Press release from ASSA ABLOY AB (publ)

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Interim Report January-March 1998

- **Sales increased by 53% to 2095 MSEK (1368)**
- **The organic growth for comparable units was 12% (8)**
- **Income before taxes increased by 62% to 163 MSEK (101)**
- **Acquisition of Medeco, USA's leading producer of security cylinders**
- **Acquisition of 49% of Scovill, one of Mexico's leading lock manufacturers**
- **Acquisition of Urbis, Romania's leading lock manufacturer**

Sales and result, January-March 1998

Sales for the period January-March 1998 amounted to 2095 MSEK (1368), corresponding to an increase of 53%. Organic growth for comparable units and in local currencies amounted to 12% (8). The organic growth is affected by the fact that the Easter Holidays last year occurred during the first quarter. The comparative figure will therefore probably weaken somewhat during the second quarter. Changed exchange rates have affected sales with +48 MSEK compared with the same period last year and the recently acquired units stand for 459 MSEK of the period's sales.

The Group's result before tax amounted to 163 MSEK (101), corresponding to an increase of 62%. All companies note increasing volume and result. Translation of the foreign subsidiaries' result has, due to exchange rate changes, affected the results positively by 1 MSEK. Earnings per share during the period has increased to 1.53 MSEK (1.05). Earnings per share has been calculated after full conversion, full tax and on the average number of shares.

Cash flow before tax amounted to 103 MSEK (6).

Development of the subsidiaries

The Nordic units continue to show good growth. Finland notes a particularly good growth, 18%, with strong demand from the home market. Exports to Russia, among other countries, increases as well as the delivery of door closers to the US.

In the Swedish market, demand is gradually increasing for new construction and the various units all show a good growth rate, totalling 10%. In Norway, the merge now gives full effect and the growth is good, 15%.

IKON in Germany shows increasing results, 2%, in a continued weak market. The integration of Dörrenhaus is running smoothly and the company will be a valuable addition to the IKON Group. The Czech company Fab is developing well and meets the expectations from the time of the acquisition in terms of both volume and results. Increased car lock deliveries contribute to the fine sales development of 19%.

Sales in the UK have developed well during the first quarter, 10%, mainly due to an increased activity in the project market.

The French unit shows strong growth, 11%, in light of recent years' relatively weak performance. This can be partly explained by the Easter effect and the fact that the acquisition process (a process that always creates certain insecurity) took place during the same period last year. Furthermore, we note an increased activity in the market combined with high motivation within the French organisation. The integration process is running smoothly and according to plan.

Growth for the American units continues to be strong and amounts to 14%. We expect continued good growth for at least all of 1998. All units are increasing both volume and result wise.

VingCard notes a growth of 12%. The economic down turn in Asia that has not yet affected VingCard's sales in the area. The other areas continue to grow as expected. The crisis in Asia will in most likely affect VingCard's growth rate negatively during the year.

Important events

In April, an agreement regarding the purchase of Medeco, USA's leading manufacturer of high security cylinders, was signed. The company shows good profitability and sales for 1998 are expected to reach 55 MUSD. Medeco's extensive installed base generates more than half of the sales and creates a strong position on the after market. Through the acquisition, ASSA ABLOY gets access to the strong and established cylinder programme that our American operations have lacked. The Group's contacts with important end users will be strengthened as well as the opportunities to develop the after market. The acquisition will be subject to approval from the American Antitrust Authorities.

49% of Cerrajeras Scovill was also acquired in April. Scovill is one of Mexico's three leading lock manufacturers. The company has products in its product portfolio of both Mexican and American standard where the latter is gaining market share in Mexico. With the acquisition follows a platform for exports to large parts of Latin America where the American lock standard dominates. Furthermore, Mexico is part of NAFTA (North American Free Trade Association) which gives the Group a cost efficient production unit near the important American after market. ASSA ABLOY has an option to acquire the remaining 51% of the shares according to a formula based on the company's profitability development.

The companies are consolidated from 1 July and 1 May respectively, Scovill will be equity accounted. The total acquisition price amounts to 70 MUSD. The companies have total net debt of 15 MUSD. Through the acquisitions, a tax deductible goodwill of 50 MUSD will arise.

Furthermore, Romania's leading lock manufacturer, Urbis, with a market share of 70% has been acquired. The seller of the company is the Romanian State. The need for security in the country is increasing and with Urbis' market leading position, ASSA ABLOY will get a unique opportunity to contribute and grow with the development of the Romanian lock and security market. Urbis' sales for this year is expected to reach 50 MSEK and the profitability is good. The acquisition does not create goodwill and is expected to contribute to earnings per share already in 1998.

Outlook for 1998

The expectation expressed in the Annual Report of continued good result development for ASSA ABLOY in 1998 remains unchanged.

Stockholm, 5 May, 1998

Carl-Henric Svanberg
President & CEO

ASSA ABLOY is the world's leading lock group with sales exceeding 8 000 MSEK. The number of employees is approx. 10 000. ASSA ABLOY develops, manufactures and markets mechanical, industrial, electromechanical and electronic locks and hotel locks. The group has market leading positions in Sweden, Finland, Norway, Denmark, Germany, France, Belgium, the Czech Republic, Romania and in the United States as well as within the segment for hotel security world-wide.

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