

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

from ASSA ABLOY AB (publ)

6 November 2001  
No. 22

## INTERIM REPORT JANUARY - SEPTEMBER 2001

- Sales increased by 67% to SEK 16,304 M (9,747)
- Organic growth for comparable units was 4%
- Income before tax increased by 20% to SEK 1,173 M (980)
- Earnings per share (EPS) increased by 8% to SEK 2.12 (1.96)
- Earnings per share, excluding goodwill, increased by 46% to SEK 3.88 (2.66)
- Operating cash flow amounted to SEK 1,483 M (1,164)
- Acquisition of Indala in the US and Interlock in New Zealand

### SALES AND EARNINGS JANUARY - SEPTEMBER, 2001

Sales for the period January to September 2001 amounted to SEK 16,304 M (9,747), an increase of 67%. In local currencies the growth in sales volume amounted to 58%, of which organic growth for comparable units contributed 4% while acquired units accounted for 54%. Exchange-rate effects affected sales positively by SEK 918 M (141).

The Group's income before tax increased by 20% to SEK 1,173 M (980). Translation of the foreign subsidiaries' results affected this figure positively by SEK 44 M due to exchange-rate variations.

Earnings per share after tax and full conversion increased by 8% to SEK 2.12 (1.96). The tax burden increased due to the higher level of non-deductible goodwill, and a higher proportion of earnings in countries with high tax rates. Earnings per share, excluding goodwill, increased by 46% to SEK 3.88 (2.66).

Operating cash flow before tax and acquisitions amounted to SEK 1,483 M (1,164).

### DEVELOPMENT OF THE SUBSIDIARIES

Abloy in Finland increased by 3% during the first nine months and returned as expected to good growth during the third quarter. Export sales continues to develop well while domestic sales remains a bit softer.

Scandinavia increased by 3% after a somewhat stronger third quarter. Sweden develops well including the door and window industry that started the year slower. Cost adjustments for the slower growth in Norway and Denmark are starting to have effect.

Growth in Central Europe amount to 3% for the first nine months. Sales during the third quarter were somewhat slower mainly due to a weakening German market. The Lips integration in the Netherlands is running well with gradually increasing profits. Keso in Switzerland, consolidated from June, will strengthen the Group's high security cylinders portfolio.

South Europe shows growth of 5%. In France, the efforts on security focused products continues. Fichet, the high security specialist, and Stremler, manufacturer of locks for glass and aluminum doors, show the strongest growth. Yale Italy has increased its focus on the domestic market and recently acquired MAB, the Italian leader in floor-spring door closers, is adding strength to the product package. Belgium continues to show the strongest growth in the region.

The Group's old units in Great Britain continued to show good growth of 7%. The integration of Yale develops according to plan. Considerable efforts are made in R&D and the expansion of the product portfolio. New products are being launched and have ended the negative sales trend since several years. The implementation of the lean production process proceeds successfully and will improve the operational efficiency considerably.

The old units in North America show growth of 4%. The third quarter's sales showed limited growth as a result of the couple of days standstill following the terrorist attacks. Focus on security is likely to increase over time. Meanwhile, the US economy continues to weaken. This weakening is expected to have limited effects on the Group's development, but in the light of the present situation the near future is hard to predict.

The Yale integration is running very well with steady operational improvements in all the companies. The Folger Adam turnaround continues as planned. The synergy work between the joint venture door companies has started including exchange of products and production. A door package for the Yale group has been established and will strengthen Yale's market position. The Canadian operations continue to show strong growth. Phillips in Mexico will be consolidated from the fourth quarter. There are interesting business development opportunities in this large and growing market and the Group is now well positioned.

The Australian market is strengthening after the weak first six months. Lockwood is showing good growth in the third quarter and a 2% increase year to date. The company is progressing very well and is expected to show good development during the coming years. Interlock, New Zealand, will be consolidated during the fourth quarter and will further strengthen the Group's position in the region.

Growth in New Markets amounted to 18%. Mul-T-Lock develops well although the recent years strong export growth to Japan is slowing. Yale South Africa continues strongly and the integration of Viro has started. Eastern Europe is showing steady development, although car locks sales show limited growth. The Asian market seems affected by the recent events in the US. There is an uncertainty in the market and some larger projects are being put on hold.

Sales in the hotel segment decreased by 3%. The hospitality industry is being severely affected by the decrease in travelling following the terrorist attacks. Occupancy rates have dropped dramatically and as a result lock sales will be correspondingly affected. A restructuring and cost cutting program has been introduced to ensure a continued positive development.

HID showed limited growth in the third quarter due to a continued weak access control market. However, profit development continues in line with plan. HID is likely to early benefit from an increased security focus and sales after the terrorist attacks show signs in this direction.

## **SIGNIFICANT EVENTS**

### **Acquisition of Indala**

Indala is a highly respected supplier of radio-frequency identification (RFID) cards and readers for the access control industry. The company is based in San Jose, California and was founded in 1985. The installed base of Indala products is substantial including 60 million cards and 1 million readers.

The business is expected to have sales of USD 25 M this year with low profitability. There are, however, considerable synergies with ASSA ABLOY's subsidiary HID. The goodwill created by the acquisition is minimal and will be tax deductible. The acquisition will be EPS positive from the start.

### **Acquisition of Interlock**

Interlock is the leading manufacturer and distributor of window and door security hardware in New Zealand and has developed successful export to Japan, UK and the US. The Company has sales of NZD 60 M with high profitability following several years of steady improving profits. The company has production units in Auckland and Wellington and has 420 employees.

The acquisition will strengthen ASSA ABLOY's position in the region and add interesting cross-sales opportunities. The goodwill created will be tax deductible and the acquisition will be EPS positive from the start.

## **OTHER INFORMATION**

### **Acquisition of Phillips, Mexico completed**

The acquisition of Phillips, Mexico's leading lock manufacturer has been completed. Phillips has sales of approximately USD 60 M and has shown good growth and high profitability over a number of years. Mexico has a population of around 100 million and the country is experiencing strong economic growth. The rate of new construction is high and the demand for security rising.

### **Rating**

Standard & Poor's has assigned a single-'A'-minus long-term and 'A-2' short-term corporate credit ratings to ASSA ABLOY. The ratings reflect the group's strong positions in entrenched lock markets, a geographically diverse earnings base, strong cash flows, but also a moderate financial profile.

### **Employee incentive program**

An incentive program for the employees within the Group has been introduced. The convertible debenture based program that amount to EURO 100 M. The program is very positively received, more than 4000 employees have signed up and the program is more than 100% over subscribed.

### **VingCard Appeal**

The Texas Court of Appeal has confirmed an obligation for VingCard to pay damages amounting to USD 12.5 M plus interest to a Texas R & D company concerning a terminated sub supply contract. As advised by its US lawyers, VingCard has filed an appeal against the above judgement to the Texas Supreme Court. This filing is due in the fourth quarter. ASSA ABLOY intends to provide for the potential cost as a non-recurring item in the financial statements for 2001.

## ACCOUNTING PRINCIPLES

The new Standard RR 9 'Income Taxes' issued by the Swedish Financial Accounting Standards Council has been adopted from January 1 2001, which represents a change in accounting principles. All other accounting principles remain unchanged.

## OUTLOOK

The large acquisitions made over the last year have considerably strengthened the Group. The first and critical part of the integration has successfully been concluded and the work to realise the synergies can accelerate.

The development potential for ASSA ABLOY is substantial. The strong position, security-driven growth and potential for continued rationalization as well as the ongoing consolidation of the lock industry create opportunities for continued good growth and profit development

Stockholm, 6 November 2001

Carl-Henric Svanberg  
President and CEO

The interim report is unaudited.

## Financial information

Year-end Report for 2001:

February 7, 2002

Annual Report for 2001:

March 2002

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Information concerning the Investors' Meeting and Web and Telephone Conference later today can be found at ASSA ABLOY's website: <a href="http://www.assaabloy.com">www.assaabloy.com</a>
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*The ASSA ABLOY Group is the world's leading manufacturer and supplier of locking solutions, 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 25,000.*

## FINANCIAL INFORMATION

INCOME STATEMENT	Jan-Sept	Jan-Sept	Jan-Sept	July-Sept	July-Sept
	2001	2001	2000	2001	2000
	EUR M <sup>1)</sup>	SEK M	SEK M	SEK M	SEK M
Sales	1,776.0	16,303.8	9,747.2	5,716.6	3,668.1
Cost of goods sold	-1,093.2	-10,036.1	-5,867.7	-3,552.4	-2,194.4
<b>Gross Income</b>	<b>682.8</b>	<b>6,267.7</b>	<b>3,879.5</b>	<b>2,164.2</b>	<b>1,473.7</b>
Selling and administrative expenses	-431.4	-3,959.8	-2,485.8	-1,367.7	-924.4
<b>Operating income before goodwill amortization</b>	<b>251.4</b>	<b>2,307.9</b>	<b>1,393.7</b>	<b>796.5</b>	<b>549.3</b>
Goodwill amortization	-68.5	-628.7	-230.4	-218.1	-100.5
<b>Operating income</b>	<b>182.9</b>	<b>1,679.2</b>	<b>1,163.3</b>	<b>578.4</b>	<b>448.8</b>
Financial items	-55.6	-510.2	-194.0	-171.2	-80.2
Share in earnings of associated companies	0.5	4.0	10.2	0.8	0.8
<b>Income before tax</b>	<b>127.8</b>	<b>1,173.0</b>	<b>979.5</b>	<b>408.0</b>	<b>369.4</b>
Tax	-44.7	-410.6	-314.0	-142.9	-118.7
Minority interests	-1.4	-13.0	-20.5	-12.8	-7.0
<b>Net income</b>	<b>81.7</b>	<b>749.4</b>	<b>645.0</b>	<b>252.3</b>	<b>243.7</b>
Earnings per share after tax and before conversion, SEK*		2.12	1.99	0.71	0.72
Earnings per share after tax and full conversion, SEK		2.12	1.96	0.71	0.71
Earnings per share after tax and full conversion excluding goodwill, SEK ****		3.88	2.66	1.32	1.01

CASH FLOW STATEMENT	Jan-Sept 2001	Jan-Sept 2001	Jan-Sept 2000
	EUR M <sup>1)</sup>	SEK M	SEK M
Cash flow from operating activities	185.3	1,701.4	1,126.0
Cash flow from investing activities	-462.5	-4,246.1	-4,263.8
Cash flow from financing activities	255.3	2,343.6	3,380.7
<b>Cash flow</b>	<b>-21.9</b>	<b>-201.1</b>	<b>242.9</b>

BALANCE SHEET	30 Sept 2001	30 Sept 2001	31 Dec 2000
	EUR M <sup>2)</sup>	SEK M	SEK M
Intangible fixed assets	1,636.9	15,960.2	12,259.0
Tangible fixed assets	606.9	5,917.0	4,811.0
Financial fixed assets	58.3	568.7	441.3
Inventories	361.9	3,528.6	2,808.4
Receivables	427.8	4,171.3	3,276.3
Other non-interest-bearing current assets	74.6	727.0	659.1
Interest bearing current assets	169.4	1,651.3	1,752.1
<b>Total assets</b>	<b>3,335.8</b>	<b>32,524.1</b>	<b>26,007.2</b>
Shareholders' equity	1,204.1	11,739.7	10,637.3
Minority interests	48.2	469.8	559.8
Interest-bearing provisions	112.7	1,098.8	969.0
Non-interest-bearing provisions	34.5	336.1	281.3
Interest-bearing long term liabilities	259.9	2,533.8	7,962.2
Non-interest-bearing long term liabilities	2.6	25.1	3.0
Interest-bearing current liabilities	1,237.0	12,060.5	1,398.4
Non-interest-bearing current liabilities	436.8	4,260.3	4,196.2
<b>Total shareholders' equity and liabilities</b>	<b>3,335.8</b>	<b>32,524.1</b>	<b>26,007.2</b>

CHANGE IN SHAREHOLDER'S EQUITY	30 Sept 2001 EUR M <sup>2)</sup>	30 Sept 2001 SEK M	31 Dec 2000 SEK M
<b>Opening balance as at the beginning of the year</b>	<b>1,091.0</b>	<b>10,637.3</b>	<b>5,337.0</b>
Effect from change of accounting principle	-	-	-90.0
Converted shares	6.6	64.8	48.6
New share issue	-	-	4,376.0
Dividend	-32.6	-317.8	-237.5
Exchange difference for the year	62.2	606.0	288.1
Net Income	76.9	749.4	915.1
<b>Closing balance as at end of period</b>	<b>1,204.1</b>	<b>11,739.7</b>	<b>10,637.3</b>

SALES BY ORGANIZATIONAL UNIT		Jan-Sept 2001	Jan-Sept 2000	01/00 % <sup>3)</sup>
Scandinavia	SEK M	1,447	1,388	3
Finland	EUR M	93	91	3
Central Europe <sup>4)</sup>	EUR M	113	85	3
South Europe <sup>5)</sup>	EUR M	226	186	5
United Kingdom	GBP M	79	24	7
North America	USD M	682	396	4
Hotel locks	NOK M	714	738	-3
Australia & New Zealand	AUD M	110	108	2
HID	USD M	71	-	-
New markets <sup>6)</sup>	SEK M	1,296	514	18
<b>Total</b>	<b>SEK M</b>	<b>16,304</b>	<b>9,747</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	Jan-Sept 2001 EUR M <sup>1)</sup>	Jan-Sept 2001 SEK M	Jan-Dec 2000 SEK M
Operating income before goodwill amortization	251.4	2,307.9	2,107.2
Depreciation	68.6	629.8	598.2
Net capital expenditure	-62.4	-572.6	-496.9
Change in working capital	-22.9	-210.4	-95.9
Financial items	-73.1	-671.4	-356.9
<b>Operating cash flow</b>	<b>161.6</b>	<b>1,483.3</b>	<b>1,755.7</b>

#### CHANGE IN NET DEBT

Net debt as at the beginning of the year <sup>2)</sup>	877.9	8,559.9	2,997.7
Cash flow impact on net debt	311.8	2,862.5	2,116.3
Adjustment acquired liquid assets	3.9	35.8	2,328.8
Net debt in acquired subsidiaries	23.1	212.3	1,142.8
Translation differences and other	217.5	2,312.6	-25.7
<b>Net debt as at end of period<sup>2)</sup></b>	<b>1,434.2</b>	<b>13,983.1</b>	<b>8,559.9</b>

KEY DATA**	Jan-Sept 2001	Jan-Sept 2000	Jan-Dec 2000
Sales, SEK M	16,304	9,747	14,394
Organic growth, %	4	5	5
Gross margin (EBITDA), %	18.0	18.6	18.8
Operating margin before goodwill amortization (EBITA), %	14.2	14.3	14.6
Operating margin (EBIT), %	10.3	11.9	12.0
Income before tax, SEK M	1,173	980	1,402
Profit margin (EBT), %	7.2	10.0	9.7
Operating cash flow, SEK M	1,483	1,164	1,756
Operating cash flow / Income before tax	1.26	1.19	1.25
Net capital expenditure, SEK M	573	292	497
Depreciation and amortization, SEK M	1,259	646	985
Total assets, SEK M	32,524	25,601	26,007
Shareholders' equity, SEK M	11,740	10,350	10,637
Net debt, SEK M	13,983	9,250	8,560
Capital employed, SEK M	26,193	20,211	19,757
Capital employed excl. goodwill, SEK M	10,416	7,714	7,679
Equity ratio, %	37.5	42.8	43.1
Interest coverage ratio, times	3.3	6.4	5.5
Net debt/equity ratio, times	1.19	0.89	0.80
Return on shareholders' equity, %	8.8	13.6	13.3
Return on capital employed before goodwill amortization, %	34.2	29.4	34.3
Return on capital employed, %	9.8	14.6	13.7
Operational return on capital employed, % ***	13.5	18.2	16.7
Earnings per share after tax and full conversion, SEK	2.12	1.96	2.73
Interest on convertible debentures net after tax, SEK M	5.0	6.2	8.5
Cash earnings per share after tax and full conversion, SEK	5.68	3.85	5.81
Shareholders' equity per share after full conversion, SEK	33.43	29.72	30.52
Earnings per share after tax and full conversion excluding goodwill, SEK ****	3.88	2.66	3.88
Number of shares, thousands	353,557	352,453	352,453
Number of shares after full conversion, thousands	356,712	356,712	356,712
Average number of employees	23,620	14,717	16,881

\* Number of shares, thousands, used for the calculation amount to 353,098 for year 2001, and 324,545 for year 2000.

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

\*\*\* Income before tax plus interest net and goodwill amortization in relation to average capital employed.

\*\*\*\* Net income excluding goodwill amortization plus interest expenses after tax regarding convertible debenture loan in relation to weighted average number of shares after full conversion.

1) Translated using an average rate during the year of 9.18.

2) Translated using a closing rate as at 30 September 2001 of 9.75.