excl. goodwill, MSEK	223	358
Shareholders' equity, MSEK	2 450	2 317
Net borrowings, MSEK	3 613	3 442
Capital employed, MSEK	6 163	5 909
Equity ratio, %	30,2	30,4
Interest cover	4,5	3,8
Net borrowings / equity	1,47	1,49
Return on capital employed before goodwill		

depreciation, %	23,5	24,6
Return on capital employed, %	14,5	15,2
Return on shareholders' equity after tax, %	19,7	18,9
Profit per share after tax and full conversion, SEK	3:25	5:09
Shareholders' equity per share after full conversion, SEK	37:65	35:82
Number of shares (1000's)	70 732	70 732
Number of shares after full conversion (1000's)	73 862	73 862
Average number of employees	9 792	8 088