

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

— from ASSA ABLOY AB (publ) —

9 February, 2000
no. 3/00

YEAR-END REPORT 1999

- Sales increased by 20% to SEK 10,277 M (8,582)
- Income before taxes increased by 31% to SEK 981 M (748)
- Earnings per share increased by 26% to 2:25 (1:78)
- Operating cash flow amounted to SEK 1,218 M (1,028)
- Cash earnings per share (CEPS) increased by 15% to 4:38 (3:80)
- The organic sales growth for comparable units amounted to 5% (6%)
- Acquisition of Mul-T-Lock, Israel's leading lock manufacturer

SALES AND INCOME JANUARY-DECEMBER, 1999

Sales during the period January-December 1999 amounted to SEK 10,277 M (8,582), an increase of 20%. The increase amounts to 18% in local currencies. The organic growth for comparable units amounted to 5% (6%). Acquisitions represent 13% of sales growth during the year.

The Group's income before taxes increased by 31% to SEK 981 M (748). Exchange rate changes have had a positive effect of SEK 33 M when translating the subsidiaries' income to SEK. Earnings per share after tax and full conversion increased by 26% to 2:25 (1:78).

Operating cash flow (before taxes and acquisitions) amounted to SEK 1,218 M (1,028). CEPS after tax and full conversion increased by 15% to 4:38 (3:80).

DEVELOPMENT OF THE SUBSIDIARIES

The Scandinavian units have shown good growth during the year with organic growth of 6%. Sales in Norway were weak at the beginning of the year but has strengthened, mainly driven by increased focus on high security products. Through the acquisitions of the distributors Sloth & Co. in Denmark and AKI in Sweden, the important locksmith channel can be offered more efficient support and further improved delivery services.

The Finnish units ended the year strong after a weak beginning affected by the significant drop in sales to Russia. The fourth quarter was particularly positive with an increase in sales of over 20% and for the year in total organic growth amounts to 5%. Electromechanical products, of which most of the volume is exported, show the fastest growth.

The German units show stable development and an increase in demand at the end of the year can be noted. Effeff has developed better than expected in both volume and income. The integration work, including the co-ordination of various marketing and

sales activities, is proceeding well. Furthermore, effeff is taking over responsibility for all electromechanical development in Germany.

The integration work within the French units is successful including rationalizations and close down of loss-making products and export activities, affecting sales negatively with FRF 25 M. Lead times have improved considerably and stock levels have been reduced. Profitability is improving according to plan and the potential for further improvements is still good. Organic growth amounts to 3%.

The UK units' growth increased towards the end of the year with sales in level with last year. The weak start in 1999 was mainly due to significantly lower order level from the ministry of defense compared to prior years.

The North American units continue to show good growth. The fourth quarter was somewhat weaker than the previous quarters, partly due to the strong ending of 1998. All units are increasing their income. Sales in Canada have increased considerably during the year. Arrow's Canadian distributor was acquired during the fourth quarter and will strengthen ASSA ABLOY's position even further. Scovill in Mexico has also developed well and has taken over the production of certain Arrow products.

VingCard's sales are almost in line with last year's. Sales in Europe, Latin America and the marine segment continues to show strong growth while sales in Asia have dropped considerably due to decrease of new construction. Elsafe shows good growth on the American market while sales of hotel locks have weakened temporarily following the extensive upgrade of large hotel chains during the last few years.

The integration work within Lockwood is proceeding very well. Company management has quickly taken advantage of being a part of the ASSA ABLOY Group, by learning from the best and by launching several Group products. Income develops faster than expected.

Growth in the new markets is good and amounts to 26%. Asia is moving quickly forward and sales in China have increased threefold. Poland shows a good growth rate and the Czech company FAB has now, apart from already being Skoda's sole supplier of car locks, been approved as supplier of car locks to the entire Volkswagen-group.

IMPORTANT EVENTS

Acquisition of Mul-T-Lock

During the fourth quarter 1999, an agreement was reached to acquire shares in Mul-T-Lock corresponding to 89% of the outstanding shares in the listed company. Mul-T-Lock is Israel's largest manufacturer of locks, cylinders and security doors and is expected to reach sales of USD 100 M in year 2000. The lock division, which represents almost 50% of the sales, shows high profitability and good growth.

Large investments have been made in production equipment within the lock division during the last 10 years and the company today has a highly modern lock manufacturing plant. Mul-T-Lock has a strong and competitive lock product program for the market in general, and for the segment high security locks and padlocks for the residential market in particular. Within this area, the company has successfully grown on the export market e.g. in England, France and the US and exports represent two thirds of total sales. Locksmiths and DIY-stores are main sales channels for these products, and through the acquisition of Mul-T-Lock ASSA ABLOY strengthens its position in these important and growing distribution channels.

Mul-T-Lock's other business comprise mainly of the manufacturing of security doors, a business that shows a loss but which is under restructuring and is expected to show

positive income this year. ASSA ABLOY has an option to sell the security door business, which is of less strategic value, back to Mul-T-Lock's founder Avraham Bahry.

The company will be consolidated as from 1 February, 2000. In the light of the on-going restructuring of the door manufacturing division, the acquisition is expected to contribute to earnings per share as from 2001.

Other acquisitions during 1999

A number of other acquisitions have taken place during 1999. The integration of the companies is proceeding according to plan and all companies are expected to contribute to earnings per share during 2000.

- A leading position was reached in Australia through the acquisition of Lockwood. The Group's position in Asia was strengthened further through the merger of Lockwood and ASSA ABLOY's sales organizations in the region.
- Effeff, manufacturer of electric strikes, contributes to creating a world leading position for the Group within electromechanic lock products. An increased need for security in general and control of people-flow in offices, stores and various public buildings in particular makes this a fast-growing area for the Group.
- The Spanish cylinder manufacturer AZBE was acquired during the spring. Together with the Group's other businesses, a strong position in Spain was hereby created.
- The French company Stremler is a leading manufacturer of locks for glass and aluminium doors, products that the Group was lacking. This type of locks can be found mainly in modern public buildings and shopping malls and show good growth.
- Boda (Scafor) is Finland's leading lock case manufacturer and complement the Group's other business well. Boda has also been successful in the Baltic area and Poland.
- An agreement to acquire Fichet Serrurerie Bâtiment, Fichet Bauche's high security lock division, was reached during the fall. Fichet is probably France's most well recognized brand name within high security locks and contributes with important products as well as distribution channels.
- Timelox AB is like VingCard active within the hotel lock segment. The company has created a strong position in Sweden and the hotel dense Las Vegas, areas where VingCard is less strong. Timelox also adds important technological know-how to ASSA ABLOY and has developed a new generation of hotel locks based on smart card technology.

EMPLOYEES

The number of employees at the end of the year had increased to approximately 13,000 as a consequence of the various acquisitions.

DIVIDEND AND GENERAL MEETING

The board proposes a dividend of 0.75 per share for the financial year 1999. The Annual General Shareholder's Meeting will be held at 15.00 on 3 May, 2000.

EXPECTATIONS FOR 2000

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

Stockholm, 9 February, 2000

Carl-Henric Svanberg
President and CEO

Quarterly interim reports from ASSA ABLOY AB during 2000 will be published on 3 May, 10 August, 13 November and 7 February, 2001.

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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 reported sales of SEK 10, 277 million and has about 13,000 employees.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT	Jan-Dec	Jan-Dec	Jan-Dec
	1999 EUR M ¹⁾	1999 SEK M	1998 SEK M
Sales	1,170.5	10,277.2	8,581.7
Cost of goods sold	-715.5	-6,282.5	-5,463.0
Gross Income	455.0	3,994.7	3,118.7
Selling and administrative expenses	-297.6	-2,612.3	-2,017.4
Operating income before goodwill amortization	157.4	1382.4	1101.3
Goodwill amortization	-21.5	-189.0	-138.5
Operating income	135.9	1193.4	962.8
Financial items	-26.2	-230.1	-227.8
Share of result in associated companies	2.0	17.3	13.4
Income before taxes	111.7	980.6	748.4
Taxes	-31.9	-279.6	-212.0
Minority interests	-1.6	-14.1	-10.4
Net income	78.2	686.9	526.0

CONSOLIDATED BALANCE SHEET	31 Dec	31 Dec	31 Dec
	1999 EUR M ²⁾	1999 SEK M	1998 SEK M
Intangible fixed assets	396.2	3,388.1	2,668.0
Tangible fixed assets	345.6	2,955.4	2,777.8
Financial fixed assets	100.0	854.8	647.8
Inventories	183.0	1,564.7	1,339.1
Receivables	210.1	1,796.2	1,426.8
Other non-interest bearing current assets	33.1	283.0	221.5
Interest bearing current assets	52.3	447.2	137.8
Total assets	1,320.3	11,289.4	9,218.8
Shareholders' equity	624.2	5,337.0	2,715.2
Minority interests	31.2	266.8	32.1
Interest bearing provisions	70.9	606.6	637.1
Non interesting bearing provisions	39.0	333.7	407.7
Interest bearing long term liabilities	303.8	2,597.5	3,608.7
Non interest bearing long term liabilities	0.3	2.8	83.7
Interest bearing current liabilities	9.1	77.9	132.5
Non interest bearing current liabilities	241.8	2,067.1	1,601.8
Total shareholders' equity and liabilities	1,320.4	11,289.4	9,218.8

¹⁾ Translated using an average rate during the year of 8.78

²⁾ Translated using a closing rate as at 31 December 1999 of 8.55

CONSOLIDATED CASH FLOW STATEMENT

	Jan-Dec 1999 EUR M¹⁾	Jan-Dec 1999 SEK M	Jan-Dec 1998 SEK M
Cash flow from operating activities	16.1	1,410.9	1,051.8
Cash flow from investing activities	-161.0	-1,414.0	-1,413.8
Cash flow from financing activities	10.6	93.4	357.0
Change in liquid assets	10.3	90.3	-5.0
Change in net debt			
Net debt 1 January ²⁾	495.6	4,237.3	3,442.0
Cash flow impact on net debt	-205.5	-1,803.9	485.8
Net debt in acquired companies	58.6	514.9	214.5
Translation differences and other changes	1.9	49.4	95.0
Net debt 31 December ²⁾	350.6	2,997.7	4,237.3
Operating Cash flow			
Cash flow from operating activities	160.7	1,410.9	1,051.8
Net capital expenditure re.tangible fixed assets	-44.4	-390.2	-316.2
Adjustment for taxes paid	22.5	197.8	292.7
Operating Cash flow	138.8	1,218.5	1,028.3

SALES PER ORGANIZATIONAL UNIT

		Jan-Dec 1999	Jan-Dec 1998	99/98 % 3)
Scandinavia	SEK M	1,777	1,701	6
Finland	FIM M	605	545	5
Germany	DEM M	138	129	1
France	FRF M	1,170	1,114	3
United Kingdom	GBP M	20	20	0
USA	USD M	449	366	7
Hotel locks, VingCard	NOK M	911	902	-2
Australia	AUD M	111	-	-
New markets	SEK M	398	279	26
Total	SEK M	10,277	8,582	5

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

KEY DATA

	Jan-Dec 1999	Jan-Dec 1998
Organic growth %	5	6
Operating margin before goodwill amortization %	13.5	12.8
Operating margin %	11.6	11.2
Profit margin (income before tax) %	9.5	8.7
Operating Cash flow SEK M	1,218	1,028
Net capital expenditure re.tangible fixed assets SEK M	391	316
Depreciation and amortization SEK M	667	623
Shareholders' equity SEK M	5,337	2,715
Net debt SEK M	2,998	4,237
Capital employed SEK M	8,602	6,984
Equity ratio %	49.6	29.8
Interest cover ratio	5.3	4.4
Net debt/equity	0.56	1.56
Return on capital employed before goodwill amortization %	28.5	26.4
Return on capital employed %	15.5	15.2
Return on shareholders' equity after tax %	16.1	19.0
Earnings per share after tax and full conversion ⁴⁾	2,25	1,78
Cash earnings per share after tax and full conversion ⁴⁾	4,38	3,80
Shareholders' equity per share after full conversion SEK ⁴⁾	17:38	10:07
Number of shares (1000's)	314,409	284,304
Number of shares after full conversion (1000's)	324,200	295,448
Average number of employees	12,654	10,545

⁴⁾ Comparative figures are adjusted for dilution related to new rights issue, with the adjustment factor 0,9784 and for the split.