

Press release from ASSA ABLOY AB (publ)

May 5, 1999, No. 5

INTERIM REPORT JANUARY-MARCH 1999

- Sales increased by 10 percent to 2 310 MSEK (2 095)
- Income before taxes increased by 21% to 198 MSEK (163)
- The organic sales growth for comparable units amounted to 2 percent (12)
- Acquisition of German effeff, the world's leading manufacturer of electric strikes
- Acquisition of Stremler, a French leading manufacturer of locks for glass and aluminium doors
- Extra shareholders meeting to decide on new issue to finance acquisitions
- Lockwood, Australia, will be consolidated from April 1

SALES AND RESULT, JANUARY-MARCH 1999

Sales for the period January-March 1999 amounted to 2 310 MSEK (2 095), corresponding to an increase of 10 percent. The organic growth for comparable units and in local currencies amounted to 2 percent (12). In evaluating the organic growth for the first quarter it should be noted that the corresponding growth for the first quarter last year was 12 percent and that the total growth over the first quarter of 1997 therefor is 14 percent. Changed exchange rates have affected sales with +47 MSEK compared with the same period last year.

The Group's result before tax amounted to 198 MSEK (163), corresponding to an increase of 21 percent. Translation of the foreign subsidiaries' result has, due to exchange rate changes, affected the results positively by 9 MSEK. Earnings per share during the period have increased to 1:98 MSEK (1:53). Earnings per share has been calculated after full conversion, full tax and on the average number of shares.

Cash flow before tax amounted 140 MSEK (103).

DEVELOPMENT OF THE SUBSIDIARIES

The Scandinavian units have started the year well with a sales increase of 6 percent. The Danish market shows particularly strong growth with gained market share through a more efficient sales work. Also Sweden and Norway show good growth although the order intake from the door and window industry has been weaker during the period.

The Finnish units have experienced a slow start, fairly in level with last year's strong first quarter. The activity has been affected by the cold winter, the air strike and the halted sales to Russia including sales to many Finnish companies active in Russia. The order intake has been stronger towards the end of the period and the second quarter is expected to improve considerably.

German IKON continues in level with last year. The first quarter in Germany has obviously been weak in many industries. The segment of the market in which IKON is active remains stable and IKON is holding its market share well.

The integration work in the French units is running according to plan. A loss-making unit with under-critical volumes, manufacturing electronic emergency equipment for large installations such as airports, has been divested as planned with no impact on the result. The organic growth is 1 percent over last year's strong start.

The US companies continue to develop well in a growing market. The organic growth is 8 percent. Market share is being gained through efficient marketing in combination with excellent delivery service. The newly acquired companies are developing according to plan.

VingCard with the subsidiary Elsafe has been effected by a drop in sales in the Asian region. The sales in the hotel segment still held up well in this region a year ago in spite of the crisis. Several large projects were also finalised during that quarter. Sales was therefor exceptionally strong and 5 percent higher than this year. The order intake for the first quarter however shows a good increase over last year.

The growth in the emerging markets, Asia, the Czech Republic, Romania, Poland and others have continued to develop well and the sales have increased by 9 percent. Asia continues to show good growth and the sales organisation will be strengthened through the merge with Lockwood's Asian units.

MAIN EVENTS

Acquisition of effeff

An agreement has been reached to acquire effeff, the world's leading manufacturer of electric strikes.

Electromechanical locking is the fastest growing segment in the lock business. All types of electronic access control systems require an electromechanical locking device at each door. Electric strikes are the most common and effeff has built a world leading position in this field over 25 years.

effeff is a listed company, located in Albstadt near Stuttgart and has a total of 1130 employees, of which 760 are employed in Germany. effeff has sales subsidiaries in France, Italy and US and production units in Romania and China.

Since 1975 the company's sales has grown around 10 percent per year, from 10 to 250 million DEM. The company is operating with a stable pre tax margin over 20%.

Through the acquisition of effeff, ASSA ABLOY will reach a world leading position within electromechanical locking. R&D investments in this area are much higher than for traditional lock products and size is therefor 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.

In the short-term perspective there are significant cross-selling opportunities for effeff. The electric strike is an attractive addition to each of the ASSA ABLOY companies. The acquisition will also give ASSA ABLOY a stronger position in the fragmented German lock market. The considerable overlap between the two group's sales networks will be used to increase the joint sales efficiency.

The principal participation in the company will be taken over on February 1 year 2000, the date from which the company will be consolidated. Following this announcement a public offer of 53 DEM per share will be made on the listed shares representing 30 percent of the capital. The main part of the goodwill will be tax deductible and the yearly amortisation cost after tax will amount to DEM 11 million based on a 20-year amortisation period.. The acquisition will contribute to EPS from the date of consolidation.

Acquisition of Stremler

An agreement has been reached to acquire the French lock manufacturer Stremler. The company is specialised in manufacturing locks for glass and aluminium doors, an area that shows good and stable growth. Stremler has sales of approximately MFFR 75 and is an old sister company to the ASSA ABLOY subsidiary Laperche. There are obvious synergies in management, sales and administration. The company is operating on a good profit level and the acquisition will contribute to earnings per share from next year.

NEW ISSUE

An extra ordinary shareholders meeting is planned to be convened within short, in order to decide on a new rights issue in the size of 1,5-2 billion SEK for the financing of past and future acquisitions. The rights issue is assumed to be implemented with preferential subscription for the present shareholders.

OUTLOOK FOR 1999

The expectation expressed in the Annual Report of continued good result development for ASSA ABLOY in 1999 remains unchanged.

Stockholm, 5 May, 1999

Carl-Henric Svanberg
President & CEO

Financial information from ASSA ABLOY will be published as follows:
Interim report, 2nd quarter, August 9, 1999
Interim report 3rd quarter, November 8, 1999
Year-end report, February 9, 2000

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

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

MSEK	Jan-March 1999	Jan-March 1998
Sales	2 309.9	2 095.0
Cost of goods sold	-1 439.9	-1 349.7
Operating margin	870	745.3
Administrative costs	-573.6	-510.0
Operating result before goodwill depreciation	296.4	235.3
Goodwill depreciation	-37.6	-28.2
Operating result	258.8	207.1
Financial net	-64.6	-46.9
Share of result in associated companies	3.5	3.0
Result after financial items	197.7	163.2
Taxes	-55.3	-49.4
Minority interests	1.4	-3.5
Net result of the year	143.8	110.3

CONSOLIDATED BALANCE SHEET

MSEK	31 March 1999	31 Dec 1998
Intangible fixed assets	2 614.2	2 668.0
Tangible fixed assets	2 643.2	2 777.8
Financial fixed assets	673.7	647.8
Inventories	1 308.7	1 339.1
Receivables	1 540.5	1 426.8
Other non-interest bearing current assets	313.2	221.5
Liquid assets	113.9	137.8
Total assets	9 207.4	9 218.8
Shareholders' equity	3010.9	2 715.2
Minority interests	19.4	32.1
Interest bearing provisions	616.7	637.1
Interest-bearing long term liabilities	3 326.8	3 608.7
Other non-interest bearing long term liabilities	386.4	491.4
Interest-bearing current liabilities	261.4	132.5
Other non-interest bearing current liabilities	1 585.8	1 601.8
Total liabilities and shareholders' equity	9 207.4	9 218.8

CONSOLIDATED CASHFLOW STATEMENT

	Jan-March 1999
Cashflow from operating activities	153.2 *
Cashflow from investments	-69.5 *
Cashflow from financial activities	-107.5
Change in liquid assets	-23.8
Change in net debt	
Net debt 1 January	-4 237.3
Change in liquid assets	-23.8
Currency effects	185.5
Net debt 31 March	-4 075.6

*) Cashflow before taxes, 140 = 153.2 – 69.5 + 50.7 (paid taxes) + 5.4 (indirect investments)

SALES PER MARKET

		Jan-March 1999	Jan-March 1998	99/98 % 1)	99/97 % 1)
Scandinavia	MSEK	450	427	+6	+18
Finland	MFIM	127	130	-2	+15
Germany	MDEM	34	34	0	+2
France	MFRF	294	297	+1	+11
United Kingdom	MGBP	5.4	5.5	0	+9
USA	MUSD	108	84	+8	+24
Emerging markets	MSEK	76	57	+9	
Hotel locks. VingCard	MNOK	211	221	-5	+6
Total	MSEK	2 310	2 095	+2	+14

1) The change refers to comparable units

KEY DATA

	Jan-March 1999	Jan-March 1998	Jan-Dec 1998
Cashflow before taxes. MSEK	140	103	1 023
Operating margin before goodwill amortization. %	12.8	11.2	12.8
Operating margin after goodwill amortization. %	11.2	9.9	11.2
Profitmargin (profit before tax). %	8.6	7.8	8.7
Net investments. MSEK	64	70	335
Shareholders' equity. MSEK	3 011	2 430	2 715
Net borrowings. MSEK	4 076	3 377	4 237
Capital employed. MSEK	7 235	5 916	7 126
Equity ratio. %	32.9	31.4	29.8
Interest cover	4.3	4.3	4.2
Net borrowings / equity	1.35	1.39	1.56
Return on capital employed before goodwill depreciation. %	26.0	23.6	25.9
Return on capital employed. %	14.8	14.4	15.1
Return on shareholders' equity after tax. %	20.1	18.6	20.9
Profit per share after tax and full conversion. SEK	1:98	1:53	7:28
Shareholders' equity per share after full conversion. SEK	44:94	37:33	41:15
Number of shares (1000's)	71 260	70 732	71 076
Number of shares after full conversion (1000's)	73 862	73 862	73 862
Average number of employees	11 242	9 669	10 545