

## INTERIM REPORT JANUARY-JUNE 1999

- Sales increased by 18 percent to SEK 4,920 M (4,163)
- Income before taxes increased by 24 percent to SEK 423 M (340)
- The organic sales growth for comparable units amounted to 4 percent (8)
- The new rights issue was fully subscribed - raised SEK 2.0 billion
- Acquisition of German effeff, the world's leading manufacturer of electric strikes
- Acquisition of AZBE, leading Spanish lock manufacturer
- The integration of Lockwood proceeds according to plan

### SALES AND RESULT JANUARY-JUNE 1999

Sales for the period January-June 1999 amounted to SEK 4,920 M (4,163), corresponding to an increase of 18 percent. The organic growth for comparable units and in local currencies amounted to 4 percent (8). Changed exchange rates have affected sales positively with SEK 142 M compared with the same period last year.

The Group's result before tax amounted to SEK 423 M (340), corresponding to an increase of 24 percent. Translation of the foreign subsidiaries' result has, due to exchange rate changes, affected the results positively by SEK 14 M. Earnings per share during the period has increased by 30 percent to SEK 1:04 (0:80). Earnings per share have been calculated after full conversion, full tax and on the weighted average number of shares.

Cash flow before tax amounted to SEK 459 M (287).

### DEVELOPMENT OF THE SUBSIDIARIES

The Scandinavian units show good growth, 7 percent, even if the demand from the door and window industry is still weak. The positive trend in Denmark continues with gained market share through more efficient sales work. The growth rate on the Swedish market is generally increasing. The new construction sector in Norway is weakening which however is being offset by an increasing demand of products for higher security.

Abloy in Finland noted clearly increasing sales at the end of the quarter following the weak start to the year. Totally, the sales for the first half-year are 2 percent lower than last year despite the halted sales to Russia. The outlook for the rest of the year is good. After the end of the period the Finnish lock manufacturer Scafor has been acquired. The company's sales amount to FIM 90 M and show good profit.

Sales on the German market are in line with last year but now seem to be increasing. The acquisition of effeff creates good opportunities for strengthening the position on the market and the integration work between the German units has started.

The integration work in the French units, including the newly acquired Stremler, is running according to plan with margins improving as expected. The activity in the market is increasing

but the sales volume is affected negatively by planned and previously announced divestitures along with deletion of non-profitable products.

The American units continue to develop well. The organic growth is 10 percent and margins continue to increase. The integration of the newly acquired companies is running well with expected positive impact on the result. The continuous work of improving customer service and delivery times is successful and the Group is gaining market share.

VingCard's sales are fairly in line with last year. The company has shown good growth during the second quarter and regained most of the loss in the first quarter compared with the first quarter last year. Sales in Europe is proceeding strongly as well as Latin America and the marine segment. Sales in Asia are well below last year. Sales in the US have weakened somewhat following the extensive upgrades by large hotel chains during the last years.

The integration work in the newly acquired Lockwood, Australia, has begun and is running according to plan. Several units within ASSA ABLOY have similar product portfolios and production setups and the benchmarking is in full progress. A restructuring program for improved efficiency has been prepared and the implementation has started. Lockwood's older cylinder program is being replaced by products from other Group companies.

The new markets, Asia, the Czech Republic, Romania and Poland continue to develop well and sales have increased by 16 percent. Asia shows particularly strong growth and the merge of the ASSA ABLOY and Lockwood units in the area is progressing. It will take the rest of the year and create the most effective sales organization in the area.

## **MAIN EVENTS**

### **Acquisition of effeff**

effeff manufactures electric strikes. Through the acquisition of effeff, ASSA ABLOY will reach a world leading position within the fast growing segment of electromechanical locking. The company's sales amount to DEM 250 M and have 1,130 employees, of which 760 are employed in Germany. effeff has sales subsidiaries in France, Italy and US and production units in Romania and China.

R&D investments in this area are much higher than for traditional lock products and size is therefore a significant success factor. The acquisition will add unique R&D resources and create a world leading team with access to ASSA ABLOY's powerful distribution network.

The principal owners' participation in the company representing 70 percent of the capital will be taken over on February 1 year 2000, the date from which the company will be consolidated. A public offer of DEM 53 per share on the listed 1.9 million shares has been accepted by two thirds of the shareholders. The main part of the goodwill will be tax deductible and the yearly amortization cost after tax will amount to DEM 11 M based on a 20-year amortization period. The acquisition will contribute to EPS from the date of consolidation.

### **Acquisition of AZBE**

During the period AZBE B ZUBIA SA, the second largest supplier of locks for wooden doors on the Spanish market with a strong and well-established brand name, was acquired. ASSA

ABLOY's and AZBE's sales organizations will have a turnover of approximately SEK 160 M and will be able to offer complete product packages.

In addition to this, AZBE is also active in Latin America, an area of great interest for ASSA ABLOY. The acquisition will contribute to EPS from next year.

### **New rights issue**

The new rights issue, which was agreed upon at the extraordinary shareholders meeting, has been successfully completed and increased equity with SEK 2.0 billion. The issue was completed with pre-emptive rights for the shareholders and the subscription was made in full. The issue has been taken in consideration in the balance sheet as of 30 June 1999.

### **OUTLOOK FOR 1999**

The expectation expressed earlier for a continued good volume- and result development for ASSA ABLOY in 1999 remains unchanged. In addition to this the financial cost as a result of the new issue will further enhance the profit before tax.

Stockholm, 9 August, 1999

Carl-Henric Svanberg  
President & CEO

Financial information from ASSA ABLOY will be published as follows:  
Interim report 3rd quarter, November 8, 1999  
Year-end report, February 9, 2000

---

For further information, please contact  
Carl-Henric Svanberg, President & CEO, tel: +46-8-698 8552 alt. +46-7-510 0551,  
or Göran Jansson, CFO, tel. +46-8-698 8572 alt. +46-70-698 8572

ASSA ABLOY AB (publ)  
P.O. Box 70340, S-107 23 Stockholm  
Tel: Int+46-8-698 85 70, Fax: Int +46-8-698 85 85  
Visiting address: Klarabergsviadukten 90

**[www.assaabloy.se](http://www.assaabloy.se)**

---

*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 1999 the Group will report sales exceeding SEK 10 billions and has about 12 000 employees.*

## FINANCIAL INFORMATION

### CONSOLIDATED INCOME STATEMENT

| SEK M  | Jan-June<br>1999 | Jan-June<br>1998 |
|--|------------------|------------------|
| Sales  | 4,920.5          | 4,162.7          |
| Cost of goods sold                                   | -3,074.4         | -2,694.2         |
| <b>Operating margin</b>                              | <b>1,846.1</b>   | <b>1,468.5</b>   |
| Administrative costs                                 | -1,215.0         | -978.8           |
| <b>Operating result before goodwill amortization</b> | <b>631.1</b>     | <b>489.7</b>     |
| Goodwill amortization                                | -84.5            | -56.6            |
| <b>Operating result</b>                              | <b>546.6</b>     | <b>433.1</b>     |
| Financial net  | -130.5           | -100.9           |
| Share of result in associated companies              | 7.1              | 8.1              |
| <b>Result after financial items</b>                  | <b>423.2</b>     | <b>340.3</b>     |
| Taxes  | -118.5           | -102.5           |
| Minority interests                                   | -2.1             | -3.5             |
| <b>Net result of the year</b>                        | <b>302.6</b>     | <b>234.3</b>     |

### CONSOLIDATED BALANCE SHEET

| SEK M   | 30 June 1999    | 31 Dec 1998    |
|---|-----------------|----------------|
| Intangible fixed assets                           | 3,261.1         | 2,668.0        |
| Tangible fixed assets                             | 2,907.6         | 2,777.8        |
| Financial fixed assets                            | 917.2           | 647.8          |
| Inventories                                       | 1,554.4         | 1,339.1        |
| Receivables                                       | 1,847.6         | 1,426.8        |
| Other non-interest bearing current assets         | 331.3           | 221.5          |
| Liquid assets                                     | 199.4           | 137.8          |
| <b>Total assets</b>                               | <b>11,018.6</b> | <b>9,218.8</b> |
| Shareholders' equity                              | 4,965.4         | 2,715.2        |
| Minority interests                                | 248.2           | 32.1           |
| Interest bearing provisions                       | 618.1           | 637.1          |
| Interest-bearing long term liabilities            | 2,455.7         | 3,608.7        |
| Other non-interest bearing long term liabilities  | 393.0           | 491.4          |
| Interest-bearing current liabilities              | 339.9           | 132.5          |
| Other non-interest bearing current liabilities    | 1,998.3         | 1,601.8        |
| <b>Total liabilities and shareholders' equity</b> | <b>11,018.6</b> | <b>9,218.8</b> |

## CONSOLIDATED CASH FLOW STATEMENT

|                                     | Jan-June<br>1999 |   |
|-------------------------------------|------------------|---|
| Cash flow from operating activities | 512.2            | * |
| Cash flow from investments          | -725.7           | * |
| Cash flow from financial activities | 275.1            |   |
| <b>Change in liquid assets</b>      | <b>61.6</b>      |   |
| <b>Change in net debt</b>           |                  |   |
| Net debt 1 January                  | -4,237.3         |   |
| Change in liquid assets             | 61.6             |   |
| Change in loans                     | 964.5            |   |
| Other changes/Currency effects      | -43.6            |   |
| Net debt 30 June                    | -3,254.8         |   |

\* Cash flow before taxes,  $459.2 = 512.2 - 725.7 + 95.2$  (paid taxes) + 577.5 (indirect investments).

## SALES PER ORGANIZATIONAL UNIT

|                       |              | Jan-June<br>1999 | Jan-June<br>1998 | 99/98<br>% 1) |
|-----------------------|--------------|------------------|------------------|---------------|
| Scandinavia           | SEK M        | 896              | 840              | +7            |
| Finland               | FIM M        | 273              | 284              | -2            |
| Germany               | DEM M        | 67               | 66               | 0             |
| France                | FRF M        | 593              | 589              | +1            |
| United Kingdom        | GBP M        | 10.4             | 10.7             | -4            |
| USA                   | USD M        | 219              | 166              | +10           |
| Australia             | AUD M        | 33               |                  | -             |
| New markets           | SEK M        | 166              | 129              | +16           |
| Hotel locks, VingCard | NOK M        | 440              | 443              | -2            |
| <b>Total</b>          | <b>SEK M</b> | <b>4,920</b>     | <b>4,163</b>     | <b>+4</b>     |

1) The change refers to comparable units

**KEY DATA**

|   | <b>Jan-June<br/>1999</b> | <b>Jan-June<br/>1998</b> | <b>Jan-Dec<br/>1998</b> |
|---|--------------------------|--------------------------|-------------------------|
| Cash flow before taxes, SEK M                                 | 459                      | 287                      | 1,023                   |
| Operating margin before goodwill amortization, %              | 12.8                     | 11.8                     | 12.8                    |
| Operating margin after goodwill amortization, %               | 11.1                     | 10.4                     | 11.2                    |
| Profit margin (profit before tax), %                          | 8.6                      | 8.2                      | 8.7                     |
| Net investments, SEK M  | 148                      | 132                      | 335                     |
| Shareholders' equity, SEK M                                   | 4,965                    | 2,450                    | 2 715                   |
| Net borrowings, SEK M   | 3,255                    | 3,613                    | 4,237                   |
| Capital employed, SEK M                                       | 8,627                    | 6,163                    | 7,126                   |
| Equity ratio, %   | 47.3                     | 30.2                     | 29.8                    |
| Interest cover  | 4.1                      | 4.5                      | 4.2                     |
| Net borrowings / equity                                       | 0.66                     | 1.47                     | 1.56                    |
| Return on capital employed before goodwill<br>amortization, % | 25.5                     | 23.5                     | 25.9                    |
| Return on capital employed, %                                 | 14.2                     | 14.5                     | 15.1                    |
| Return on shareholders' equity after tax, %                   | 15.8                     | 19.7                     | 20.9                    |
| Profit per share after tax and full<br>conversion, SEK*       | 1:04                     | 0:80                     | 1:78                    |
| Shareholders' equity per share after<br>full conversion, SEK* | 16:25                    | 9:21                     | 10:07                   |
| Number of shares (1000's)                                     | 314,335                  | 70,732                   | 71,076                  |
| Number of shares after full conversion (1000's)               | 324,200                  | 73,862                   | 73,862                  |
| Average number of employees                                   | 12,280                   | 9,792                    | 10,545                  |

\*) Comparative figures are adjusted for the new rights issue, with the adjustment factor 0,9784. Comparative figures are also adjusted for the split.

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