

Press release from ASSA ABLOY AB (publ)

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ASSA ABLOY JOINS FORCES WITH LOCKWOOD – THE NUMBER ONE LOCK COMPANY IN AUSTRALIA

- ASSA ABLOY takes the lead in Asia Pacific and reinforces its position as world leader in locks
- ASSA ABLOY sales pro forma on a consolidated basis will exceed SEK 10 billion
- Lockwood is the clear market leader in Australia and New Zealand with generic lock brand names
- Lockwood's sales amounts to SEK 850 million with an EBIT margin of 7%
- A 50/50 joint venture managed by ASSA ABLOY, will be formed with EMAIL, Lockwood's owner. ASSA ABLOY has an option to acquire the remaining part
- The purchase price for 50% of Lockwood is MSEK 450

BACKGROUND

ASSA ABLOY's strategy is based on acquiring leading lock companies in mature markets in parallel with organic growth in emerging markets.

"Australia is an interesting market and Lockwood the clear market leader. In addition, the combination of our operations in Asia opens great opportunities. The formation of the joint venture is therefore a logical and vital step in the implementation of our strategy", says Carl-Henric Svanberg, CEO of ASSA ABLOY.

EMAIL, the joint venture partner and present owner of Lockwood is a listed Australian industrial conglomerate with a turnover exceeding SEK 10 billion.

"EMAIL has come to the conclusion that the best way to further develop and increase the value of its lock business is to join forces with the leading player in the lock industry. The trend towards higher security increases the demands for more sophisticated products often in global competition. This has made it logical and necessary for medium sized lock companies to merge or enter into alliances with the few global actors in the lock business. We are therefore satisfied to have attracted ASSA ABLOY as our partner", says Ralph Waters, CEO of EMAIL Ltd.

Lockwood, with a total of 1000 employees, has major production facilities in Melbourne and Brisbane and a manufacturing unit in New Zealand. The company has since the

beginning of the century developed a clear market leading position in Australia and New Zealand and has an impressive installed base. Lockwood operates under two brand names, the Lockwood brand primarily used in the commercial and institutional market and Whitco in the residential market. Furthermore, Lockwood has sales operations in Thailand, Malaysia, Singapore and Indonesia.

Lockwood is active in all segments of the market with a wide range of products. Products for the residential market are primarily distributed through retail chains and traditional locksmiths. Products for the commercial and institutional market are sold through wholesalers and contract hardware distributors.

OPPORTUNITIES FOR THE JOINT VENTURE

Lockwood is currently undergoing a re-engineering process. This will be further enhanced through the benchmarking process within ASSA ABLOY and there is an estimated margin increase potential of 4-5 percent.

There are several cross-selling opportunities. Lockwood's products will add strength to the Asian portfolio. ASSA ABLOY's wide range of products including high security cylinders, padlocks and different electromechanical locks will considerably strengthen Lockwood's product portfolio in Australia.

ASSA ABLOY's and Lockwood's sales organisation in Asia will be combined. This will create the clear leader in the region with expected sales of 150 MSEK and with sales companies in Singapore, Thailand, Malaysia, Indonesia, and China including sales offices in Honk Kong, Beijing and Shanghai. Through the merge critical mass will be reached and a strong cost efficient organisation will be established.

FINANCIAL EFFECTS

Lockwood's sales amount to MSEK 850 with an EBIT margin of 7%. The purchase price for 50% amounts to MSEK 450 corresponding to the company's debt free book value. ASSA ABLOY has an option to acquire the remaining part after three years according to a price based on the equity increase. Acquisition costs will be covered from the first year and contribute to EPS from next year. The acquisition will take place 1st April.

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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 will report sales exceeding SEK 8.5 billions and has about 10 000 employees.