

Press release from ASSA ABLOY AB (publ)

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YEAR-END REPORT 1998

- Sales increased by 23% to 8 582 MSEK (6 968)
- Income before taxes increased by 39% to 748 MSEK (537)
- Earnings per share increased by 43% to 7.28
- Cash flow before tax amounted to 1 023 MSEK (841)
- The organic sales growth for comparable units amounted to 6% (8)
- Acquisition of Lockwood, leading lock manufacturer in Australia

SALES AND INCOME, JANUARY-DECEMBER, 1998

The sales of the ASSA ABLOY Group amounted to 8 582 MSEK (6 968), an increase of 23%. The organic growth for comparable units and in local currency amounted to 6% (8). Exchange rate changes have affected sales by +197 MSEK compared to last year.

The Group's result before tax increased by 39% to 748 MSEK (537). Exchange rate changes have had a positive effect of 11 MSEK when recalculating the subsidiaries' result to SEK. All units continue to show improving margin. Earnings per share increased to 7.28 SEK (5.09) and has been calculated after full conversion and tax as well as on the average number of shares.

Cash flow before tax amounted to 1 023 MSEK (841). Exchange rate changes have affected the cash flow negatively by 66 MSEK.

The benchmarking process, the co-ordination and cross learning between the units continues to improve profit and cash flow.

DEVELOPMENT OF THE SUBSIDIARIES

The Finnish units show increased sales of 8%. Both the domestic and the export market show good growth. The halted export to Russia has influenced the sales negatively during the fall. The profit continues to increase. The new door closer factory has successfully been started up and is currently producing 500 000 units on an annual basis.

In Sweden the new construction activity showed a slight increase. The sales increased by 5% during the year. A joint sales organisation for the various companies has been established in order to increase the sales efficiency and market impact.

The Norwegian companies showed a growth of 5%. The successful merger continues to generate improving results. Further more, two locksmiths companies have been divested which has reduced the turnover by approximately 40 MNOK. The Norwegian economy seems to enter a weaker period. A potential for upgraded security, however, is expected to contribute to continued growth.

Ruko in Denmark increased sales by 3%. Excluding the effects from the nation wide strike during the Spring the growth is in line with the rest of the Nordic markets. A new stainless steel door hardware program, FUNXION, has been introduced with good growth potential for the entire Group.

German IKON's main segment i.e. institutions and authorities is not showing any growth after the big number of projects in connection with the reunification and move of the capital to Berlin. With stable sales the net margin reached the 10% goal and is expected to continue to increase. The recently acquired Dörrenhaus has gone through a significant re-engineering process including close down of loss making products.

The Czech company FAB's volume and result have continued to develop well. The sales increased by 11%. The demand for better locks is steadily increasing. The car locks business is doing particularly well and FAB is sole supplier of car locks to Skoda.

The units in UK show good growth, 7%. The implementation of a more efficient sales organisation has contributed to an improved result. The market seems to weaken, but the demand for higher security lock products continues to grow.

The integration of the French companies is running well and the result is developing faster than expected. The initial goal for a net margin improvement of 2-3% should be reached during 1999 with a potential for further improvements. The volume increased by 3%, in spite of the deletion of loss makers and products not related to the locks business. An additional volume reduction of MFFR 25-30 is expected during 1999 as a result of this process.

The US companies continue to develop well. The organic sales growth amounted to 9% with increasing margins in all units. The last year's restructuring work has considerably reduced working capital and lead times and the result is expected to continue to increase. No signs of weakening have so far been noted.

VingCard with the subsidiary Elsafe increased sales by 8% in spite of weakening Asian sales during the autumn. A rationalisation project is in progress following the latest years considerable volume growth and is expected to significantly improve the result.

The sales in Asia, VingCard excluded, has in spite of the crisis increased by 32%. The sales are expected to continue grow.

IMPORTANT EVENTS

During 1999 an agreement has been reached to acquire 50% of the shares in Lockwood, the clear market leader in Australia. A joint venture managed by ASSA ABLOY will be established. ASSA ABLOY's and Lockwood's sales organisations in Asia will be combined. This will create a leading position in the region.

Lockwood's sales amount to MSEK 850, with an EBIT margin of 7%. There is a potential for a margin increase of 4-5%. The purchase price for 50% of Lockwood debt free is MSEK 450. The acquisition will take place 1st April and is expected to contribute to ASSA ABLOY's earnings per share next year. ASSA ABLOY has an option to acquire the remaining shares after three years.

During 1998 a number of important acquisitions were made. The integration of the companies is proceeding according to the plan. They are expected to show good growth and contribute to ASSA ABLOY's earnings per share during 1999.

Through the acquisition of Medeco security cylinders from the leading manufacturer in USA have been added to the American product portfolio. Medeco has an extensive installed base with after market sales over 70%.

The acquisition of 49% of Scovill in Mexico has given the Group access to an interesting growth market as well as export channels to Latin America.

During the fall the leading manufacturer of electromechanical locks in the USA, Securitron was acquired. The company has shown good growth during several years and will be of importance to the Group in Europe as well.

The Rumanian company Urbis was also acquired during the year. Urbis dominates in its domestic market, which is showing an increasing demand for security products.

DIVIDEND, SHARE SPLIT AND GENERAL MEETING

The board proposes a dividend of 2,50 (1,75) per share for the financial year 1998. In order to increase liquidity in the shares the board will propose a share split of four to one. The annual general shareholder's meeting will be held at 2 PM May 5, 1999 in Stockholm.

EXPECTATIONS FOR 1998

There are significant opportunities for ASSA ABLOY. The strong position, the security driven growth, the potential for further rationalisation and a consolidation of the lock business creates opportunities for a continuous good profit growth.

Stockholm, 9 February, 1999

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The ASSA ABLOY Group is the world's leading manufacturer and supplier of locks and associated products, dedicated to satisfying end-user needs for security, safety and convenience. In 1998 the Group reported sales of SEK 8,5 billion and had about 10 000 employees.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

MSEK	Jan - Dec 1998	Jan - Dec 1997
Sales	8 581.7	6 968.5
Cost of goods sold	-5 463.0	-4 496.6
Operating margin	3 118.7	2 471.9
Administrative costs	-2 017.4	-1 661.6
Operating result before goodwill depreciation	1 101.3	810.3
Goodwill depreciation	-138.5	-103.0
Operating result	962.8	707.3
Financial net	-227.8	-179.0
Share of result in associated companies	13.4	8.3
Result after financial items	748.4	536.6
Taxes	-212.0	-182.7
Minority interests	-10.4	-1.7
Net result of the year	526.0	352.2

CONSOLIDATED BALANCE SHEET

MSEK	31 Dec 1998	31 Dec 1997
Intangible fixed assets	2 668.0	1 968.9
Tangible fixed assets	2 777.8	2 559.4
Financial fixed assets	647.8	418.9
Inventories	1 339.1	1 179.2
Receivables	1 426.8	1 261.3
Other non-interest bearing current assets	221.5	178.4
Liquid assets	137.8	125.9
Total assets	9 218.8	7 692.0
Shareholders' equity	2 715.2	2 317.1
Minority interests	32.1	24.1
Interest bearing provisions	637.1	555.5
Interest-bearing long term liabilities	3 608.7	2 923.5
Other non-interest bearing long term liabilities	491.4	421.5
Interest-bearing current liabilities	132.5	88.7
Other non-interest bearing current liabilities	1 601.8	1 361.6
Total liabilities and shareholders' equity	9 218.8	7 692.0

SALES PER MARKET

		Jan - Dec 1998	Jan - Dec 1997	¹⁾ %
Sweden, ASSA / Abloy / FAS / FIX / SOLID	MSEK	891	847	+5
Finland, Abloy	MFIM	545	505	+8
Norway, TrioVing / Låsgruppen / Grorud	MNOK	486	490	+5
Denmark, Ruko	MDKK	254	248	+3
Germany, IKON	MDEM	129	121	-1
France, Vachette, JPM, others	MFRF	1 114	642	+3
United Kingdom, ASSA / Abloy / Grorud	MGBP	20.1	18.9	+7
Czech Republic, FAB	MCZK	752	298	+11
USA, Arrow / ASSA / Abloy / ESSEX	MUSD	366	315	+9
Hotel locks, VingCard	MNOK	902	734	+8
Total	MSEK	8 582	6 968	+6

1) The change refers to comparable units

KEY DATA

	Jan - Dec 1998	Jan - Dec 1997
Cashflow before taxes, MSEK	1 023	841
Operating margin before goodwill amortization, %	12.8	11.6
Operating margin after goodwill amortization, %	11.2	10.1
Profitmargin (profit before tax), %	8.7	7.7
Net investments, MSEK	335	274
Shareholders' equity, MSEK	2 715	2 317
Net borrowings, MSEK	4 237	3 442
Capital employed, MSEK	7 126	5 909
Equity ratio, %	29.8	30.4
Interest cover	4.2	3.8
Net borrowings / equity	1.56	1.49
Return on capital employed before goodwill depreciation, %	25.9	24.6
Return on capital employed, %	15.1	15.2
Return on shareholders' equity after tax, %	20.9	18.9
Profit per share after tax and full conversion, SEK	7.28	5.09
Shareholders' equity per share after full conversion, SEK	41.15	35.82
Number of shares (1000's)	71 076	70 732
Number of shares after full conversion (1000's)	73 862	73 862
Average number of employees	10 545	8 088

