# Annual Report 2010

ASSA ABLOY

The global leader in
door opening solutions

# Contents

**Online Annual Report**
ASSA ABLOY's online Annual Report has many user-friendly functions. The texts can be read out loud and the financial tables can be expanded and downloaded in Excel. All information in the Annual Report can be found easily by menu navigation or by using the Search function. The online Annual Report is available at: www.assaabloy.com/annualreport2010.



Cover photograph: Kitty Yu and daughter Chloe.

Kitty is a graduate of the University of Southern California Law School, Los Angeles, USA and is legal affairs director of ASSA ABLOY Asia Pacific. She is based in Hong Kong and brings great competence to all acquisitions and major legal undertakings in the Asia Pacific region.

# The ASSA ABLO

ASSA ABLOY is the global leader in door opening solutions, dedicated to satisfying end-user needs for security, safety and convenience.

ASSA ABLOY is represented on both mature and emerging markets worldwide, with leading positions in much of Europe, North America, Asia and the Pacific. In the fast-growing electromechanical security segment, the Group has a leading position in areas such as access control, identification technology, entrance automation and hotel security.

Since its formation in 1994, ASSA ABLOY has grown from a regional company into an international group with around 37,000 employees and sales of around SEK 37 billion. As the world's leading lock group, ASSA ABLOY offers a more complete range of door opening solutions than any other company on the market.

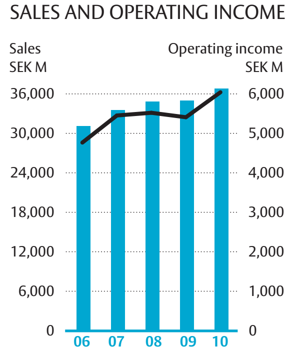
| Key data | 2008[1] | 2009[1] | 2010 | Change |
|---|---|---|---|---|
| Sales, SEK M | 34,829 | 34,963 | 36,823 | +5% |
| of which: Organic growth, % | 0 | –12 | 3 | |
| Acquired growth, % | 4 | 3 | 8 | |
| Exchange-rate effects, % | 0 | 9 | –6 | |
| Operating income (EBIT), SEK M | 5,526[2] | 5,413[2] | 6,046 | +12% |
| Operating margin (EBIT), % | 15.9[2] | 15.5[2] | 16.4 | |
| Income before tax (EBT), SEK M | 4,756[2] | 4,779[2] | 5,366 | +12% |
| Operating cash flow, SEK M | 4,769 | 6,843 | 6,285 | –8% |
| Return on capital employed, % | 17.2[2] | 16.2[2] | 18.5 | |

| Data per share | 2008 | 2009 | 2010 | Change |
|---|---|---|---|---|
| Earnings per share after tax and dilution, SEK/share | 9.21[2] | 9.22[2] | 10.89 | +18% |
| Equity per share after dilution, SEK/share | 55.91 | 54.76 | 58.64 | |
| Dividend, SEK/share | 3.60 | 3.60 | 4.00[3] | |
| Number of shares after dilution, thousands | 380,713 | 372,931 | 372,736 | |

[1] 2008 and 2009 have been reclassified. [2] Excluding items affecting comparability. [3] As proposed by the Board of Directors.

## DEVELOPMENT 2006–2010

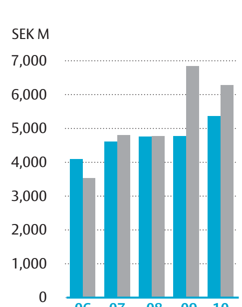
### SALES AND OPERATING INCOME




Sales[1]
Operating income[2]

[1]Figures for 2008 and 2009 are affected by reclassification.
[2] Excluding items affecting comparability, 2006, 2008 and 2009.

### INCOME BEFORE TAX AND OPERATING CASH FLOW




Income before tax[1]
Operating cash flow

[1]Excluding items affecting comparability, 2006, 2008 and 2009.

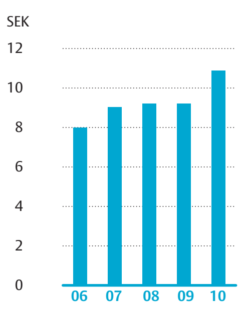
# OY Group

## Important events during the year

- **Sales** rose 5 percent to SEK 36,823 M (34,963).
- **Operating income** amounted to SEK 6,046 M (5,413).
- **Earnings per share** after full dilution amounted to SEK 10.89 (9.22).
- **Operating cash flow** amounted to SEK 6,285 M (6,843)
- **Investments in product development** accelerated and a large number of **new products were launched**.
- **A scalable infrastructure** for secure delivery of **mobile keys** was launched during the year.
- **Acquisition of Pan Pan** which is China's largest manufacturer of high security steel doors. Other large acquisitions where **King Door Closers, South Korea, Paddock,** United Kingdom and **ActivIdentity,** USA.
- **Signed an agreement to acquire Cardo,** a leading Swedish industrial door company.

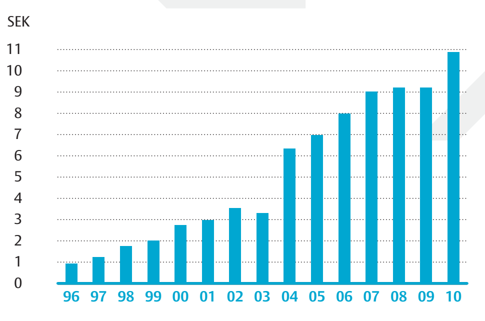
FOR A COMPLETE REVIEW OF THE GROUP AND ITS DIVISIONS, SEE PAGE 36–37

EARNINGS PER SHARE[1] AFTER TAX AND FULL DILUTION




[1]Excluding items affecting comparability, 2006, 2008 and 2009.

DEVELOPMENT OF EARNINGS PER SHARE



# Creating opportunities for growth and profitability

Today ASSA ABLOY is the leading global supplier of lock and security solutions. Products from ASSA ABLOY account for more than one in ten of all lock and security installations worldwide. The strategy to further strengthen the Group's position is divided into three areas:

## World-leading market presence

A world-leading market presence is achieved by exploiting the strength of the brand portfolio, increasing growth in the core business and expanding into new markets and segments. ASSA ABLOY has many of the industry's strongest brands. The sales teams on the local markets are united under the ASSA ABLOY master brand to better meet the rising demand for more complete security solutions. Collaboration with architects, security consultants and major end-users on the specification and project market is being intensified. The Group is expanding into new geographical markets through the development of distribution channels, with customized product offerings and through acquisitions.

## The Group's product leadership

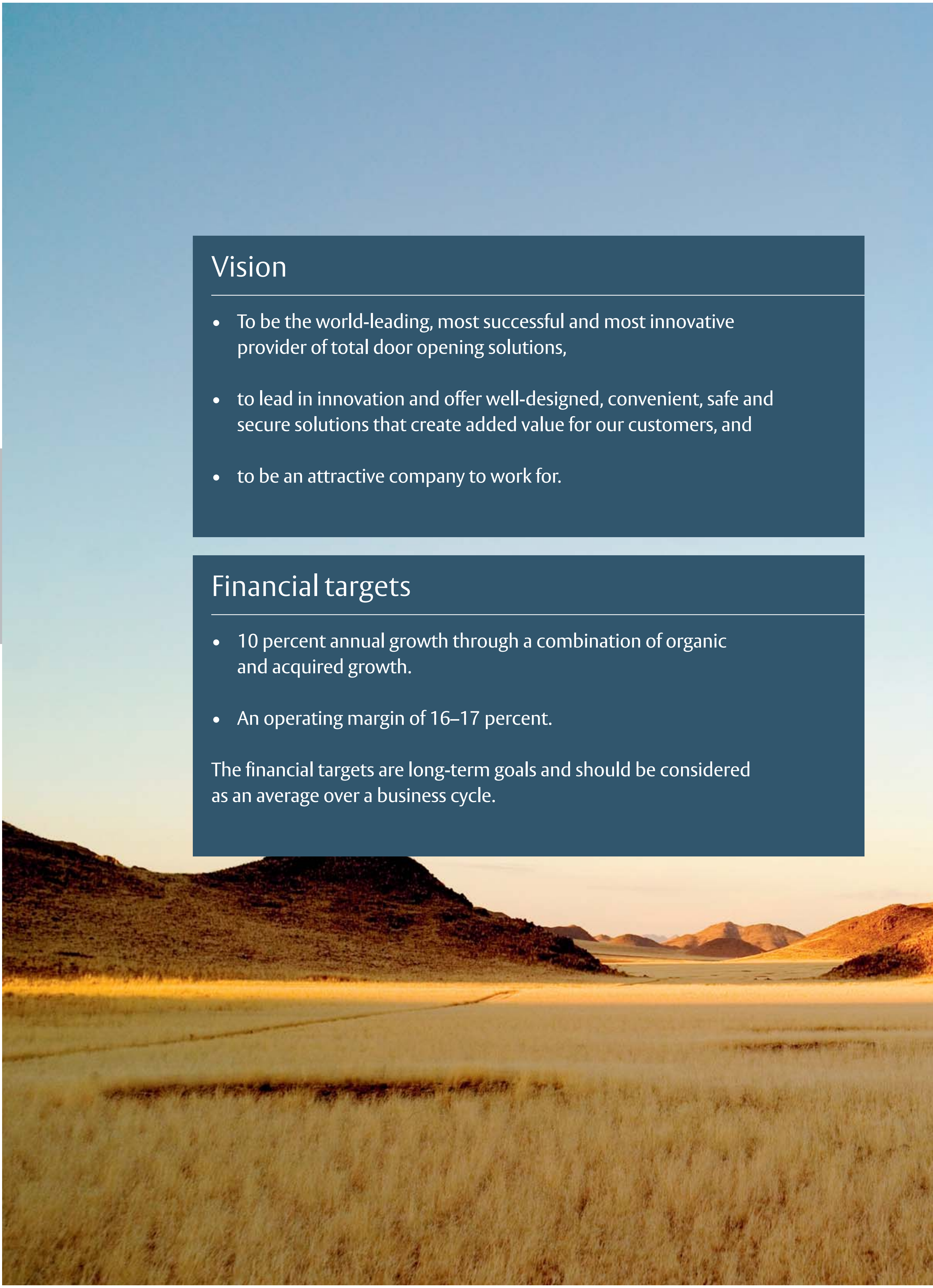
The Group's product leadership is achieved through the continuous development of products offering enhanced customer value and lower product costs. A key activity for achieving this is the use of common product platforms with fewer components. New products are also being developed in close collaboration with ASSA ABLOY's end-users and distributors to enhance customer value. The product development process has been streamlined by implementing a clearly defined common development process and by separating the maintenance and improvement of existing products from new development.

## Efforts to increase cost-efficiency

Efforts to increase cost-efficiency continue in all areas, including common product platforms with fewer components and common product development. In production, flexible final assembly close to the customer is combined with the transfer of high-volume standard production to external and internal production units in low-cost countries. The implementation of lean methods continues, and is leading to more efficient production flows, better control of material costs, improved decision-making procedures, shorter development times and increased cooperation between marketing and sales teams.

## Increased growth and profitability

ASSA ABLOY creates opportunities for increased growth and profitability through a strong focus on the strategy's three areas of market presence, product leadership and cost-efficiency.



## Vision

- To be the world-leading, most successful and most innovative provider of total door opening solutions,
- to lead in innovation and offer well-designed, convenient, safe and secure solutions that create added value for our customers, and
- to be an attractive company to work for.

## Financial targets

- 10 percent annual growth through a combination of organic and acquired growth.
- An operating margin of 16–17 percent.

The financial targets are long-term goals and should be considered as an average over a business cycle.

## Strategy

The Group's overall focus is to spearhead the trend towards higher security with a product-driven offering centered on the customer. The primary product areas are the traditional segments of mechanical locks and security doors, as well as the fast-growing segments of electromechanical and electronic locks, access control, identification technology and automatic doors.

ASSA ABLOY's strong development is based on long-term structural growth in demand on mature markets in Europe, North America, Australia and New Zealand, increasing demand on emerging markets in Asia, eastern Europe, Africa and South America, and successes in fast-growing product segments.

The strategic action plans have been divided into three focus areas: market presence, product leadership and cost-efficiency.

Strategy

Goal

Market presence
page 8–17

+

Product leadership
page 18–25

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Cost-efficiency
page 26–31

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Growth and profitability
page 32–35

# Statement by the President and CEO
## Continued profitable growth

I was pleased to note that the business cycle improved in 2010 and organic growth returned to a good 6 percent in the second half of the year. The good growth was achieved through consistent investments in new products, selective strengthening of the market organization and a number of exciting acquisitions. Meanwhile ASSA ABLOY continued its successful efforts to increase efficiency and emerged from the recession as a much stronger company. Earnings and margins remained at a record high and increasing level throughout the year, while cash flow was strong and the financial position was robust. 13 acquisitions were completed during the year increasing sales by 8 percent, largely in emerging markets, and the Group's largest ever acquisition was initiated by a public offer for the Swedish Cardo group.

### Strategic action plans

We operate in an industry that is under consolidation and increased presence on existing and new markets is therefore crucial for the Group's growth and position as market leader. Organic growth is the single most important driving force and requires strong innovative product leadership. In addition, continuous efforts to increase cost-efficiency are required to secure strong value creation. We create the opportunities for future growth with continued high profitability by combining enhanced market presence, strong innovative product leadership and cost-efficiency.

### Market presence

During the year the Group continued to unite the sales forces under the ASSA ABLOY master brand, enabling a further widening of the product range and streamlining of market development. Today more than 70 percent of the products are double-branded with the local brand endorsed by the ASSA ABLOY brand and it is gradually increasing. In addition the remaining 30 percent of the products are sold under the Yale, HID, ABLOY and Mul-T-Lock brands. These global brands complement ASSA ABLOY's market presence and range.

Clear market segmentation of the sales organization is fundamental for continued growth in the core business. The successful expansion of the market organization continued, with increased focus on specifiers, architects and the fast-growing area of electromechanical door opening solutions.

I especially would like to emphasize the consistent actions to increase our presence on emerging markets in Asia, East Europe, the Middle East, Africa and South America. These markets accounted for a full 24 percent of total Group sales in 2010, compared with 9 percent six years ago.

Acquisition activity was high during the year and is an important part of the Group's development. Acquisitions complement ASSA ABLOY's product range, provide new technology and increases the Group's geographical market presence.

A total of 13 acquisitions were completed, with annual sales of SEK 2,880 M, equivalent to 8 percent acquired growth. Major acquisitions included Pan Pan (China), King Door Closers (South Korea), ActivIdentity (USA) and Paddock (UK).

## Product leadership

ASSA ABLOY is firmly convinced that a continuous flow of new innovative products, with enhanced customer value and lower product costs, is the single most important driver for organic growth. Successful product development is therefore vital for the Group's future. ASSA ABLOY's vision is to be the most innovative supplier of total door opening solutions and investments in R&D have increased significantly in recent years.

A Group-wide product development process based on customer needs has been introduced, considerably streamlining and shortening the development of new products. As a result, we saw sales of products launched in the past three years exceeding 20 percent (8) for the first time.

Key measures for achieving this were the use of common product platforms, modularization with fewer components, the introduction of shared competence centers and widening the geographical spread of new products.

Customers are increasingly demanding more advanced door opening solutions and the technical level is constantly rising. Meanwhile sales of electromechanical door opening solutions are growing considerably faster than those of traditional mechanical products. Global common product platforms, which are then adapted to the local markets, have therefore become increasingly important. These platforms have been successfully developed by the Group product development function, Shared Technologies, and through collaboration within and between divisions.

## Cost-efficiency

Cost-efficiency affects the production structure, product costs and the administrative flow in the Group.

The process of change in the production structure began with the restructuring programs launched in 2006, 2008 and 2009. These have been very successful, resulting in large savings and increased efficiency in the Group's production units. At year-end these programs had resulted in the closure of 38 production units, while 42 units had switched to mainly final assembly. As a result of this restructuring 5,387 employees have left the Group. Another 13 units are set to close during 2011 and 2012. One consequence is that an increasing volume of standard production has been transferred to internal and external units in low-cost countries. Meanwhile the remaining local assembly has been improved through the introduction of Lean methods throughout the Group, combined with efficient final assembly of customized products.

In parallel with the reorganization of production in high-cost countries, it is very satisfying to see that ASSA ABLOY has maintained a rapid expansion of the production base in low-cost countries. A large proportion of the Group's total numbers of employees are now employed in low-cost countries.

In product development, the Group works with common product platforms with fewer components and common product development.

With regard to the Group's administrative flow, efforts are now focused on automated and standardized solutions, also known as Seamless Flow. Manual work is to be reduced, and in many cases eliminated, creating a seamless flow from the customer through the company's various processes to the suppliers. Cost reductions and increased efficiency and quality will be immediate as these solutions are implemented.

## Development of the divisions

### *EMEA division*

Following a good start to the year, growth slowed during the third and fourth quarter resulting in organic growth of 2 percent (–12).

EMEA continued to develop and lead the European lock market through aggressive marketing efforts. Specification of total door opening solutions is increasingly important for sales, and the number of specification sales representatives has therefore been increased substantially in EMEA and the close collaboration with architects and security consultants was further strengthened.

The division made major investments in new innovative products and several new pan-European product platforms were launched. New products included digital door locks for the residential market and electromechanical Cliq cylinders with high security intended for commercial customers.

New innovative products and the ongoing efficiency programs resulted in a substantial increase in operating income.

The year saw the acquisition of Paddock (UK), Aptus (Sweden), Seccom (Austria) and two small companies in Denmark and Israel.

### *Americas division*

The division returned to positive growth in the second half of the year driven by gradually increasing demand in the renovation market. However, the absence of new construction projects in North America had a negative impact on sales. Growth was high throughout the year in Mexico, Central and South America. All the division's business units showed growth towards the end of the year and organic growth for the full year was –2 percent (–19).

The division continued to focus on the specification of security solutions and further increased its knowledge of end-user needs. Marketing tools such as a Mobile Innovation Showroom allowed customers to view and learn about the latest door opening solutions at convenient local venues. The permanent product exhibition, the Innovation Showroom, at the division's main plant in Connecticut increased customer awareness of new products and security solutions.

Many new electromechanical products and environmentally sensitive solutions were launched.

Active marketing campaigns, new innovative products and streamlining measures enabled the division to maintain a very strong operating income and cash flow.

The year saw the acquisition of two U.S. companies: Schaub and Security Metal Products.

### *Asia Pacific division*

The division grew strongly throughout the year led by very strong growth in China, where demand particularly for security doors was high. Growth was also strong on the South Korean, Australian and New Zealand markets. The division reported 14 percent (–1) organic growth for the year.

Asia Pacific worked actively on a number of initiatives to increase the division's market presence. Some of the most important initiatives were the development of the specification and project market, expansion into new markets and segments, particularly in South and South-east Asia, and through acquisitions.

As a result of organic growth and strategic acquisitions, the Group can now offer a complete range of door opening solutions on the Asian markets.

# Statement by the President and CEO

» Future shareholder value is based on organic and acquired growth as well as continued rationalization and synergies in the Group «

– Johan Molin, President and CEO

Profitability in the division and all business units increased and was very strong.

The year saw the acquisition of Pan Pan and Longdian (China) and King Door Closers (South Korea).

***Global Technologies division***

The Global Technologies division reported strong organic growth of 10 percent (–12) for the year. HID experienced strong growth throughout the year, while Hospitality returned to positive growth in the second half of the year. HID successfully launched a large number of new products and services in logical and physical access and in secure card issuance. These new products were well received by the market resulting in strong growth. In addition, a number of major customer projects were obtained in the product areas of eGovernment and secure card issuance as well as from a large number of major public institutions. Towards the end of the year, the strategically important company ActivIdentity was acquired, providing important technology in logical access. An agreement was also signed to acquire LaserCard Corporation.

Hospitality continued to see a reduction in new hotel construction, which has now reached its lowest level for three years. Meanwhile demand for renovation and upgrades of lock systems increased strongly as a result of the launch of new hotel locks using RFID technology. Demand strengthened further towards the end of the year following the launch of Orion, a system enabling more efficient hotel management and also resulting in energy savings of up to 30 percent.

Through growing volumes and continued efficiency programs profitability increased throughout the division.

**ASSA ABLOY's Executive Team**

From left to right: Tzachi Wiesenfeld, Head of EMEA division; Denis Hébert, Head of the HID Global business unit; Jonas Persson, Head of Asia Pacific division; Ulf Södergren, Chief Technology Officer (CTO); Johan Molin, President and CEO and Head of Global Technologies division; Tomas Eliasson, Chief Financial Officer (CFO);

*Entrance Systems division*
New sales of automatic doors were weak throughout the year, while service sales continued to grow strongly. Newly acquired Ditec, where a large number of improvement projects were implemented, saw sales of entrance automation products develop positively towards the end of the year. The division reported organic growth of –2 percent (–3).

Efforts to expand the customer offering by selling total automatic entrance solutions and industrial doors, including a comprehensive service concept, continued successfully. Regular preventive service is beneficial for customers, and ongoing contact with the end-customers also enhances opportunities for additional sales. More efficient and automated processes were implemented in the service organization, providing opportunities for an increased number of customer visits.

Rationalization of the production structure resulted in a very strong earnings trend although the division's total operating margin was negatively impacted by the dilutive effect of the Ditec acquisition.

The year saw the acquisition of Peiser (Germany) and Hunter (Canada). In addition, an agreement was signed to acquire a stake in Agta Record (Switzerland) and a bid was made for the Swedish company Cardo. The acquisition of Cardo will more than double the division's sales and enable it to offer customers a complete and unique range of products and service in entrance automation.

## Future development

The Group has further consolidated its market leadership during the year and is today very well positioned for long-term sustainable growth due to the global presence and the market's most innovative product range. Our focus on the profitable commercial segment, the high proportion of aftermarket sales and the increasing share of fast-growing electromechanical and electronic products ensure strong growth and earnings.

Looking forward to 2011, we expect continued good growth on emerging markets and cautious recovery on mature markets. The underlying economic trend is positive, but budgetary constraints may affect those market segments that are dependent on public financing.

## Major efforts by employees

Finally I should like to thank all our employees who contributed to the Group's successes during the year, and I look forward to our continued joint efforts to make ASSA ABLOY even more successful.

Since its formation in 1994, ASSA ABLOY has gone through several distinct stages of development and established a global leadership position. Much has been accomplished, but many key markets and product areas remain to be developed. We have never had a better product range, higher market penetration or more innovative new products than today. The continued demand for safety and security, as well as continued population growth and urbanization ensure that there is an underlying structural demand for the Group's products, which will increase over time. Combined with the implemented and planned restructuring measures, this means that we have excellent long-term opportunities for continued growth and good profitability.

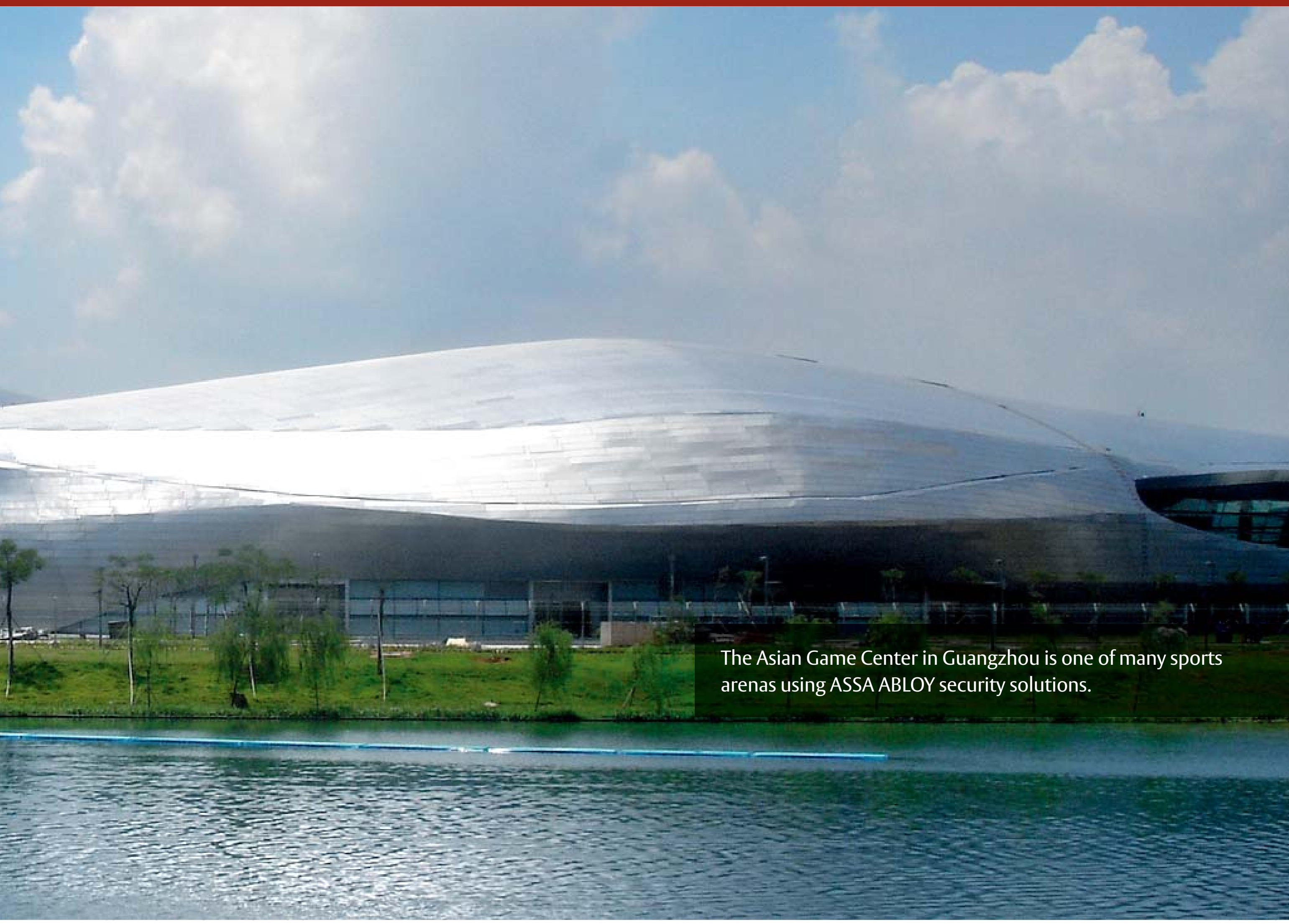
Stockholm, 7 February 2011

Johan Molin
President and CEO

Thanasis Molokotos, Head of Americas division; Tim Shea, Head of the ASSA ABLOY Hospitality business unit; Juan Vargues, Head of Entrance Systems division.

# Market presence

A world-leading market presence is achieved by exploiting the strength of the brand portfolio, increasing growth in the core business and expanding into new markets and segments.



The Asian Game Center in Guangzhou is one of many sports arenas using ASSA ABLOY security solutions.

# Market presence

## Three main approaches to enhancing market presence

A world-leading market presence is achieved by exploiting the strength of the brand portfolio, increasing growth in the core business and expanding into new markets and segments.

» ASSA ABLOY has its own operations in 50 countries and sales all over the world «

### The security market

Today ASSA ABLOY is the world-leading supplier of total door opening solutions. As the Group has grown, its product portfolio has expanded and evolved to cover the widely varying needs of, for example, airports, schools, hospitals, offices and homes. Growth in the security market is mainly fuelled by increasing prosperity, urbanization and a general trend towards increased security. The underlying trends and growing uncertainty in the world put security high on the agenda, driving the development of increasingly advanced solutions and upgrades of existing security systems.

The total security market consists primarily of security services and electronic and mechanical security products. ASSA ABLOY estimates the total security market to be worth around EUR 200 billion. The Group has focused its operations on electronic and mechanical security products as well as security doors. The segment in which the Group is active accounts for around 15 percent of the total market. ASSA ABLOY has a global market share of over 10 percent of that segment but with large variations between different markets.

### Mechanical and electronic security products

Mechanical security products mainly include cylinders, lock cases, door closers, industrial locks, emergency exit devices and window hardware. ASSA ABLOY is also a major manufacturer of security doors and door hardware. Development in mechanical security products is mainly driven by renovations and replacements of old locks in existing windows and doors, as well as new construction. The market is growing in pace with each country's GDP, averaged over an economic cycle, and is relatively stable for ASSA ABLOY. The majority of Group sales are for use in existing buildings and therefore less sensitive to cyclical fluctuations. The large aftermarket, combined with the spread of ASSA ABLOY's sales across a large number of countries with different economic cycles, contributes to stability in sales and profitability.

ASSA ABLOY's range of electronic security products includes electronic cylinders, automatic doors, secure identification and various access control products, some of which use radio-frequency identification (RFID). Electronic products generally offer high functionality and high security, making them ideal for commercial applications. Focused product development in this area is constantly expanding the applications for ASSA ABLOY's electromechanical products. Annual growth in the market for electronic security products is estimated to be two to three times as great as for mechanical security products. This is partly due to the fact that today only 3–4 percent of all doors have electromechanical locks or access control systems, but the percentage is steadily rising. Electronic products account for around one-third of Group sales and this percentage is increasing substantially every year.

### Customer segments

ASSA ABLOY's main customer segment is the commercial segment comprising institutional and commercial customers, such as schools, hospitals, universities, airports and large office buildings. This commercial segment accounts for around 75 percent of Group sales, while the private residential segment accounts for around 25 percent.

#### *Major customers – the institutional and commercial market*

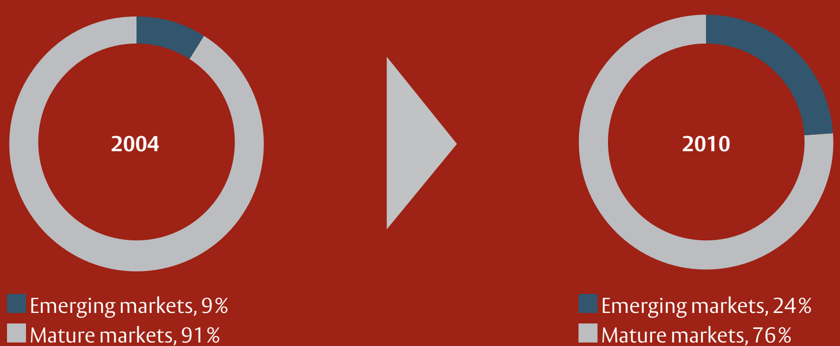
This segment consists of institutional and commercial customers such as universities, hospitals, offices, airports and shopping malls, through which a large number of people pass daily. The procurement of these projects is often complex and involves many stakeholders on the customer side, such as property and security managers. ASSA ABLOY has specification staff who are experts in a specialized market segment, in order to understand the varying needs for the development of optimal security solutions for the customer. Such projects often have long lead times and are based principally on customized solutions. Distribution and installation are largely handled by installers and locksmiths.

#### *Small and medium-sized customers*

This segment is characterized by the customer's need for professional advice and installation, which is primarily met by specialized distributors and installers, such as locksmiths. ASSA ABLOY works actively to train distributors and to develop more standardized solutions for small and medium-sized companies such as stores and offices.

# Share of Group sales by region 2010


## INCREASED SALES ON EMERGING MARKETS



# Market presence

***The consumer market***
The majority of sales are replacements or upgrades of existing security products. Private customers have a great need for advice and installation assistance. ASSA ABLOY has developed a number of home security concepts to meet consumer needs. In some geographical markets, ASSA ABLOY also works with door and window manufacturers or specialized distribution channels such as DIY stores and locksmiths.

## Distribution channels
In today's market, products mainly reach the end-customer through a variety of distribution channels, particularly locksmiths, building and lock wholesalers, door and window manufacturers and security system integrators.

## Differences between markets
North Americans spend more than twice as much on emergency exit devices as Europeans. Conversely, northern Europeans spend three to four times as much on high-security locks for their homes than North Americans. Automatic doors are also much more common in Europe than in the USA. Electromechanical products are considerably more prevalent in the commercial segment than in the residential segment. If the demand for security and evacuation solutions was as large in Europe as in the USA, the total market would roughly double. This represents considerable potential for ASSA ABLOY.

## Digital door locks are a growing segment with a large global market
The market potential arising from the technological shift from mechanical to electronic security products is considerably larger in the commercial segment than in the private residential segment. However, an increasing number of private individuals want electronic locks for their homes, providing a major growth opportunity. Through its Group company iRevo in South Korea, ASSA ABLOY is the world's leading producer of residential digital locks, and a number of products were developed in 2010 for markets such as China, the USA, Australia and the UK. Digital locks are set to be launched on a large number of markets in 2011.

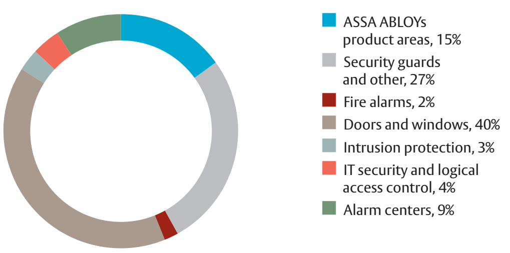
Globally, the lock market is still fragmented. However, the market in each country is relatively consolidated, as companies in the industrialized world are often still family-owned and leaders on their home markets. They are well-established and have strong ties with local distributors. In less-developed countries, however, established lock standards and brands are less common.

## Competition
Although some consolidation has taken place over the past ten years, the security industry is still fragmented in a global perspective. Some countries have one strong manufacturer with a large share of the local market. These companies often focus on their domestic market and have limited international operations.

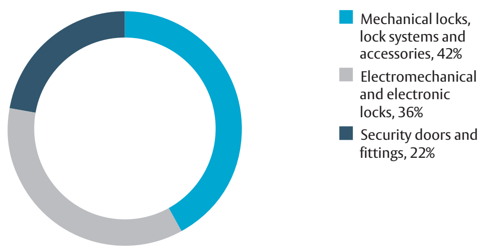
ASSA ABLOY is the global market leader; its main competitors are four other major players, which operate in part in ASSA ABLOY's segment: Ingersoll-Rand, Stanley Black & Decker, Dorma, and Kaba. Two of these are based in the USA and two in Europe. All these competitors are strongest on their home markets as well as having a presence on some other markets, although none of them has international market penetration comparable with ASSA ABLOY's. The Asian market is still very fragmented; even the largest manufacturers have modest market shares.

» North Americans spend more than twice as much on emergency exit devices as Europeans. Conversely, northern Europeans spend three to four times as much on high-security locks for their homes as North Americans «

THE TOTAL SECURITY MARKET




ASSA ABLOY'S SALES BY PRODUCT GROUP



## INCREASED MARKET PRESENCE

**ASSA ABLOY's strategy for increasing its market presence has three main aspects:**

- Exploiting the strength of the brand portfolio.
- Increasing growth in the core business.
- Expanding into new markets and segments.

### Exploiting the strength of the brand portfolio

***Common sales force***

In order to compete effectively in a global market, the sales force operates as an integrated organization under the ASSA ABLOY master brand. The sales staff represent ASSA ABLOY and create solutions for the customer using different products from established local brands. A common sales force means that customers can be offered total door opening solutions, while recognizing the local brands.

***ASSA ABLOY's brand strategy***

As a result of its many acquisitions, ASSA ABLOY owns a variety of well-known brands and has the world's largest installed lock base. In order to exploit and manage this valuable asset while benefiting from the Group's size, ASSA ABLOY's logo is combined with the individual product brands. This approach preserves the link to the installed lock base, while increasing the visibility of the ASSA ABLOY master brand.

The master brand is complemented by four global brands, which are all leaders in their respective market segments. These brands are HID in access control, secure card issuance and identification technology, Yale in the residential market, Besam in automatic doors, and Mul-T-Lock and ABLOY in high-security locks. The growing visibility of ASSA ABLOY as the master brand for complete security solutions demonstrates the great breadth of the Group's product range as the world's largest supplier of security solutions.

**67%** of ASSA ABLOY's sales consist of renovations, refurbishments, extensions, replacements and upgrades.

**33%** of ASSA ABLOY's sales consist of new construction.

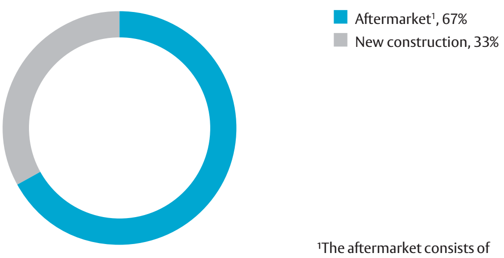
### Increasing growth in the core business

Growth in the core business is promoted through close collaboration with architects, security consultants, major end-users and distributors. Continued clear market segmentation is also vital for offering relevant solutions to the customer.

***Complete security solutions***

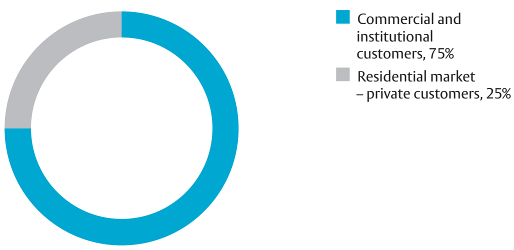
The requirements in different areas vary greatly, since the security solution for each door is adapted to the door's location and application, for example an entrance door or a door to a computer room or a conference room. The door's functionality must also be adapted on the basis of security and convenience. This may be affected by whether it is an internal or external door, the frequency of opening, the number of users, and special requirements such as fire safety. Customers are also increasingly demanding that the products can be easily integrated into new or existing security systems and IT networks.

WHAT DRIVES DEMAND?




[1]The aftermarket consists of renovation, rebuilding, extensions, replacements and upgrades.

BREAKDOWN BY CUSTOMER SEGMENT



# Market presence

**75%**

of sales are to the institutional and commercial market.

**25%**

of sales are to private customers and the residential market.

***Specification of security solutions increasingly important***

Bringing new and innovative solutions to market requires close collaboration not only with distributors, but also with architects, security consultants and major end-users. This collaboration stimulates demand from distributors and customers. Building and lock wholesalers, security consultants and locksmiths have a key role in delivering the products specified for various construction projects. ASSA ABLOY has developed close collaboration with architects and security consultants to specify appropriate products and achieve a well-functioning security solution. Many door and window manufacturers install lock cases and fittings in their products before delivering them to customers.

In contrast, electronic security products mainly reach the end-user via security installers and specialized distributors. These products are also sold through security integrators who often offer a total solution for the installation of perimeter protection, access control and increasingly also computer security.

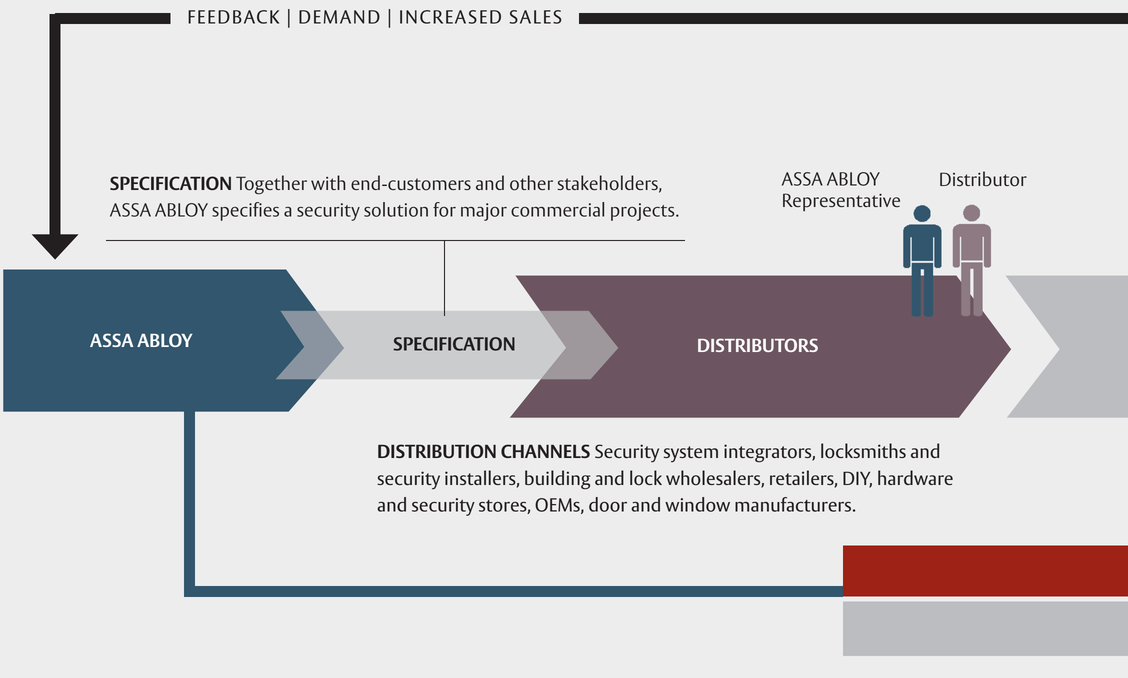
***Increased focus on distributors***

ASSA ABLOY works closely with its distribution channels to offer end-customers the right products, correct installation and consequently a well-functioning security solution. Distributors also have a key role in providing service and support after installation. This role may vary between different customer segments. In the commercial segment, distributors in some markets act as consultants and project managers to create good security solutions. They understand the customer's needs and ensure that products comply with local regulations.

As technology moves towards more complex security solutions, distributors need increasing skills levels. Locksmiths, who are key distributors of mechanical and electromechanical security products on many markets, are an example of specialized security distributors. They buy direct from the manufacturer or via wholesalers and provide advice, products, installation and service. Some locksmiths have an increased focus on electronics, while IT integrators are increasingly also offering physical security solutions.

## DISTRIBUTION CHANNELS FOR THE SECURITY MARKET

In today's security market, manufacturers of security products, such as ASSA ABLOY, mainly reach their end-customers through a variety of distribution channels. A large percentage of ASSA ABLOY's products are sold in small volumes to a large number of end-customers with very different needs.



## The ASSA ABLOY master brand

ASSA ABLOY

ASSA ABLOY is the Group's master brand, under which the sales departments unite.

Well-known product brands benefit from the large installed lock base and are adapted to comply with local regulations and safety standards. The product brands are combined with the ASSA ABLOY master brand.

## Examples of product brands

SARGENT ASSA ABLOY · IKON ASSA ABLOY · Corbin Russwin ASSA ABLOY · Ruko ASSA ABLOY · TrioVing ASSA ABLOY · LOCKWOOD ASSA ABLOY · GULI ASSA ABLOY · KESO ASSA ABLOY

## Two focused brands for specific segments

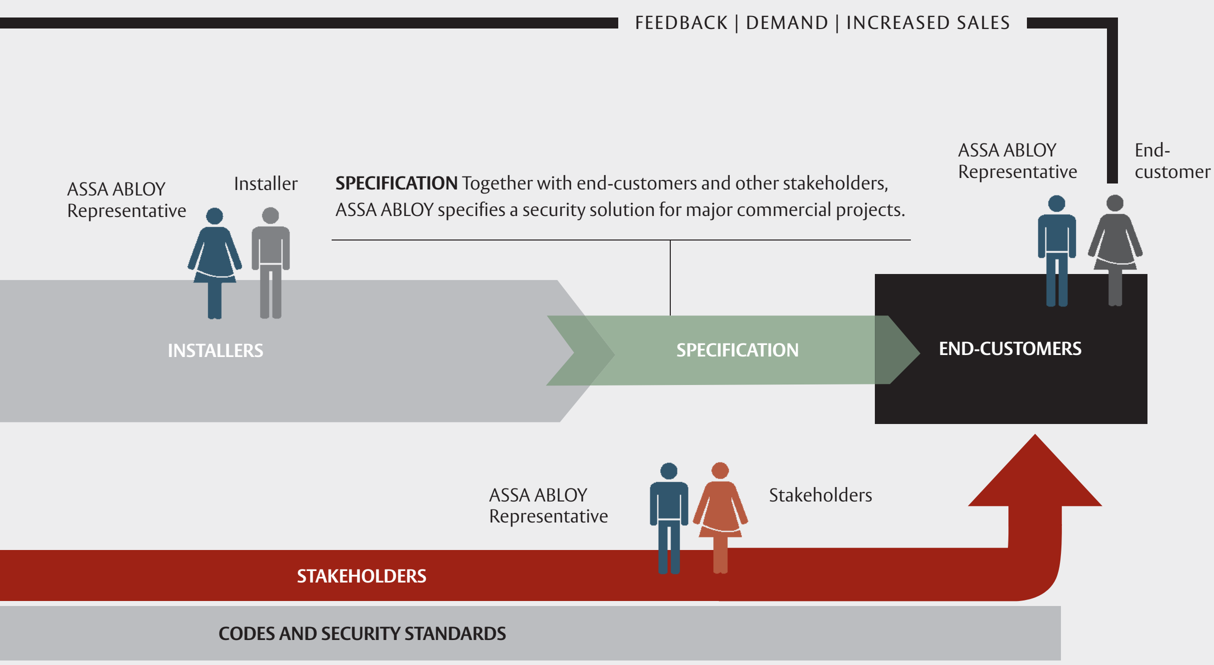
besam ASSA ABLOY · VingCard Elsafe ASSA ABLOY

Besam is a world-leading supplier of automatic entrance solutions. VingCard is the world's best-known brand for lock systems in the hospitality and cruise ship market.

## Global brands with a unique market position

HID · MUL-T-LOCK · Yale · ABLOY

Complementary global brands, where the products' leading position and market positioning in their specific segment are unique or overlap with ASSA ABLOY.




**END-CUSTOMERS**

*Large institutional and commercial customers*
- Healthcare • Education • Retail
- Hospitality • Offices • Industrial

*Small and medium-sized customers*
- Offices • Stores

*Residential market*
- Apartments • Houses

**STAKEHOLDERS**

Such as architects, security consultants, public authorities responsible for security standards and other stakeholders.

# Market presence

70%

About 70 percent of the Group's products are co-branded with the local brand and the ASSA ABLOY master brand.

**Expanding into new markets and segments**

The Group is expanding into new markets and segments by establishing ASSA ABLOY on new geographical markets, developing the OEM market, exploiting opportunities on the residential market, and introducing new technology.

Geographical expansion is achieved principally through acquisitions. By establishing ASSA ABLOY on markets with rising populations and developing economies, the Group can build a strong platform for future growth. Emerging markets in Asia, East Europe, the Middle East, Africa and South America accounted for 24 percent of total Group sales in 2010, compared with 9 percent six years ago.

The Group's presence on the OEM market for door and window manufacturers varies between markets. There is considerable potential here for improved market penetration.

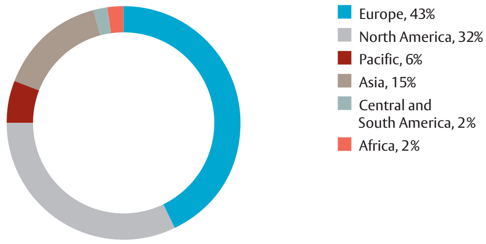
Security doors are an area with considerable growth potential. Since 2000 sales have risen from SEK 2 billion to over SEK 8 billion, equivalent to 22 percent of total Group sales in 2010.

The door automation market is another area with very large growth potential. Traditionally ASSA ABLOY has only been active in door automation for people traffic. However, with the acquisition of Ditec, the Group has entered the much larger entrance automation market, which includes industrial doors, systems for loading docks and garage doors.

Efforts to develop channels and products for the residential market continue, with digital door locks a high-priority product area.

The increased demand for electromechanical products is one of the clearest trends in the security market. This product area is also seeing increased technical standardization in which different components in the security solution can be easily integrated with one another. ASSA ABLOY's products aim for open standards to facilitate integration with the customer's other security and administrative systems. Interesting new growth areas are created by exploiting the Group's strength in specific technologies. One example is RFID, which is now adapted to special applications such as contactless hotel locks opened by a card.

ASSA ABLOY'S TOTAL SALES BY REGION




» The common sales organization operates under the ASSA ABLOY master brand, but also acts as representatives of the local product brands recognized by the customer «

## Tianming and Gardesa win deal for the best in security and design

As one of Beijing's most exclusive addresses, No. 8 Xiaoyun Road is a high-end residential project that puts high demands on its security solutions. Many of the buildings in the neighborhood are inspired by architectural designs from the US and Europe, and are built with state-of-the-art materials, making Chaoyang one of the best-known parts of the city.

The design team was charged with renovating No. 8 Xiaoyun Road in a style that worked with interior decoration from the famous Hong Kong interior designer Doris Chui.

ASSA ABLOY's door expert in China, Tianming, supplied 800 armored doors for the building after in-depth research and co-operation with Italian Group company Gardesa, which enjoys a good reputation in the high-end residential market in China.

The client chose ASSA ABLOY due to the fact that the doors meet the Chinese fire-rated accreditation standards, have an appealing design and the strong technical specifications, as well as the supplier's thorough understanding of the client's needs.

## Students gain access with HID in Reykjavik

Reykjavik University is a vibrant international university located at the heart of Iceland's capital city, Reykjavik. It is Iceland's largest private university and focuses on teaching, research, entrepreneurship, technology development and co-operation with the active business community.

The campus was extended by 7,000 square meters in August 2010 and the existing HID Prox solution was upgraded to HID iCLASS®, using both multi-technology cards and readers. Now, HID Global's multi-technology smart cards provide about 4,000 students access to university buildings. The cards are used throughout the old and new buildings for access to classrooms, lab rooms and study areas 365 days a year, 24 hours a day.

By uploading a photograph to the university's intranet, the students' cards will be issued on their very first day of school. Student details and photo are already printed on the card by a FARGO® HDP5000 printer, which is handled by the receptionists who can deliver cards to new students.

# Product leadership

The Group's product leadership is achieved through the continuous development of products offering enhanced customer value and lower product costs.


Leading museums all over the world invest in intelligent door opening solutions from ASSA ABLOY.

# Product leadership
## Successful product development drives organic growth

A constant flow of new innovative products to the market is the single most important source of organic growth. Successful product development is therefore vital for the Group's future. ASSA ABLOY's vision is to be the most innovative supplier of total door opening solutions, and investments in R&D have increased substantially in recent years. ASSA ABLOY is creating tomorrow's secure, convenient and flexible security solutions by developing Group-wide technology platforms.

### Product leadership

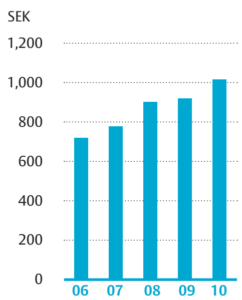
Successful product development and product leadership are the single most important driver for organic growth. Product leadership is achieved through the continuous development of products offering enhanced customer value and lower product costs. A key activity for achieving this is the use of common product platforms with fewer components. New products are also being developed in close collaboration with ASSA ABLOY's end-users and distributors to enhance customer value. The product development process is under constant improvement and renewal. Several customer segments were studied in detail during the year giving rise to new interesting product concepts. The ASSA ABLOY Future Lab is an internet forum in which the Group can ask customers questions to obtain information on long-term trends and product initiatives. Lean Innovation was launched during the year with the aim of halving development time using new approaches. Customers are increasingly demanding more advanced lock and door products and the technical level is constantly rising, with electromechanical door opening solutions growing considerably faster than traditional mechanical products. Global common product platforms, which are then adapted to the local markets, have therefore become increasingly important. These platforms are developed by the Group product development function, Shared Technologies, and through collaboration within and between divisions.

### Today's customer base helps to develop tomorrow's security solutions

ASSA ABLOY has the largest base of installed locks and lock systems in the world and its products are well adapted to comply with local and regional standards. The Group builds on this installed lock base to develop tomorrow's solutions, in which electronic codes supplement or replace mechanical identification.

People are assigned access rights to doors or computers. Keys, cards and other ID credentials are assigned codes, which are managed securely and distributed encrypted. ASSA ABLOY has further consolidated its position in secure identification through acquisitions during the year.

INVESTMENTS IN RESEARCH AND DEVELOPMENT[1]




[1]Figures for 2008 and 2009 are affected by reclassification.

### Security and convenience

Security is not just a question of identification. The mechanical and electromechanical products that prevent intrusion and permit rapid evacuation are just as important to the final solution. A well-specified security solution also takes into account the design of the products and ensures that they simplify use. The Group's electromechanical products help to meet all these security requirements. The electromechanical segment is growing rapidly and now accounts for more than one-third of Group sales.

The Group is a global leader in automatic doors through its Entrance Systems division. Automatic doors have sensors and electronics that ensure a convenient and energy-saving door environment in for example stores, hotels and hospitals.

It is becoming increasingly important to be able to offer a total entrance automation solution comprising both automatic door solutions and industrial doors. The service offering can therefore be expanded to include automatic entrances for people traffic at the front of a commercial building and for goods deliveries at the rear of the building.

### RFID enhances security and is user-friendly

Radio-frequency identification (RFID) and wireless communication allow the Group to create new security applications while offering services that are user-friendly.

Wireless Aperio technology allows cost-effective connection of several doors in an existing access control system. Battery-operated electromechanical cylinders and locks communicate wirelessly with the existing network, avoiding expensive installation costs, new keycards and new access systems. Today many leading manufacturers of access control systems have integrated Aperio technology into their systems.

In contrast to Aperio, Smartair is an off-line system. Smartair's update-on-card facility increases security and convenience through validation; access is updated on the keycard for a specific period. If the card is not updated in one of the special readers or printers that come with the system, the person is not granted access. Lost cards can easily be blocked and are of no use to unauthorized people.

RFID technology is also the basis for the rapid expansion of logical access control, in which computers are provided with ASSA ABLOY's software that prevents start-up if the user fails to present the right access card.

### Mobile phone replaces key

For hotels, VingCard has used RFID and the wireless technology offered by mobile telephony in combination with Near Field Communication (NFC). The hotel guest can use their mobile phone to book and pay online. The mobile phone serves as a code carrier, and guests can also use their mobile phones to unlock the door of their hotel room by holding the phone close to the lock. In 2010 the first test installation was successfully implemented at the Clarion Hotel Stockholm (Sweden) and aroused considerable interest.

Using wireless technology from ASSA ABLOY, many hotels have connected their rooms online, providing guests with enhanced security and comfort, such as arranging room changes without visiting the lobby.

The Group is carefully following developments in this area through its participation in the NFC Forum and other wireless technology organizations.

VingCard Orion was also launched during the year. This is an energy-monitoring system solution in which temperature control of the hotel room depends on the guest's presence, but can also be controlled and monitored from reception.

### Total door opening solutions are ASSA ABLOY's strength

ASSA ABLOY's sales are not only based on innovations. The Group's strength is the variety of traditional and new products that can be combined to create a large number of different door environments. ASSA ABLOY has products for different climates, different types of buildings and differing security and safety requirements. By combining hundreds of thousands of components to meet the needs of consumers, architects and installers, the Group creates products with the right quality, design and price, which are ideal for both new buildings and renovations.

During the year a number of products were launched with the aim of reducing energy consumption in buildings. By using doors with improved insulation together with new sealing products, loss of heat to a cooler environment can be reduced, while in hot climates air-conditioning costs can be cut. In addition, the use of recycled materials in doors is increasingly possible and desirable.

### A common process with increased customer focus and better product planning

ASSA ABLOY continues to develop a Group-wide product development process with the aim of halving development time and increasing the number of new products. A clear gateway process with common terminology and interdisciplinary collaboration ensures the quality of the product development process and the implementation of Lean activities is intended to halve development time.

'Voice of the Customer' is a natural part of the Group's process for strengthening customer relationships and integrating customers into the Group's product development process, thereby increasing the fitness for purpose of the Group's product offerings.

Up to and including 2010, more than 2,000 employees have received training in the innovation process, and a number of in-depth studies together with customers have resulted in many new concepts and products under development. Work on Value Analysis/Value Engineering (VA/VE) of the existing product range intensified, and the number of implemented cost savings increased by an additional 40 percent compared with the previous year. A total of nearly 90 projects to increase the skills of hundreds of employees were implemented during the year.

» Successful product development is the single most important driver for organic growth «

CHANGE IN PRODUCT MIX


Mechanical products, 66%
Electronic products, 20%
Security doors, 14%


Mechanical products, 42%
Electronic products, 36%
Security doors, 22%

# Product leadership

A total security solution from ASSA ABLOY comprises many different types of products. These include automatic doors and access control at the main entrance and access systems on each office floor. They may also include security doors, high-security cylinders, mechanical cylinders, handles, hinges and internal doors in the offices. Access cards may also be used to log on to computers and networks and to make secure electronic payments. These are examples of ASSA ABLOY products that together create a total security solution.

ASSA ABLOY's Hi-O communication platform allows the intelligent door to be connected to a network over which each individual component around the door can communicate interactively with other systems, such as security or maintenance systems. The advantages are secure information about each component, simple installation using standardized connections, and remote configuration over the network, which can also be connected to the Internet. In 2010 work continued on Hi-O certification of new products in the ASSA ABLOY Group.


Access control
Access control
Access to computers with access card
Payment with access card
COFFEE
Access control
Turnstile
Printer for secure issuance of access cards
Revolving door

# Product leadership

### Mobile phones replace hotel room keys

ASSA ABLOY initiated a world first pilot project in the fall of 2010 at the Clarion Hotel Stockholm in Sweden. ASSA ABLOY joined forces with Choice Hotels Scandinavia, TeliaSonera, VingCard Elsafe and Venyon to replace hotel room keys with NFC-enabled mobile phones. The end result was the world's first complete mobile key service utilizing NFC technology.

Selected hotel guests receive an NFC-enabled mobile phone with special software installed. They book hotel rooms in the usual way and receive booking confirmation on their mobile phones. The guests can check in on their mobile phones before arrival at the hotel. When check-in is complete, a digital hotel room key is sent to the mobile phone. On arrival at the hotel, the guests skip the check-in line, go directly to their rooms and open the door by holding the mobile phone close to the door lock. When leaving the room, the doors lock automatically. Guests check out using their mobile phones and the digital hotel room keys are deactivated.

The solution is made possible through ASSA ABLOYs scalable secure delivery infrastructure for mobile keys. This solution ensures end-to-end security and is applicable for residential, commercial and hotel applications.

### Sliding doors for clean-room environments

Ditec Entrematic added three new product lines to its VALOR range of pedestrian sliding doors in 2010: the VALOR D space-saving model for double doors, the VALOR S for doors weighing up to 500 kg, and the VALOR H hermetic model.

The new additions double the number of models in the range to six, allowing Ditec Entrematic distributors to provide sliding door automation for an even wider array of applications, including clean-room environments.

All VALOR automation units feature advanced electronics and user-friendly control panels and displays for operating and monitoring the doors. Both the opening width and closing time can be set to adjust automatically when user traffic increases.

### Enhanced security with HID

HID Global introduced its multiCLASS™ Magnetic Stripe readers that are designed for customers upgrading their current access control card system from the popular magnetic stripe (magstripe) technology to enhanced security from 13.56 MHz smart card technology. Supporting access control technology combinations including magnetic stripe, keypad, HID Prox and 13.56 MHz smart card technology (including iCLASS and FIPS 201 credentials), the multiCLASS™ reader line represents the ultimate in flexibility, enabling a cost effective and truly seamless migration solution with no operational disruption.



### Aesthetic trim wins design award

The SARGENT HP Series push/pull trim for healthcare was recently awarded the prestigious 2010 GOOD DESIGN award from the Chicago Athenaeum: Museum of Architecture and Design, and The European Centre for Architecture Art Design and Urban Studies.

This recognition reflects the growing demand by architects and designers for hardware products that perform their security and life-safety functions without detracting from the aesthetics of a building.

The push/pull trim features a sleek, aesthetic form that aligns with the evidenced-based design approach to healing environments. The trim provides a functional ligature-resistant solution for behavioral health units and enables hands-free door operation.

### Cliq Remote is controlled by mobile phone

Cliq Remote is a new locking system enabling the user to control a key's access rights by mobile phone.

The keys are programmed remotely via the administration system. Each time a Cliq key is inserted into an updating unit, it connects via the internet to the administration system, downloads new access rights and removes old rights. This allows detailed control of access rights so that an individual can open a certain door for a certain period.

The key also energizes the lock cylinder, which therefore does not need its own power supply. The battery lasts for around 30,000 door operations and two years' use. Information transfer and the key's access rights are encrypted using the same technology as banks use in digital certificates.

The locking system was launched in 2010 and has already aroused considerable interest among, for example, energy companies, telecoms operators, rail and water companies with base stations, transformer stations and pumping stations that are remotely located and need occasional maintenance.

### Yale develops home security

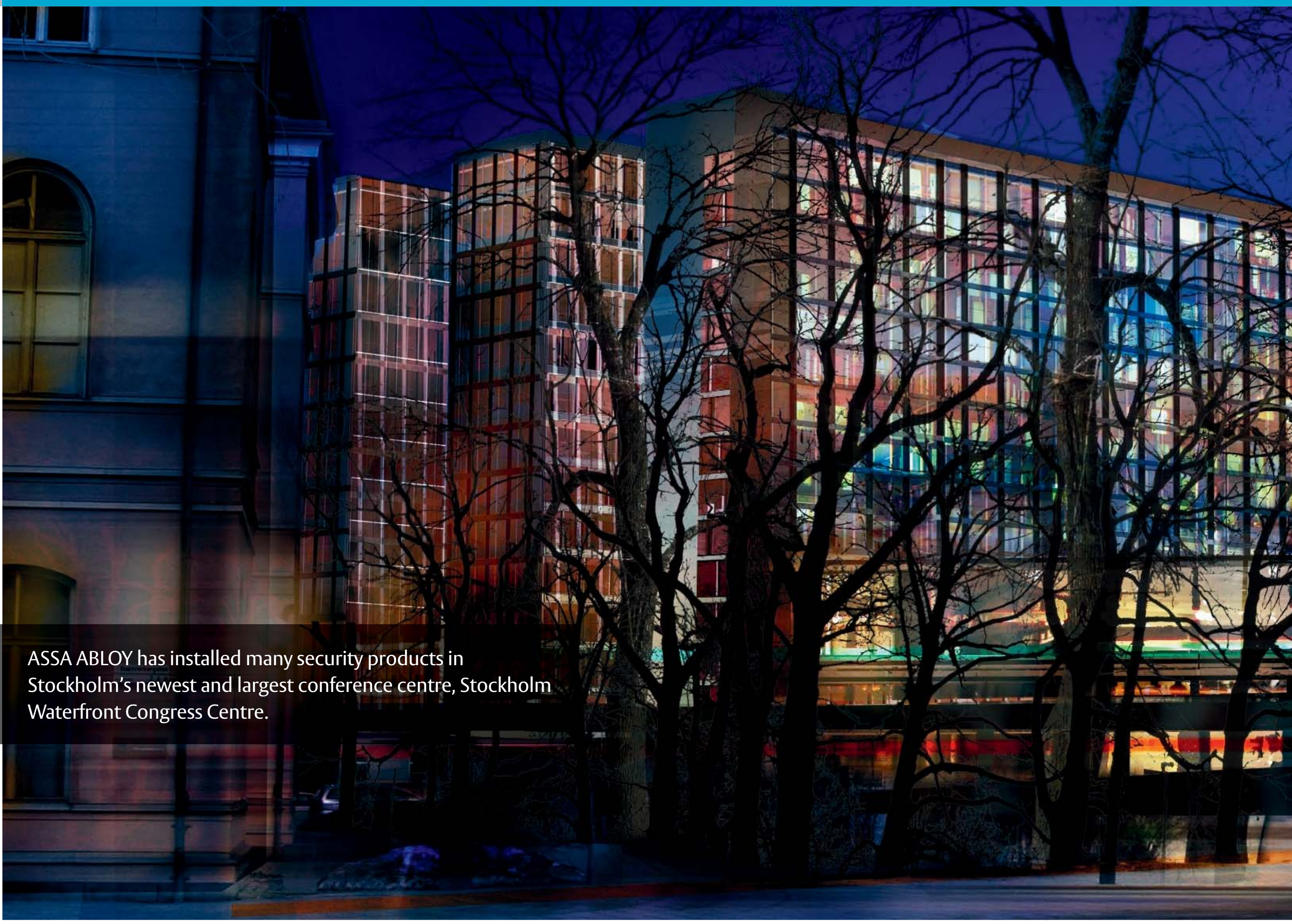
The smart digital door lock from Yale was launched in the UK during 2010. The lock allows users to access and secure their homes using a personalized PIN code or remote control fob, with no need for a mechanical key.

PIN code access means no more problems with forgotten keys. If a family member forgets the code it can simply be texted to them. PIN code access also avoids carrying heavy keys. The visitor code function allows family, friends or neighbors to gain access to the house without needing an extra key.

The electronic lock makes life safer - automatically locking on the latch when the door is closed, preventing anyone from following inside.



# Cost-efficiency



ASSA ABLOY has installed many security products in Stockholm's newest and largest conference centre, Stockholm Waterfront Congress Centre.

Efforts to increase cost-efficiency continue in all areas, including common product platforms with fewer components and common product development.

# Cost-efficiency

## The share of purchases from low-cost countries has doubled

Efforts to increase cost-efficiency continue in the production structure, in product costs and in the administrative flow in the Group. All areas are affected, including common product platforms with fewer components, and common product development. In production, flexible final assembly close to the customer is combined with the transfer of high-volume standard production to external and internal production units in low-cost countries.

ASSA ABLOY focuses on cost-efficiency in the production structure, in product costs and in the administrative flow in the Group. In product development, the Group works on common product platforms with fewer components and on common product development, as discussed in the section 'Product leadership'.

The production value-chain is constantly under review and the capacity for flexible final assembly close to the customer is combined with the transfer of high-volume standard production to internal and external production units in low-cost countries.

### Successful restructuring programs

The process of change in the production structure began with the restructuring programs launched in 2006, 2008 and 2009. These have been very successful, resulting in large savings and increased efficiency in the Group's production units. At year-end these programs had resulted in the closure of 38 production units, while an additional 42 units had switched to mainly final assembly. As a result of this restructuring 5,387 employees have left the Group. One consequence is that an increasing volume of standard production has been transferred to internal and external units in low-cost countries. The production process has been improved, while local presence on end-customer markets ensures fast delivery and efficient assembly of customized products.

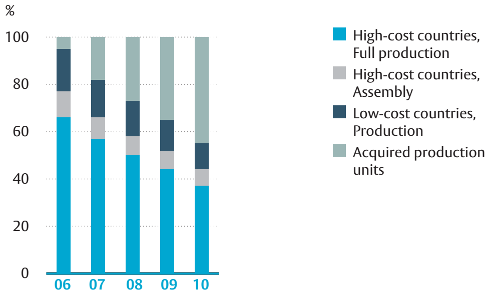
In parallel with the reorganization of production in high-cost countries, the Group has maintained rapid expansion of the production base in low-cost countries. More than 50 percent of the Group's total employees are now employed in low-cost countries.

### Lean methods

Work to implement Lean methods in the Group's operations continues. Lean methods lead to more efficient production flows, better control of material costs, improved decision-making procedures, shorter development times and increased cooperation with the marketing and sales teams.

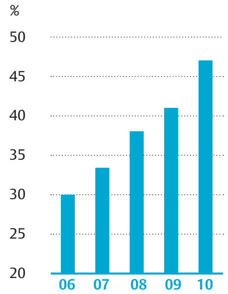
Many of the companies in the Group have followed these principles for several years and have achieved increased efficiency.

CHANGE IN PRODUCTION STRUCTURE




An increasing volume of standard production has been transferred to internal and external units in low-cost countries. The production process has been improved, while local presence on end-customer markets ensures fast delivery and efficient assembly of customized products.

SHARE OF PRODUCTION IN LOW-COST COUNTRIES




The share of the Group's total purchases of raw materials, components and finished goods from low-cost countries has increased from 30 percent to 46 percent over the past five years.

# World culture heritage secured by Abloy

The State Hermitage is a museum of art and culture in Saint Petersburg, Russia – one of the largest and oldest museums in the world. It was founded in 1764 by Catherine the Great and has been open to the public since 1852. The collection of the State Hermitage includes more than three million works of art and artefacts of world culture.

Abloy has been the Hermitage's chosen security provider since 1990, when the construction of the Staraya Derevnya Restoration facility and Storage Centre, covering an overall surface area of 35,000 square meters, began. Mechanical and electromechanical ABLOY locks, door automatics, door closers, handles and pulls, together with ABLOY Classic and ABLOY Protec masterkeyed cylinder systems were installed.

Abloy authorized dealers in Russia have proved that a total Abloy locking solution products with professional installation and well-managed after-sale services is the key to keep such a world-class customer satisfied.

# Cost-efficiency

### Seamless Flow in administration

Automation of flows throughout the business is the most important activity in driving administrative efficiency. Manual work is to be reduced or completely eliminated in all processes. On the customer side, this means electronic order handling for both large and small customers. On the supplier side, electronic handling of purchasing is to be introduced. Manufacturing, product development, logistics and other internal processes are included. Such activities are known as Seamless Flow. As Seamless Flows and the coordination of IT tools are implemented, it will also be possible to coordinate support functions effectively.

### Efficient sourcing

In purchasing, a comprehensive supply management project covering both raw materials and components has been initiated. This will be increasingly important as areas of component supply are outsourced to external suppliers in low-cost countries and will result in better exploitation of economies of scale in the Group. The share of the Group's total purchases of raw materials, components and finished goods from low-cost countries has increased from 30 percent to 46 percent over the past five years. The divisions have appointed specialized purchasing managers for each component category. As a result the number of suppliers has fallen by 4 percent in the Group.

## Besam helps hospital provide comfort and security

As a new construction, the Vlietland Hospital in Schiedam, the Netherlands, needed various automatic entrances for its facilities – and it turned to Besam for the solutions. A comprehensive solution portfolio, dedicated service organization and quality products were key factors in Vlietland Hospital's decision to work with Besam.

The hospital wanted to enhance accessibility throughout the facility, create a safe, draught-proof and convenient main entrance, and develop various automatic systems for a variety of swing doors.

To meet these needs, Besam installed a large, two-wing UniTurn revolving door and an accompanying Besam air curtain in the main entrance, offering both draught-proof comfort and energy savings, as well as guaranteeing a safe escape route and easy access.

200 automatic swing door systems and 150 sliding doors were also installed to provide easy, convenient and safe access between hospital departments.

Besam was also contracted to provide preventative maintenance and service for all of the installations.


## Chinese insurer looks to HID Global to secure financial data

China Pacific Insurance is one of China's largest insurance companies, serving 47 million individual clients and 2.8 million corporate clients in China.

With such a large client base, HID Global's full-functionality VertX® network access solutions as well as iCLASS card readers met the insurers' needs for a secure and stable physical access solution.

Covering risk protection services including life and property insurance, as well as wealth management and asset management services, the company required a system with robust technology, a brand with a proven track record in the financial industry, a scalable network system and comprehensive local support. Any security loopholes could cause considerable losses.

The IP-based HID VertX controllers for access management and iCLASS® card readers' dual security identification technology tightened the control of entry points and enabled network monitoring for secure login.

The solutions included card issuance, physical access management, time/attendance management, elevator management and cashless payment systems.

## South Carolina Governor's School

The South Carolina Governor's School for Science and Math, located in Hartsville, South Carolina, is a public, residential high school for academically advanced juniors and seniors. The academic institution offers a flexible, enriched and balanced curriculum with a special focus on science and math.

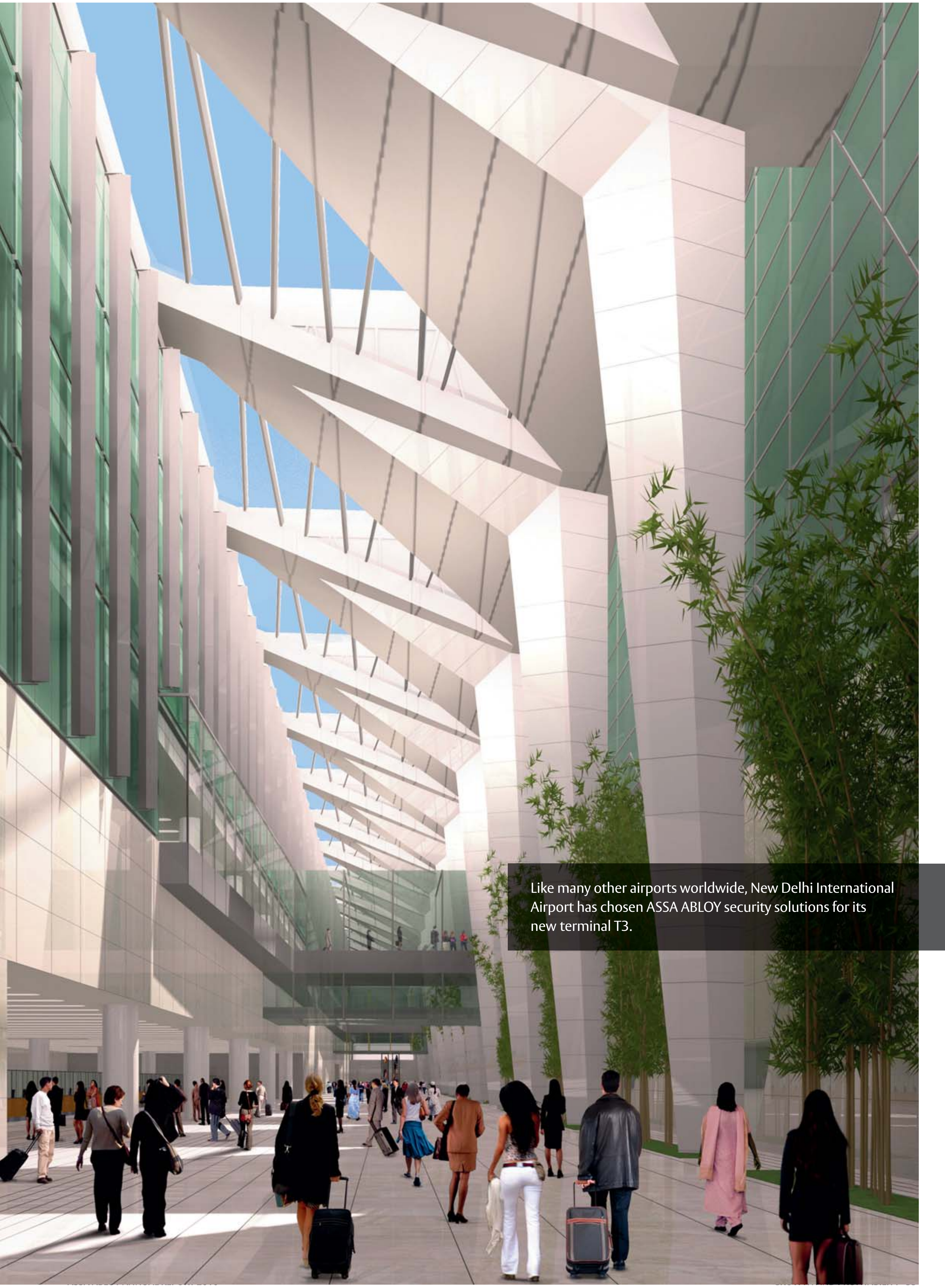
A recent renovation project at the school included a campus-wide upgrade of doorway security. For this important element of student safety, school officials selected a complete opening package from ASSA ABLOY.

The school envisioned a security platform that would require student and faculty ID cards to gain entrance to residence hall, administrative and academic buildings. The main challenge was finding electromechanical locks that incorporated multiple devices into a single lock body.

ASSA ABLOY fulfilled this need with SARGENT Harmony locksets featuring built-in proximity card readers and request-to-exit switches, and SARGENT Powered-by-PERSONA locksets with magnetic stripe card readers for residential halls. The opening package was rounded out with SARGENT mortise and cylindrical locks, Signature key system, door closers and exit devices; McKINNEY mechanical and ElectroLynx hinges; and GRAHAM wood doors.

# Growth and profitability

ASSA ABLOY creates opportunities for increased growth and profitability through a strong focus on the strategy's three areas of market presence, product leadership and cost-efficiency.



Like many other airports worldwide, New Delhi International Airport has chosen ASSA ABLOY security solutions for its new terminal T3.

# Growth and profitability
## Successful expansion

Today ASSA ABLOY is the global leader in intelligent door opening solutions following 16 years of successful expansion. Since its formation in 1994, the Group has expanded successfully through a combination of organic growth and acquisitions, transforming the company from a traditional lock company into a modern, multinational security company in intelligent door opening solutions. Today ASSA ABLOY is the global market leader in this sector.

» Successful expansion through organic growth and acquisitions «

### Growth from SEK 3 billion to SEK 37 billion in 16 years

Since ASSA ABLOY's formation, Group sales have risen from SEK 3 billion to SEK 37 billion. Today the Group has around 37,000 employees, compared with 4,700 employees in 1994. Operating income (EBIT) excluding items affecting comparability has increased from SEK 212 M in 1994 to SEK 6,046 M in 2010, an increase of over 2,700 percent.

ASSA ABLOY was founded when Securitas in Sweden and Metra in Finland merged their lock businesses. The company had operations in Sweden, Finland, Norway, Denmark and Germany at that time.

Today the Group has its own operations in 50 countries and sales throughout the world. ASSA ABLOY is focusing on enhancing its presence on emerging markets in Asia, East Europe, the Middle East, Africa and South America. Sales on these markets account for 24 percent of total Group sales. Following the acquisition of Pan Pan, China accounts for nearly 9 percent of sales.

Today one in ten lock purchasers worldwide chooses an ASSA ABLOY lock, and the Group continues to grow. Demand for safety and security is constantly increasing in the world and the Group has never had a wider product range, higher market penetration and so many innovative new products.

At the start in 1994, the product range largely consisted of mechanical security products such as traditional locks and handles for entrance doors. In 2010 ASSA ABLOY launched more products than ever before in the Group's history. These were mainly in the fast-growing product segments of electromechanical and electronic locks, access control, identification technology and automatic doors.

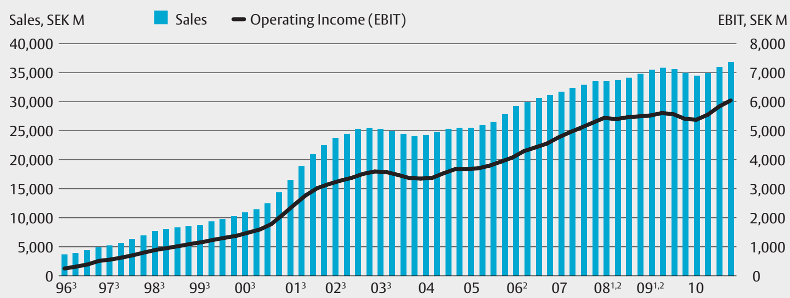
New technology areas and innovative products are the most important driver for organic growth and the Group therefore invests heavily in R&D. Investments in product development have increased by between 10 and 20 percent per year in recent years and today the Group employs around 1,000 development engineers.

ASSA ABLOY has come a long way in 16 years. However, the goals and expectations for the Group's future development are high. The demand for secure and safe security solutions is constantly increasing and will offer the Group major opportunities.

2,700%

Sales have risen over 2,700 percent in 16 years.

SALES AND OPERATING INCOME (EBIT)




¹Reclassification has been made.
² Excluding items affecting comparability.
³ 1996–2003 have not been adjusted for IFRS.

## Strategy

### Market presence

Exploiting the strength of the brand portfolio.

Increasing growth in the core business.

Expanding into new markets and segments.

### Product leadership

Developing products offering enhanced customer value and lower product costs.

Common product platforms with fewer components.

Close collaboration with ASSA ABLOY's end-users and distributors.

### Cost-efficiency

Common product platforms and fewer components result in cost-efficiency.

In production, flexible final assembly close to the customer is combined with the transfer of high-volume standard production to low-cost countries.

Seamless Flows streamline administration.

Implementation of Lean methods continues.

## Objectives

### Growth and profitability

10 percent annual growth through a combination of organic and acquired growth.

An operating margin of 16–17 percent.

The financial targets are long-term goals and should be considered as an average over a business cycle.

## ACQUISITIONS 2005–2010

**2005 – Increased presence in China**
ASSA ABLOY enters a joint venture with the Chinese company Wangli, a leading supplier of high-security locks and doors. Other acquisitions: Doorman Services (UK) and Security World (South Africa).

**2006 – Secure ID cards**
ASSA ABLOY acquires Fargo Electronics, which develops systems for secure issuance of credit, bank, debit and ID cards. Other acquisitions: Adams Rite (USA) and Baron Metal Industries (Canada).

**2007 – Expansion in Asia**
A new brand strategy is launched, with ASSA ABLOY as the master brand. The Group acquires iRevo in South Korea, a major player in digital door locks. Other acquisitions: Aontec (Irish Republic), Baodean (China), Powershield (UK), Pyropanel (Australia), Pemko Manufacturing Company and La Force Associates (USA), Alba (Israel), Esety (Italy), Integrated Engineering (Netherlands) and Portronik (Canada).

**2008 – Wireless technology launched**
The new Aperio wireless technology is launched. This technology makes it easy for customers to upgrade their access control systems. Other acquisitions: Beijing Tianming and Shenfei (China), Gardesa and Valli&Valli (Italy), Copiax (Sweden), Cheil (South Korea) and Rockwood (USA).

**2009 – Strong results despite weak market**
Acquisition of the Ditec Group, a leading company in automatic doors, industrial doors, fast doors and gate automation. Other acquisitions: Portsystem 2000 (Sweden), Maiman (USA) and Cerracol (Colombia).

**2010 – Complementary acquisitions strengthen the customer offering**
Acquisition of Pan Pan, China's largest manufacturer of high-security steel doors, King Door Closers, South Korea's leading manufacturer of door closers, Paddock, the UK's leading manufacturer of multi-point locks, and ActivIdentity, a leader in secure identity solutions and Security Metal Products (USA). Agreements were signed to acquire Cardo, a leading manufacturer of industrial doors (Sweden), LaserCard (USA) and Swesafe (Sweden) as well as a stake in Agta Record (Switzerland).

In addition to the acquisitions listed here, ASSA ABLOY has acquired a number of smaller companies.

# ASSA ABLOY

Division

## Americas

Americas division manufactures and sells mechanical and electromechanical locks, cylinders, security doors and door frames in North and South America. The majority of the division's sales are in North America, where ASSA ABLOY has an extensive sales organization and sells its products through distributors. Sales in South America and Mexico take place mainly through distributors, wholesalers and DIY stores. Some of the division's leading brands are Ceco, Corbin Russwin, Curries, Emtek, Medeco, Phillips, SARGENT and La Fonte. The division has 7,000 employees and divisional management is located in New Haven, Connecticut, USA.

**SHARE OF GROUP**

Sales

26%

Operating income (EBIT)

30%

For further information on Americas see pages 40–41

Division

## EMEA

EMEA division manufactures and sells mechanical, electromechanical and electronic locks, cylinders, security doors and fittings in Europe, the Middle East and Africa. Most sales take place in West Europe, but emerging markets in East Europe and the Middle East are gaining in importance. EMEA consists of a number of Group companies with a good knowledge of their local and in many respects diversified markets. Some of the division's leading brands are ABLOY, ASSA, IKON, Mul-T-Lock, TESA, UNION, Yale and Vachette. The division has 9,500 employees and divisional management is located in London, United Kingdom.

**SHARE OF GROUP**

Sales

34%

Operating income (EBIT)

34%

For further information on EMEA see pages 38–39

Division

## Global Technologies

Global Technologies has a leading position as a supplier of electronic security solutions worldwide. The division consists of two business units: HID Global and ASSA ABLOY Hospitality, with sales mainly to the commercial segment. HID Global is a global leader in secure identity solutions, primarily in identity and access control, and in contact-

Division

## Entrance Systems

Entrance Systems division is a global leader in automatic entrance solutions. The product range, sold under the Besam brand, includes automatic swing-, sliding- and revolving doors, air curtains and a comprehensive service range. Door-, gate- and garage door automation and industrial doors are sold under the Ditec brand. The products are sold through distributors and installation companies, and

# – divisions

Division

## Asia Pacific

Asia Pacific division manufactures and sells mechanical and electromechanical locks, digital door locks, high-security doors and fittings. China and the rest of Asia account for around 70 percent of sales, while Australia and New Zealand account for the remaining 30 percent of the division's sales. In Asia, the division's largest brands are Baodean, Gateman, Guli, King, Pan Pan, Shenfei, Tianming, Wangli and Yale. In Australia and New Zealand, the largest brands are Lockwood and Interlock. The division has 15,500 employees and divisional management is based in Hong Kong, China.

SHARE OF GROUP

| Sales | Operating income (EBIT) |
|---|---|
| 15% | 13% |

For further information on Asia Pacific see pages 42–43

less identification solutions. ASSA ABLOY Hospitality is the market leader in electronic lock systems and safes for hotels and cruise ships. The division has 2,500 employees and divisional management is based in Stockholm, Sweden.

SHARE OF GROUP

| Sales | Operating income (EBIT) |
|---|---|
| 14% | 13% |

For further information on Global Technologies see pages 44–46

installed in industrial, commercial, institutional and residential applications. The division's third brand, EM, markets automatic pedestrian door products and targets major distributors particularly in Europe. Entrance Systems has 2,700 employees and divisional management is located in Landskrona, Sweden.

SHARE OF GROUP

| Sales | Operating income (EBIT) |
|---|---|
| 11% | 10% |

For further information on Entrance Systems see pages 48–49

# EMEA
## Aggressive marketing efforts strengthen leading position

Following a good start to the year, growth slowed in third and fourth quarter. However, EMEA continued to develop and lead the European lock market through aggressive marketing efforts. The division made major investments in new innovative products and several new pan-European product platforms were launched. New products included digital door locks for the residential market and high security electro-mechanical Cliq cylinders intended for commercial customers. New innovative products and the ongoing efficiency programs resulted in a substantial increase in operating income. The year saw the acquisition of Paddock (UK), Aptus (Sweden), Seccom (Austria) and two smaller companies in Denmark and Israel.

### EMEA in brief
The EMEA division manufactures and sells mechanical, electromechanical and electronic locks, cylinders, security doors and accessories in Europe, the Middle East and Africa. EMEA consists of a number of Group companies which have a good knowledge of their local, often diversified, markets and which sell products under some of the most respected brands in the industry, such as ABLOY, ASSA, IKON, Mul-T-Lock, TESA, UNION, Yale and Vachette.

### Report on the year
The division's sales during the year totaled SEK 13,036 M (13,601), which was a reduction of 4 percent. Operating income (EBIT) excluding restructuring costs rose by 6 percent to SEK 2,174 M (2,056), which represents an operating margin of 16.7 percent (15.1).

The division's markets recovered initially, but growth slowed in the second half of the year. Germany, Finland, Russia, Scandinavia and areas of the Baltic States showed stable growth, but public sector budget cuts affected investment on other markets. Demand for high-security products and electromechanical products was strong. Exports by European Group companies to other geographical regions increased and car lock sales showed good growth. The emerging markets of East Europe, Africa, the Middle East, Asia and South America showed positive, strong growth, with sales into the emerging markets rising to nearly 16 percent of the division's sales in 2010. Markets in southern Europe recovered slowly, but showed positive growth at the end of the year. Operating income continued to improve strongly thanks to aggressive marketing efforts, new innovative products and savings from efficiency programs.

### Local differences between markets
EMEA's companies operate in a highly diversified market with significant local differences. Building regulations, security standards and climates vary greatly between the countries of northern Europe and southern Europe, and to some extent the Middle East and Africa. Consequently there are great differences between the products in demand and sold in each local market. ASSA ABLOY's regional companies have a good local knowledge of lock standards and long-term relationships with their distributors, making demand stable. In addition, the aftermarket contributes a significant proportion of sales, since the installed lock base consists of many millions of units that are continually replaced and upgraded.

### Market presence
EMEA is working actively to increase the division's market presence through development of the specification and project market, expansion into new markets and segments, and to grow through acquisitions.

Specification of total door opening solutions is increasingly important for sales, and the number of specification sales representatives has therefore been increased substantially in EMEA and the close collaboration with architects and security consultants further strengthened.

Many sales organizations in EMEA have been coordinated under the ASSA ABLOY master brand resulting in a joint customer image and a considerably wider product portfolio based on the Group's total offering.

Efforts to further strengthen the sales organization in the highly diversified European market continue through an increased focus on specification sales representatives and the structuring of the sales organization into different market segments. One example is the residential segment in which new products are being launched under the Yale consumer brand, which has shown very strong growth in 2010.

### Product leadership
Efficient product development with a strong customer focus is the strongest driver of organic growth. The use of Group-wide product platforms with fewer components is constantly increasing, contributing to enhanced customer value and lower costs. Substantially increased investment in R&D in recent years has resulted in the launch of many new electromechanical and electronic products that are both secure and easy to use. The digital door locks for the housing market launched under the brand Yale are one example.

In electromechanical security systems, ASSA ABLOY has developed an electronic cylinder called Cliq, which is an electronic development of a mechanical master-key system suitable for large complex security systems. The technology was developed by ASSA ABOY Shared Technologies and Group companies including ASSA, IKON and Abloy use the technological platform for adapted products. In a Cliq Remote security system, the administrator can issue time-limited digital keys with different access rights to padlocks and high-security systems suitable for remote installations, such as telecoms installations or hydroelectric power plants.

A new range of door closers has been launched under the ASSA ABLOY brand. The products are designed to meet the strictest European standards, have a uniform design and

» EMEA continued its aggressive marketing campaigns to develop and lead the European lock market «

are suitable for a wide range of doors, making them well suited for the specification of major projects. This project has involved various Group companies in Finland, Italy and China in order to be able to offer the best price relative to function and performance.

The Group's new product-development process focuses on increased customer value, while improving cost-efficiency and maintaining higher quality. The products have been well received by customers and have strengthened ASSA ABLOY's market-leading position in total security solutions.

### Cost-efficiency

The Group's efficiency programs continued intensively during the year. The aim of these efficiency programs is to improve production efficiency and transfer component production to low-cost countries. In 2010 the Group continued to outsource the production of components and basic products, mainly to preferred suppliers in low-cost countries. The production of some important components is now concentrated in specialized production plants, such as cylinders in the Czech Republic and lock cases in Romania. In order to maintain high standards of service and proximity to customers, West European production facilities will focus on final assembly and product customization.

An important initiative in EMEA is the coordination of purchases for the different production units by specialized purchasing managers for each component category. This has led to an increased percentage of purchases in low-cost countries and better exploitation of economies of scale in the division.

Administrative services such as wage administration and accounts are being coordinated on a regional basis to improve efficiency. Joint administration has already been successfully implemented in Germany and all regions will be similarly organized in the coming years.

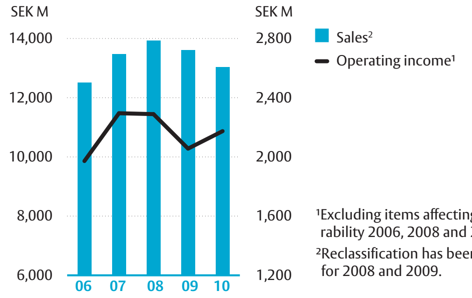
Coordination of the division's IT infrastructure was a new project which was initiated during the year and will continue for the next few years. This project will lead to more efficient coordination of the division's IT systems and the implementation of electronic order and order management systems for distributors and other customers. The aim is that this should lead to better internal efficiency and an increased service level for ASSA ABLOY's customers.

## KEY FIGURES

| SEK M | 2009 | 2010 |
|---|---|---|
| **Income statement** | | |
| Sales[2] | 13,601 | **13,036** |
| Organic growth, % | –12 | **2** |
| Operating income (EBIT)[1] | 2,056 | **2,174** |
| Operating margin (EBIT)[1], % | 15.1 | **16.7** |
| **Capital employed** | | |
| Capital employed | 9,814 | **8,759** |
| – of which goodwill | 5,540 | **5,471** |
| Return on capital employed[1], % | 16.9 | **21.6** |
| **Cash flow** | | |
| Cash flow | 2,850 | **2,607** |
| Average number of employees | 10,138 | **9,471** |

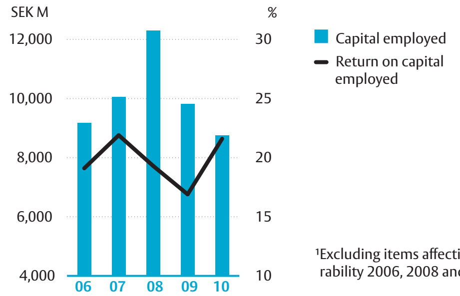
[1] Excluding items affecting comparability. 2009.
[2] Reclassification has been made for 2009.

## SALES AND OPERATING INCOME



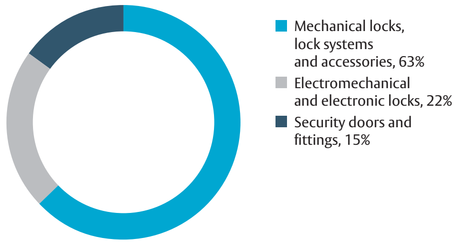

[1]Excluding items affecting comparability 2006, 2008 and 2009.
[2]Reclassification has been made for 2008 and 2009.

## CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED[1]

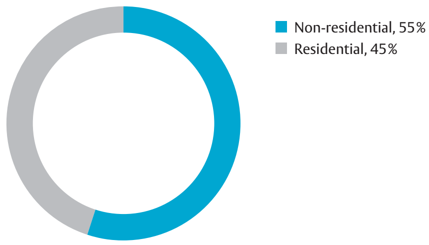



[1]Excluding items affecting comparability 2006, 2008 and 2009.

## SALES BY PRODUCT GROUP




## MARKET SEGMENTS



# Americas

## Increased market presence and innovation

The division returned to growth in the second half of the year driven by gradual, increasing demand in the renovation market. However, low activity in the new construction market in North America had a negative impact on sales. Growth was high throughout the year on the Latin American market. Marketing initiatives in the commercial market continued in 2010 through increased market presence and product development. Many new electromechanical products and environmentally sensitive solutions were launched. Active marketing campaigns, new innovative products and efficiency measures enabled the division to maintain a strong operating income and cash flow. The year saw the acquisition of two US companies: Schaub and Security Metal Products.

### Americas in brief

The Americas division manufactures and sells mechanical and electromechanical locks, cylinders, security doors and door frames in North and South America. The majority of the division's sales are in North America where ASSA ABLOY has an extensive sales organization and sells its products through distributors. Sales in South America and Mexico take place mainly through distributors, wholesalers and DIY stores. The Americas division operates in both the non-residential and residential segments. The non-residential segment accounts for the majority of the division's sales. Some of the division's leading brands are Ceco, Corbin Russwin, Curries, Emtek, Medeco, Phillips, SARGENT and La Fonte.

### Report on the year

The division's sales during the year totaled SEK 9,536 M (9,880), which was a reduction of 3 percent. Operating income (EBIT) fell 2 percent to SEK 1,886 M (1,925), which represents an operating margin of 19.8 percent (19.5).

### Different products for different market segments

In the North American market there is a clear distinction between products intended for the residential segment and products for the non-residential segment. As a result, very few of the division's products are suitable for both segments, and the distribution channels are also completely distinct. Security doors, door frames and locks are major components of the solutions offered to non-residential customers. There is also increased demand for sustainable products and solutions to contribute to the growing desire for LEED building certifications in the non-residential market.

### Positive development in the non-residential segment

The non-residential segment accounts for a large percentage of the division's sales in the US and Canada. The market improved gradually during the year, with growth in third and fourth quarters. Despite lower volumes, Americas succeeded in maintaining very good margins thanks to active marketing efforts and cost control. The division works vigorously to generate demand in many non-residential segments, including public buildings, hospitals, school and college campuses, airports, transport terminals, sports and shopping centers, manufacturing plants and commercial offices. Since security and safety standards for these environments are often highly complex, they require more lock and door functionality than typical residential applications. Fire and life-safety building codes make ever-increasing demands on product functionality, complexity and durability. It is increasingly essential that security solutions should consider the door environment as a whole. A total security solution from ASSA ABLOY is often a combination of doors, door frames, locks, hinges, door closers or exit devices, access-control products and high-security key systems.

### Demand stabilization in the residential segment

The residential segment, which constitutes only a minor part of the division's sales, continued to show a slightly negative trend at the beginning of the year, due to the prolonged downturn in the high-end home construction segment in the US. Substantial efforts to cut costs, combined with aggressive new product launches, made positive contributions to managing the weak market conditions and demand stabilized in the second half of the year. The acquisition of Schaub complements the division's product offering in the high-end residential segment in the US market.

### Strong growth in Latin America

Growth in Latin America was strong during the year. The countries in Latin America have their own local security standards requiring unique security solutions. Sales in Brazil and Chile rose strongly, particularly in Brazil where the local demand for security products is good due to the constantly increasing living standard. The acquisition of Cerracol in Colombia at the end of 2009 has strengthened the division's opportunities for successfully meeting market demand in Central America. In Mexico, the successful efficiency programs continued, while sales exceeded market growth.

### Market presence

The Americas division continues to focus on specifying security solutions and increasing its knowledge of end-user needs. Marketing tools such as the Mobile Innovation Showroom allow customers to view and learn about the latest door opening solutions at convenient local venues. Increased marketing activities and private showings of security solutions at the permanent Innovation Showroom at the division's main plant in Connecticut have increased customer awareness of new products and security solutions. The division also works closely with architects and security consultants early in the construction process. ASSA ABLOY's specification consultants share their expertise to ensure that security solutions are code-compliant and meet the complex functional and security needs of the end-user. Such activities strengthen relations with architects and increase the likelihood of orders when the project is procured. In

» Increased focus on market presence, innovation and cost control in tough market conditions «

2010 the division participated actively in the US Green Building Council (USGBC), the Canadian Green Building Council (CGBC) and the US Regenerative Council.

### Product leadership

Integration of electronics into traditional mechanical door and security products remains a key priority for Americas division. Product development continues at a high rate as well as the focus on aesthetic product design and specific security solutions for the end-user.

In 2010 the division launched additional aesthetic and environmentally sensitive solutions and access control solutions. Some of these door and hardware solutions were winners of various of prestigious prizes for design and function by the design and architecture world.

### Cost-efficiency

The Americas division strives for operational excellence to further improve performance in a number of areas. Some of the areas targeted for further cost-efficiency gains are shared services, production efficiency, Lean methods and coordinated purchasing for the production units.

The implementation of Seamless Flow activities to streamline the order flow process has increased the division's cost-efficiency. Lean activities in both manufacturing and administration are an important part of Americas' operations and culture and drive continuous improvement across the entire division. Smart outsourcing of components and improved automation processes complement the division's cost-efficiency strategy.

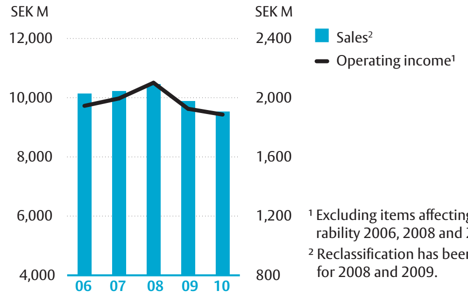
Americas division continues to coordinate administrative services for its companies. In addition to financial services and human resources, legal and IT services have been consolidated across most companies in the division, leading to increased efficiency and quality.

## KEY FIGURES

| SEK M | 2009 | 2010 |
|---|---|---|
| **Income statement** | | |
| Sales[2] | 9,880 | **9,536** |
| Organic growth, % | –19 | **–2** |
| Operating income (EBIT)[1] | 1,925 | **1,886** |
| Operating margin (EBIT)[1], % | 19.5 | **19.8** |
| **Capital employed** | | |
| Capital employed | 8,687 | **8,163** |
| – of which goodwill | 6,003 | **6,039** |
| Return on capital employed[1], % | 20.5 | **21.3** |
| **Cash flow** | | |
| Cash flow | 2,677 | **2,013** |
| Average number of employees | 6,897 | **6,969** |

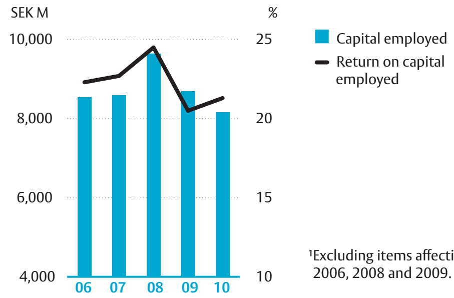
[1] Excluding items affecting comparability. 2009.
[2] Reclassification has been made for 2009.

## SALES AND OPERATING INCOME



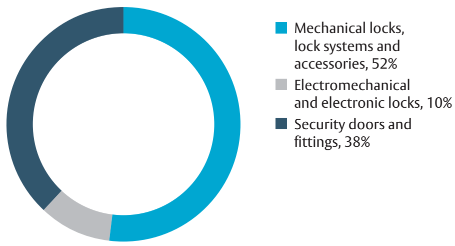

[1] Excluding items affecting comparability 2006, 2008 and 2009.
[2] Reclassification has been made for 2008 and 2009.

## CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED[1]

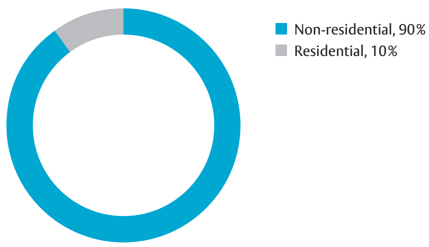



[1]Excluding items affecting comparability 2006, 2008 and 2009.

## SALES BY PRODUCT GROUP




## MARKET SEGMENTS



# Asia Pacific
## Strong development in Asia

The division grew throughout the year driven by very strong development in China, where demand was high particularly for security doors. Growth was also strong on the South Korean, Australian and New Zealand markets. The division worked actively on a number of initiatives to increase market presence. Some of the most important initiatives were the development of the specification and project market, expansion into new markets and segments, and through acquisitions. As a result of organic growth and strategic acquisitions, the Group can now offer a complete range of door opening solutions on the Asian markets. The profitability of the division and all business units increased to a good level. The year saw the acquisition of Pan Pan and Longdian (China) and King Door Closers (South Korea).

### Asia Pacific in brief

The Asia Pacific division manufactures and sells mechanical and electromechanical locks, high-security doors and fittings. China and the rest of Asia account for around 70 percent of sales, while Australia and New Zealand account for around 30 percent of the division's sales. In Asia, the division's leading brands are Baodean, Gateman, Guli, King, Pan Pan, Shenfei, Tianming, Wangli and Yale. The Australian and New Zealand markets are more mature, with established lock standards and strong brands such as Lockwood and Interlock. The majority of sales are for the renovation and upgrade of previously installed security products. The Asian markets do not yet have such established security standards and the majority of products are sold for new buildings. The production units in China also supply ASSA ABLOY's other regions.

### Report on the year

The division's sales during the year totaled SEK 6,081 M (3,789), which was an increase of 60 percent. Operating income (EBIT) rose by 84 percent to SEK 843 M (459), which represents an operating margin of 13.9 percent (12.1).

### Strong growth in China

The Chinese lock market is growing thanks to rapid urbanization. Migration from the country to the cities and the modernization of both residential and commercial buildings are creating increased demand for security. The market is fragmented, with many local security companies, but ASSA ABLOY has a leading position as the largest security-door and lock manufacturer in China. The Chinese market is important for ASSA ABLOY and China is now the Group's second largest market after the US.

In China the same types of lock, handle and fittings are often used in both homes and offices. Sales comprise both products manufactured in the region and premium products imported from Europe and North America.

There are few national or regional standards governing how locks, doors and fittings should be designed and fit together. ASSA ABLOY is working with Chinese regulatory authorities to develop and improve these security standards.

Asia Pacific has established a Door Group comprising the Group companies Wangli, Tianming, Longdian and Pan Pan. These companies are working together to develop new products, technologies and sales channels and to reduce the costs of adapting products to different national and security standards. The investment in the new Door Group is expected to lead to higher growth due to the increased focus across the region on higher security requirements for doors, including fire safety requirements.

Central government measures have been implemented to slow down growth in the large coastal cities with high population growth, while the public authorities have stimulated construction in inland cities. A key strategy for ASSA ABLOY has therefore been creating a presence to exploit the growth in these regions. This has been achieved partly through the acquisition of Pan Pan. Sales in China were very strong during the year, particularly in the Door Group.

### Other Asian markets

There is still considerable growth potential in the large, fragmented markets in the rest of Asia. These markets are generally underdeveloped, with low security standards, and are therefore mainly driven by the price of the lock and security solution. Asia Pacific is continuing its strong efforts to develop the sales organization into focused sales teams and to concentrate on fewer but stronger brands, which has further strengthened the division's product offering.

Sales in India have risen substantially and the Group won the prestigious contract for the new terminal T3 at New Delhi International Airport, which was completed in 2010. Continued expansion on the Indian market is a key priority for the division.

In South Korea, the Group company iRevo is the market leader in digital door locks under the brand name Gateman. This type of residential door lock has been very successful in both South Korea and China. iRevo has also developed digital locks for the US and European markets, with their higher security standards. These digital locks were launched on the consumer market under the brand name Yale.

### Stable market in the Pacific

In Australia and New Zealand ASSA ABLOY is the market leader on both the housing and the commercial markets with its established Lockwood and Interlock brands. The development in 2010 was good and sales increased particularly at the beginning of the year, due to central government stimulus packages, but returned to more normal levels at the end of the year.

### Market presence

Asia Pacific is working actively on a number of initiatives to increase the division's market presence. Some of the most

» Strong growth on Chinese market «

important initiatives are expansion into new markets and segments and through acquisitions as well as the development of the specification and project market.

Acquisitions remain important for increasing market presence and Pan Pan, which has production in seven locations in China, was acquired in 2010. The company is China's largest manufacturer of high-security doors, including fire-, corrosion-proof, armored and standard high-security doors, and has the capacity to produce 2.4 million doors per year. Pan Pan has an extensive and well-established distribution network across China and is a good fit with ASSA ABLOY's other door companies. The year also saw the acquisition of King Door Closers, South Korea's leading manufacturer of door closers and floor springs. King has a comprehensive range of standard and certified commercial and residential door closers as well as a complete range of floor springs. The company has a strong presence on the strategically important specification market and a large proportion of exports mainly to the Middle East and the rest of Asia. The Chinese company Longdian was also acquired during the year.

Specification of total door opening solutions is increasingly important for sales and the number of specification sales representatives has therefore been increased substantially in Asia Pacific and the close collaboration with architects and security consultants further strengthened. The local sales organizations are united under the ASSA ABLOY master brand in order to better meet the demand for total door and security solutions.

Today ASSA ABLOY is the largest door opening solutions company in China and has some 14,000 employees on the local market. The Group has a leading position in door opening solutions with a complete product range covering many different segments and well-known brands. This has been achieved through a healthy combination of acquired and organic growth.

## Product leadership

Innovation and continued product development are important factors enabling the division to maintain an attractive product range and increase sales. Electromechanical security products, such as digital door locks from iRevo, are increasingly important and there is considerable growth potential in the commercial segment. Major resources are also invested in product development of mechanical products and doors. 2010 saw the successful launch of a fire door for the higher-end housing market under the Yale brand.

## Cost-efficiency

The Group's efficiency programs intensified. The division has continued to invest in production facilities in China, mainly to meet rising demand on the local market but also to increase intra-Group deliveries to Europe, North America and the Pacific.

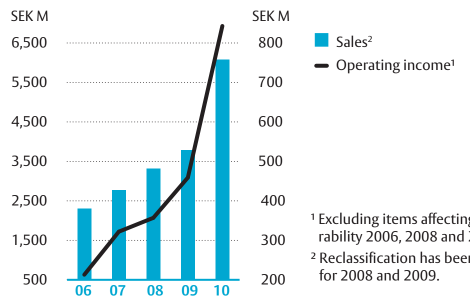
The remaining production plants in Australia and New Zealand now focus on customized solutions and final assembly. A large proportion of the components and standard products will be made by the division's Chinese plants. Productivity in these plants is constantly improving as a result of the continued implementation of Lean methods and investments in semi-automated processes and sustainability.

## KEY FIGURES

| SEK M | 2009 | 2010 |
|---|---|---|
| **Income statement** | | |
| Sales[1] | 3,789 | **6,081** |
| Organic growth, % | –1 | **14** |
| Operating income (EBIT) | 459 | **843** |
| Operating margin (EBIT), % | 12.1 | **13.9** |
| **Capital employed** | | |
| Capital employed | 2,768 | **4,080** |
| – of which goodwill | 1,536 | **3,202** |
| Return on capital employed, % | 16.1 | **25.1** |
| **Cash flow** | | |
| Cash flow | 610 | **917** |
| Average number of employees | 7,560 | **15,510** |

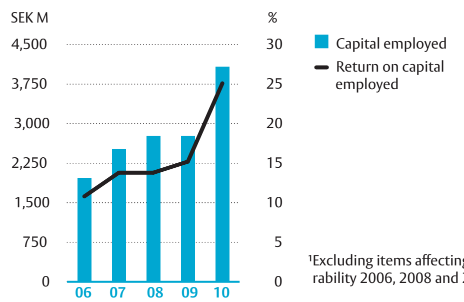
[1] Reclassification has been made for 2009.

## SALES AND OPERATING INCOME



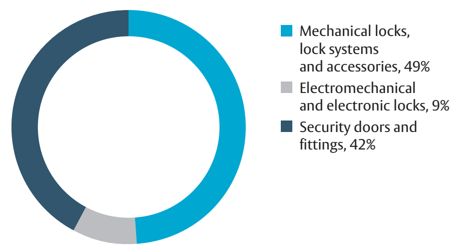

[1] Excluding items affecting comparability 2006, 2008 and 2009.
[2] Reclassification has been made for 2008 and 2009.

## CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED[1]

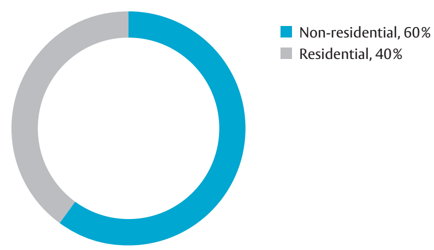



[1]Excluding items affecting comparability 2006, 2008 and 2009.

## SALES BY PRODUCT GROUP




## MARKET SEGMENTS



# Global Technologies

## Strong growth in secure identity and product launches within Hospitality

Demand returned in 2010 and the year saw very strong growth. HID Global showed strong growth throughout the year, while Hospitality returned to growth in the second half of the year. HID Global launched a number of new products and services in logical and physical access and in secure card issuance, all of which were well received by the market. A number of major projects were also won in eGovernment. The US company ActivIdentity was acquired during the year. New product launches within Hospitality led to a sharp increase in demand for renovation and upgrades on all markets. Meanwhile it continued to see a reduction in new hotel construction, which has now reached its lowest level for three years. Increased volume and continued efficiency programs raised profitability throughout the division.

### Global Technologies in brief

Global Technologies division has a leading position as a supplier of electronic security solutions worldwide. The division consists of two business units, HID Global and ASSA ABLOY Hospitality, with sales mainly to the commercial segment. HID Global is a global leader in secure identity solutions, primarily in identity and access management, and in contactless identification technology solutions. ASSA ABLOY Hospitality is the market leader in electronic lock systems and safes for hotels and cruise ships.

### Report on the year

The division's sales during the year totaled SEK 5,015 M (4,766), which was an increase of 5 percent. Operating income (EBIT) excluding restructuring costs rose by 13 percent to SEK 862 M (766), which represents an operating margin of 17.2 percent (16.1).

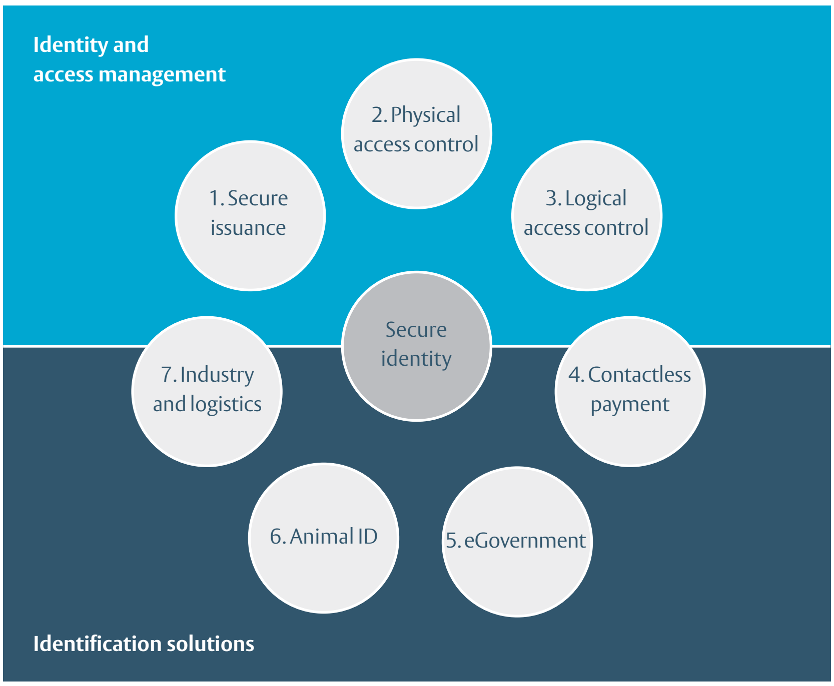
### HID Global

HID Global is a global leader in secure identity solutions, primarily in identity and access management, and in contactless identification technology solutions. Identity and access management product lines include contactless smart cards, wall mount, desktop and mobile readers, for physical and logical access control, secure issuance card printers, and card personalization services.

### HID Global – main events in 2010

Demand for HID Global's products increased gradually during the year. New products and active marketing efforts resulted in considerable interest in secure identity solutions.

ActivIdentity, a market leader in secure identity and authentication solutions, was acquired in the second half of the year. The company's product portfolio is a good fit with HID Global. An agreement was also signed to acquire




### HID Global's product areas

HID Global works with a common technology platform for secure identification using smart cards, RFID and encryption. Below are some examples of HID Global's product offering in this area of the security market.

Identity and access management

1. Secure issuance
   Printing and issuance of secure ID cards
2. Physical access control
   Contactless cards and card readers
3. Logical access control
   Card readers and software for secure login

Identification solutions

4. Contactless payment
   Contactless payment cards and reader modules
5. eGovernment
   Identification technology for ID cards, ePassports, and readers
6. Animal ID
   Contactless tags and readers for identifying livestock
7. Industry and logistics
   Contactless tags and readers for inventory control and logistics

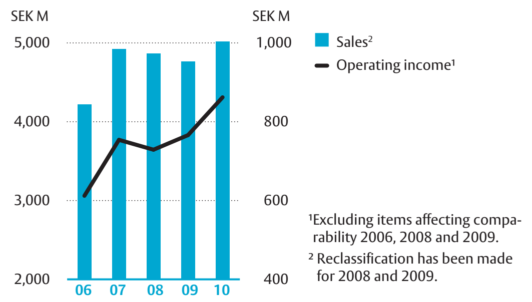
» Global leader in secure identity and hotel security «

## KEY FIGURES

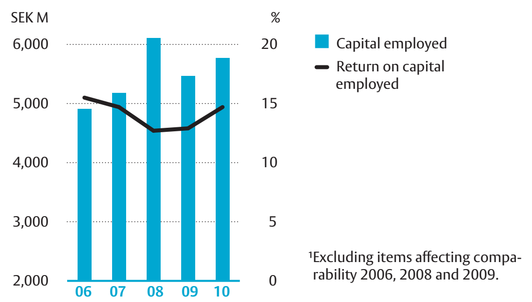
| SEK M | 2009 | 2010 |
|---|---|---|
| **Income statement** | | |
| Sales[2] | 4,766 | **5,015** |
| Organic growth, % | –12 | **10** |
| Operating income (EBIT)[1] | 766 | **862** |
| Operating margin (EBIT)[1], % | 16.1 | **17.2** |
| **Capital employed** | | |
| Capital employed | 5,464 | **5,772** |
| – of which goodwill | 4,030 | **4,265** |
| Return on capital employed[1], % | 12.9 | **14.7** |
| **Cash flow** | | |
| Cash flow | 1,005 | **868** |
| Average number of employees | 2,416 | **2,487** |

[1] Excluding items affecting comparability 2009.
[2] Reclassification has been made for 2009.

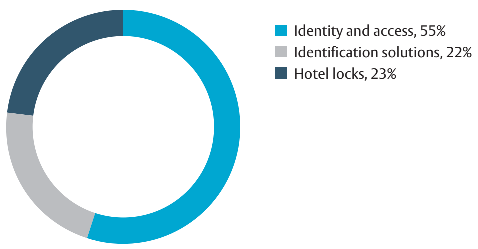
## SALES AND OPERATING INCOME



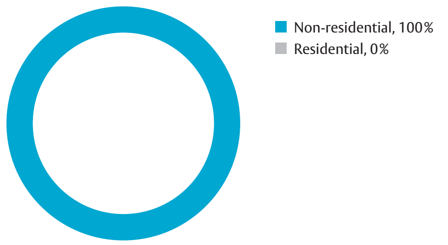

## CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED[1]




## SALES BY PRODUCT GROUP




## MARKET SEGMENTS




LaserCard Corporation, a leading provider of secure ID solutions to governments and commercial customers worldwide.

Active efforts to improve the efficiency and organization of the business unit contributed to an increase in HID Global's margin.

### Market presence

HID Global continued its long-term investments in market presence. A new collaboration project was started to develop contactless smart cards reader technology for the global PC market. The year also saw the launch of Genuine HID, which provides customers with many benefits, such as interoperable products, services and solutions, technology migration options a global network of authorized reseller partners, and trusted industry expertise.

Secure identity and ePassports are an increasingly important market. HID Global has supplied over 100 million contactless inlays, strengthening its leading position in the global ePassport market.

### Product leadership

In physical access, iCLASS products continue to be successful, but the older Prox technology also continues to grow. In logical access, a number of customers including Dell have adopted HID's technology for secure computer login. A new generation of leading card printers for secure card issuance has also been launched. The printers feature innovative functions such as an embedded badging software application, network connectivity, printing and encoding of ID cards and enhanced ribbon handling.

HID Global increasingly supplies reader technology to all the Group's divisions. Reader technology is being integrated into mechanical door opening solutions. This results in increased growth for both HID Global and the other divisions, as it considerably raises the technology level of traditional products, offering customers higher security and better functionality. One of HID Global's key priorities is therefore drawing up a development strategy for a global solutions platform.

### Cost-efficiency

One important project in 2010 was to reduce inventories in

HID Global. The project was implemented across all product and geographical areas and resulted in a reduction in capital employed and an improved cash flow.

Consolidation of the business unit's production to the production unit in Malaysia was ongoing and will continue in 2011. A global quality function was also established to reduce costs and confirm that product quality targets are met.

HID Global also increased its activities in Value Analysis/ Value Engineering (VA/VE). The goal is to reduce product costs and at the same time increase functionality. This has led to significant cost savings in both the existing product range and the production of new products.

### ASSA ABLOY Hospitality

ASSA ABLOY Hospitality produces electronic locking systems and in-room safes for hotels and cruise ships. The business unit includes leading global brands such as VingCard Elsafe and TimeLox. VingCard Elsafe, the world's best-known brand for hotel locking systems and in-room safes, has products installed in over 6.5 million hotel rooms in more than 39,000 hotels worldwide.

### ASSA ABLOY Hospitality – main events in 2010

The new construction market remained at a low level throughout the year. However, demand for renovation and upgrades increased sharply as hotel occupancy rates improved.

ASSA ABLOY Hospitality has worked actively to upgrade customers' installed locks from magnetic locking systems to more secure, flexible and user-friendly locks using Radio Frequency Identification (RFID). The new contactless RFID hotel locks were well received by the market and made a positive contribution to sales. In recent years demand for ASSA ABLOY's RFID technology has increased. RFID technology offers higher security and when combined with ZigBee technology provides a very reliable and cost-efficient wireless online security system (VISIONLINE), improving efficiency and reducing maintenance costs for hotels.

The new VISIONLINE system is integrated with the hotel's other operating systems to add efficient in housekeeping, security, front desk and maintenance functions. The VISIONLINE system improves security by managing card cancellation straight from the server, customer service by enabling the front desk to authorize room changes, extensions of stay and access to conference rooms without the guest needing to hand in their key at the reception to be re-encoded. New integrated technology for further development of the VISIONLINE system, such as mobile keys in mobile phones, loyalty cards for regular customers.

VingCard Elsafe also presented with great success the new Energy Management Solution, Orion, which intelligently determines guest presence to efficiently manage the energy and HVAC consumption in the room ensuring savings, guest comfort and contributing hotels green initiatives.

### Market presence

It is strategically important for ASSA ABLOY Hospitality to expand its customer base beyond the traditional hotel and cruise sectors. Marketing efforts are therefore being made in other segments, such as retirement and student accommodation, where security and accessibility requirements can be met by the products and technologies offered by ASSA ABLOY Hospitality. Future initiatives are in hand to offer integrated security solutions with other ASSA ABLOY companies.

### Product leadership

One strategic priority for increased growth in ASSA ABLOY Hospitality is offering upgrades for previously installed products. Important components in achieving this are technologies such as RFID, NFC in mobile phones and ZigBee RF online solutions, which are designed to facilitate gradual upgrade of existing technology to better satisfy customer needs and investment plans.

A successful project during the year was the Clarion Hotel Stockholm, in which ASSA ABLOY and its partners developed the worlds first hotel integrated locking system for replacing hotel keys with NFC compatible mobile phones. The technology makes it possible for hotel guests to bypass the check-in at reception and use their NFC-compatible mobile phones.

### Cost-efficiency

Major efforts are also being made to increase efficiency in the business unit through relocation of production to low-cost countries and outsourcing of component production to high-quality suppliers in low-cost countries. In 2010 ASSA ABLOY Hospitality completed the relocation, which began in 2006, of all production from West Europe to the new production plant in Shanghai, China. This relocation resulted in increased production efficiency and lower costs, which had a positive impact on margins.

Hospitality is continuing to implement a global ERP system, which will improve the efficiency of administrative and global purchasing functions and develop the web-based ordering portal used by Hospitality's business partners.

# Famous landmark secured by VERSO Cliq

Berlin's television tower is one of the city's most famous landmarks. Part of the World Federation of Great Towers (WFGT), it reaches 368 meters, making it the tallest structure in Germany.

TV Turm Alexanderplatz Gastronomiegesellschaft has 1.2 million visitors annually, so the company that operates the building has high security requirements. The IKON VERSO Cliq is an intelligent system solution integrating high-grade precision mechanics and electronic modules, offered the company the security and flexibility they needed.

The areas managed by the operator, including all public areas, two high-speed lifts, restaurant, storerooms and administrative offices in and around the building, call for a hierarchical access structure.

The use of seasonal and temporary workers, restructuring or outsourcing to external companies, also mean access authorizations need to be adapted quickly and flexibly.

Another aspect in VERSO Cliq´s favor was the availability of reliable, comprehensive documentation as well as its easy system handling and programming.

# Entrance Systems

## Acquisitions strengthen customer offering in entrance automation

New sales of automatic doors were weak throughout the year, while service sales continued to grow strongly. Demand in the healthcare segment fell, while it increased in the retail segment. Newly acquired Ditec, where a large number of improvement projects were implemented, saw sales of entrance automation products develop positively towards the end of the year. Rationalization of the production structure resulted in a strong earnings trend although the division's operating margin was negatively impacted by the dilutive effect of the Ditec acquisition. The year saw the acquisition of Peiser (Germany) and Hunter (Canada). In addition, an agreement was signed to acquire a stake in Agta Record (Switzerland) and a bid was made for the Swedish company Cardo. The acquisition of Cardo will enable the Group to offer customers a complete and unique range of products and services in the entrance automation field.

### Entrance Systems in brief

Entrance Systems division is a global leader in automatic entrance solutions. The product range, sold under the Besam brand, includes automatic swing-, sliding- and revolving doors, air curtains and a comprehensive service range. A significant part of sales goes direct to major end-customers in the healthcare, retail and transport sectors.

Door-, gate-, garage door- and industrial door automations are sold under the Ditec brand. The products are sold through distributors and installation companies and installed in industrial, commercial, institutional and residential applications.

The division's third brand, EM, markets automatic pedestrian door products; and targets major distributors particularly in Europe.

### Report on the year

The division's sales during the year totaled SEK 4,072 M (3,733), which was an increase of 9 percent. Operating income (EBIT) excluding restructuring costs rose by 7 percent to SEK 627 M (587), which represents an operating margin of 15.4 percent (15.7).

Demand improved during the year from a low level, particularly in the division's important retail segment. However, new sales continued to weaken on the institutional market in the healthcare sector as a result of reduced investments by customers. Service remains a key success factor for achieving good sales and profitability, particularly in a market with a low level of new sales. Ditec's products, which are now also marketed by Entrance Systems' organization on several new markets, showed positive growth during the year. The division also made major investments in new products and increased marketing activities under the EM brand that targeted distributors. Asia continued to show strong growth during the year and the division worked on product development to adapt products to local standards and requirements.

### Entrance automation for commercial customers

Automatic pedestrian and industrial door solutions and service offerings are mainly sold in the commercial segment, which comprises end-users in both the private and public sectors.

Typical customers are retailers, hospitals, homes for the elderly, hotels, airports, transport terminals, office buildings, public buildings and schools. It is increasingly important to be able to offer a total entrance automation solution comprising automatic pedestrian and industrial door solutions. The service offering can then be expanded to include all automated entrances for both pedestrians and goods. Acquisitions of industrial door companies complement the product, solutions and service offering to commercial and institutional customers.

### EMEA

The low activity in new sales in EMEA resulted in slightly negative growth during the year, but the division nevertheless continued to increase its market shares in many key markets. Entrance Systems positively developed several activities to mitigate this negative growth, including new product launches and the development of new service concepts which are progressing well. Emerging markets in East Europe, the Middle East and South Africa showed good growth during the year.

### North America

Sales on the North American market improved gradually due largely to improved service concepts, which resulted in a number of new contracts in the US and Canada. Product launches improved the customer offering and led to increased market shares. Hunter Door Automatics was acquired during the year to develop the growing distribution and installation market. The company will contribute to Ditec's growth and adds a large number of attractive products for the North American market.

### Asia, Australia and New Zealand

Sales in Asia remained strong during the year, with positive growth in China and southeast Asia. The acquisition of Cheil in South Korea has developed positively and significantly strengthened the position in the region. The Australian and New Zealand markets improved from a low activity level and the division consolidated its market position mainly through a stronger service offering.

### Market presence

Entrance Systems is continuously working to expand its customer offering by selling entrance automation products and components, as well as total automatic pedestrian and industrial door solutions, including a comprehensive service concept. Regular preventive maintenance is beneficial for customers, and ongoing contact with these end-customers also enhances opportunities for additional sales. The division is also working on increasing efficiency in the service organization, further automating processes and increasing the number of customer visits.

The previous acquisitions of Ditec and Portsystem 2000 have been well-integrated and complement the division in automatic pedestrian, sectional and high speed doors docking stations and gate automation. The companies also strengthen the division's indirect sales channel to both the mature markets in Europe and North America, and the expanding business in emerging markets.

The announced acquisition of Cardo will further strengthen the product offering in industrial doors by strengthening the division's ability to offer a total entrance automation package to customers. It will also strengthen both the product portfolio and channel reaching the residential segment. The division has continued to focus on emerging markets and allocated more resources to exploit the growth opportunities in these markets.

» Entrance automation acquisitions strengthen the customer offering «

### Product leadership

The division continued to invest in product development and initiated a number of important projects in 2010.

Besam launched the VersaMax product line with manual-, sliding and telescopic door opening solutions suitable for patient rooms. VersaMax products have a patent pending, equal leaf design, offering the largest clear door opening in the industry.

Besam also launched a new UniSlide 100 slim sliding door operator. This product has filled a gap in Besam's product portfolio in Austria and Germany, where there is large demand for slim door operators.

Product customization to meet local conditions and requirements in Asia and North America continued, strengthening competitiveness in several key markets.

### Cost-efficiency

The division's efficiency programs continued intensively. The aim of these programs is to improve production efficiency and transfer component production to low-cost countries. Several important projects to relocate component purchases and production capacity to low-cost countries were completed during the year, and new projects were initiated to further reduce product costs. The relocation of the Landskrona production plant to the Czech Republic and the reduction of production in Italy and Spain continued in 2010. The division was also successful in adapting costs to the lower volume of new sales, which had a positive impact on the operating margin in 2010.

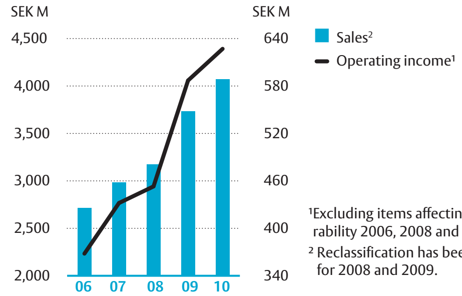
Measures to increase sales and productivity continue in the service organization. The project to provide service engineers in several countries with personal digital assistants (PDAs) to increase their efficiency continued during the year producing good results and leading to reduced service administration costs. Today all service engineers in Europe have PDAs and a pilot project is in progress in the USA to implement the project and increase the efficiency of the North American service organization.

## KEY FIGURES

| SEK M | 2009 | 2010 |
|---|---|---|
| **Income statement** | | |
| Sales[2] | 3,733 | **4,072** |
| Organic growth, % | –3 | **–2** |
| Operating income (EBIT)[1] | 587 | **627** |
| Operating margin (EBIT)[1], % | 15.7 | **15.4** |
| **Capital employed** | | |
| Capital employed | 4,116 | **4,365** |
| – of which goodwill | 3,223 | **3,303** |
| Return on capital employed[1], % | 15.2 | **14.6** |
| **Cash flow** | | |
| Cash flow | 680 | **580** |
| Average number of employees | 2,253 | **2,738** |

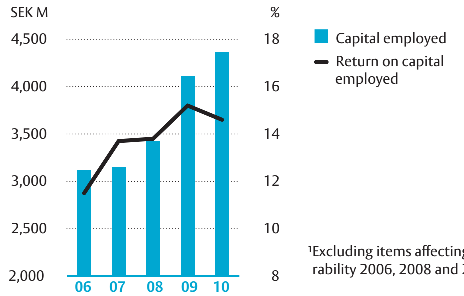
[1] Excluding items affecting comparability 2009.
[2] Reclassification has been made for 2009.

## SALES AND OPERATING INCOME



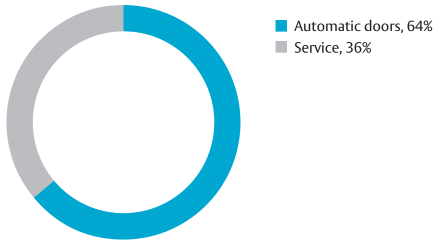

[1]Excluding items affecting comparability 2006, 2008 and 2009.
[2] Reclassification has been made for 2008 and 2009.

## CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED[1]

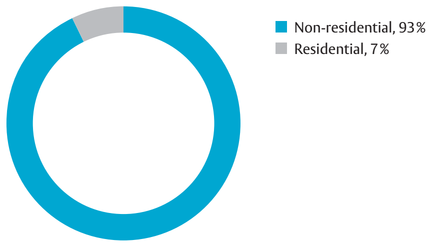



[1]Excluding items affecting comparability 2006, 2008 and 2009.

## SALES BY PRODUCT GROUP




## MARKET SEGMENTS



# Employees

## Employees generate success

ASSA ABLOY's vision and ambition is to be an attractive company to work for. It is also becoming increasingly important to be able to recruit and retain employees with the competence and the experience required to secure the Group's continued success. Considerable efforts are therefore being made globally and locally to offer stimulating assignments, clear accountability, good development opportunities and a positive, engaging work situation.

### Common knowledge base

All employees must complete the interactive web-based orientation program 'Entrance to ASSA ABLOY'. This program is available in 15 languages and covers the organization's history, products, strategy and Code of Conduct. It also helps to increase understanding of how the employee's own efforts contribute to the overall goals. A new version of the program is set to be launched 2011.

### Global employee survey

A global employee survey, first carried out in 2006, is conducted every 18 to 24 months to find out the employees' opinions on their work, their workplace and the company.

Evaluation and comparison with the results of previous surveys show the impact of the measures taken and the areas that need prioritizing in the ongoing improvement process. In spring 2010 the third employee survey was conducted with over 18,000 participants. In addition to the overall results for the Group and the divisions, the results are broken down into a large number of local units, enabling concrete measures and the involvement of many employees.

The overall results for 2010 were on a par with the results for 2008, which is positive in view of the comprehensive restructuring measures that have affected many units as a consequence of the financial crisis.

### Management training

Every year ASSA ABLOY offers a number of senior managers the opportunity to take part in the Group's two development programs, ASSA ABLOY Management Training (MMT) and the ASSA ABLOY Business Leadership Program. In 2010 around 60 managers took part in these programs.

MMT, which is an internal program, is an important tool for the integration of the Group, particularly of newly acquired companies, by providing a deeper insight into and an understanding of all aspects of ASSA ABLOY's operations. It also helps to develop internal contacts, share best practices and identify new business opportunities. Since the first program in 1996, 390 managers from 33 countries (including the 2011 program) have taken part. The program comprises three modules over a 12-month period and takes place in different global locations where ASSA ABLOY has significant operations.

## Scholarship gives employees a chance to grow

The ASSA ABLOY Scholarship program is designed to provide employees with the opportunity to further develop their professional knowledge and skills, as well as to create a deeper understanding of ASSA ABLOY.

Candidates for scholarships should have an good record and, for practical purposes, be able to communicate in English.

One of last year's participants, **Aaron Buxton-Rella** from ASSA ABLOY Australia, spent two months at the EMEA IT Shared Service Center in Landskrona, Sweden. "It was a fairly intensive induction program," Aaron says. "It was a great way of developing stronger working relationships."

**Anna Pojen**, an Online Corporate Communicator from ASSA ABLOY Head Office in Sweden spent one month at HID Global in Irvine, California. "It was incredibly fun to be able to take on a role where I could share the best of my 13 years of communication experience," Anna says. "I strengthened my knowledge about search engine optimization, my English improved, and I learned a lot about the identification and access control industry, where HID operates."

» ASSA ABLOY's vision: to be an attractive company to work for «

The ASSA ABLOY Business Leadership Program was launched in 2005 and is the result of collaboration with the Institute for Management Development (IMD) in Lausanne, Switzerland. In 2010 one program took place with 26 participants. A total of around 230 managers have taken part since the program began.

A new program is currently being developed jointly with IMD, which will be implemented for the first time in 2011.

### Scholarship Program

ASSA ABLOY's Scholarship Program offers employees the opportunity to work at another Group company, providing the opportunity to learn about the methods, procedures and products of another Group company and to bring this knowledge back to their own workplace. This program is open to all employees.

### Employee development

ASSA ABLOY has a well-established global employee development process at all levels, the Talent Management Process. The aim is to support career development in a structured way and optimize utilization of the Group's total competence.

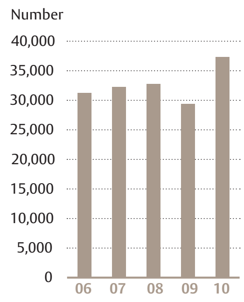
### Recruitment

A basic principle of ASSA ABLOY's recruitment policy is to give priority to internal candidates provided they have equal qualifications to external applicants. To encourage and facilitate internal mobility, all job vacancies are advertised on the Group's global intranet.

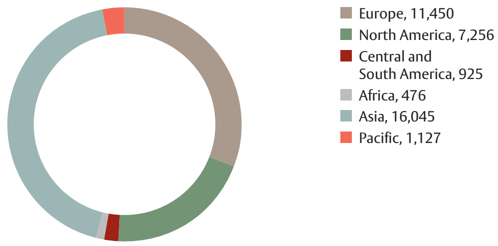
### Gender balance

ASSA ABLOY's ambition is to achieve a better gender balance at all levels in the organization. A separate gender balance policy was developed during the year to underline this ambition.

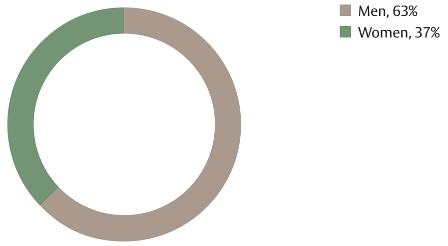
AVERAGE NUMBER OF EMPLOYEES




NUMBER OF EMPLOYEES BY REGION




DISTRIBUTION, MEN AND WOMEN




## Employees voice heard through EWC

The European Works Council (EWC) is a forum where 24 employee representatives are not only informed about what's going on within ASSA ABLOY, but also have the chance to ask Group management questions.

"EWC is the only transnational forum within ASSA ABLOY where employees get information and can discuss important transnational issues with Group management," says the council's president, Rune Hjälm.

In the end of November 2010 the EWC meeting were held in Sweden where Johan Molin, ASSA ABLOY's President and CEO, and Tzachi Wiesenfeld, the Executive Vice President and Head of EMEA division, talked about the Group's economic and financial situation and expected trends in business, production and sales.

Other topics covered were for example competence development, equal opportunities, the Code of Conduct and the manufacturing footprint program.

# Sustainable development
## A natural part of the business

ASSA ABLOY's work on sustainability is integrated throughout the value chain – from sourcing to recycling. Sustainability initiatives are based on an ongoing risk analysis as well as on the Group's Code of Conduct and engage both internal and external stakeholders.


The 2010 Sustainability Report will be published in connection with the 2011 Annual General Meeting.

### Code of Conduct

The Code of Conduct establishes the principles that ASSA ABLOY applies in relation to its employees, suppliers and other stakeholders. The Code is based on international standards, is consistent across the global organization and is available in 17 languages. ASSA ABLOY monitors the implementation of the Code of Conduct and deals immediately with any non-compliance.

The Code of Conduct is available to all employees, who are required to read and abide by it and related policies. Whistle-blowing procedures are in place to enable individuals to report infringements.

### ASSA ABLOY's way of working

Social responsibility and sustainable development are based on ASSA ABLOY's Code of Conduct. The Board of Directors has the overall responsibility, while the Executive Team handles operational management of sustainability and the Group's strategies.

Appointed coordinators at divisional and Group company level are responsible for the availability and implementation of sustainability and environmental guidelines, programs and tools. HR functions at Group and divisional level monitor social and ethical issues. The divisions and their companies are responsible for compliance with the Group's Code of Conduct and for reporting back to Head Office.

A committee led by ASSA ABLOY's HR director monitors compliance with the Code of Conduct and includes two employee representatives. Matters dealt with by the committee include whistle-blowing cases.

As well as information and guidelines, ASSA ABLOY's intranet also provides tools to support the Group companies in their sustainable development work. These tools include a database of previous best practice in the Group. This database includes all the facts, reporting and monitoring relating to the sustainability program. Statistics and reports can be extracted from the database to enable Group companies to compare their performance with other ASSA ABLOY Group companies and assess the measures to be taken.

#### *The sustainability program*

The first sustainability program was launched in 2007 and completed in 2010 with all the targets fulfilled. New targets for 2015 were then drawn up for all divisions and individual Group companies. These include chemical handling, energy efficiency, health and safety, supplier relations, product development, employee issues and overall control. The program has made it possible to introduce procedures for quality and environmental management and to establish a structure for ongoing improvement in day-to-day operations. These now provide a firm platform for building a sustainable future for the Group.

#### *Corporate Governance*

ASSA ABLOY complies with the Swedish Code of Corporate Governance, which forms part of the NASDAQ OMX rules governing the Stockholm Stock Exchange. The principles of the Code are that companies should either comply with the rules or explain any deviation from them. The Code stipulates responsibilities and procedures for the Annual General Meeting, ASSA ABLOY's Board of Directors and the Executive Team.

### Supplier control

Auditing and improving the ASSA ABLOY supplier base is a continuous task, and supplier selection is based on standardized criteria for both quality and sustainability.

Suppliers are also required to comply with the Code of Conduct. Quality and sustainability audits are carried out before new suppliers are approved, and these audits are prioritized for suppliers deemed to be in a risk category.

The system used to monitor suppliers' compliance with the Code of Conduct includes criteria on wages, overtime, noise levels, protective equipment, chemical handling, accident recording, environmental management systems and health and safety training.

Any supplier failing to comply with these requirements is asked to implement necessary improvements, and the contract is terminated if non-compliance continues.

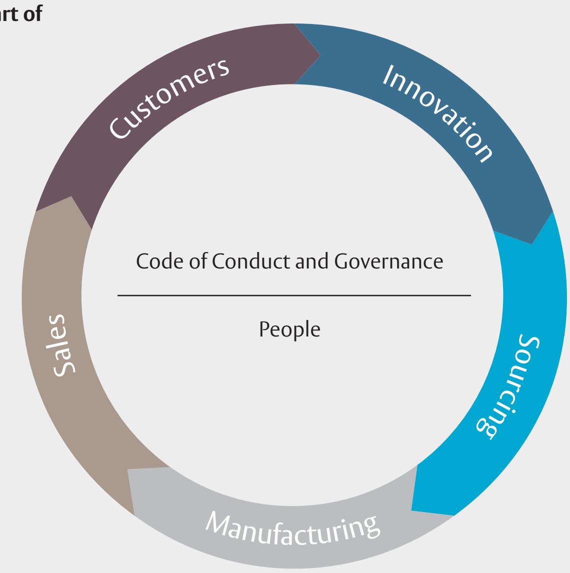
#### *The supplier selection process*

The process has three stages:

- Supplier self-assessment – the supplier assesses its ability to meet ASSA ABLOY's standards.
- On-site audit – the sustainability audit assesses how well a potential supplier meets requirements.
- Extended sustainability audit – this complements the standard audit.

After the audit, suppliers are graded green, yellow or red. Green means the supplier is approved; yellow means the supplier needs to improve within a specific timeframe; red means the supplier is not approved.

**SUSTAINABILITY**
**– integrated in each part of the value chain**




A red or yellow grade can be upgraded through an improvement plan. If no action is taken, the supplier is immediately classed as red. All purchases from the supplier are then stopped until a green grade has been achieved.

» An important part of ASSA ABLOY's sustainable development program is ensuring that all suppliers meet the Group's requirements «

### *Audits performed*

ASSA ABLOY performed 376 sustainability audits in 2010. At year-end, 288 active suppliers had satisfied the minimum standards for quality and sustainability and were classed as reliable. 16 suppliers were blacklisted.

Screening will continue, with annual monitoring of previously approved suppliers. Random, unannounced inspections will be more frequent.

### *ASSA ABLOY's supplier database*

The Group's suppliers are listed, graded and monitored in a supplier database. Both quality and sustainability audit reports are regularly entered in the database.

The database also lists non-approved and blacklisted suppliers to ensure they are not used again. Sustainability audit results override quality audit results regarding non-compliance. This means that a supplier rejected for sustainability non-compliance is either stopped immediately or must wait until the deficiencies have been addressed for approval.

### Product development

ASSA ABLOY's ambition to achieve world-class product development involves looking at the environmental impact of every product, and not just focusing on Green products.

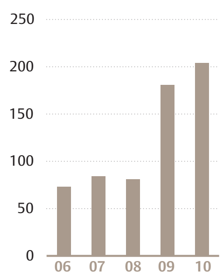
Group companies use the Group's Product Innovation Process and environmental checklist for all new product development.

The Product Innovation Process has three major elements:

- Product management – addressing the strategic aspects of the process.
- Voice of the Customer – ensuring the company develops products that customers want.
- The Gateway process – ensuring that development projects are structured and efficient.

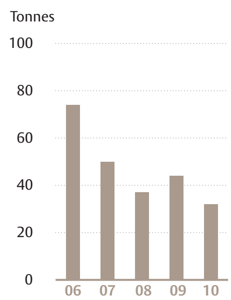
ASSA ABLOY implements its sustainability strategy and reduces costs by minimizing the chemicals, energy and materials used in manufacturing. The Group's environmental checklist helps to eliminate unnecessary functions, reduce the amount of hazardous materials used and ensure that processes are sustainable and efficient.

NUMBER OF REPORTING UNITS




The number of reporting units in the Group has increased from 181 to 204.

USE OF CHLORINATED ORGANIC SOLVENTS (PER AND TRI)




2010 and 2009 relate to comparable units.

# Sustainable development

## Manufacturing

***Energy***

ASSA ABLOY's ambition is to reduce energy consumption and emissions of harmful greenhouse gases. The Group is therefore implementing a three-stage approach to reduce energy consumption.

The first stage is to concentrate manufacture in as few plants as possible in order to maintain full capacity, efficient working practices and high quality.

The second stage is to introduce smart solutions that reduce energy and water consumption in both offices and factories.

The third stage is to evaluate alternative energy sources which in combination with innovative product design can make manufacturing processes even more energy-efficient.

***Water consumption***

Efforts to improve water efficiency have focused on plants with surface treatment processes, where most of the consumption occurs.

Technical improvements in the purification and reuse of water in the production process reduced water consumption in 2010.

***Waste management***

The Reduce, Reuse, Recycle principle is applied across the organization by reducing the amount of material in products, designing products that can be upgraded rather than replaced, and enabling recycling of production waste and products at the end of their life cycle.

***Hazardous chemicals***

ASSA ABLOY also works continuously to reduce hazardous substances in the production process and find substitutes for them. For example, most production plants have phased out chlorinated organic solvents successfully.

***Health and Safety***

ASSA ABLOY is committed to providing a safe working environment and eliminating risks that can cause accidents or impair the health and wellbeing of employees. The aim is to create a culture where everybody contributes to improved health and safety.

ASSA ABLOY has defined a number of targets intended to lead to ongoing improvements. These targets are based on a zero vision for work-related accidents.

Health and Safety audits are included in the internal audits, and risk assessment is carried out routinely. Incident reporting and analysis are used to identify preventive measures.

All units are graded and compared with each other. As a result, special initiatives can be implemented at plants with the greatest need.

## Sales and customers

ASSA ABLOY's communication with its customers is primarily through the sales force, and its image as a sustainable company is often based on the customer's relationship with the sales representatives.

ASSA ABLOY's requirements with regard to the Code of Conduct and business ethics therefore form an important part of the Group's sales training.

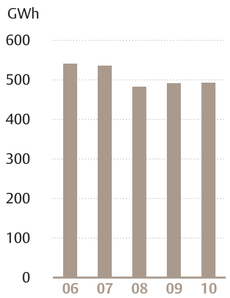
Sustainability can provide new business opportunities. Studies show that 10 percent of all new commercial construction projects in the Western world are environmentally rated.

## A responsible employer

Factory Compliance Audits covering areas such as working conditions, human rights, human resources issues, the work environment, workplace culture and skills development are conducted regularly at ASSA ABLOY's factories. These audits are conducted by external auditors in accordance with internationally accepted procedures to obtain an impartial view of the situation at each factory.

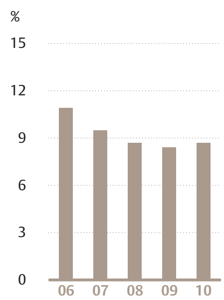
The audits are followed by measures to implement improvements where needed.

ENERGY USE




2010 and 2009 relate to comparable units.

ACCIDENTS PER MILLION HOURS WORKED



## Stakeholders

ASSA ABLOY's stakeholders in the area of sustainable development include shareholders, investors, customers, suppliers, employees, local communities, non-governmental organizations (NGOs) and the media. The company's policy of openness means listening to these stakeholders and taking on board their views.

In 2010 ASSA ABLOY held round-table discussions and separate meetings with a number of investors. Requests from investors have generally concerned making more information externally available about purchases in low-cost countries, such as procedures for establishing new operations, due diligence procedures, suppliers, sourcing volumes, indicators for and information on supplier audits, and information on non-approved suppliers. Investors have also requested increased transparency with regard to the targets for each monitored area. These meetings have proved valuable and given the Group important feedback on subjects such as suppliers, the sustainability agenda and new business opportunities for Green products.

***Some of the results of the sustainability program***

| Targets | Result 2007 | Result 2008 | Result 2009 | Result 2010 | Trend |
|---|---|---|---|---|---|
| **Energy consumption** – in manufacturing: A 15 percent reduction by 2012 compared with the result in 2006, based on normalized values. | 536 GWh | 482 GWh | 491 GWh | 493 GWh[1] | ■ |
| **Organic solvents** – Phase out all use of perchloroethylene and trichloroethylene.[2] | 93 tonnes | 42 tonnes | 44 tonnes | 32 tonnes | ■ |
| **Health and Safety**<br>Zero-vision and targets for improvement:<br>– IR, injury rate = number of injuries per million hours worked.<br>– ILDR, injury lost-day rate = number of days lost due to injuries per million hours worked. | IR: 9.5<br>ILDR: 179 | IR: 8.7<br>ILDR: 166 | IR: 8.4<br>ILDR: 150 | IR: 8.7<br>ILDR: 147 | ■<br>■ |
| **ISO 14001** – Compliance at all factories with significant environmental impact.[3] | 68 | 63 | 62 | 69 | ■ |
| **Suppliers** – Sustainability appraisals<br>– Code of Conduct requirement for all suppliers. Sustainability audits of suppliers in risk category. | 120 sustainability audits in China | 100 sustainability audits in China | 178 sustainability audits in China | 376 sustainability audits in China | ■ |
| **Gender equality** – Improve current levels of gender equality at senior levels. | Level 2: 0%<br>Level 3: 14%<br>Level 4: 19%<br>Level 5: 22% | Level 2: 0%<br>Level 3: 11%<br>Level 4: 17%<br>Level 5: 23% | Level 2: 0%<br>Level 3: 15%<br>Level 4: 18%<br>Level 5: 20% | Level 2: 0%<br>Level 3: 16%<br>Level 4: 18%<br>Level 5: 24% | ■ |

■ Deterioration ■ Unchanged ■ Improvement

[1] For comparable units. Total energy consumption amounted to 535 GWh, including units acquired during the year and increased reporting.

[2] Plants with completely closed washing processes will be phased out when the machinery is taken out of service. Read more about the updated target in the 2010 Sustainability Report.

[3] Number of certificates plus the corresponding number of certifiable systems for North American units. The change is due to the closure of plants under the restructuring program and to the addition of a number of new plants with certificates.

THE SUSTAINABLE DEVELOPMENT PROGRAM IN BRIEF

**2004/2005**
- Code of Conduct
- Whistle-blowing
- Internal audits
- Training and best practice
- Investment criteria > SEK 1 M
- Due diligence directive

**2006**
- Tools for supplier control
- Employee survey

**2007**
- Sustainability program

**2008**
- Sustainability strategy for product development including checklists
- Employee survey
- Marketing and sales training
- Training in supplier control
- Updated Code of Conduct

**2009**
- Sales companies and offices are included in reported figures
- Increased monitoring of energy consumption and $CO_2$
- Launch of joint recruitment and selection guide

**2010**
- Increased audit of suppliers in low-cost countries
- Targets for 2015 are defined for all monitored areas

# Sustainable development

## ASSA ABLOY joins US Regenerative Network

ASSA ABLOY is proud to have become the 25th member of the US Regenerative Network, the business consortium of leading global and venture-backed green building product manufacturers and service providers.

ASSA ABLOY's membership of the network signals its commitment to sustainable development.

"Environmental ethics and social responsibility are an integrated part of ASSA ABLOY's commitment to providing products and services that are environmentally sound throughout the entire production process and the product life-cycle," says David Gottfried, US Regenerative Network CEO and founder. "ASSA ABLOY's presence greatly enhances our dynamic roster of companies that seek the highest pinnacle of sustainability."

"The environment, business ethics and social responsibility are critical issues that corporations must address to be integral members of society," said Aaron Smith, Director of Sustainable Building Solutions at ASSA ABLOY. "Our unconditional aim is to make sustainability a central part of our business philosophy, culture and strategy. Our membership in the US Regenerative Network will help ASSA ABLOY realize these objectives and enhance our position as a socially responsible market leader."

## Smart system cuts hotel energy use and costs

With energy one of the highest costs for hotel properties, the Orion energy management solution from VingCard Elsafe helps reduce both running costs and environmental impact.

The award-winning intelligent solution automatically controls temperature settings as guests enter and leave their rooms, reducing energy costs while ensuring guest comfort. The Orion system can also be fully integrated with a hotel's wireless online locks, safes, lights and other networked sub-systems, providing even greater control for the hotelier.

Several installations have already shown the energy savings recouping the cost of the capital investment in two years or less.

The Orion system received the prestigious Editor's Choice Award at the 2010 International Hotel, Motel Restaurant Show (IHMRS) in New York as best green technology.


# Besam solves Ostankino Tower's draught problems

The tallest free-standing structure in Europe, Russia's 540-meter Ostankino Tower, broadcasts television and radio transmissions from more than 30 stations. It also features conference facilities, several observation decks and a well-known restaurant, making it a popular destination for tourists.

Because of its great height, the building is subject to powerful internal draughts in its elevator shafts. These conditions not only impact the comfort of staff and visitors, but also the fire resistance of the building.

Besam, an ASSA ABLOY Group company, installed two large, three-wing revolving doors in the tower entrances to completely separate the indoor and outdoor environments, while still allowing the building's large number of visitors convenient access.

Besam also provided 14 fire-rated automatic sliding doors in the entrances to the elevator halls, resulting in a draught-free environment and enhanced fire-resistance. The contract includes Besam Service for all 16 installations.

# Report of the Board of Directors and Financial statements

## Contents

# Report of the Board of Directors

The Annual Report of ASSA ABLOY AB (publ.), corporate identity number 556059–3575, contains the consolidated financial statements for the financial year 1 January–31 December 2010. ASSA ABLOY is the global leader in door opening solutions, dedicated to satisfying end-user needs for security, safety and convenience.

**Significant events**

*Sales and income*

Sales totaled SEK 36,823 M (34,963), with organic growth of 3 percent (–12) and acquired growth of 8 percent (3). Operating income (EBIT) excluding restructuring costs rose 12 percent to SEK 6,046 M (5,413), equivalent to an operating margin of 16.4 percent (15.5). Income before tax excluding restructuring costs totaled SEK 5,366 M (4,779).

Operating cash flow excluding restructuring payments remained strong and amounted to SEK 6,285 M (6,843). Earnings per share after full dilution excluding restructuring costs were SEK 10.89 (9.22), an increase of 18 percent.

*Restructuring*

The activities of the restructuring programs launched in 2006, 2008 and 2009 continued at a high level during the year. At year-end 2010, 5,387 employees had left the Group as a result of the changes in the production structure since the programs began. A total of 38 plant closures have been implemented and a large number of plants in high-cost countries have switched from production to final assembly. Around 20 offices have also closed. The Group's production is increasingly concentrated in China, central and East Europe.

Payments related to the restructuring programs totaled SEK 465 M (676) for the full year. At year-end 2010, the remaining provisions for structural measures amounted to SEK 924 M (1,577).

*Acquisitions and divestments*

In January Asia Pacific division acquired 70 percent of Pan Pan, China's largest manufacturer of high-security steel doors. The company has a well-established distribution network across China, a strong brand and is a good complement to ASSA ABLOY's other door companies on the Chinese market. The company, headquartered in Yingkou, north of Beijing, has annual sales of around SEK 1,500 M. In April the division also acquired King Door Closers, South Korea's leading manufacturer of floor springs and door closers. The company has annual sales of around SEK 300 M. Both acquisitions were EPS-accretive from the acquisition date.

In July EMEA division acquired Paddock, the UK's leading manufacturer of multi-point locks. The company, headquartered in Walsall near Birmingham, has annual sales of around SEK 300 M. The acquisition was EPS-accretive from the acquisition date.

In December Global Technologies division acquired shares in the NASDAQ-listed company ActivIdentity. The company, headquartered in California, USA, is a market leader in secure identity and authentication solutions. Initially the acquisition will be marginally dilutive to earnings per share.

Including minor acquisitions, a total of 13 acquisitions were consolidated during the year. The total purchase price for these acquisitions on a debt-free basis was SEK 4,582 M and preliminary acquisition analyses indicate that goodwill and other intangible assets with an indefinite useful life amount to SEK 3,818 M.

In 2010 agreements were signed with a number of major shareholders to acquire 63.6 percent of the shares in Cardo, a leading manufacturer of industrial doors. ASSA ABLOY has also made a recommended public offer to the other shareholders in Cardo. The total bid value of all the Cardo shares amounts to around SEK 11.3 billion. In 2010 the company had sales of SEK 8.0 billion and around 5,400 employees. If ASSA ABLOY acquires more than 90 percent of the shares in Cardo, it intends to compulsorily redeem the remaining shares in the company, in accordance with the provisions of the Swedish Companies Act.

Agreements were also signed to acquire LaserCard (USA) and Swesafe (Sweden) as well as a stake in Agta Record (Switzerland). LaserCard is a leading provider of secure ID solutions to governments and commercial customers worldwide. In January 2011 the bid was accepted by a majority of the share holders. The acquisition is expected to be completed in Q1 2011. Swesafe is the largest locksmith in Sweden, with sales of over SEK 400 M. These acquisitions require approval by the public authorities concerned.

Businesses in Switzerland and Russia were sold during the year. The impact on the Group's financial position and performance was not material.

**Research and development**

ASSA ABLOY's expenditure on research and development during the year amounted to SEK 1,015 M (920), which is equivalent to 2.8 percent (2.6) of sales.

ASSA ABLOY has a central function, Shared Technologies, with responsibility for the standardization of electronics in the Group's common platforms. The objective is that this standardization should result in lower development costs and a shorter development time for new products.

**Sustainable development**

Two of ASSA ABLOY's subsidiaries in Sweden carry on licensable activities in accordance with the Swedish Environmental Code. The Group's licensable and notifiable activities have an impact on the external environment mainly through the subsidiaries ASSA AB and ASSA OEM AB. These companies operate machine shops, foundries and associated surface-coating plants, which have an impact on the external environment through emissions to water and air as well as solid waste.

The subsidiaries ASSA AB and ASSA OEM AB are actively addressing environmental issues and are certified in accordance with ISO14001. Most units outside Sweden carry on licensable activities and hold equivalent licenses under local legislation.

ASSA ABLOY's units all over the world are working purposefully to reduce greenhouse gas emissions. This applies to units on both mature and new markets and to both existing and newly acquired companies.

The 2010 Sustainability Report, reporting on the Group's prioritized environmental activities and providing other information about sustainable development, will be published at the time of the Annual General Meeting in April 2011.

**Outlook**

*Long-term outlook*

Long term, ASSA ABLOY expects an increase in security-driven demand. Focus on end-user value and innovation as well as leverage on ASSA ABLOY's strong position will accelerate growth and increase profitability.

Organic sales growth is expected to be strong. The operating margin (EBIT) and operating cash flow are expected to develop well.

**Transactions with related parties**

No transactions that have significantly affected the company's financial position and performance have taken place between ASSA ABLOY and related parties.

# Significant risks and risk management

**Risk management**

Uncertainty about future developments and the course of events is a natural risk for any business. Risk-taking in itself provides opportunities for continued economic growth, but naturally the risks may also have a negative impact on business operations and company goals. It is therefore essential to have a systematic and efficient risk assessment process and an effective risk management program in general. The purpose of risk management at ASSA ABLOY is not to avoid risks, but to take a controlled approach to identifying, managing and minimizing the effects of these risks. This work is based on an assessment of the probability of the risks and their potential impact on the Group.

ASSA ABLOY is an international Group with a wide geographical spread, involving exposure to various forms of strategic, operational and financial risks. Strategic risks refer to changes in the business environment with potentially significant effects on ASSA ABLOY's operations and business objectives. Operational risks comprise risks directly attributable to business operations, entailing a potential impact on the Group's financial position and performance. Financial risks mainly comprise financing risk, currency risk, interest rate risk, credit risk, and risk associated with the Group's pension obligations.

ASSA ABLOY's Board of Directors has overall responsibility for risk management within the Group and determines the Group's strategic focus based on recommendations from the Executive Team. In view of the decentralized structure of the Group, and to keep risk analysis and risk management as close as possible to the actual risks, a large proportion of operational risk management takes place at division and business-unit level.

**Strategic risks**

The main risks of this nature encountered by ASSA ABLOY include various forms of business environment risks with an impact on the security market in general, mainly changes in customer behavior, competitors, brand positioning and environmental risks. In addition, there are country-specific risks.

ASSA ABLOY has global market penetration, with sales and production in a large number of countries. The emphasis is on West Europe and North America, but the proportion of sales in Asia and in central and East Europe has increased in recent years. The Group is therefore exposed to both general business environment risks and country-specific risks, including political decisions and comprehensive changes in the regulatory framework. Changes in customer behavior in general and the actions of competitors affect demand for different products and their profitability.

Customers and suppliers, including the Group's relationships with them, are subject to continuous local review. The Group has a central business intelligence function primarily focused on industry-specific factors. As regards competitors, risk analyses are carried out both centrally and locally.

The Group owns a number of the strongest brands in the industry, including several global brands that complement the ASSA ABLOY master brand. Local product brands are gradually being linked increasingly to the master brand. Generally speaking, ASSA ABLOY's good reputation is one of the Group's strengths and serves as a foundation for market leadership.

Activities to maintain and further strengthen ASSA ABLOY's good reputation are constantly ongoing. These include ensuring compliance with ASSA ABLOY's Code of Conduct. The Code expresses the Group's high ambitions with regard to social responsibility, commitment and environmental considerations.

**Operational risks**

Operational risks comprise risks directly attributable to business operations and with a potential impact on the Group's financial position and performance. Operational risks include legal risks, acquisition of new businesses, restructuring measures, availability and price fluctuations of raw materials, customer dependence and more. Risks relating to compliance with laws and regulations and to financial reporting and internal control also fall into this category.

The table on page 62 describes in more detail the management of these risks.

**Financial risks**

Group Treasury at ASSA ABLOY is responsible for the Group's short- and long-term financing, financial cash management, currency risk and other financial risk management. Financial operations are centralized in a Treasury function which manages most financial operations as well as financial risks with a Group-wide focus.

**STRATEGIC RISKS**

Changes in the business environment with potentially significant effects on operations and business objectives.

- Customer behavior
- Competitors
- Brand positioning
- Environmental risks
- Country-specific risks etc.

**OPERATIONAL RISKS**

Risks directly attributable to business operations with a potential impact on financial position and performance.

- Legal risks
- Acquisition of new businesses
- Restructuring measures
- Availability and price fluctuations of raw materials
- Customer dependence etc.

**FINANCIAL RISKS**

Financial risks with a potential impact on financial position and performance.

- Financing risks
- Currency risks
- Interest rate risks
- Financial credit risks
- Risks associated with pension obligations

# Report of the Board of Directors
# Significant risks and risk management

| Operational risks | Risk management | Comments |
|---|---|---|
| **Legal risks** | The Group continuously monitors anticipated and implemented changes in legislation in the countries in which it operates.<br><br>A Group-wide legal policy has been implemented, specifying the legal framework in which business operations may be conducted.<br><br>Ongoing and potential disputes and other legal matters are reported regularly to the Group's central legal function.<br><br>Guidelines on compliance with current competition legislation have been implemented.<br><br>Legal risks associated with property and liability issues are continually evaluated together with insurance company representatives. | At the end of 2010 it was assessed that there are no outstanding legal disputes that may lead to significant costs for the Group. |
| **Acquisition of new businesses** | Acquisitions are carried out by a number of people with considerable acquisition experience and with the support of, for example, legal and financial consultants.<br><br>Acquisitions are carried out according to a uniform and predefined Group-wide process. This consists of four documented phases: strategy, evaluation, implementation and integration. | The Group's acquisitions in 2010 are reported in the Report of the Board of Directors and in Note 30, Business combinations. |
| **Restructuring measures**<br><br>The Group is implementing specific restructuring programs, which entail some production units changing focus mainly to final assembly while certain units are closed. | The restructuring programs are carried on as a series of projects with stipulated activities and schedules.<br><br>The various projects are systematically monitored on a regular basis. | The scope, costs and savings of the restructuring programs are presented in more detail in the Report of the Board of Directors. |
| **Price fluctuations and availability of raw materials** | Raw materials are purchased and handled primarily at division and business-unit level.<br><br>Regional committees coordinate these activities with the help of senior coordinators for selected material components. | For further information about procurement of materials, see Note 7. |
| **Credit losses** | Accounts receivables are spread across a large number of customers in many markets.<br><br>Commercial credit risks are managed locally at company level and reviewed at division level. | Receivables from each customer are relatively small in relation to total accounts receivables. The risk of significant credit losses for the Group is considered to be limited. |
| **Insurance risks** | A Group-wide insurance program is in place, mainly relating to property, business interruption, and liability risks. The insurance program covers all business units.<br><br>The Group's exposure to the risk areas listed above is regulated by means of its own captive reinsurance company. | The Group's insurance cover is considered to be generally adequate, providing a reasonable balance between assessed risk exposure and insurance costs. |
| **Risks relating to internal control regarding financial reporting** | The organization is considered to be relatively transparent, with a clear allocation of responsibilities.<br><br>Instructions about the allocation of responsibilities, authorization and other internal control procedures are laid down in an internal control manual.<br><br>Compliance with internal control is evaluated annually for all operating companies in the form of self assessment and via the Group's Management Assurance function. | Internal control and other related issues are reported in more detail in the Report of the Board of Directors, section on Corporate governance. |
| **Risks relating to financial reporting** | A well-established Controller organization at both division and Group level analyzes and monitors financial reporting quality.<br><br>A comprehensive systematic risk assessment of financial reporting has been implemented. | See also the section 'Basis of preparation' in Note 1.<br><br>Further information about risk management relating to financial reporting can be found in the Report of the Board of Directors, section on Corporate governance. |

A financial policy, which is approved by the Board, regulates the allocation of responsibilities and control of the Group's financing activities. Group Treasury has the main responsibility for financial risks within the framework established in the financial policy. A large number of financial instruments are used in this work. Accounting principles, risk management and risk exposure are described in more detail in Notes 1 and 33, as well as Note 24 regarding post-employment employee benefits.

The Group's financial risks mainly comprise financing risk, currency risk, interest rate risk, credit risk, and risks associated with the Group's pension obligations.

*Financing risk*

Financing risk refers to the risk that financing the Group's capital requirements and refinancing outstanding loans become more difficult or more expensive. Financing risk can be reduced by maintaining an even maturity profile for loans and by maintaining a high credit rating. The risk is further reduced by substantial unused confirmed credit facilities.

*Currency risk*

Since ASSA ABLOY sells its products in countries worldwide and has companies in over 60 countries, the Group is exposed to the effects of exchange rate fluctuations. Such changes affect Group earnings when the income statements of foreign subsidiaries are translated to Swedish kronor (translation exposure), and when products are exported and sold in countries outside the country of production (transaction exposure). Translation exposure is primarily related to earnings in USD and EUR. This type of exposure is not hedged. Currency risk in the form of transaction exposure, i.e. the relative values of exports and imports of goods, is fairly limited in the Group, though it is expected to increase over time due to efficiency measures in production and purchasing. In accordance with financial policy, the Group only hedged a limited part of current currency flows in 2010. As a result exchange rate fluctuations had a direct impact on business operations.

Exchange rate fluctuations also affect the Group's debt-equity ratio and equity. The difference between the assets and liabilities of foreign subsidiaries in the respective foreign currency is affected by exchange rate fluctuations and causes a translation difference which affects the Group's comprehensive income. A general weakening of the Swedish krona leads to an increase in net debt, but at the same time increases Group equity. At year-end, the largest foreign net assets were denominated in USD and EUR.

*Interest rate risk*

With respect to interest rate risks, interest rate changes have a direct impact on ASSA ABLOY's net interest expense. The net interest expense is also impacted by the size of the Group's net debt and its currency composition. Net debt was SEK 10,564 M (11,048) at the end of 2010 and was mainly denominated in SEK, USD and EUR. Group Treasury analyzes the Group's interest rate exposure and calculates the impact on income of interest rate changes on a rolling 12-month basis. In addition to raising fixed-rate and variable-rate loans, various interest rate derivatives are used to adjust interest rate sensitivity. At year-end, the average fixed interest term, excluding pension liabilities, was 23 months (26).

*Credit risk*

Credit risk arises in ordinary business operations and as a result of the financial transactions carried out by Group Treasury. Accounts receivables are spread across a large number of customers, which reduces the credit risk. Credit risks relating to operational business activities are managed locally at company level and reviewed at division level.

Financial risk management exposes ASSA ABLOY to certain counterparty risks. Such exposure may arise, for example, as a result of the placement of surplus cash, borrowings and derivative financial instruments. Counterparty limits are set for each financial counterparty and are continuously monitored.

*Pension obligations*

At year-end 2010, ASSA ABLOY had obligations for pensions and other post-employment benefits of SEK 4,484 M (4,696). The Group manages pension assets valued at SEK 2,854 M (2,817). Pension provisions in the balance sheet amount to SEK 1,078 M (1,118). Changes in the value of assets and liabilities from year to year are due partly to the development of equity and debt capital markets, and partly to the actuarial assumptions made. These assumptions include discount rates, as well as anticipated inflation and salary increases.

# Report of the Board of Directors
# Corporate governance

ASSA ABLOY is a Swedish public limited liability company with registered office in Stockholm, Sweden.

The Group's corporate governance is based on, among other things, its articles of association, the Swedish Companies Act and the rules and regulations of NASDAQ OMX Stockholm. ASSA ABLOY applies the Swedish Code of Corporate Governance and is considered, at the end of 2010, to be in compliance with all of its provisions.

ASSA ABLOY's objective is that its activities should generate good long-term returns for its shareholders and other stakeholders. An effective scheme of corporate governance for ASSA ABLOY can be summarized in a number of interacting components, which are described below.


## Shareholders

At year-end, ASSA ABLOY had 20,199 shareholders (22,014). The principal shareholders are Investment AB Latour and Säkl (9.6 percent of the share capital and 29.7 percent of the votes) and Melker Schörling AB (4.0 percent of the share capital and 11.6 percent of the votes). Foreign shareholders accounted for around 63 percent (53) of the share capital and around 43 percent (36) of the votes. The ten largest shareholders accounted for around 31 percent (37) of the share capital and 53 percent (57) of the votes.

A shareholders' agreement exists between Gustaf Douglas, Melker Schörling and related companies and includes an agreement on right of first refusal if any party disposes of Series A shares. The Board of ASSA ABLOY is not aware of any other shareholders' agreements or other agreements between shareholders in ASSA ABLOY.

### *Share capital and voting rights*

ASSA ABLOY's share capital amounted at year-end to SEK 366,177,194 distributed among 19,175,323 Series A shares and 347,001,871 Series B shares. The total number of votes was 538,755,101. Each Series A share carries ten votes and each Series B share one vote. All shares have a par value of SEK 1.00 and give the shareholders equal rights to the company's assets and earnings.

### *Repurchase of own shares*

The 2010 Annual General Meeting authorized the Board to repurchase, during the period until the next Annual General Meeting, a maximum number of Series B shares so that after each repurchase ASSA ABLOY holds a maximum ten percent of the total number of shares in the company.

ASSA ABLOY holds a total of 300,00 Series B shares, which were repurchased in Q2 2010 to secure the company's obligations, including the cost of social security contributions, in connection with the company's long-term incentive program (LTI 2010). These shares account for 0.1 percent of the share capital and each share has a par value of SEK 1.00. The purchase consideration amounted to SEK 48 M.

### *Share and dividend policy*

ASSA ABLOY's Series B share is listed on the NASDAQ OMX Stockholm Large Cap list. At year-end, ASSA ABLOY's market capitalization amounted to SEK 69,391 M. The Board's objective is that, in the long term, the dividend should be equivalent to 33–50 percent of income after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

### *General Meeting*

Shareholders' rights to decide on the affairs of ASSA ABLOY are exercised at the General Meeting. Shareholders who are registered in the share register on the record day and have duly notified their intention to attend are entitled to take part in the General Meeting, either in person or via a proxy. Resolutions at the General Meeting are normally passed by simple majority. However, on certain matters the Swedish Companies Act prescribes that a proposal should be supported by a higher majority. Individual shareholders who wish to have an issue raised at the General Meeting can apply to ASSA ABLOY's Board of Directors at a special address published on the company's website well before the Meeting.

The Annual General Meeting should be held within six months of the end of the company's financial year. Matters considered at the Annual General Meeting include among other things: a dividend; adoption of the income statement and balance sheet; discharge of the Board of Directors and the CEO from liability; election of board members and Chairman of the Board; appointment of the Nomination Committee and auditors; determination of remuneration guidelines for senior management and fees for the Board of Directors and auditors. An Extraordinary General Meeting may be held if the Board of Directors considers this necessary or if ASSA ABLOY's auditors or shareholders holding at least 10 percent of the shares so request.

### *2010 Annual General Meeting*

The Annual General Meeting in April 2010 was attended by shareholders representing 52.3 percent of the company's share capital and 67.6 percent of the votes.

At the Annual General Meeting, Gustaf Douglas, Carl Douglas, Birgitta Klasén, Eva Lindqvist, Johan Molin, Sven-Christer Nilsson, Jorma Halonen, Lars Renström and Ulrik Svensson were re-elected as members of the Board. Gustaf Douglas was re-elected as Chairman of the Board. In July

Jorma Halonen left ASSA ABLOY's Board at his own request.

The Meeting approved a dividend of SEK 3.60 per share, in accordance with the proposal of the Board and the CEO. In addition, the Meeting passed resolutions on fees payable to the Board, remuneration guidelines for senior executives, authorization of the Board regarding repurchase and transfers of own Series B shares, and the implementation of a long-term incentive program (LTI 2010) for senior executives and other key staff in the Group, as well as appointing members of the Nomination Committee in advance of the 2011 Annual General Meeting.

### *Nomination Committee*

The Nomination Committee prior to the 2011 Annual General Meeting comprises Gustaf Douglas (Investment AB Latour and SäkI), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur Funds) and Per-Erik Mohlin (SEB Funds/SEB Trygg Liv). Mikael Ekdahl is Chairman of the Nomination Committee. If a shareholder represented by one of the members of the Nomination Committee ceases to be among the major shareholders in ASSA ABLOY, the Committee has the right to appoint another representative of one of the major shareholders to replace such a member. The same applies if a member of the Nomination Committee ceases to be employed by such a shareholder or leaves the Committee before the 2011 Annual General Meeting for any other reason.

The Nomination Committee has the task of preparing, on behalf of the shareholders, decisions on the election of the Chairman and other members of the Board of Directors, the appointment of the auditor, the election of the Chairman of the Annual General Meeting, the appointment of the Nomination Committee prior to the Annual General Meeting, and fees and associated matters.

Prior to the 2011 Annual General Meeting, the Nomination Committee has made an assessment of whether the current Board is appropriately composed and fulfils the demands made on the Board by the company's present situation and future direction. The annual evaluation of the Board was part of the basis for this assessment. The search for suitable board members is carried out throughout the year and proposals for new board members are based in each individual case on a profile of requirements established by the Nomination Committee.

Shareholders wishing to submit proposals to the Nomination Committee can do so e-mailing to: nominationcommittee@assaabloy.com. The Nomination Committee's proposals are published at the latest in conjunction with the formal notification of the Annual General Meeting, which is expected to be issued around 30 March 2011.

### Board of Directors

In accordance with the Swedish Companies Act, the Board of Directors is responsible for the organization and administration of the Group and for ensuring satisfactory control of bookkeeping, asset management and other financial circumstances. The Board decides on the Group's overall objectives, strategies and policies, as well as on acquisitions, divestments and investments. The Board approves the Annual Report and Interim Reports, proposes a dividend and remuneration guidelines for senior management to the Annual General Meeting, and makes decisions concerning the Group's financial structure.

The Board's other duties include:

- continuously evaluating the company's operational management, including the work of the CEO,
- ensuring that there are effective systems in place for monitoring and control of the company's operations,
- ensuring that the company's information provision is transparent, accurate, relevant and reliable,
- ensuring that there is satisfactory control of the company's compliance with laws and other regulations applying to the company's operations, and
- ensuring that necessary ethical guidelines for the company's conduct are established.

The Board's rules of procedure and instructions for the division of duties between the Board and the CEO are updated and approved at least once a year. The Board has also issued written instructions specifying how financial reporting to the Board should be carried out.

In addition to leading the work of the Board, the Chairman should continuously monitor the Group's operations and development through contact with the CEO. The Chairman should consult the CEO on strategic issues and represent the company in matters concerning the ownership structure. The Chairman should also, when necessary, take part in particularly important external discussions and, in consultation with the CEO, in other matters of particular significance. The Chairman should ensure that the work of the Board is evaluated annually, and that new members of the Board receive appropriate training.

The Board has at least four scheduled meetings and one meeting following election per year. The scheduled meetings take place in connection with the company's publication of its year-end or quarterly results. At least once a year the Board visits, and makes an in-depth review of one of the Group's businesses. In addition, extra board meetings are held when necessary. All meetings follow an approved agenda. Prior to each meeting, a draft agenda including documentation relating to each point is sent to all board members.

The Board has a Remuneration Committee and an Audit Committee. The purpose of these Committees is to deepen and streamline the work of the Board and to prepare matters in these areas. The Committees have no decision-making powers. The members of the Committees are appointed annually by the Board at the board meeting following election. Instructions for the Committees are included in the Board's working procedures.

### *The Board's work during 2010*

During the year the Board held ten meetings, including three by telephone and one per capsulam. Two members were absent at one of these meetings. All board members were present at the other meetings. At the scheduled board meetings, the President and CEO reported on the Group's performance and financial position, including the outlook for the coming quarters. Investments, acquisitions and divestments were also considered. All acquisitions and divestments with a value (on a debt-free basis) exceeding SEK 100 M are decided by the Board. This amount presumes that the matter relates to acquisitions or divestments within the framework of the strategy agreed by the Board.

More important matters dealt with by the Board during the year included the acquisition of Cardo, Paddock and ActivIdentity. During the year the Board conducted in-depth reviews of the Group's Asia Pacific and Entrance Systems operations and visited the Group's sales and production units in Italy. Furthermore, it was decided on the basis of the authorization of the 2010 Annual General Meeting to repurchase a maximum 300,000 Series B shares in the company.

### *Remuneration Committee*

During 2010 the Remuneration Committee comprised Gustaf Douglas (Chairman) and Sven-Christer Nilsson.

The Remuneration Committee's task is to draw up remuneration guidelines for senior management, which the Board proposes to the Annual General Meeting for resolution. The Board's proposal for guidelines prior to the 2011 Annual General Meeting can be seen on page 73.

The Remuneration Committee also prepares, negotiates and evaluates matters regarding salaries, bonus, pension, severance pay and incentive programs for the CEO and other senior management.

The Committee held two meetings during the year at which all members were present. The remuneration Committee has during the year, inter alia, evaluated existing incentive programs and prepared the proposal for a long-term incentive programme (LTI 2011). The meetings of the Remuneration Committee are minuted; the minutes are sent out with material for the Board and a verbal report is given at board meetings.

### *Audit Committee*

During 2010 the Audit Committee comprised Ulrik Svensson (Chairman), Birgitta Klasén and Lars Renström.

The duties of the Audit Committee include the continuous quality assurance of ASSA ABLOY's financial reporting. Regular communication is maintained with the company's auditor on matters including the focus and scope of the audit. The Audit Committee is also responsible for evaluating the audit assignment and informing the Board of Directors and the Nomination Committee of the results, as well as continuously monitoring the current risk status of legal risks in the operations. At least one of the Committee's members has accounting or auditing competence.

The Audit Committee held four meetings during the year at which all members, the company's auditor and representatives of senior management were present.

The meetings of the Audit Committee are minuted; the minutes are sent out with material for the Board and a verbal report is given at board meetings.

More important matters dealt with by the Audit Committee during the year included a review of new financial reporting standards relating to acquisitions and the Group's new insurance package.

### *ASSA ABLOY's Board of Directors*

The Board of Directors is elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting and shall according to the articles of association comprise a minimum six and a maximum ten members elected by the Meeting. Two of the members are appointed by the employee organizations in accordance with Swedish law. The employee organizations also appoint two deputies. The Board currently consists of eight elected members and two employee representatives. With the exception of the CEO, none of the board members are members of the Executive Team. The CEO has no significant shareholdings or partnerships in companies with significant business relationships with ASSA ABLOY.

### *Remuneration of the Board*

The Annual General Meeting passes a resolution on the remuneration to be paid to board members. The 2010 Annual General Meeting passed a resolution on Board fees totaling SEK 4,050,000 (excluding remuneration for committee work), to be allocated between the members as follows: SEK 900,000 to the Chairman and SEK 450,000 to each of the other members not employed by the company. As remuneration for committee work, the Chairman of the Audit Committee is to receive SEK 200,000, the Chairman of the Remuneration Committee SEK 100,000, members of the Audit Committee SEK 100,000 and members of the Remuneration Committee SEK 50,000.

The Chairman and other board members have no pension benefits or severance payment agreements. The CEO and employee representatives do not receive Board fees. For further information about the remuneration of board members in 2010, see Note 32.

The Board of Directors of ASSA ABLOY meets the requirements for independence, in accordance with the rules and regulations of NASDAQ OMX Stockholm and the Swedish Code of Corporate Governance.

*Independence of the Board*

| Name | Position | Independent of the company and its management | Independent of the company's major shareholders |
|---|---|---|---|
| Gustaf Douglas | Chairman of the Board | Yes | No |
| Carl Douglas | Board member | Yes | No |
| Birgitta Klasén | Board member | Yes | Yes |
| Eva Lindqvist | Board member | Yes | Yes |
| Johan Molin | Board member, President and CEO | No | – |
| Sven-Christer Nilsson | Board member | Yes | Yes |
| Lars Renström | Board member | Yes | Yes |
| Ulrik Svensson | Board member | Yes | No |

*The Board's composition and shareholdings*

| Name | Position | Elected | Born | Remuneration Committee | Audit Committee | Series A shares[1] | Series B shares[1] | Incentive program Series B shares |
|---|---|---|---|---|---|---|---|---|
| Gustaf Douglas | Chairman of the Board | 1994 | 1938 | Chairman of the Board | – | 13,865,243 | 21,300,000 | – |
| Carl Douglas | Board member | 2004 | 1965 | – | – | – | – | – |
| Birgitta Klasén | Board member | 2008 | 1949 | – | Board member | – | 5,000 | – |
| Eva Lindqvist | Board member | 2008 | 1958 | – | – | – | – | – |
| Johan Molin | Board member, President and CEO | 2006 | 1959 | – | – | – | 506,699 | 440,000 |
| Sven-Christer Nilsson | Board member | 2001 | 1944 | Board member | – | – | 3,500 | – |
| Lars Renström | Board member | 2008 | 1951 | – | Board member | – | 10,000 | – |
| Ulrik Svensson | Board member | 2008 | 1961 | – | Chairman of the Board | – | 3,000 | – |
| Seppo Liimatainen | Board member, employee representative | 2003 | 1950 | – | – | – | 2,600 | – |
| Mats Persson | Board member, employee representative | 1994 | 1955 | – | – | – | – | – |
| Rune Hjälm | Deputy, employee representative | 2005 | 1964 | – | – | – | – | – |
| Per Edvin Nyström | Deputy, employee representative | 1994 | 1955 | – | – | – | 7,727 | – |

[1] Including family and through companies.

# Corporate governance Board of Directors


Gustaf Douglas


Carl Douglas


Birgitta Klasén


Eva Lindqvist


Johan Molin


Sven-Christer Nilsson

***Board members elected at the 2010 Annual General Meeting***

**Gustaf Douglas**
Chairman of the Board
Board member since 1994
Born 1938
MBA, Harvard Business School 1964.
Principal shareholder of Investment AB Latour and Säkl AB. Self-employed since 1980.
***Other appointments:*** Chairman of Säkl AB. Board member of Stiftelsen Svenska Dagbladet and the Swedish Moderate Party.
***Shareholdings (including family and through companies):*** 6,746,425 Series A shares and 19,000,000 Series B shares through Investment AB Latour, and 7,118,818 Series A shares and 2,300,000 Series B shares through Säkl AB.

**Carl Douglas**
Board member since 2004
Born 1965
Bachelor of Arts
Self-employed
***Other appointments:*** Vice Chairman of Securitas AB. Board member of Investment AB Latour, Niscayah Group AB, Swegon AB and Säkl AB.
***Shareholdings (including family and through companies):*** –

**Birgitta Klasén**
Board member since 2008
Born 1949
Master of Science in Engineering.
Independent IT consultant (Senior IT Advisor). Chief Information Officer (CIO) and Head of Information Management at EADS (European Aeronautics Defence and Space Company) 2004–2005. CIO and Senior Vice President of Pharmacia 1996–2001 and prior to that, CIO at Telia. Held various posts at IBM 1976–1994.
***Other appointments:*** Board member of Acando AB, BISNODE AB and IFS AB.
***Shareholdings (including family and through companies):*** 5,000 Series B shares.

**Eva Lindqvist**
Board member since 2008
Born 1958
Master of Science in Engineering and Bachelor of Science in Business Administration and Economics.
Senior Vice President of Mobile Business at TeliaSonera AB 2006–2007. Prior to that several senior posts at TeliaSonera AB, such as President and Head of Business Operation International Carrier, and various posts in the Ericsson Group 1981–1999.
***Other appointments:*** Chairman of Xelerated AB and board member of companies including Tieto OY, Niscayah Group AB, Transmode AB and Nordia Innovation AB. Member of the Royal Swedish Academy of Engineering Sciences (IVA).
***Shareholdings (including family and through companies):*** –

**Johan Molin**
Board member since 2006
Born 1959
Bachelor of Science in Economics.
President and CEO of ASSA ABLOY AB since 2005. CEO of Nilfisk-Advance 2001–2005. Various posts mainly in finance and marketing, later divisional head in the Atlas Copco Group 1983–2001.
***Other appointments:*** Board member of AB Electrolux and Nobia AB.
***Shareholdings (including family and through companies):*** 506,699 Series B shares as well as Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 440,000 Series B shares.

**Sven-Christer Nilsson**
Board member since 2001
Born 1944
B.Sc.
President and CEO of Telefonaktiebolaget LM Ericsson 1998–1999, various executive positions mainly in marketing and management in the Ericsson Group 1982–1997.
***Other appointments:*** Chairman of the National Swedish Public Service Broadcasting Foundation and the Swedish National Defence Materiel Administration (FMV). Board member of Sprint Nextel Corporation and CEVA, Inc.
***Shareholdings (including family and through companies):*** 3,500 Series B shares.

Lars Renström

**Lars Renström**
Board member since 2008
Born 1951
Master of Science in Engineering and Bachelor of Science in Business Administration and Economics.
President and CEO of Alfa Laval AB since 2004. President and CEO of Seco Tools AB 2000–2004. President and Head of Division of Atlas Copco Rock Drilling Tools 1997–2000. Prior to that a number of senior posts at ABB and Ericsson.
*Other appointments:* Board member of Alfa Laval AB and TeliaSonera AB.
*Shareholdings (including family and through companies):* 10,000 Series B shares.

Ulrik Svensson

**Ulrik Svensson**
Board member since 2008
Born 1961
Bachelor of Science in Economics.
CEO of Melker Schörling AB. CFO of Swiss International Airlines Ltd. 2003–2006. CFO of Esselte AB 2000–2003 and controller/CFO of the Stenbeck Group's foreign telecoms ventures 1992–2000.
*Other appointments:* Board member of AAK AB, Loomis AB, Niscayah Group AB, Hexagon AB, Hexpol AB and Flughafen Zürich AG.
*Shareholdings (including family and through companies):* 3,000 Series B shares.

*Board members appointed by employee organizations*

Seppo Liimatainen

**Seppo Liimatainen**
Board member since 2003
Born 1950
Employee representative, Federation of Salaried Employees in Industry and Services.
*Shareholdings:* 2,600 Series B shares.

Mats Persson

**Mats Persson**
Board member since 1994
Born 1955
Employee representative, Swedish Metal Workers Union.
*Shareholdings:* –

Rune Hjälm

**Rune Hjälm**
Deputy board member since 2005
Born 1964
Employee representative, Swedish Metal Workers Union.
Chairman of ASSA ABLOY European Works Council (EWC).
*Shareholdings:* –

Per Edvin Nyström

**Per Edvin Nyström**
Deputy board member since 1994
Born 1955
Employee representative, Swedish Metal Workers Union.
*Shareholdings:* 7,727 Series B shares.

# Report of the Board of Directors
# Corporate governance The Executive Team


Johan Molin


Tomas Eliasson


Denis Hébert


Thanasis Molokotos


Jonas Persson


Tim Shea


Ulf Södergren


Juan Vargues


Tzachi Wiesenfeld

*The Executive Team*

**Johan Molin**
Born 1959
Bachelor of Science in Economics
President and CEO and Head of Global Technologies division
***Employed since:*** 2005
***Shareholdings:*** 506,699 Series B shares. Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 440,000 Series B shares.

**Denis Hébert**
Born 1956
Bachelor of Commerce, MBA
Executive Vice President
Head of Global Technologies business unit HID Global
***Employed since:*** 2002
***Shareholdings:*** 2,674 Series B shares. Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 56,200 Series B shares.

**Jonas Persson**
Born 1969
Master of Science in Engineering
Executive Vice President
Head of Asia Pacific division
***Employed since:*** 2009
***Shareholdings:*** 1,722 Series B shares.

**Ulf Södergren**
Born 1953
Master of Science in Engineering, Bachelor of Science in Business Administration and Economics
Executive Vice President
Chief Technology Officer (CTO)
***Employed since:*** 2000
***Shareholdings:*** 1,810 Series B shares. Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 139,800 Series B shares.

**Tzachi Wiesenfeld**
Born 1958
Bachelor of Science in Industrial Engineering, MBA
Executive Vice President
Head of EMEA division
***Employed since:*** 2000
***Shareholdings:*** 2,709 Series B shares. Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 144,900 Series B shares.

**Tomas Eliasson**
Born 1962
Bachelor of Science in Economics
Executive Vice President
Chief Financial Officer (CFO)
***Employed since:*** 2006
***Shareholdings:*** 2,072 Series B shares. Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 108,600 Series B shares.

**Thanasis Molokotos**
Born 1958
Master of Science in Engineering
Executive Vice President
Head of Americas division
***Employed since:*** 1996
***Shareholdings:*** 28,407 Series B shares. Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 74,300 Series B shares.

**Tim Shea**
Born 1959
Degree in Mechanical Engineering, MBA
Executive Vice President
Head of Global Technologies business unit ASSA ABLOY Hospitality
***Employed since:*** 2004
***Shareholdings:*** 1,604 Series B shares. Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 27,700 Series B shares.

**Juan Vargues**
Born 1959
Degree in Mechanical Engineering, MBA
Executive Vice President
Head of Entrance Systems division
***Employed since:*** 2002
***Shareholdings:*** 2,484 Series B shares. Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 182,900 Series B shares.

**The Executive Team and organization**

The Executive Team consists of the CEO, the heads of the Group's divisions, the Chief Financial Officer and the Chief Technology Officer. ASSA ABLOY's operations are divided into five divisions, where the fundamental principle is that these divisions should be responsible, as far as possible, for business operations, while various functions at headquarters are responsible for coordination, monitoring, policies and guidelines at an overall level. The Group's structure results in a geographical and strategic spread of responsibility ensuring short decision-making paths. The Group's management philosophy is based on trust and respect for local cultures and conditions.

*Guidelines and policies*

The Group's most important guidelines and policies define the product areas in which the Group should operate and describe the principles for market development, growth, product development, organization, cost-efficiency and staff development. These principles are described in the publication 'Our Road to the Future', which has been provided to all employees in the Group. Other important guidelines and policies concern financial control, communication matters, the Group's brands, business ethics and environmental issues. Common financial, accounting and investment policies provide the framework for financial control and monitoring. ASSA ABLOY's communication policy aims to provide essential information at the right time and in compliance with stock market rules, as well as ensuring compliance with other legal requirements. Brand guidelines aim to protect and develop the major assets that the Group's brands represent.

ASSA ABLOY has adopted a Code of Conduct that applies to the whole Group. The Code, which is based on a set of internationally accepted conventions, defines the values and guidelines that should apply within the Group with regard to the environment, health, safety, business ethics, working conditions, human rights and social responsibility. Application of the Code of Conduct in the Group's different units is monitored regularly to ensure compliance and relevance.

*Decentralized organization*

ASSA ABLOY's operations are decentralized. Decentralization is a deliberate strategic choice based on the local nature of the lock industry and a conviction of the benefits of a divisional control model. Another contributory factor is that the Group has been built up over a relatively short period through a large number of acquisitions.

ASSA ABLOY's operating structure is designed to create maximum transparency, to facilitate financial and operational monitoring, and to promote the flow of information and communication across the Group. The Group consists of five divisions, which are divided into around 30 business units. These consist in turn of a large number of sales and production units, depending on the structure of the business unit concerned. Apart from monitoring by unit, monitoring of products and markets is also carried out.

**Internal control regarding financial reporting**

ASSA ABLOY's process for internal control regarding financial reporting is designed to provide reasonable assurance of reliable financial reporting, which is in compliance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies. The process is based on the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). It can be divided into a number of sub-components, as defined in the above framework, and is described in more detail below.

*Control environment*

The Board of Directors is responsible for effective internal control and has therefore established fundamental documents of significance for financial reporting. These documents include the Board's rules of procedure and instructions to the CEO, the Code of Conduct, financial policy, and an annual financial evaluation plan. Regular meetings are held with the Audit Committee. The Group has established a Management Assurance function, with the primary goal of providing reliable financial reporting. This function is managed by the Group Controller and reports to the Executive Team and the Audit Committee.

ASSA ABLOY's effective decentralized organizational structure makes a substantial contribution to a good control environment. All units in the Group apply uniform accounting and reporting instructions. Minimum levels for internal control of financial reporting have been established and are monitored annually for all operating companies. The Code of Conduct has been reviewed and updated, and compliance is monitored systematically in operations.

*Risk assessment*

Risk assessment includes identifying and evaluating the risk of material error in financial reporting and accounting at Group, division and local levels. A number of previously established documents govern the procedures to be used for accounting, finalizing accounts, reporting and review. The entire Group uses a financial reporting system with predefined report templates.

A systematic comprehensive risk assessment of financial reporting has been implemented and is monitored at Group level.

*Control activities*

The Group's controller and accounting organization at both central and division level plays a significant role in ensuring reliable financial information. It is responsible for complete, accurate and timely financial reporting.

A global financial Management Assurance function has been established and carries out annual financial evaluations in accordance with the plan annually adopted by the

Audit Committee. The results of the financial evaluations for 2010 are submitted to the Audit Committee and the auditors. Group-wide internal control guidelines are reviewed annually. These guidelines affect various processes, such as orders and purchasing (including payments), procedures for finalizing accounts and facilities, as well as compliance with various relevant policies and HR issues.

*Information and communication*

Reporting and accounting manuals as well as other financial reporting guidelines are available to all employees concerned on the Group's intranet. A regular review and analysis of financial outcomes is carried out at both business unit and division level and as part of the Board's established operating structure. The Group also has established procedures for external communication of financial information, in accordance with the rules and regulations for listed companies.

*Review process*

The Board of Directors and the Audit Committee evaluate and review the Annual Report and Interim Reports prior to publication. The Audit Committee monitors the financial reporting and other related issues, and regularly discusses these issues with the external auditors.

All business units report their financial results monthly in accordance with the Group's accounting principles. This reporting serves as the basis for quarterly reports and a monthly operating review. Operating reviews conform to a long-established structure – LockPack – in which sales, earnings, cash flow, capital employed and other important key figures and trends for the Group are compiled and form the basis for analysis and actions by management and controllers at different levels. Financial reviews take place quarterly at divisional board meetings, monthly in the form of performance reviews and through more informal analysis. Other important Group-wide components of internal control are the annual business planning and budgeting process and quarterly detailed forecasts of all the financial parameters for the current calendar year.

Group-wide internal control guidelines were reviewed during the year in all operating companies through self-assessment and a second opinion from external auditors. These self-assessments are then reviewed at division and Group level to further improve the reliability of the financial reporting.

**External audit**

At the 2010 Annual General Meeting, Pricewaterhouse-Coopers (PwC) were appointed as the company's external auditors for a four-year period up to the 2014 Annual General Meeting, with authorized public accountant Peter Nyllinge as the auditor in charge. PwC have been the Group's auditors since the Group was formed in 1994. Peter Nyllinge, born 1966, is responsible for auditing Securitas and SäkI as well as ASSA ABLOY.

PwC submits the audit report for ASSA ABLOY AB, the Group and a large majority of the subsidiaries worldwide. The audit of ASSA ABLOY AB also includes the administration by the Board of Directors and the CEO.

The company's auditor attends all Audit Committee meetings as well as the February board meeting, at which he reports his observations and recommendations concerning the Group audit for the year.

The external audit is carried out in accordance with good auditing practice in Sweden. The audit of the financial statements for legal entities outside Sweden is carried out in accordance with statutory requirements and other applicable rules in each country. For information about the fees paid to auditors and other assignments carried out in the Group during the last three financial years, see Note 3 and the Annual Report for 2009 Note 3.

# Report of the Board of Directors

## Remuneration guidelines for senior management

**The Board's proposal to remuneration guidelines for senior management**

The Board of ASSA ABLOY proposes that the 2011 Annual General Meeting adopts the following guidelines for the remuneration and other employment conditions of the President and CEO and the other members of the Executive Team. Apart from the changes resulting from the Board's proposal for a long-term incentive program (LTI 2010), the proposed guidelines below do not involve any material change, compared with the guidelines adopted by the 2010 Annual General Meeting. The basic principle is that remuneration and other employment conditions should be in line with market conditions and competitive. ASSA ABLOY takes into account both global remuneration practice and practice in the home country of each member of the Executive Team. The total remuneration of the Executive Team should consist of basic salary, variable components in the form of annual and long-term variable remuneration, other benefits and pension.

The total remuneration of the Executive Team, including previous commitments not yet due for payment, is reported in Note 32.

*Fixed and variable remuneration*

The basic salary should be competitive and reflect responsibility and performance. The variable part consists of remuneration paid partly in cash and partly in the form of shares. The Executive Team should have the opportunity to receive variable cash remuneration based on the outcome in relation to financial targets and, when applicable, individual targets. This remuneration should be equivalent to a maximum 75 percent of the basic salary (excluding social security expenses).

In addition, the Executive Team should, within the framework of the Board's proposal for a long-term incentive program, have the opportunity to receive variable remuneration in the form of shares based on an interval defined by the Board regarding the development of earnings per share during 2011. This remuneration model also includes the right, when purchasing a share under certain conditions, to receive a free matching share from the company. This remuneration should, if the share price is unchanged, be equivalent to a maximum 75 percent of basic salary (excluding social security expenses).

The cost of variable remuneration for the Executive Team as above, assuming maximum outcome, amounts to a total of SEK 55 M (excluding social security expenses). This calculation is made on the basis of the current members of the Executive Team.

*Other benefits and pension*

Other benefits, such as company car, extra health insurance or occupational healthcare, should be payable to the extent this is considered to be in line with market conditions in the market concerned. All members of the Executive Team should be covered by defined-contribution pension plans, for which pension premiums are allocated from the executive's total remuneration and paid by the company during the period of employment.

*Notice and severance pay*

If the CEO is given notice, the company is liable to pay the equivalent of 24 months' salary and other employment benefits. If one of the other members of the Executive Team is given notice, the company is liable to pay a maximum 6 months' basic salary and other employment benefits plus an additional 12 months' basic salary.

*Deviations from guidelines*

The Board should have the right to deviate from these guidelines if there are particular reasons for doing so in an individual case.

# Sales and income

- Organic growth for comparable units was 3 percent (–12), while acquired growth was 8 percent (3).
- Operating income (EBIT) excluding restructuring costs rose 12 percent to SEK 6,046 M (5,413), equivalent to an operating margin of 16.4 percent (15.5).
- Earnings per share after full dilution excluding restructuring costs amounted to SEK 10.89 (9.22).

### Sales

The Group's sales rose to SEK 36,823 M (34,963). Exchange-rate effects had an impact on sales of SEK –1,626 M (3,491).

### Change in sales

| % | 2009 | 2010 |
|---|---|---|
| Organic growth | –12 | 3 |
| Acquired growth | 3 | 8 |
| Exchange-rate effects | 9 | –6 |
| **Total** | **0** | **5** |

The total change in sales for 2010 was 5 percent (0). Organic growth for comparable units was 3 percent (–12), while acquired units made a positive contribution of 8 percent (3).

### Sales by product group

Mechanical locks, lock systems and accessories accounted for 42 percent (45) of sales. Sales of electromechanical and electronic locks rose to 36 percent (35), while security doors and fittings accounted for 22 percent (20) of sales.

### Cost structure

Total wage costs, including social security expenses and pension expenses, amounted to SEK 10,110 M (10,133), corresponding to 27 percent (29) of sales. The average number of employees in the Group was 37,279 (29,375). The average number of employees in the Parent company was 104 (94).

The Group's material costs rose to SEK 12,553 M (11,346), equivalent to 34 percent (32) of sales.

Other purchasing costs totaled SEK 7,049 M (6,985), equivalent to 19 percent (20) of sales.

Depreciation and amortization of non-current assets amounted to SEK 995 M (1,014), equivalent to 3 percent (3) of sales.

### Operating income

Operating income (EBIT) excluding restructuring costs rose to SEK 6,046 M (5,413) due to efficiency savings etc. The corresponding operating margin was 16.4 percent (15.5). Exchange-rate effects amounted to SEK –262 M (643).

Operating income before depreciation and amortization (EBITDA) excluding restructuring costs amounted to SEK 7,041 M (6,426). The corresponding margin was 19.1 percent (18.4).

### Restructuring costs

Operating income for the year was not affected by restructuring costs. In 2009, restructuring costs totaled SEK 1,039 M, of which impairment of assets, mainly machinery and equipment, accounted for SEK 124 M. The remaining portion mainly related to payments in connection with staff redundancies.

### Income before tax

Income before tax excluding restructuring costs totaled SEK 5,366 M (4,779). The exchange-rate effect amounted to SEK –232 M (598). Net financial items amounted to SEK –680 M (–634). This increase is partly attributable to the discounting effects of deferred payments for acquisitions. Profit margin – defined as income before tax in relation to sales – was 14.6 percent (13.7) excluding restructuring costs.

The Parent company's income before tax was SEK 1,679 M (1,694).

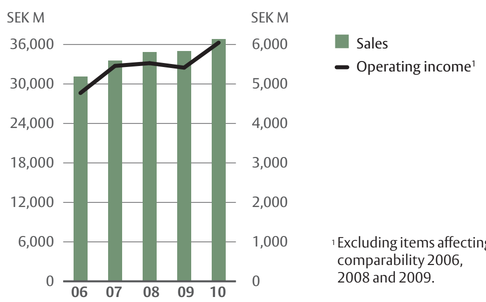
### Tax

The Group's tax expense totaled SEK 1,286 M (1,081), equivalent to an effective tax rate, excluding restructuring effects, of 24 percent (27).

### Earnings per share

Earnings per share after full dilution excluding restructuring costs amounted to SEK 10.89 (9.22).

SALES AND OPERATING INCOME



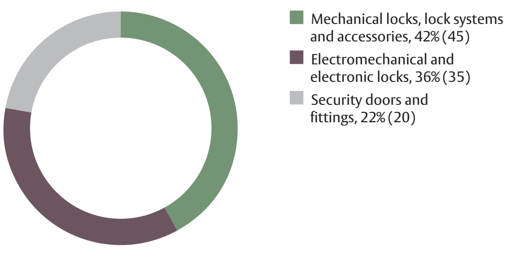

[1] Excluding items affecting comparability 2006, 2008 and 2009.

# Income statement – Group and Statement of comprehensive income

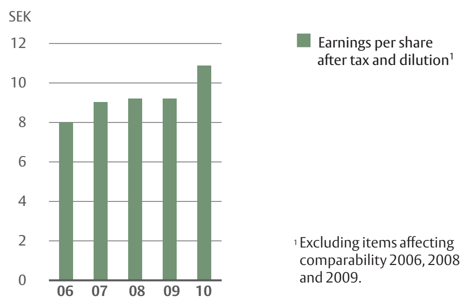
| Income statement, SEK M | Note | 2009 | 2010 |
|---|---|---|---|
| Sales | 2 | 34,963 | 36,823 |
| Cost of goods sold | | –21,780 | –21,987 |
| **Gross income** | | **13,183** | **14,836** |
| Selling expenses | | –5,836 | –5,666 |
| Administrative expenses | 3 | –1,915 | –2,039 |
| Research and Development costs | | –920 | –1,015 |
| Other operating income and expenses | 4 | –150 | –73 |
| Share of earnings in associates | 5 | 12 | 3 |
| **Operating income** | 6–9, 32 | **4,374** | **6,046** |
| Financial income | 10 | 130 | 26 |
| Financial expenses | 9, 11 | –764 | –706 |
| **Income before tax** | | **3,740** | **5,366** |
| Tax on income | 12 | –1,081 | –1,286 |
| **Net income** | | **2,659** | **4,080** |
| **Net income attributable to:** | | | |
| Parent company shareholders' | | 2,626 | 4,050 |
| Non-controlling interest | | 32 | 30 |
| **Earnings per share** | | | |
| before dilution, SEK | 13 | 7.18 | 11.07 |
| after dilution, SEK | 13 | 7.06 | 10.89 |
| after dilution excluding items affecting comparability, SEK | 13 | 9.22 | 10.89 |

| Statement of comprehensive income, SEK M | 2009 | 2010 |
|---|---|---|
| **Profit for the year** | **2,659** | **4,080** |
| **Other comprehensive income** | | |
| Exchange rate differences on translating foreign operations | –826 | –1,249 |
| **Total comprehensive income** | **1,833** | **2,831** |
| **Total comprehensive income attributable to:** | | |
| –Parent company shareholders' | 1,814 | 2,805 |
| –Non-controlling interest | 19 | 26 |

SALES BY PRODUCT GROUP, 2010




EARNINGS PER SHARE AFTER TAX AND DILUTION




[1] Excluding items affecting comparability 2006, 2008 and 2009.

# Comments by division

ASSA ABLOY is organized into five divisions. The three divisions EMEA (Europe, Middle East and Africa), Americas (North and South America) and Asia Pacific (Asia and Pacific) manufacture and sell mechanical and electromechanical locks, security doors and fittings in their respective geographical markets. Global Technologies division operates worldwide in the product areas of access control systems, secure card issuance, identification technology and hotel locks. Entrance Systems division is a global supplier of automatic doors and service.

**EMEA**

Sales totaled SEK 13,036 M (13,601), with organic growth of 2 percent (–12). Acquired units contributed 1 percent (3) to sales. Operating income excluding restructuring costs amounted to SEK 2,174 M (2,056), with an operating margin (EBIT) of 16.7 percent (15.1). Return on capital employed excluding restructuring costs was 21.6 percent (16.9). Operating cash flow before interest paid amounted to SEK 2,607 M (2,850).

Following a good start to the year, growth slowed in Q3 and Q4. New innovative products and the efficiency programs implemented resulted in an increased operating margin and continued strong cash flow.

**Americas**

Sales totaled SEK 9,536 M (9,880), with organic growth of –2 percent (–19). Acquired units contributed 2 percent (2) to sales. Operating income amounted to SEK 1,886 M (1,925), with an operating margin (EBIT) of 19.8 percent (19.5). Return on capital employed excluding restructuring costs was 21.3 percent (20.5). Operating cash flow before interest paid amounted to SEK 2,013 M (2,677).

The division returned to positive growth in the second half of the year driven by gradually increasing demand in the renovation market. The operating margin was maintained at a high level thanks to continued active marketing and good cost control.

**Asia Pacific**

Sales totaled SEK 6,081 M (3,789), with organic growth of 14 percent (–1). Acquired units contributed 43 percent net (5) to sales. Operating income excluding restructuring costs amounted to SEK 843 M (459), with an operating margin (EBIT) of 13.9 percent (12.1). Return on capital employed excluding restructuring costs was 25.1 percent (16.1). Operating cash flow before interest paid amounted to SEK 917 M (610).

Growth in China was very strong, particularly for security doors. South Korea, Australia and New Zealand also performed well during the year. Operating margin and operating cash flow strengthened compared with the previous year.

**Global Technologies**

Sales totaled SEK 5,015 M (4,766), with organic growth of 10 percent (–12). Acquired units contributed 1 percent (–) to sales. Operating income excluding restructuring costs amounted to SEK 862 M (766), with an operating margin (EBIT) of 17.2 percent (16.1). Return on capital employed excluding restructuring costs was 14.7 percent (12.9). Operating cash flow before interest paid amounted to SEK 868 M (1,005).

The HID Global business unit showed strong organic growth, while ASSA ABLOY Hospitality returned to positive growth in the second half of the year. Increased volume and continued efficiency programs increased profitability throughout the division.

**Entrance Systems**

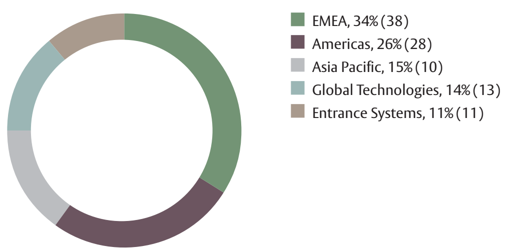
Sales totaled SEK 4,072 M (3,733), with organic growth of –2 percent (–3). Acquired units contributed 17 percent (12) to sales. Operating income excluding restructuring costs amounted to SEK 627 M (587), with an operating margin (EBIT) of 15.4 percent (15.7). Return on capital employed excluding restructuring costs was 14.6 percent (15.2). Operating cash flow before interest paid amounted to SEK 580 M (680).

New sales of automatic doors were weak throughout the year, while service sales continued to grow strongly. Operating margin and cash flow were maintained at a high level.

**Other**

The costs of Group-wide functions, such as Group management, accounting and finance, supply management and central product development, amounted to SEK 346 M (380). Elimination of sales between the Group's segments is included in 'Other'.

EXTERNAL SALES, 2010



# Results by division

| SEK M | EMEA[1] 2009 | EMEA[1] 2010 | Americas[2] 2009 | Americas[2] 2010 | Asia Pacific[3] 2009 | Asia Pacific[3] 2010 | Global Technologies[4] 2009 | Global Technologies[4] 2010 | Entrance Systems 2009 | Entrance Systems 2010 | Other 2009 | Other 2010 | Total 2009 | Total 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales, external | 13,275 | 12,660 | 9,831 | 9,491 | 3,507 | 5,698 | 4,664 | 4,951 | 3,685 | 4,024 | – | – | 34,963 | 36,823 |
| Sales, internal | 327 | 376 | 49 | 45 | 282 | 384 | 102 | 64 | 47 | 48 | –807[7] | –916[7] | | |
| **Sales** | **13,601** | **13,036** | **9,880** | **9,536** | **3,789** | **6,081** | **4,766** | **5,015** | **3,733** | **4,072** | **–807** | **–916** | **34,963** | **36,823** |
| Organic growth | –12% | 2% | –19% | –2% | –1% | 14% | –12% | 10% | –3% | –2% | – | – | –12% | 3% |
| Share of earnings in associates | 4 | 3 | 8 | – | – | – | – | – | – | – | – | – | 12 | 3 |
| **Operating income (EBIT) excluding items affecting comparability** | **2,056** | **2,174** | **1,925** | **1,886** | **459** | **843** | **766** | **862** | **587** | **627** | **–380** | **–346** | **5,413** | **6,046** |
| Operating margin (EBIT) excluding items affecting comparability | 15.1% | 16.7% | 19.5% | 19.8% | 12.1% | 13.9% | 16.1% | 17.2% | 15.7% | 15.4% | – | – | 15.5% | 16.4% |
| Items affecting comparability[6] | –789 | – | – | – | –2 | – | –167 | – | –81 | – | – | – | –1,039 | – |
| **Operating income (EBIT)** | **1,267** | **2,174** | **1,925** | **1,886** | **457** | **843** | **599** | **862** | **506** | **627** | **–380** | **–346** | **4,374** | **6,046** |
| Operating margin (EBIT) | 9.3% | 16.7% | 19.5% | 19.8% | 12.1% | 13.9% | 12.6% | 17.2% | 13.6% | 15.4% | – | – | 12.5% | 16.4% |
| Net financial items | | | | | | | | | | | | | –634 | –680 |
| Tax on income | | | | | | | | | | | | | –1,081 | 1,286 |
| **Net income** | | | | | | | | | | | | | **2,659** | **4,080** |
| Capital employed | 9,814 | 8,759 | 8,687 | 8,163 | 2,768 | 4,080 | 5,464 | 5,772 | 4,116 | 4,365 | –467 | 245 | 30,382 | 31,385 |
| – of which goodwill | 5,540 | 5,471 | 6,003 | 6,039 | 1,536 | 3,202 | 4,030 | 4,265 | 3,223 | 3,303 | – | – | 20,333 | 22,279 |
| – of which other intangible and tangible assets | 3,097 | 2,632 | 1,757 | 1,566 | 933 | 2,306 | 1,138 | 1,267 | 485 | 431 | 130 | 136 | 7,541 | 8,336 |
| – of which shares in associates | 39 | 37 | – | – | – | – | – | – | – | – | – | – | 39 | 37 |
| Return on capital employed excluding items affecting comparability | 16.9% | 21.6% | 20.5% | 21.3% | 16.1% | 25.1% | 12.9% | 14.7% | 15.2% | 14.6% | – | – | 16.2% | 18.5% |
| Operating income (EBIT) | 1,267 | 2,174 | 1,925 | 1,886 | 457 | 843 | 599 | 862 | 506 | 627 | –380 | –346 | 4,374 | 6,046 |
| Restructuring costs | 789 | – | – | – | 2 | – | 167 | – | 81 | – | – | – | 1,039 | – |
| Depreciation | 473 | 417 | 236 | 222 | 99 | 142 | 156 | 145 | 38 | 57 | 11 | 14 | 1,014 | 995 |
| Investments in fixed assets | –358 | –357 | –138 | –124 | –90 | –217 | –190 | –109 | –41 | –55 | –9 | –8 | –825 | –870 |
| Sales of fixed assets | 77 | 40 | 4 | 10 | 10 | 19 | 63 | 0 | 8 | 8 | – | 85 | 161 | 162 |
| Change in working capital | 602 | 334 | 649 | 19 | 132 | 130 | 211 | –30 | 88 | –58 | –222 | –33 | 1,460 | 362 |
| **Cash flow[5]** | **2,850** | **2,607** | **2,677** | **2,013** | **610** | **917** | **1,005** | **868** | **680** | **580** | **–600** | **–288** | **7,222** | **6,695** |
| Adjustment for non-cash items | | | | | | | | | | | 127 | 45 | 127 | 45 |
| Paid and received interest | | | | | | | | | | | –507 | –455 | –507 | –455 |
| **Operating cash flow[5]** | | | | | | | | | | | | | **6,843** | **6,285** |
| Average number of employees | 10,138 | 9,471 | 6,897 | 6,969 | 7,560 | 15,510 | 2,416 | 2,487 | 2,253 | 2,738 | 112 | 104 | 29,375 | 37,279 |

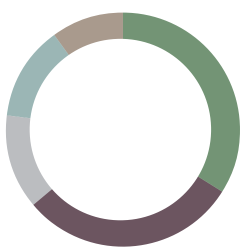
1 Europe, Middle East and Africa.
2 North and South America.
3 Asia and Pacific.
4 ASSA ABLOY Hospitality and HID Global.
5 Excluding restructuring payments.
6 Items affecting comparability consist of restructuring costs for 2009.
7 Which of eliminations 916 SEK M (807).

The segments has been determined on the basis of reporting to the CEO, who monitors the overall performance and makes decisions on resource allocation.

The different segments obtain their revenue from the manufacture and the sale of mechanical, electromechanical and electronic locks, lock systems and accessories, and security doors and fittings.

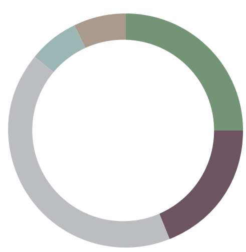
The breakdown of sales is based on customer sales in the respective country. Sales between segments are carried out at arm's length. For further information on sales, please see Note 2.

OPERATING INCOME, 2010[1, 2]




1 Operating income excluding items affecting comparability.
2 "Other" is not included in the calculation. See section Comments by division for what is included in "Other".

AVERAGE NUMBER OF EMPLOYEES, 2010



# Financial position

- Capital employed amounted to SEK 31,385 M (30,382).
- A strong positive operating cash flow reduced net debt to SEK 10,564 M (11,048).
- The net debt/equity ratio was 0.51 (0.57).

| SEK M | 2009 | 2010 |
|---|---|---|
| Capital employed | 30,382 | 31,385 |
| – of which, goodwill | 20,333 | 22,279 |
| Net debt | 11,048 | 10,564 |
| Equity | 19,334 | 20,821 |
| – of which non-controlling interests | 162 | 169 |

**Capital employed**

The Group's capital employed – defined as total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liabilities – amounted to SEK 31,385 M (30,382). The return on capital employed excluding items affecting comparability was 18.5 percent (16.2).

Intangible assets amounted to SEK 25,193 M (22,324). This increase is mainly due to the effects of completed acquisitions. During the year, goodwill and other intangible assets with an indefinite useful life have arisen to a preliminary value of SEK 3,818 M. A valuation model based on discounted future cash flows is used for impairment testing of goodwill and other intangible assets with an indefinite useful life.

Tangible assets amounted to SEK 5,422 M (5,550). Capital expenditure on tangible assets and intangible assets, less sales of tangible assets and intangible assets, totaled SEK 708 M (664). Depreciation amounted to SEK 995 M (1,014).

Accounts receivables totaled SEK 5,596 M (5,618) and inventories totaled SEK 4,825 M (4,349). The average collection period for accounts receivables was 51 days (55). Material throughput time was 103 days (97). The Group is making systematic efforts to increase capital efficiency.

**Net debt**

Net debt amounted to SEK 10,564 M (11,048), of which pension commitments and other remuneration on termination of employment accounted for SEK 1,078 M (1,118). Net debt was increased by acquisitions and the dividend to shareholders and reduced by the continued strong positive operating cash flow. The net reduction is mainly due to a continued good earnings trend and a release of working capital.

*External financing*

The Group's long-term loan financing mainly consists of Private Placement Programs in the USA totaling USD 580 M (630), GMTN-programs of SEK 2,705 M (3,292) and Incentive Programs of EUR 100 M (138). The change in long-term loans is mainly due to some of the original long-term loans now having less than one year to maturity. In addition, a bilateral bank loan totaling SEK 1,000 M was repaid in 2010. During the year long-term bilateral financing totaling SEK 139 M was raised.

The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum of USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 747 M (632) of the Commercial Paper Programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility for a maximum of EUR 1,100 M (1,100), which was not utilized at all at year-end. To secure financing for the acquisition of Cardo, additional credit facilities totaling SEK 14,300 M were secured. These have a term of between 1 and 3 years. Following completion of the acquisition, these credit facilities will, however, be refinanced on the capital markets in good time before maturity.

The interest coverage ratio, defined as income before tax plus net interest, divided by net interest, was 10.1 (7.2). Fixed interest terms fell somewhat during the year, with an average term of 23 months (25) at year-end.

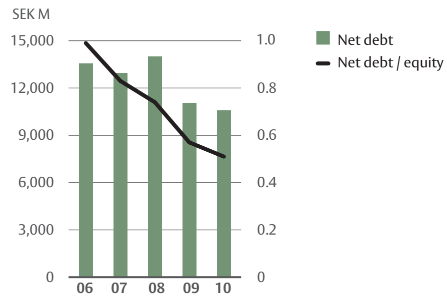
Cash and cash equivalents amounted to SEK 1,302 M (2,235) and are invested in banks with high credit ratings.

Some of the Group's main financing agreements contain a customary Change of Control clause. The effect of this clause is that lenders have the right in certain circumstances to demand the renegotiation of conditions or to terminate the agreement if control of the company should change.

**Equity**

The Group's equity totaled SEK 20,821 M (19,334) at year-end. The return on shareholders' equity amounted to 19.1 percent (12.7). The equity ratio was 45.9 percent (45.4). The debt/equity ratio, defined as net debt divided by equity, was 0.51 (0.57).

NET DEBT




CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED


[1] Excluding items affecting comparability 2006, 2008 and 2009.

# Balance sheet – Group

| SEK M | Note | 2009 | 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 14 | 22,324 | 25,193 |
| Tangible assets | 15 | 5,550 | 5,422 |
| Shares in associates | 17 | 39 | 37 |
| Other long-term financial assets | 19 | 334 | 856 |
| Deferred tax receivables | 18 | 814 | 702 |
| **Total non-current assets** | | **29,061** | **32,210** |
| | | | |
| **Current assets** | | | |
| Inventories | 20 | 4,349 | 4,825 |
| Accounts receivables | 21 | 5,618 | 5,596 |
| Current tax receivables | | 231 | 311 |
| Other short-term receivables | | 541 | 581 |
| Prepaid expenses and accrued income | | 399 | 416 |
| Derivative financial instruments | 33 | 100 | 146 |
| Short-term investments | 33 | 84 | 2 |
| Cash and cash equivalents | 33 | 2,235 | 1,302 |
| **Total current assets** | | **13,557** | **13,179** |
| **TOTAL ASSETS** | | **42,618** | **45,389** |
| | | | |
| **EQUTIY AND LIABILITIES** | | | |
| **Equity** | | | |
| *Parent company's shareholders* | | | |
| Share capital | 23 | 366 | 366 |
| Other contributed capital | | 8,887 | 8,921 |
| Exchange rate differences | | 760 | –484 |
| Retained earnings | | 9,159 | 11,849 |
| | | **19,172** | **20,652** |
| Non-controlling interest | | 162 | 169 |
| **Total equity** | | **19,334** | **20,821** |
| | | | |
| **Non-current liabilities** | | | |
| Long-term loans | 33 | 9,263 | 7,235 |
| Convertible debenture loans | 33 | 1,429 | 899 |
| Deferred tax liabilities | 18 | 63 | 309 |
| Pension provisions | 24 | 1,118 | 1,078 |
| Other long-term provisions | 25 | 1,829 | 1,793 |
| Other long-term liabilities | 33 | 176 | 2,134 |
| **Total non-current liabilites** | | **13,878** | **13,448** |
| | | | |
| **Current liabilities** | | | |
| Short-term loans | 33 | 1,869 | 2,481 |
| Convertible debenture loans | 33 | – | 311 |
| Derivative financial instruments | 33 | 32 | 72 |
| Accounts payables | | 2,682 | 3,123 |
| Current tax liabilities | | 324 | 458 |
| Short-term provisions | 25 | 726 | 771 |
| Other short-term liabilities | 26 | 895 | 1,146 |
| Accrued expenses and prepaid income | 27 | 2,878 | 2,758 |
| **Total current liabilities** | | **9,406** | **11,120** |
| **TOTAL EQUITY AND LIABILITIES** | | **42,618** | **45,389** |

# Cash flow

- Operating cash flow remained strong and amounted to SEK 6,285 M (6,843).
- Change in working capital amounted to SEK 362 M (1,460).

### Operating cash flow

| SEK M | 2009 | 2010 |
|---|---|---|
| Operating income (EBIT) | 4,374 | 6,046 |
| Restructuring costs | 1,039 | – |
| Depreciation | 1,014 | 995 |
| Net capital expenditure | –664 | –708 |
| Change in working capital | 1,460 | 362 |
| Paid and received interest | –507 | –455 |
| Non-cash items | 127 | 45 |
| **Operating cash flow[1]** | **6,843** | **6,285** |
| Operating cash flow/ Income before tax | 1.43[2] | 1.17 |

[1] Excluding restructuring payments.
[2] Excluding restructuring costs.

The Group's operating cash flow amounted to SEK 6,285 M (6,843), equivalent to 117 percent (143) of income before tax excluding restructuring costs. The Parent company's cash flow amounted to SEK 0 M (–1).

### Net capital expenditure

Direct net capital expenditure on intangible assets and tangible assets totaled SEK 708 M (664), equivalent to 71 percent (65) of depreciation of intangible assets and tangible assets. The low net capital expenditure is partly due to the Group's long-term efforts to streamline the production structure.

### Change in working capital

| SEK M | 2009 | 2010 |
|---|---|---|
| Inventories | 987 | –338 |
| Accounts receivables | 806 | –118 |
| Accounts payables | –232 | 406 |
| Other working capital | –102 | 412 |
| **Change in working capital** | **1,460** | **362** |

The material throughput time was 103 days (97) at year-end. Capital tied up in inventories and accounts receivables increased during the year, which had an impact on cash flow of SEK –456 M (1,793) overall. However, total working capital tied up fell, due to suppliers' increased credit periods.

### Relationship between cash flow from operating activities and operating cash flow

| SEK M | 2009 | 2010 |
|---|---|---|
| Cash flow from operating activities | 5,924 | 5,729 |
| Restructuring payments | 676 | 465 |
| Net capital expenditure | –664 | –708 |
| Reversal of tax paid | 907 | 799 |
| **Operating cash flow** | **6,843** | **6,285** |

### Investments in subsidiaries

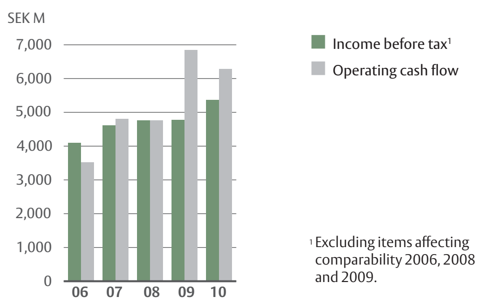
The total purchase price for acquisitions of subsidiaries amounted to SEK 4,898 M (1,107). Acquired cash totaled SEK 705 M (50).

### Change in net debt

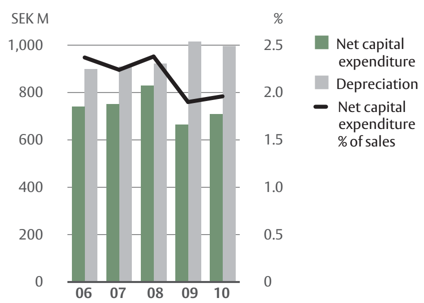
Net debt was mainly affected by the strong positive operating cash flow, the dividend to shareholders and acquisitions.

| SEK M | 2009 | 2010 |
|---|---|---|
| Net debt at 1 January | 14,013 | 11,048 |
| Operating cash flow | –6,843 | –6,285 |
| Restructuring payments | 676 | 465 |
| Tax paid | 907 | 799 |
| Acquisitions/Disposals | 1,171 | 3,319 |
| Dividend | 1,317 | 1,317 |
| Purchase of treasury shares | – | 48 |
| Exchange rate differences | –193 | –147 |
| **Net debt at 31 December** | **11,048** | **10,564** |

INCOME BEFORE TAX AND OPERATING CASH FLOW




CAPITAL EXPENDITURE



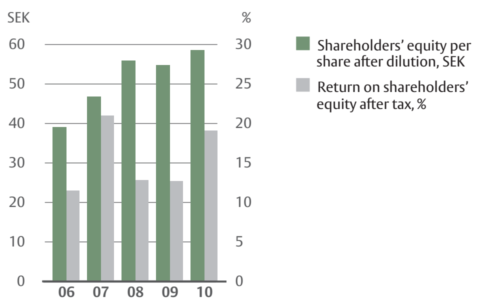
# Cash flow statement – Group

| SEK M | Note | 2009 | 2010 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Operating income | | 4,374 | 6,046 |
| Depreciation | 8 | 1,014 | 995 |
| Reversal of restructuring costs | | 1,039 | – |
| Restructuring payments | | –676 | –465 |
| Non-cash items | 31 | 127 | 45 |
| **Cash flow before interest and tax** | | **5,878** | **6,621** |
| Interest paid | | –596 | –463 |
| Interest received | | 89 | 8 |
| Tax paid on income | | –907 | –799 |
| **Cash flow before changes in working capital** | | **4,464** | **5,367** |
| Changes in working capital | 31 | 1,460 | 362 |
| **Cash flow from operating activities** | | **5,924** | **5,729** |
| **INVESTING ACTIVITIES** | | | |
| Investments in tangible and intangible assets | 14, 15 | –825 | –870 |
| Sales of tangible and intangible assets | 14, 15 | 161 | 162 |
| Investments in subsidiaries | 31 | –1,077 | –2,594 |
| Disposals of subsidiaries | 31 | –71 | –34 |
| Other investments | 31 | –23 | –691 |
| **Cash flow from investing activities** | | **–1,835** | **–4,027** |
| **FINANCING ACTIVITES** | | | |
| Dividends | | –1,317 | –1,317 |
| Long-term loans raised | | 3,384 | 139 |
| Long-term loans repaid | | –2,601 | –1,000 |
| Purchase of treasury shares | | – | –48 |
| Net cash effect of changes in other borrowings | | –3,207 | –371 |
| **Cash flow from financing activities** | | **– 3,741** | **–2,597** |
| **CASH FLOW** | | **348** | **–895** |
| **CASH AND CASH EQUIVALENTS** | | | |
| **Cash and cash equivalents at 1 January** | | **1,931** | **2,235** |
| Cash flow | | 348 | –895 |
| Effect of exchange rate differences | | –44 | –38 |
| **Cash and cash equivalents at 31 December** | 33 | **2,235** | **1,302** |

# Changes in equity – Group

| SEK M | Note | Share capital | Other contributed capital | Exchange rate differences | Retained earnings | Non controlling interest | Total |
|---|---|---|---|---|---|---|---|
| | | Parent company's shareholders | | | | | |
| **Opening balance 1 January 2009** | **23** | **366** | **8,887** | **1,572** | **7,850** | **163** | **18,838** |
| Profit for the year | | | | | 2,626 | 32 | 2,659 |
| Other comprehensive income | | | | –812 | | –13 | –826 |
| **Total comprehensive income** | | | | **–812** | **2,626** | **19** | **1,833** |
| Dividend for 2008 | 23 | | | | –1,317 | | –1,317 |
| Change in non-controlling interest | | | | | | –20 | –20 |
| **Sum of transactions with parent company shareholders'** | | | | | **–1,317** | **–20** | **–1,337** |
| **Closing balance 31 December 2009** | **23** | **366** | **8,887** | **760** | **9,159** | **162** | **19,334** |
| | | | | | | | |
| **Opening balance 1 January 2010** | **23** | **366** | **8,887** | **760** | **9,159** | **162** | **19,334** |
| Profit for the year | | | | | 4,050 | 30 | 4,080 |
| Other comprehensive income | | | | –1,244 | | –5 | –1,249 |
| **Total comprehensive income** | | | | **–1,244** | **4,050** | **26** | **2,831** |
| Dividend for 2009 | 23 | | | | –1,317 | | –1,317 |
| Stock purchase plans | | | | | 6 | | 6 |
| Share issue | | 0 | 34 | | | | 34 |
| Purchase of treasury shares | | | | | –48 | | –48 |
| Change in non-controlling interest | | | | | | –19 | –19 |
| **Sum of transactions with parent company shareholders'** | | **0** | **34** | | **–1,359** | **–19** | **–1,344** |
| **Closing balance 31 December 2010** | **23** | **366** | **8,921** | **–484** | **11,849** | **169** | **20,821** |

SHAREHOLDERS' EQUITY PER SHARE AFTER DILUTION AND RETURN ON SHAREHOLDERS' EQUITY AFTER TAX




DIVIDEND


# Eden Park is ready for 2011 Rugby World Cup

Located in the heart of Auckland, Eden Park is New Zealand's largest stadium and host to about half a million sport fans and patrons from around the globe each year.

The stadium will host the 2011 Rugby World Cup, which includes the opening ceremony and final matches. The redevelopment of the Eden Park stadium, which has 100 years' history behind it, has included the new three-tier South Stand, a two-tier East Stand with acoustic barrier for noise control, a 2,000 seat extension to the ASB stand and a modern public concourse connecting all stands to the now internalized transportation hub.

A full door hardware schedule for the project was provided to the architects by ASSA ABLOY New Zealand's specification team. This schedule took into consideration the multifaceted security needs of the project, including perimeter security, crowd control and safety egress. In addition, the delivery of timely and reliable information allowed for an accurate information flow from the hardware merchants right through to the construction team.

# Parent company financial statements

*Income statement – Parent company*

| SEK M | Note | 2009 | 2010 |
|---|---|---|---|
| Administrative expenses | 3, 6, 8, 9 | –610 | –612 |
| Research and Development costs | 6, 8, 9 | –222 | –233 |
| Other operating income and expenses | 4 | 1,398 | 1,623 |
| **Operating income** | 9, 32 | **566** | **778** |
| Financial income | 10 | 1,365 | 1,147 |
| Financial expenses | 9, 11 | –237 | –246 |
| **Income before tax** | | **1,694** | **1,679** |
| Tax on income | 12 | –158 | –187 |
| **Net income** | | **1,536** | **1,492** |

*Statement of comprehensive income – Parent company*

| SEK M | 2009 | 2010 |
|---|---|---|
| **Net income** | **1,536** | **1,492** |
| **Other comprehensive income** | | |
| Changes in value of financial instruments | –408 | – |
| Group contributions | –594 | –725 |
| Tax effect of Group contributions | 157 | 190 |
| **Total comprehensive income** | **691** | **957** |

*Balance sheet – Parent company*

| SEK M | Note | 2009 | 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 14 | 321 | 150 |
| Tangible assets | 15 | 3 | 3 |
| Shares in subsidiaries | 16 | 19,115 | 19,686 |
| Other long-term financial assets | 19 | 34 | 776 |
| **Total non-current assets** | | **19,473** | **20,615** |
| **Current assets** | | | |
| Receivables from subsidiaries | | 4,118 | 3,476 |
| Other short-term receivables | | 28 | 58 |
| Prepaid expenses and accrued income | | 30 | 25 |
| Cash and cash equivalents | | 0 | 0 |
| **Total current assets** | | **4,176** | **3,559** |
| **TOTAL ASSETS** | | **23,649** | **24,174** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 22 | | |
| *Restricted equity* | | | |
| Share capital | 23 | 366 | 366 |
| Statutory reserve | | 8,905 | 8,905 |
| *Unrestricted equity* | | | |
| Premium fund | | – | 34 |
| Retained earnings | | 2,343 | 1,984 |
| Net income | | 1,536 | 1,492 |
| **Total equity** | | **13,150** | **12,781** |
| **Provisions** | | | |
| Other provisions | 25 | 5 | – |
| **Total provisions** | | **5** | **–** |
| **Non-current liabilities** | | | |
| Long-term loans | 33 | 4,291 | 2,702 |
| Convertible debenture loans | 33 | 1,429 | 899 |
| **Total non-current liabilities** | | **5,720** | **3,601** |
| **Current liabilities** | | | |
| Short-term loans | 33 | 681 | 300 |
| Convertible debenture loans | 33 | – | 311 |
| Accounts payables | | 20 | 20 |
| Short-term liabilities to subsidiaries | | 3,906 | 6,960 |
| Current tax liabilities | | 16 | 16 |
| Other short-term liabilities | | 6 | 6 |
| Accrued expenses and prepaid income | 27 | 145 | 179 |
| **Total current liabilities** | | **4,774** | **7,792** |
| **TOTAL EQUITY AND LIABILITIES** | | **23,649** | **24,174** |
| Assets pledged | 29 | – | – |
| Contingent liabilities | 28 | 7,472 | 6,136 |

## *Cash flow statement – Parent company*

| SEK M | Note | 2009 | 2010 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Operating income | | 566 | 778 |
| Depreciation | 8 | 183 | 183 |
| **Cash flow before interest and tax** | | **749** | **961** |
| Paid and received interest | | 45 | –145 |
| Dividends received | | 898 | 1,028 |
| Tax paid and received | | –29 | 9 |
| **Cash flow before changes in working capital** | | **1,663** | **1,853** |
| Changes in working capital | | –4 | –141 |
| **Cash flow from operating activities** | | **1,659** | **1,712** |
| **INVESTING ACTIVITIES** | | | |
| Investment in tangible and intangible assets | | –1 | –11 |
| Sales of tangible and intangible assets | | 4 | 0 |
| Investments in subsidiaries | | –1,439 | –603 |
| Other investments | | 23 | –713 |
| **Cash flow from investing activities** | | **–1,413** | **–1,327** |
| **FINANCING ACTIVITIES** | | | |
| Dividends | | – 1,317 | –1,317 |
| Loan raised | | 5,859 | 4,415 |
| Loan repaid | | –4,789 | –3,435 |
| Purchase of treasury shares | | – | –48 |
| **Cash flow from financing activities** | | **–247** | **–385** |
| **CASH FLOW** | | **–1** | **0** |
| **CASH AND CASH EQUIVALENTS** | | | |
| **Cash and cash equivalents at 1 January** | | **1** | **0** |
| Cash flow | | –1 | 0 |
| **Cash and cash equivalents at 31 December** | | **0** | **0** |

## *Change in equity – Parent company*

| | | Restricted shareholders' equity | | | Unrestricted shareholders' equity | | |
|---|---|---|---|---|---|---|---|
| **SEK M** | **Note** | **Share capital** | **Statutory reserve** | **Fair value reserve** | **Premium fund** | **Retained earnings** | **Total** |
| **Opening balance 1 January 2009** | | **366** | **8,905** | **408** | **–** | **4,097** | **13,776** |
| Profit for the year | | | | | | 1,536 | 1,536 |
| Changes in value of financial instruments | | | | –408 | | | –408 |
| Group contributions | | | | | | –594 | –594 |
| Tax effect of Group contributions | | | | | | 157 | 157 |
| **Total comprehensive income** | | | | **–408** | | **1,099** | **691** |
| Dividend for 2008 | 23 | | | | | –1,317 | –1,317 |
| **Sum of transactions with parent company shareholders'** | | | | | | **–1,317** | **–1,317** |
| **Closing balance 31 December 2009** | 23 | **366** | **8,905** | **–** | **–** | **3,879** | **13,150** |
| | | | | | | | |
| **Opening balance 1 January 2010** | | **366** | **8,905** | **–** | **–** | **3,879** | **13,150** |
| Profit for the year | | | | | | 1,492 | 1,492 |
| Group contributions | | | | | | –725 | –725 |
| Tax effect of Group contributions | | | | | | 190 | 190 |
| **Total comprehensive income** | | | | | | **957** | **957** |
| Stock purchase plans | | | | | | 6 | 6 |
| Purchase of treasury shares | | | | | | –48 | –48 |
| Share issue | | 0 | | | 34 | | 34 |
| Dividend for 2009 | 23 | | | | | –1,317 | –1,317 |
| **Sum of transactions with parent company shareholders'** | | **0** | | | **34** | **–1,359** | **– 1,325** |
| **Closing balance 31 December 2010** | 23 | **366** | **8,905** | **–** | **34** | **3,476** | **12,781** |

## Note 1 Significant accounting and valuation principles

**The Group**

ASSA ABLOY applies International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), the Swedish Annual Accounts Act and standard RFR 1.3 of the Swedish Financial Reporting Board. The accounting principles are based on IFRS as endorsed by 31 December 2010 and have been applied to all years presented, unless stated otherwise. This Note describes the most significant accounting principles that have been applied in the preparation of the financial statements, which comprise the information appearing on pages 59–116.

*Basis of preparation*

ASSA ABLOY's consolidated financial statements have been prepared in accordance with IFRS as endorsed by the EU. The consolidated financial statements have been prepared in accordance with the cost method, except regarding financial assets and liabilities (including derivatives) measured at fair value through profit and loss.

The preparation of financial statements requires estimates and assessments to be made for accounting purposes. The management also makes assessments when applying the Group's accounting principles. Estimates and assessments may affect the income statement and balance sheet as well as the supplementary information that appears in the financial statements. Thus changes in estimates and assessments may lead to changes in the financial statements.

Estimates and assessments play an important part in the valuation of items such as identifiable assets and liabilities in acquisitions, impairment testing of goodwill and other assets, in determining actuarial assumptions for calculating employee benefits and other types of provisions, as well as in the valuation of deferred taxes. Estimates and assessments are continually reassessed and are based on a combination of historical experience and reasonable expectations about the future.

The Group considers that estimates and assessments relating to impairment testing of goodwill and other intangible assets with indefinite useful life are of material importance to the consolidated financial statements. The Group tests carrying amounts for impairment on an annual basis. The recoverable amounts of cash generating units are determined by calculating their values in use. The calculations are based on certain assumptions about the future which, for the Group, are associated with the risk of material adjustments in carrying amounts during the next financial year. Material assumptions and the effects of reasonable changes in them are described in Note 14.

*New and revised standards applied by the Group*

The Group has applied the following new and revised IFRS from 1 January 2010.

- IFRS 3 (Revised), Business Combinations is applied to all business combinations acquired on or after 1 January 2010. IFRS 3 R continues to apply the purchase method but with some significant differences compared with IFRS 3. For example, all payments relating to the acquisition are carried at fair value at the acquisition date, while subsequent additional purchase considerations are classified as liabilities that are then revalued through profit and loss. Non-controlling interests in the acquired business can be measured, on an optional individual basis, either at fair value or at the proportional share of the net assets of the acquired business held by non-controlling interests. All acquisition-related transaction costs are expensed as incurred.
- IAS 27 (Revised), Consolidated and Separate Financial Statements requires that the effects of all transactions with non-controlling interests (previously minority interests) are recognized in equity unless it involves a change in the controlling interest. This standard also states that when a Parent company loses its controlling interest, any remaining share is revalued at fair value and a profit or loss is recognized in the income statement.

*New and amended standards not yet effective*

The following new IFRS and revisions to current IFRS have been published but are not yet effective, and have not been applied in the preparation of the financial statements.

- IAS 24 (Revised): Related Party Disclosures, effective from 1 January 2011.
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments, effective from 1 July 2010, not yet endorsed by the EU.
- IFRIC 14 (Revised): Prepayments of a Minimum Funding Requirement. The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, effective from 1 January 2011, not yet endorsed by the EU.
- IASB Annual Improvement Project, effective from 1 January 2011, not yet endorsed by the EU.
- IFRS 9, Financial Instruments, effective from 1 January 2013, not yet endorsed by the EU.
- IAS 32 (Revised): Classification of Rights Issues, effective for financial years beginning 1 February 2010 or later.

Management analyzes the impact of the new and amended standards on the financial statements. The revisions will not affect the financial statements prepared prior to the effective dates. The current assessment is that none of the new and revised standards listed above will have a significant impact on the Group's financial statements.

*Consolidated financial statements*

The consolidated financial statements include ASSA ABLOY AB (the Parent company) and companies in which the Parent company held, directly or indirectly, more than 50 percent of the voting rights at the end of the period, as well as companies in which the Parent company otherwise has a controlling interest, for example by having the right to formulate financial and operating strategies. Companies acquired during the year are included in the consolidated financial statements with effect from the date when a controlling interest was obtained. Companies sold during the year are included in the consolidated financial statements up to the date when a controlling interest ceased.

The consolidated financial statements have been prepared in accordance with the purchase method, which means that the cost of shares in subsidiaries is eliminated against their equity at the time of acquisition. In this context, equity in subsidiaries is determined on the basis of the fair value of assets, liabilities and contingent liabilities at the acquisition date. Thus only that part of subsidiaries' equity that has arisen after the acquisition date is included in the Group's equity. A positive difference between the cost of shares in subsidiaries and the fair value of the Group's share of acquired net assets is reported as goodwill. A negative difference, negative goodwill, is recognized immediately in the income statement. As from 1 January 2010 additional purchase considerations are classified as financial liabilities and revalued through profit and loss in operating income. Substantial additional purchase considerations are discounted to present value. Acquisition-related transaction costs are expensed as incurred.

Not 1 forts.

Intragroup transactions and balance sheet items and unrealized profits on transactions between Group companies are eliminated in the consolidated financial statements.

*Non-controlling interests*

Non-controlling interests are based on subsidiaries' accounts with application of fair value adjustments resulting from a completed acquisition analysis. Non-controlling interests' share in subsidiaries' earnings is shown in the income statement, in which net income is attributed to the Parent company's shareholders and to non-controlling interests. Non-controlling interests' share in subsidiaries' equity is shown separately in consolidated equity. Transactions with non-controlling interests are shown as transactions with the Group's shareholders.

*Associates*

Associates are defined as companies which are not subsidiaries but in which the Group has a significant, but not a controlling, interest. This is usually taken to be companies in which the Group's shareholding represents between 20 and 50 percent of the voting rights.

Interests in associates are accounted for in accordance with the equity method. In the consolidated balance sheet, shareholdings in associates are reported at cost, and the carrying amount is adjusted for the share of associates' earnings after the acquisition date. Dividends from associates are reported as a reduction in the carrying amount of the holdings. The share of associates' earnings is reported in the consolidated income statement in operating income as the holdings are related to business operations.

*Segment reporting*

Operating segments are reported in accordance with internal reporting to the chief operating decision maker. Chief operating decision maker is the function that is responsible for allocation of resources and assessing performance of the operating segments. The divisions form the operational structure for internal control and reporting and also constitute the Group's segments for external financial reporting. The Group's business is divided into five divisions. Three divisions are based on products sold in local markets in the respective division: EMEA, Americas and Asia Pacific. Global Technologies' and Entrance Systems' products are sold worldwide.

*Foreign currency translation*

Functional currency corresponds to local currency in each country where Group companies operate. Transactions in foreign currencies are translated to functional currency by application of the exchange rates prevailing on the transaction date. Foreign exchange gains and losses arising from the settlement of such transactions are normally reported in the income statement, as are those arising from translation of monetary balance sheet items in foreign currencies at the year-end rate. Exceptions are transactions relating to qualifying cash flow hedges, which are reported in comprehensive income. Receivables and liabilities are valued at the year-end rate.

In translating the accounts of foreign subsidiaries prepared in functional currencies other than the Group's presentation currency, all balance sheet items except net income are translated at the year-end rate and net income is translated at the average rate. The income statement is translated at the average rate for the period. Foreign exchange differences arising from the translation of foreign subsidiaries are reported as translation differences in comprehensive income.

The rates for currencies used in the Group, relative to the Group's presentation currency (SEK), were as follows – the weighted average for the year, and the closing day rate.

| | | Average rate | | Closing rate | |
|---|---|---|---|---|---|
| Country | Currency | 2009 | 2010 | 2009 | 2010 |
| Argentina | ARS | 2.06 | 1.85 | 1.88 | 1.72 |
| Australia | AUD | 5.98 | 6.61 | 6.42 | 6.93 |
| Brazil | BRL | 3.80 | 4.10 | 4.13 | 4.05 |
| Canada | CAD | 6.68 | 6.98 | 6.86 | 6.85 |
| Switzerland | CHF | 7.05 | 6.94 | 6.94 | 7.20 |
| Chile | CLP | 0.014 | 0.014 | 0.014 | 0.015 |
| Colombia | COP | 0.0035 | 0.0038 | 0.0035 | 0.0034 |
| China | CNY | 1.12 | 1.07 | 1.05 | 1.03 |
| Czech Republic | CZK | 0.40 | 0.38 | 0.39 | 0.35 |
| Denmark | DKK | 1.43 | 1.28 | 1.39 | 1.21 |
| Estonia | EEK | 0.68 | 0.61 | 0.66 | 0.57 |
| Euro zone | EUR | 10.63 | 9.57 | 10.32 | 8.99 |
| United Kingdom | GBP | 11.85 | 11.14 | 11.44 | 10.53 |
| Hong Kong | HKD | 0.99 | 0.93 | 0.93 | 0.88 |
| Hungary | HUF | 0.038 | 0.035 | 0.038 | 0.032 |
| Israel | ILS | 1.95 | 1.93 | 1.89 | 1.91 |
| Kenya | KES | 0.099 | 0.091 | 0.095 | 0.085 |
| South Korea | KRW | 0.0060 | 0.0062 | 0.0062 | 0.0060 |
| Lithuania | LTL | 3.08 | 2.77 | 2.99 | 2.60 |
| Mexico | MXN | 0.56 | 0.57 | 0.55 | 0.55 |
| Malaysia | MYR | 2.17 | 2.24 | 2.10 | 2.21 |
| Norway | NOK | 1.21 | 1.19 | 1.24 | 1.15 |
| New Zealand | NZD | 4.80 | 5.19 | 5.15 | 5.21 |
| Poland | PLN | 2.46 | 2.38 | 2.50 | 2.26 |
| Russia | RUB | 0.24 | 0.24 | 0.24 | 0.23 |
| Singapore | SGD | 5.25 | 5.29 | 5.12 | 5.28 |
| Thailand | THB | 0.22 | 0.23 | 0.22 | 0.23 |
| USA | USD | 7.63 | 7.23 | 7.19 | 6.84 |
| South Africa | ZAR | 0.92 | 0.98 | 0.97 | 1.02 |

*Revenue*

Revenue comprises the fair value of goods sold, excluding VAT and discounts, and after eliminating intra-group sales. The Group's sales revenue arises principally from sales of products. Service related to products sold makes up a limited fraction of revenue. Revenue from sales of the Group's products is recognized when all significant risks and rewards associated with ownership are transferred to the purchaser in accordance with applicable conditions of sale, which is normally upon delivery. If the product requires installation at the customer's premises, revenue is recognized when installation is completed. Revenue from service contracts is recognized on a continuous basis over the contract period. In the case of installations over a longer period of time, the percentage of completion method is used.

*Intra-group sales*

Transactions between Group companies are carried out at arm's length and thus at market prices. Intra-group sales are eliminated from the consolidated income statement, and profits on such transactions have been eliminated in their entirety.

*Government grants*

Grants and support from governments, public authorities etc are reported when there is reasonable assurance that the company will comply with the conditions attaching to the grant and that the grant will be received. Grants relating to assets are reported after reducing the carrying amount of the asset by the amount of the grant.

*Research and development*

Research costs are expensed as they are incurred. Development costs are reported in the balance sheet only to the extent that they are expected to generate future economic benefits for the Group and provided such benefits can be reliably measured.

Note 1 cont.

Capitalized development expenditure is amortized over the expected useful life. Such intangible assets, which are not yet in use, are tested annually for impairment. Expenditure on the development of existing products is expensed as incurred.

*Borrowing costs*

Borrowing costs are interest expenses and other expenses directly related to borrowing. Borrowing costs directly relating to acquisition, construction or production of a qualified asset (an asset that necessarily takes a substantial period of time to complete for its intended use or sale) are capitalized as part of the cost of that asset. Other borrowing costs are recognized as expenses in the period in which they are incurred.

*Tax on income*

The income statement includes all tax that is to be paid or received for the current year, adjustments relating to tax due for previous years, and changes in deferred tax. Tax sums have been calculated as nominal amounts, in accordance with the tax regulations in each country, and in accordance with tax rates that have either been decided or have been notified and can confidently be expected to be confirmed. For items reported in the income statement, associated tax effects are also reported in the income statement. The tax effects of items reported directly against equity or comprehensive income are themselves reported against equity or comprehensive income. Deferred tax is accounted for using the liability method. This means that deferred tax is accounted for on all temporary differences between the carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets relating to tax losses carried forward or other future tax allowances are reported to the extent that it is probable that the allowance can be set against taxable income in future taxation. Deferred tax liabilities relating to temporary differences resulting from investments in subsidiaries are not reported in the consolidated financial statements, since the Parent company can control the time at which the temporary differences are reversed, and it is not considered likely that such reversal will occur in the foreseeable future. Deferred tax assets and deferred tax liabilities are offset when there is a legal right to do so and when the deferred tax amounts concern the same tax authority.

*Cash flow statement*

The cash flow statement has been prepared according to the indirect method. The reported cash flow includes only transactions involving cash payments.

*Cash and cash equivalents*

'Cash and cash equivalents' covers cash and bank balances and short-term financial investments with durations of less than three months from the acquisition date.

*Goodwill and acquisition-related intangible assets*

Goodwill represents the positive difference between the cost of acquisition and the fair value of the Group's share of the acquired company's net identifiable assets at the acquisition date, and is reported at cost less accumulated impairment losses. Goodwill is allocated to cash generating units (CGU) and is tested annually to identify any impairment loss. Cash generating units are subject to systematic annual impairment testing using a valuation model based on discounted future cash flows. Deferred tax assets based on local tax rates are reported in terms of tax-deductible goodwill (with corresponding reduction of the goodwill value). Such deferred tax assets are expensed as the tax deduction is utilized. Other acquisition-related intangible assets consist chiefly of various types of intellectual property rights, such as brands, technology and customer relationships. Identifiable acquisition-related intellectual property rights are initially recognized at fair value at the acquisition date and subsequently at cost less accumulated amortization and impairment losses. Amortization is on a straight-line basis over the estimated useful life. Acquisition-related intangible assets with an indefinite useful life are tested for impairment annually in the same way as goodwill.

*Other intangible assets*

An intangible asset that is not acquisition-related is reported only if it is likely that the future economic benefits associated with the asset will flow to the Group, and if the cost of the asset can be measured reliably. Such an asset is initially recognized at cost and is amortized over its estimated useful life, usually between three and five years. Its carrying amount is cost less accumulated amortization and impairment losses.

*Tangible assets*

Tangible assets are reported at cost less accumulated depreciation and impairment losses. Cost includes expenditure that can be directly attributed to the acquisition of the asset. Subsequent expenditure is capitalized if it is probable that economic benefits associated with the asset will flow to the Group, and if the cost can be reliably measured. Expenditure on repairs and maintenance is expensed as it is incurred. Depreciable amount is the cost of an asset less its estimated residual value. No depreciation is applied to land. For other assets, cost is depreciated over the estimated useful life, which for the Group results in the following average depreciation periods:

- Office buildings 50 years.
- Industrial buildings 25 years.
- Plant and machinery 7–10 years.
- Equipment and tools 3–6 years.

The residual value and useful life of assets are reviewed at each financial year-end and adjusted when necessary. Profit or loss on the disposal of tangible assets is recognized in the income statement as 'Other operating income' or 'Other operating expenses', based on the difference between the selling price and the carrying amount.

*Leasing*

The Group's leasing is chiefly operating leasing. The lease payments are expensed at a constant rate over the period of the contract and are reported as operating expenses.

*Impairment*

Assets with an indefinite useful life are not amortized but are tested for impairment on an annual basis. For impairment testing purposes, assets are grouped at the lowest organizational level where there are separate identifiable cash flows, so-called cash generating units (CGU).

For assets that are depreciated/amortized, impairment testing is carried out when events or circumstances indicate that the carrying amount may not be recoverable.

When an impairment loss has been established, the value of the asset is reduced to its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses, and its value in use.

Note 1 cont.

### *Inventories*

Inventories are valued in accordance with the 'first in, first out' principle at the lower of cost and net realizable value at year-end. Deductions are made for internal profits arising from deliveries between Group companies. Work in progress and finished goods include both direct costs incurred and a fair allocation of indirect manufacturing costs.

### *Accounts receivables*

Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. A provision is recognized when there is objective evidence that the Group will not be able to collect recorded amounts. The year's change in such a provision is reported in the income statement.

### *Financial assets*

Financial assets include cash and cash equivalents, accounts receivables, short-term investments and derivatives and are classified in the following categories; financial assets valued at fair value through the income statement, available-for-sale assets, loan receivables and accounts receivables. Management determines the classification of its financial assets at initial recognition.

### *Financial assets valued at fair value through the income statement*

This category has two sub-categories: financial assets held-for-trading and those designated at fair value through income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative assets that have been identified as available for sale or assets that have not been classified in any other category. They are included in Non-current assets, unless management intends to sell the asset within 12 months of the end of the reporting period. Changes in fair value are reported in Other comprehensive income.

### *Loan receivables and accounts receivables*

Accounts receivables and short-term investments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

### *Financial liabilities*

Financial liabilities include additional purchase considerations, loan liabilities, accounts payables and derivative instruments. Reporting depends on how the liability is classified.

### *Financial liabilities valued at fair value through the income statement*

This category includes derivatives with negative fair value that are not used for hedging, additional purchase considerations and financial liabilities held for trading. Liabilities are measured at fair value on a continuous basis and changes in value are reported in the income statement as a financial item.

### *Loan liabilities*

Loan liabilities are valued initially at fair value after transaction costs, and thereafter at amortized cost. The amortized cost is determined based on the effective interest rate when the loan was raised. Accordingly, surplus values and negative surplus values as well as direct issue expenses are allocated over the loan period. Long-term loan liabilities have an anticipated term to maturity exceeding one year, while current loan liabilities have a term to maturity of less than one year.

### *Accounts payables*

Trade payables are valued at fair value and thereafter at amortized cost using the effective interest method.

### *Recognition and measurement of financial assets and liabilities*

Regular purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through the income statement, where the transaction cost is reported in the income statement. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using various valuation techniques. These include the use of available information on recent arm's-length transactions, reference to other instruments that are substantially the same and discounted cash-flow analysis. The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is derecognized when the right to receive cash flows from the asset expires or is transferred to another party through the transfer of all the risks and benefits associated with the asset to the other party. A financial liability is derecognized when the obligation is fulfilled, cancelled or expires, see above.

### *Derivative instruments and hedging*

Derivatives are recognized in the balance sheet at transaction date and are measured at fair value, both initially and on subsequent revaluations. The method of reporting profit or loss depends on whether the derivative is classified as a hedging instrument, and if so, the nature of the item being hedged. Derivatives are classified within the Group as either fair value hedges of recognized assets or liabilities or a firm commitment (fair value hedge).

For fair value hedges, changes in value of both the hedged item and the hedging instrument are reported in the income statement (financial items) in the period in which they arise. Changes in fair value of derivatives not designated as hedging instruments are reported on a continuous basis in the income statement (financial items). For net investment hedges, the part of changes in fair value classified as effective is recognized in other comprehensive income. The ineffective part of the profit or loss is recognized immediately in the income for the period as financial items. Accumulated profit or loss in other comprehensive income is recognized in the income for the period when foreign operations, or part thereof, are sold.

Changes in fair value for derivatives not designated as hedging instruments are reported on a continuous basis in the income statement (financial items).

When the transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's risk management objectives and risk management strategy as regards the hedging. The Group also documents its assessment, both when

Note 1 cont.

hedging is entered into and on a regular basis, of whether the derivative instruments used in hedge transactions are effective in counteracting changes in fair value that relate to the hedged items. The fair value of currency derivatives is calculated at net present value based on prevailing forward contract prices on the reporting date, while interest rate swaps are valued using estimates of future discounted cash flows.

*Provisions*

A provision is recognized when the Group has a legal or constructive obligation resulting from a past event and it is probable that an outflow of resources will be required to settle the obligation, and that a reliable estimate can be made of the amount. Provisions are reported at a value representing the probable outflow of resources that will be needed to settle the obligation. The amount of a provision is discounted to present value where the effect of time value is material.

*Employee benefits*

Both defined contribution and defined benefit pension plans exist in the Group. Comprehensive defined benefit plans are found chiefly in the USA, the UK and Germany. Post-employment medical benefits also exist, mainly in the USA, which are reported in the same way as defined benefit pension plans. Calculations relating to the Group's defined benefit plans are performed by independent actuaries and are based on a number of actuarial assumptions such as discount rate, future inflation and salary increases. Obligations are valued on the reporting date at their discounted value. For funded plans, obligations are reduced by the fair value of the plan assets. Unrecognized actuarial gains and losses lying outside the so-called corridor (exceeding the higher of 10 percent of the present value of the obligation or the fair value of plan assets) are spread over the expected average remaining working lives of the employees. Pension expenses for defined benefit plans are spread over the employee's service period. The Group's payments relating to defined contribution pension plans are reported as an expense in the period to which they refer, based on the services performed by the employee. Swedish Group companies apply UFR 4, which means that tax on pension costs is calculated on the difference between pension expense in accordance with IAS 19 and pension expense determined in accordance with local regulations.

*Equity-based incentive programs*

Equity-based remuneration refers to remuneration to employees, including senior executives, in accordance with ASSA ABLOY's long-term incentive program presented for the first time at the 2010 Annual General Meeting. A company must report the personnel costs relating to equity-based incentive programs based on a measure of the value to the company of the services provided by the employees during the programs. Since the value of the employees' services cannot be reliably calculated, the cost of the program is based on the value of the assigned share instrument. Since the long-term incentive program in its entirety is equity regulated, an amount equivalent to the personnel cost is reported in the balance sheet as equity in retained earnings. The personnel cost is also reported in the income statement, where it is allocated to the respective function.

*Long-term incentive program*

ASSA ABLOY has equity-based remuneration plans where settlement will be in the form of shares. For the long-term incentive program, personnel costs during the vesting period are reported based on the shares' fair value on the assignment date, that is, when the company and the employees entered into an agreement on the terms and conditions for the program. The long-term incentive program comprises two parts: a matching part where the employee receives one share for every share the latter invests during the term of the program and a performance-based part where the outcome is based on the company's financial results (EPS target) during the period. The program requires that the employee continues to invest in the long-term incentive program and that the latter remains employed in the ASSA ABLOY Group.

Fair value is based on the share price on the assignment date, a reduction in fair value relating to the anticipated dividend has not been made as the participants are compensated for this. The employees pay a price equivalent to the share price on the investment date. The vesting terms are not stock market based and affect the number of shares that ASSA ABLOY will give to the employee when matching. If an employee stops investing in the program, all remaining personnel costs are immediately recognized in the income statement. Personnel costs for shares relating to the performance-based program are calculated on each accounting date based on an assessment of the probability of the performance targets being achieved. The costs are calculated based on the number of shares that ASSA ABLOY expects to need to issue at the end of the vesting period. When matching shares, social security contributions must be paid in some countries to the value of the employee's benefit. This value is based on fair value on each accounting date and reported as a provision for social security contributions.

*Earnings per share*

Earnings per share before dilution is calculated by dividing the net income attributable to the Parent company's shareholders by the weighted average number of outstanding shares (less shares in treasury shares). Earnings per share after dilution is calculated by dividing the net income attributable to the Parent company's shareholders by the sum of the weighted average number of ordinary shares and potential ordinary shares that may give rise to a dilutive effect. The dilutive effect of potential ordinary shares is only reported if their conversion to ordinary shares would lead to a reduction in earnings per share after dilution.

*Dividend*

Dividend is reported as a liability once the Annual General Meeting has approved the dividend.

**The Parent company**

The Group's Parent company, ASSA ABLOY AB, is responsible for the management of the Group and provides Group-wide functions. The Parent company's revenue consists of intra-group franchise and royalty revenues. The significant balance sheet items consist of shares in subsidiaries, intra-group receivables and liabilities, and external borrowing. The Parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and standard RFR 2.3 of the Swedish Financial Reporting Board. RFR 2.3 requires the Parent company, in its annual accounts, to apply all the International Financial Reporting Standards (IFRS) endorsed by the EU in so far as this is possible within the framework of the Annual Accounts Act and with regard to the relationship between accounting and taxation. The recommendation states what exceptions from, and additions to, IFRS should be made.

*Revenue*

The Parent company's revenue consists of intra-group franchise and royalty revenues. These are reported in the income statement as 'Other operating income' to make it clear that the Parent company has no product sales similar to those of other Group companies with external business.

*Pension obligations*

Pension obligations for the Parent company are accounted for in accordance with FAR SRS RedR 4 and are covered by taking out insurance with an insurance company.

*Dividend*

Dividend revenue is recognized when the right to receive payment is judged to be firm.

*Research and development costs*

Research and development costs are expensed as they are incurred.

*Intangible assets*

Intangible assets comprise patented technology and other intangible assets. They are amortized over 4–5 years.

*Tangible assets*

Tangible assets owned by the Parent company is reported at cost less accumulated depreciation and any impairment losses in the same way as for the Group. They are depreciated over their estimated useful life, which is 5–10 years for equipment and 4 years for IT equipment.

*Leasing*

In the Parent company all lease agreements are treated as rental agreements (operating leases) regardless of whether they are financial or operating leases.

*Shares in subsidiaries*

Shares in subsidiaries are reported at cost less impairment losses. When there is an indication that the value of shares and interests in subsidiaries or associates has fallen, the recoverable amount is calculated. If this is lower than the carrying amount, an impairment loss is recognized. Impairment losses are reported in Result from interests in subsidiaries, which is included in Financial items in the income statement.

*Financial instruments*

Derivative instruments are recorded at fair value. Changes in the fair values of derivative instruments are reported in the income statement with the exception of exchange rate changes relating to a monetary item that forms part of a net investment in a foreign operation, which are reported in the fair value reserve.

*Group contributions*

The company reports Group contributions in accordance with UFR 2 (the Swedish Financial Reporting Board). Group contributions are reported according to their financial implications. This means that Group contributions paid with the aim of minimizing the Group's total tax charge are reported directly against equity after deduction of their current tax effect. Group contributions comparable to dividends are reported as such, which means that Group contributions received and their current tax effect are reported in the income statement and Group contributions paid and their current tax effect are reported directly against equity.

*Contingent liabilities*

The Parent company has guarantees on behalf of its subsidiaries. Such an obligation is classified as a financial guarantee in accordance with IFRS. For these guarantees, the Parent company applies the allowed exception in RFR 2.3, reporting these guarantees as a contingent liability.

## Note 2 Sales

*Sales to customer, by country*

| | Group | |
|---|---|---|
| SEK M | 2009 | 2010 |
| USA | 10,666 | 9,955 |
| China | 1,479 | 3,182 |
| France | 2,675 | 2,487 |
| Australia | 1,555 | 1,841 |
| Sweden | 1,563 | 1,805 |
| United Kingdom | 1,753 | 1,742 |
| Germany | 1,789 | 1,725 |
| Canada | 1,146 | 1,274 |
| Netherlands | 1,259 | 1,105 |
| Italy | 869 | 925 |
| Spain | 988 | 885 |
| Finland | 863 | 837 |
| Norway | 794 | 774 |
| Denmark | 837 | 705 |
| South Korea | 492 | 694 |
| Mexico | 571 | 678 |
| Belgium | 480 | 457 |
| Switzerland | 356 | 417 |
| South Africa | 375 | 372 |
| Czech Republic | 354 | 352 |
| Brazil | 226 | 321 |
| Asia (excluding China, South Korea, Singapore, India and Thailand) | 262 | 310 |
| Austria | 288 | 286 |
| New Zealand | 271 | 278 |
| Saudi Arabia | 211 | 273 |
| Africa (excluding South Africa) | 276 | 250 |
| Hong Kong | 217 | 215 |
| Israel | 209 | 211 |
| Portugal | 183 | 203 |
| Central America (excluding Mexico) | 171 | 193 |
| India | 107 | 189 |
| Russia | 128 | 160 |
| Poland | 154 | 147 |
| Turkey | 95 | 135 |
| Singapore | 131 | 129 |
| United Arab Emirates | 128 | 127 |
| Colombia | 21 | 125 |
| Baltic countries | 104 | 111 |
| South America (excluding Brazil, Chile and Colombia) | 111 | 110 |
| Chile | 88 | 105 |
| Middle East (excluding Saudi Arabia, United Arab Emirates and Israel) | 102 | 103 |
| Thailand | 90 | 100 |
| Romania | 67 | 85 |
| Greece | 87 | 73 |
| Ireland | 74 | 70 |
| Other countries | 298 | 302 |
| **Total** | **34,963** | **36,823** |

*Sales by product group*

| | Group | |
|---|---|---|
| SEK M | 2009 | 2010 |
| Mechanical locks, lock systems and accessories | 15,830 | 15,591 |
| Electromechanical locks, access control, automatic doors and identification technology | 12,139 | 13,100 |
| Security doors and fittings | 6,994 | 8,132 |
| **Total** | **34,963** | **36,823** |

## Note 3 Auditors' fees

| SEK M | Group 2009 | Group 2010 | Parent company 2009 | Parent company 2010 |
|---|---|---|---|---|
| *Audit assignment* | | | | |
| PwC | 27 | 28 | 3 | 3 |
| Other | 6 | 6 | – | – |
| *Audit related services in addition to audit assignment* | | | | |
| PwC | 1 | 1 | 1 | 1 |
| Other | – | – | – | – |
| *Tax advice* | | | | |
| PwC | 9 | 6 | 1 | 1 |
| Other | 2 | 2 | – | – |
| *Other services* | | | | |
| PwC | 3 | 8 | 0 | 1 |
| Other | 3 | 2 | 0 | 0 |
| **Total** | **51** | **53** | **5** | **6** |

## Note 4 Other operating income and expenses

| SEK M | Group 2009 | Group 2010 |
|---|---|---|
| Rent received | 17 | 12 |
| Net income from sales of fixed assets | 3 | 92 |
| Government grants | 2 | 9 |
| Business-related taxes | –29 | –20 |
| Disposal of subsidiaries | –68 | –3 |
| Transaction expenses acquisitions | – | –61 |
| Write-down of tangible asset | – | –144 |
| Insurance compensation, net | – | 66 |
| Exchange rate differences | –17 | –26 |
| Other, net | –58 | 2 |
| **Total** | **–150** | **–73** |

### *Parent company*

Other operating income in the Parent company consist mainly of franchise and royalty revenues from subsidiaries.

## Note 5 Share of earnings in associates

| SEK M | Group 2009 | Group 2010 |
|---|---|---|
| Låsgruppen Wilhelm Nielsen AS | 4 | 3 |
| Cerraduras de Colombia Cerracol S.A | 8 | – |
| **Total** | **12** | **3** |

## Note 6 Operational leasing agreements

| SEK M | Group 2009 | Group 2010 | Parent company 2009 | Parent company 2010 |
|---|---|---|---|---|
| *Leasing fees paid during the year* | 304 | 343 | 14 | 13 |
| **Total** | **304** | **343** | **14** | **13** |
| *Nominal value of agreed future leasing fees:* | | | | |
| Due for payment in (2010) 2011 | 297 | 310 | 14 | 14 |
| Due for payment in (2011) 2012 | 231 | 237 | 14 | 15 |
| Due for payment in (2012) 2013 | 169 | 177 | 15 | 15 |
| Due for payment in (2013) 2014 | 127 | 99 | 15 | 15 |
| Due for payment in (2014) 2015 | 97 | 66 | 15 | 16 |
| Due for payment in (2015) 2016 or later | 131 | 99 | 15 | 16 |
| **Total** | **1,052** | **988** | **88** | **91** |

## Note 7 Expenses by nature

In the income statement costs are broken down by function. Cost of goods sold, Selling expenses, Administrative expenses and Research and development costs amount to SEK 30,707 M (30,451). Below, these same costs are broken down by nature:

| SEK M | Group 2009 | Group 2010 |
|---|---|---|
| Remuneration of employees (Note 32) | 10,133 | 10,110 |
| Direct material costs | 11,346 | 12,553 |
| Depreciation (Note 8, 14, 15) | 1,014 | 995 |
| Other purchase expenses | 6,985 | 7,049 |
| Restructuring costs | 973 | – |
| **Total** | **30,451** | **30,707** |

## Note 8 Depreciation and amortization

| SEK M | Group 2009 | Group 2010 | Parent company 2009 | Parent company 2010 |
|---|---|---|---|---|
| Intangible assets | 162 | 163 | 181 | 182 |
| Machinery | 455 | 442 | – | – |
| Equipment | 237 | 237 | 2 | 1 |
| Buildings | 159 | 152 | – | – |
| Land improvements | 1 | 1 | – | – |
| **Total** | **1,014** | **995** | **183** | **183** |

## Note 9 Exchange rate differences in income statement

| SEK M | Group 2009 | Group 2010 | Parent company 2009 | Parent company 2010 |
|---|---|---|---|---|
| Exchange rate differences reported in operating income | –17 | –26 | –10 | 0 |
| Exchange rate differences reported in financial expenses (Note 11) | –38 | 5 | 121 | 94 |
| **Total** | **–55** | **–21** | **111** | **94** |

## Note 10 Financial income

| | Group | | Parent company | |
|---|---|---|---|---|
| SEK M | 2009 | 2010 | 2009 | 2010 |
| Earnings from participations in subsidiaries | – | – | 898 | 1,028 |
| Intra-group interest income | – | – | 375 | 119 |
| Other financial income | 73 | 2 | 73 | 0 |
| External interest income and similar items | 57 | 24 | 19 | 0 |
| **Total** | **130** | **26** | **1,365** | **1,147** |

## Note 11 Financial expenses

| | Group | | Parent company | |
|---|---|---|---|---|
| SEK M | 2009 | 2010 | 2009 | 2010 |
| Intra-group interest expenses | – | – | –125 | –87 |
| Interest expenses, convertible debenture loans | –43 | –13 | –43 | –13 |
| Interest expenses, other liabilities | –640 | –519 | –156 | –164 |
| Interest expenses, interest rate swaps | 42 | –50 | – | – |
| Interest expenses, foreign exchange forwards | –39 | –38 | – | – |
| Exchange-rate differences on financial instruments | –38 | 5 | 121 | 94 |
| Fair value adjustments on derivatives, hedge accounting | –60 | 1 | – | – |
| Fair value adjustments on derivatives, non-hedge accounting | –7 | 5 | – | – |
| Fair value adjustments on borrowings, hedge accounting | 60 | –1 | – | – |
| Fair value adjustments on shares and participations | –22 | 0 | –22 | –44 |
| Other financial expenses | –17 | –96 | –12 | –32 |
| **Total** | **–764** | **–706** | **–237** | **–246** |

## Note 12 Tax on income

| | Group | | Parent company | |
|---|---|---|---|---|
| SEK M | 2009 | 2010 | 2009 | 2010 |
| Current tax | –1,095 | –971 | –158 | –188 |
| Tax attributable to prior years | 3 | –289 | – | 1 |
| Deferred tax | 11 | –26 | – | – |
| **Total** | **–1,081** | **–1,286** | **–158** | **–187** |

Explanations for the difference between nominal Swedish tax rate and effective tax rate based on income before tax:

| | Group | | Parent company | |
|---|---|---|---|---|
| Percent | 2009 | 2010 | 2009 | 2010 |
| Swedish rate of tax on income | 26 | 26 | 26 | 26 |
| Effect of foreign tax rates | 3 | 4 | – | – |
| Non-taxable income/ non-deductible expenses, net | –4 | –6 | –17 | –15 |
| Deductible goodwill | –1 | –1 | – | – |
| Utilized loss carry-forward not recognized in prior period | –1 | –3 | – | – |
| Restructuring costs | 2 | – | – | – |
| Other | 4 | 4 | – | – |
| **Effective tax rate in income statement** | **29** | **24** | **9** | **11** |

## Note 13 Earnings per share

### *Earnings per share before dilution*

| | Group | |
|---|---|---|
| SEK M | 2009 | 2010 |
| Earnings attributable to the Parent company's shareholders | 2,626 | 4,050 |
| Weighted average number of shares issued (thousands) | 365,918 | 365,744 |
| **Earnings per share before dilution (SEK per share)** | **7.18** | **11.07** |

### *Earnings per share after dilution*

| | Group | |
|---|---|---|
| SEK M | 2009 | 2010 |
| Earnings attributable to the Parent company's shareholders | 2,626 | 4,050 |
| Interest expenses for convertible debenture loans, after tax | 32 | 10 |
| Net profit for calculating earnings per share after dilution | 2,658 | 4,060 |
| Weighted average number of shares issued (thousands) | 365,918 | 365,744 |
| Assumed conversion of convertible debentures (thousands) | 10,616 | 7,001 |
| Stock purchase plan | – | 65 |
| Weighted average number of shares for calculations (thousands) | 376,534 | 372,810 |
| **Earnings per share after dilution (SEK per share)** | **7.06** | **10.89** |

### *Earnings per share after dilution and excluding items affecting comparability*

| | Group | |
|---|---|---|
| SEK M | 2009 | 2010 |
| Earnings attributable to the Parent company's shareholders | 2,626 | 4,050 |
| Interest expenses for convertible debenture loans, after tax | 32 | 10 |
| Items affecting comparability, after tax | 815[1] | – |
| Net profit for calculating earnings per share after dilution | 3,473 | 4,060 |
| Weighted average number of shares issued (thousands) | 365,918 | 365,744 |
| Assumed conversion of convertible debentures (thousands) | 10,616 | 7,001 |
| Stock purchase plan | – | 65 |
| Weighted average number of shares for calculations (thousands) | 376,534 | 372,810 |
| **Earnings per share after dilution and excluding items affecting comparability (SEK per share)** | **9.22** | **10.89** |

[1] Items affecting comparability for 2009 consist of restructuring costs.

## Note 14 Intangible assets

| 2010, SEK M | Group Goodwill | Group Intangible assets | Group Total | Parent company Intangible assets |
|---|---|---|---|---|
| **Opening accumulated acquisition value** | **20,397** | **2,778** | **23,175** | **934** |
| Purchases | – | 112 | 112 | 11 |
| Acquisitions of subsidiaries | 2,988 | 1,117 | 4,105 | – |
| Divestments of subsidiaries | – | – | – | – |
| Adjustments for acquisitions in the prior year | 97 | 2 | 99 | – |
| Sales/disposals | – | –12 | –12 | – |
| Reclassifications | – | – | – | – |
| Exchange rate differences | –1,139 | –208 | –1,347 | – |
| **Closing accumulated acquisition value** | **22,343** | **3,789** | **26,132** | **945** |
| **Opening accumulated amortization/impairment** | **–64** | **–787** | **–851** | **–613** |
| Impairment | – | – | – | – |
| Amortization for the year | – | –163 | –163 | –182 |
| Exchange rate differences | – | 75 | 75 | – |
| **Closing accumulated amortization/impairment** | **–64** | **–875** | **–939** | **–795** |
| **Carrying amount** | **22,279** | **2,914** | **25,193** | **150** |

| 2009, SEK M | Group Goodwill | Group Intangible assets | Group Total | Parent company Intangible assets |
|---|---|---|---|---|
| **Opening accumulated acquisition value** | **20,669** | **2,665** | **23,334** | **938** |
| Purchases | – | 118 | 118 | – |
| Acquisitions of subsidiaries | 637 | 163 | 800 | – |
| Divestments of subsidiaries | –19 | –37 | –56 | – |
| Adjustments for acquisitions in the prior year | –16 | –8 | –24 | – |
| Sales/disposals | – | – | – | –4 |
| Reclassifications | – | 9 | 9 | – |
| Exchange rate differences | –874 | –132 | –1,006 | – |
| **Closing accumulated acquisition value** | **20,397** | **2,778** | **23,175** | **934** |
| **Opening accumulated amortization/impairment** | **–** | **–672** | **–672** | **–432** |
| Impairment | –64 | – | –64 | – |
| Amortization for the year | – | –162 | –162 | –181 |
| Exchange rate differences | – | 47 | 47 | – |
| **Closing accumulated amortization/impairment** | **–64** | **–787** | **–851** | **–613** |
| **Carrying amount** | **20,333** | **1,991** | **22,324** | **321** |

Intangible assets consist mainly of licenses and brands. The carrying value of intangible assets with indefinite life amounts to SEK 1,950 M (1,214).

Useful life is taken as indefinite where the time period during which it is judged that an asset will contribute economic benefits cannot be defined.

Amortization and impairment of intangible assets have mainly been reported as costs of goods sold in the income statement.

### Impairment testing of goodwill and intangible assets with indefinite useful life

Goodwill and intangible assets with indefinite useful life are assigned to the Group's Cash Generating Units (CGU) which contains of the Group's five divisions.

For each Cash Generating Unit, The Group assesses each year whether any impairment of goodwill and intangible assets with indefinite useful life is needed, in accordance with the accounting principles described in Note 1. Recoverable amounts for Cash Generating Units have been established by calculation of value in use. These calculations are based on estimated future cash flows, which in turn are based on financial budgets approved by management and covering a three-year period. Cash flows beyond three years are extrapolated using estimated growth rates according to the principles below.

Main assumptions used to caluculate values in use:

- Budgeted operating margin.
- Growth rate for extrapolating cash flows beyond the budgeted period.
- Discount rate after tax used for estimated future cash flows.

Management has established the budgeted operating margin on a basis of previous results and its expectations about future market development. For extrapolating cash flows beyond the budgetperiod, a growth rate of 3 percent (3) is used for all CGU. The growth rate is thought to be a conservative estimate. In addition, an average discount rate in local currency after tax is used for the Group. The difference in value should a discount rate before tax have been used is not deemed to be material.

Note 14 cont.

*2010*

Overall, the discount rate employed varied between 9.0 and 10.0 percent (EMEA 9.0 percent, Americas 9.0 percent, Asia Pacific 10.0 percent, Global Technologies 10.0 percent and Entrance Systems 9.0 percent).

Goodwill and intangible assets with indefinite useful life were assigned to the Group's Cash Generating Units as summarized in the following table:

| SEK M | EMEA | Americas | Asia Pacific | Global Technologies | Entrance Systems | Total |
|---|---|---|---|---|---|---|
| Goodwill | 5,471 | 6,039 | 3,202 | 4,265 | 3,303 | 22,279 |
| Intangible assets with indefinite useful life | 233 | 233 | 974 | 342 | 168 | 1,950 |
| **Total** | **5,704** | **6,272** | **4,176** | **4,607** | **3,471** | **24,229** |

*2009*

Overall, the discount rate employed varied between 9.0 and 10.0 percent (EMEA 9.0 percent, Americas 9.0 percent, Asia Pacific 10.0 percent, Global Technologies 10.0 percent and Entrance Systems 9.0 percent).

Goodwill and intangible assets with indefinite useful life were assigned to the Group's Cash Generating Units as summarized in the following table:

| SEK M | EMEA | Americas | Asia Pacific | Global Technologies | Entrance Systems | Total |
|---|---|---|---|---|---|---|
| Goodwill | 5,540 | 6,003 | 1,536 | 4,030 | 3,223 | 20,333 |
| Intangible assets with indefinite useful life | 221 | 243 | 212 | 349 | 190 | 1,214 |
| **Total** | **5,761** | **6,246** | **1,748** | **4,379** | **3,413** | **21,547** |

**Sensitivity analysis**

A sensitivity analysis has been carried out for each of Cash Generating Unit. The result of the analysis can be summarized as follows.

*2010*

If the estimated operating margin after the end of the budget period had been one percentage point lower than the management's estimate, total recoverable amount would be 5 percent lower (EMEA 5 percent, Americas 5 percent, Asia Pacific 6 percent, Global Technologies 5 percent and Entrance Systems 6 percent).

If the estimated growth rate to extrapolate cash flows beyond the budget period had been one percentage point lower than the basic assumption of 3 percent, total recoverable amount would be 13 percent lower ( EMEA 13 percent, Americas 13 percent, Asia Pacific 11 percent, Global Technologies 11 percent and Entrance Systems 13 percent).

If the estimated weighted cost of capital used for the Group's discounted cash flow had been one percentage point higher than the starting assumption of 9.0 to 10.0 percent, total recoverable amount would be 14 percent lower (EMEA 14 percent, Americas 14 percent, Asia Pacific 13 percent, Global Technologies 13 percent and Entrance Systems 14 percent).

These calculations are hypothetical and should not be viewed as an indication that these figures are any more or less likely to be changed. The sensitivity analysis should therefore be interpreted with caution.

None of the hypothetical cases above would lead to an impairment of goodwill in a particular Cash Generating Unit.

*2009*

If the estimated operating margin after the end of the budget period had been one percentage point lower than the management's estimate, total recoverable amount would be 6 percent lower (EMEA 6 percent, Americas 5 percent, Asia Pacific 7 percent, Global Technologies 6 percent and Entrance Systems 5 percent).

If the estimated growth rate to extrapolate cash flows beyond the budget period had been one percentage point lower than the basic assumption of 3 percent, total recoverable amount would be 13 percent lower ( EMEA 13 percent, Americas 13 percent, Asia Pacific 11 percent, Global Technologies 11 percent and Entrance Systems 13 percent).

If the estimated weighted cost of capital used for the Group's discounted cash flow had been one percentage point higher than the starting assumption of 9.0 to 10.0 percent, total recoverable amount would be 14 percent lower (EMEA 14 percent, Americas 14 percent, Asia Pacific 13 percent, Global Technologies 12 percent and Entrance Systems 14 percent).

These calculations are hypothetical and should not be viewed as an indication that these figures are any more or less likely to be changed. The sensitivity analysis should therefore be interpreted with caution.

None of the hypothetical cases above would lead to an impairment of goodwill in a particular Cash Generating Unit.

## Note 15 Tangible assets

| 2010, SEK M | Group | | | | | Parent company |
|---|---|---|---|---|---|---|
| | Buildings | Land and land improve-ments | Machinery | Equipment | Total | Equipment |
| **Opening accumulated acquisition value** | **3,794** | **829** | **6,784** | **2,347** | **13,754** | **16** |
| Purchases | 72 | 6 | 327 | 178 | 583 | 1 |
| Acquisitions of subsidiaries | 212 | 91 | 179 | 27 | 509 | – |
| Sales/disposals | –84 | –25 | –444 | –158 | –711 | – |
| Reclassifications | 31 | 5 | 112 | 47 | 195 | – |
| Exchange rate differences | –319 | –86 | –686 | –197 | –1,288 | – |
| **Closing accumulated acquisition value** | **3,706** | **820** | **6,272** | **2,244** | **13,042** | **17** |
| **Opening accumulated depreciation/ impairment** | **–1,816** | **–30** | **–4,971** | **–1,776** | **–8,594** | **–13** |
| Sales/disposals | 51 | 0 | 422 | 142 | 615 | – |
| Impairment | –12 | –119 | –13 | – | –144 | – |
| Depreciation for the year | –152 | –1 | –442 | –237 | –832 | –1 |
| Reclassifications | 1 | –1 | 2 | –1 | 1 | – |
| Exchange rate differences | 200 | 12 | 566 | 174 | 952 | – |
| **Closing accumulated depreciation/ impairment** | **–1,728** | **–139** | **–4,436** | **–1,698** | **–8,002** | **–14** |
| Construction in progress | | | | | **382** | **–** |
| **Carrying amount** | **1,978** | **681** | **1,836** | **546** | **5,422** | **3** |

The tax value of the Group's Swedish buildings was SEK 101 M (122).
The tax value of the Group's Swedish land was SEK 17 M (14).

| 2009, SEK M | Group | | | | | Parent company |
|---|---|---|---|---|---|---|
| | Buildings | Land and land improve-ments | Machinery | Equipment | Total | Equipment |
| **Opening accumulated acquisition value** | **3,849** | **834** | **7,064** | **2,366** | **14,113** | **15** |
| Purchases | 40 | 1 | 345 | 152 | 538 | 1 |
| Acquisitions of subsidiaries | 80 | 20 | 82 | 32 | 214 | – |
| Divestments of subsidiaries | – | – | – | –1 | –1 | – |
| Sales/disposals | –19 | –2 | –354 | –125 | –500 | – |
| Reclassifications | 26 | 8 | 143 | 39 | 216 | – |
| Exchange rate differences | –182 | –32 | –496 | –116 | –826 | – |
| **Closing accumulated acquisition value** | **3,794** | **829** | **6,784** | **2,347** | **13,754** | **16** |
| **Opening accumulated depreciation/ impairment** | **–1,740** | **–32** | **–5,123** | **–1,728** | **–8,623** | **–11** |
| Sales/disposals | 6 | 0 | 257 | 103 | 366 | – |
| Impairment | –18 | – | –62 | –8 | –88 | – |
| Depreciation for the year | –159 | –1 | –455 | –237 | –852 | –2 |
| Exchange rate differences | 95 | 3 | 412 | 94 | 604 | – |
| **Closing accumulated depreciation/ impairment** | **–1,816** | **–30** | **–4,971** | **–1,776** | **–8,594** | **–13** |
| Construction in progress | | | | | **389** | **–** |
| **Carrying amount** | **1,978** | **799** | **1,813** | **571** | **5,550** | **3** |

## Note 16 Shares in subsidiaries

| | | Parent company | | |
|---|---|---|---|---|
| **Company name** | **Corporate identity number, Registered office** | **Number of shares** | **% of share capital** | **Book value, SEK M** |
| ASSA Sverige AB | 556061-8455, Eskilstuna | 70 | 100 | 197 |
| Timelox AB | 556214-7735, Landskrona | 15,000 | 100 | 22 |
| ASSA ABLOY Entrance Systems AB | 556204-8511, Landskrona | 1,000 | 100 | 181 |
| ASSA ABLOY Kredit AB | 556047-9148, Stockholm | 400 | 100 | 528 |
| ASSA ABLOY Försäkrings AB | 516406-0740, Stockholm | 60,000 | 100 | 60 |
| ASSA ABLOY Identification Technology Group AB | 556645-4087, Stockholm | 1,000 | 100 | 220 |
| ASSA ABLOY Svensk Fastighets AB | 556645-0275, Stockholm | 1,000 | 100 | 0 |
| ASSA ABLOY Asia Holding AB | 556602-4500, Stockholm | 1,000 | 100 | 189 |
| ASSA ABLOY IP AB | 556608-2979, Stockholm | 1,000 | 100 | 0 |
| ASSA ABLOY OY | 1094741-7, Joensuu | 800,000 | 100 | 4,257 |
| ASSA ABLOY Norge A/S | 979207476, Moss | 150,000 | 100 | 538 |
| ASSA ABLOY Danmark A/S | CVR 10050316, Herlev | 60,500 | 100 | 376 |
| ASSA ABLOY Deutschland GmbH | HR B 66227, Berlin | 2 | 100 | 1,064 |
| ASSA ABLOY Nederland BV | 23028070, Geertruidenberg | 3,515 | 100 | 87 |
| Nemef BV | 08023138, Apeldoorn | 4,000 | 100 | 928 |
| Pan Pan DOOR Co LTD | 210800004058002, Dashiqiao | – | 36[2] | 566 |
| ASSA ABLOY France SAS | 412140907, R.C.S. Versailles | 15,184,271 | 100 | 1,964 |
| Interlock Holding AG | CH-020.3.913.588-8, Zürich | 211,000 | 98[1] | 0 |
| HID Global Switzerland S.A. | CH-232-0730018-2, Granges | 2,500 | 100 | 47 |
| ASSA ABLOY Holding GmbH | FN 273601f, A-6175, Kematen | 1 | 100 | 26 |
| ASSA ABLOY Ltd | 2096505, Willenhall | 1,330,000 | 100 | 3,077 |
| ITG (UK) Ltd | 5099094, Haverhill | 1 | 100 | 1 |
| HID Global Ireland Teoranta | 364896, Galway | 501,000 | 100 | 293 |
| Mul-T-Lock Ltd | 520036583, Yavne | 13,787,856 | 90[1] | 901 |
| ASSA ABLOY Holdings (SA) Ltd | 1948/030356/06, Roodepoort | 100,220 | 100 | 184 |
| ASSA ABLOY Inc | 039347-83, Oregon | 100 | 100 | 2,259 |
| Fleming Door Products, Ltd | 147126, Ontario | 25,846,600 | 100 | 0 |
| ABLOY Holdings Ltd | 1148165260, St Laurent, Quebec | 1 | 100 | 13 |
| AAC Acquisition Inc. | 002098175, Ontario | 1 | 100 | 17 |
| ASSA ABLOY Australia Pacific Pty Ltd | ACN 095354582, Oakleigh, Victoria | 48,190,000 | 100 | 242 |
| ASSA ABLOY South Asia Pte Ltd | 199804395K, Singapore | 4,300,000 | 100 | 48 |
| Grupo Industrial Phillips, S.A de C.V. | GIP980312169, Mexico | 27,036,635 | 100 | 765 |
| Cerraduras de Colombia S.A. | Public Deed 2798, Bogota | 2,201,670 | 71[1] | 142 |
| ASSA ABLOY Innovation AB | 556192-3201, Stockholm | 2,500 | 100 | 105 |
| ASSA ABLOY Hospitality AB | 556180-7156, Göteborg | 1,000 | 100 | 14 |
| ASSA ABLOY North America AB | 556671-9851, Stockholm | 1,000 | 100 | 0 |
| WHAIG Limited | EC21330, Bermuda | 100,100 | 100 | 303 |
| ASSA ABLOY Asia Pacific Ltd | 53451, Hong Kong | 1,000,000 | 100 | 72 |
| **Total** | | | | **19,686** |

[1] The Group's holdings amount to 100 percent.
[2] The Group's holdings amount to 70 percent.

## Note 17 Shares in associates

| | | Group | | |
|---|---|---|---|---|
| **2010 Company name** | **Country of registration** | **Number of shares** | **% of share capital** | **Book value, SEK M** |
| Talleres Agui S.A | Spain | 4,800 | 40 | 17 |
| Låsgruppen Wilhelm Nielsen AS | Norway | 305 | 50 | 16 |
| Mab Iberica SA | Spain | 700 | 24 | 0 |
| Other | | | | 4 |
| **Total** | | | | **37** |

| | | Group | | |
|---|---|---|---|---|
| **2009 Company name** | **Country of registration** | **Number of shares** | **% of share capital** | **Book value, SEK M** |
| Talleres Agui S.A | Spain | 4,800 | 40 | 19 |
| Låsgruppen Wilhelm Nielsen AS | Norway | 305 | 50 | 16 |
| Mab Iberica SA | Spain | 700 | 24 | 3 |
| Other | | | | 1 |
| **Total** | | | | **39** |

## Note 18 Deferred tax

| SEK M | Group 2009 | Group 2010 |
|---|---|---|
| *Deferred tax receivables* | | |
| Tax-deductible goodwill | 351 | 262 |
| Pensions | 151 | 127 |
| Tax losses and other tax credits | 174 | 232 |
| Other deferred tax receivables | 138 | 81 |
| **Deferred tax receivables** | **814** | **702** |
| **Deferred tax liabilities** | **63** | **309** |
| **Deferred tax receivables, net** | **751** | **393** |

| Change in deferred tax | 2009 | 2010 |
|---|---|---|
| At 1 January | 701 | 751 |
| Acquisitions of subsidiaries, net | –20 | –239 |
| Reported in income statement | 11 | –26 |
| Exchange rate differences | 59 | –93 |
| **At 31 December** | **751** | **393** |

The group has tax losses carried forward and other tax credits of SEK 2,400 M (3,200) for which deferred tax assets have not been recognized, as it is uncertain whether the allowance can be set against taxable income in future taxation.

## Note 19 Other long-term financial assets

| SEK M | Group 2009 | Group 2010 | Parent company 2009 | Parent company 2010 |
|---|---|---|---|---|
| Other shares and participations | 42 | 762 | 7 | 750 |
| Interest-bearing long-term receivables | 244 | 62 | 27 | 26 |
| Other long-term receivables | 48 | 32 | – | – |
| **Total** | **334** | **856** | **34** | **776** |

## Note 20 Inventories

| SEK M | Group 2009 | Group 2010 |
|---|---|---|
| Materials and supplies | 1,179 | 1,417 |
| Work in progress | 1,274 | 1,214 |
| Finished goods | 1,811 | 1,984 |
| Advances paid | 85 | 210 |
| **Total** | **4,349** | **4,825** |

Write-downs of inventory amounted to SEK 142 M (191).

## Note 21 Accounts receivables

| SEK M | Group 2009 | Group 2010 |
|---|---|---|
| Accounts receivables | 6,010 | 6,061 |
| Provision for bad debts | –392 | –465 |
| **Total** | **5,618** | **5,596** |

| Maturity analysis | 2009 | 2010 |
|---|---|---|
| Accounts receivables not due | 4,119 | 4,163 |
| Accounts receivables past due not impaired: | | |
| <3 months | 1,107 | 1,204 |
| 3–12 months | 205 | 164 |
| >12 months | 39 | 33 |
| | **1,351** | **1,401** |
| Impaired accounts receivables: | | |
| <3 months | 245 | 175 |
| 3–12 months | 126 | 112 |
| >12 months | 169 | 210 |
| | **540** | **497** |
| Provision for bad debts | –392 | –465 |
| **Total** | **5,618** | **5,596** |

| Accounts receivables per currency | 2009 | 2010 |
|---|---|---|
| EUR | 2,152 | 1,747 |
| USD | 1,382 | 1,477 |
| GBP | 249 | 270 |
| AUD | 290 | 308 |
| CNY | 302 | 399 |
| SEK | 212 | 248 |
| Other currencies | 1,031 | 1,147 |
| **Total** | **5,618** | **5,596** |

| Current year change in provision for bad debts | 2009 | 2010 |
|---|---|---|
| Opening balance | 404 | 392 |
| Acquisition and disposals | –1 | 39 |
| Receivables written off | –127 | –81 |
| Reversal of unused amounts | –30 | –5 |
| Provision for bad debt | 166 | 148 |
| Exchange rate differences | –20 | –28 |
| **Closing balance** | **392** | **465** |

## Note 22 Parent company's equity

The Parent company's equity is split between restricted and unrestricted equity. Restricted equity consists of share capital, premium fund and the statutory reserve. Restricted funds must not be reduced by issue of dividends. Unrestricted equity consists of retained earnings and the year's net income.

The statutory reserve contains premiums (amounts received from share issues that exceed the nominal value of the shares) relating to shares issued up to 2005.

## Note 23 Share capital, number of shares and dividend per share

| | Number of shares (thousands) Series A | Series B | Total | Share capital, SEK T |
|---|---|---|---|---|
| Opening balance at 1 January 2009 | 19,175 | 346,743 | 365,918 | 365,918 |
| **Closing balance at 31 December 2009** | **19,175** | **346,743** | **365,918** | **365,918** |
| Number of votes, thousands | 191,753 | 346,743 | 538,496 | |
| Opening balance at 1 January 2010 | 19,175 | 346,743 | 365,918 | 365,918 |
| Share issue | – | 259 | 259 | 259 |
| **Closing balance at 31 December 2010** | **19,175** | **347,002** | **366,177** | **366,177** |
| Number of votes, thousands | 191,753 | 347,002 | 538,755 | |

All shares have a par value of SEK 1.00 and provide the holders with equal rights to the Company's assets and earnings. All shares are entitled to dividends subsequently issued. Each Series A share carries ten votes and each Series B share one vote. All issued shares are fully paid.

The weighted average number of shares during the year, to the nearest thousand, was 365,744 thousand (365,918). The weighted average number of shares after full conversion of outstanding convertible bonds, similarly rounded, was 372,810 thousand (376,534).

The total number of treasury shares per December 31 2010 amounted 300,000. During 2010 repurchase of shares was made to a total of 300,000.

### *Dividend per share*

The dividend paid out during the financial year amounted to a total sum of SEK 1,317 M (1,317), corresponding to SEK 3.60 (3.60) per share. At the Annual General Meeting on Friday 29 April 2011, a dividend of SEK 4.00 per share for year 2010, a total of SEK 1,466 M - will be proposed.

## Note 24 Post-employment employee benefits

Post-employment employee benefits include pensions and medical benefits. Pension plans are classified as either defined benefit plans or defined contribution plans. Pension obligations reported in the balance sheet are mainly due to defined benefit pension plans. ASSA ABLOY has defined benefit plans in a number of countries, those in the USA, the UK and Germany being the most significant ones. These are also obligations related to post-employment medical benefits also exist in the USA.

*Amounts recognized in the income statement*

| Pension costs, SEK M | 2009 | 2010 |
|---|---|---|
| Defined benefit pension plan (A) | 126 | 177 |
| Defined contribution pension plan | 283 | 169 |
| Post-employment medical benefit plan (A) | 25 | 33 |
| **Total** | **434** | **379** |

*Amounts recognized in the balance sheet*

| Pension provisions, SEK M | 2009 | 2010 |
|---|---|---|
| Provisions for defined benefit pension plans (B) | 598 | 566 |
| Provisions for post-employment medical benefits (B) | 447 | 436 |
| Provisions for defined contribution pension plans | 73 | 76 |
| **Pension provisions** | **1,118** | **1,078** |
| **Financial assets** | **–26** | **–26** |
| **Pension provisions, net** | **1,092** | **1,052** |

*A) Specification of amounts recognized in the income statement*

| | Post-employment medical benefits | | Defined benefit pension plans | | Total | |
|---|---|---|---|---|---|---|
| **Pension costs, SEK M** | **2009** | **2010** | **2009** | **2010** | **2009** | **2010** |
| Current service cost | 5 | 6 | 50 | 46 | 55 | 52 |
| Interest on obligation | 29 | 24 | 223 | 218 | 252 | 242 |
| Expected return on plan assets | – | – | –158 | –167 | –158 | –167 |
| Net actuarial losses (gains), net | –9 | –1 | 15 | 67 | 6 | 66 |
| Write-down pension receivables [1] | – | – | – | 15 | – | 15 |
| Past service cost | 0 | 4 | 0 | 0 | 0 | 4 |
| Losses (gains) on curtailments/settlements | – | – | –4 | –2 | –4 | –2 |
| **Total** | **25** | **33** | **126** | **177** | **151** | **210** |
| *–of which, included in:* | | | | | | |
| Operating income | 5 | 10 | 46 | 44 | 51 | 54 |
| Net financial items | 20 | 23 | 80 | 133 | 100 | 156 |
| **Total** | **25** | **33** | **126** | **177** | **151** | **210** |

[1] In accordance with limitation rule for the valuation of pension plan surplus, IAS 19 paragraph 58.

Actuarial gains/losses resulting from changes in the actuarial assumptions for defined benefit pension plans are recognized to the extent that their accumulated amount exceeds the 'corridor', i.e. 10 percent of the higher of the obligations present value or the fair value of plan assets. The surplus/deficit outside the 10 percent corridor is recognized as income/expense over the expected average remaining service period, starting in the year after the actuarial gain or loss arose. Amortization of actuarial gains/losses that arose in 2010 will start in 2011 to the stage amortizations are applicable according to current legal framework.

The actual return on plan assets regarding defined benefit plans in 2010 was SEK 299 M (321).

Partly funded or unfunded pension plans are reported as provisions for pensions.

*B) Specification of amounts recognized in the balance sheet*

| | Post-employment medical benefits | | Defined benefit pension plans | | Total | |
|---|---|---|---|---|---|---|
| **Specification of defined benefits, SEK M** | **2009** | **2010** | **2009** | **2010** | **2009** | **2010** |
| Present value of funded obligations (C) | – | – | 3,499 | 3,305 | 3,499 | 3,305 |
| Fair value of plan assets (D) | – | – | –2,817 | –2,854 | –2,817 | –2,854 |
| *Net value of funded plans* | – | – | *682* | *451* | *682* | *451* |
| Present value of unfunded obligations (C) | 402 | 438 | 795 | 741 | 1,197 | 1,179 |
| Unrecognized actuarial gains (losses) | 45 | –2 | –879 | –623 | –834 | –625 |
| Unrecognized past service cost | 0 | 0 | 0 | –3 | 0 | –3 |
| | **447** | **436** | **598** | **566** | **1,045** | **1,002** |
| Provisions for defined contribution pension plans | | | | | 73 | 76 |
| **Total** | | | | | **1,118** | **1,078** |

Note 24 cont.

### *C) Movement in obligations*

| | Post-employment medical benefits | | Defined benefit pension plans | | Total | |
|---|---|---|---|---|---|---|
| **SEK M** | **2009** | **2010** | **2009** | **2010** | **2009** | **2010** |
| **Opening obligations** | **361** | **402** | **3,602** | **4,294** | **3,963** | **4,696** |
| Current service cost | 5 | 6 | 50 | 46 | 55 | 52 |
| Interest on obligation | 29 | 24 | 223 | 218 | 252 | 242 |
| Actuarial losses (gains) | 63 | 52 | 730 | –26 | 793 | 26 |
| Write-down of pension receivables | – | – | – | 15 | – | 15 |
| Curtailments /settlements | –4 | – | –11 | –15 | –15 | –15 |
| Payments | –39 | –32 | –194 | –188 | –233 | –220 |
| Exchange rate differences | –13 | –14 | –106 | –298 | –119 | –312 |
| **Closing obligation** | **402** | **438** | **4,294** | **4,046** | **4,696** | **4,484** |

### *D) Movement in fair value of plan assets*

| | Defined benefit pension plans | |
|---|---|---|
| **SEK M** | **2009** | **2010** |
| **Opening fair value of plan assets** | **2,604** | **2,817** |
| Expected return on plan assets | 158 | 167 |
| Actuarial gains (losses) | 178 | 132 |
| Curtailments / settlements | –14 | – |
| Net payments | –35 | –61 |
| Exchange rate differences | –74 | –201 |
| **Closing fair value of plan assets (E)** | **2,817** | **2,854** |

### *E) Plan assets allocation*

| **Plan assets** | **2009** | **2010** |
|---|---|---|
| Shares | 1,571 | 1,439 |
| Interest-bearing investments | 857 | 1,065 |
| Other assets | 389 | 350 |
| **Total** | **2,817** | **2,854** |

### *F) Sensitivity analysis on medical benefits*

| **The effect of a 1 percent change in the assumed medical cost trend rate, SEK M** | **+1%** | **–1%** |
|---|---|---|
| Effect on the aggregate of the current service cost and interest cost | 3 | –3 |
| Effect on the defined benefit obligation | 44 | –37 |

### *G) Key actuarial assumptions*

| **Key actuarial assumptions (weighted average), %** | **2009** | **2010** |
|---|---|---|
| Discount rate | 5.4 | 5.1 |
| Expected return on plan assets [2] | 7.3 | 6.3 |
| Expected future salary increases | 2.3 | 2.3 |
| Expected future pension increases | 2.9 | 2.4 |
| Expected future medical benefit increases | 10.0 | 10.0 |
| Expected inflation | 3.0 | 2.7 |

| **As at 31 December** | **2006** | **2007** | **2008** | **2009** | **2010** |
|---|---|---|---|---|---|
| Present value of obligation (+) | 4,487 | 4,384 | 3,963 | 4,696 | 4,484 |
| Fair value of plan assets (–) | –3,133 | –3,177 | –2,604 | –2,817 | –2,854 |
| **Obligation, net** | **1,354** | **1,207** | **1,359** | **1,879** | **1,630** |

[2] The expected return on plan assets is determined by considering the expected returns available on assets underlying the current investment policy. Plan assets chiefly consist of equity instruments and interest-bearing investments. The expected return reflects risk premiums and indexes of interest-bearing investments on the market.

### Pensions with Alecta

Commitments for old-age pensions and family pensions for salaried employees in Sweden are guaranteed in part through insurance with Alecta. According to UFR3 this is a defined benefit plan that covers many employers. For the 2010 financial year the company has not had access to information making it possible to report this plan as a defined benefit plan. Pension plans in accordance with ITP that are guaranteed through insurance with Alecta are therefore reported as defined contribution plans. The year's contribution that are contracted to Alecta amounts to SEK 14 M (10), of which SEK 6 M (4) relates to the Parent company. Alecta's surplus may be distributed to the policy-holders and/or the persons insured. At the end of 2010 Alecta's surplus expressed as collective consolidation level amounted to 146 percent (141). Collective consolidation level consists of the market value of Alecta's assets as a percentage of its insurance commitments calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS19.

## Note 25 Other provisions

| SEK M | Group Restruc-turing reserve | Other | Total |
|---|---|---|---|
| **Opening balance at 1 January 2009** | **1,518** | **722** | **2,240** |
| Provisions for the year | 908 | 346 | 1,254 |
| Reversal of non-utilized amounts | –92 | –51 | –143 |
| Additional purchase price subsidiaries | – | 139 | 139 |
| Utilized during the year | –676 | –170 | –846 |
| Exchange rate differences | –81 | –8 | –89 |
| **Closing balance at 31 December 2009** | **1,577** | **978** | **2,555** |

| SEK M | Restruc-turing reserve | Other | Total |
|---|---|---|---|
| **Opening balance at 1 January 2010** | **1,577** | **978** | **2,555** |
| Provisions for the year | – | 944 | 944 |
| Reclassification | – | 286 | 286 |
| Reversal of non-utilized amounts | –49 | –18 | –67 |
| Utilized during the year | –465 | –517 | –982 |
| Exchange rate differences | –139 | –33 | –172 |
| **Closing balance at 31 December 2010** | **924** | **1,640** | **2,564** |

| | Group | |
|---|---|---|
| **Balance sheet breakdown:** | **2009** | **2010** |
| Other long-term provisions | 1,829 | 1,793 |
| Other short-term provisions | 726 | 771 |
| **Total** | **2,555** | **2,564** |

The restructuring reserves are concerned chiefly with the ongoing restructuring program initiated in 2006, 2008 and 2009. The closing balance of the provision is expected to be utilized during the coming two-year period and is mainly related to severance payments. The long-term part of the restructuring provision totaled SEK 502 M. Detailed information about the restructuring program appears in the Report of the Board of Directors. Other provisions related to estimates of deferred considerations related to acquisitions, taxes and legal obligations including future environment-related interventions.

### Parent company

Other provisions in the Parent company relate to estimates of deferred considerations related to acquisitions.

## Note 26 Other short-term liabilities

| | Group | |
|---|---|---|
| **SEK M** | **2009** | **2010** |
| VAT and excise duty | 283 | 238 |
| Employee withholding tax | 69 | 65 |
| Advances received | 95 | 261 |
| Social security contributions and other taxes | 55 | 54 |
| Short-term deferred considerations | – | 48 |
| Other short-term liabilities | 393 | 480 |
| **Total** | **895** | **1,146** |

## Note 27 Accrued expenses and prepaid income

| | Group | | Parent company | |
|---|---|---|---|---|
| **SEK M** | **2009** | **2010** | **2009** | **2010** |
| Personnel-related expenses | 1,642 | 1,434 | 85 | 87 |
| Customer-related expenses | 430 | 411 | – | – |
| Prepaid income | 61 | 68 | – | – |
| Accrued interest expenses | 92 | 85 | 47 | 42 |
| Other | 653 | 760 | 13 | 50 |
| **Total** | **2,878** | **2,758** | **145** | **179** |

## Note 28 Contingent liabilities

| | Group | | Parent company | |
|---|---|---|---|---|
| **SEK M** | **2009** | **2010** | **2009** | **2010** |
| Guarantees | 52 | 49 | – | – |
| Guarantees on behalf of subsidiaries | – | – | 7,472 | 6,136 |
| **Total** | **52** | **49** | **7,472** | **6,136** |

In addition to the guarantees shown in the table above the Group has a large number of small performance guarantees issued by banks in the ordinary course of business. No material obligations are expected as a result of these guarantees.

| | Group | |
|---|---|---|
| **Maturity profile-guarantees, SEK M** | **2009** | **2010** |
| <1 year | 21 | 8 |
| >1<2 year | 9 | 10 |
| >2<5 year | 7 | 13 |
| >5 year | 15 | 18 |
| **Total** | **52** | **49** |

## Note 29 Assets pledged against liabilities to credit institutes

| | Group | | Parent company | |
|---|---|---|---|---|
| **SEK M** | **2009** | **2010** | **2009** | **2010** |
| Real-estate mortgages | 71 | 225 | – | – |
| Other mortgages | 42 | 45 | – | – |
| **Total** | **113** | **270** | **–** | **–** |

## Note 30 Business combinations

| SEK M | 2009 | 2010 |
|---|---|---|
| Cash paid, including direct acquisition costs for 2009 | 968 | 2,959 |
| Unpaid part of purchase prices | 139 | 1,939 |
| **Total purchase price** | **1,107** | **4,898** |
| Fair value of acquired net assets | –470 | –1,910 |
| **Goodwill** | **637** | **2,988** |
| | | |
| **Acquired assets and liabilities in accordance with purchase price allocations** | | |
| Intangible assets | 163 | 1,117 |
| Other tangible assets | 244 | 620 |
| Inventories | 149 | 437 |
| Receivables | 294 | 504 |
| Cash and cash equivalents | 50 | 705 |
| Interest-bearing liabilities | –195 | –390 |
| Other liabilities | –248 | –1,081 |
| Non-controlling interest | 13 | –2 |
| **Acquired net assets at fair value** | **470** | **1,910** |
| | | |
| Purchase prices settled in cash, including direct acquisition costs for 2009 | 968 | 2,959 |
| Cash and cash equivalents in acquired subsidiaries | –50 | –705 |
| **Change in Group cash and cash equivalents resulting from acquisitions** | **918** | **2,254** |
| | | |
| Net sales from times of acquisition | 415 | 2,142 |
| EBIT from times of acquisition | 44 | 323 |
| Net income from times of acquisition | 27 | 195 |

Total net sales in 2010 of acquired entities amounted to SEK 2,880 M ( 1,175) and net income amounted to SEK 163 M (33). Acquisition related costs during 2010 amounted to SEK 61 M and has been reported as other operating costs in the income statement.

No individually material acquisition was performed in 2010 or 2009. During 2010 the largest and most notable acquisitions were Pan Pan (China), ActivIdentity (USA), Paddock (United Kingdom) and King Door Closers (South Korea). During 2010 the holding in iRevo also was increased and at the end of the year it totaled around 99 percent of the shares. Ditec (Italy), Maiman (USA), Portsystem (Sweden) and Cerracol (Colombia) were the largest acquisitions during 2009.

Preliminary purchase price allocations have been made for all acquisitions during 2010. Earnouts for acquisitions during 2010 were accounted in the balance sheet as other long-term liabilities and other short term liabilities and are discounted when larger acquisitions. During 2010 there has not been any revaluations of earnouts that effects the income statement. See below for more information regarding earnouts for Pan Pan.

### 2010

*Pan Pan*

On 1 January 2010 the Group acquired 70 per cent of Pan Pan, China´s largest manufacturer of high security steel doors. Through the acquisition of Pan Pan the ASSA ABLOY Group further strengthen its market leading position in China. Pan Pan manufactures high security doors in the form of fire, anti theft, armored, corrosion proof and standard high security doors. The company has an extensive well established distribution network across China and complements well ASSA ABLOY's other door companies on the Chinese market. The acquisition is an important step in the strategy of expansion into the fast growing emerging markets. The Company manufactures in six locations in China and is headquartered in Yingkou, north of Beijing. The brand and customer relationships have been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualified for separate recognition. The reciprocal right to buy / sell the remaining 30 percent stake to the counterparty is reported as a deferred consideration, which means that the company results and financial position are consolidated at 100 percent from the date of acquisition. Deferred consideration is discounted to present value and the discounting effects are reported as financial items. The bulk of the purchase price has not been paid and the amount due is dependent on the earnings performance of the Company during the period 2010-2012.

*King Door Closers*

On 1 May 2010 the Group acquired 100 per cent of the share capital of King Door Closers, South Korea´s leading door closer company. The acquisition is another important step for the Group in it's strive to enlarge its presence within the emerging markets. King adds apart from market leadership in South Korea also important export customers mainly in other parts of the Middle east and the Asian region. King has a comprehensive range of basic and certified commercial and residential door closers as well as a complete range of floor springs. King is based in Seoul, South Korea. The brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualified for separate recognition.

*Paddock*

On 1 August 2010 the Group acquired 100 per cent of the share capital of Paddock, the UK´s leading multipoint lock manufacturer. The strategically important acquisition enhances ASSA ABLOYs leading position in the fast growing multipoint lock segment. The acquisition is part of the strategy to expand the presence in the mature markets by adding complementary lock products to the current portfolio. The company has an extensive distribution network across the UK, which complements well ASSA ABLOY's existing Yale multipoint lock business. The Company is based in Walsall, north of Birmingham. The brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualified for separate recognition.

*ActivIdentity*

On 17 December 2010 the Group acquired 100 per cent of the share capital of ActivIdentity, a global leader in strong authentication and credential management. ActivIdentity is an ideal fit with HID Global, finally enabling a unique solution to convergence between the logical and physical access domains via a single credential. ActivIdentity's market leadership in credential management systems, broad portfolio of complementary strong authentication products and Professional Services capabilities complements ASSA ABLOY's HID Global Business Unit. ActivIdentity is headquartered in California, USA.

Note 30 cont.

### 2009

*Ditec*

On 8 September 2009 the Group acquired the Italian company Ditec Group, a global leader in automatic doors, industrial and high-speed doors and gate automation. At year end the participating interest amounted to 100 percent of the share capital. With the acquisition ASSA ABLOY becomes a world-leader in entrance automation by complementing the existing product portfolio. The acquisition of Ditec is an important step in ASSA ABLOYs growth strategy into the fast growing and profitable market segment of door automatics. The Company has its headquarters in Caronno, close to Milan, Italy. The brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualifying for separate recognition.

### Disposals' of subsidiaries

During 2010 smaller business were disposed in Switzerland and Russia. During 2009 smaller business were disposed in New Zealand, Switzerland and Sweden. The cashflow effect and result from the disposals are shown in the table below:

| | Group | |
|---|---|---|
| SEK M | 2009 | 2010 |
| **Disposed net assets** | | |
| Fixed assets | –59 | – |
| Inventories | –14 | – |
| Receivables | –14 | –8 |
| Cash and cash equivalents | –71 | –34 |
| Liabilities | 24 | 9 |
| **Disposed net assets to carrying amount** | **–134** | **–33** |
| Purchase prices received | 0 | – |
| Less, cash and cash equivalents in disposed subsidiaries | –71 | –34 |
| **Change in cash and cash equivalents for the Group** | **–71** | **–34** |
| **Result from disposals** | **–73** | **–3** |

## Note 31 Cash flow

| | Group | |
|---|---|---|
| SEK M | 2009 | 2010 |
| **Adjustments for non-cash items** | | |
| Profit on sales of fixed assets | 3 | –84 |
| Change of pension obligations | 51 | 54 |
| Other | 73 | 75 |
| **Adjustments for non-cash items** | **127** | **45** |
| **Change in working capital** | | |
| Inventory increase/decrease (–/+) | 987 | –338 |
| Accounts receivables increase/decrease (–/+) | 806 | –118 |
| Accounts payables increase/decrease (+/–) | –232 | 406 |
| Other working capital increase/decrease (–/+) | –102 | 412 |
| **Change in working capital** | **1,460** | **362** |
| **Investments in subsidiaries** | | |
| Total purchase price | –1,107 | –4,898 |
| Less, acquired cash and cash equivalents | 50 | 705 |
| Less, unpaid parts of purchase prices | 139 | 1,939 |
| Plus, paid parts of purchase prices relating to prior years | –159 | –340 |
| **Investments in subsidiaries** | **–1,077** | **–2,594** |
| **Disposal of subsidiaries** | | |
| Purchase prices received | 0 | – |
| Less, disposed cash and cash equivalents | –71 | –34 |
| **Disposal of subsidiaries** | **–71** | **–34** |
| **Other investments** | | |
| Investments in/sales of other shares | 1 | –721 |
| Investments in/sales of other financial assets | –24 | 30 |
| **Other investments** | **–23** | **–691** |

## Note 32 Employees

*Salaries, wages and other remuneration*

| SEK M | Group 2009 Salaries, wages and other remuneration | Group 2009 of which, performance-related salary paid to managing directors | Group 2010 Salaries, wages and other remuneration | Group 2010 of which, performance-related salary paid to managing directors |
|---|---|---|---|---|
| USA | 2,534 | 11 | 2,451 | 15 |
| Sweden | 566 | 12 | 580 | 11 |
| France | 604 | 2 | 531 | 2 |
| Germany | 568 | 2 | 528 | 2 |
| United Kingdom | 425 | 1 | 453 | 2 |
| China | 247 | 0 | 419 | 0 |
| Australia | 328 | 0 | 352 | – |
| Finland | 331 | 0 | 306 | 1 |
| Italy | 236 | – | 266 | – |
| Norway | 275 | 0 | 258 | 1 |
| Spain | 278 | 0 | 245 | 0 |
| Switzerland | 248 | 1 | 245 | 1 |
| Netherlands | 248 | 1 | 198 | 0 |
| Denmark | 224 | 0 | 194 | 2 |
| Canada | 161 | 1 | 179 | 1 |
| South America | 75 | 0 | 111 | 1 |
| Czech Republic | 110 | – | 101 | 0 |
| Mexico | 93 | 1 | 101 | 1 |
| Israel | 109 | 0 | 100 | 0 |
| South Korea | 53 | – | 99 | – |
| Hong Kong | 87 | 2 | 89 | 4 |
| New Zealand | 79 | 0 | 82 | – |
| South Africa | 67 | – | 74 | – |
| Belgium | 88 | 0 | 72 | – |
| Ireland | 44 | – | 66 | – |
| Austria | 50 | 0 | 47 | 0 |
| Singapore | 31 | 0 | 31 | 2 |
| Poland | 13 | 0 | 13 | 0 |
| Romania | 29 | – | 24 | – |
| Malaysia | 17 | 0 | 21 | – |
| Portugal | 21 | 0 | 25 | 0 |
| Other | 60 | 1 | 61 | 0 |
| **Total** | **8,299** | **35** | **8,322** | **46** |

| SEK M | Parent company 2009 Salaries, wages and other remuneration | Parent company 2009 of which, performance-related salary paid to managing directors | Parent company 2010 Salaries, wages and other remuneration | Parent company 2010 of which, performance-related salary paid to managing directors |
|---|---|---|---|---|
| Sweden | 109 | 8 | 103 | 8 |
| Other | – | – | – | – |
| **Total** | **109** | **8** | **103** | **8** |

*Social security costs*

| SEK M | Group 2009 | Group 2010 | Parent company 2009 | Parent company 2010 |
|---|---|---|---|---|
| Social security costs | 1,834 | 1,788 | 53 | 66 |
| -of which pensions | 434 | 379 | 21 | 19 |
| **Total** | **1,834** | **1,788** | **53** | **66** |

*Fees to Board members in 2010 (including committe work), SEK thousands*

| Name and post | Board | Remuneration Committe | Audit Committee | Social security costs | Pension costs |
|---|---|---|---|---|---|
| Gustaf Douglas, Chairman | 900 | 100 | – | 102 | 1,102 |
| Jorma Halonen, Member | 105 | – | – | – | 105 |
| Carl Douglas, Member | 450 | – | – | 141 | 591 |
| Birgitta Klasén, Member | 450 | – | 100 | 173 | 723 |
| Eva Lindqvist, Member | 450 | – | – | 141 | 591 |
| Johan Molin, President and CEO | – | – | – | – | – |
| Sven-Christer Nilsson, Member | 450 | 50 | – | 51 | 551 |
| Lars Renström, Member | 450 | – | 100 | 173 | 723 |
| Ulrik Svensson, Member | 450 | – | 200 | 204 | 854 |
| Employee representatives (2) | – | – | – | – | – |
| **Total** | **3,705** | **150** | **400** | **985** | **5,240** |

Note 32 cont.

*Remuneration and other benefits of the Executive Team in 2010*

| SEK thousands | Fixed salary | Variable salary | Stockrelated benefits | Other benefits | Pension costs |
|---|---|---|---|---|---|
| Johan Molin | 10,500 | 7,875 | 831 | 119 | 3,675 |
| Other members of the Executive Team (9) | 33,081 | 16,531 | 2,006 | 2,965 | 9,089 |
| **Total remuneration and benefits** | **43,581** | **24,406** | **2,837** | **3,084** | **12,764** |
| **Total costs[1]** | **52,338** | **28,856** | **3,425** | **3,280** | **28,861** |

[1] Total costs for the Executive Team include social fees on salaries and benefits, special pension tax and additional costs for other benefits. Salaries and other benefits paid to the Executive Team during 2009 totaled SEK 82 M and social security costs SEK 39 M, of which SEK 23 M were pension costs.

*Salaries and remuneration for the Board of Directors and the Parent company's Executive Team*

Salaries and other remuneration for the Board of Directors and the Parent company's Executive Team totaled SEK 37 M (42). Social security costs amounted to SEK 35 M (43), of which SEK 8 M (9) were pension costs.

*Long-term incentive program*

At the 2010 Annual General Meeting, it was decided to launch a long-term incentive program (LTI 2010) for senior executives and other key staff in the Group. The aim of LTI 2010 is to create the prerequisites for retaining and recruiting competent staff for the Group, providing competitive remuneration and uniting the interests of shareholders, senior executives and key staff.

For each Series B share acquired by the CEO within the framework of LTI 2010, the company assigns one matching stock option and four performance-based stock options. For each Series B share acquired by other members of the Executive Team, the company assigns one matching stock option and three performance-based stock options. For other participants, the company assigns one matching stock option and one performance-based stock option. Employees have acquired 87,564 shares in ASSA ABLOY AB in accordance with the terms of the incentive program.

Each matching stock option entitles the holder to receive one free Series B share in the company after three years, provided that the holder is still employed in the Group when the interim report for first quarter 2013 is published and has retained the shares acquired within the framework of LTI 2010. Each performance-based stock option entitles the holder to receive one free Series B share in the company three years after assignment, provided that the above conditions have been fulfilled. In addition, the maximum level in a range determined by the Board for the performance of the company's earnings per share in 2010 must have been fulfilled. This condition is fulfilled. Outstanding matching and performance-based stock options total 221,633.

Fair value is based on the share price on the assignment date. The present value calculation is based on data from an external party. Fair value is adjusted for participants who do not retain their holding of shares under LTI 2010 for the duration of the program. In the case of performance-based shares, the company assesses the probability of the performance targets being met when calculating the compensation expense. The fair value of ASSA ABLOY's Series B share on the assignment date of 28 July 2010 was SEK 161.79. The total cost of LTI 2010 for 2010 amounted to SEK 6 M (0).

*Other equity-based incentive programs*

ASSA ABLOY has issued several convertible debentures to employees in the Group. These were issued at market value and therefore do not result in any personnel cost for the Group.

*Notice and severance pay*

If the CEO is given notice, the company is liable to pay the equivalent of 24 months' salary and other employment benefits. If one of the other senior executives is given notice, the company is liable to pay a maximum 6 months' basic salary and other employment benefits plus an additional 12 months' basic salary.

*Absence for illness, %*

| | The Parent company | |
|---|---|---|
| | **2009** | **2010** |
| Total sickness absence | 2.3 | 2.9 |
| – long-term[1] | – | – |
| – sickness absence, men | 2.8 | 3.3 |
| – sickness absence, women | 1.1 | 2.7 |
| – employees aged 29 or younger | 0.4 | 0.0 |
| – employees aged 30–49[1] | 0.8 | – |
| – employees aged 50 and over[1] | – | – |

[1] Information not displayed since it could be linked to specific individuals.

### *Average number of employees per country, with breakdown into women and men*

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | | 2010 | | |
| | **Total** | which of women | which of men | **Total** | which of women | which of men |
| China | 6,855 | 3,264 | 3,591 | 14,449 | 5,806 | 8,644 |
| USA | 6,000 | 2,094 | 3,906 | 5,742 | 1,799 | 3,943 |
| France | 1,882 | 699 | 1,183 | 1,882 | 707 | 1,175 |
| Sweden | 1,371 | 487 | 884 | 1,301 | 465 | 837 |
| Mexico | 1,210 | 702 | 508 | 1,110 | 583 | 527 |
| Germany | 1,129 | 433 | 696 | 1,049 | 371 | 679 |
| Czech Republic | 980 | 494 | 486 | 1,035 | 523 | 512 |
| United Kingdom | 1,066 | 358 | 708 | 1,014 | 339 | 675 |
| South America | 535 | 139 | 396 | 925 | 180 | 745 |
| Finland | 921 | 338 | 583 | 873 | 326 | 547 |
| Australia | 833 | 230 | 603 | 823 | 225 | 598 |
| Italy | 589 | 171 | 418 | 813 | 181 | 632 |
| Spain | 673 | 190 | 483 | 593 | 156 | 437 |
| Netherlands | 518 | 108 | 410 | 511 | 102 | 409 |
| Norway | 514 | 157 | 357 | 470 | 151 | 319 |
| Malaysia | 419 | 283 | 136 | 452 | 287 | 165 |
| South Africa | 467 | 193 | 274 | 424 | 183 | 241 |
| Canada | 386 | 101 | 285 | 404 | 96 | 308 |
| Romania | 368 | 174 | 194 | 395 | 191 | 204 |
| South Korea | 211 | 42 | 169 | 388 | 134 | 254 |
| Israel | 401 | 109 | 292 | 377 | 108 | 269 |
| Denmark | 401 | 150 | 251 | 348 | 124 | 224 |
| Switzerland | 358 | 140 | 218 | 345 | 129 | 216 |
| New Zealand | 325 | 99 | 226 | 303 | 112 | 191 |
| Ireland | 134 | 68 | 67 | 215 | 86 | 129 |
| Belgium | 206 | 79 | 127 | 181 | 63 | 117 |
| Portugal | 70 | 18 | 52 | 118 | 30 | 88 |
| Austria | 95 | 19 | 76 | 112 | 26 | 86 |
| Hong Kong | 118 | 49 | 68 | 104 | 42 | 62 |
| Other | 340 | 143 | 196 | 523 | 139 | 382 |
| **Total** | **29,375** | **11,531** | **17,843** | **37,279** | **13,664** | **23,615** |

| | Parent company | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | | 2010 | | |
| | **Total** | which of women | which of men | **Total** | which of women | which of men |
| Sweden | 94 | 26 | 68 | 104 | 27 | 77 |
| **Total** | **94** | **26** | **68** | **104** | **27** | **77** |

### *Gender-split in senior management*

| | 2009 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **Total** | which of women | which of men | **Total** | which of women | which of men |
| Board of Directors [2] | 9 | 2 | 7 | 8 | 2 | 6 |
| Executive Team | 10 | – | 10 | 9 | – | 9 |
| – of which Parent company's Executive Team | 4 | – | 4 | 3 | – | 3 |
| **Total** | **19** | **2** | **17** | **17** | **2** | **15** |

[2] Excluding employee representatives.

# Note 33 Financial risk management and financial instruments

### *Financial risk management*

ASSA ABLOY is exposed to a variety of financial risks through its international business operations. ASSA ABLOY's units have carried out financial risk management in accordance with the ASSA ABLOY Group's Treasury Policy. The Group's financial risk management principles are described below.

### *Organization and activities*

ASSA ABLOY's Treasury Policy, which is determined by the Board of Directors, constitutes a framework of guidelines and regulations for the management of financial risks and financial activities.

ASSA ABLOY's financial activities are coordinated centrally and the majority of financial transactions are conducted by the subsidiary ASSA ABLOY Financial Services AB, which is the Group's internal bank. External financial transactions are conducted by Treasury and include the management of transactions involving foreign currencies and interest rates. Treasury achieves significant economies of scale when negotiating borrowing agreements, using interest rate derivatives and managing currency flows.

### *Capital structure*

The Group's objective regarding capital structure is to safeguard the Group's ability to continue as a going concern, in order to provide good returns for shareholders and benefits for other stakeholders. Maintaining an optimal capital structure enables the Group to keep the cost of capital as low as possible. In order to adjust the capital structure in response to need, the Group can vary the amount paid as dividend to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Group monitors capital based on factors such as the net debt/equity ratio.

Net debt is defined as interest-bearing liabilities, including negative market values of derivatives, plus pension provisions, less cash and cash equivalents, other interest-bearing investments and positive market values of derivatives. The table 'Net debt and equity' shows the position as at 31 December.

### *Net debt and equity*

| | The Group | |
|---|---|---|
| **SEK M** | **2009** | **2010** |
| Long-term interest-bearing receivables | –244 | –62 |
| Short-term interest-bearing investments incl. positive market values of derivatives | –840 | –170 |
| Cash and bank balances | – 1,579 | –1,280 |
| Pension provisions | 1,118 | 1,078 |
| Long-term interest-bearing liabilities | 10,692 | 8,134 |
| Short-term interest-bearing liabilities incl. negative market values of derivatives | 1,901 | 2,864 |
| **Total** | **11,048** | **10,564** |
| **Equity** | **19,334** | **20,821** |
| **Net debt/equity ratio, times** | **0.57** | **0.51** |

Another important variable in the assessment of the Group's capital structure is the credit rating that credit rating agencies assign to the Group's liabilities. In order to have access to both long-term and short-term financing from the capital markets when needed, it is essential to maintain a good credit rating. ASSA ABLOY maintains both long-term and short-term credit ratings from Standard & Poor's and a short-term rating from Moody's.

### *Maturity profile – financial instruments*

| | 31 December 2009 | | | | 31 December 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| **SEK M** | **<1 year** | **>1<2 year** | **>2<5 year** | **>5 year** | **<1 year** | **>1<2 year** | **>2<5 year** | **>5 year** |
| Long-term bank loans | –34 | –1,136 | –192 | –88 | –37 | –255 | –81 | –120 |
| Long-term capital market loans | –325 | –986 | –4,301 | –4,178 | –303 | –1,382 | –3,277 | –3,258 |
| Convertible loans | –14 | –409 | –1,037 | – | –324 | –905 | – | – |
| Short-term bank loans | –1,259 | – | – | – | –1,133 | – | – | – |
| Commercial papers and short-term capital market loans | –632 | – | – | – | –1,402 | – | – | – |
| Derivatives | 38 | 81 | 63 | – | –23 | 37 | 73 | 11 |
| **Total by period** | **–2,226** | **–2,450** | **–5,467** | **–4,266** | **–3,222** | **–2,505** | **–3,285** | **–3,367** |
| Cash and cash equivalents incl. interest-bearing receivables | 2,319 | – | – | – | 1,304 | – | – | – |
| Long-term interest-bearing receivables | – | 194 | 22 | 28 | 6 | 47 | 24 | – |
| Additional purchase considerations | – | – | – | – | –48 | –29 | –1,932 | – |
| Accounts receivables | 5,618 | – | – | – | 5,596 | – | – | – |
| Accounts payables | –2,682 | – | – | – | –3,123 | – | – | – |
| **Net total** | **3,029** | **–2,256** | **–5,445** | **–4,238** | **513** | **–2,487** | **–5,193** | **–3,367** |
| Committed credit facilities | 11,355 | – | –11,355 | – | 24,330 | – | –19,189 | – |
| Credit facilities maturing < 1 year | – | – | – | – | –5,142 | – | – | – |
| **Adjusted maturity profile[1]** | **14,384** | **–2,256** | **–16,800** | **–4,238** | **19,701** | **–2,487** | **–24,382** | **–3,367** |

[1]For maturity structure of guarantees, see Note 28.

Note 33 cont.

### *External financing/net debt*

| Credit lines/facilities | Amount, SEK M | Maturity | Carrying amount, SEK M | Currency | Amount 2009 | Amount 2010 | Of which Parent company, SEK M |
|---|---|---|---|---|---|---|---|
| US Private Placement Program | 547 | May 2012 | 573[1] | USD | 80 | 80 | |
| US Private Placement Program | 359 | Dec 2013 | 359 | USD | 53 | 53 | |
| US Private Placement Program | 547 | May 2015 | 615[1] | USD | 80 | 80 | |
| US Private Placement Program | 517 | Dec 2016 | 517 | USD | 76 | 76 | |
| US Private Placement Program | 342 | Apr 2017 | 342 | USD | 50 | 50 | |
| US Private Placement Program | 342 | May 2017 | 342 | USD | 50 | 50 | |
| US Private Placement Program | 835 | Dec 2018 | 835 | USD | 122 | 122 | |
| US Private Placement Program | 479 | May 2020 | 479 | USD | 70 | 70 | |
| Multi–Currency RCF | 9,889 | Jun 2014 | 0 | EUR | 1,100 | 1,100 | |
| Bridge facility A | 4,300 | Dec 2013 | 0 | SEK | | 4,300 | |
| Bridge facility B | 5,000 | Jun 2013 | 0 | SEK | | 5,000 | |
| Bank loan | 1,000 | Oct 2011 | 0 | SEK | 1,000 | 0 | |
| Incentive Program | 899 | Jun 2012 | 899 | EUR | 100 | 100 | 899 |
| Global MTN Program | 13,485 | Feb 2012 | 300 | SEK | 300 | 300 | 300 |
| | | May 2012 | 250 | SEK | 250 | 250 | 250 |
| | | Mar 2014 | 405 | EUR | 45 | 45 | 405 |
| | | Jun 2014 | 1,348 | EUR | 150 | 150 | 1,348 |
| | | Jun 2016 | 289[1] | NOK | – | 250 | 289 |
| | | Jun 2016 | 112 | NOK | 350 | 100 | 112 |
| Other long-term loans | 469 | | 469 | | | | |
| **Total long-term loans/facilities** | **39,009** | | **8,134** | | | | **3,603** |
| Bridge facility C | 5,000 | Dec 2011 | 0 | SEK | – | 5,000 | |
| US Private Placement Program | 342 | Dec 2011 | 342 | USD | 50 | 50 | |
| Global MTN Program | 300 | Apr 2011 | 300 | SEK | 300 | 300 | 300 |
| Incentive Program | 311 | Jun 2011 | 311 | EUR | 38 | 35 | 311 |
| Global CP Program | 6,841 | | 0 | USD /EUR | 0 | 0 | |
| Swedish CP Program | 5,000 | | 747 | EUR/SEK | 0/632 | 0/750 | |
| Other bank loans | 716 | | 716 | | | | |
| Overdraft facility | 1,332 | | 376 | | | | |
| **Total short-term loans/facilities** | **19,842** | | **2,792** | | | | **611** |
| **Total loans/facilities** | **58,851** | | **10,926** | | | | **4,214** |
| Cash and bank balances | | | –1,280 | | | | 0 |
| Short-term interest-bearing investments | | | –24 | | | | –14 |
| Long-term interest-bearing investments | | | –62 | | | | –26 |
| Market value of derivatives | | | –74 | | | | |
| Pensions | | | 1,078 | | | | |
| **Net debt** | | | **10,564** | | | | **4,174** |

[1]The loans are hedged.

### *Rating*

| Agency | Short-term | Outlook | Long-term | Credit watch |
|---|---|---|---|---|
| Standard & Poor's | A2 | Stable | A – | Negative |
| Moody's | P2 | Stable | n/a | |

At the beginning of the year Standard & Poor's revised the outlook for the long-term rating from negative to stable. However, when the acquisition of Cardo was announced, Standard & Poor's revised its rating to negative credit watch. Moody's rating has not been revised since the previous year.

### *Financing risk and maturity profile*

Financing risk is defined as the risk of being unable to meet payment obligations as a result of inadequate liquidity or difficulties in obtaining external funding. ASSA ABLOY manages financing risk at Group level. Treasury is responsible for external borrowing and external investments. ASSA ABLOY strives to have access, on every occasion, to both short-term and long-term loan facilities. According to the Treasury Policy, the available facilities should include a reserve (facilities confirmed but not used) equivalent to 10 percent of the Group's total annual sales.

### *Maturity profile*

The table 'Maturity profile' on page 107 shows the maturities for ASSA ABLOY's net debt including confirmed credit facilities. With the exception of the credit facilities negotiation in connection with the Cardo acquisition, the maturity period are not concentrated to a particular date in the immediate future, particularly taking into account the credit facility of EUR 1,100 M maturing in 2014, which was wholly unutilized at year-end. The maturities of the loans to be raised in connection with the completion of the Cardo acquisition will be allocated over time in a similar way as for current debt. Moreover, financial assets should also be taken into account when evaluating the maturity profile. The table shows undiscounted future cash flows relating to the Group's financial instruments at the reporting date, and consequently these amounts are not found in the balance sheet.

### *Interest-bearing liabilities*

The Group's long-term loan financing mainly consists of Private Placement Programs in the USA totaling USD 580 M (630), GMTN Programs of SEK 2,705 M (3,292) and Incentive Programs of EUR 100 M (138). The change in long-term

Note 33 cont.

loans is mainly due to some of the original long-term loans now having less than one year to maturity. In addition, a bilateral bank loan totaling SEK 1,000 M was repaid in 2010. During the year long-term bilateral financing totaling SEK 139 M was raised.

The Group's short-term debt financing mainly consists of two Commercial Paper Programs for a maximum of USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 747 M (632) of the Commercial Paper Programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility for a maximum of EUR 1,100 M (1,100), which was not utilized at all at year-end. To secure financing for the acquisition of Cardo, additional credit facilities totaling SEK 14,300 M were obtained. These have a term of between 1 and 3 years. Following completion of the acquisition, these credit facilities will, however, be refinanced on the capital markets in good time before maturity. According to the Group's policy, the average remaining time to maturity for interest-bearing liabilities should not be less than 18 months. At year-end, the average time to maturity, excluding the pension provision, was 39 months (46). Some of the Group's main financing agreements contain a customary Change of Control clause. The effect of this clause is that lenders have the right in certain circumstances to demand renegotiation of conditions or to terminate the agreement should control of the company change.

*Convertible debenture loans*

Incentive 2006 has a variable interest rate equivalent to 0.9* EURIBOR + 45 basis points. Any conversion of Incentive 2006 can take place in a 180-day period from December 2010 to June 2011. Conversion of the convertible debentures relating to Incentive 2006 began in December 2010. Conversion is managed by an external party and 259,160 new Series B shares had been issued as at December 2010. Full conversion at a conversion rate of EUR 14.60 for Series 1, EUR 15.90 for Series 2, EUR 17.30 for Series 3 and EUR 18.60 for Series 4 will add 2,332,350 shares. The dilutive effect of full conversion amounts to 0.6 percent of share capital and 0.4 percent of the total number of votes.

Incentive 2007 has a variable interest rate equivalent to 0.9* EURIBOR + 35 basis points. Any conversion of Incentive 2007 can take place in a 30-day period in May and June 2012. Full conversion at a conversion rate of EUR 18.00 for Series 1, EUR 20.50 for Series 2, EUR 23.00 for Series 3 and EUR 25.40 for Series 4 will add 4,679,610 shares. The dilutive effect of full conversion amounts to 1.2 percent of share capital and 0.8 percent of the total number of votes.
Full conversion of the two programs will add a total of 7,011,960 shares and result in a dilutive effect of 1.9 percent of share capital and 1.3 percent of the total number of votes. At year-end 2010 Incentive 2006 amounted to EUR 35 M and Incentive 2007 to EUR 100 M.

*Currency composition*

The currency composition of ASSA ABLOY's borrowing depends on the currency composition of the Group's assets. ASSA ABLOY uses currency swaps to achieve the desired currency composition. See the table 'Net debt by currency' below.

*Cash and cash equivalents and other interest-bearing receivables*

Short-term interest-bearing investments amounted to SEK 24 M (740) at year-end. In addition, ASSA ABLOY has long-term interest-bearing receivables of 62 SEK M (244) and financial derivatives with a positive market value of SEK 146 M (100) which, in addition to cash and cash equivalents, are included in the definition of net financial debt. Cash and cash equivalents are mainly invested in interest-bearing instruments with high liquidity from issuers with a credit rating of at least A-, according to Standard & Poor's or similar agency. The average term for cash and cash equivalents was 3.3 days (7.5) at the end of 2010.

The Parent company's cash and cash equivalents are held in a sub-account to the Group cash pool.

| | The Group | | The Parent company | |
|---|---|---|---|---|
| **SEK M** | **2009** | **2010** | **2009** | **2010** |
| Cash and bank balances | 1,579 | 1,280 | 0 | 0 |
| Short-term investments with maturity less than 3 months | 656 | 22 | – | – |
| **Cash and cash equivalents** | **2,235** | **1,302** | **0** | **0** |
| Short-term investments with maturity more than 3 months | 84 | 2 | – | 14 |
| Long-term interest-bearing receivables | 244 | 62 | 27 | 26 |
| Positive market value of derivatives | 100 | 146 | – | – |
| **Total** | **2,663** | **1,512** | **27** | **40** |

*Net debt by currency*

| | 31 Dec 2009 | | 31 Dec 2010 | |
|---|---|---|---|---|
| **SEK M** | **Net debt excluding currency swaps** | **Net debt including currency swaps** | **Net debt excluding currency swaps** | **Net debt including currency swaps** |
| USD | 4,429 | 4,650 | 4,094 | 4,813 |
| EUR | 3,998 | 3,296 | 3,603 | 2,265 |
| SEK | 2,525 | 2,215 | 2,500 | 2,594 |
| AUD | –15 | 676 | –10 | 577 |
| NOK | 530 | 390 | 467 | 221 |
| KRW | 347 | 347 | 337 | 337 |
| CNY | –560 | –560 | –225 | –225 |
| GBP | –35 | –629 | –83 | –314 |
| Other | –171 | 663 | –119 | 296 |
| **Total** | **11,048** | **11,048** | **10,564** | **10,564** |

Note 33 cont.

### *Interest rate risks in interest-bearing assets*

Treasury manages interest rate risk in cash and cash equivalents. Derivative instruments such as interest rate swaps and FRAs (Forward Rate Agreements) may be used to manage interest rate risk. The investments are mostly short-term. The term for the majority of these investments is three months or less. The fixed interest term for these short-term investments was 1.2 days (11) at year-end 2010. A downward change of one percentage point in the yield curve would reduce the Group's interest income by around SEK 9 M (23) and consolidated equity by SEK 7 M (16).

### *Interest rate risks in borrowings*

Changes in interest rates have a direct effect on ASSA ABLOY's net interest. Treasury is responsible for identifying and managing the Group's interest rate exposure. It analyzes the Group's interest rate exposure and calculates the impact on net income of changes in interest rates on a rolling 12-month basis. The Group seeks to have a mix of fixed rate and variable rate borrowings and uses interest rate swaps to overtime adjust the fixed interest term. The Treasury Policy stipulates that the average fixed interest term should normally be 24 months. At year-end, the average fixed interest term on gross debt, excluding pension obligations, was around 23 months (26). An upward change of one percentage point in the yield curve would increase the Group's interest expense by around SEK 58 M (75) and reduce consolidated equity by SEK 44 M (54).

### *Currency risk*

Currency risk affects ASSA ABLOY mainly through translation of capital employed and net debt, through translation of income in foreign subsidiaries, and through the effects on income of flows of goods between countries with different currencies.

### *Transaction exposure*

Currency risk in the form of transaction exposure, or the values of exports and imports of goods, is limited in the Group. The main principle is to allow currency fluctuations to have an impact on the business as quickly as possible. As a result of this strategy, only limited portions of current currency flows are normally hedged.

### *Transaction flows relating to major currencies (import + and export –)*

| | Currency exposure | |
|---|---|---|
| **Currency, SEK M** | **2009** | **2010** |
| AUD | 286 | 400 |
| CAD | 434 | 433 |
| CHF | –234 | –165 |
| EUR | 185 | 836 |
| GBP | 225 | 160 |
| NOK | –136 | –195 |
| SEK | –602 | –802 |
| USD | –414 | 198 |

### *Translation exposure of income*

The table below shows the impact on the Group's income before tax of a 10 percent weakening of the Swedish krona in relation to the major currencies, while all other variables remain constant.

### *Impact on income before tax of a 10 percent weakening of SEK*

| Currency, SEK M | 2009 | 2010 |
|---|---|---|
| AUD | 26 | 39 |
| CAD | 13 | 18 |
| CNY | 22 | 46 |
| DKK | 15 | 11 |
| EUR | 131 | 143 |
| GBP | 14 | 23 |
| NOK | 27 | 32 |
| USD | 227 | 206 |

### *Translation exposure in the balance sheet*

The impact of translation of equity is reduced by the fact that financing is largely carried out in local currency.

The capital structure in each country is optimized based on local legislation. So far as this constraint allows, gearing per currency should reflect the overall gearing for the whole Group to limit the effect of fluctuations in individual currencies. Treasury uses currency derivatives to achieve appropriate funding and to eliminate undesirable currency exposure.

The table 'Net debt by currency' on page 109 shows the use of currency forward contracts in relation to funding in major currencies. These forward contracts are used to neutralize the exposure arising between external debt and internal needs.

### *Financial credit risk*

Financial risk management exposes ASSA ABLOY to certain counterparty risks. Such exposure may arise from the placement of surplus cash as well as from the investing in debt instruments and derivative financial instruments.

ASSA ABLOY's policy is to minimize the potential credit risk relating to surplus cash by using cash flow from subsidiaries to repay the Group's loans. This objective is achieved primarily by cash pools put in place by Treasury. Around 86 percent (84) of the Group's sales were settled by cash pools in 2010. However, the Group can in the short term invest surplus cash in banks to match borrowing and cash flow.

Derivative financial instruments are allocated to banks according to risk levels defined in the Treasury Policy in order to limit counterparty risk. Treasury enters into derivative contracts exclusively with banks that have a good rating.

ISDA agreements (full netting of transactions in case of counterparty default) have been set up in the case of interest rate and currency derivatives.

### *Commercial credit risk*

The Group's accounts receivables are distributed across a large number of customers who are spread internationally. The concentration of credit risk associated with accounts receivables is therefore limited. The fair value of accountsreceivables corresponds to the carrying amount. Credit risk relating to operating activities is monitored by local management at company level and reviewed by the respective division.

### *Commodity risk*

The Group is exposed to price risk relating to purchases of certain commodities (primarily metals) used in production. Forward contracts are not used to hedge commodity purchases.

Note 33 cont.

*Fair value of financial instruments*

Derivative financial instruments such as currency and interest rate forwards are used to the extent necessary. The use of derivative financial instruments is to reduce exposure to financial risks.

The positive and negative fair values in the table 'Outstanding derivative financial instruments' below show the fair values of instruments outstanding at year-end, based on available fair values, and are the same as the carrying amounts in the balance sheet. The nominal value represents the gross value of the contracts.

For accounting purposes, financial instruments are classified into measurement categories in accordance with IAS 39. The table 'Financial instruments' below provides an overview of financial assets and liabilities, measurement category, and carrying amount and fair value per item.

When calculating fair value only general changes in market rates are taken into account and not credit spread movements for the individual company.

*Outstanding derivative financial instruments at 31 December*

| | 31 December 2009 | | | 31 December 2010 | | |
|---|---|---|---|---|---|---|
| **Instrument, SEK M** | **Positive fair value** | **Negative fair value** | **Nominal value** | **Positive fair value** | **Negative fair value** | **Nominal value** |
| Foreign exchange forwards, funding | 5 | –13 | 3,629 | 41 | –62 | 4,974 |
| Interest rate swaps | 95 | –17 | 2,326 | 104 | –10 | 2,760 |
| Forward Rate Agreements | – | –2 | 1,000 | 1 | – | – |
| **Total** | **100** | **–32** | **6,955** | **146** | **–72** | **7,734** |

*Financial instruments: carrying amounts and fair values by measurement category*

| | | 2009 | | 2010 | |
|---|---|---|---|---|---|
| **SEK M** | **IAS 39 category*** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Financial assets** | | | | | |
| Other shares and interests | 3 | 42 | 42 | 762 | 762 |
| Other financial assets | 1 | 292 | 292 | 94 | 94 |
| Accounts receivables | 1 | 5,618 | 5,618 | 5,596 | 5,596 |
| Derivative instruments – hedge accounting | 5 | 95 | 95 | 96 | 96 |
| Derivative instruments – held for trading | 2 | 5 | 5 | 50 | 50 |
| **Derivative instruments, total** | | **100** | **100** | **146** | **146** |
| Short-term investments | 1 | 84 | 84 | 2 | 2 |
| Cash and cash equivalents | 1 | 2,235 | 2,235 | 1,302 | 1,302 |
| | | | | | |
| **Financial liabilities** | | | | | |
| Long-term loans – hedge accounting | 2 | 1,242 | 1,242 | 1,477 | 1,477 |
| Long-term loans – not hedge accounting | 4 | 8,021 | 8,134 | 5,758 | 5,939 |
| **Long-term loans, total** | | **9,263** | **9,376** | **7,235** | **7,416** |
| Convertible debenture loans | 4 | 1,429 | 1,429 | 1,210 | 1,210 |
| Current liabilities – not hedge accounting | 4 | 1,869 | 1,869 | 2,481 | 2,481 |
| Derivative instruments – held for trading | 2 | 32 | 32 | 72 | 72 |
| Accounts payables | 4 | 2,682 | 2,682 | 3,123 | 3,123 |
| Additional purchase considerations | 2 | – | – | 1,920 | 1,920 |

* Applicable IAS 39 categories:
1 = Loan receivables and other receivables.
2 = Financial instruments at fair value through profit or loss.
3 = Available-for-sale financial assets.
4 = Financial liabilities at amortized cost.
5 = Derivative hedge accounting.

*Financial instruments: measured at fair value*

| | 2009 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| **SEK M** | **Carrying amounts** | **Quoted prices** | **Observ-able data** | **Non-observ-able data** | **Carrying amounts** | **Quoted prices** | **Observ-able data** | **Non-observ-able data** |
| **Financial assets** | | | | | | | | |
| Derivative instruments | 5 | – | 5 | – | 50 | – | 50 | – |
| Other shares and interests | 42 | 42 | – | – | 762 | 762 | – | – |
| | | | | | | | | |
| **Financial liabilities** | | | | | | | | |
| Long-term loans – hedge accounting | 1,242 | – | 1,242 | – | 1,477 | – | 1,477 | – |
| Derivative instruments | 32 | – | 32 | – | 72 | – | 72 | – |
| Deferred considerations[1] | – | – | – | – | 1,920 | – | – | 1,920 |

[1] Deferred considerations often depend on the earnings trend of an acquired business over a certain period. Measurement of the additional purchase consideration is based on the management's best judgment. Discounting to present value takes place in the case of major acquisitions.

# Comments on five years in summary

**2006**

This was a very good year for ASSA ABLOY, with the highest organic growth in the company's history and a substantial improvement in profitability. ASSA ABLOY's robust performance was based on strong economic growth in the Group's most important markets in Europe and North America, as well as success in fast-growing segments such as electromechanical locks, access control, automatic doors and identification technology. The acquisition rate increased and acquisitions included Fargo Electronics, a global leader in the fast-growing segment of secure card issuance.

A three-year restructuring program to realize synergies and increase efficiency in the Group's manufacturing units was launched during the year. This program means that a major part of production will switch focus from full production to concentrate on final assembly. Some production will be relocated to low-cost countries, resulting in the closure of a number of production units.

Total restructuring costs amounted to SEK 1,274 M and the program is predicted to produce annual savings of SEK 600 M when fully implemented in 2009.

Sales volume growth, acquisitions and the restructuring measures implemented contributed to the strong increase in operating income.

**2007**

The year saw strong growth for ASSA ABLOY, combined with continued very satisfactory growth in earnings. All five divisions showed growth, increased profitability and an improved return. ASSA ABLOY's strong performance was based on long-term structural growth in demand in the Group's most important markets in Europe and North America, increasing demand in new markets, and successes in fast-growing segments such as electromechanical locks, access control, secure smart-card issuance, automatic doors and identification technology. The acquisition rate remained high during the year and major acquisitions included Baodean (China), iRevo (South Korea), Aontec (Irish Republic), Power-shield (Northern Ireland), Pemko (North America) and Pyropanel (Australia).

The successful implementation of the three-year restructuring program for the Group's manufacturing units continued during the year. All 50 projects are proceeding according to plan and more than 1,300 employees out of a planned total of 2,000 have now left the Group. At year-end 2007, cost savings were running at over 60 percent of the final target of achieving annual savings of SEK 600 M in 2009.

Sales volume growth, acquisitions, price management and the restructuring measures implemented, as well as continuous improvements in production, administration and market development, contributed to the strong financial performance.

**2008**

2008 was a record year for ASSA ABLOY, with increased sales and profit due to focused efforts to increase demand mainly on the commercial and institutional markets. The Group increased its investments in product development and more products than ever were launched on the market. The economic situation weakened towards the end of the year as the financial crisis had a negative impact on investments in new construction.

**2009**

The financial crisis led to a downturn in both the housing and commercial construction markets worldwide, which was unprecedented in the Group's history. ASSA ABLOY was nevertheless able to maintain good profitability and strengthen its market position even under very trying market conditions. Efficient product development with a strong customer focus, a stronger market presence and continued cost cutting contributed substantially to the good performance. Cash flow and working capital utilization showed positive development during the year.

Cost adjustments in the form of staff redundancies and the relocation of components and basic products to low-cost countries continued at a high rate during the year. A third restructuring program was launched towards the end of the year. The new products launched were well received by customers and strengthened ASSA ABLOY's market-leading position in total door opening solutions.

Eight acquisitions were made during the year, consolidating the Group's position in industrial and automatic doors and increasing annual sales by around SEK 1,200 M.

**2010**

Organic growth was 3 percent, with Asia and South America reporting strong growth and North America showing good and increasing growth. Europe began the year well but growth gradually slowed. Continued investments in the marketing organization and the launch of new products strengthened the Group's market leadership. Acquired growth was 8 percent.

Operating income rose 12 percent and cash flow developed well during the year.

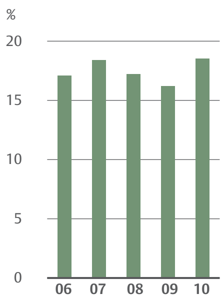
A total of 13 acquisitions were completed during the year, including Pan Pan (China), King Door Closers, South Korea, ActivIdentity (USA) and Paddock (UK). These acquisitions increase annual sales by SEK 2,880 M. An agreement was signed to acquire a majority shareholding in Cardo, a leading Swedish industrial door company.

# Five years in summary

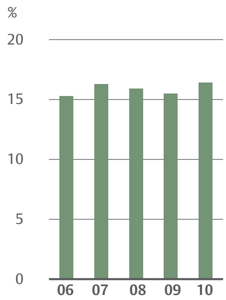
| Amounts in SEK M unless stated otherwise | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| **Sales and income** | | | | | |
| Sales | 31,137 | 33,550 | 34,829[3] | 34,963[3] | 36,823 |
| Organic growth, % | 9 | 7 | 0 | –12 | 3 |
| Acquired growth, % | 3 | 5 | 4 | 3 | 8 |
| Operating income before depreciation/amortization (EBITDA) | 5,669[1] | 6,366 | 6,447[1] | 6,426[1] | 7,041 |
| Depreciation | –898 | –909 | –921 | –1,014 | –995 |
| Operating income (EBIT) | 4,771[1] | 5,458 | 5,526[1] | 5,413[1] | 6,046 |
| Income before tax (EBT) | 2,626 | 4,609 | 3,499 | 3,740 | 5,366 |
| Net income | 1,756 | 3,368 | 2,438 | 2,659 | 4,080 |
| **Cash flow** | | | | | |
| Cash flow from operating activities | 2,968 | 3,871 | 4,369 | 5,924 | 5,729 |
| Cash flow from investing activities | –3,871 | –2,127 | –2,648 | –1,835 | –4,027 |
| Cash flow from financing activities | 1,203 | –1,568 | –1,311 | –3,741 | –2,597 |
| Cash flow | 300 | 176 | 410 | 348 | –895 |
| Operating cash flow | 3,528 | 4,808 | 4,769 | 6,843 | 6,285 |
| **Capital employed and financing** | | | | | |
| Capital employed | 27,205 | 28,621 | 32,850 | 30,382 | 31,385 |
| – of which, goodwill | 16,683 | 17,270 | 20,669 | 20,333 | 22,279 |
| – of which, other intangible and tangible assets | 6,263 | 6,782 | 7,945 | 7,541 | 8,336 |
| – of which, shares in associates | 33 | 39 | 38 | 39 | 37 |
| Net debt | 13,560 | 12,953 | 14,013 | 11,048 | 10,564 |
| Non-controlling interest | 60 | 201 | 163 | 162 | 169 |
| Shareholders' equity, excluding non-controlling interest | 13,585 | 15,467 | 18,674 | 19,172 | 20,652 |
| **Data per share, SEK** | | | | | |
| Earnings per share after tax and before dilution | 4.77 | 9.18 | 6.60 | 7.18 | 11.07 |
| Earnings per share after tax and dilution (EPS) | 7.99[1] | 9.02 | 9.21[1] | 9.22[1] | 10.89 |
| Shareholders' equity per share after dilution | 39.13 | 46.76 | 55.91 | 54.76 | 58.64 |
| Dividend per share | 3.25 | 3.60 | 3.60 | 3.60 | 4.00[2] |
| Price of Series B share at year-end | 149.00 | 129.75 | 88.50 | 137.80 | 189.50 |
| **Key data** | | | | | |
| Operating margin (EBITDA), % | 18.2[1] | 19.0 | 18.5[1,3] | 18.4[1,3] | 19.1 |
| Operating margin (EBIT), % | 15.3[1] | 16.3 | 15.9[1,3] | 15.5[1,3] | 16.4 |
| Profit margin (EBT), % | 8.4 | 13.7 | 10.0 | 10.7 | 14.6 |
| Return on capital employed, % | 12.1 | 18.4 | 13.3 | 13.1 | 18.5 |
| Return on capital employed excluding Items affecting comparability, % | 17.1 | 18.4 | 17.2 | 16.2 | 18.5 |
| Return on shareholders' equity, % | 11.5 | 21.0 | 12.8 | 12.7 | 19.1 |
| Equity ratio, % | 38.4 | 41.5 | 41.9 | 45.4 | 45.9 |
| Net debt/ Equity ratio, times | 0.99 | 0.83 | 0.74 | 0.57 | 0.51 |
| Interest coverage ratio, times | 5.1 | 7.4 | 5.7 | 7.2 | 10.1 |
| Interest on convertible debenture loan net after tax | 43.6 | 55.0 | 81.0 | 31.9 | 9.9 |
| Number of shares, thousands | 365,918 | 365,918 | 365,918 | 365,918 | 366,177 |
| Number of shares after dilution, thousands | 376,033 | 380,713 | 380,713 | 372,931 | 372,736 |
| Average number of employees | 31,243 | 32,267 | 32,723 | 29,375 | 37,279 |

[1] Excluding items affecting comparability in 2006, 2008 and 2009.
[2] For 2010, as proposed by the Board.
[3] Reclassification has been made for 2008 and 2009. Reclassification has not been made for 2006-2007. The Group has made a reclassification that affects direct distribution costs and depreciation on capitalized product development expenditure. The reason is to give a true and fair view of the allocation between direct and indirect costs as well as for product development expenses. In order to maintain comparability, the financial statements for 2008 and 2009 have been adjusted. The reclassification involves the transfer of direct distribution costs from selling expenses and administrative expenses, and where appropriate from sales, to cost of goods sold. In addition, depreciation on product development has been moved from cost of goods sold to selling expenses and administrative expenses. Both these adjustments affect gross income. Operating income is not affected.

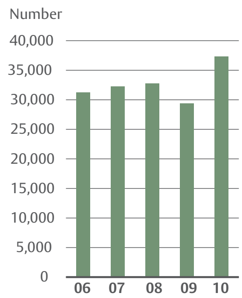
### RETURN ON CAPITAL EMPLOYED[1]




### OPERATING MARGIN (EBIT)[1]




### AVERAGE NUMBER OF EMPLOYEES




[1]Excluding items affecting comparability 2006, 2008 and 2009.

# Quarterly information

| THE GROUP IN SUMMARY<br>Amounts in SEK M unless stated otherwise | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | Full year 2009 | Q1 2010 | Q2 2010 | Q3 2010 | Q4 2010 | Full year 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Sales | 8,859 | 8,899 | 8,405 | 8,799 | 34,963 | 8,345 | 9,356 | 9,474 | 9,648 | 36,823 |
| Organic growth | –12% | –14% | –13% | –8% | –12% | –3% | 2% | 6% | 6% | 3% |
| **Gross income excluding items affecting comparability** | **3,550** | **3,502** | **3,370** | **3,603** | **14,025** | **3,361** | **3,761** | **3,846** | **3,869** | **14,836** |
| Gross income/ Sales | 40.1% | 39.4% | 40.1% | 41.0% | 40.1% | 40.3% | 40.2% | 40.6% | 40.1% | 40.3% |
| **Operating income before depreciation (EBITDA) excluding restructuring costs** | **1,594** | **1,601** | **1,584** | **1,648** | **6,426** | **1,536** | **1,780** | **1,875** | **1,851** | **7,041** |
| Gross margin (EBITDA) | 18.0% | 18.0% | 18.8% | 18.7% | 18.4% | 18.4% | 19.0% | 19.8% | 19.2% | 19.1% |
| Depreciation | –266 | –261 | –237 | –249 | –1,014 | –241 | –265 | –245 | –244 | –995 |
| **Operating income (EBIT) excluding Items affecting comparability** | **1,328** | **1,340** | **1,346** | **1,398** | **5,413** | **1,295** | **1,515** | **1,630** | **1,606** | **6,046** |
| Operating margin (EBIT) | 15.0% | 15.1% | 16.0% | 15.9% | 15.5% | 15.5% | 16.2% | 17.2% | 16.6% | 16.4% |
| Items affecting comparability [3] | –109 | – | – | –930 | –1,039 | – | – | – | – | – |
| **Operating income (EBIT)** | **1,219** | **1,340** | **1,346** | **468** | **4,374** | **1,295** | **1,515** | **1,630** | **1,606** | **6,046** |
| Net financial items | –205 | –165 | –159 | –106 | –634 | –137 | –152 | –190 | –201 | –680 |
| **Income before tax (EBT)** | **1,015** | **1,176** | **1,187** | **362** | **3,740** | **1,158** | **1,363** | **1,440** | **1,405** | **5,366** |
| Profit margin (EBT) | 11.4% | 13.2% | 14.1% | 4.1% | 10.7% | 13.9% | 14.6% | 15.2% | 14.6% | 14.6% |
| Tax | –296 | –323 | –300 | –162 | –1,081 | –278 | –333 | –341 | –334 | –1,286 |
| **Net income** | **718** | **852** | **888** | **200** | **2,659** | **880** | **1,031** | **1,099** | **1,071** | **4,080** |
| **Allocation of net income:** | | | | | | | | | | |
| Parent company shareholders' | 716 | 843 | 876 | 192 | 2,626 | 876 | 1,019 | 1,090 | 1,064 | 4,050 |
| Non-controlling interests | 3 | 9 | 12 | 9 | 32 | 4 | 11 | 9 | 7 | 30 |

| OPERATING CASH FLOW | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | Full year 2009 | Q1 2010 | Q2 2010 | Q3 2010 | Q4 2010 | Full year 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating income (EBIT) | 1,219 | 1,340 | 1,346 | 468 | 4,374 | 1,295 | 1,515 | 1,630 | 1,606 | 6,046 |
| Restructuring costs | 109 | – | – | 930 | 1,039 | – | – | – | – | – |
| Depreciation | 266 | 261 | 237 | 249 | 1,014 | 241 | 265 | 245 | 244 | 995 |
| Net capital expenditure | –187 | –186 | –99 | –191 | –664 | –50 | –270 | –153 | –235 | –708 |
| Change in working capital | –316 | 346 | 612 | 818 | 1,460 | –475 | 79 | 167 | 591 | 362 |
| Paid and received interest | –193 | –157 | –38 | –119 | –507 | –77 | –170 | –29 | –179 | –455 |
| Non-cash items | –60 | –20 | 67 | 140 | 127 | –64 | 21 | 30 | 58 | 45 |
| **Operating cashflow [1]** | **838** | **1,584** | **2,125** | **2,296** | **6,843** | **870** | **1,440** | **1,890** | **2,085** | **6,285** |
| Operating cash flow / Income before tax | 0.75[2] | 1.35 | 1.79 | 1.78[2] | 1.43[2] | 0.75 | 1.06 | 1.31 | 1.48 | 1.17 |

| CHANGE IN NET DEBT | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | Full year 2009 | Q1 2010 | Q2 2010 | Q3 2010 | Q4 2010 | Full year 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net debt at start of period | 14,013 | 14,317 | 14,239 | 12,432 | 14,013 | 11,048 | 11,469 | 12,608 | 10,864 | 11,048 |
| Operating cash flow | –838 | –1,584 | –2,125 | –2,296 | –6,843 | –870 | –1,440 | –1,890 | –2,085 | –6,285 |
| Restructuring payments | 144 | 224 | 147 | 161 | 676 | 112 | 182 | 71 | 101 | 465 |
| Tax paid | 298 | 397 | 2 | 210 | 907 | 261 | 241 | 94 | 203 | 799 |
| Acquisitions/Disposals | 263 | 66 | 511 | 331 | 1,171 | 768 | 373 | 720 | 1,458 | 3,319 |
| Dividend | – | 1,317 | – | – | 1,317 | – | 1,317 | – | – | 1,317 |
| Purchase of treasury shares | – | – | – | – | – | – | 48 | – | – | 48 |
| Exchange rate differences and other | 437 | –498 | –341 | 210 | –193 | 150 | 418 | –739 | 23 | –147 |
| **Net debt at end of period** | **14,317** | **14,239** | **12,432** | **11,048** | **11,048** | **11,469** | **12,608** | **10,864** | **10,564** | **10,564** |
| Net debt / Equity ratio | 0.71 | 0.74 | 0.67 | 0.57 | 0.57 | 0.57 | 0.62 | 0.55 | 0.51 | 0.51 |

| NET DEBT | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | Q1 2010 | Q2 2010 | Q3 2010 | Q4 2010 |
|---|---|---|---|---|---|---|---|---|
| Long-term interest-bearing receivables | –269 | –256 | –236 | –244 | –64 | –60 | –56 | –62 |
| Short-term interest-bearing investments including derivatives | –2,632 | –2,250 | –1,989 | –840 | –699 | –205 | –252 | –170 |
| Cash and bank balances | –1,280 | –1,800 | –1,303 | –1,579 | –1,216 | –1,271 | –1,225 | –1,280 |
| Pension obligations | 1,222 | 1,200 | 1,093 | 1,118 | 1,114 | 1,150 | 1,056 | 1,078 |
| Long-term interest-bearing liabilities | 8,659 | 11,227 | 10,471 | 10,692 | 10,561 | 10,265 | 9,481 | 8,134 |
| Short-term interest-bearing liabilities including derivatives | 8,617 | 6,117 | 4,395 | 1,901 | 1,773 | 2,729 | 1,860 | 2,864 |
| **Total** | **14,317** | **14,239** | **12,432** | **11,048** | **11,469** | **12,608** | **10,864** | **10,564** |

| CAPITAL EMPLOYED AND FINANCING | Q 1 2009 | Q 2 2009 | Q 3 2009 | Q 4 2009 | Q 1 2010 | Q 2 2010 | Q 3 2010 | Q 4 2010 |
|---|---|---|---|---|---|---|---|---|
| Capital employed | 34,540 | 33,494 | 31,108 | 30,382 | 31,523 | 33,051 | 30,495 | 31,385 |
| – of which, goodwill | 21,443 | 20,857 | 19,992 | 20,333 | 22,480 | 23,659 | 22,085 | 22,279 |
| – of which, other intangible and tangible assets | 8,214 | 7,972 | 7,379 | 7,541 | 7,797 | 8,160 | 7,450 | 8,336 |
| – of which, shares in associates | 55 | 54 | 52 | 39 | 38 | 37 | 37 | 37 |
| Net debt | 14,317 | 14,239 | 12,432 | 11,048 | 11,469 | 12,608 | 10,864 | 10,564 |
| Non-controlling interests | 163 | 152 | 149 | 162 | 167 | 174 | 157 | 169 |
| Shareholders' equity, excluding non-controlling interests | 20,060 | 19,110 | 18,526 | 19,172 | 19,887 | 20,269 | 19,474 | 20,652 |

| DATA PER SHARE, SEK | Q 1 2009 | Q 2 2009 | Q 3 2009 | Q 4 2009 | Full year 2009 | Q 1 2010 | Q 2 2010 | Q 3 2010 | Q 4 2010 | Full year 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Earnings per share after tax and before dilution | 1.96 | 2.30 | 2.39 | 0.52 | 7.18 | 2.39 | 2.79 | 2.98 | 2.91 | 11.07 |
| Earnings per share after tax and dilution | 1.92 | 2.25 | 2.36 | 0.54 | 7.06 | 2.36 | 2.74 | 2.93 | 2.86 | 10.89 |
| Earnings per share after tax and dilution excluding Items affecting comparability | 2.20 | 2.25 | 2.36 | 2.41 | 9.22 | 2.36 | 2.74 | 2.93 | 2.86 | 10.89 |
| Shareholders' equity per share after dilution | 59.55 | 54.28 | 53.47 | 55.29 | 54.76 | 56.94 | 57.89 | 55.65 | 58.65 | 58.64 |

| NUMBER OF SHARES | Mar 2009 | Jun 2009 | Sep 2009 | Dec 2009 | Full year 2009 | Mar 2010 | Jun 2010 | Sep 2010 | Dec 2010 | Full year 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of shares before dilution, thousands | 365,918 | 365,918 | 365,918 | 365,918 | 365,918 | 365,918 | 365,918 | 365,918 | 366,177 | 366,177 |
| Weighted average number of shares after dilution, thousands | 380,713 | 380,197 | 377,748 | 376,534 | 376,534 | 372,931 | 372,882 | 372,827 | 372,810 | 372,810 |

[1] Excluding restructuring payments.
[2] Operating income before tax excluding items affecting comparability.
[3] Items affecting comparability consist of restructuring costs for 2009.

## Definitions of key data terms

**Organic growth**
Change in sales for comparable units after adjustments for acquisitions and exchange-rate effects.

**Operating margin (EBITDA)**
Operating income before depreciation and amortization as a percentage of sales.

**Operating margin (EBIT)**
Operating income as a percentage of sales.

**Profit margin (EBT)**
Income before tax as a percentage of sales.

**Operating cash flow**
See the table in operating cash flow for information regarding detailed items.

**Net capital expenditure**
Investments in fixed assets less disposals of fixed assets.

**Depreciation**
Depreciation/amortization of tangible and intangible assets.

**Net debt**
Interest-bearing liabilities less interest-bearing assets.

**Capital employed**
Total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liability.

**Equity ratio**
Shareholders' equity as a percentage of total assets.

**Interest coverage ratio**
Income before tax plus net interest divided by net interest.

**Return on shareholders' equity**
Net income excluding non-controlling interests, plus interest expenses after tax for convertible debenture loans, as a percentage of average shareholders' equity (excluding non-controlling interests) after dilution.

**Return on capital employed**
Income before tax plus net interest as a percentage of average capital employed.

**Earnings per share after tax and before dilution**
Net income excluding non-controlling interests divided by weighted average number of shares before dilution.

**Earnings per share after tax and dilution**
Net income excluding non-controlling interests, plus interest expenses after tax for convertible debenture loans, divided by weighted average number of shares after dilution.

**Shareholders' equity per share after dilution**
Equity excluding non-controlling interests, plus convertible debenture loan, divided by number of shares after dilution.

# Proposed distribution of earnings

The following earnings are at the disposal of the Annual General Meeting:

Premium fund: SEK 34 M
Retained earnings brought forward: SEK 1,984 M
Net income for the year: SEK 1,492 M
TOTAL: SEK 3,510 M

The Board of Directors and the President and CEO propose that a dividend of SEK 4.00 per share, a total of SEK 1,466 M, be distributed to shareholders and that the remainder, SEK 2,044 M, be carried forward to the new financial year. The dividend amount is calculated on the number of outstanding shares as per 4 February 2011.

Wednesday, 4 May 2011 has been proposed as the record date for dividends. If the Annual General Meeting confirms this proposal, dividends are expected to be distributed by Euroclear Sweden AB on Monday, 9 May 2011.

The Board of Directors and the President and CEO declare that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and give a true and fair view of the Group's financial position and results. The Parent company's annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent company's financial position and results.

The Report of the Board of Directors for the Group and the Parent company gives a true and fair view of the development of the Group's and the Parent company's business operations, financial position and results, and describes material risks and uncertainties to which the Parent company and the other companies in the Group are exposed.

Stockholm, 4 February 2011

*Gustaf Douglas*
Chairman of the Board

*Carl Douglas*
Board member

*Birgitta Klasén*
Board member

*Eva Lindqvist*
Board member

*Johan Molin*
President and CEO

*Sven-Christer Nilsson*
Board member

*Lars Renström*
Board member

*Ulrik Svensson*
Board member

*Seppo Liimatainen*
Employee representative

*Mats Persson*
Employee representative

Our audit report was issued on 4 February 2011

PricewaterhouseCoopers AB

*Peter Nyllinge*
Authorized Public Accountant

# Audit report

**To the General Meeting
of the shareholders of ASSA ABLOY AB,
Corporate identity number 556059-3575**

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President and CEO of ASSA ABLOY AB for the year 2010. The company's annual accounts and consolidated accounts are presented on pages 59–116 of the printed version of this document. The Board of Directors and the President and CEO are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards, IFRS, as adopted by the EU, and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and CEO and significant estimates made by the Board of Directors and the President and CEO when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President and CEO. We also examined whether any Board member or the President and CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. A corporate governance report has been prepared. The statutory administration report and the corporate governance report are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent company and the Group be adopted, that the profit of the Parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Stockholm, 4 February 2011

PricewaterhouseCoopers AB

*Peter Nyllinge*
Authorized Public Accountant

# The ASSA ABLOY share

## Share price trend in 2010

In 2010 ASSA ABLOY's Series B share rose 38 percent to SEK 189.50 (137.80), equivalent to a market capitalization of SEK 69,391 M (50,423). During the same period, the NASDAQ OMX Stockholm rose 23 percent. The highest closing share price was SEK 199.20, recorded on 2 December 2010, and the lowest closing price was SEK 126.60, recorded on 28 January 2010.

## Listing and trading

ASSA ABLOY's Series B share is listed on NASDAQ OMX Stockholm, Large Cap. The share has been listed since 8 November 1994.

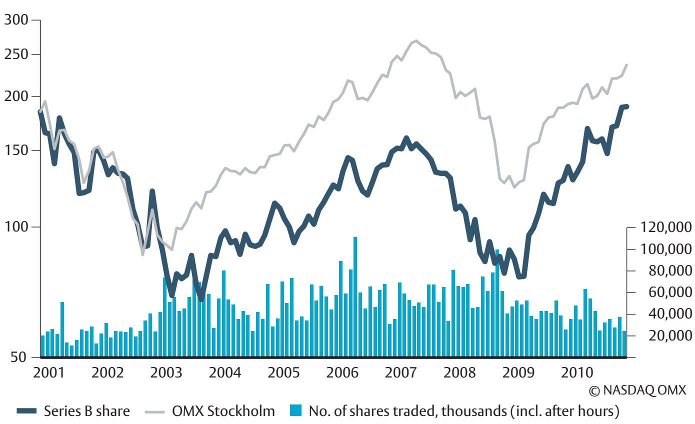
Total turnover of the ASSA ABLOY share on NASDAQ OMX Stockholm amounted to 464 million (518) shares, which is equivalent to an average turnover of 1.8 million shares (2.1) per day. The turnover rate of the share was around 127 percent (149), compared with a turnover rate of 95 percent (119) on the NASDAQ OMX Stockholm and 99 percent (126) on the Large Cap list.

The implementation of the EU Markets in Financial Instruments Directive (MiFID) has changed the structure of equity trading in Europe. Now that a share can be traded on markets other than the stock exchange where it is listed, trading has become more fragmented, while the total turnover of many shares has increased. The ASSA ABLOY share is now not only traded on the NASDAQ OMX Stockholm, but also on several other markets. However, the Stockholm Stock Exchange accounts for the majority of trading, where 51 percent of the shares were traded in 2010.

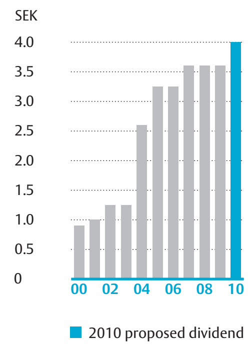
## Ownership structure

The number of shareholders at year-end was 20,199 (22,014) and the ten largest shareholders accounted for around 31 percent (37) of the share capital and 53 percent (57) of the votes. Shareholders with more than 50,000 shares, a total of 378 shareholders, accounted for 95 percent (94) of the share capital and 96 percent (96) of the votes. Investors outside Sweden accounted for around 63 percent (53) of the capital and 43 percent (36) of the votes, and were mainly in the USA and the UK.

SHARE PRICE TREND AND TURNOVER 2001–2010




DIVIDEND PER SHARE 2001–2010




### *Data per share*

| SEK/share[1] | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Earnings after tax and dilution [2] | 2.98 | 3.53 | 3.31 | 6.33 | 6.97 | 7.99[3] | 9.02 | 9.21[3] | 9.22[3] | 10.89 |
| Dividend | 1.00 | 1.25 | 1.25 | 2.60 | 3.25 | 3.25 | 3.60 | 3.60 | 3.60 | 4.00[4] |
| Dividend yield, % [5] | 0.7 | 1.3 | 1.5 | 2.3 | 2.6 | 2.2 | 2.8 | 4.1 | 2.6 | 2.1 |
| Dividend, % [2, 6] | 30.5 | 32.2 | 33.9 | 42.0 | 47.6 | 64.0 | 40.5 | 52.3 | 47.8 | 37.0 |
| Share price at year-end | 151.00 | 99.50 | 85.50 | 113.50 | 125.00 | 149.00 | 129.75 | 88.50 | 137.80 | 189.50 |
| Highest share price | 186.00 | 159.50 | 110.00 | 113.50 | 126.00 | 151.00 | 164.00 | 126.00 | 142.50 | 199.20 |
| Lowest share price | 94.50 | 76.50 | 67.00 | 84.00 | 89.25 | 109.00 | 124.50 | 69.75 | 71.50 | 126.60 |
| Equity[2] | 35.80 | 35.85 | 31.23 | 34.74 | 42.85 | 39.13 | 46.76 | 55.91 | 54.76 | 58.64 |
| Number of shares, thousands [7] | 361,730 | 370,935 | 370,935 | 378,718 | 378,718 | 376,033 | 380,713 | 380,713 | 372,931 | 372,736 |

[1] Adjustments made for new issues.
[2] 2001–2003 have not been adjusted for IFRS.
[3] Excluding items affecting comparability 2006, 2008 and 2009.
[4] Proposed dividend.
[5] Dividend as percentage of share price at year-end.
[6] Dividend as percentage of adjusted earnings in line with dividend policy.
[7] After full dilution.

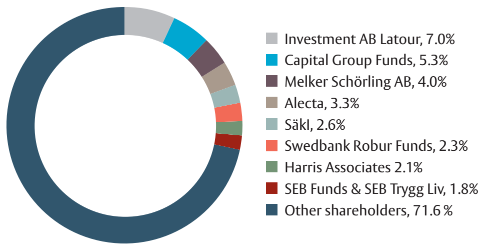
### *ASSA ABLOY's ten largest shareholders*

Based on the share register at 31 December 2010.

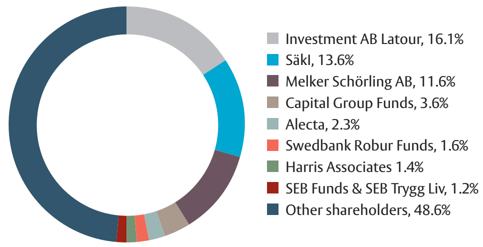
| Shareholders | Series A shares | Series B shares | Total number of shares | Share capital, % | Votes, % |
|---|---|---|---|---|---|
| Investment AB Latour | 6,746,425 | 19,000,000 | 25,746,425 | 7.0 | 16.1 |
| Säkl | 7,118,818 | 2,300,000 | 9,418,818 | 2.6 | 13.6 |
| Melker Schörling AB | 5,310,080 | 9,162,136 | 14,472,216 | 4.0 | 11.6 |
| Capital Group Funds | | 19,245,000 | 19,245,000 | 5.3 | 3.6 |
| Alecta | | 12,180,000 | 12,180,000 | 3.3 | 2.3 |
| Swedbank Robur Funds | | 8,488,574 | 8,488,574 | 2.3 | 1.6 |
| Harris Associates | | 7,525,100 | 7,525,100 | 2.1 | 1.4 |
| SEB Funds & SEB Trygg Liv | | 6,703,247 | 6,703,247 | 1.8 | 1.2 |
| Folksam-Group | | 5,568,553 | 5,568,553 | 1.5 | 1.0 |
| SHB Funds | | 5,400,679 | 5,400,679 | 1.5 | 1.0 |
| Other shareholders | | 251,428,582 | 251,428,582 | 68.7 | 46.7 |
| **Total number** | **19,175,323** | **347,001,871** | **366,177,194** | **100.0** | **100.0** |

Source: SIS Ägarservice AB and Euroclear Sweden AB.

OWNERSHIP STRUCTURE (SHARE CAPITAL)




OWNERSHIP STRUCTURE (VOTES)




### *Share capital*

ASSA ABLOY's share capital at 31 December 2010 amounted to SEK 366,177,194, distributed among 19,175,323 Series A shares and 347,001,871 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 ten votes and each Series B share one vote.

| Year | Transaction | Series A shares | Series C shares | Series B shares | Share capital, SEK |
|---|---|---|---|---|---|
| 1989 | | | 20,000 | | 2,000,000 |
| 1994 | Split 100:1 | | | 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 Series C shares into Series 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 | 4,190,412 | | 66,885,571 | 71,075,983 |
| 1999 | Converted debentures before split | 4,190,412 | | 67,179,562 | 71,369,974 |
| 1999 | Bonus issue | | | | |
| 1999 | Split 4:1 | 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 | 18,437,812 | | 295,970,830 | 314,408,642 |
| 2000 | Converted debentures | 18,437,812 | | 301,598,383 | 320,036,195 |
| 2000 | New share issue | 19,175,323 | | 313,512,880 | 332,688,203 |
| 2000 | Non-cash issue | 19,175,323 | | 333,277,912 | 352,453,235 |
| 2001 | Converted debentures | 19,175,323 | | 334,576,089 | 353,751,412 |
| 2002 | New share issue | 19,175,323 | | 344,576,089 | 363,751,412 |
| 2002 | Converted debentures | 19,175,323 | | 346,742,711 | 365,918,034 |
| 2010 | Converted debentures | 19,175,323 | | 347,001,871 | 366,177,194 |
| | Number of shares after dilution | 19,175,323 | | 353,560,643 | 372,735,966 |

# The ASSA ABLOY share

## Share capital and voting rights

The share capital at year-end amounted to SEK 366,177,194 distributed among a total of 366,177,194 shares, comprising 19,175,323 Series A shares and 347,001,871 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. The total number of voting rights amounts to 538,755,101; each Series A share carries ten votes and each Series B share one vote.

## Dividend and dividend policy

The objective of the dividend policy is that, in the long term, the dividend should be equivalent to 33–50 percent of earnings after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

The Board of Directors and the CEO propose that a dividend of SEK 4.00 per share (3.60), SEK 1,466 M, be paid to shareholders for the 2010 financial year, equivalent to a dividend yield on Series B shares of 2.1 percent (2.6).

## Incentive programs

### *Long-term incentive program*

At the 2010 Annual General Meeting, it was decided to launch a long-term incentive program (LTI 2010) for senior executives and other key staff in the Group.

For each Series B share acquired by the CEO within the framework of LTI 2010, the company assigns one matching stock option and four performance-based stock options. For each Series B share acquired by other members of the Executive Team, the company assigns one matching stock option and three performance-based stock options. For other participants, the company assigns one matching stock option and one performance-based stock option.

Each matching stock option entitles the holder to receive one free Series B share in the company after three years, provided that the holder is still employed in the Group when the interim report for the first quarter 2013 is published and has retained the shares acquired within the framework of LTI 2010.

Each performance-based stock option entitles the holder to receive one free Series B share in the company three years after assignment, provided that the above conditions have been fulfilled. In addition, the maximum level in a range determined by the Board for the performance of the company's earnings per share in 2010 must have been fulfilled.

### *Other equity-based incentive programs*

ASSA ABLOY has issued a number of convertible debentures to employees in the Group.

In 2006, it was decided to launch an incentive program for senior executives, Incentive 2006. Any conversion of Incentive 2006 can take place in a 180-day period from December 2010 to June 2011. Conversion of the convertible debentures relating to Incentive 2006 began in December 2010. Conversion is managed by an external party and 259,160 new Series B shares had been issued as at December 2010. Full conversion at a conversion rate of EUR 14.60 for Series 1, EUR 15.90 for Series 2, EUR 17.30 for Series 3 and EUR 18.60 for Series 4 results in an additional 2,332,350 shares.

In 2007, it was decided to launch a new incentive program, Incentive 2007. Any conversion of Incentive 2007 can take place in a 30-day period in May and June 2012. Full conversion at a conversion rate of EUR 18.00 for Series 1, EUR 20.50 for Series 2, EUR 23.00 for Series 3 and EUR 25.40 for Series 4 will add 4,679,610 shares.

Full conversion of Incentive 2006 and 2007 results in an additional 7,011,960 shares and has a dilutive effect of 1.9 percent on the share capital and 1.3 percent on the total number of votes. At year-end 2010 Incentive 2006 amounted to EUR 35 M and Incentive 2007 to EUR 100 M.

Around 2,000 employees in some 15 countries are participating in Incentive 2006 and Incentive 2007.

### *Analysts who follow ASSA ABLOY*

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# Landmarked hotel in Beirut increases productivity and security

VingCard Elsafe installed VISIONLINE, its wireless RF-online system, and Signature RFID, its contactless electronic door locks at the Intercontinental Phoenicia Beirut in Lebanon, improving the hotel's operations and overall security.

With VISIONLINE, the hotel is able to facilitate reliable wireless two-way communication from standalone electronic door locks to their host security and PMS systems. Total security control is provided from one central location and RF-online communication capabilities eliminate the need to travel to each guestroom to perform tasks including reprogramming individual locks, remotely cancelling guest and staff key cards, identifying and changing low batteries and much more.

To complement the VISIONLINE system, the hotel also chose Signature RFID contactless electronic door locks, which offer highly reliable security features and provide unprecedented convenience and ease-of-operation. The RFID locks allow for contactless guest room entry and are compatible with next-generation NFC mobile phones.

# Information for shareholders

## Annual General Meeting

The Annual General Meeting of ASSA ABLOY will be held at Moderna Museet (Museum of Modern Art), Skeppsholmen, Stockholm at 15.00 on Friday, 29 April 2011. Shareholders wishing to attend the Annual General Meeting should:

- Be registered in the share register kept by Euroclear Sweden AB by Thursday, 21 April 2011.
- Notify ASSA ABLOY AB of their intention to attend by Thursday, 21 April 2011.

***Registration in the share register***

In addition to notification of intention to attend, shareholders whose shares are nominee registered must be temporarily registered in their own name in the share register (voting right registration) to be able to attend the Annual General Meeting. In order that this registration has been completed by Thursday, 21 April 2011, the shareholder should contact his/her bank or nominee well before that date.

***Notification of intention to attend***

- Website www.assaabloy.com
- Address ASSA ABLOY AB "årsstämman",
- Box 7842, SE-103 98 Stockholm
- Telephone +46 (0) 8 506 485 14

The notification should state:

- Name
- Personal or corporate identity number
- Address and daytime telephone number
- Number of shares
- Any accompanying advisers

A shareholder who is to be represented by a proxy should submit a completed proxy form with the notification of intention to attend the Annual General Meeting. Proxy forms are available at: www.assaabloy.com.

## Nomination Committee

The Nomination Committee has the task of preparing decisions on the election of the Chairman and other members of the Board of Directors, the appointment of the auditor, the election of the Chairman of the Annual General Meeting, and fees and associated matters. The Nomination Committee prior to the 2011 Annual General Meeting comprises Gustaf Douglas (Investment AB Latour and Säkl), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta),Marianne Nilsson (Swedbank Robur Funds) and Per-Erik Mohlin (SEB Funds/SEB Trygg Liv). Mikael Ekdahl is Chairman of the Nomination Committee.

## Dividend

Wednesday, 4 May 2011 has been proposed as the record date for dividends. If the Annual General Meeting confirms this proposal, dividends are expected to be distributed by Euroclear Sweden AB on Monday, 9 May 2011.

## Further information

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## Reports can be ordered from ASSA ABLOY AB

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## Financial reporting

First quarter: 28 April 2011
Second quarter: 27 July 2011
Third quarter: 28 October 2011
Fourth quarter and Year-end Report: February 2012
Annual Report 2011: March 2012

## Online Annual Report

ASSA ABLOY's online Annual Report has many user-friendly functions. The texts can be read out loud and the financial tables can be expanded and downloaded in Excel. All information in the Annual Report can be found easily by menu navigation or by using the Search function.
The online Annual Report is available at:
www.assaabloy.com/annualreport2010

# Glossary

**Aperio**
Aperio is a new technology that enables mechanical locks to be wirelessly linked to an existing access control system. Aperio locks can be installed in a new or existing access control system and users can use the same credentials they have for that system.

**ElectroLynx**
ElectroLynx is an ASSA ABLOY solution that simplifies the process of introducing electrical hardware into a door. It has a wiring scheme and simple, snap-together connectors that can be used with all electrical ASSA ABLOY products and can be installed inside doors as desired. The solution means that installers themselves do not need to solder and connect individual wires.

**Gateway process**
The ASSA ABLOY Product Innovation Process is based on a structured Gateway approach, meaning that all projects have to pass six gates on their way from idea to installed products.

**High Definition Printing (HDP)**
Fargo HDP – High Definition Printing – is a process used in the production of tamper-evident and highly wear-resistant ID cards. HDP produces high-quality images that are sandwiched between Fargo's HDP film and the card, and that essentially destroy themselves if there is any attempt to alter the card.

**Hi-O**
Highly Intelligent Opening is a standardized new technology for security and control of door environments. Hi-O allows interconnectivity – communication between all components in a door solution.

**Inlay**
An RFID inlay is one of the components in a contact-free card or similar document. It consists of a circuit board connected to an antenna mounted on plastic film.

**Lean**
The Lean Production philosophy is to use as few resources as possible. The focus is on just-in-time production, which means that materials, parts and products are in the right place at the right time. The Lean philosophy includes striving for continuous improvement.

**NFC**
Near Field Communication (NFC) is a short-range wireless connectivity standard that uses magnetic field induction to enable communication between devices when they are touched together or brought within a few centimeters of each other.

**OEM**
Original Equipment Manufacturer, a company that makes the final product that can be sold on the open market. Usually the OEM company does not sell the product directly to the public but goes through dealers. The product may consist of proprietary components or a combination of purchased and proprietary.

**RFID**
Radio Frequency Identification is a technology for reading and storing information remotely using small radio transmitter/receivers and memories called tags. A tag can be small enough to fit in a price tag on goods in a store, or placed in a glass capsule and injected under a pet's skin with ID information. One current use of RFID is in keycards.

**ZigBee**
ZigBee is a standard for wireless control of equipment in homes, commercial properties, industry and other places where there is a need for it. The technique consumes little energy and the wireless platform makes it easy to install retrospectively.


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Production: ASSA ABLOY, Hallvarsson & Halvarsson.
Photos: front page, Can Wong, page 6–7 Peter Hoelstad, page 16 Rafn Sigurbjörnsson,
page 19, 29, 47 Getty Images, page 22–23 Rithuset,page 26–27 White View,
page 8–9 Dehli Airport Image© HOK and ASSA ABLOYs own photographic library, among others.
Translation: Textforum. Printing: Elanders AB, Falköping, March 2011.

ASSA ABLOY is the global leader in door opening solutions, dedicated to satisfying end-user needs for security, safety and convenience

www.assaabloy.com

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» Future shareholder value is based on organic and acquired growth as well as continued rationalization and synergies in the Group «

– Johan Molin, President and CEO