

ASSA ABLOY: growth profile

Stable organic growth

- Trend towards higher security
- Aftermarket sales more than half the volume
- Electromechanical products – cross sales – new markets

Increasing margins

- Improvements in each unit
 - benchmarking
 - transfer of know-how

Cash flow even stronger

- Work flow and balance sheet rationalization
- Goodwill amortization

Consolidation opportunities – focus on earnings per share (EPS)

- Fragmented industry – harmonization and R&D requirements lead to consolidation
- Strong cash flow funds acquisitions

The year 2000 in brief:

Substantial growth in sales and earnings

- Sales amounted to SEK 14,394 M (10,277), an increase of 40 percent.
- Organic growth in comparable units in local currency amounted to 5 percent (5).
- Income before tax increased by 43 percent to SEK 1,402 M (981).
- Earnings per share increased by 23 percent to SEK 2.73 (2.22).
- Operating cash flow amounted to SEK 1,756 M (1,218).
- Cash earnings per share (CEPS) increased by 34 percent to SEK 5.81 (4.32).
- Continuous benchmarking between the various units has continued to produce results in the form of higher productivity and further margin improvements. During the year greater focus has been placed on growth by cross-selling of products on new markets where the Group is represented.
- Major acquisitions made during 2000
 - *Yale Intruder Security*. On August 25 2000 ASSA ABLOY AB acquired Yale Intruder Security, the lock division of Williams plc. The two groups have complementary strengths and there is little geographical overlap. There are considerable organic growth opportunities through cross-selling within the new Group.
 - *HID Corporation*. This us company holds a world-leading position in contactless cards and readers for access control based on Radio-Frequency Identification technology (RFID). HID is consolidated from January 2001.
- Share issues
 - As part of the funding of the acquisition of Yale Intruder Security, ASSA ABLOY completed a rights issue in May. This raised SEK 1.5 billion, with a subscription rate of 99.9 percent. In addition, 19.8 million Series B shares were used as part payment to Williams plc.

“We are now the world’s leading lock group.
And we will continue our growth strategy”

2000 was another year of strong performance for the ASSA ABLOY Group. Income before tax increased by 43 percent to SEK 1,402 M, operating cash flow after capital expenditure was even stronger at SEK 1,756 M, and earnings per share increased by 23 percent to SEK 2.73. Through a combination of acquisitions and organic growth our sales grew to SEK 14,394 M (10,277) and on a pro forma basis our sales are now approaching SEK 20,000 M.

Through the acquisition of the global lock group Yale Intruder Security we became the world leaders in locks. By acquiring HID, the world leader in identification products for access control, we have added a logical and fast growing business area and important know-how for the development of future intelligent locks.

We will continue to focus on the lock segment

Through focusing closely on the lock segment, everything we do is of interest to everyone within our Group. The intensity in every discussion is striking and the benefits of benchmarking are obvious. We can develop our companies towards excellence more quickly and can integrate acquired companies faster. There is great potential for continued growth in both mature and emerging markets. When we expand our business focus, as we have done in acquiring hid, we will do it carefully and step by step to ensure that we can maintain momentum.

Focus is also important in our striving for true leadership. True leadership for us means not just being the biggest but also leading in ‘thought’, i.e. in the development of products, concepts and marketing ideas. We live in a world where the need for security and safety is steadily increasing. We believe that every individual is prepared to invest more money in a better lock – a more secure lock. We therefore spend a

considerable amount of time with our customers and partners and with police and fire services and other authorities to understand today’s risks and problems in order to develop the locks for tomorrow and market them once they are ready.

We see a business opportunity in the growing need for convenience

In addition to the increasing need for security and safety we note a rapidly growing demand for convenience – i.e. for products that are easy to use. The development of remotely controlled car locks illustrates how much people appreciate and are prepared to pay for convenience combined with security. In less than ten years such locks have become standard in every new car. We believe that there is a similar opportunity for easy-to-use locks in buildings and are determined to lead development in this field.

Electromechanics are essential to the development of such locks. In this fast-growing segment we do all develop-

ment work jointly, although the products are then adapted to the local Standards and needs of each market. The main drivers in this work are Abloy in Finland, the world leader in motor locks, and effeff (Germany) and Securitron (usa), world leaders in electric strikes and door magnets.

The acquisitions of Yale and HID were significant steps in our development

During the year we have made several significant acquisitions. Yale was a perfect fit, and brought us market-leading positions in a number of countries where we were not present or where our position was relatively weak. These include South Africa, Brazil and in particular China, where Yale-Guli is the market leader with 3,000 employees. We also acquired the Yale brand, the world’s strongest lock brand. The potential for combining the development of market-leading products with this truly global network gives us an interesting platform to build upon and opens up tremendous



opportunities. The integration process has started well and the excitement in both the old Assa Abloy companies and the Yale companies is encouraging.

Ident in America was another strategic acquisition. The company is the world leader in non-contact identification products for access control: products that serve the same function in principle as a traditional key but use radio-frequency identification technology for communication between cards and readers. However the technology is highly interesting for a number of other lock applications also. The company has shown strong, profitable growth over many years, driven by both market growth and expansion of its market share.

Our companies continued to show increasingly strong performance

Organic growth was good throughout the year. We are proud to be a supplier to the Pentagon, Ford, Indian Oil, Ericsson, the US Senate, IBM and many other major purchasers. Among interesting highlights, Abloy in Finland showed impressively strong organic growth of 14 percent. The company has a strong track record of bringing innovative products to the market and is involved in a number of cross-selling projects in the Group. Abloy was also elected 'the most respected brand overall' in Finland in a major market research survey, an impressive achievement and a good example of the strength of lock brands.

Among recent acquisitions, Effeff in Germany is doing particularly well and has strengthened our German position considerably. Effeff and Ikon are jointly building a solid market-leading position. In Australia, Lockwood is also developing

well and is ahead of the integration plan. Coming from a similar situation to some of the Yale companies, with a lack of new products and initiatives, Lockwood is setting an interesting benchmark for how to quickly regain an active market-leading position. During the year new cylinders, padlocks, panic bars and electro-mechanical locks have all been successfully introduced to the market as a result of effective cooperation with sister companies.

To summarize our other units, Scandinavia did well, with Sweden showing the strongest profit and volume growth. The French units continued to show encouraging profit improvements. Organic growth was stronger in more security-focused segments, while we are gradually phasing out non-profitable low-end products.

Our North American operations had another solid year with improving performance. Growth was particularly strong in the lock and cylinder segments. The addition of the Yale companies will further strengthen our market position. It has added to our Group the strong door-closer manufacturers Norton and Rixson, classic lock companies such as Corbin Russwin, and Folger Adam, a leading manufacturer of detention locks.

Mexico is another market of increasing importance for the Group. The country is growing strongly and the demand for new housing as well as increasing security is obvious. Scovill is now well integrated into our Group, and through the acquisition of Phillips in January 2001 we are creating a strong platform to grow from.

In New Markets our activities showed steady progress, with growth of 13 percent. Development in Asia

was particularly strong, and together with the market-leading position and manufacturing capacity provided by Yale in China, the outlook is excellent. Eastern Europe is also doing well, including demand from Russia now growing again. Mul-T-Lock in Israel is a major new addition to the Group. The company has an impressive track record of strong and profitable growth driven by steadily increasing exports. However, this was offset in 2000 by falling demand in a troubled home market.

VingCard finally took advantage of a year with less market growth and successfully focused on necessary efficiency projects. After years of strong growth, many processes were not streamlined, but the company is now much better positioned. The Elsafe subsidiary, which manufactures hotel safes, showed another year of strong growth.

New Group initiatives and projects to take advantage of our size

Cross-sales form an important growth area. Each company is encouraged to add new products to its portfolio from other Group companies. Almost every company has gaps to fill, and all products are available within the Group after local adaptation. If every Group company had a complete product portfolio the Group's sales would be 20-25 percent higher. To support this effort of cross-selling we are creating the world's largest database for lock products, which will include a wide range of products from the Group. By using standard tools, the time needed to produce local literature including photographs and data sheets will be considerably shortened.

Another important initiative is the joint development of a new electronic

lock technology that will be launched internationally this year, with adaptation to different local Standards and installed systems. This is the first time we have put all our best engineers together in an advanced r&d project designed to put us a clear step ahead.

The Volvo Ocean Race – a vehicle for global integration

Over the past seven years, we have acquired close to one hundred separate companies. Integrating the Yale group, comprising thirty companies, is our biggest challenge so far. A few weeks after the takeover, we summoned our 200 top managers to a conference. At this, we agreed on goals and visions, strategies and priorities. Naturally, we have a lot to do and a lot to learn from each another, but it was exciting to experience the enthusiasm among all the participants and their eagerness to get started.

It became obvious, however, that we could benefit from a positive and efficient tool that could quickly reach out further to both old and new employees. We wish to synchronize our values and ways of working as fast as possible and create a deeper understanding of our strategies and priorities throughout the organization. This is the background to our decision to participate in the Volvo Ocean Race.


The Race has a perfect geographic match to our operations, since it will pass all our major markets. It provides an ideal framework for our integration project. At each stopover we will invite our customers to come and discuss the lock market, their needs, and our strategy for supporting them. This is very exciting but requires a lot of

work, not least to establish a clear market positioning for the Group.

We expect continued good development

Our Group is now well prepared for the challenges ahead. We are in the process of taking advantage of our superior r&d capacity and global distribution network in a world with an increasing need for security. This includes response to the growing need for more intelligent locks, a trend we are determined to lead. There are also interesting opportunities to improve margins in both old and more recently acquired companies. Finally, the lock industry is still in the middle of a restructuring process, which will continue to create a good climate for further acquisition. We therefore look forward to continued good profit and volume growth in future years.

Stockholm, February 2001



Carl-Henric Svanberg
President & ceo

Group development:

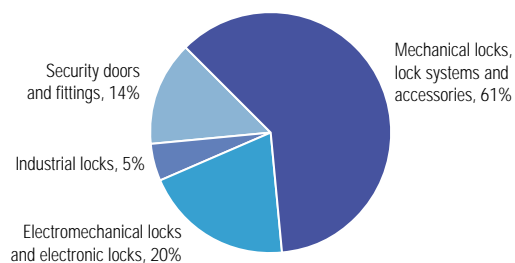
Statements of income

	2000 EUR M ¹⁾	2000 SEK M	1999 SEK M	1998 SEK M
Sales	1,695	14,394	10,277	8,582
Cost of goods sold	-1,009	-8,568	-6,282	-5,463
Gross income	686	5,827	3,995	3,119
Selling and administrative expenses	-438	-3,719	-2,612	-2,018
Operating income before goodwill amortization	248	2,107	1,383	1,101
Goodwill amortization	-45	-387	-189	-138
Operating income	203	1,720	1,194	963
Net financial items	-39	-331	-230	-228
Share in earnings of associated companies	1	12	17	13
Income before tax	165	1,402	981	748
Tax	-53	-453	-280	-212
Minority interests	-4	-34	-14	-10
Net income	108	915	687	526

Capital employed and financing

	2000 EUR M ²⁾	2000 SEK M	1999 SEK M	1998 SEK M
Capital employed	2,237	19,847	8,602	6,984
– of which goodwill	1,362	12,078	3,246	2,524
Net debt	965	8,560	2,998	4,237
Minority interests	63	560	267	32
Shareholders' equity	1,209	10,727	5,337	2,715

The ASSA ABLOY product portfolio



1) 1 EUR = 8.49 SEK

2) 1 EUR = 8.87 SEK

3) Including exports from each market.

4) Sales to customers in each country.

Sales by organizational unit ³⁾

	2000 EUR M ¹⁾	2000 SEK M	1999 SEK M	1998 SEK M
Scandinavia	222	1,889	1,777	1,701
Finland	125	1,060	898	811
Germany & Netherlands	137	1,162	621	583
France & Belgium	210	1,781	1,576	1,504
United Kingdom	78	665	270	266
North America	628	5,335	3,721	2,916
Hotel locks, VingCard/TimeLox	124	1,052	965	952
Australia & New Zealand	89	754	590	–
Italy & Spain	47	396	44	–
New Markets	115	981	354	186
Elimination for internal sales	-80	-681	-539	-337
Total	1,695	14,394	10,277	8,582

Sales by country ⁴⁾

	2000 EUR M ¹⁾	2000 SEK M	1999 SEK M	1998 SEK M
United States	638	5,418	3,835	3,198
France	194	1,647	1,419	1,309
Sweden	99	839	741	658
Germany	92	780	528	528
United Kingdom	90	763	340	316
Australia	85	724	563	30
Finland	71	606	540	505
Norway	59	500	476	489
Canada	44	373	267	171
Denmark	43	365	329	308
Italy	25	214	68	52
Middle East	24	201	40	38
Asia (excl. China and Japan)	23	198	113	63
Spain	21	178	100	48
Belgium	20	171	147	134
The Netherlands	20	167	89	80
Czech Republic	19	165	159	155
China	15	125	62	78
Africa	13	110	40	58
Switzerland	7	57	36	35
Poland	6	55	43	26
Japan	6	50	25	13
Baltic countries	5	43	34	36
Russia	3	28	15	31
Other countries	73	617	268	223
Total	1,695	14,394	10,277	8,582

Key data

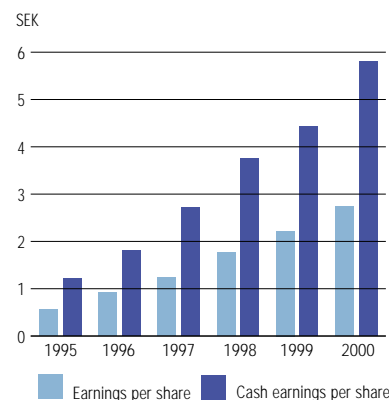
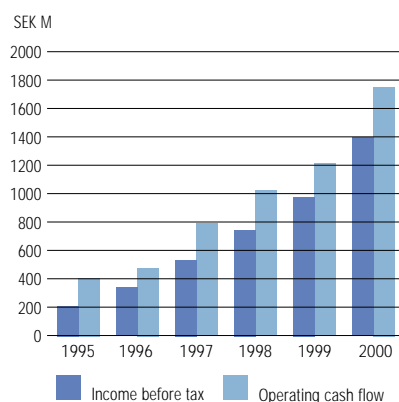
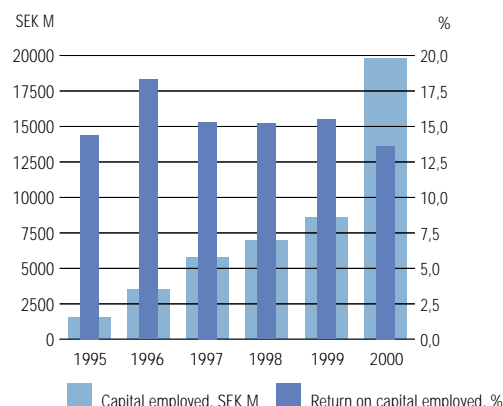
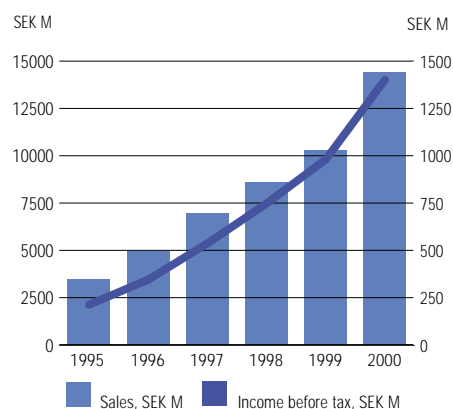
	2000	1999	1998	1997	1996
Sales, SEK M	14,394	10,277	8,582	6,968	4,958
Organic growth, %	5	5	6	8	8
Gross margin (EBITDA), %	18.8	18.1	18.5	16.8	14.6
Operating margin before goodwill amortization (EBITA), %	14.6	13.5	12.8	11.6	10.4
Operating margin (EBIT), %	12.0	11.6	11.2	10.1	9.3
Income before tax, SEK M	1,402	981	748	537	345
Profit margin (EBT), %	9.7	9.5	8.7	7.7	7.0
Operating cash flow, SEK M	1,756	1,218	1,028	796	481
Operating cash flow / Income before tax	1.25	1.24	1.37	1.48	1.39
Net capital expenditure, SEK M	497	391	316	260	163
Depreciation and amortization, SEK M	985	667	623	461	265
Total assets, SEK M	26,097	11,289	9,219	7,692	4,684
Shareholders' equity, SEK M	10,727	5,337	2,715	2,317	1,408
Net debt, SEK M	8,560	2,998	4,237	3,442	2,085
Capital employed, SEK M	19,847	8,602	6,984	5,783	3,503
Capital employed excl. goodwill, SEK M	7,769	5,356	4,460	3,948	2,524
Equity ratio, %	43.3	49.6	29.8	30.4	30.3
Interest coverage ratio, times	5.5	5.3	4.4	4.1	3.8
Net debt / equity ratio, times	0.80	0.56	1.56	1.49	1.48
Return on shareholders' equity, %	13.1	16.1	19.0	17.2	20.2
Return on capital employed before goodwill amortization, %	33.8	28.5	26.4	25.2	25.9
Return on capital employed, %	13.6	15.5	15.2	15.3	18.3
Earnings per share after tax and full conversion, SEK ¹⁾	2.73	2.22	1.76	1.23	0.93
Cash earnings per share after tax and full conversion, SEK ¹⁾	5.81	4.32	3.75	2.72	1.80
Shareholder's equity per share after full conversion, SEK ¹⁾	30.77	17.16	9.93	8.64	5.40
Number of shares, thousands	352,453	314,409	284,304	282,928	257,244
Number of shares after full conversion, thousands	356,712	324,200	295,448	295,448	265,396
Average number of employees	16,881	12,654	10,545	8,088	6,317

1) Comparative figures are adjusted for dilution related to new rights issue, with the adjustment factor 0.987.

Definitions

- **Organic growth:** Change in sales for comparable units in local currency and adjusted for acquisitions.
- **Gross margin:** Operating income before depreciation and amortization as a percentage of sales.
- **Operating margin before goodwill amortization:** Operating income before goodwill amortization as a percentage of sales.
- **Operating margin:** Operating income as a percentage of sales.
- **Profit margin:** Income before tax as a percentage of sales.
- **Operating cash flow:** Based on the consolidated cash flow statement.
- **Net capital expenditure:** Purchase of tangible fixed assets reduced by sale of tangible fixed assets.
- **Depreciation and amortization:** Depreciation / amortization of tangible and intangible fixed assets.
- **Net debt:** Interest-bearing liabilities less interest-bearing assets.
- **Capital employed:** Total assets reduced by interest-bearing assets and non-interest-bearing liabilities including deferred tax liability.
- **Capital employed excl. goodwill:** Total assets reduced by interest-bearing assets, non-interest-bearing liabilities including deferred tax liability, and goodwill.
- **Equity ratio:** Shareholders' equity including minority interests as a percentage of total assets.

- **Interest coverage ratio:** Income before tax plus interest net in relation to interest net.
- **Return on shareholders' equity:** Net income plus interest expense after tax regarding convertible debenture loan in relation to average shareholders' equity after full conversion.
- **Return on capital employed before goodwill amortization:** Income before tax plus interest net and goodwill amortization in relation to average capital employed excluding goodwill.
- **Return on capital employed:** Income before tax plus interest net in relation to average capital employed.
- **Earnings per share after tax and full conversion:** Net income plus interest expenses after tax regarding convertible debenture loan in relation to weighted average number of shares after full conversion.
- **Cash earnings per share after tax and full conversion:** Net income plus interest expenses after tax regarding convertible debenture loan, plus depreciation, amortization and minority interests, minus share in earnings of associated companies and adjusted for change in deferred tax in relation to weighted average number of shares after full conversion.
- **Shareholders' equity per share after full conversion:** Shareholders' equity plus convertible debenture loan in relation to number of shares after full conversion.



The ASSA ABLOY share:

assa abloy ab has been listed on the Stockholm Stock Exchange since November 8 1994. In October 1995, the share was moved to the a list. The price of the assa abloy share rose by 54 percent in 2000. During the same period, the Stockholm Stock Exchange's general index fell by 12.3 percent. The closing price at year-end was sek 184.5, corresponding to a market capitalization of sek 65,028 m. Including all shares due for conversion, the market capitalization is calculated to be sek 65,813 m. The number of shareholders at year-end was approximately 17,700. Institutional investors, excluding the main shareholders, represent about 50 percent of the capital.

Investors outside Sweden, including Wärtisilä Corporation, account for 63 percent of the capital.

During the year a total of 139 million shares were traded, which is an average of approximately 553,693 shares per trading day and represents about 40 percent of the issued shares.

Share capital

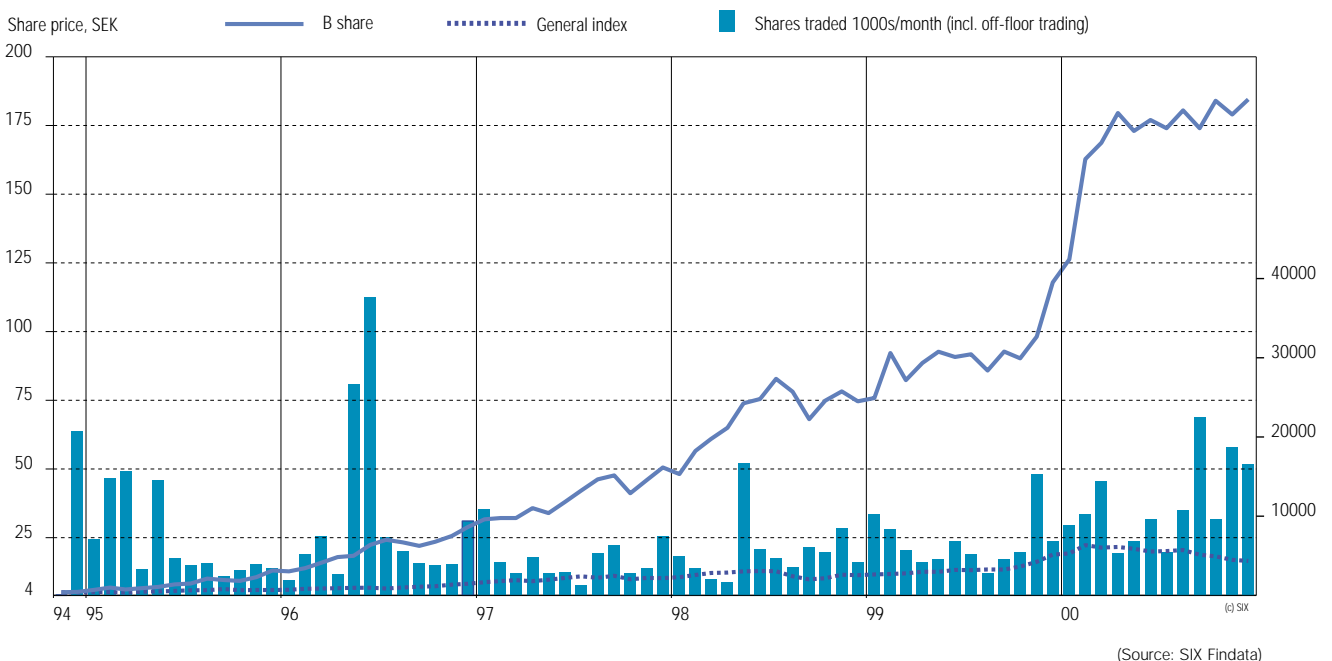
assa abloy's share capital at year-end amounted to sek 352,453,235, distributed among 19,175,323 Series a shares and 333,277,912 Series b shares. All shares have a par value of sek 1.00 and provide the holders with equal rights to the Company's assets and earnings. Each Series a share

carries 10 votes and each Series b share one vote.

Convertible debentures for personnel

The assa abloy Group has issued convertible debentures to employees in the Group. About 400 employees participated in the first issue in 1995. The debenture amounted to sek 75,004,375 and ran from June 29 1995 to June 30 2000. Conversion to Series b shares took place in the period from July 1 1998 to June 15 2000. The number of shares has increased by 5,627,533 during the year as a result of this convertible debenture.

ASSA ABLOY AB's share trend



The second debenture was issued in 1997. A total of 1,400 employees participated in this issue. This debenture amounts to sek 250,000,000 and runs from December 8 1997 to December 2 2002. Conversion to Series b shares may be exercised from December 1 2000 to November 15 2002. On full conversion at a conversion price of sek 58.70, an additional 4,258,944 shares would be created. In 2000, applications for conversion of debt instruments with a par value of sek 17,252,790 were submitted. Up to the end of the year the Swedish Patent and Registration Office had not registered any of these shares.

Dividend and dividend policy

The Board of Directors and President propose that sek 0.90 per share be paid as a dividend to shareholders for the 2000 financial year, corresponding to a direct return of 0.5 percent on the Series b share price of sek 184.5 on December 31 2000. The aim is that, in the long term, the dividend should correspond to approximately one-third of assa abloy's average earnings after standard tax, but always taking into account assa abloy's long-term financial requirements.

Data per share ¹⁾

SEK/Share	2000	1999	1998	1997	1996	1995
Earnings after 28% standard tax	2.91	2.27	1.79	1.36	0.95	0.60
Earnings after full tax method	2.73	2.22	1.76	1.23	0.93	0.56
Dividend	0.90 ²⁾	0.74	0.60	0.43	0.30	0.22
Dividend, % ³⁾	30.9	32.6	33.5	31.6	31.6	36.7
Direct yield, % ⁴⁾	0.5	0.6	0.8	0.8	1.0	1.6
Share price at end of period	184.50	119.50	75.65	51.24	29.28	13.24
Highest share price	206.70	140.00	92.73	52.95	28.97	15.16
Lowest share price	110.50	73.21	48.07	28.69	12.38	5.23
Shareholders' equity	30.77	17.16	9.93	8.64	5.40	4.47
Number of shares (1,000s) ⁵⁾	356,712	324,200	295,448	295,448	265,396	221,684

1) Adjusted for new issues. 2) Proposed dividend. 3) Dividend as percentage of earnings per share after 28% standard tax. 4) Dividend as percentage of the share price at the end of the period. 5) After full conversion.

Share capital

Year	Transaction	A shares	C shares	B shares	Share capital *SEK
1989			20,000		2,000,000
1994	100:1 split			2,000,000	2,000,000
1994	Bonus issue				
1994	Non-cash issue	1,746,005	1,428,550	50,417,555	53,592,110
1996	New share issue	2,095,206	1,714,260	60,501,066	64,310,532
1996	Conversion of C shares into A shares	3,809,466		60,501,066	64,310,532
1997	New share issue	4,190,412		66,541,706	70,732,118
1998	Converted debentures			343,865	71,075,983
1999	Converted debentures before split			293,991	71,369,974
1999	Bonus issue				
1999	4:1 split	16,761,648		268,718,248	285,479,896
1999	New share issue	18,437,812		295,564,487	314,002,299
1999	Converted debentures after split and new issues			406,343	314,408,642
2000	Converted debentures			5,627,553	320,036,195
2000	New share issue	19,175,323		313,512,880	332,688,203
2000	Issue in kind with disapplication of the shareholders' preferential rights			333,277,912	352,453,235
2002	Unconverted debentures			4,258,944	356,712,179

* SEK 1 per share – balanced number of shares

Ownership structure (listed by voting rights)

Data based on the share register as of December 30, 2000

Owner	A shares	B shares	Capital %	Voting rights %
Wärtsilä Corporation	10,546,425	47,270,350	16.4	29.1
Säkl	7,118,818	966,400	2.3	13.7
Janus Capital Corp.		27,854,047	7.9	5.3
Melker Schörling + family and companies	1,510,080	11,099,930	3.6	5.0
Investment AB Latour		24,309,582	6.9	4.6
SPP		10,450,556	3.0	2.0
Chubb plc		9,882,516	2.8	1.9
SEB unit trusts		7,772,519	2.2	1.5
Nordea unit trusts		7,718,260	2.2	1.5
Capital Group unit trusts		6,274,700	1.8	1.2
Other shareholders with more than 50,000 shares		160,376,700	45.5	30.5
Shareholders with 501-50,000 shares		17,451,074	5.0	3.3
Shareholders with up to 500 shares		1,851,278	0.5	0.4
Total number	19,175,323	333,277,912	100.0	100.0