

# P R E S S R E L E A S E

from ASSA ABLOY AB (publ)

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## INTERIM REPORT JANUARY - MARCH 2001

- Sales increased by 72% to SEK 5,104 M (2,976)
- Organic growth for comparable units was 4%
- Income before tax increased by 34% to SEK 380 M (284)
- Earnings per share (EPS) increased by 23% to SEK 0.70 (0.57)
- Cash earnings per share (CEPS) increased by 54% to SEK 1.79 (1.16)
- Operating cash flow amounted to SEK 293 M (288)
- Joint venture in security doors with the US company UDP
- Acquisition of the Swiss cylinder specialist KESO

## SALES AND EARNINGS JANUARY - MARCH, 2001

Sales for the period January to March 2001 totaled SEK 5,104 M (2,976), an increase of 72%. In local currencies the growth in sales volume amounted to 64%, of which organic growth for comparable units contributed 4% while acquired units accounted for 60%. Exchange-rate effects affected sales positively by SEK 225 M (19).

The Group's income before tax increased by 34% to SEK 380 M (284). Translation of the foreign subsidiaries' results affected this figure positively by SEK 12 M due to exchange-rate variations.

Earnings per share after tax and full conversion increased by 23% to SEK 0.70 (0.57). The tax burden increased somewhat due to the increased non-deductible goodwill, and increased earnings in countries with high tax rates.

Operating cash flow before tax and acquisitions amounted to SEK 293 M (288). Cash earnings per share after tax and full conversion (CEPS) increased by 54% to SEK 1.79 (1.16).

## DEVELOPMENT OF THE SUBSIDIARIES

Abloy in Finland continued to develop well. Growth on both domestic and export markets was good and amounted to 7%. The door-closer business founded a few years ago is now showing strong growth and a profitability in line with other Finnish units.

Scandinavia increased by 2%. Sales were affected by the move of the foundry business to Romania. The Swedish units showed good growth. Norway was somewhat affected by

uncertainty surrounding the introduction of a new tax on new construction. The integration of Sloth & Co in Denmark continues with merging of product portfolios.

Central Europe increased by 4%. The German market is rather slow even though the former East Germany has begun to show signs of growth. effeff continued to develop well as the Group's 'center of excellence' for electric strikes. The integration of Lips in the Netherlands is proceeding well. A major reengineering program with good profit potential has started, and has already increased the company's order fill rate significantly.

South Europe grew by 5%. The businesses in Spain and Belgium showed the strongest growth. Yale Italy improved faster than expected, with increased focus on its home market. In France, Vachette has introduced a profit center based organization, inspired by the success of Sargent in the USA and Abloy in Finland.

The Group's old units in Britain showed good growth of 8%. Among the Yale units, work is being concentrated in four areas. The well-known brand names Yale, Chubb and Union are being focused on their traditional market segments. Administrative costs are high and too few works directly with customers. Manufacture is being organized into profit centers in order to improve workflows and reduce indirect costs. At the same time the product range is being strengthened by, for example, the introduction of a new series of multi-point locks from Vachette.

The old units in the North American business showed good growth of 5%. A new organization for the Yale companies has been implemented, with separate units for Yale, CorbinRusswin, Norton and Rixson operating with a common sales force. All managers are in place. There is great eagerness for change, illustrated by significant improvements in delivery performance and inventory levels during the period. Folger Adams, which manufactures prison locks and is running at a loss, has acquired new management and is well on the way to turnaround.

In Australia, Lockwood, as a result of successful cross-selling projects, grew by 1% in a weak market. New products – cylinders, padlocks and panic exit devices – have been launched in short timeframes with help from other Group companies. The successful reengineering continues and will further increase earnings.

Growth in New Markets remains good and amounted to 20%. The sales increase at Mul-T-Lock in Israel was especially strong, driven by quickly expanding exports. Eastern Europe is also showing good development. The South African business has successfully refocused on higher security and started to grow. A new organization for the whole Asian business has been established.

Sales in the hotel segment increased by 2%. Europe and the marine segment are continuing to show good sales growth. Asia has returned to growth, but the USA is still weak. Elsafe, which manufactures hotel-room safes, is developing very positively.

Newly acquired HID has started the year well with strong growth in domestic and export markets. The company is also a great contributor to the Group's ongoing development projects.

## **SIGNIFICANT EVENTS**

### **Acquisition of outstanding shares in Lockwood**

At the time of ASSA ABLOY's acquisition of 50% of the shares in the Australian company Lockwood, the seller, EMAIL, gave ASSA ABLOY an option to acquire the remainder of the shares after three years. The option also gave ASSA ABLOY the right to acquire the remaining shares earlier if EMAIL were taken over. Following a change of ownership of EMAIL, the outstanding shares have been acquired at a price equaling the equity in Lockwood. Hence no additional goodwill has been created.

### **Acquisition of RIS**

RIS is the local distributor of Abloy's and VingCard's lock products in the Czech Republic and Slovakia. The company's current sales are CZK 58 M (SEK 14 M). The acquisition strengthens the Group's position in both countries, particularly in the electromechanical area, and provides an excellent complement to FAB.

### **Joint venture with UDP established in North America**

United Door Products, UDP, a business unit of United Dominion Industries, is a major US manufacturer of security doors. The company's products are often sold together with Yale's door products. UDP's current sales are USD 180 M and the company is showing good profitability. A joint venture with sales of USD 350 M is being created between UDP and ASSA ABLOY's security-door manufacturers, Curries and Graham.

ASSA ABLOY will have management responsibility and an 80% shareholding, with an option to acquire the outstanding shares after two years. United Dominion Industries will have a 20% shareholding and receive a cash payment of USD 96 M. The companies have complementary product ranges, and significant production synergies are foreseen. Only a minor goodwill element will arise from the establishment of this joint venture, which will contribute to earnings per share from the start.

### **Acquisition of additional shares in KESO**

KESO is a leading Swiss cylinder manufacturer with a strong international brand name. The company has current sales of CHF 50 M, of which 50% are exports, with Germany the largest market. KESO's unique and flexible cylinder concept will provide a valuable addition to ASSA ABLOY's product portfolio. ASSA ABLOY's previous shareholding of 35% of the company is now increased to 65%. The outstanding shares will be acquired at the end of 2003.

## **ACCOUNTING PRINCIPLES**

The new standard RR 9 Income taxes issued by the Swedish Financial Accounting Standards Council has been adopted as of January 1 2001 which represent a change in accounting principles. All other accounting principles remain unchanged.

## OUTLOOK FOR 2001

The development potential for ASSA ABLOY is still substantial. The company's strong position, security-driven growth and potential for continued rationalization, together with consolidation of the industry, create opportunities for continued good development of profit.

Stockholm, 4 May, 2001

Carl-Henric Svanberg  
President and CEO

The company auditor has not reviewed this interim report.

## Financial information

Interim Report (January 1 – June 30):	August 10, 2001
Interim Report (January 1 – September 30):	November 6, 2001
Year-end Report for 2001:	February 7, 2002
Annual Report for 2001:	March 2002

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For further information, please contact  
Carl-Henric Svanberg, President & CEO, tel: +46-8-506 485 52 or +46-70-510 0551,  
or Göran Jansson, CFO, tel. +46-8-506 485 72 or +46-70-698 85 72

ASSA ABLOY AB (publ)  
P.O. Box 70340, SE-107 23 Stockholm  
Tel: Int +46-8-506 485 00, Fax: Int +46-8-506 485 85  
Visiting address: Klarabergsviadukten 90

Information concerning Investors' Meeting, Web and Telephone Conference can  
be found at ASSA ABLOY's web site: [www.assaabloy.com](http://www.assaabloy.com)

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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. Current sales for the Group are in excess of SEK 20 billion (approximately USD 2 billion) and the number of employees is more than 20,000.*

## FINANCIAL INFORMATION

INCOME STATEMENT	Jan-March 2001 EUR M <sup>1)</sup>	Jan-March 2001 SEK M	Jan-March 2000 SEK M
Sales	568.4	5,104.1	2,975.5
Cost of goods sold	-347.0	-3,116.3	-1,822.6
<b>Gross Income</b>	<b>221.4</b>	<b>1,987.8</b>	<b>1,152.9</b>
Selling and administrative expenses	-138.5	-1,243.9	-750.2
<b>Operating income before goodwill amortization</b>	<b>82.9</b>	<b>743.9</b>	<b>402.7</b>
Goodwill amortization	-22.5	-202.3	-60.1
<b>Operating income</b>	<b>60.4</b>	<b>541.6</b>	<b>342.6</b>
Financial items	-18.0	-161.6	-64.6
Share in earnings of associated companies	0.0	-0.2	5.7
<b>Income before tax</b>	<b>42.4</b>	<b>379.8</b>	<b>283.7</b>
Tax	-14.8	-132.9	-90.8
Minority interests	0.1	0.5	-7.7
<b>Net income</b>	<b>27.7</b>	<b>247.4</b>	<b>185.2</b>
Earnings per share after tax and before conversion, SEK*		0.70	0.59
Earnings per share after tax and full conversion, SEK		0.70	0.57

CASH FLOW STATEMENT	Jan-March 2001 EUR M <sup>1)</sup>	Jan-March 2001 SEK M	Jan-March 2000 SEK M
Cash flow from operating activities	36.1	324.2	315.1
Cash flow from investing activities	-268.8	-2,413.9	-2,242.4
Cash flow from financing activities	150.4	1,350.6	1,905.1
<b>Cash flow</b>	<b>-82.3</b>	<b>-739.1</b>	<b>-22.2</b>

<b>BALANCE SHEET</b>	<b>31 March 2001 EUR M<sup>2)</sup></b>	<b>31 March 2001 SEK M</b>	<b>31 Dec 2000 SEK M</b>
Intangible fixed assets	1,684.4	15,412.2	12,259.0
Tangible fixed assets	555.0	5,078.1	4,811.0
Financial fixed assets	60.0	549.0	441.3
Inventories	343.9	3,147.1	2,808.4
Receivables	410.2	3,753.6	3,276.3
Other non-interest bearing current assets	82.4	753.7	659.1
Interest bearing current assets	128.5	1,175.3	1,752.1
<b>Total assets</b>	<b>3,264.4</b>	<b>29,869.0</b>	<b>26,007.2</b>
Shareholders' equity	1,251.0	11,446.7	10,637.3
Minority interests	42.7	390.8	559.8
Interest bearing provisions	112.8	1,032.0	969.0
Non interesting bearing provisions	32.0	292.5	281.3
Interest bearing long term liabilities	848.9	7,767.1	7,962.2
Non interest bearing long term liabilities	1.5	13.8	3.0
Interest bearing current liabilities	492.2	4,503.7	1,398.4
Non interest bearing current liabilities	483.3	4,422.4	4,196.2
<b>Total shareholders' equity and liabilities</b>	<b>3,264.4</b>	<b>29,869.0</b>	<b>26,007.2</b>

#### CHANGE IN SHAREHOLDER'S EQUITY

<b>Opening balance as at the beginning of the year</b>	<b>1,162.5</b>	<b>10,637.3</b>	<b>5,337.0</b>
Effect from change of accounting principle	-	-	-90.0
Converted shares	0.1	0.6	48.6
New share issue	-	-	4,376.0
Dividend	-	-	-237.5
Exchange difference for the year	61.4	561.4	288.1
Net Income	27.0	247.4	915.1
<b>Closing balance as at end of period</b>	<b>1,251.0</b>	<b>11,446.7</b>	<b>10,637.3</b>

<sup>1)</sup> Translated using an average rate during the year of 8.98

<sup>2)</sup> Translated using a closing rate as at 31 March 2001 of 9.15

## SALES PER ORGANIZATIONAL UNIT

		<b>Jan-March 2001</b>	<b>Jan-March 2000</b>	<b>01/00 % <sup>3)</sup></b>
Scandinavia	SEK M	502	476	2
Finland	EUR M	31	29	7
Central Europe <sup>4)</sup>	EUR M	37	29	4
South Europe <sup>5)</sup>	EUR M	79	60	5
United Kingdom	GBP M	27	6	8
North America	USD M	204	116	5
Hotel locks	NOK M	245	241	2
Australia & New Zealand	AUD M	35	34	1
HID	USD M	27	-	-
New markets <sup>6)</sup>	SEK M	398	87	20
<b>Total</b>	<b>SEK M</b>	<b>5,104</b>	<b>2,976</b>	<b>4</b>

<sup>3)</sup> Organic growth, calculated from comparable units after adjustment for acquisitions and currency effects.

<sup>4)</sup> Germany, Netherlands & Switzerland

<sup>5)</sup> France, Belgium, Italy & Spain

<sup>6)</sup> Africa, Asia, Israel, South America & Eastern Europe

## OPERATING CASH FLOW

	<b>Jan-March 2001 EUR M<sup>1)</sup></b>	<b>Jan-March 2001 SEK M</b>	<b>Jan-Dec 2000 SEK M</b>
Cash flow from operating activities	36.1	324.2	1,799.4
Net capital expenditure re.tangible fixed assets	-14.4	-129.0	-496.9
Adjustments for tax paid	10.9	98.0	453.2
<b>Operating cash flow</b>	<b>32.6</b>	<b>293.2</b>	<b>1,755.7</b>

## CHANGE IN NET DEBT

Net debt as at the beginning of the year <sup>2)</sup>	953.2	8,559.9	2,997.7
Cash flow impact on net debt	232.7	2,089.7	2,116.3
Adjustment acquired liquid assets	0.4	4.0	2,328.8
Net debt in acquired subsidiaries	-0.4	-4.0	1,142.8
Translation differences and other	159.8	1,435.1	-25.7
<b>Net debt as at end of period <sup>2)</sup></b>	<b>1,345.7</b>	<b>12,084.7</b>	<b>8,559.9</b>

<b>KEY DATA**</b>	<b>Jan-March 2001</b>	<b>Jan-March 2000</b>	<b>Jan-Dec 2000</b>
Sales, SEK M	5,104	2,976	14,394
Organic growth, %	4	6	5
Gross margin (EBITDA), %	18.1	17.9	18.8
Operating margin before goodwill amortization (EBITA), %	14.6	13.5	14.6
Operating margin (EBIT), %	10.6	11.5	12.0
Income before tax, SEK M	380	284	1,402
Profit margin (EBT), %	7.4	9.5	9.7
Operating cash flow, SEK M	293	288	1,756
Operating cash flow / Income before tax	0.77	1.01	1.25
Net capital expenditure, SEK M	129	84	497
Depreciation and amortization, SEK M	381	191	985
Total assets, SEK M	29,869	13,109	26,007
Shareholders' equity, SEK M	11,447	5,396	10,637
Net debt, SEK M	12,085	4,005	8,560
Capital employed, SEK M	23,922	9,852	19,757
Capital employed excl goodwill, SEK M	8,700	5,628	7,679
Equity ratio, %	39.6	44.6	43.1
Interest coverage ratio, times	3.3	6.2	5.5
Net debt/equity ratio, times	1.06	0.74	0.80
Return on shareholders' equity, %	8.8	13.5	13.3
Return on capital employed before goodwill amortization, %	36.2	29.2	34.3
Return on capital employed, %	9.9	14.7	13.7
Earnings per share after tax and full conversion, SEK	0.70	0.57 ***	2.73
Interest on convertible debentures net after tax, SEK M	2.1	1.4	8.5
Cash earnings per share after tax and full conversion, SEK	1.79	1.16 ***	5.81
Shareholders' equity per share after full conversion, SEK	32.79	17.28 ***	30.52
Number of shares, thousands	353,063	316,685	352,453
Number of shares after full conversion, thousands	356,712	324,200	356,712
Average number of employees	22,627	13,413	16,881

\* Number of shares, thousands, used for the calculation amount to 352,696 for year 2001, and 316,628 for year 2000.

\*\* Key data has been adjusted due to change in accounting principle.

\*\*\* Comparative figures are adjusted for the rights issue, with the adjustment factor 0.987