Annual Report 2015

ASSA ABLOY

The global leader in
door opening solutions

Contents

For further information about the company and its operations visit: www.assaabloy.com

Datawatch focuses on mobile access control in commercial buildings

CUSTOMER: Datawatch is an integrated supplier of access control systems with products installed in over 3,000 office buildings worldwide. The company offers solutions for new construction and renovation, and replacement and upgrade of existing security systems in commercial properties.

CHALLENGE: Datawatch remotely monitors over 60,000 doors, guaranteeing the security of everyone passing through them. The company helps property owners, property managers and tenants protect employees, residents and visitors. To date it has issued over one million code carriers and the number is constantly increasing as more and more global leading companies and organizations become customers. Datawatch is working actively on the development of new, innovative solutions and services to constantly expand its offering and differentiate itself from its competitors.

SOLUTION: In collaboration with HID Global, Datawatch fitted out a showroom at 555 12th Street N.W. in downtown Washington D.C., where prospective tenants were given an opportunity to look more closely at the concept of mobile access control and other advanced technical solutions. As a result of this successful initiative, Datawatch chose to purchase 15,000 mobile ID cards and over 1,000 iCLASS SE readers. Today the company uses mobile access control from HID Global for access to both common spaces and individual workspaces in nearly 20 commercial buildings in the U.S. Datawatch is installing iCLASS SE readers in all new buildings, so that property owners and property managers can enable tenants to open doors with smartphones and/or keycards.

ASSA ABLOY in brief

ASSA ABLOY is the global leader in door opening solutions and a market leader in most of Europe, North America, China and Oceania. The Group has sales of SEK 68 billion and 46,000 employees.

Customers in the institutional, commercial and residential market

Complete range and broad base

ASSA ABLOY has a complete range of door opening products, solutions and services for the institutional, commercial and consumer markets. With the world's largest installed base, a very large part of sales is to the stable aftermarket.

ASSA ABLOY'S DEVELOPMENT 1994–2015

1994 ASSA ABLOY is formed *through the merger of ASSA (Sweden) and ABLOY (Finland).*

1996 Acquisitions show the way *The Group increases its product portfolio with the Sargent, McKinney, Curries and Graham brands through the acquisition of ESSEX (USA).*

1997 A French touch *The French lock group Vachette is acquired, with units such as Vachette, JPM, Laperche and Bezault in France and Litto in Belgium.*

1998 Expansion in the USA *ASSA ABLOY expands in North America through the acquisition of Medeco. The Group opens an office in China.*

1999 Increased security *The Group acquires the lock manufacturer Mul-T-Lock (Israel). The acquisition of effeff (Germany) gives ASSA ABLOY a good position in the electromechanical lock market.*

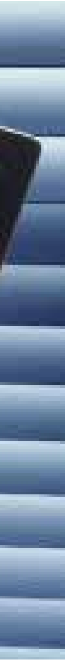
2000 Double size *ASSA ABLOY acquires Yale Intruder Security becoming the world's leading lock group almost overnight. HID Corporation (USA) increases the Group's offering with electronic identification products. CLIQ technology is launched.*

2001 Global integration *ASSA ABLOY takes part in the Volvo Ocean Race as part of the integration of over 100 companies worldwide.*

2002 New opportunities in door automation *The Group acquires Besam (Sweden), a company with door automation products.*

Innovations and sustainability

ASSA ABLOY has global product leadership through innovation and product development. Electromechanical products and entrance automation have increased from 27 percent of sales to over 50 percent in ten years. Economic resource utilization and cost-efficiency provide customers with added value and contribute to a more sustainable society.



Digital future

ASSA ABLOY is currently creating future digital and mobile security solutions on its own technology platforms, such as Seos. This platform provides customers with an ecosystem in which digital identities can open doors, desktop readers, computers and printers, and give access to many other functions at workplaces and in the home. Simple, flexible access under high security and control is enabled by a smartphone, an ID card or fingerprint recognition.

2003 Stronger position *Nemef (Netherlands) and Corbin (Italy) strengthen the Group's position in their respective markets.*

2004 Hi-O is launched *The launch of Hi-O technology involves a new concept for electronic door opening solutions, in which connected devices exchange encrypted information, simplifying both installation and service.*

2005 Increased presence in China *ASSA ABLOY forms a joint venture with Wangli (China), a leading supplier of high-security doors and locks.*

2006 Secure identities *ASSA ABLOY acquires Fargo Electronics, a company developing secure technologies for ID card issuance systems.*

2007 17 acquisitions *A new brand strategy is launched, with ASSA ABLOY as master brand. The Group acquires iRevo (South Korea), a major player in digital door locks.*

2009 Wireless technology *ASSA ABLOY launches the new wireless Aperio technology, which enables customers to upgrade their access control systems simply and smoothly.*

2010 Mobile Keys *ASSA ABLOY Mobile Keys is launched. The Group strengthens its customer offering in Asia through the acquisition of Pan Pan, China's largest manufacturer of high-security steel doors, and King Door Closers, South Korea's leading manufacturer of door and floor closers.*

2011 Global leader in entrance automation *The acquisition of Crawford and FlexiForce strengthens the customer offering in industrial doors, docking solutions and garage doors.*

Financials in brief 2015

- Sales increased by 20 percent to SEK 68,099 M (56,843).
- Earnings per share after full dilution increased to SEK 6.93 (5.79).
- Operating income amounted to SEK 11,079 M (9,257).
- Operating cash flow amounted to SEK 9,952 M (8,238).
- Investments in product development continued at an accelerated rate and a number of new products were launched.

Share of Group sales by region 2015

EUROPE	37%
AFRICA	1%
NORTH AMERICA	39%
SOUTH AMERICA	2%
ASIA	17%
OCEANIA	4%

Key data	2013	2014	2015	Change
Sales, SEK M	48,481	56,843	68,099	20%
of which: Organic growth, %	2	3	4	
of which: Acquired growth, %	4	9	3	
of which: Exchange rate effects, %	–2	5	13	
Operating income (EBIT), SEK M	7,923[1]	9,257	11,079	20%
Operating margin, %	16.3[1]	16.3	16.3	
Income before tax (EBT), SEK M	7,381[1]	8,698	10,382	19%
Operating cash flow, SEK M[2]	6,803	8,238	9,952	21%
Return on capital employed, %	17.1	16.9	17.8	

Data per share	2013	2014	2015	Change
Earnings per share after tax and dilution (EPS), SEK/share	4.95[1,4]	5.79[4]	6.93	20%
Equity per share after dilution, SEK/share	25.94[4]	32.50[4]	37.43	15%
Dividend, SEK/share	1.90[4]	2.17[4]	2.65[3]	22%
Weighted average number of shares after dilution, thousands	1,110,776[4]	1,110,776[4]	1,110,776	

[1] Excluding items affecting comparability.
[2] Excluding restructuring payments.
[3] As proposed by the Board of Directors.
[4] Key data has been restated due to the 3:1 share split in 2015.

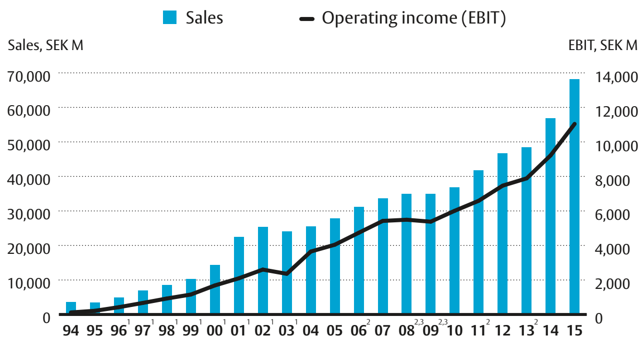
2013 Focus on innovation *ASSA ABLOY is ranked 78th on Forbes' list of the world's 100 most innovative companies.*

2012 Increased offering of total lock and security solutions *ASSA ABLOY launches Seos, the world's first commercial ecosystem for digital keys.*

2015 Expansion in Brazil *through the acquisition of Papaiz and Udinese. The acquisition of the U.S. company Quantum Secure strengthens the offering in identity and access management.*

2014 20th anniversary *Today the Group is 15 times larger than in 1994. ASSA ABLOY has successfully expanded through a combination of organic growth and over 200 acquisitions. During this journey we have grown from a traditional lock company into the global leader in door opening solutions. ASSA ABLOY is again ranked on Forbes' list of the world's 100 most innovative companies.*

SALES AND OPERATING INCOME (EBIT)



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

Statement by the President and CEO

Technological leadership strengthens our long-term profitable growth

2015 was once again a record year for ASSA ABLOY. Sales increased by 20 percent to SEK 68,099 M, while organic growth was 4 percent. Operating income increased by 20 percent to SEK 11,079 M. Our strategies are functioning well in a global market with uneven and relatively weak growth. It is clear that we are strengthening our customer offering and gaining market shares, especially thanks to our focus in recent years on innovation, product development, sustainability, and emerging markets. We have gained leadership in the accelerating technology shift to electronics, digitization and mobile. This means that we are well positioned for continued long-term profitable growth.

THE GROUP

2015 was a challenging year with divided demand growth on global markets. Flaring political and social crises, record low interest rates and continuing dependence on economic stimulation, China's slowdown, and the problems of commodity economies created uncertainty regarding economic development and inhibited willingness to invest.

Against this backdrop, ASSA ABLOY demonstrates its stable value-creating capacity firmly established in a handful of long-term, global development trends:

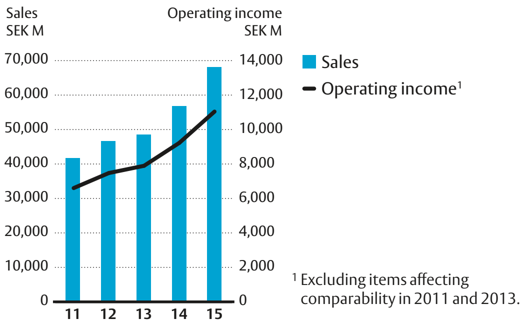
- The global economy continues to grow, and safety and security needs are steadily increasing.
- Urbanization is accelerating and leading to over one billion people migrating to cities in the coming years. For the Group, this means increased demand for new housing, workplaces and stores.
- Environmental concern and reduced resource consumption direct a focus on energy-efficient homes, where locks, doors and door opening solutions have a key role to play. One-third of all public buildings worldwide are expected to be climate-smart in 2016.
- The digitization wave is creating enormous potential for smart security, connected door opening solutions, and access management and control in homes and workplaces.

These trends drive demand and provide ASSA ABLOY with opportunities for good underlying, long-term growth. Our three main strategies of market presence, product leadership and cost-efficiency have shown over time a good capacity to identify the areas we should focus on for profitable growth. Today emerging markets, innovation and product development with a focus on electronics, and increasing sustainability performance in the use of products and solutions provide the best growth opportunities. With good cost control and constant streamlining of all Group processes, we work in an efficient way to increase profitability.

I would like to comment briefly on the performance of our divisions during the year before going into our current strategic priorities.

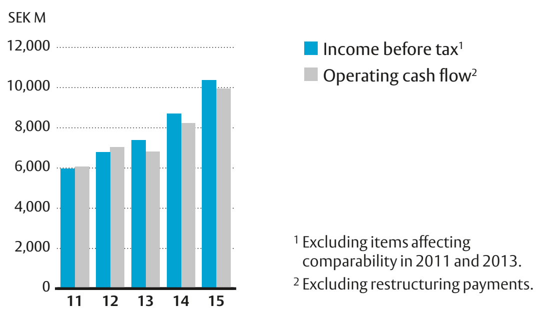
DEVELOPMENT OF KEY FIGURES

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability in 2011 and 2013.

INCOME BEFORE TAX AND OPERATING CASH FLOW



[1] Excluding items affecting comparability in 2011 and 2013.
[2] Excluding restructuring payments.

"ASSA ABLOY is the leading force in the development of digital and mobile security solutions."

THE DIVISIONS

EMEA division. Economic and demand growth in Europe has been uneven and subdued for several years, with a weaker market in southern Europe than northern Europe. A slow improvement was noted in 2014, which continued in 2015, generating good underlying growth for EMEA division. Organic growth increased to 4 percent (3), which means that the division gained market shares and grew faster than the total market. Growth was strong in Scandinavia, Finland and eastern Europe, good in Africa and Israel, and stable in the UK and central Europe. Spain returned to growth, while sales in Italy and France decreased slightly. Acquired growth made a 4 percent (5) contribution.

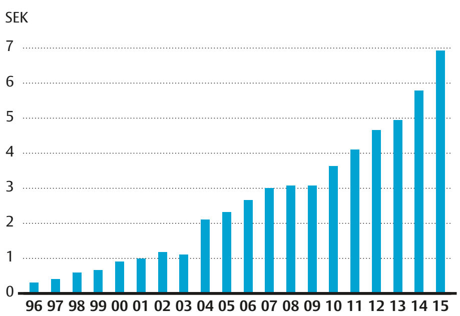
Americas division. The division continued its strong performance during the year and organic growth increased to 7 percent (4). Demand was strong in the North American residential and commercial markets for both traditional and electromechanical products. Interest in digital door opening solutions and mobility is growing very strongly. The door segment continued its stable trend, while high security products were slightly weaker due to continued budget restrictions for institutional customers. Mexico and several other emerging markets in South America showed good demand, while the important Brazilian market was weak as a result of falling oil and commodity prices. Acquired growth was 2 percent (10).

Asia Pacific division. The division is the market leader in Asia, which has been the main growth engine in the global economy for over a decade, especially due to high growth in China. The demand picture changed considerably in 2015. The Chinese economy slowed further, while demand continued to grow at a high level in most other economies in the region. It was particularly strong in South Korea, Southeast Asia and New Zealand. Organic growth decreased to –3 percent (1), which is explained by the slowdown in China. Acquired growth was 9 percent (6).

Global Technologies division. The Group's global division for identity and access management experienced high sales growth, mainly due to the exchange rate effects of a strong USD. Demand was stable with 7 percent (1) organic growth, despite continued weak demand in the public sector as a result of budget restrictions. The division is centrally placed in the technology shift to electronics and experienced strongly increased demand for digital and mobile solutions. Global Technologies is leading the technological development with a significant focus on innovation and product development, resulting in a very high share of new products every year. The focus on emerging markets led to a continued strong increase in South America, Asia and Africa, with the exception of China and commodity-dependent countries. Hospitality continued to grow strongly with good profitability thanks to a broad range of new innovative products. Acquired growth was 2 percent (4).

Entrance Systems division. The Group's division for entrance automation continued its good growth with organic growth of 5 percent (4). Growth was strong in American operations, both in the residential and the commercial segments. European demand strengthened in 2015 following several years of weak demand, and industrial doors showed good growth. Automatic doors and components returned to positive growth. The negative development on the European residential market turned to slight growth. The Asian market remained strong, with the exception of the decline in China. The innovation and product development rate was high, with products launched in the past three years accounting for over 35 percent of sales. Acquired growth was 1 percent (17).

DEVELOPMENT OF EARNINGS PER SHARE[1,2]



Earnings per share has increased by 2,100 percent since 1996.

[1] Excluding items affecting comparability.
[2] Earnings per share has been restated due to the 3:1 share split in 2015.

TECHNOLOGICAL GENERATION SHIFT

ASSA ABLOY has a stable foundation thanks to having the world's largest base of lock and door installations. This provides a significant, growing aftermarket, which accounts for two-thirds of our total sales. The commercial and institutional segments, with higher profitability and driving demands for advanced technological solutions, account for 75 percent of sales. The Group is the industry's only truly global player, with sales worldwide and a turnover equivalent to the combined turnover of its four closest competitors. This provides breadth, stability and risk diversification, as well as resources for innovation and leadership in the technological revolution now taking place in our industry.

There is no doubt that digitization and mobile communications technology are now revolutionizing how we interact with technology to enter and exit buildings, how we identify ourselves to gain access to physical spaces, work places and public buildings. It is about major changes at work, at home and in places where we shop and socialize. It concerns the security of people, organizations and society. This is ASSA ABLOY's business.

Our basic technology has two perpetual components for security. We can never get away from the fact that physical security is often about being able to open and close doors, i.e. a lock with a mechanical bolt. Neither can we ever get away from the fact that those with the right to open and close doors have to identify themselves with a key that fits the lock. But today identifying yourself and that you have access rights is increasingly digitized. Identification and the 'key' may be on a smart card or smartphone and can be sent over long distances. And this is the heart of the technological revolution in our industry, with new applications exploding in scope.

For several years ASSA ABLOY has been the leading force in the development of digital and mobile security solutions. One measure is that sales of electromechanical products have risen from SEK 3 billion in 2000 to SEK 35 billion in 2015, accounting for over half of sales. Mechanical products have reduced their share of sales from 70 percent in 2006 to just under one-third today.

The new technological solutions not only drive customer demand, they also largely affect how we operate our business, how we interact with customers, how we innovate and develop products, and how we streamline operations. One overall conclusion is that we have to continue investing in a unique offering through differentiation to increase our long-term value creation.

In order to strengthen product leadership we have developed our innovation capacity into being the best in the industry, especially with regard to the increasing demand for 'green' solutions. In the area of cost-efficiency, the new technologies provide huge opportunities in robotization and Seamless Flow. We must exploit the economies of scale and synergies from being the largest supplier in the world and continue working on our structure. In short, we should do more with less; it is both profitable and sustainable. I would like to comment on this in more detail in an update of our strategies.

STRENGTHENING MARKET PRESENCE

Growth in sales shows that we are strengthening our market presence. Over the past nine years this strategy has been dominated by the focus on emerging markets. These markets have increased their share of sales from 10 percent in 2006 to 26 percent in 2015. The major global growth engine, China, may be perceived to have problems, but we are convinced that the country still has a long growth journey ahead, and we therefore intend to continue growing our market presence in the country. Our growth focus also continues in the rest of Asia, including India, as well as in Africa where we are now expanding distribution. We are talking about an annual growth rate in our emerging markets of over 10 percent in recent years. Growth in several major commodity-producing countries, such as Brazil, is negative. We are countering this with flexible adjustments and increased cost-efficiency. The breadth of our market presence is a strength in balancing the Group's risks. Over the past few years we have experienced very good growth in our largest market, the U.S., and a reasonable recovery this year in Europe, which is good for our important business in maintenance and upgrades of locks and installations.

Brand consolidation has been prioritized for a number of years, with the aim of moving from a large number of local and regional brands to a more coherent offering under the ASSA ABLOY brand. A major step was taken during the year when VingCard was transferred to ASSA ABLOY Hospitality. Confidence in the brand is invaluable and confirms the added value provided to our customers.

Digitization and mobile technology strengthen our long-established strategy that it should be easy for the customer to do business with us. This is basically about constantly moving resources closer to the customer. We have a very positive trend in the number of customer-facing staff, with increases of more than 20 percent in many sales units. We are driven by a vision of being able to deliver 24/7, year in and year out, to all our customers everywhere. Automated flows, e-commerce and digital customer meetings improve and streamline operations so that we need fewer employees in offices and can instead have more in the value-creating work of offering advice and solutions, which make customers more efficient. We can charge slightly more and the customer receives more value.

Security is increasingly becoming an integrated concept of total solutions for buildings and customers, with new smart, electronic solutions in more complex systems. Our focus on specification with increased

ASSA ABLOY's Executive Team from left to right: Juan Vargues, Head of Entrance Systems division; Ulf Södergren, Chief Technology Officer (CTO); Thanasis Molokotos, Head of Americas division; Tzachi Wiesenfeld, Head of EMEA division; Johan Molin, President and CEO; Carolina Dybeck Happe, Chief Financial Officer (CFO); Tim Shea, Head of ASSA ABLOY Hospitality business unit; Magnus Kagevik, Head of Asia Pacific division; and Stefan Widing, Head of HID Global business unit.

digitization is central. The number of specifiers continued to rise during the year to over 500, with sharp increases in emerging markets. Specifiers act as advisers in an environment of rapid technical and regulatory changes. We offer customers complete 3D drawings where they can specify their exact requirements, test and try out solutions, products and design, with cost estimates for both new construction and aftermarket. We shorten lead times and deliver even more differentiated solutions. This consultancy role drives demand and strengthens our grip on the end-customer market.

Interest in smart homes is strong in the private residential market. Digital keys are increasing strongly. Conversion will take time, as it generally takes place when someone moves into a new home. The potential is enormous, as electronic locks currently account for a very small percentage of residential locks. Today we are already leaders and are developing competitive solutions with our partners.

Finally, we are strengthening market presence through selective and complementary acquisitions. We acquired 16 companies during the year, which contributed SEK 2,500 M in sales or 4 percent. Acquisitions are part of our strategy, and we often have the best synergy effects to offer, and a well-functioning model for integration.

PRODUCT LEADERSHIP

Product leadership is intimately associated with market presence. Innovation and product development drive, broaden and deepen demand towards our target of 5 percent organic growth per year. Over the past ten years ASSA ABLOY has therefore invested heavily in faster and more efficient common processes, with the goal of doubling the innovation rate and radically reducing costs. The target is that products launched in the past three years should account for at least 25 percent of sales. Today this target has been achieved, with a share of 31 percent at Group level.

Investments in product development have increased by 90 percent over the past five years, with a sharp increase in the number of development engineers with electronics expertise at our product development and competence centers, in close cooperation with customers and partners. An important focus is Group-wide development platforms for products and solutions. One such platform is Seos, a complete ecosystem for the use of digital keys on smartphones and other mobile devices. Another is wireless Aperio technology, which enables cost-efficient connection of many doors in an existing access control system. Platforms are also increasingly important in factory production of physical lock products.

Digitization and mobility are strong drivers for product development and software is a central component. ASSA ABLOY is developing a range of standardized and open software combined with hardware, the physical lock solution, providing the functions customers want. Selling functionality, software, licenses and virtual keys opens up a large aftermarket with shorter life cycles in pace with rapid technology and demand developments.

Digitizing the home, with entry and exit control and other mobile and remote security, increases interest in management and control of home security. We often work in partnership with other digital home suppliers, such as Google Nest and AT&T, on Yale lock solutions that

combine remote control of the temperature in the home and the door with entry codes for family, friends and visitors, and facilities for real-time control, all in one cloud-based control system.

Apart from the security provided by the lock, new digital technology is about secure identification, one of the Group's strongest technology areas. Today identification through keycards and codes is most common, but our development also includes biometric authentication, such as fingerprint or iris recognition and sensors for gesture recognition.

Our intelligent doors are part of this trend. Electronics and sensors enable these smart doors to recognize an individual's identity and open at various speeds depending on whether the individual is young, old or disabled or pushing a baby carriage. Our intelligent door systems can also count entries and exits and send an alert when too many people are in the premises. Environmental sensors enable the systems to detect cold and warm air flows and temperature fluctuations, increasing energy savings.

Sustainability is one of the most important commercial drivers in the industry and is integrated into our product development from the concept stage to materials recycling. The basis is estimates of life cycle costs, climate impact, materials consumption and transportation solutions. Customer demand is strong for climate-smart security solutions ranging from intelligent, 'green' doors to total systems solutions for buildings with a particular focus on energy consumption control. We now work regularly on EPDs (Environmental Product Declarations) for our products and solutions and are developing entire eco-product ranges, with large materials and operational savings. The share of certified 'green buildings' is growing rapidly worldwide and these will account for around 55 percent of new commercial construction in the U.S. in 2016. Today this share has increased to 20 percent in China. This provides significant growth potential for ASSA ABLOY.

INCREASED COST-EFFICIENCY

The strategy to increase cost-efficiency is, in short, to radically reduce break-even costs through increased efficiency in all production and process stages. This delivers good results, which have contributed to stable margin growth in line with the EBIT margin target of 16–17 percent over a business cycle, despite constant margin dilution from our many acquisitions.

Our programs for rationalization of the production structure in particular are a framework for cost-efficiency initiatives. In short, they are the driver for retaining our assembly plants close to customers in high-cost countries, relocating component manufacture to low-cost countries, and increasing the share of component sourcing. In view of our acquisition activity with around one acquisition per month, this is a constantly ongoing task.

Between 2006 and year-end 2015, the Group closed 73 factories, converted 84 plants to assembly and closed 41 office units. The programs have resulted in a staff reduction of 10,750. Resources and costs have consequently not only been transferred to a low-cost environment with more efficient and more sustainable production processes, but also from production to product development and marketing close to the customer.

Increased sourcing is a key process. This has been fundamentally reformed since 2005, with professional purchasing teams with category responsibility, which manage supplier relations by means of long-term agreements. They integrate suppliers into our product development, drive standardization and develop suppliers towards increasingly sustainable operations based on our Code of Conduct and environmental certification. This process has been rapid. The number of suppliers has been reduced by 26 percent the last five years, and we can utilize the remaining suppliers with their lower prices and higher quality.

And much remains to be done. In our European plants, we have a large number of production platforms for more specific customer products. The next step is to radically reduce this number to a few basic platforms with machinery that produces standardized components and does not need frequent reconfiguration. With intelligent software platforms that gather large clusters of functionalities and customer needs, known as a modular software framework, we can move towards specially designed customer offerings. These efficiencies include a major focus on robotization. Americas division, for example, has tripled its number of robots since 2013, generating significant cost savings.

Our Lean projects are running smoothly and increasing in number. VA/VE analyses to avoid materials waste are a major success, contributing to large savings since 2007. The number of components can often be reduced by 20 to 40 percent in new designs, with a substantial improvement in sustainability.

Seamless Flow activities provide another major potential for cost reductions. 43 percent of our personnel costs relate to indirect support functions, which are entirely necessary for successful operations. But we can, on the other hand, reduce costs by automating these processes. This is taking place at a high rate and with large investments particularly in IT, which replace older systems for product data, ordering and invoicing, purchasing, inventory and logistics, wages, and e-commerce. This not only accelerates the processes, but also improves quality and makes them less prone to failure. Indirect production costs and overhead costs are falling. We have chosen to utilize the resulting savings to increase investments in product development and sales.

We are now developing Seamless Flow from an emphasis on cost reductions to becoming increasingly a revenue generator as well. This is about e-business, creating convenient online relationships that enhance added value and facilitate being an ASSA ABLOY customer. In addition to being able to see and order products online, customers can produce drawings and specifications with our support, receive fast technical support in an interactive dialogue with our specialists, and track orders, logistics and invoicing status in a deep and broad common web presence.

"We are well positioned for continued long-term profitable growth."

OUTLOOK

My judgment is that the global economic trend remains weak. Although America is showing a positive trend, Europe and many of the Emerging Markets are stagnating. However, our strategy of expanding in the Emerging Markets remains unchanged, since they are expected to achieve very good economic growth long term. We are also continuing our investments in new products, especially in the growth area of electromechanics.

The Group's strategy initiatives are based on profound, long-term trends in the global economy, which have proved durable over a very long period. These basically concern people's increasing need for safety and security as prosperity rises and urbanization continues, as well as the technological development towards increasingly digital and mobile security. In this light, I usually maintain very briefly that this is a good industry to be in. We also have a good culture for developing our company in the face of future challenges. I should therefore like to conclude by expressing my sincere thanks to all our employees whose major daily efforts ensure that ASSA ABLOY continues to be the most innovative and cost-efficient supplier of door opening solutions.

Stockholm, 5 February 2016

Johan Molin
President and CEO

INCREASE IN SALES 1994–2015

+1,800%

INCREASE IN OPERATING INCOME 1994–2015

+7,000%

Value creation strategy

Vision

- To be the global leading, most successful and innovative supplier 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.
- To be an attractive company for our employees.

Strategy and targets

Long-term and as an average over a business cycle

10% annual growth through a combination of organic and acquired growth

16–17% operating margin

Strategy for growth and profitability

The Group's overall strategic direction is to spearhead the trend towards increased security with a product-driven offering centered on the customer. The strategic action plans are focused on three areas: market presence, product leadership and cost-efficiency.

Market presence

Increasing growth in the core business and expanding into new markets and segments.

Product leadership

Continuously developing innovative products offering enhanced customer value and lower product costs.

Cost-efficiency

Reducing the cost base through improved processes, flexible final assembly close to the customer and production in low-cost countries.

Employees

Continuing professional development, skills and values are the basis for the Group's success.

Values

are based on accountability, equality principles and collaboration for a focused, results-driven company with high business ethics.

Sustainability

is integrated in all Group processes: innovation, product development, manufacturing, logistics and sales.

Value creation strategy #1

A world-leading market presence is achieved by increasing customer value and expanding into new markets and segments through organic growth and acquisitions. Customer value is supported by efficient segmentation of sales channels and the strength of the brand portfolio, which includes many of the industry's strongest brands and the global ASSA ABLOY master brand.

Market

#1

Global leader
in door opening solutions

×5

26 percent of sales
are on emerging markets,
a fivefold increase in nine years

51

Electromechanical solutions
account for **51 percent of sales**

presence

Increased market presence for profitable growth

ASSA ABLOY's market presence is driven by a basic need for safety and security. This need is satisfied by various types of door opening solutions. In pace with increasing prosperity, urbanization and technological development, this need increases at least at the same rate as GDP in mature markets and even more rapidly in emerging markets. Strategies to increase market presence focus on strengthening the master brand, creating customer value through segmentation, advice and close customer relations, increasing presence in distribution, expanding in emerging markets and in new technologies organically and through acquisitions.

Strong global drivers for growth

Need for increased security

Security follows a very old demand trend – the better off people are, and the more assets they have, the more their requirements increase for locks and doors to protect their property and family. Global security demand will continue to grow faster than the global economy. The growing middle class in the cities is a key factor and is forecast to double to 2 billion by 2030.

Urbanization

In an increasingly global economy, cities are the major dynamic growth factor. Cities are where the new service jobs are created and where young people migrate for a better future. Estimates suggest that another billion people will be city dwellers by 2025, which means that 4.8 billion people or 60 percent of the global population will live in cities.

Technological development

The main driving technological trend is digitization, i.e. IT's huge advances in electronic transfer of date, image and voice via computers and mobile devices. Demand is increasing sharply for new digital and mobile security technology to access buildings, open doors, access equipment such as computers, verify rights such as citizenship and driving licenses, and identify educational and professional competence.

Market segmentation

Three basic needs create demand for ASSA ABLOY's solutions:

Working and shopping

75%

Institutional and commercial market – share of sales

Institutional and commercial market – complex, demanding projects

Growth and prosperity are increasingly concentrated to the cities, where the growing service economy results in increased consumption demand. The number of new and renovated buildings for education, healthcare, public administration and office jobs, as well as shopping malls, stores and warehouses is forecast to increase very sharply in the 600 largest cities by 2025. This customer segment is ASSA ABLOY's largest, most demanding and dynamic. It accounts for around 75 percent of sales and has a higher profitability potential. Procurement is in the form of large, complex projects. Demand is strong for total electromechanical and advanced door opening and access control systems in which digital and mobile solutions are growing substantially. ASSA ABLOY's common sales force has contact with many stakeholders in the value chain to develop optimal solutions for customers' multifaceted needs. Distribution and installation are largely handled by installers, system integrators and locksmiths.

Small and medium-sized customers generally have a considerable need for professional advice and installation. ASSA ABLOY has a complete product and service offering, and is actively working to train distributors and to develop more standardized solutions for small and medium-sized businesses, such as stores and offices.

Living

25%

Private customers and residential market – share of sales

Consumer market – replacement and upgrade with advice and installation

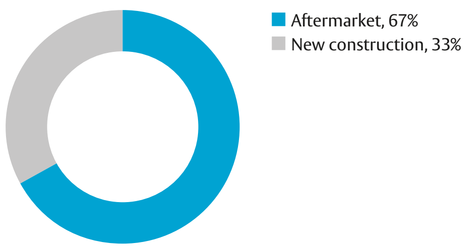
Housing construction is increasing sharply in the cities in emerging markets. But the main business in the consumer segment is maintenance and upgrade, due to the Group's very large installed base of residential locks. Demand is growing strongly for electromechanical products, driven by the home automation trend in which ASSA ABLOY supplies security solutions for entering and exiting private homes. ASSA ABLOY is spearheading this trend in partnership with other suppliers, and the home-owner receives advice and installation assistance from ASSA ABLOY and its distribution partners. The Group also cooperates with door and window manufacturers and specialist distribution channels such as DIY stores and locksmiths.

After-market

Stability, profitability and potential

Due to its unique global market penetration and the world's largest installed base of door opening solutions, two-thirds of ASSA ABLOY's sales are to the aftermarket, which is more stable than new construction. The aftermarket consists of renovations, refurbishments, extensions, replacements and upgrades, with good growth due to the shorter life cycle of digital and mobile door opening and access control technologies. ASSA ABLOY's software platforms for flexible solutions enable customers to constantly upgrade their security with more and new functions, licenses and subscriptions as technology and customers' security needs develop.

STABILITY IN THE AFTERMARKET



Market strategies

Strengthening ASSA ABLOY's world-leading market presence through constantly increasing customer relevance is a cornerstone in the Group for creating profitable growth. Market strategy is based on long-term technology-driven growth in demand on mature markets in Europe and North America and fast-growing demand on emerging markets driven mainly by urbanization. It has six sub-strategies: developing and exploiting the strength of the brand portfolio, increasing growth in the core business by segmentation, building customer relationships through competence and specification, increasing market share with distributors, expanding in new markets and product segments, and acquiring companies.

ASSA ABLOY's world-leading market presence is based on three strategies:

- exploiting the strength of the brand portfolio,
- increasing growth in the core business and
- expanding into new markets and segments.

Increasing growth by segmentation and specification

Over the past seven years ASSA ABLOY has made a significant global strategic shift to an increasingly market-oriented organization, in close collaboration with architects, security consultants, major end-users and distributors. The main growth potential is found in existing market channels, partly driven by an increased share of distributors' sales, and in an increased service level and integration with customers through retail channels.

One important initiative is the focus on increased customer relevance through market segmentation and an increased share of distributors' market share. Sales teams focus on different customer segments to gain the industry's best understanding of customer needs, build relationships and generate demand, thereby becoming the end-user's door opening solutions expert. ASSA ABLOY supports customers and their consultants with advanced digital tools for 3D modeling and BIM (Building Information Modeling), which simplify planning processes and strengthen customer relationships. Segmentation aims at total door opening solutions customized to the doors' applications. It handles security and convenience aspects, sustainability, special local requirements for compliance with standards and regulations, and the need for integration into new or existing security systems and IT networks.

This initiative has resulted in a significant transfer of resources towards the customer and an increase in customer-facing staff with a demand-generating responsibility. In the EMEA division, the number of customer-facing staff has increased with 22 percent in five years, while the number of non-customer-facing staff has decreased correspondingly. In ASSA ABLOY Door Security Solutions, the leading sales organization for the U.S. and Canada, the share of customer-facing staff has increased from 35 percent in 2004 to nearly 60 percent. The share is also increased in the other divisions. This is an ongoing trend.

Acquisitions

Acquisitions are an important part of the strategy to increase market presence. The ambition is 5 percent acquired growth per year over a business cycle. Since 2006 the Group has made over 140 acquisitions, with a focus on expanding in emerging markets, complementing existing operations, and increasing technological breadth and depth. 2015 saw 16 acquisitions, which increased Group sales by SEK 2,500 M or 4 percent.

ASSA ABLOY secures India's largest and busiest railway station and lifestyle center

CUSTOMER: Seawoods-Darave is located in Mumbai and is India's largest and busiest railway station. The building also houses an exclusive lifestyle center, with high-end stores, offices and parking space.

CHALLENGE: Seawoods is a multifaceted project comprising a modern railway station, offices, stores, restaurants, parking space etc. A total of 6,000 door locks were supplied within a very tight time frame. Apart from the huge scale of the building, the challenges for ASSA ABLOY India were supplying products for a number of different applications. In addition, a large number of components and hardware for glazed doors were required.

SOLUTION: A team was formed comprising representatives from ASSA ABLOY India, the distributor and ASSA ABLOY's regional office in South Asia. To create an optimal customer experience and provide a cost-efficient solution, ASSA ABLOY India chose to offer products from several different Group companies, including fire-rated lockcases, electromechanical locks, fire-resistant door seals and moldings, and door dampers and locks.

70% 70 percent of Group sales are under the ASSA ABLOY brand or a combination of the master brand and local brands.

ASSA ABLOY's BRAND STRATEGY

The ASSA ABLOY master brand

ASSA ABLOY

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

Silvana ASSA ABLOY · LOCKWOOD ASSA ABLOY · GULI ASSA ABLOY · Crawford ASSA ABLOY · Corbin Russwin ASSA ABLOY

SARGENT ASSA ABLOY · IKON ASSA ABLOY · besam ASSA ABLOY · AMERISTAR ASSA ABLOY · Ruko ASSA ABLOY

Global brands with a unique market position

Yale · HID · ABLOY · MUL-T-LOCK

Examples of non-endorsed product brands

ENTREMATIC · flexiforce

Exploiting the strength of the brand portfolio and the sales force

ASSA ABLOY has considerable value in its well-known brands, several of which have been acquired through the Group's many acquisitions. To achieve optimal leverage and cross-fertilization on the brand portfolio globally, regionally and locally, the brands are being consolidated in parallel with market and customer segmentation. Significant investments are also being made in marketing and launching new products that add value to the different brands.

ASSA ABLOY is the global master brand and is often combined with individual brands well established in local knowledge, regulations and security standards. The Group thus capitalizes on its large global installed base, while increasing the visibility of the ASSA ABLOY master brand, which unites the Group's sales departments and represents innovation, leading technology and total door opening solutions. 70 percent of Group sales are under the ASSA ABLOY brand or a combination of the master brand and local brands.

The ASSA ABLOY master brand is complemented by global brands, which are all leaders in their respective market segments: HID in access control, secure card issuance and identification technology, Yale in the residential market, Mul-T-Lock for locksmiths, and ABLOY in high-security locks. These brands account for around 18 percent of Group sales.

The Group also has non-endorsed product brands, such as Entrematic, Flexiforce and JPM. These brands are known for their leading competence in specialty products and service or being a market channel justifying their own brand strategy. They account for around 12 percent of sales.

In order to compete effectively on a global market, the sales force operates as an integrated organization and represents the ASSA ABLOY master brand. The sales representatives create solutions for the customer using various products manufactured under established local brands. Consequently, customers can be offered total door opening solutions, while buying well-known local brands. A specialist brand organization has the task of strengthening brand and design development, with a focus on the ASSA ABLOY master brand. It is intended to systematize product design, brand identity and IP protection.

During the year hospitality operations were united under the overall ASSA ABLOY Hospitality brand, while the former VingCard Elsafe brand was converted into a product line under the ASSA ABLOY brand.

Markets

The global market for door opening solutions is growing more rapidly than global GDP. ASSA ABLOY is the industry's most global player and is represented in more than 70 countries, with sales worldwide. The Group has been focusing for several years on increased market presence in emerging markets, which have a considerably higher growth rate than mature markets. Their share of sales has increased from 10 to 26 percent in nine years. ASSA ABLOY's global expansion takes place through organic growth and acquisitions.

Major differences and globalization – advantage for ASSA ABLOY

The difference in demand for door opening solutions between countries is significant due to different climates, development level, regulations and standards. As the most global player with a local presence on all major markets, this gives ASSA ABLOY competitive advantages. The same applies to the globalization trend, which is driving development towards a more similar security approach among multinationals seeking smart and cost-efficient corporate solutions.

The mature markets in North America, Europe and Australia account for three-quarters of ASSA ABLOY's sales, with demand growth around or just above GDP growth. Demand is now shifting increasingly towards electromechanical technology, with very rapid growth in higher value digital and mobile solutions. The mature markets' share of the Group's total sales will decrease in favor of emerging markets. Annual sales growth in Asia, Latin America and Africa has been between 10 and 30 percent for several years.

Demand for mechanical locks is higher in these continents than in mature markets, but the rapid spread of technology and the increase in prosperity result in very high growth figures for electromechanical solutions. The major global shift towards more electromechanical products is mainly in the commercial segment. However, sharply increased demand for digital and mobile security solutions has also been seen in the consumer market over the past two years.

The very large Chinese market remains an important expansion area for the Group although the growth rate was negative during 2015. As a result of organic growth and more than ten acquisitions, ASSA ABLOY's sales in China have increased from SEK 457 M in 2006 to SEK 6,471 M. Today the Group is China's largest manufacturer and supplier of lock solutions. The profitable aftermarket for maintenance and upgrades already accounts for around one-third of sales.

Africa has high growth and considerable potential. The Group is concentrating its market presence to the 40 largest cities, which account for 90 percent of the continent's GDP. Sales in Latin America have increased over 60 percent in five years to SEK 2,500 M. Eastern Europe is also an interesting market in the longer term. The Group has a large share of its production in the region, and sales have more than doubled to SEK 2,626 M since 2006.

Fragmented competition – continued consolidation

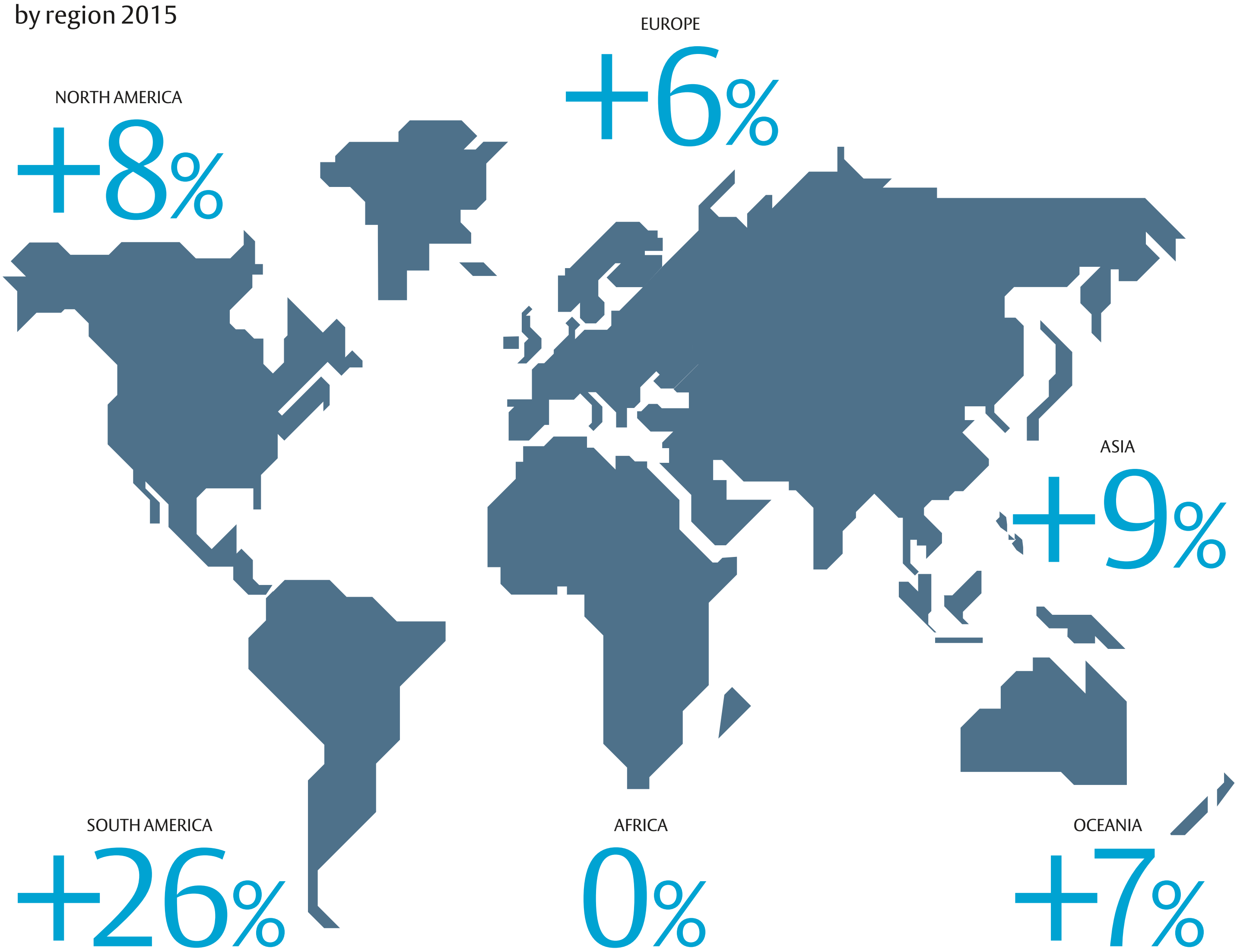
The global door opening solutions market remains fragmented, with a large number of smaller regional and local businesses, particularly in emerging markets and Europe. Consolidation has been in progress for the past 20 years, with ASSA ABLOY as the driving force. It is still quite common for companies in Europe, for example, to be family owned and have a strong position in their respective domestic markets. They are often well established and have strong ties with local distributors. In emerging markets, established lock standards and brands are less common and markets are even more fragmented, such as in Asia where the largest manufacturers have a relatively low market share.

ASSA ABLOY is easily the global market leader and considerably larger than its closest competitor, the German-Swiss group Dorma-Kaba. Other important competitors with operations in ASSA ABLOY's segments are: Stanley Security (USA), Allegion (USA), and Hörmann (Germany).

SALES BY PRODUCT GROUP

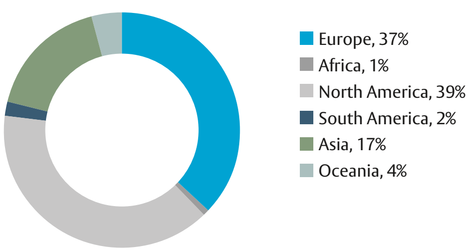
- Mechanical locks, lock systems and fittings, 29%
- Entrance automation, 26%
- Electromechanical and electronic locks, 25%
- Security doors and hardware, 20%

Growth in Group sales by region 2015

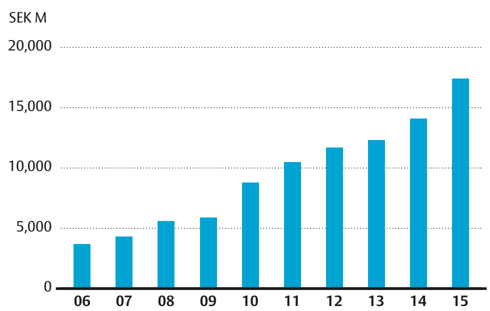


Geographical expansion is mainly achieved through acquisitions of leading local companies with well-known brands, in order to build a strong platform on emerging markets in Asia, eastern Europe, the Middle East, Africa and South America. Emerging markets have increased their share of Group sales from 10 percent nine years ago to 26 percent in 2015.

SALES BY REGION



SALES ON EMERGING MARKETS[1]



[1] Emerging markets are Africa, Asia, the Middle East, South America and eastern Europe.

Distribution

Distribution is an important part of ASSA ABLOY's value creation. Depending on customer needs, the product and solution, and national and local requirements and standards, the Group reaches its end-customers through a variety of distribution channels at various stages in the supply chain. The number of customer-facing staff has increased substantially over a number of years. ASSA ABLOY has a competitive edge due to its well-developed cooperation with distribution players thanks to its specialist advisers, the specifiers. The aim is to increase knowledge and demand by offering competence and digital tools as early as possible in the planning, specification and design of door opening solutions.

Value creation in distribution

ASSA ABLOY is increasingly becoming a supplier of integrated concepts for total door environments. This takes place in close collaboration with customers and their advisers in distribution, creating good customer relations, market demand and entry barriers for competitors. Distributors also play a key role in providing service and support after installation.

The distributor's role varies between different customer segments. In the commercial segment, distributors in some markets act as consultants and project managers to create good security solutions. They have a good knowledge of customer needs and ensure that the products comply with local regulations. Electromechanical security products reach the end-user through security installers and specialist distributors. These products are also sold through security systems integrators, who offer a total solution for the installation of perimeter protection, access control, and increasingly computer security.

Distribution channels for the security market

ASSA ABLOY creates considerable value for customers in the distribution process. The Group's advisers, the specifiers, provide specialist advice on security solutions. Architects, building and security consultants can use ASSA ABLOY's BIM technology to specify and test solutions in 3D on computer screen for 3D models of buildings and door openings, and order products online.

DISTRIBUTION takes place through many different players depending on customer segment and stage in the supply chain: security systems integrators, locksmiths, security installers, building and lock wholesalers, retailers, DIY, hardware and security stores, OEMs, door and window manufacturers.

Building and lock wholesalers, security consultants and locksmiths have a key role in delivering and installing the products specified for various construction projects.

Specification – advice and digital tools

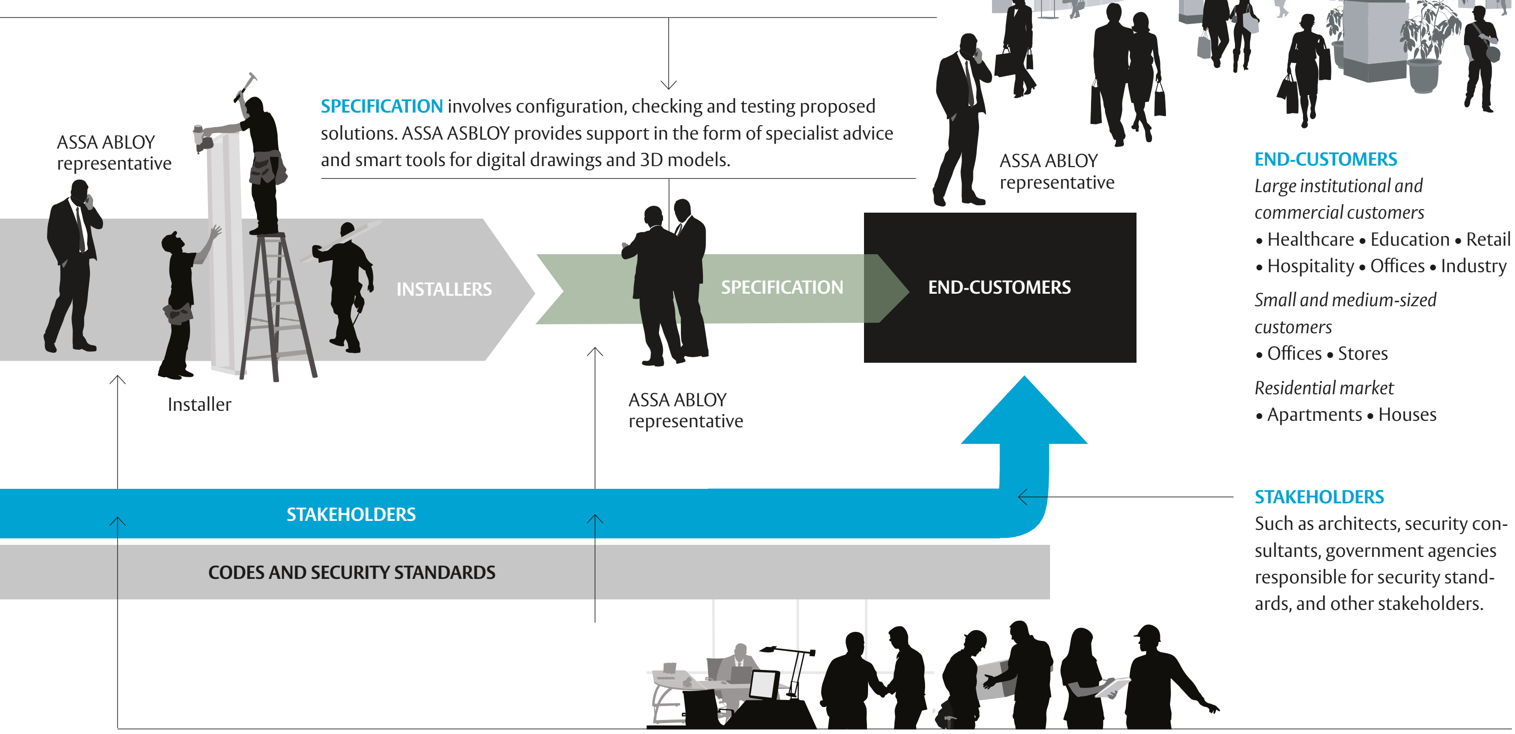
Rapid technological development and the growing number of requirements and standards, especially in the area of sustainability, are constantly increasing complexity for construction companies and other end-customers. The trend is from component order to prefabricated door openings and advanced total door opening solutions. This is also increasing the competence required by distributors. A central role in marketing is therefore played by the Group's specifiers, who have increased sharply over the past few years and continue to increase rapidly, especially in emerging markets.

Specification teams work as specialist advisers to customers, helping them specify products and select total, well-functioning and economic security solutions. They also collaborate with other key groups early in the order chain, such as building consultants, architects, security consultants and building standards agencies, to introduce new, innovative security solutions and to create demand with their business-driving competence.

The Group is spearheading the industry trend for product configurations and 3D modeling (BIM), which facilitates the work of architects and building consultants. BIM makes it possible to create digital models of buildings into which ASSA ABLOY products can be dropped in 3D. A door design can then be checked and tested on the computer screen, and ordered online. Distributors have constant access to the Group's advice.

Building and lock wholesalers, security consultants and locksmiths have a key role in delivering the products specified for different construction projects. Many door and window manufacturers install lockcases and hardware in their products before delivery to customers. ASSA ABLOY also shares competence with locksmiths, a key distributor of mechanical and electromechanical security products in many markets. Locksmiths buy direct from ASSA ABLOY or through wholesalers and provide advice, delivery, installation and service. Some locksmiths have an increased focus on electronics, while IT integrators are increasingly offering physical security solutions.

More advanced electronic and digital security solutions mainly reach the end-user through security installers and specialist distributors. These products and solutions are also sold through systems integrators, who often offer total solutions for the installation of perimeter protection, access control and computer security.

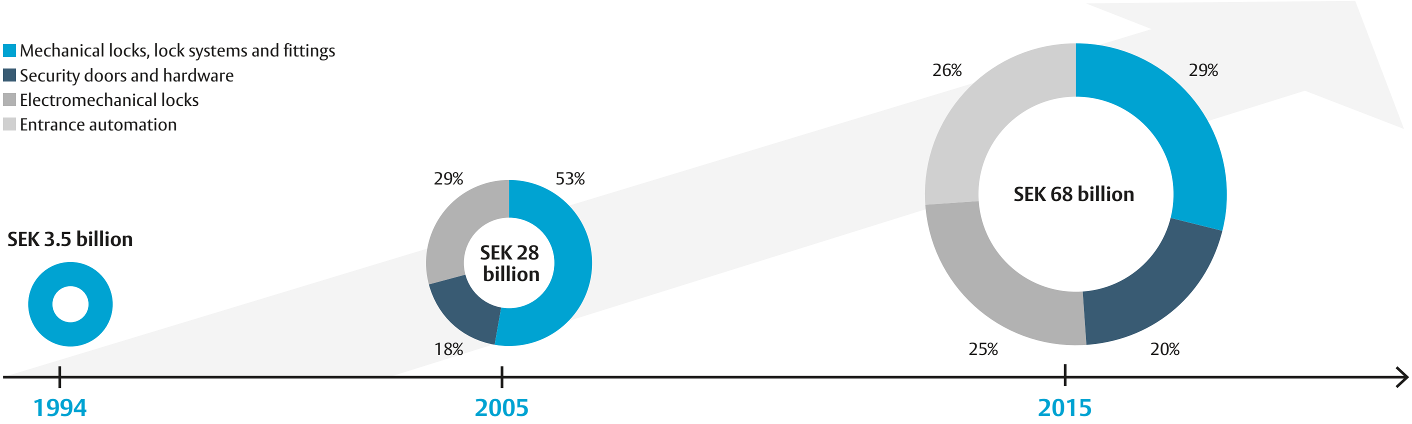


On the basis of ASSA ABLOY's advice and close collaboration with customers, architects and security consultants, door and window manufacturers can install lockcases, hardware and other fittings in their products before delivery to customers.

Electromechanics: digital and mobile next stage

The global market for door opening solutions is undergoing a technology shift from mechanical to electromechanical and electronic products. Electromechanical products have increased from 29 percent of Group sales in 2005 to 51 percent in 2015. Demand for mechanical products continues to increase, but is falling as a share of total sales. The Group is now leading development in a third technology phase of growth for digital and mobile security solutions. Entrance automation is also growing very rapidly and the Group has a global market-leading position.

EMERGING TRENDS: ELECTROMECHANICAL LOCKS, SECURITY DOORS AND ENTRANCE AUTOMATION



Electromechanical products

Increased demand for electromechanical products is a strong trend, with customers looking for total security solutions and convenient door environments. In emerging markets, more and more people are skipping the traditional mechanical stage in favor of electromechanical solutions. Increased technical standardization is driving integration of various components in the security solution. ASSA ABLOY's products aim at open standards to facilitate integration with the customer's other security and administrative systems.

Digitization and mobility

Advances in IT are taking electromechanics into a new phase. Demand is increasing very strongly for digital and mobile solutions to create secure and convenient access to buildings, verify authorization and identify individuals. The market is expanding and business opportunities are increasing as technological development leads to shorter and shorter life cycles, more frequent upgrade needs and more value per product. ASSA ABLOY is spearheading this trend with an increasingly advanced service offering, which results in larger recurring revenue streams based on long-term supply and service collaborations, cloud services, licenses and subscription agreements.

Security doors

Security doors are a segment in which ASSA ABLOY has expanded strongly through acquisitions into a leader on a number of markets, including China. The Group has a complete global range of products and services for most environments with exceptional security requirements, with a high innovation and product development rate.

Entrance automation

Entrance automation is a fast-growing market in which ASSA ABLOY has gained global market leadership through acquisitions, innovation and organic growth. The total market is estimated at EUR 20 billion, with a growth rate above global GDP, and remains very fragmented. The largest potential is in retail, transportation, logistics and manufacturing in the wake of increased globalization. ASSA ABLOY has a unique offering of total automatic entrance solutions, rapid product development and a comprehensive service concept.

Ultramodern access control in new Red Cross office

■ **CUSTOMER**: In collaboration with the architect Francisco Daroca Bruño, the Spanish Red Cross in Córdoba wanted to create a new office building, with a human-centered design, to reflect the organization's humanitarian work.

■ **CHALLENGE**: The main challenge was to provide the highest possible security level for a large number of users. The Red Cross wanted to replace all the mechanical keys, enable security managers to grant access remotely, and manage several facilities from the same place. At the same time, they wanted high user security, and to manage the operation's various users, including 3,000 volunteers, 100 employees, visitors and emergency service staff.

■ **SOLUTION**: ASSA ABLOY's wireless access system SMARTair™ satisfies the Red Cross most important requirement: an effective system that can be configured and upgraded and satisfies all the users' needs. The doors are now opened by programmable smart cards, eliminating the risk of lost keys. A single system gives property managers control over who enters and exits the building and when.

The wireless system enables security staff to monitor the building's security status in real time. Events can be simply tracked, and the system can easily be expanded should the Red Cross want to integrate more facilities in the future.

The aesthetic factor was also decisive for the Red Cross choice. Glazed doors blend well into the open and transparent building. ASSA ABLOY also supplied panic hardware, door closers and sliding doors.

ASSA ABLOY supplies hi-tech fire doors for China's highest building

The Shanghai Tower, which is specially designed to withstand strong winds, was fitted with nearly 6,000 hi-tech fire doors.

■ **CUSTOMER**: Shanghai's latest landmark, the Shanghai Tower, is the tallest skyscraper in China. The 632 meter high building with a twisted form has 127 floors and an area of 576,000 square meters. From above, the roof is reminiscent of a guitar plectrum.

A wind tunnel test showed that the building's design reduces wind loads by 24 percent. This is an important factor in Shanghai, which is often hit by typhoons.

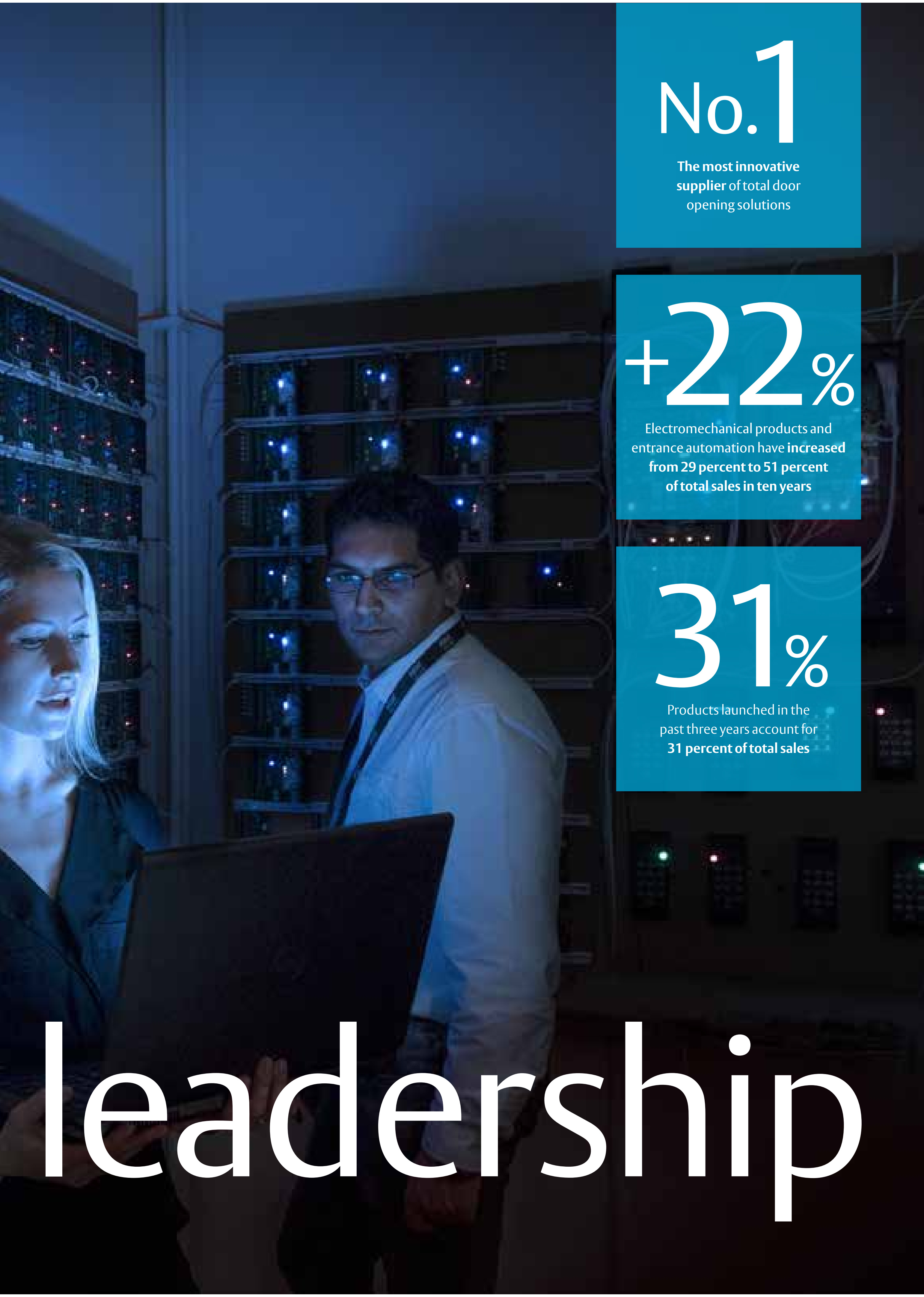
■ **CHALLENGE**: Nearly 6,000 fire doors were supplied for the Shanghai Tower. It was a complicated project – in view of both the building's scale and the need for a large number of different types of hardware for doors in various parts of the building (e.g. data center, electrical plant room, risers, corridors and offices). The project required a number of suppliers with advanced manufacturing facilities and technologies.

■ **SOLUTION**: ASSA ABLOY Tianming put together a special project team with experts in areas such as product design, quality control and security. The goal was to create a good understanding of the customer's needs, by means of data analyses and a survey of the characteristics of each individual door. In the end, around 100 different door types were installed, with some of the largest doors leading to further production and installation challenges. Apart from being fireproof, the doors also needed effective sound and heat insulation, and a high security level. Another requirement was a means of rapid evacuation in case of an emergency.

Value creation strategy #2

Product leadership is achieved through innovation and continuous product development to enhance customer value and quality, and reduce product costs. Customer benefits are developed in close cooperation with end-users in a constant process of many small steps. The objective is to meet or exceed customer expectations.

Product



No.1

The most innovative supplier of total door opening solutions

+22%

Electromechanical products and entrance automation have **increased from 29 percent to 51 percent of total sales in ten years**

31%

Products launched in the past three years account for **31 percent of total sales**

leadership

Technological leadership in digital and mobile world

A constant flow of new, innovative and sustainable products to the market is the single most important driver for achieving ASSA ABLOY's target of 5 percent organic growth. The Group's vision is to be the most innovative supplier of total door opening solutions, in order to deliver trouble-free, secure and well-designed security solutions that provide real added value to customers. Products launched in the past three years now account for over 30 percent of sales, compared with 15 percent ten years ago, as a result of significant efforts.

Product leadership

Today ASSA ABLOY is well established as the global product leader in mechanical, electromechanical and electronic locks and door opening solutions. The Group is also leading development in the next major technological stage towards the digital and mobile world's solutions comprising intelligent, networked and connected products. R&D investment has increased 230 percent since 2005, reaching a new record level of SEK 1,932 M in 2015, equivalent to 3 percent of sales. The Group-wide structured innovation process with common platforms, Shared Technologies and development centers in all divisions is driven by the ambition of doubling the innovation rate.

The main driver for innovation and product development is the development of digital technologies and fast-growing demand for electromechanical products and solutions. Since 2005 these have increased from 29 percent to 51 percent of ASSA ABLOY's sales, equivalent to SEK 27 billion in growth. Mechanical products continue to increase, but electromechanical products are growing considerably faster.

More electromechanical products also mean an increase in the sales value per door, as well as in the recurring revenue from service and upgrades. The share of installed doors fitted with some form of electromechanical solution is estimated at around 5 percent and is forecast to reach 20 percent or more in the future, representing a strongly growing market for upgrades and new sales.

Another important driver for product development is the sharply rising demand for sustainable solutions. Investments in sustainable buildings are increasing worldwide, with requirements for energy savings, lower materials consumption, and renewable or recycled materials becoming increasingly important. Demand for Environmental Product Declarations (EPD) has shown a marked increase and is already a prerequisite for taking part in much of the market.

As a result, the product's environmental impact has to be documented for the whole chain from materials choice, manufacturing processes and transportation to use and recycling. ASSA ABLOY's sustainability program is integrated into the development process from the concept stage to recycling of worn-out products. Specifications for the development of new products and customer solutions may be based on life cycle analyses and a reduction in energy consumption in buildings, as well as concrete savings in materials consumption, packaging and transport solutions. ASSA ABLOY can standardize materials, reduce the number of components, constantly improve quality, and considerably reduce the costs of each new product by developing common technology platforms and modular systems.

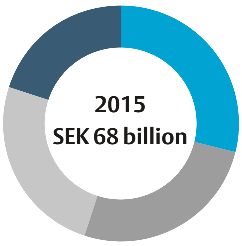
The strategy for product leadership is based on four points:

1. Developing and exploiting the advantages of a Group-wide, structured innovation process.
2. Applying Lean technologies in product development based on product management and customer insight.
3. Developing and using common technology platforms and common technologies.
4. Continuing to expand the number of R&D competence centers close to customers.

Future security solutions

CHANGE IN PRODUCT MIX

- Mechanical products, 53%
- Electromechanical products, 29%
- Security doors, 18%



- Mechanical products, 29%
- Entrance automation, 26%
- Electromechanical products, 25%
- Security doors, 20%

Since 2005 electromechanical products, including entrance automation, have increased from 29 percent to 51 percent of Group sales.

With digital and mobile technology, ASSA ABLOY is spearheading development in third generation door opening solutions. Mechanical products remain the basis of the Group's offering. Electromechanical technologies in locks, doors and industrial doors have grown very strongly for over ten years and have multiplied the market. The next technology stage is intelligent, networked and connected products. Solutions controlled by in-house developed software and cloud-based systems solutions provide new customer value and further growth opportunities.

The total door opening solution is ASSA ABLOY's strength, due to the Group's versatile technologies and broad ranges comprising everything from traditional products to hi-tech solutions with which a variety of door environments can be built, constantly developed and customized. Development takes place in stages:

- from a good base product,
- to a smart product, which can be remotely controlled,
- to a system of products with several security functions in one building,
- to a complete, intelligent ecosystem, which coordinates multidimensional security solutions for whole complexes of buildings, with user identification and preventive and acute signaling of security risks.

The capacity to develop total digital and mobile door opening solutions gives ASSA ABLOY significant competitive advantages. Demand for the new technologies is growing rapidly in all segments in new buildings, as well as in supplementing and upgrading old installations.

Improved function and more value from operational cost savings create increased value for both the customer and ASSA ABLOY. Rapid technological development leads to shorter life cycles with more frequent additions, replacements and upgrades. The trend towards complete multifunctional and complex systems is creating new business opportunities.

As ASSA ABLOY's product portfolio contains more electronics and software, the share of service content in the Group's offering, such as upgrades and licenses, increases. The solutions tie the customer closer and create a recurring revenue stream.

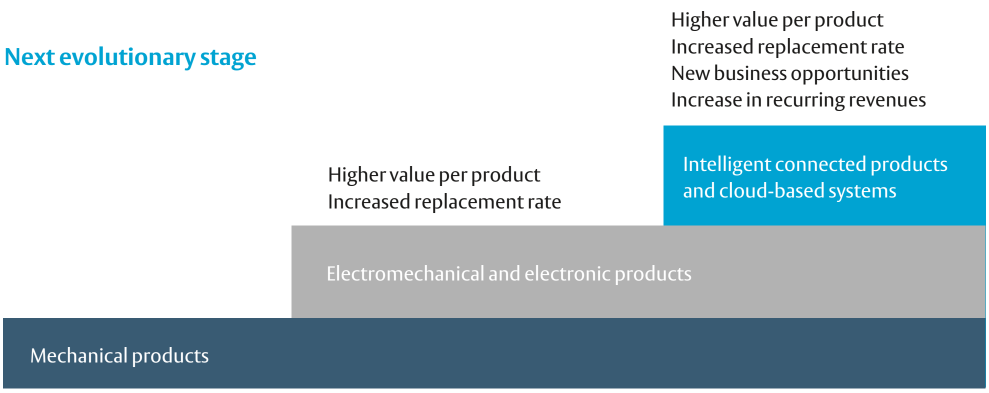
Central to future access control systems is the capacity to create digital identities, which are represented in mechanical systems by holding a key that fits a lock. The cell phone and wearables are rapidly becoming people's main identity carriers. ASSA ABLOY has a broad offering in secure digital and mobile identity and access management, with various layers of security and control. It is based on Seos, which forms the basis for an ecosystem of mobile services and products.

In a world of the Internet of Things and digital homes, where people and appliances in the home and equipment at work are connected, ASSA ABLOY's security competence, products, solutions and Seos platform are a strongly growing integrated part. The Group works in close partnership with a number of suppliers and launched groundbreaking collaborations with AT&T and Google Nest in the area of home automation in 2015. Several new segment-specific solutions were launched, such as Accentra for apartment blocks and new applications for the CLIQ system.

Modular systems

In order to spearhead this rapid technological development, ASSA ABLOY has developed processes and methods based on a modular approach and Lean principles in the innovation process. A modular design provides opportunities for reusing a design, drawings and models, and substituting parts of a product or solution without needing to redevelop the whole. For a group with ASSA ABLOY's broad product portfolio, it is especially important to benefit from synergies in the development process even between products that have little in common at first sight.

Next evolutionary stage



Today mechanical and electromechanical door opening solutions are predominant worldwide. But development is now entering a third technology phase, the digital and connected phase. This means that the necessary basic function of a mechanical lock cylinder, door and entrance environment can be digitally controlled for more effective and convenient function, and lower operating costs in large multifunctional systems. Shorter life cycles with more frequent additions of new technology solutions create business opportunities for ASSA ABLOY.

Innovation management – for efficient innovation

A prerequisite for ASSA ABLOY's product leadership and sharply rising innovation rate is the focus on an increasingly effective Group-wide innovation process. It is driven by the Group target that products launched in the past three years should account for at least 25 percent of sales, which has already been achieved. Guiding principles are insight into customer needs, product management based on a long-term plan, active management of product portfolios, and a cost-efficient innovation process.

Value creating products

Each new product and product solution should create as much customer value as possible through improved function and cost savings in the form of more efficient designs, better materials and component choices, and improved processes. All new projects aim to solve an identified customer need and are based on insight into underlying customer needs and requirements.

Customer insight

ASSA ABLOY works systematically to gain a deep understanding of customers and their expressed but also their long-term, non-expressed needs. Broad monitoring and collection of market data and surveys of different customer segments are conducted on an ongoing basis. The Group attaches great importance to ethnographic and market surveys in order to understand non-expressed needs. Many employees take part each year in special programs to systematize customer insight collection. This knowledge is used for both generating product concepts and planning for the future.

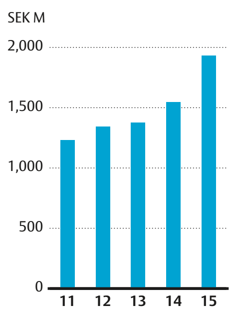
Sustainability

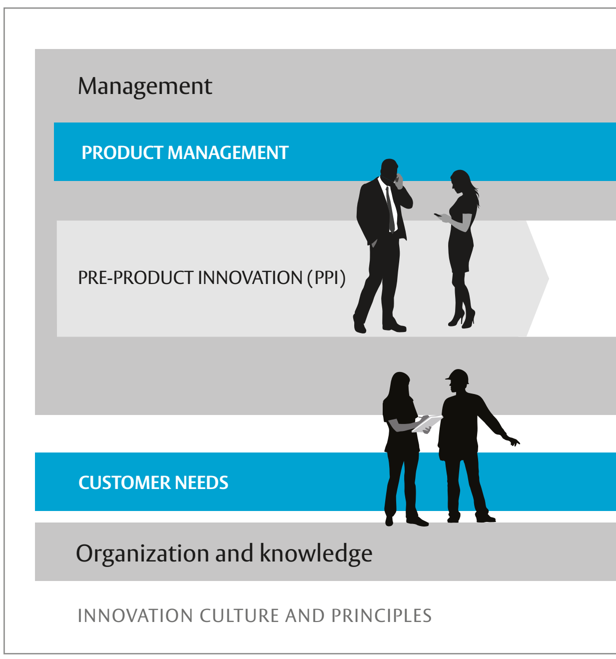
Sustainability performance is a prerequisite for successful product development. ASSA ABLOY's products play an important role in customers' energy efficiencies, since the building's various openings can account for up to 20 percent of energy consumption. Today, around half of all U.S. buildings already have an energy rating, which affects the prices developers and landlords can charge tenants. The goal is not only to focus on functions that increase energy efficiency on entry and exit and temperature control, but also to reduce energy consumption in the operation of doors and industrial doors.

Design and design language

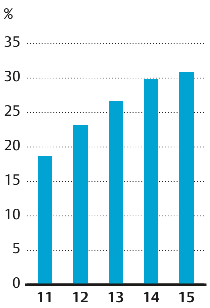
In markets with competent competition and an increasing number of professional customers, the importance of smart, attractive and functional design is vital for differentiation and a distinctive image. The Group has established a unit for development of industrial design and a common design language. ASSA ABLOY has a long, successful history of acquisitions and integration of people, products and brands. A common identity strengthens integration and facilitates matters for customers.
A Group-wide design center is the next step in the

INVESTMENTS IN RESEARCH AND DEVELOPMENT





SALES OF PRODUCTS LAUNCHED IN PAST THREE YEARS



development, to create an even clearer expression of ASSA ABLOY's basic values and the physical experience of products with common guidelines for design, location of brand names, colors and visuals.

Product management

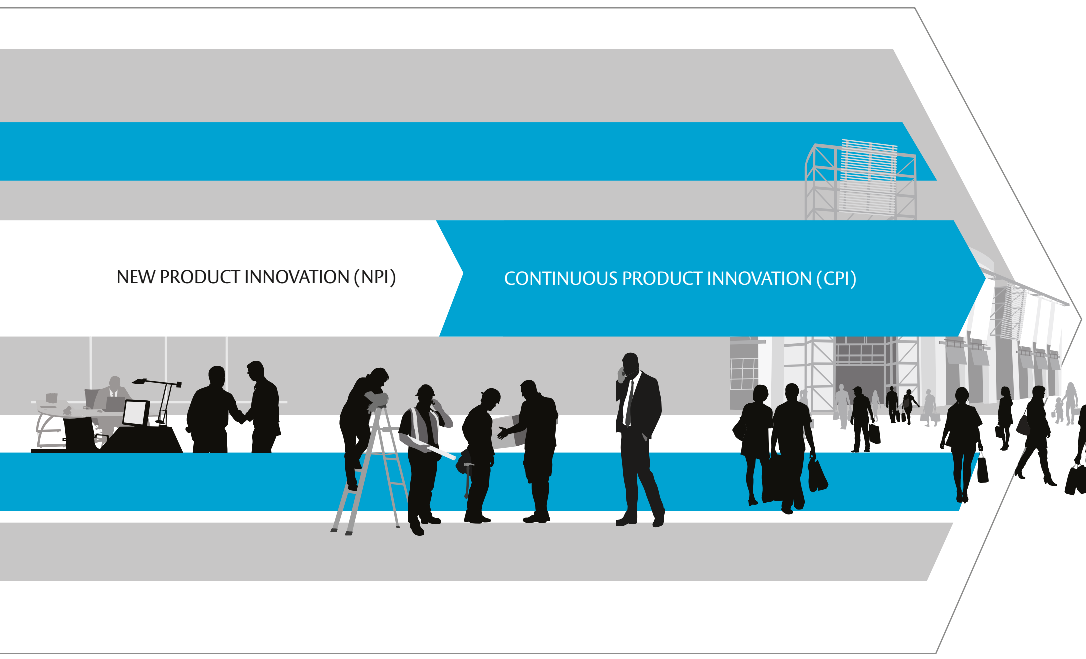
Product management is a critical component in the Group's innovation system. It ensures that each product group has a vision-based long-term plan founded on market insight, technology development, customer value and each product's strengths. These plans form the basis for the portfolio balancing that must then take place across all product groups within each unit. It aims for a balanced mix of initiatives to be implemented, based on the resources available. The projects are planned and run on Lean principles, with cross-functional participation and visual management. All innovation operations are run with regular interaction between all decision-makers and those needing information and decisions. This results in high transparency, quality and momentum (pulse) in the innovation process.

ASSA ABLOY conducts three types of innovation project: pre-product innovation, new product innovation and continuous product innovation. All project types are run on Lean principles, focusing on results. An important part of the process is a modular approach, which provides an opportunity to reuse a design and substitute parts of a product or solution without needing to redevelop the whole.

Shared Technologies, the Group's common development unit, plays a central role in the innovation process and develops new, global, common product platforms together with the divisions. This initiative has been very successful and contributed to a rapid increase in the number of development engineers. Work began with well-known ASSA ABLOY technologies such as CLIQ, Hi-O and Aperio. Since then improvements and new functions have constantly been added, with a large number of hi-tech modular blocks that create whole ecosystems of customer services. Shared Technologies is based in Sweden, with operations in Krakow, Poland and in Gurgaon, India, providing opportunities for 24/7 service and better global support.

Product Data Management

The Group is continuously investing in the innovation process to increase effectiveness, such as its investment in a Product Data Management System. This links up a Group system of databases, mechanical and electronic CAD tools, and information software, and allows smooth communication with the customer's business systems and other design and product development systems. In order to guarantee high IT security in product development and for products and product platforms, ASSA ABLOY has recently created a Software and Security Center for the Group, which develops methodology and processes, establishes standards, provides training and conducts tests.



Innovation management – our method

Innovation management is ASSA ABLOY's common method for the development of new products and solutions. It is about focusing on the right initiatives and implementing them in the right way to optimize the use of both human and financial resources.

Product platforms

CLIQ®

CLIQ® is a secure locking system with advanced micro-electronics in programmable keys and cylinders.

The system offers a large number of combinations of mechanical and electronic products, which satisfy various requirements for secure, flexible access control. Most types of locks can be fitted with CLIQ technology, which together with various software programs provides the global market with customized, flexible access control solutions.

Each key can be programmed and updated individually in the wireless system, to give access to specific areas at specific times on specific days. This creates maximum flexibility and makes it possible to constantly tailor access rights. The programmable CLIQ keys are battery operated.

Intuitive software makes it easy to manage access rights, activate or block keys, and create schedules of access rights anywhere and at any time.

ASSA ABLOY can also help companies store data securely.

Seos®

Seos® is a groundbreaking identification technology, which represents a new approach to user experience. Seos solutions allow the customer to use various devices, from smart cards to cell phones, for secure access to applications with the best security and integrity protection on the market.

Seos' applications range from building access control, computer login and cashless payments to IoT (Internet of Things) applications, time and attendance reporting, and secure printing.

This dynamic, standards-based technology is already well tested on the market and offers a variety of options for use. Seos enables customers to secure more applications than ever using every possible combination of cell phones, smart cards, tablets, wearables, bank cards, key fobs, inlays and other smart devices.

Seos is supplied by ASSA ABLOY through the Group's own solutions on various markets. In addition, the technology is available on license in products from other manufacturers, to accelerate broader use.

Aperio®

Aperio® is a technology developed as a complement to existing electronic access control systems. It is a simple, neat way for end-users to improve the security and control of their premises.

Central to Aperio is a wireless communications protocol, which functions at short distances and can connect an online access control system to an Aperio-compatible mechanical lock.

An unlimited number of existing or new doors can be fitted with Aperio. It is much more cost-efficient than installing hard-wired access control in each door.

Aperio can easily be integrated with most units and systems, irrespective of manufacturer, as the technology has been developed around an open standard.

Adding more doors using Aperio technology allows you to extend your access control system and improve the security of your premises. The products are easy to install and contribute to more effective management and monitoring of the whole system. Moreover, they provide a further security level between wired doors and mechanical cylinders.

If all the doors in the system are connected online, you can update access rights in real time, resulting in a high security level. The fact that you can track events and manage time zones further increases control options. Aperio technology may be used to advantage in a system together with wired doors, and is also tailored to future security requirements by AES encryption.

Hi-O™

HI-O TECHNOLOGY™

Hi-O (Highly intelligent Opening) is a concept that simplifies installation, service and maintenance of connected doors thanks to advanced technology and the plug-and-play principle.

Hi-O is a standardized technology for control and security of door environments. The technology enables interconnectivity, that is, communication between all the components included in a door opening solution. These components speak the same language, regardless of who manufactured the system. This contributes not only to higher security, but also facilitates the management and control of the doors.

Since intelligence has been embedded in each unit, Hi-O technology enables rapid, flexible information on the door's operational status, allowing planned service and preventive maintenance to be performed in good time.

As a result, the components can be replaced before they fail, eliminating the need for expensive repairs and creating a more secure environment.

Installation is moreover simple and cost-efficient, thanks to plug-and-play. When the new device is connected, it automatically searches for other network components and starts sharing data, facilitating updating and expansion of the system.

Hi-O uses a CAN network for data communication so that connected devices can share and exchange encrypted information.

ENTR is a new, eco-friendly, smart lock solution providing a simple, secure way of locking and unlocking new or old doors without using physical keys.

The lock solution makes it easy for the user to control access to their home or office by means of a connected device, such as a smartphone or tablet, or using a personal code, fingerprint reader or remote control.

ASSA ABLOY's Chinese subsidiary Unilock has developed a total solution for locker management. The patented key and the solution function exactly like a mechanical lock, eliminating the risk of lost keys. The network lock can be connected to over 8,000 locks in a network group, and the number of locks in a network group can be simply doubled or trebled.

ASSA ABLOY Hospitality's Mobile Access App is an off-the-shelf solution, ready to install and use. The App allows hotels to simply offer mobile access control, eliminating the need for complex integration or third-party solutions.

ASSA ABLOY Entrance Systems' spectacular three- and four-winged all-glass revolving doors with unique LED lighting in the ceiling are the crown jewels in the company's entrance products, providing a hi-tech masterpiece for each building.

The new **ActivID Tap Authentication solution** for Microsoft enables users to tap their contactless smart card to laptops, tablets, phones and other NFC-enabled devices for easy and convenient access to Office365 and other cloud apps and web-based services. The solution uses Seos' prize-winning card technology, enabling organizations to implement a consistent 'tap' experience when employees access doors and cloud-based apps.

In 2015 a partnership was launched with the U.S. company Nest for **Yale's Linus lock**. Linus uses a new communications protocol, Thread, which functions with other products in Nest's ecosystem. It is a secure, keyless lock, developed by Nest and Yale for Nest homes. Linus allows the user to remotely control, lock or unlock the door using the Nest app on their cell phone. It is also possible to create and manage family accounts and passwords so that family members and guests can easily come and go, while the user receives an alert when someone returns home.

Value creation strategy #3

ASSA ABLOY aims to radically reduce the cost base through cost-efficiency and sustainable operations. This is achieved by applying Lean methods in manufacturing, professional sourcing and outsourcing. Production combines final assembly close to the customer with the transfer of standard production to low-cost countries.

Cost-eff

iciency

€$

Price management for
price leadership

-26%

26 percent reduction
in **number of suppliers**
since 2006

+

Restructuring program
providing significant results

Successful Group programs to increase cost-efficiency

ASSA ABLOY is striving to radically reduce the breakeven point through a number of Group programs to increase cost-efficiency. These recurring programs are fundamental for rationalization of the production structure. The latest program will end in mid-2016 with significant cost reductions. Work continued successfully on professional sourcing, Lean production methods, major investments in product development for more efficient and sustainable production and products, and Seamless Flow, i.e. streamlining and automating administrative flows. Cost reduction efforts make significant contributions to achieving the operating margin target of 16–17 percent and to the Group being a price leader and contributing to sustainable development.

Production structure

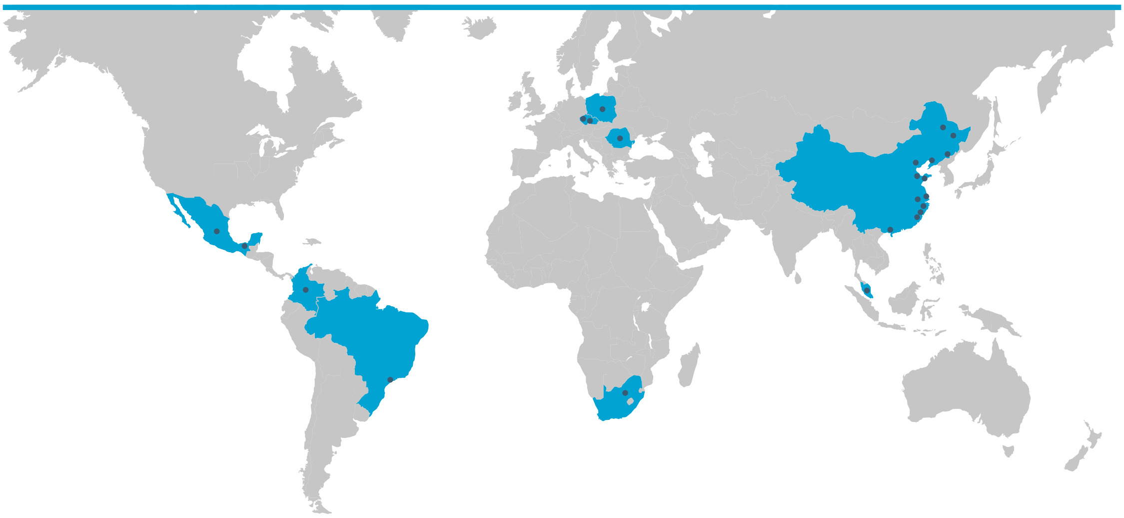
The most important long-term change in the Group's organization is the switch from manufacture of standard components to assembly and increased sourcing. Productivity is increasing considerably with the modernization of plant, machinery and flows in factories, making major contributions to reducing environmental impact.

Since 2006 ASSA ABLOY has consistently implemented multi-year programs to retain only product assembly in plants close to customers in mature markets. The more strategic components, such as cylinders, door closers and some electromechanical products, are concentrated to the Group's own production plants in low-cost countries, while components are increasingly sourced from production partners. As a result, the number of employees in low-cost countries has doubled since 2006 to over 20,000, and the share has increased from 36 percent in 2006 to 45 percent in 2015.

The programs may be seen as ongoing activities, although they are basically structural, due to the Group's acquisition strategy of around one acquisition per month. A significant part of the synergy effects on acquisition are the restructuring of manufacturing and modernization of production, efficiencies in the organization, and a switch to the Group's suppliers.

ASSA ABLOY has well-established knowledge of and methods for restructuring, which integrates new acquisitions and adapts the production structure to market changes. Cost savings have been significant since 2006. 73 production units have been closed, 84 converted into assembly plants, and 41 office units closed. The majority of the remaining production units in high-cost countries have switched to mainly final assembly and customization to achieve short lead times and a high service level. As a result of these changes, 10,750 employees have left the Group.

PLANTS IN LOW-COST COUNTRIES



Professional sourcing

ASSA ABLOY's professional sourcing should ensure maximum quality at minimum cost and is a prerequisite for increasingly efficient operations. Direct material sourcing has increased substantially over the past ten years from SEK 8 billion to over SEK 25 billion. The ambition is to have an increasingly limited number of large, high-quality suppliers, mainly in low-cost countries, as strategic partners. These should be a natural part of the production flow and also collaborate in product development. Collaboration is based on the Group's Code of Conduct, as well as constant development of quality and sustainability initiatives.

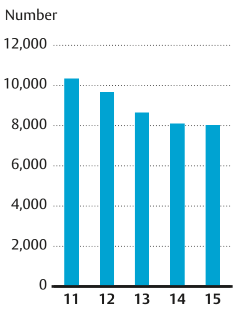
Professional sourcing is growing in importance as ASSA ABLOY switches from its own production to assembly and customization close to the customer, and becomes a more market-oriented problem solver. The Group is striving to reduce the number of suppliers, who are to become strategic partners who increasingly take part in the development process and grow into suppliers of more than just components in close collaboration. ASSA ABLOY contributes competence transfer and its production and quality expertise.

The aim is to achieve a gradual concentration to fewer, more competent suppliers. During the last five years, the number of suppliers has been reduced by 26 percent to around 8,000 worldwide, with a substantial majority in low-cost countries. The target is to halve this number in the next few years.

The Group's purchasing organization has been strongly professionalized over the past ten years. Suppliers are categorized and segmented according to the strategic needs identified by the Group. The divisions now have specialist purchasing managers for each component category, who manage different component categories and their suppliers depending on their strategic value. Value analyses and comparative costing, with clear identification of cost distribution, are increasingly important methods for professional, fact-based sourcing. The Group has trained over 200 employees in should-cost methods, which provide the knowledge to conduct cost reduction negotiations.

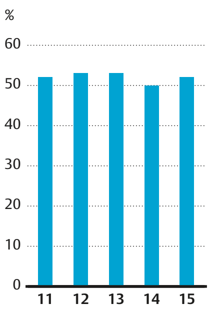
Supplier collaboration is based on ASSA ABLOY's Code of Conduct. Compliance with the Code often results in a long-term improvement in suppliers' sustainability efforts, with regard to the physical environment, employees' working environment and conditions, and conduct in other sustainability-related issues. In case of non-compliance, collaboration is terminated with the supplier. Monitoring takes place through audit programs, which include over 2,000 suppliers in Latin America, Asia, Africa and eastern Europe.

NUMBER OF SUPPLIERS



Reducing the number of suppliers is important for reducing costs and improving quality. Active efforts have reduced the total number of suppliers by 26 percent over the past five years.

SHARE OF TOTAL PUCHASES IN LOW-COST COUNTRIES



Raw materials, components and finished goods from low-cost countries accounted for 52 percent of the Group's total purchases in 2015.

Process development

ASSA ABLOY applies and develops a number of methods and processes to increase cost-efficiency. The overall Lean methodology includes all processes and provides increased added value for customers using fewer resources due to reduced materials consumption and on-demand production. Value Analysis and Value Engineering (VA/VE) involves in-depth analyses of products and production processes to identify cost savings in existing and new products. The focus on Seamless Flow is intensifying to streamline and automate all the Group's administrative flows.

ASSA ABLOY focuses on constantly streamlining all key processes to enhance customer value. Lean methods are central in achieving on-demand flow manufacturing, in which testing and packing have been integrated into the flows. Production becomes transparent, with better material cost control, improved decision-making procedures, shorter development times, and increased collaboration with the marketing and sales organization. Today Lean projects are being conducted in all of the Group units and the number is increasing each year.

Value Analysis (VA) is a structured process for optimizing cost and customer value in existing products. The same applies to Value Engineering (VE), which is part of the product development process. VA/VE is carried out by focused, cross-functional teams. In recent years, more than 3,500 employees have received training in these methods. These include an in-depth analysis of the product's design, components and production methods, which systematically reduces the cost and enhances customer value with improved quality. Cost savings may amount to 20–40 percent for individual products. Since the methodology was introduced in 2007, the Group has made cost savings of SEK 1.2 billion through VA/VE, and nearly 1,000 different projects have been implemented. Over 200 projects were implemented in 2015.

Seamless Flow – from costs to customer value

Around 43 percent of ASSA ABLOY's payroll expenses are associated with administrative information flows and support functions for R&D, production and sales. Streamlining these flows using digital technology and automation, known as Seamless Flow, has been a main activity for the Group for the past four years. The principal aim is to reallocate indirect personnel costs in order to invest instead in innovation and marketing to increase value creation for the customer.

Seamless Flow is a prioritized activity across the Group and originates in efforts to reduce administrative costs by means of digital technology, while increasing customer value and strengthening customer relationships. This trend is sometimes called E-business, that is, making it easier to be an ASSA ABLOY customer and receive increased added value in the relationship thanks to a broad and deep common web presence and new services, such as configuring and ordering products online, and receiving technical support on the cell phone. (See also section in Market presence).

Seamless Flow's objective is to use digital technology to standardize information flows and processes, and to increase the degree of automation in order to achieve even higher quality in real time. Examples include a switch to digital product information tailored to mobile-connected customers, automated production planning based on order inflow, manufacturing using intelligent machinery and robots, a global process and a system to produce, maintain and share R&D information. Order management, invoices and payments, revenue and cost recording, and more advanced bookkeeping will be automated.

Fundamental to successful Seamless Flow is the Group's long-term program to consolidate the number of IT systems into one coordinated global infrastructure of servers, IT networks, systems and data centers, as well as the Group's 25,000 PCs, telephony systems, mobile networks, e-mail functions and intranets. Moreover, over 100 business systems, HR systems and digital business applications are affected. The implementation of Seamless flow and optimization of the IT infrastructure will enable more efficient coordination of an increasing number of support functions. By extension, this means that the Group's resources are moved up the value chain closer to the customer to enhance customer value.

Museum with unique security and aesthetic requirements

The Whitney Museum of American Art in New York required solutions that satisfy the art museum's unique requirements, while offering maximum security without compromising the elegant interior.

■ **CUSTOMER**: The building was designed by the architect Renzo Piano and comprises over 4,500 square meters exhibition space indoors and 1,200 square meters outdoors, including terraces with a view of the High Line park. This highly regarded art museum, whose premises were reopened in May 2015, is centrally located in the Meatpacking District in Lower Manhattan.

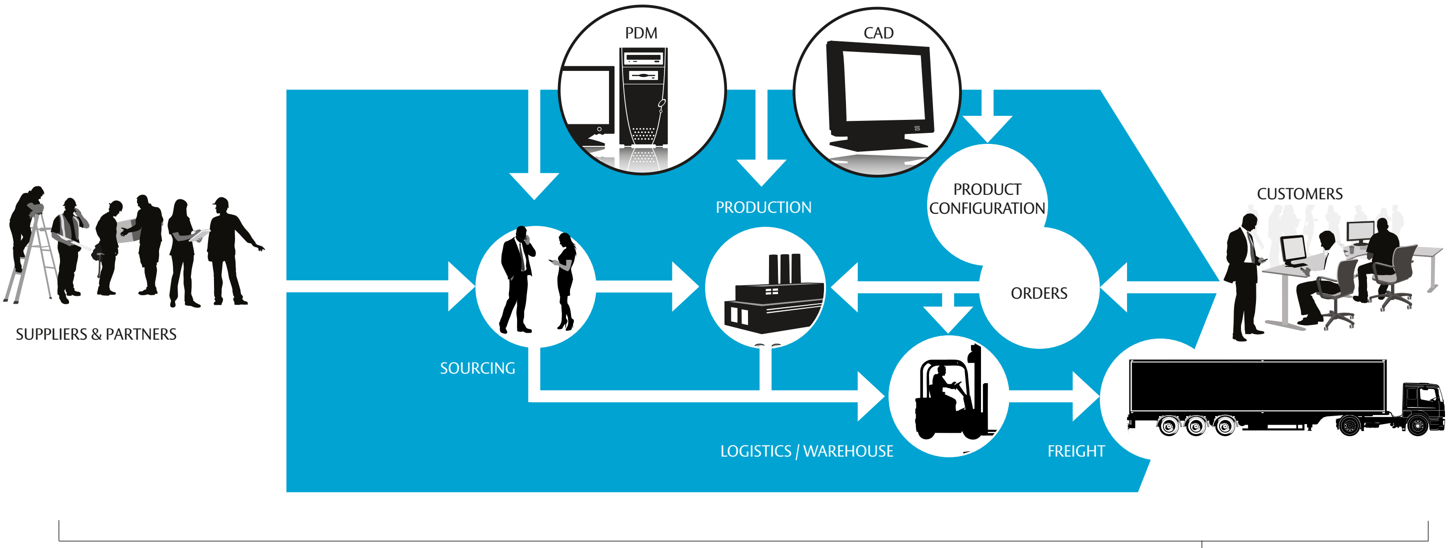
■ **CHALLENGE**: Owing to the museum's unique security and aesthetic requirements, it was important ASSA ABLOY could offer solutions that satisfy a number of different specific requirements, such as the means to make door openings larger when artworks are to be moved between different parts of the building.

■ **SOLUTION**: ASSA ABLOY took into account the unique requirements for each of the building's 450 door openings. Traditional swing or glazed doors were used in some corridors, while special solutions were required in others, with several adjacent doors to obtain an extra-wide opening, when artworks are to be moved.

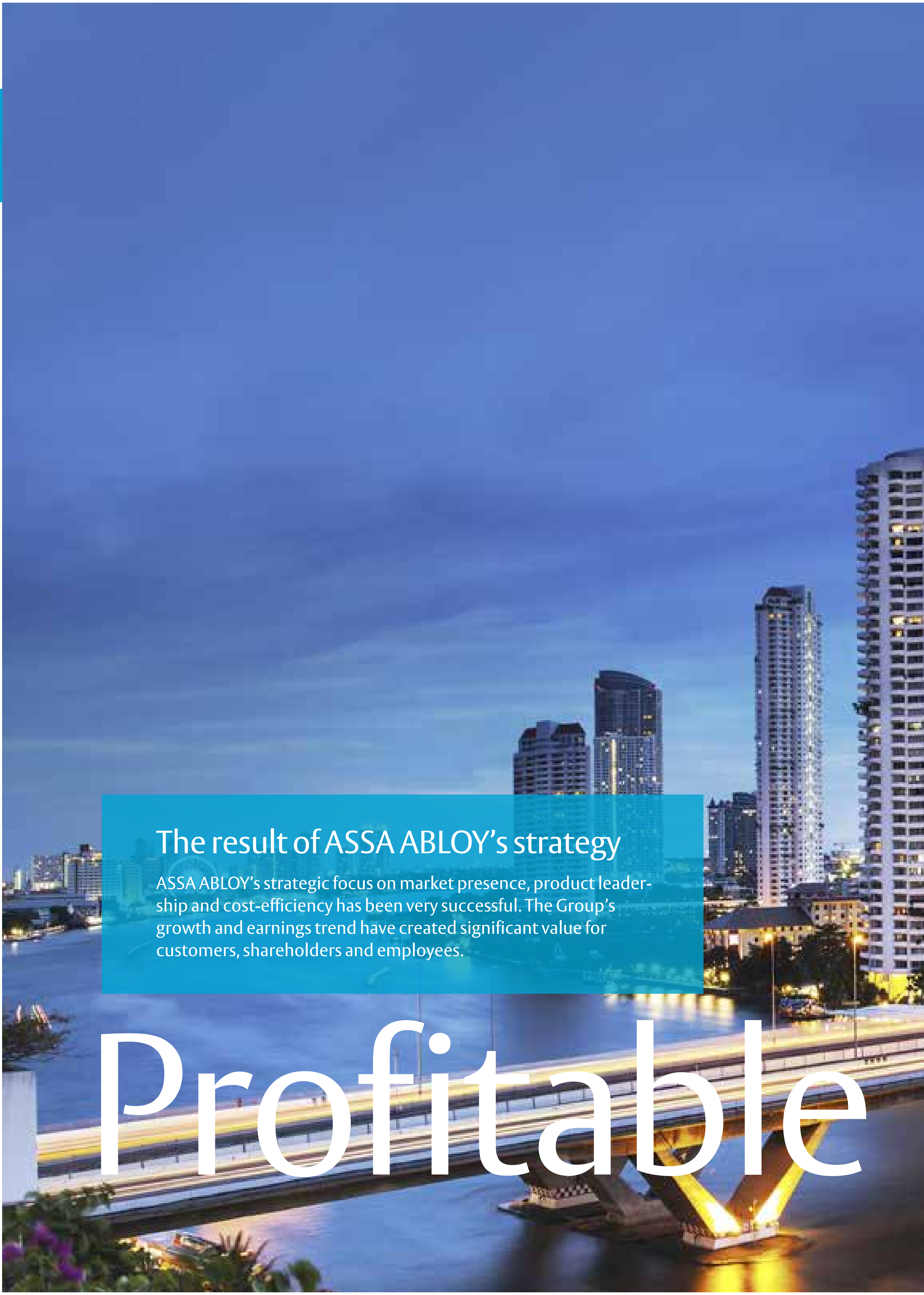
In addition, the project included a number of unique hardware solutions tailored to function with special or glazed doors.

Another requirement was doors with different security levels. In many cases the doors were fitted with electronic lock products to maintain security, in both galleries and staff areas. Sargent's patented key system with several different authorization levels provides an extra security dimension.

ASSA ABLOY consistently chose aesthetically attractive hardware. A designer handle from Sargent was, for example, chosen for its ability to blend into the building's design. It is an attractive, uniform, secure solution, which can be used for everything from electronic locks and mortise locks to access control products.



ASSA ABLOY's Seamless Flow objective is to achieve an efficient flow in all support functions, an automated flow of information and products across the whole value chain.



The result of ASSA ABLOY's strategy

ASSA ABLOY's strategic focus on market presence, product leadership and cost-efficiency has been very successful. The Group's growth and earnings trend have created significant value for customers, shareholders and employees.

Profitable


1,800%
Sales growth
since 1994
7,000%
Increase in operating income
since 1994
9,900%
Increase in earnings per share
since 1994
growth

Growth and profitability

Over 20 years of rapid growth and increased profitability

Over the past ten years, ASSA ABLOY has grown into the largest global supplier of door opening solutions. Simple, clear and consistent strategies have driven rapid growth, with good, increasing profitability and financial stability. Market presence has been strengthened by global, broad and deep establishment in fast-growing markets. Significant investments in product development have resulted in technological leadership in both mechanical and electromechanical products and solutions. With cost-efficiency and sustainability programs based on economic resource utilization across the whole value chain, the Group has delivered long-term increasing profits, which have created significant value for shareholders and other stakeholders.

In 2005, ASSA ABLOY completed its first ten-year development phase, when the company transformed itself from a regional lock company into the leading global player. With new management and a new strategy package, a new journey began in 2006, which is still in progress today. The focus is long-term value creation expressed in two overall targets: 10 percent annual sales growth and a 16–17 percent operating margin over a business cycle. Target fulfilment is good, while the operating margin has remained fairly stable above the 16 percent floor except for the crisis years of 2009 and 2010. Since the 2009–2010 crisis organic growth has been a strong 21 percent.

Market presence and growth

Underlying the good growth rate of 140 percent since 2005 is an important repositioning of the Group's market presence in three dimensions. The first is the strong focus on emerging markets, which now account for 26 percent of total sales, compared with 10 percent ten years ago. A strategic priority has been being the leading supplier in countries where billions of people are leaving poverty in the countryside and joining the middle class in fast-growing cities.

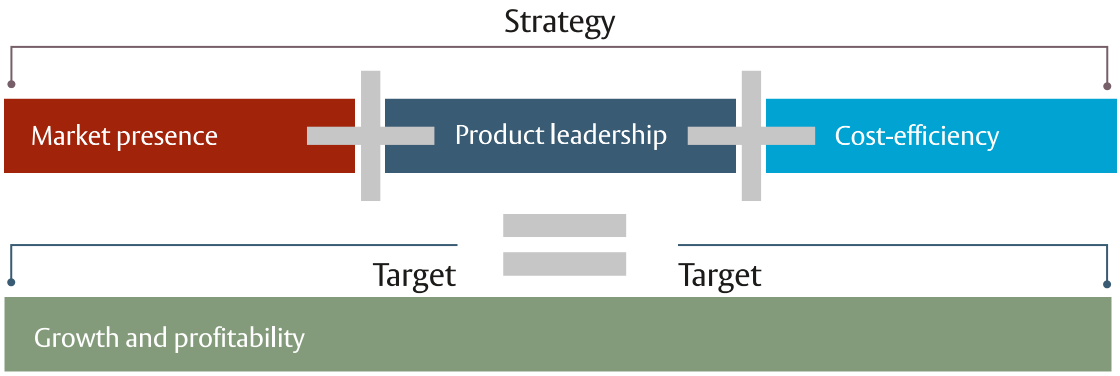
The second dimension has been becoming a market leader in the switch to electromechanical locks and lock solutions. Today electromechanical products account for 51 percent of Group sales and mechanical locks for 29 percent, compared with 29 and 53 percent respectively in 2005. Sales of electromechanical products have risen from SEK 8 M to SEK 35 billion. This focus has been wholly necessary for building long-term growth and competitiveness in pace with customer demand for new technology.

The third dimension is the breakthrough in the markets for entrance automation and industrial doors. As a result of several major acquisitions in automatic entrance solutions for industry, warehouses, garages, and entrance automation, ASSA ABLOY has created a new division, Entrance Systems. This has grown very rapidly into the Group's largest division with annual sales of SEK 17,957 M and a 26 percent share of Group sales. The growth rate has been very strong at nearly 650 percent since 2005.

Product leadership and innovation

The Group's good organic growth rate would not have been possible without the strategy of sharply increasing investments in innovation and product development. The target is 5 percent organic growth. The ambition has been to double the innovation rate so that products launched in the past three years account for 25 percent of the Group's total sales. This target has also been achieved with a good margin and today the figure is 31 percent.

One of the most important drivers is a rapid switch in customer demand to electromechanical products and increasingly sustainable and energy-saving products and solutions. The launch rate for digital and mobile solutions is very high, with ASSA ABLOY supplying total



in-house developed ecosystems and software for secure identity and access management to owners of large eco-rated complexes of buildings and homes.

Cost-efficiency

Cost and efficiency improvements aim to radically reduce the breakeven point and also go hand in hand with sustainability ambitions. Projects are coordinated and structured, with a number of main themes.

ASSA ABLOY has fundamentally changed the production structure over the past ten years through several programs to concentrate assembly close to major customer markets and to relocate component production to low-cost countries. At year-end 2015, 73 production plants had been closed, 84 converted into assembly plants, and 41 offices closed. Overall, the number of staff has been reduced by 10,750.

At the same time, sourcing has increased substantially and been concentrated to fewer, larger and better suppliers. Their number has been reduced by one-third since 2008. Purchasing processes have been professionalized and suppliers are integrated into the Group's product development and sustainability programs. Their production is standardized and includes whole sub-systems. It is managed by category managers and long-term agreements, and quality controlled through certification. Modernization and streamlining of the Group's whole production structure have resulted in significant cost savings and very large environmental contributions in recent years.

Lean programs are conducted in all units, with professional teams and ongoing projects to streamline processes. VA/VE methods in product development have sharply reduced materials consumption and constantly raise new product performance in the form of customer value and environmental value. Savings over the past nine years total around SEK 1.2 billion. A major investment is also being made in Seamless Flow, i.e. more efficient processes for information flows, which affect for around 43 percent of personnel costs. Major investments are being made in new IT systems to largely automate administrative processes.

Acquisitions

Acquisitions are a strategic activity for strengthening geographical market coverage, complementing the product range and adding new technologies in expansive areas. Since 2005 ASSA ABLOY has acquired more than 140 companies, achieving its ambition of 5 percent annual acquired growth. In 2015 the Group made 16 acquisitions, which are expected to contribute around SEK 2,500 M to annual sales.

ACQUISITION STRATEGY AND PROCESS

ASSA ABLOY'S DEVELOPMENT AND ACQUISITIONS 2010–2015

2011– Global leader in entrance automation
Acquisition of Crawford Entrance Solutions and FlexiForce, which strengthen the customer offering in industrial doors, docking solutions and garage doors.
Other acquisitions: Swesafe (Sweden), Portafeu (France), Metalind (Croatia), Electronic Security Devices (USA), and Angel Metal (South Korea).

2012 – Strengthened range in Entrance Systems
The acquisition of Albany Door Systems, a global leader in high-performance doors for industrial use, is completed. ASSA ABLOY also acquires 4Front (USA), a leader in docking systems, Securistyle Group Holdings Limited and Traka (UK), Frameworks Manufacturing (USA), and Helton (Canada), which manufactures overhead door hardware. In China, the Group acquires the hardware manufacturer Shandong Guoqiang.
Other acquisitions: Dynaco (Belgium) and Shantou Longhu Sanhe Metal Holdings (China).

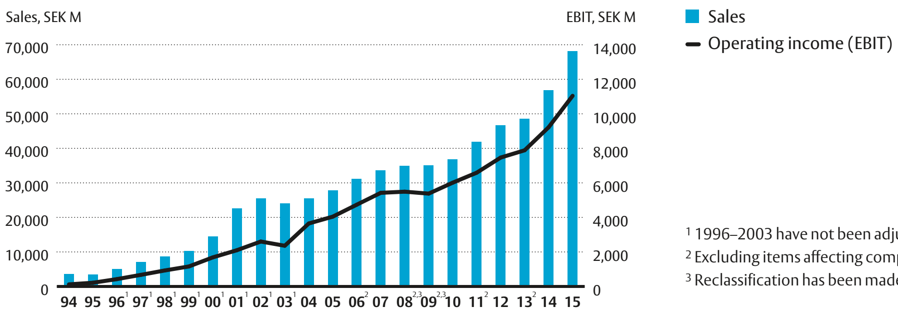
2013 – Continued expansion in USA
Acquisition of Ameristar (USA), a manufacturer of perimeter protection and gates for industrial and high-security purposes, and the fire and security door manufacturer Mercor SA (Poland). ASSA ABLOY also signs an agreement to acquire Amarr, the third largest player in the North American sectional door market.
Other acquisitions: Xinmao and Huasheng (China).

2014 – 20 years as innovative global leader
Acquisition of ENOX (India); Jiawei (India), one of the leading suppliers of security locks in China; IdenTrust (USA), a leading supplier of digital authentication solutions; Lumidigm (USA), a leading manufacturer of biometric readers based on patented multispectral imaging technology; and Turvaykköset, the second largest locksmith in Finland.
Other acquisitions: Silvana, one of Brazil's leading lock companies, and Metalika, the leading fire door company in Brazil. ODIS Limitada, a leading supplier of locks, padlocks and steel doors in Chile. Agreement to acquire Digi Electronic Lock, the leading digital door lock manufacturer in China.

2015 – Expansion in Brazil
ASSA ABLOY expands in Brazil through the acquisition of Papaiz and Udinese. Acquisition of Quantum Secure (USA), the leading provider of solutions to help enterprises manage identities and meet compliance requirements in highly-regulated industries; Nergeco, a leader in high-performance doors in France; CEDES (Switzerland), a leading company in sensor technology to the door and elevator industry; Prometal (UAE), a leading supplier of steel and security doors in the Middle East; and IAI Industrial Systems (Netherlands), a specialist in secure printing solutions.
Other acquisitions: Teamware, the market leader in locks and hardware in Malaysia; L-Door (Belgium), a market leader in sectional doors; and the lock specialist Flexim (Finland).

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

SALES AND OPERATING INCOME (EBIT)



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

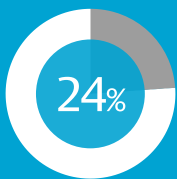
ASSA ABLOY's divisions

ASSA ABLOY is divided into three regional and two global divisions.

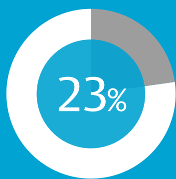
Regional divisions

The regional divisions manufacture and sell mechanical and electromechanical locks, digital door locks, cylinders and security doors adapted to the local market's standards and security requirements.

Share of sales

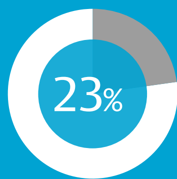


Share of operating income

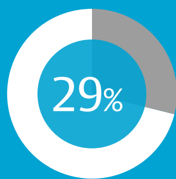


Read about the division's operations and performance on pages 42–43

Share of sales



Share of operating income



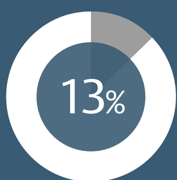
Read about the division's operations and performance on pages 44–45

Global divisions

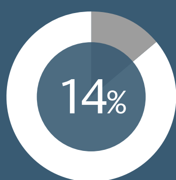
The global divisions manufacture and sell electronic access control, identification products and entrance automation on the global market.

Global Technologies

Share of sales



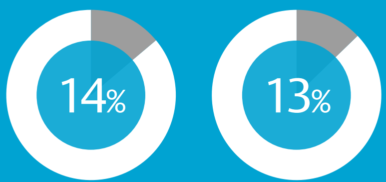
Share of operating income



Read about the division's operations and performance on pages 48–50

Asia Pacific

Share of sales	Share of operating income



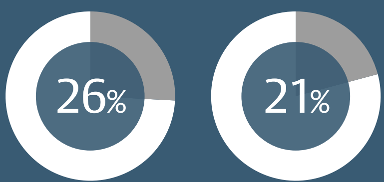
Read about the division's operations and performance on pages 46–47

26%

ASSA ABLOY is represented on both mature and emerging markets worldwide. Emerging markets have increased their share of Group sales from 10 percent nine years ago to 26 percent in 2015.

Entrance Systems

Share of sales	Share of operating income



Read about the division's operations and performance on pages 52–53

Strong growth for electromechanical solutions

Demand continued to grow in 2015 but at an uneven rate. Growth was strong in northern and eastern Europe, relatively weak in the UK and Germany, and good in Africa and the Middle East. Spain returned to positive growth, while sales in Italy and France declined somewhat. Demand for electromechanical locks and solutions grew very strongly in all customer segments, especially the residential segment. The same was true of demand for sustainable products. For several years the division has been investing in product development, with a focus on electromechanical and electronic products, and new products accounted for 28 percent of sales. Intensive work on consolidation and efficiency programs contributed to a better result, despite a slightly lower operating margin due to negative exchange rate effects.

Report on the year

- Sales: SEK 16,524 M (14,753) with 4 percent organic growth.
- Operating income (EBIT): SEK 2,620 M (2,432).
- Operating margin: 15.9 percent (16.5).

Market development

The divided demand picture continued in 2015, with good organic growth overall for EMEA. The long-term strategic focus on emerging markets generated positive results during the year, with high growth. These markets increased their share of total sales to 20 percent (19). Strong demand for electromechanical locks, which increased by around 10 percent, was also evident during the year. Demand was particularly strong in the residential segment, where concepts such as home automation, smart homes and digital door locks are increasingly in demand, indicating a fast-growing future market for Yale in particular.

Another strong demand trend is customer interest in sustainability performance. This is mainly driven by energy efficiency with lower consumption and energy savings to reduce costs. Other drivers are the 2010 EU Energy Performance of Buildings Directive, which has now been incorporated into national legislation, and demand for green-rated buildings. EMEA has a very strong range of products with high sustainability performance and had over 40 EPDs (Environmental Product Declarations) at year-end. The demand trend in recent years from component sales and towards an increasing number of major projects for total door opening solutions continued.

Market presence

The division is undergoing a major shift towards an increased market and customer focus, with the support of digital technology. An increasing number of flows, processes and operations are being rationalized through modern digital technologies and tools, known as Seamless Flow, reducing the staff requirement in various support functions in favor of customer-facing staff. This category has increased from around 1,400 to over 1,700 over the past five years, while sales support has fallen from over 1,600 to around 1,300. The ambition is to achieve a ratio of one employee in indirect sales support to two employees in direct sales.

Investments in specification sales with a high consultancy content and advanced product technology strengthen the trend towards an increased the share in large projects requiring advanced door opening solutions in sectors such as offices, hospitals, schools and universities. The division now has over 200 consultants in these areas and delivered over 12,000 projects during 2015.

Contacts with key partners, such as architects and security experts, are continuously strengthened. The launch of an upgraded specification process and a BIM-enabled tool (Building Information Modelling) has been successful and means that ASSA ABLOY can support its partners in a faster, digital and more effective way. The division's investments in increased market presence in emerging markets continued to generate positive results during the year. Employees in emerging markets now account for 34 percent of staff and will continue to increase. This investment is both broad and deep, with increased local presence through Group companies, acquisitions and showrooms close to customers. New customized product technologies are being launched, and the share of project sales is increasing strongly, as well as specification activities and staff, and trade fair participation. For example, Africa now has nearly 50 showrooms, with the number expected to increase to 80 by 2019. EMEA has a presence in 40 of the 50 largest cities, which account for 90 percent of Africa's GDP.

EMEA's leading residential and consumer product brand, Yale, continued its strong growth in both mature and emerging markets due to product innovation, development of the professional sales channels and increased marketing support. Several large security projects continued and were delivered to global and European telecoms operators, hospitals and government agencies. Deliveries included software for electronic door opening solutions and identification systems based on ASSA ABLOY technologies such as Aperio and CLIQ Remote.

The year saw the acquisition of MSL, a market-leading Swiss manufacturer of high-quality mechanical and electromechanical locks. Other acquisitions included Flexim, Finland's largest locksmith with nine regional offices, and Prometal (UAE), the second largest manufacturer in the Middle East of steel and wooden security and fire-rated doors.

Product leadership

Investments to increase the flow of new products continued at a high rate. Products launched in the past three years accounted for 28 percent of the division's sales, which is more than a twofold increase in five years. Over 200 new products are in the pipeline for the coming years. The high product development rate mainly meets the sharply increasing demand for electromechanical products and indicates a continuing strong increase in the coming years.

The division's High Impact products (HIP) continued to be successful. The aim is to develop products that can be sold in large volumes in all EMEA's market areas.

Product development, with 400 engineers, is increasingly evolving towards a modular approach. Ten years ago the division had 25 different cylinder platforms. Today, it has a small number of base platforms with integrated parts, patents and functions developed by the Group's Product Council and EMEA's development centers, creating added value for the customer.

Cost-efficiency

EMEA has a European background of high fragmentation in terms of products, behaviors, laws, regulations and standards. The Group has been the major consolidating force in the market through its many company acquisitions. This legacy entails continuous work on structural change. Over the past ten years, the number of plants has been reduced from 75 to 38 through restructuring, outsourcing, relocation to low-cost countries, Lean methods and automation. The productivity gains are enormous. One example is the Rychnov plant in the Czech Republic, where the number of cylinders produced per employee per year has increased from 3,000 to 16,500 in the last ten years. Component production has been relocated to low-cost countries, and modern flexible plants customize final assembly close to customers.

At the same time the share of direct material sourcing has increased sharply and has been concentrated to fewer partnership-oriented suppliers. The number of suppliers has been reduced from 5,300 to 3,100 in ten years. The division now has seven category managers at central level responsible for sourcing direct materials such as steel, copper and electronics, as well as services such as transportation, communications, and care and maintenance of plants and offices. The centrally coordinated share of direct material sourcing reached 80 percent during the year, while 20 percent was managed at regional or local level. The share of sourcing in low-cost countries has exceeded the short-term target of 40 percent and will continue to increase in the coming years. Pricing and payment terms have improved considerably. Supply management and product development aim for major cost savings through a sustainable approach to materials consumption, energy consumption, logistics and packaging, where VA/VE methods in innovation processes generate positive results.

A long-term prioritized project is the automation of administrative flows, known internally as Seamless Flow. A prerequisite is a common Enterprise Resource Planning (ERP) system. Due to many years of acquisitions, the division is now conducting a project to replace around 60 local and company-specific ERP systems with a single system in a structured, standardized manner. During the year, EMEA achieved a 25 percent share of total sales in the common system. Integration of the division's entire Product Data Management system is in progress, as well as order flow and e-commerce.

FACTS ON EMEA

Offering: Mechanical and electromechanical locks, digital door locks, security doors and hardware fittings.

Markets: EMEA is the leader in its product areas in Europe, the Middle East and Africa. The commercial segment accounts for around 60 percent of sales and the residential segment for 40 percent. EMEA comprises a large number of Group companies with a good knowledge of their local and in many respects diverse markets. Products are sold primarily through a number of distribution channels, but also directly to end-users.

Brands: ABLOY, ASSA, ASSA ABLOY, IKON, Mul-T-Lock, TESA, UNION, Vachette and Yale.

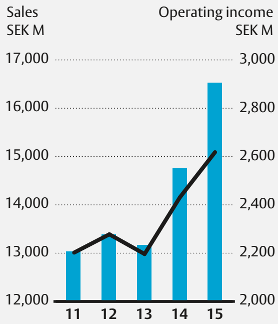
Acquisitions 2015: Prometal (UAE), MSL (Switzerland) and Flexim (Finland).

KEY FIGURES

SEK M	2014	2015	Change
Income statement			
Sales	14,753	16,524	12%
Organic growth, %	3	4	
Operating income (EBIT)	2,432	2,620	8%
Operating margin, %	16.5	15.9	
Capital employed			
Capital employed	12,299	12,916	5%
– of which goodwill	7,247	7,857	8%
Return on capital employed, %	21.0	20.4	
Cash flow			
Cash flow[1]	2,288	2,622	15%
Average number of employees	10,678	10,886	2%

[1] Excluding restructuring payments.

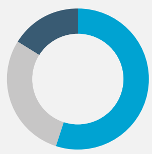
SALES AND OPERATING INCOME



Sales
Operating income[1]

[1] Excluding items affecting comparability in 2011 and 2013.

SALES BY PRODUCT GROUP



Mechanical locks, lock systems and fittings, 55%
Electromechanical and electronic locks, 29%
Security doors and hardware, 16%

Strong sales growth generated good earnings trend

Sales continued to increase at a good rate in 2015, with 7 percent organic growth. Demand in the U.S. improved in all major business segments. Sales of electromechanical products rose, with the division's wireless products enjoying success following several years of substantial investments in product development. Growth was also positive in Latin American countries, with the exception of recession-hit Brazil. Continuing efficiency initiatives contributed to an increase in operating income and an improvement in operating margin.

Report on the year

- Sales: SEK 15,665 M (12,156) with 7 percent organic growth.
- Operating income (EBIT): SEK 3,363 M (2,613).
- Operating margin: 21.5 percent (21.5).

Market development

The division's largest market, the U.S., continued to show positive growth. Despite a market slowdown in the commercial segment, the division continued to grow in this key area. The institutional market began to recover after several years of stagnation. These two segments account for over three-quarters of the division's sales. The residential market showed good growth for the fifth consecutive year. Growth was weak in Canada and negative in Brazil, as a result of low oil and other commodity prices. The Mexican market began to recover after several years of residential crisis, with a strong improvement for the division. Sales growth was also good in other South American markets during the year.

Demand continues to grow rapidly for advanced electronic solutions for smart homes, and for institutional and commercial customers looking for efficient, energy-saving total door opening solutions with high sustainability performance. Sales of digital door locks are increasing rapidly in both North America and South America. The trend towards wireless and mobile lock solutions and increased sustainability through energy savings is a fast-growing area and an important feature of future demand growth. The division has a very competitive offering of new products and certifications due to its high innovation rate.

Market presence

For several years the main strategy for increasing market presence has been to expand in emerging markets, strengthen customer relationships through segmentation of solutions and specifications, build a stronger brand identity, and focus on innovation and product development to satisfy the increasingly strong demand for electronic products and solutions, as well as products with higher sustainability performance.

Today the division is already the leader or one of the leaders on all major Latin American markets and continues its penetration through acquisitions and product leadership. Demand is advanced in several respects, with considerable interest in electromechanical products with high annual growth. The division's specifiers and specialist teams play a key role in enhancing customer value. They collaborate with leading architectural firms, integrators and end-customers. They provide training and introduce new products and solutions in their role as the end-customer's door opening solutions expert. ASSA ABLOY has continuously developed new advanced BIM (Building Information Modeling) solutions for architects, which provide support for building design, product specifications and sustainability information. As a result of Seamless Flow, an increasing share of customer relationships take place through digital, interconnected flows for drawings, configurations, orders and invoicing. More than 30 percent of orders are placed electronically. In the U.S., the share of customer-facing staff has doubled in ten years and these now account for 60 percent of marketing and sales staff. Additional training, including online programs, has contributed to increased growth and market presence.

Demand for digital locks and door opening solutions is growing very rapidly, especially in the residential market where a number of players are active in the smart homes segment. The Yale brand's positioning, with a number of innovative, wireless, digital lock products, is a major success, with fast-accelerating sales over the past two years. The year saw the launch of a partnership with Nest for Yale's Linus lock. Linus uses a new communications protocol, Thread, together with Nest products and other products in Nest's ecosystem. It enables the user to remotely monitor, unlock and lock doors using the Nest app on their smartphone.

The division has the industry's broadest offering for 'green' buildings, which are estimated to account for 55 percent of the construction market in 2016, up from 2 percent ten years ago. This share continues to increase. ASSA ABLOY has GreenCircle certification for seven of its factories for waste management and a reduction in carbon dioxide, energy and water consumption. With 92 declarations, the division has the largest number of Environmental Product Declarations and Health Product Declarations in the market.

Product leadership

Market leadership is based on a constant flow of new technologies, products and solutions that meet customer demand. The division has increased investments in innovation and product development by 140 percent since 2008, with products launched in the past three years accounting for 24 percent of total sales in 2015. Today, 177 new products are in the pipeline.

The flow of products with high sustainability performance has been particularly strong in recent years, as a whole new generation of products has been launched. These cover a broad spectrum of doors and locks, which help to manage and control building energy consumption from heating and cooling and air leakage through doors. Many of these door opening products and solutions also offer low emission levels, recycled materials and transparent product information.

ASSA ABLOY's Securitron brand has received GreenCircle certification for its EcoPower solution, which achieves energy savings of over 99 percent compared with conventional power supply technology. The same is true of Sargent and Corbin Russwin's EcoFlex mortise locks, which achieve 96 percent energy savings compared with traditional solenoid mortise locks. If these GreenCircle certified products are combined with each other, the energy saving is 99 percent.

Cost-efficiency

The U.S. market is relatively well consolidated compared with other markets. However, Americas division has conducted several important restructuring programs over a number of years to rationalize the production structure. Component production has been relocated to low-cost countries, while customized final assembly takes place close to the customer in pace with demand meeting complex code demands. At the same time the number of plants has been reduced from 52 to 32 in ten years. The number of employees in direct production has almost halved from 8,000 to below 4,500. Today 75 percent of materials are sourced by category management professionals. The number of suppliers has been reduced by 28 percent in five years. More professional sourcing and consolidation to fewer, larger suppliers have helped double cost savings since 2008.

Efficiency programs continued in 2015, with investments in a new generation of manufacturing robots. The installation of 66 new units sharply increased the total to 178 at year-end 2015, generating significant labor cost savings. A large number of products have been updated and processes simplified using VA/VE methods. The division has a long tradition of Lean methods, which are also used to streamline administrative processes. During the year, 484 Kaizen meetings were held with staff. Lean methods and VA/VE generated cost savings of over USD 7 M.

FACTS ON AMERICAS

Offering: Mechanical and electromechanical locks, digital door locks, cylinders, door fittings, security doors, door frames, and industrial high-security fencing and gates.

Markets: U.S. Canada, Mexico, Central America and South America. The majority of sales are in the U.S. and Canada, where ASSA ABLOY has an extensive sales organization and sells its products through distributors. Institutional and commercial customers are the largest end-customer segments. These segments account for 85 percent of sales, while the private residential segment accounts for 15 percent of sales.

Sales in South America and Mexico take place mainly through distributors, wholesalers and DIY stores. Sales in these markets are more evenly distributed between the non-residential and residential segments.

Brands: Some of the leading brands are: Ameristar, Ceco, Corbin Russwin, Curries, Emtek, Medeco, Odis, Papaiz, Phillips, SARGENT and La Fonte.

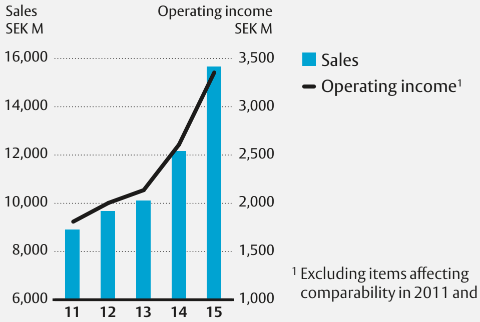
Acquisitions 2015: Papaiz, Vault and Udinese (Brazil).

KEY FIGURES

SEK M	2014	2015	Change
Income statement			
Sales	12,156	15,665	29%
Organic growth, %	4	7	
Operating income (EBIT)	2,613	3,363	29%
Operating margin (EBIT), %	21.5	21.5	
Capital employed			
Capital employed	12,909	13,908	8%
– of which goodwill	9,000	9,903	10%
Return on capital employed, %	23.1	24.1	
Cash flow			
Cash flow[1]	2,637	3,217	22%
Average number of employees	7,193	7,957	11%

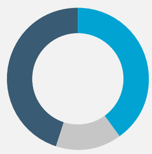
[1] Excluding restructuring payments.

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability in 2011 and 2013.

SALES BY PRODUCT GROUP



- Mechanical locks, lock systems and fittings, 40%
- Electromechanical and electronic locks, 15%
- Security doors and hardware, 45%

Good earnings despite weak development in China

Sales increased 22 percent despite a decline in organic growth to –3 percent, due to continued weak development in China during the year. Growth was good or very good in Southeast Asia, India, South Korea, Australia and New Zealand. Market presence continued to strengthen as a result of major investments in start-ups and distribution, as well as new products and launches. Costs are being adjusted to the lower demand in China through rationalizations and efficiency programs.

Report on the year:

- Sales: SEK 10,171 M (8,336) with –3 percent organic growth.
- Operating income (EBIT): SEK 1,436 M (1,187).
- Operating margin: 14.1 percent (14.2).

Market development

The strong slowdown in the Chinese market in late 2014 continued in 2015. An oversupply of new buildings is putting pressure on the construction market in both the commercial and residential segments, with few signs of improvements in the coming year. The Group's leading position was strengthened by the largest ever order for fire doors for the country's leading internet service provider.

Most of the negative impact from the Chinese market was offset by continued strong demand in Southeast Asia and India. The advanced South Korean market showed good growth mainly in the residential segment, which leads the world in its share of installed digital door locks, with strong demand for digital technology. During the year the Group received its largest ever project order for 7,400 digital door installations. The Group companies King and iRevo continued their strong export growth in door closers and digital door locks respectively to both the U.S. and Europe. The relatively new breakthrough in India generated very high growth figures, especially for new products. Last year's Indian acquisition, Enox, has also strongly increased sales.

The fast-growing markets in the rest of Southeast Asia, including Vietnam, Indonesia and Thailand, showed very high sales growth, except for Malaysia which was hit by a political and economic crisis. The new market of Pakistan performed well. The mature markets of Australia and New Zealand also performed well, particularly in the residential segment.

Demand across the whole region is becoming increasingly advanced, with large demand for digital locks and solutions and sustainable-rated door opening solutions to reduce energy and materials consumption.

Market presence

Market presence in China has grown very strongly since 2006. A combination of rapid organic growth and ten acquisitions has increased the number of employees from 3,800 to just over 12,000. However, this is a reduction from 14,800 in the peak year of 2011, due to automation and outsourcing efficiencies. China accounts for around 50 percent of the division's total sales. ASSA ABLOY is the market leader with the broadest product offering and is present in all major growth centers in the country in tough competition with many thousands of small and medium-sized local and regional competitors.

This leading position is strengthened by a long-term focus on product development for both the local market and export. With over ten years' presence and a fast-growing installed base, the profitable aftermarket for upgrade and replacement is expected to increase in importance.

The clear slowdown in demand and more stringent regulation and quality requirements have caused downward pressure on prices and consolidation. In the long term this benefits the market leader ASSA ABLOY. One example is government requirements for recertification of nearly 1,000 factories in the fire door industry, as well as fire-rated locks, in accordance with the China Compulsory Certification standard. Over one-third of fire door companies failed to comply with the requirements for Class A doors. ASSA ABLOY was the first company to have its certificate renewed.

The Group is also spearheading the strong trend in China towards increased sustainability, with tougher regulations and public programs for more 'green' buildings. The same is true of the expanding market for advanced electromechanical solutions. Thanks to the acquisition of Digi in 2014, ASSA ABLOY is the country's largest manufacturer of digital door locks. Market share continues to strengthen, particularly as a result of increased demand from major developers for advanced total solutions.

The Indian economy is growing faster than the Chinese economy, as is the need for security, as prosperity rises and urbanization continues at a high rate. ASSA ABLOY is developing its market position with the goal of being the market leader in all regions and segments. The strategy of being the leading supplier in both high- and low-cost segments with a differentiated product offering is successful, and sales increased by around

35 percent during 2015 The division is investing heavily across the whole region to increase the number of employees in project specification. Offering architects and developers advanced door opening solutions that satisfy the customer's specific requirements strengthens the customer relationship and raises the bar for competitors.

Acquisition activities were somewhat cautious during the year, mainly in the light of high price expectations among sellers. April 2015 saw the acquisition of the Malaysian market leader Teamware, with its relatively broad product portfolio and good distribution channels. The company has sales of around SEK 240 M and 120 employees. This acquisition complements ASSA ABLOY's already strong position in Malaysia and also offers interesting synergies, such as in the fire door segment.

Product leadership

The division has clear product leadership in the region driven by the Group's strategies for innovation and product development, a large, young tech-savvy consumer generation, its own large R&D investments, and established production and brands with an electronic and digital profile. Sales of digital door locks are increasing by double digit figures each year in the region, and these products account for around 80 percent of installed locks in the residential segment in South Korea.

Prioritized investments in innovation and product development over the past few years have increased the share of products launched in the past three years to 37 percent of sales, compared with the Group target of 25 percent. The volume of digital products exported mainly from China and South Korea continues to grow. Investments in product development remain at a high level in the light of the fast-growing demand in the region. Currently there are 15 development centers, and the number of development engineers increased further in 2015 to 320. During the year the businesses in Australia and New Zealand developed a new R&D center in China.

A significant development focus is on increased sustainability, with sustainablerated products and solutions attracting strong customer interest in, for example, China, Australia and New Zealand. The Group has started using water foaming as a raising agent in the security door production process, eliminating freon, while materials savings are increasing sharply. A broad eco-range is gradually being launched, with a sharp increase in the number of Environmental Product Declarations.

Cost-efficiency

The division's Chinese production plants, which employ 9,500 people, account for a large share of the Group's production and employees. The strong slowdown in the Chinese economy, together with increased outsourcing and raised productivity, has contributed to a gradual reduction in the number of staff, which has declined by 27 percent over the past three years. The division has continued to streamline the production structure in accordance with the ongoing Group program for factory consolidation, production outsourcing, and increased sourcing. The purchasing organization has been reorganized to achieve an even stronger focus on category sourcing at division level.

Significant investments are being made in connection with Seamless Flow projects, i.e. streamlining administrative information flows. New ERP systems were implemented on schedule in nine business units, which is expected to lead to increasing efficiencies in the coming years. The division's Lean projects have been very successful, resulting in a 40 percent increase in savings on the previous year. Continued efficiency savings are necessary as the cost level in the region, especially wages, is increasing relatively rapidly.

FACTS ON ASIA PACIFIC

Offering: Mechanical and electromechanical locks, digital door locks, high-security doors, fire doors and hardware.

Markets: China accounts for 50 percent of sales, South Korea and the rest of Asia for 20 percent, Australia and New Zealand for 20 percent, and exports to the rest of the world for 10 percent. The Asian countries are emerging markets without established security standards. New construction accounts for around three-quarters of sales. In China, the same types of lock, handle and hardware are often used in both homes and workplaces. The production units in China also produce for Group companies outside APAC. Australia and New Zealand are mature markets with established lock standards. Renovations and upgrades account for the majority of sales.

Brands: Baodean, Guli, Pan Pan, Liyi (Shenfei), Doormax, Tianming, Guoqiang, Sahne, Longdian, Keylock, Xinmao and Huasheng (China); Gateman, Angel and King (South Korea); the global Yale brand; and ASSA ABLOY. In Australia and New Zealand, the largest brands are Lockwood and Interlock respectively.

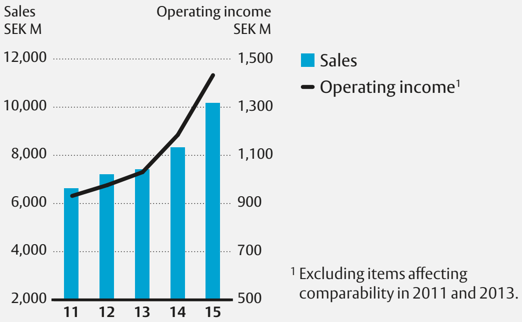
Acquisitions 2015: Teamware (Malaysia).

KEY FIGURES

SEK M	2014	2015	Change
Income statement			
Sales	8,336	10,171	22%
Organic growth, %	1	–3	
Operating income (EBIT)	1,187	1,436	21%
Operating margin (EBIT), %	14.2	14.1	
Capital employed			
Capital employed	9,810	11,689	19%
– of which goodwill	7,931	7,690	–3%
Return on capital employed, %	14.2	12.6	
Cash flow			
Cash flow[1]	931	1,235	33%
Average number of employees	13,439	13,651	2%

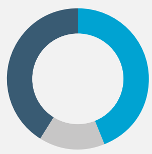
[1] Excluding restructuring payments.

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability in 2011 and 2013.

SALES BY PRODUCT GROUP



- Mechanical locks, lock systems and fittings, 44%
- Electromechanical and electronic locks, 15%
- Security doors and hardware, 41%

Global Technologies

Innovations drive market leadership

The division's sales increased by 26 percent due to strong growth in identification technology, Quantum Secure and Hospitality, and good growth in other areas except Government ID and biometrics, which were negatively impacted by budget restrictions and postponed projects. The division received its largest ever order for the next generation of U.S. Green Cards. The launch of new products continued at a very high level, with several awards for innovative strength. A major organizational change was decided on to further delegate responsibility and increase customer focus in a rapidly changing market. Operating income increased by 20 percent despite a slight reduction in operating margin.

Report on the year

- Sales: 9,100 SEK M (7,207) with 7 percent organic growth.
- Operating income (EBIT): SEK 1,647 M (1,368), a 20 percent increase.
- Operating margin (EBIT): 18.1 percent (19.0).

Global Technologies division consists of HID Global and ASSA ABLOY Hospitality.

HID GLOBAL

Market development

The underlying global demand for the division's products remains strong, with constantly growing security needs and upgrades to modern electronic and mobile technology, where the private and commercial sectors lead the way. Demand from the important institutional segment remains weak in several markets, with postponed investments in several markets as a result of budget restrictions and weaker economic development in oil- and commodity-producing countries. But a rapid technology shift is in progress even in these countries, especially with regard to various forms of identification.

North America performed strongly, particularly in the commercial segment. Institutional demand remained restrained, but HID Global received its largest ever order for a new national Green Card in the U.S., with advanced digital technology and new functions. Asian markets continued to grow strongly in most segments. Demand was also good in Latin America.

Europe experienced a weak start to the year, but demand gradually improved to stable over the year. The trend in recent years for weaker demand in southern Europe and stronger demand in northern Europe continued. Several large projects in the Middle East and Africa were postponed due to weaker finances following the fall in the oil price, while eastern Europe continued to grow at a good rate, with the exception of Russia.

Market presence

Global Technologies is the global market leader in products and solutions for secure identification and physical and logical access control. Demand is growing rapidly and HID Global's market strategy has prioritized emerging markets and market leadership in the communications technology shift to electronics, digitization and mobility. HID Global is moving from being solely a component supplier to offering integrated solutions and total systems with a large software and consultancy content.

HID Global seeks broad and deep presence in large market segments with good growth. Identification of authorized personnel and physical access control are a common need for all workplaces. The corporate, banking and financial sectors are market segments with high security requirements with regard to unauthorized data access. These requirements are growing rapidly in the transition to online and mobile transactions and increased compliance requirements.

Healthcare and the education sector are two other very large growing market areas with large people flows, high security requirements for physical access, integrity and speed in critical information flows. States, governments and government agencies take great responsibility for their citizens' security by issuing passports, national ID documents, driving licenses and other entry documents for large population groups.

Global Technologies is rapidly developing its own market presence to meet, provide service to and support customers in a broad network of digital channels. HID Global is increasingly focusing on broad partnership programs, which enable the development, design and testing of products and solutions online, in interaction with customers, suppliers and development partners. The division is building common knowledge and competence and creating long-term relationships of trust with customers through digital archives, blogs and communities.

The acquisition of the U.S. company Quantum Secure at the start of the year made an important contribution to market presence. This software company develops advanced identity management systems for employees, visitors, customers and suppliers in businesses across multiple sites.

Product leadership

HID Global has a very high investment rate in new products and solutions in the light of rapid technical developments in the shift to electronic and digital solutions on mobile devices. Products launched in the past three years account for 40 percent of sales, compared with the Group average of 30 percent. This is due to the fact that HID Global's products and solutions with their increased software content are updated more frequently and have an ever-shorter life in the very innovative stage that the technological revolution has now reached.

Development takes place at various Centers of Excellence with category responsibility in three continents and with intensive collaboration with other parts of the Group. Working with open standards is a key principle, which facilitates the development of new solutions for upgrades of many different systems and adaptation to new technology and new applications.

HID Global is the market leader in fast-growing mobile technology for identity and access management. The hub is the Group's Seos technology, which is the world's first commercial ecosystem for digital identities on various platforms. Seos is under dynamic development and the technology is now being further developed to achieve an ever-increasing distribution by offering licenses to external developers for smart mobile devices, such as phones, tablets and wearables.

The year saw the launch of a new card printer in the Fargo range, with higher resolution and a lower print cost and environmental impact. In addition, a new long-range reader based on UHF technology was launched. New solutions were also presented for e-passports and a concept for stronger mobile identities that enables, for example, driving licenses and ID cards on smartphones. A brand new portfolio of solutions is being launched in logical access control, in collaboration with Microsoft, among others, to achieve faster, simpler and more convenient login to mobile devices. The focus on physical access control was strengthened to achieve faster expansion of mobile access.

Cost-efficiency

HID Global's implementation of the Group's three-year restructuring program for consolidation of production plants is in line with budget and slightly ahead of schedule. The closure of five production and distribution plants was completed during the year. All American production is now concentrated in a newly built plant in Austin, Texas, where headquarters were also relocated from Irvine, California. HID Global now has principally three factories in various parts of the world: one in the U.S., one in the EU (Irish Republic) and one in Asia (Malaysia).

Seamless Flow programs continue at a high rate and major progress was made during the year in automated flows in sourcing and in Lean automation in the division's factories. The program for automated order flows accelerated at the end of the year and is expected to generate good results in 2016.

Sustainability initiatives continue to yield positive results, with lower energy, water and materials consumptions as well as efficiencies, simplifications and savings due to Lean programs. The new headquarters, which opened in 2014, has received LEED Platinum Certification and several awards from local organizations and satisfied customers for the building's high sustainability standard in 2015.

ASSA ABLOY HOSPITALITY

Report on the year

ASSA ABLOY Hospitality's sales remained strong in 2015, with an improvement in operating income and a high operating margin. Several years of good growth in global market demand continued with the exception of China.

This changed the traditional growth picture, with the result that mature markets grew more rapidly than emerging markets globally. But growth remained good in large parts of Asia and in Latin America. The North American market continued to show good growth, while Europe, the Middle East and Africa showed more moderate growth.

The rate of increase in the new construction market slowed somewhat, with a lower growth rate in the number of construction starts and new hotel rooms. Demand for renovations and upgrades remained high, as a result of strongly increased investments in advanced electromechanical technology.

Market presence

ASSA ABLOY Hospitality's market presence has gradually strengthened since the Group began its electromechanical technology shift in 2006, with the launch of RFID-based lock systems. The transition to new technology has been considerably faster than forecast. During the year, ASSA ABLOY Hospitality began its next global technology shift, with the launch of Mobile Access.

Mobile Access has been an overwhelming success. Last year's breakthrough contract with Starwood Hotels & Resorts Worldwide, Inc. was followed by orders for mobile lock solutions in the region of over 100,000 rooms. ASSA ABLOY Hospitality currently has orders from and is conducting concrete discussions with most of the world's leading hotel groups.

During the year ASSA ABLOY Hospitality took the final step in uniting operations under the overall ASSA ABLOY brand. The well-reputed VingCard and Elsafe brands remain as product brands.

Product leadership

The Group's common product development is a decisive factor in the ongoing technology shift, and the business unit's investments in innovation and product development continue at a high level. Significant coordinated efforts for the development, delivery and implementation of mobile solutions are now taking place jointly with customers. The advanced mobile technology is installed in the form of an integrated solution, including training of the customer's IT staff. This special collaboration process simplifies use and integration of ASSA ABLOY Hospitality's mobile solutions into the customer's existing systems. The system is certified and tested to ensure flawless use.

Cost-efficiency

The multi-year restructuring program for production has now been implemented, and ASSA ABLOY Hospitality has no component production in high-cost countries. The business unit is working on a broad program to automate and constantly fine-tune the production process. The structured Lean process comprises a large number of projects with significant savings every year. For several years material costs have been falling by 3–4 percent per year, due to a more professional sourcing organization and the Group's program to reduce and concentrate the number of suppliers to the most competitive.

The year saw a significant reduction in the number of warehouses in Europe, with the goal of concentrating operations to three strategic global central warehouses. This activity will continue during 2016 in North and South America, Asia and the Pacific region.

FACTS ON GLOBAL TECHNOLOGIES

Offering: HID Global is a global leader in secure identity solutions, primarily in identity and access management, and in contactless identification technology solutions. Customers comprise companies, healthcare, education, financial, government and state institutions.

ASSA ABLOY Hospitality manufactures and sells electronic lock systems, safes, energy management systems and minibars for hotels and cruise ships under the VingCard and Elsafe product brands. It is the world's best-known brands for lock systems and in-room safes, with products installed in over seven million hotel rooms in more than 42,000 hotels worldwide.

Markets: Customers are mainly in the institutional and commercial sectors worldwide.

Brands: HID Global and ASSA ABLOY.

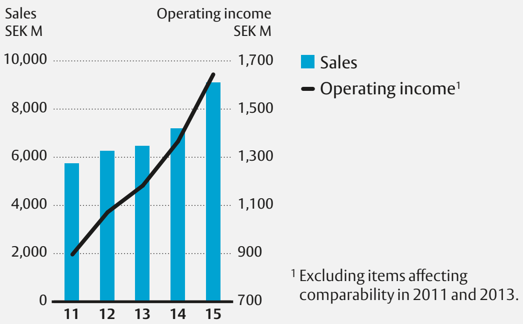
Acquisitions 2015: Quantum Secure (USA) and IAI Industrial Systems (Netherlands).

KEY FIGURES

SEK M	2014	2015	Change
Income statement			
Sales	7,207	9,100	26%
Organic growth, %	1	7	
Operating income (EBIT)	1,368	1,647	20%
Operating margin (EBIT), %	19.0	18.1	
Capital employed			
Capital employed	8,239	9,815	19%
– of which goodwill	5,984	7,437	24%
Return on capital employed, %	19.6	18.8	
Cash flow			
Cash flow[1]	1,282	1,557	21%
Average number of employees	3,331	3,583	8%

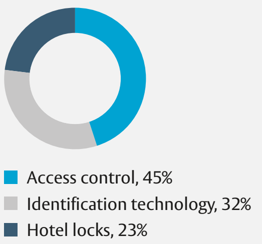
[1] Excluding restructuring payments.

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability in 2011 and 2013.

SALES BY PRODUCT GROUP



Cruise ship focuses on innovation, security and convenience

ASSA ABLOY Hospitality has supplied a solution with innovative RFID wristbands, which provide an optimal user experience for passengers on board the cruise ship MS Anthem of the Seas.

■ **CUSTOMER**: Royal Caribbean's Anthem of the Seas is the world's third largest cruise ship and known for its exclusive hi-tech standards. The vessel has 2,090 cabins in various sizes and price ranges.

■ **CHALLENGE**: Royal Caribbean needed to replace its existing keycards with a more innovative solution, to live up to its vision of being a modern, luxury and hi-tech cruise ship and stand out as an attractive option for the younger customer segment. The challenge was to find a secure, smart solution that enhances the user experience of both passengers and crew.

■ **SOLUTION**: ASSA ABLOY Hospitality collaborated with Royal Caribbean to develop a modern, smart solution that can be used by passengers all over the vessel to pay for food and drink, enter their cabin, and go ashore and on board again at ports of call.

RFID components are now found all over the vessel, fulfilling a number of different functions. RFID locks with encryption technology have been installed, for example, in all cabin doors, and wristbands with embedded RFID technology give users access to all RFID functions on the vessel.

Aperio from ASSA ABLOY protects HafenCity University Hamburg

■ **CUSTOMER**: The HafenCity University Hamburg (HCU) offers courses and research in areas such as architecture, civil engineering, geomatics and urban planning. The new, spectacular university building is located in Grasbrook harbor on the south bank of the River Elbe, one of Hamburg's most important regeneration areas. The university has around 2,400 students and 460 employees. Students and staff were previously dispersed across five different sites in the city, but are now located in the new 14,000 square meter building.

■ **CHALLENGE**: The explicit requirement during the planning phase was to install a modern, flexible access control system for staff and students at HCU. The building has two foyers on different levels, a media center and library, a cafeteria, lecture theatres, laboratories, seminar and workshop rooms, offices for working and research teams, study and group rooms, and premises for exhibitions and other events.

■ **SOLUTION**: HCU chose to install an innovative electronic access control system from SIEMENS to provide better control and reduce administrative costs. Aperio components are an essential part of this system, which comprises around 500 electronic offline cylinders. In combination with online readers and online doors, more doors can be fitted with Aperio offline cylinders, and all access rights are saved on RFID cards through online access control systems. For security reasons, it is possible to alter the validity of keycards.

This means that the IT department at HCU has better control, can simply manage organizational changes in real time and only needs to monitor a single security system. Moreover, users only need a single locking medium for increased security and user-friendliness. Another advantage of Aperio cylinders is that the system can be expanded gradually as need arises. The flexible system can be simply adapted to the demands made on the building.

Entrance Systems

Increased market presence and cost-efficiency strengthened margin

The positive organic growth in 2014 continued in 2015, with strong growth in North America and the Pacific area across all segments. The European market also grew at a good rate, with southern Europe returning to growth. Eastern Europe and other emerging markets remained successful resulting from several years of significant market investments. The Chinese market performed weakly with a decline in sales. The product development rate remained at a very high level, with products launched in the past three years accounting for 35 percent of sales. Following several years of acquisition-driven growth, the division focused on consolidation and efficiencies, which led to good results and an improved operating margin.

Report on the year

- Sales: SEK 17,957 M (15,409) with 5 percent organic growth.
- Operating income (EBIT): SEK 2,436 M (2,054).
- Operating margin: 13.6 percent (13.3).

Market development

Development in 2015 was in many respects similar to that in 2014. The U.S. market performed strongly, with good sales growth in the residential, commercial, industrial and institutional markets. Customers' investments increased, with new construction, upgrades and increasing demand for automatic, industrial and high-performance doors, and logistics solutions.

In Europe, the slow increase in demand in industrial segments from a low level continued. The negative growth in the residential market turned weakly positive. Sales increased at a good rate in northern Europe. Southern Europe saw a small upturn in demand from a low level following several years of stagnation. The decline in the Chinese market strengthened during the year resulting in a decline in sales, while the rest of Asia and Oceania continued to experience strong growth.

Nearly one-third of the division's sales are generated by the comprehensive service offering, with its high, steady sales over time. Several new service concepts have been launched over the past two years based on long-term agreements, e-maintenance, preventive service and modernizations, even for competitor products. Customer response has been very positive and service sales increased the growth rate during the year.

Market presence

With sales of SEK 17,957 M, sales companies in 35 countries and distribution in a further 90 countries, Entrance Systems is the global market leader in entrance automation. Growth has more than trebled since 2010, mainly through a combination of organic growth and acquisitions in mature markets. The total market is estimated at EUR 20 billion, providing significant future growth potential.

The consolidating growth in mature markets is complemented by a growth strategy in emerging markets, mainly through organic growth. During the year sales in emerging markets increased to 12 percent of sales, due to very strong growth in the Middle East, Africa and Southeast Asia. The target is 25 percent. The focus on emerging markets is currently being strengthened through investments in focused product development for regional and local markets, with increased R&D resources in China and eastern Europe. In addition, local assembly plants are planned to increase competitiveness in some of the most important emerging regions.

Entrance Systems has a complete product and service offering and three distribution channels: the direct channel targeting the end-customer, the component channel, and the indirect channel targeting distributors. In the direct channel, total solutions under the ASSA ABLOY brand are marketed to major customer segments such as retail, healthcare, manufacturing, distribution, logistics and mining. The division has increasingly close collaboration with architects and technical consultants who drive demand.

Several new concepts for the important service business were established during the year. These are mainly aimed at upgrading and modernizing existing equipment to optimize performance and energy efficiency. Some 100 different modernization kits have been launched so that service engineers have tools to act as advisers and salesmen. The year also saw the launch of e-maintenance, an online tool for service customers enabling them to monitor the function and use of their entrance solutions. The response has been strong with sales of several thousand units and a large number of customers on long-term contracts.

Component and hardware sales are combined under the FlexiForce brand. The components are mainly for overhead sectional doors in the industrial, commercial and residential segments, which are sold through distributors and installers. The product range is comprehensive.

The third channel, indirect sales, targets local distributors and installers under the Entrematic brand. Sales are very widespread in both Europe and North America, where distributors often purchase equipment from manufacturers and market solutions under their own name. Entrematic has a complete offering of sectional doors, loading dock solutions, high-performance doors and entrance automation. Following the acquisition of Amarr and 4Front (USA) in 2013 and 2012, the division now has a very effective offering for the important U.S. market. Marketing activities focus on product and customer segmentation, combined with marketing of Entrematic's integrated offering, to enhance customer value.

Acquisitions constitute an important part of growth. The year saw five new acquisitions, including Nergeco and CEDES. The French company Nergeco is successful in high-performance doors, giving the division a strong position on the French market. The Swiss company CEDES is a leader in sensor technology to the elevator and door industry.

Product leadership

The new product development organization established in recent years has substantially streamlined and increased the rate of new product development. The launch rate was very high during the year, with products launched in the past three years accounting for 35 percent of sales. During the year the division launched several new products including sliding, swing, revolving, overhead sectional and high-performance doors, as well as gate automation on newly developed product platforms, with focus on enhanced customer value and energy-efficient solutions. These platforms provide great flexibility for differentiating the product range using modular solutions, with increased functionality and at a faster rate. Significant efficiency gains arise when complexity is considerably reduced. The division's innovation competence will be further strengthened and spread through the establishment of R&D capacity in eastern Europe and China.

Cost-efficiency

The division has acquired 35 factories in six years, with the result that cost-efficiency initiatives have focused on consolidation of the production structure. Component production is being relocated from high-cost countries to low-cost countries, where production is concentrated in a small number of large factories. Customized final assembly close to the customer takes place in high-cost countries to achieve more flexible and efficient regional distribution. Cost-efficiency initiatives are coordinated, with a concentration of sourcing to fewer and fewer suppliers managed by a professional purchasing organization. The application of Lean and Seamless Flow processes is spreading and deepening. The number of Lean projects has risen from 12 projects in 2012 to 142 in 2015, making strong increasing contributions to cost savings, as are VA/VE methods in product development in close cooperation with the production organization. Sustainability initiatives continued to reduce raw materials and energy consumption.

FACTS ON ENTRANCE SYSTEMS

Offering: Entrance automation products, components and service. The product range includes automatic swing, sliding and revolving doors, gate automation, hardware for overhead sectional doors, garage doors, high-performance doors, docking solutions and hangar doors.

Markets: Entrance Systems is a global leader with sales worldwide. It has sales companies in 35 countries and distributors in 90 countries. Service operations account for nearly one-third of sales. The products are sold through three channels. In the direct channel, new equipment and comprehensive service are sold direct to end-customers under the ASSA ABLOY brand. The indirect channel mainly targets large and medium-sized distributors under the Entrematic brand. The third channel, FlexiForce, sells components and hardware for overhead sectional doors in the industrial and residential segments.

Brands: Besam, Crawford, Albany, TKO, Megadoor, FlexiForce, Amarr, Kelley, Serco, Normstahl, Dynaco, Ditec, and EM.

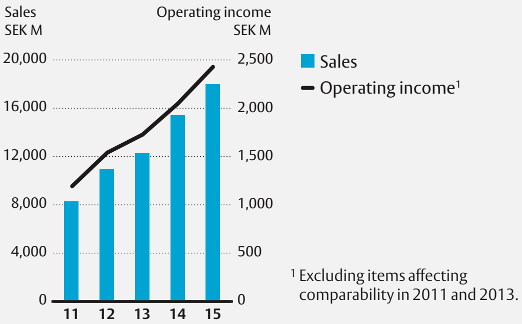
Acquisitions 2015: Nergeco (France), L-Door (Belgium), and CEDES (Switzerland).

KEY FIGURES

SEK M	2014	2015	Change
Income statement			
Sales	15,409	17,957	17%
Organic growth, %	4	5	
Operating income (EBIT)	2,054	2,436	19%
Operating margin (EBIT), %	13.3	13.6	
Capital employed			
Capital employed	16,245	16,030	–1%
– of which goodwill	9,615	9,891	3%
Return on capital employed, %	13.1	14.9	
Cash flow			
Cash flow[1]	2,007	2,637	31%
Average number of employees	9,420	9,686	3%

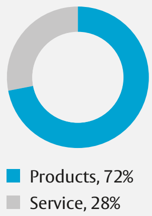
[1] Excluding restructuring payments.

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability in 2011 and 2013.

SALES BY PRODUCT GROUP



Key steps towards more sustainable development

ASSA ABLOY's sustainability initiatives are an integrated part of the Group's strategies for growth and profitability and a key factor in market competition, product development and cost-efficiency. The five-year sustainability program was completed in 2015 with good target fulfilment. A new five-year program through 2020 was launched with raised ambitions and targets. The reporting systems were modernized for faster and more detailed monitoring, while supplier audits were made more stringent.

Higher sustainability performance is a strong commercial driver for ASSA ABLOY. Customers are increasingly asking for products and solutions that reduce resource consumption, costs and environmental impact. The same forces drive the Group's own efforts to achieve competitive market presence, leadership in innovation and product development, and cost-efficiency. Sustainability initiatives support the Group's overall objectives.

Sustainability control

ASSA ABLOY's sustainability control is based on the Group-wide Code of Conduct, with its principles in business ethics, human rights, employee rights, environment, and health and safety, consumer interests, and social responsibility. The Code applies to the Group's employees, suppliers and external stakeholders. It is a necessary support in the decentralized organization in which important decisions are made close to the local market's customers.

The Code is based on international guidelines and conventions and is available in 23 languages. All employees undertake to comply with the Code and it is a compulsory part of the induction of new employees. A new employee shall receive training in the Code within three months and this training is repeated every three years. Whistle-blowing procedures are in place to enable all employees to report suspected infringements. Reported cases are investigated by a special committee headed by the Group's HR director. The procedure is described in the Code of Conduct and on the Group's intranet.

Suppliers are informed of the Code of Conduct and direct material suppliers in low-cost countries undertake in writing to comply with it in their collaboration with the Group. ASSA ABLOY monitors compliance through internal audits and supplier audits. Action is taken in case of non-compliance. In 2015, the Group began work on drawing up a separate Code of Conduct for suppliers and other external stakeholders.

A Group-wide anti-corruption program has been in place since 2011, with a policy and a number of activities that are implemented continuously, including risk analysis, employee training and internal control. In 2015, the focus continued to be on implementation of a due diligence process for third parties, such as distributors, who act on behalf of ASSA ABLOY on markets where there is perceived to be a higher risk of corruption.

Responsibility, reporting and information

The Group's Board of Directors has the overall responsibility, while the Executive Team is responsible for operational management of relevant sustainability activities in accordance with the Group's strategies. The divisions and Group companies are responsible for conducting relevant activities, compliance with the Code of Conduct and other policies, and correct reporting back to headquarters.

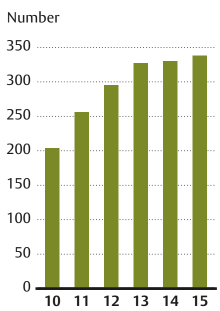
Appointed staff at divisional and company level ensure that the Group's sustainability guidelines, tools and knowledge are available and that programs are implemented. HR functions at Group and divisional level monitor the management of social and business ethical issues.

In 2015, ASSA ABLOY modernized the reporting system implemented in 2013. Reporting now takes place quarterly, strengthening the quality and continuity of the information flow and facilitating monitoring, control and knowledge transfer.

The Group's reporting complies with GRI's G4 Sustainability Reporting Guidelines as from 2015. During the year the divisions worked on justifying and describing the relevant reporting areas and the processes for managing and reporting improvement activities.

The reporting system follows the Group's economic structure and includes 338 company units with at least ten employees. It is linked to a Group-wide database for sustainability data, which also collects good practice from Group companies and enables benchmarking for comparisons of units with similar operations. This database is an important knowledge bank for everyone working with sustainability issues across the Group.

REPORTING UNITS



The number of reporting units in the Group has increased to 338 (331).

A target-based activity

An important driver in this activity is the Group's Sustainability Council comprising representatives of the Executive Team, management and divisional officers, with meetings four times per year. The Council reviews outcomes and activities and shares experiences of implemented projects.

The Group's five-year sustainability program for the period 2010–2015 was completed during the year. This program was successful and the majority of targets were achieved. During the autumn, it was decided to launch a new five-year program through 2020 with new and more ambitious targets. (See table below.)

ASSA ABLOY's customer offering

Demand for products and solutions with a sustainability profile is increasing. Customers increasingly want sustainable solutions, particularly in terms of energy savings. Development of energy-efficient products is a central part of product development for ASSA ABLOY. Products that reduce the user's energy consumption, create a better indoor environment and higher security, and reduce total operating costs account for an increasing share of Group sales.

Market forces are supported by increased use of various certifications for sustainable construction, especially Environmental Product Declarations (EPD). Being able to provide EPDs is becoming increasingly important in large procurements in the U.S. and Europe, and this trend is spreading to more markets. ASSA ABLOY has now developed EPDs for all strategic product groups. At year-end 2015, the Group had developed 250 EPDs.

Progress towards more sustainable products and solutions

ASSA ABLOY has world-class product development. This requires a good knowledge of customer needs today and tomorrow, as well as knowledge of the product's total value chain. The Group-wide development process takes account of relevant sustainability parameters throughout the development process.

Product life cycle assessments and value analysis/value engineering provide ASSA ABLOY with knowledge that enables modification and development of products, with more efficient use of materials and reduced power consumption. Lower energy consumption is becoming increasingly relevant as digital and electromechanical products and solutions are growing as a share of the Group's business.

Material KPI *Area*	2010	2011	2012	2013	2014	2015[1]	Change 2010–2015	Target 2010–2015	Target 2020
Environmental KPI									
Number of entities covered by ISO 14001 certificates and other certifiable management systems	69	75	100	101	111	119	+50[2]	115 ●	125
Intensity of Greenhouse gas emissions related to energy consumption (tons/SEK M)[7]	15.4	14.8	12.9	11.9	10.3	9.6	–38%	–10% ●	–20%
Energy intensity (MWh/SEK M)[7]	39.3	36.9	36.3	33.8	31.7	27.6	–30%	–15% ●	–20%
Water intensity (m^3/SEK M)[7]	148.8	138.8	148.5	129.6	119.1	98.6	–34%	–15% ●	–20%
Hazardous waste intensity (kg/SEK M)	293.8	186.0	181.4	130.9	125,7	129.6	–56%	–15% ●	–20%
Consumption of chlorinated organic solvents (PER and TRI) (tons)	32.3	21.6	20.1	14.4	1.7	0.4	–99%	–75% ●	–85%
Non-hazardous waste intensity (kg/SEK M)*	764	853	872	814	990	909	+19%	N/A	–20%
Portion of renewable energy*	12,5%	10,0%	8,7%	6,9%	7,8%	9.1%	–3.4 p.p.	N/A	20%
Consumption of other types of organic solvents (tons)*	671	804	933	949	1,033	1,068	+397	N/A	–50%
Intensity of Greenhouse gas emissions related to chemicals in industrial processes (tons/SEK M)	N/A	N/A	9.4	9.0	10,5	6,8	N/A	N/A	–85%
Social KPI									
Injury rate (number of injuries per million hours worked)[7]	7.6	9.2	9.1	7.5	6.4	6.3	–17%	–15% ●	–20%
Injury lost day rate (number of lost days related to injuries per million hours worked)[7]	157.3	182.4	187.4	168.2	135.7	134.4	–15%	–15% ●	–25%
Portion of spend in low-cost countries represented by sustainability audited suppliers	80%[3]	90%[4]	90%[4]	89%[5]	90%[5]	90%[5,6]	+10%	>90% ●	90%[5]
Number of sustainability audits of suppliers in low-cost countries	376[3]	493[4]	795[4]	885[5]	812[5]	890[5]	+514	N/A	
Gender equality[8] Portion of females on management positions	Level 2: 0%	0%	18%	27%	27%	27%	+27%		
	Level 3: 16%	15%	16%	12%	16%	17%	+1%		
	Level 4: 18%	19%	18%	21%	20%	16%	–2%		
	Level 5: 24%	26%	23%	24%	23%	25%	+1%		
	Level 2–5: N/A	24%	22%	23%	22%	23%	N/A	N/A	30%

[1] For comparable units 2014.

[2] The development is a combination of an increased number of certified entities and recently acquired companies with ISO 14001 certification.

[3] Countries covered: China, Macau, Hong Kong and Taiwan

[4] Countries covered: China, Macau, Hong Kong, Taiwan, India, Malaysia, Vietnam, Thailand and Philippines.

[5] Countries covered: All low-cost countries.

[6] Including newly acquired companies' suppliers the share was 85%.

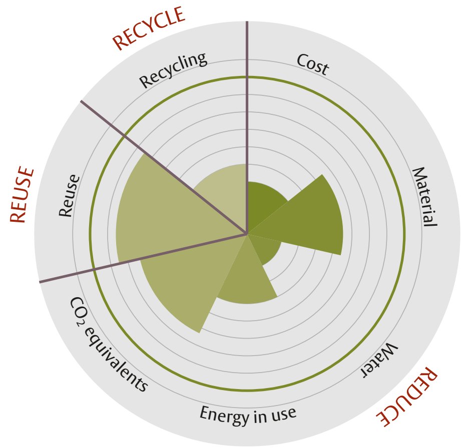
[7] The historical numbers have been adjusted with proforma data for the years 2010–2013.

[8] The definition of management positions have been revised during 2014. 2012 and 2013 have been restated to be comparable with 2014.

* New KPI's from 2015.

Target achieved
● Yes
● No

Product life cycle assessments form the basis of all product development and provide knowledge of where the largest environmental impact occurs. The assessment provides an important basis for decisions on prioritizing resources. ASSA ABLOY can reduce its total environmental impact and costs through a reduced and efficient use of water, chemicals, energy and materials in the production process. The product development process uses an in-house developed compass showing seven sustainability dimensions, facilitating a comparison of performance with other relevant products.



During the year a Group-wide checklist was developed with a list of undesirable materials that should be avoided in product development. Moreover, initiatives to reduce the amount of packaging materials for different forms of delivery are important. OEM customers, for example, can have their products delivered on pallets without individual packaging of each product. This contributes to lower resource consumption across the whole supply chain.

Development of supplier relations

ASSA ABLOY is working systematically with its suppliers to improve sustainability performance across the supply chain. Evaluation and improvement of the supplier base is a continuous process. Supplier selection is based on standardized criteria for both quality and sustainability. Good supplier control and working in accordance with jointly agreed action plans result in increased product quality and more efficient and sustainable processes.

Suppliers are required to comply with the Group's Code of Conduct. Quality and sustainability audits are conducted before new suppliers are approved. Suppliers deemed to be in a risk category are prioritized for audit.

The audit is constantly being upgraded and is based on the Group's Code of Conduct. Areas monitored include wages, overtime, noise levels, protective equipment, chemicals management, accident reporting, environmental management systems, and health and safety training. Any supplier failing to comply with these requirements is requested to make necessary improvements in accordance with an action plan. The contract is terminated unless this plan is complied with.

In 2015 ASSA ABLOY conducted 890 (812) sustainability audits. At year-end, 1,362 (1,053) active suppliers had satisfied the minimum requirements for quality and relevant sustainability issues. Seven (43) suppliers were blacklisted. Of purchases in low-cost countries, 90 percent were from sustainability-audited suppliers.

An external audit began at the end of the year to check the quality of the company's own supplier audits. An external party is to conduct 60 audits of suppliers previously audited by the Group. This audit will help improve the company's internal audit functions and enable calibration of the Group's audit results with comparisons to achieve improvements and knowledge development.

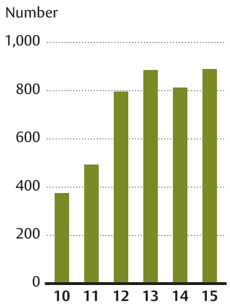
Supplier selection process

The process has three stages:

- Supplier self-assessment: the supplier assesses its ability to meet ASSA ABLOY's requirements, using a form from ASSA ABLOY.
- On-site audit: a sustainability audit assesses how well a potential supplier meets ASSA ABLOY's requirements.
- Extended sustainability audit: a complement to the standard audit.

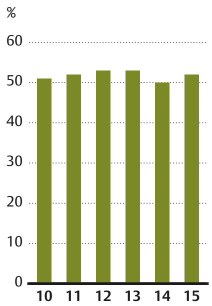
The supplier is evaluated and graded using a color coding system. Green means the supplier is approved, but should regularly undergo a follow-up audit after 36 months. Yellow, orange and purple mean that the supplier is underperforming to various extents and needs to

SUSTAINABILITY AUDITS OF SUPPLIERS IN LOW-COST COUNTRIES



In 2015, ASSA ABLOY conducted 890 (812) sustainability audits.

SHARE OF TOTAL PURCHASES IN LOW-COST COUNTRIES



In 2015, the share of the Group's total purchases of raw materials, components and finished goods from low-cost countries increased to 52 percent.

improve within 12 months. Improvement is verified by an on-site follow-up audit. Red means the supplier is not approved and needs to improve within six months. This also means that no new business can be done with ASSA ABLOY while the supplier is red.

A red, yellow, orange or purple rating can be upgraded, if the supplier improves in line with an action plan. If no action is taken within the agreed time, the supplier is immediately classed as red, preventing the supplier from doing new business with ASSA ABLOY.

Sustainability audit results override quality audit results with respect to non-compliance. This means that a supplier rejected for poor management of relevant sustainability issues is either stopped immediately or put on hold pending approval once the deficiencies have been actioned.

ASSA ABLOY's supplier database

Over 95 (95) percent of the Group's supplier costs in low-cost countries are included in ASSA ABLOY's database. Suppliers are listed, graded and monitored in the supplier database. Audit reports on both quality and relevant sustainability issues are regularly entered into the database. Information on green-rated suppliers is entered to enable delivery to several Group companies. The database also lists non-approved and blacklisted suppliers to ensure that they are not used again.

Project with focus on low life cycle costs and healthy materials

Nya Karolinska Solna (NKS), Stockholm has contracted ASSA ABLOY Entrance Systems to supply automatic doors with high energy efficiency and a long life thanks to an optimally designed service program.

■ **CHALLENGE**: The ultramodern Nya Karolinska Solna University Hospital is one of Europe's largest construction projects. Energy efficiency plays an important role in this project, and the hospital is making high demands on the products and materials used in the building. PVC, for example, is a material that must be avoided at all costs. The whole life cycle has been taken into account when selecting products, and all suppliers have to satisfy the requirements to be approved.

■ **SOLUTION**: Good service was a basic requirement in supplying automatic entrance solutions for the hospital. Moreover, the doors had to be made of healthy materials. Thanks to an optimally designed service program, ASSA ABLOY Entrance Systems was able to offer products with high energy efficiency and strong reliability and endurance.

■ **RESULT**: It is important that service is carried out in the right way to maintain the doors' energy-efficient characteristics, thereby ensuring continuous, secure operation of NKS. Collaboration with ASSA ABLOY Entrance Systems also results in a lower life cycle cost, as the products last longer if they are regularly serviced. ASSA ABLOY Entrance Systems carries out preventive maintenance at regular intervals throughout the life of the products, which means that parts are replaced before they fail. Upgrades are also available so that NKS does not need to replace the whole product when new functions become available.

More efficient production

Energy and carbon emissions

During the period 2010–2015, the Group's energy intensity was reduced by 29 percent, exceeding the target of a 15 percent reduction. The same applies to greenhouse gas emissions related to energy consumption, where the target was a 10 percent reduction. Structural rationalization programs have concentrated manufacturing to more efficient units with high capacity utilization, more effective working practices and processes, and higher quality. Automation and measures for smarter flows have been central for achieving more efficient production. More efficient control of temperature, light, ventilation and energy-intensive manufacturing processes has generated major savings in many Group companies. Cooperation with innovation, product design and product development has led to use of materials and processes with less environmental impact.

Water consumption

During the period 2010–2015, water intensity was reduced by 33 percent, compared with the target of 15 percent.

Efforts to increase water use efficiency have largely been concentrated to plants with surface treatment processes, which account for most of the Group's water consumption. Over the past few years many of the Group's plants have implemented technical improvements in which purification and reuse of water in the production process have considerably reduced consumption. Acquisitions in China in recent years have involved water-intensive processes, and the Group is now working hard to find alternatives.

Waste management and hazardous chemicals

The Group has focused on reducing the use of freon and chlorinated organic solvents, and both chemical groups are to be phased out. The use of chlorinated organic solvents has been substantially reduced over several years. The last plant that used them replaced them with eco-friendly technology in 2015. The main consumption of freon is in China. In 2015, the first plant in China was converted to eco-friendly technology, and remaining processes in China will be phased out in 2016. Overall, the amount of environmentally hazardous waste has been reduced by more than the 15 percent target.

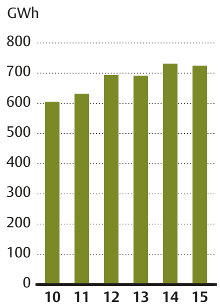
The Group applies the Reduce, Reuse, Recycle principle. This means that ASSA ABLOY works systematically to reduce the amount of materials in products, select optimal materials, develop products that can be upgraded rather than replaced and enable recycling of both production waste and the finished products at the end of their life cycle. Monitoring of waste from various types of materials has been refined to better monitor and reduce the amount of waste.

Occupational health and safety

Since 2010, the Group has achieved a clear improvement in terms of creating safer workplaces, albeit not fully in line with the target of a 15 percent reduction in the injury rate and days lost due to accidents. One explanation is that newly acquired companies with heavier manufacturing have a negative impact on the result.

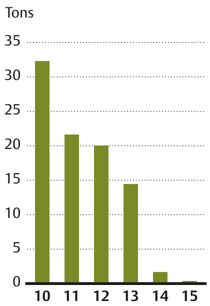
ASSA ABLOY should offer a safe working environment and has a zero vision for accidents at work. The goal is to create a culture in which each individual contributes to and has a safe workplace and good health. Work is intensifying to create a good safety culture with increased reporting, preventive measures, safety inspections and training. The Group has begun a project to look at health in a broader perspective, including health issues such as work-life balance and stress.

ENERGY USE



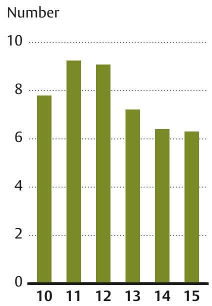
2015 represents development for comparable units from 2014.

USE OF CHLORINATED ORGANIC SOLVENTS (PER AND TRI)



2015 represents development for comparable units from 2014.

INJURIES PER MILLION HOURS WORKED



2015 represents development for comparable units from 2014.

More effective powder coating reduces energy consumption by 35 percent

ASSA ABLOY New Zealand supplies customized solutions to the OEM market within tight time frames. Powder coating is a key part of the production process, and it is important to be able to offer a flexible variation in quantities and colors without compromising the high quality requirements.

■ **CHALLENGE**: Previously, the plant had three different powder coating lines with separate processes for pretreatment and drying, resulting in high waste water and energy costs. The challenge was to reduce powder coating costs without compromising on either throughput time or quality.

■ **SOLUTION**: Following an extensive review of the plant's work flows, a single powder coating line was created. Energy consumption has been reduced thanks to advanced technology in the form of a more efficient gas burner and a monitoring system that reduces the gas supply when the plant is not in operation. The new powder coating line, which can handle two colors simultaneously, has common processes for pretreatment and drying, leading to increased safety and less chemical waste.

The new pretreatment process has a built-in water supply system, in which all waste water is filtered, cleaned and neutralized. As a result, only empty chemicals containers need to be sent to landfill. This system has been in operation since August 2015. As from Q2 2016, the plant will also start utilizing heat from the production process, which will then be reused in the plant's hot water system.

■ **RESULT**: Energy consumption has been reduced by 35 percent, and chemical waste costs from the pretreatment process have been reduced by 70 percent since the system was installed three months ago. Amalgamation of the three pretreatment processes has resulted in less waste water, which in turn leads to lower costs and higher safety.

The new spray tank used in the pretreatment process.

Water recycling in glass production

Metalind increased product quality and reduced water consumption thanks to extra filtration that makes it possible to use the same water in up to 80 production cycles.

■ **CHALLENGE**: Previously, Metalind used ordinary tap water to rinse fire-resistant glass during the production process. An open system was used, with clean water taken from the municipal water mains network and waste water released into the sewerage system. Moreover, the water's chemical composition was a problem, as it contained unacceptably high levels of iron and chloride content. This entailed an imminent risk of customer complaints due to optical defects in the glass.

■ **SOLUTION**: The solution was to install a water recycling system. Extra clean water is now purchased in IBC containers, added to the system and used during production. The main change is that the plant now has a closed water system. When the production process is finished, the water is filtered and then reused. The same water can be used up to 80 times without a deterioration in quality.

■ **RESULT**: Water consumption has been reduced appreciably, helping Metalind to meet one of its the sustainability targets for 2015. However, the main advantage is that product quality is much improved. Another important advantage is that customer complaints have fallen considerably since the new glass cleaning method was introduced. Moreover, the production plant is no longer dependent on the municipal water supply system and is not affected in case of a water shortage.

Employees generate our success

ASSA ABLOY should be an attractive company to work for. The Group has great confidence it its employees, with basic values of transparency, valuing results and performance, taking responsibility and learning from mistakes. The guiding organizational principle is delegation. It is important that all employees feel that they contribute. ASSA ABLOY is investing globally and locally to offer stimulating assignments with clear responsibility, good development opportunities, and a positive, engaging work situation. Each employee has responsibility for their professional development and career.

Career and common goals

Motivated, competent employees are key prerequisites for an innovative and profitable company. A basic principle of ASSA ABLOY's recruitment policy is to give priority to internal candidates provided they have equal qualifications to external applicants. All job vacancies are advertised on the Group's global intranet to encourage and facilitate internal mobility. Recruitment takes place locally in the majority of cases.

To promote continuing development, increased mobility and network building outside their career track, the Group offers its employees a number of different programs to broaden and deepen competence. The 'Live My Life' program allows employees to swap jobs for a day with colleagues at other levels, in different functions and in different organizations. A service manager, for example, can work in customer service or a service engineer can swap jobs with a colleague in service planning. Another program, 'In My Shoes', allows employees with similar responsibility and function to spend a week with a colleague in another organization, region or country to gain new insights and build networks.

Providing employees with a good knowledge of the company and an understanding of how their own efforts contribute to the overall goals increases their motivation and commitment. In order to create a consensus on ASSA ABLOY's business and how the goals are to be achieved, all employees undergo an interactive training program 'Entrance to ASSA ABLOY'. This program includes the Group's history, organization, products, strategy, Code of Conduct, and anti-corruption policy.

Gender equality and diversity

Starting from the basic values of results and performance and the Group's gender diversity policy, ASSA ABLOY is working to achieve a better gender balance at all levels in the organization.

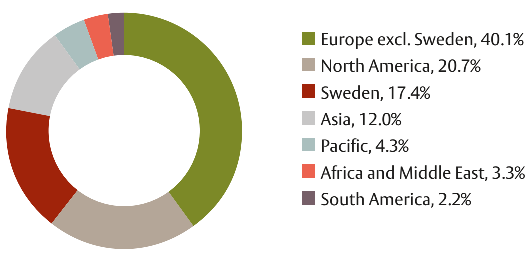
In 2011 the Group set a target of 30 percent women in management positions at levels 2 to 5 by 2020. In 2015 the share was 23 percent. The trend in the share of women at management level is monitored quarterly. Managers are expected to secure diversity, to prioritize the underrepresented gender in the recruitment process in the case of equal qualifications, provided local legislation is complied with, and to have at least one person from the underrepresented gender among the final candidates. ASSA ABLOY is striving for diversity at all levels in the organization. The Group has 24 different nationalities in the senior management structure, including employees reporting to the CEO and divisional management teams. The Code of Conduct states that gender, religion, age, physical disability, sexual orientation, nationality, political opinion or social and ethnic origin must not be the basis for negative discrimination. The Group's global presence, values and delegation of responsibility are consistent with an active diversity policy.

WOMEN AT DIFFERENT LEVELS OF THE ORGANIZATION

	Share of women, %				
Level	2011	2012[1]	2013[1]	2014	2015
2 – reports to CEO	0	18	27	27	27
3 – reports to level 2	15	16	12	16	17
4 – reports to level 3	19	18	19	17	16
5 – reports to level 4	26	23	24	24	25
Level 2–5	24	22	22	22	23
All employees	35	35	31	31	31

[1] The definition of management positions was revised in 2014. 2012 and 2013 have been restated for comparability with 2014.

NATIONALITIES – ASSA ABLOY'S MANAGEMENT TEAMS



Growing with care

ASSA ABLOY is an acquisition-intensive group, and it is important to monitor how new units are operating in relation to the Group's Code of Conduct, principles and international guidelines. Two social audits are therefore conducted each year by an external party. These audits include working conditions, human rights, work environment, workplace culture and skills development. Where warranted the audits lead to improvement measures. In 2015 external audits were conducted in Brazil and Poland.

ASSA ABLOY's employee survey

ASSA ABLOY conducts a major employee survey every two years, and plans were made in 2015 for a new employee survey in 2016. In a decentralized organization, it is an effective tool for obtaining information on employees' opinion of the Group. Areas covered by the survey include: employees' views on their work situation, how they perceive ASSA ABLOY as an employer, how they experience health and safety in their workplace, whether they consider they have equal opportunities, and whether development opportunities have been implemented. The response rate for 2014 was 89 percent. The survey showed a better result for several questions, compared with 2012. The results are broken down into over 300 units and form the basis for concrete action plans with relevance for employees.

Leadership and management training

ASSA ABLOY has a well-established global development process for senior managers, the Talent Management Process. The aim is to support career development in a structured way, optimize the utilization of the Group's total resources, and ensure that the competence needed to meet future requirements is available.

Every year ASSA ABLOY offers a number of senior managers the opportunity to take part in one of its two senior management development programs: ASSA ABLOY MMT and ASSA ABLOY IMD Boosting Market Leadership Program.

MMT is intended to provide participants with an increased knowledge of all areas of ASSA ABLOY's operations, develop their internal network, and contribute to sharing best practices and identifying new business opportunities. The program has three modules based on the Group's three strategic pillars: market presence, product leadership and cost-efficiency. This is of particular importance for ASSA ABLOY, which acquires several companies each year.

In 2005 ASSA ABLOY began collaboration with the world-leading Swiss business school IMD in Lausanne. Since then over 400 of ASSA ABLOY's senior managers from 30 countries have taken part in IMD programs. The Boosting Market Leadership Program has been offered since 2011, with around 30 participants per program. This is a tailor-made program developed in collaboration with IMD. Its main aim is to support the implementation of ASSA ABLOY's strategies, with a focus on problem solving, implementation and activities based on an analysis of various case studies.

During the year EMEA division's successful Graduate Program was broadened to include APAC division, and similar programs are planned in Entrance Systems division in 2016. The program includes 20 to 30 young graduates who want to develop a management or specialist role for a year. They work on various projects, which are sandwiched with supervision and training. This program is an example of how good divisional initiatives can be rolled out across the Group.

Employee development

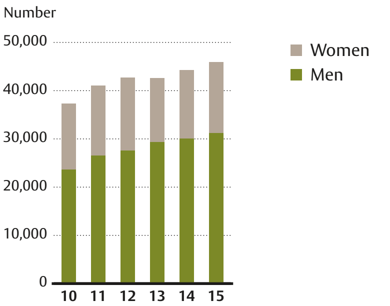
Annual performance reviews are important for monitoring and planning employee development. They provide a platform for professional development with ongoing feedback on performance. ASSA ABLOY considers that a well-functioning internal labor market and rotation across geographical borders and disciplines are a key component for employee development. They also contribute to knowledge, experience and values being shared across the Group.

External dialogue on sustainability

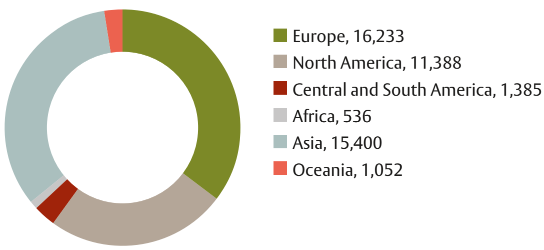
ASSA ABLOY conducts an active dialogue with the company's most important stakeholder groups: shareholders, investors, analysts, customers, suppliers, employees, local communities, NGOs and the media. ASSA ABLOY's policy of openness means that it listens to these stakeholders and takes on board relevant views.

Since 2005 ASSA ABLOY has held an annual roundtable discussion with investors on ASSA ABLOY's management of relevant sustainability issues. This is a welcome and valuable forum for an open discussion. In 2015 requests received included health and safety incident reporting.

AVERAGE NUMBER OF EMPLOYEES



AVERAGE NUMBER OF EMPLOYEES BY REGION



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 through 31 December 2015. 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 for the year totaled SEK 68,099 M (56,843), with organic growth of 4 percent (3) and acquired growth of 3 percent (9). The exchange rate impact on sales was 13 percent (5).

Operating income (EBIT) increased by 20 percent to SEK 11,079 M (9,257), equivalent to an operating margin of 16.3 percent (16.3). Net financial items were SEK –697 M (–559). Income before tax totaled SEK 10,382 M (8,698).

Operating cash flow increased by 21 percent to SEK 9,952 M (8,238). Earnings per share after full dilution increased by 20 percent till SEK 6.93 (5.79).

Restructuring

A number of activities were implemented in 2015 within the framework of the already existing programs for the purpose of generating further efficiencies and savings. The programs launched during the period 2006–2012 have been completed. The most recently launched program from 2013 is still active and is estimated to be largely implemented by year-end 2016.

At year-end 2015, 10,750 employees had left the Group, of which 1,336 employees during the year, as a result of the changes in the production structure since the programs began in 2006. A total of 73 plant closures have been implemented, of which nine closures during the year. A large number of plants in high-cost countries have switched from production to final assembly. A total of 41 offices have also been closed during the equivalent period, of which five closures during the year.

The Group's production is increasingly concentrated in its own plants in China, central and eastern Europe and to external suppliers in low-cost countries.

Payments related to the restructuring programs totaled SEK 375 M (453) for the full year. At year-end 2015, the remaining provisions for restructuring measures amounted to SEK 551 M (941).

Acquisitions and divestments

On 25 March 2015, 100 percent of the share capital was acquired in Quantum Secure (USA), the leading supplier of solutions to help enterprises manage identities and meet compliance requirements in highly regulated industries. The acquisition reinforces the strategy of being the global leader in secure identity solutions. Quantum Secure is headquartered in San Jose, California.

On 22 June 2015, the Prometal Group was acquired, a leading supplier of steel and wooden security doors in the Middle East. Prometal constitutes another important step in the strategy of increasing market presence in the Middle East. The company is 100 percent consolidated. Prometal is headquartered in Dubai, UAE.

On 15 July 2015, 100 percent of the share capital was acquired in Teamware, the market leader in locks and hardware in the Malaysian market. The acquisition is an important step into the large, fast-growing Malaysian market and forms part of the strategy of increasing market presence in emerging markets. Teamware is headquartered in Kuala Lumpur, Malaysia.

On 28 August 2015, 100 percent of the share capital was acquired in Flexim, a leading Finnish locksmith and security systems provider. The acquisition gives ASSA ABLOY a footing in the locksmith and access control channels in the Nordic markets and adds competence in the Finnish market.

On 30 December 2015, 100 percent of the share capital was acquired in the Brazilian companies Papaiz, a leading lock company, and Udinese, a leading manufacturer of sliding door and window hardware. These acquisitions considerably increase market presence on the important Brazilian market. The companies are headquartered in Salvador and Sao Paolo respectively.

Other acquisitions during the year included Nergeco (France) and L-Door (Belgium), which strengthen the leading position in entrance automation, and IAI (Netherlands), which complements ASSA ABLOY's offering in secure identity solutions.

A total of 16 businesses, including minor acquisitions, were consolidated during the year. The total purchase price of these acquisitions was SEK 3,844 M on a debt-free basis, and acquisition analyses indicate that goodwill and other intangible assets with an indefinite useful life amounted to SEK 3,098 M. In addition to these new acquisitions, complementary acquisitions of non-controlling interests totaled SEK 990 M during the year.

In December 2015, ASSA ABLOY signed an agreement to acquire the Swiss company CEDES, a leading supplier of sensor technology to the door and elevator industry. The acquisition forms part of the strategy of providing more intelligence in entrance automation to create new innovative, integrated customer solutions.

Research and development

ASSA ABLOY's expenditure on research and development during the year totaled SEK 1,932 M (1,545), equivalent to 2.8 percent (2.7) 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 standardization should result in lower development costs and a shorter development time for new products.

Sustainable development

ASSA ABLOY's operations in Sweden carry on licensable and notifiable activities under the Swedish Environmental Code in Entrance Systems division in Gothenburg.

Most units outside Sweden carry on licensable activities and hold equivalent licenses under local legislation.

ASSA ABLOY's units worldwide are working systematically and purposefully to reduce their environmental impact. This applies to units on both mature and emerging markets, and to both existing and newly acquired companies.

The 2015 Sustainability Report, reporting on the Group's prioritized environmental activities and providing other information on sustainable development, is available on the company's website: www.assaabloy.com.

Tax matters

The Administrative Court in Sweden has decided not to allow tax deductions for interest expenses relating to one of the Group's subsidiaries for the years 2008–2012 on the grounds that the deductions were misallocated. The decision will be appealed to the Administrative Court of Appeal. The total tax exposure amounts to just over SEK 800 M.

The Finnish Tax Administration has decided not to allow tax deductions for interest expenses in the Finnish operations for the years 2008–2012. The decision will be appealed to a higher court. The total tax exposure amounts to around SEK 750 M.

ASSA ABLOY's assessment is that the decisions will not have an impact on the Group's earnings.

Transactions with related parties

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

Significant events after the financial year-end

No significant events occurred after the financial year-end and up to the date of adoption of the Annual Report for ASSA ABLOY AB.

Outlook

Long-term outlook

ASSA ABLOY anticipates an increase in demand for security solutions in the long term. A focus on customer value and innovations as well as leverage on the Group's strong position will accelerate growth and increase profitability.

Organic sales growth is expected to continue at a good rate. The operating margin (EBIT) and operating cash flow are expected to develop well.

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 risks associated with the Group's pension obligations.

Organization

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 levels.

Responsibility

ASSA ABLOY's Board of Directors has overall responsibility for the Group's strategic direction in close consultation with the Executive Team. Divisions and business units have overall responsibility for management of operational risks, in accordance with the Group's decentralized approach to organization, responsibility and authority. In the case of financial risks, allocation of responsibilities and control of the Group's financing activities are regulated in a financial policy adopted by the Board of Directors. Group Treasury then has the main responsibility for financial risks within the framework established in the financial policy, with the exception of credit risks relating to operational business activities, which are managed locally at company level and monitored at division level.

Review

Strategic risks, such as competitors, brand positioning and so on, are regularly reviewed at ASSA ABLOY AB's board meetings. The Group's operational risk management is continuously monitored by the Executive Team through divisional reporting and divisional board meetings. For further information on monitoring and management of operational risks, see page 67.

ASSA ABLOY's Group Treasury monitors 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 transactions as well as financial risks with a Group-wide focus.

Significant risks and risk management

ASSA ABLOY's risks

STRATEGIC RISKS	OPERATIONAL RISKS	FINANCIAL RISKS
Changes in the business environment with potentially significant effects on operations and business objectives.	Risks directly attributable to business operations with a potential impact on financial position and performance.	Financial risks with a potential impact on financial position and performance.
• Country-specific risks etc. • Customer behavior • Competitors • Brand positioning • Reputational risk	• Legal risks • Environmental risks • Tax risks • Acquisition of new businesses • Restructuring measures • Price fluctuation and availability of raw materials • Credit losses • Insurance risks • Risks relating to internal control	• Financing risk • Currency risk • Interest rate risk • Credit risk • Risks associated with pension obligations

Strategic risks
The 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 and brand positioning. In addition, there are country-specific risks.

Country-specific risks etc.
ASSA ABLOY has global market penetration, with sales and production in a large number of countries. The emphasis is on western Europe and North America, but the proportion of sales in Asia and in central and eastern Europe has increased in recent years. The Group is therefore naturally exposed to both general business environment risks and country-specific risks, including political decisions and comprehensive changes in the regulatory framework.

Customer behavior
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.

Competitors
As regards competitors, risk analyses are carried out both centrally and locally.

Brand positioning
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.

Reputational risk
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 is an expression of 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, with a potential impact on the Group's financial position and performance. They include legal and environmental risks, tax risks, acquisition of new businesses, restructuring measures, availability and price fluctuations of raw materials, and customer dependence. Risks relating to compliance with laws and regulations and to internal control and financial reporting are also included in this category.

The table on page 67 describes in more detail the management of these risks.

ASSA ABLOY's operational 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. Ongoing and potential disputes and other legal matters are reported regularly to the Group's central legal function. Policies and guidelines on compliance with current competition, export control and anti-corruption legislation have been implemented.	At year-end 2015, there are considered to be no outstanding legal disputes that may lead to significant costs for the Group.
Environmental risks	Ongoing and potential environmental risks are regularly monitored in the operations. External expertise is brought in for environmental assessments when necessary.	Prioritized environmental activities and other information on sustainable development are reported in the Group's Sustainability Report.
Tax risks	Ongoing and potential tax cases are regularly reported to the Group's central tax function.	At year-end 2015, there are considered to be no ongoing tax cases with a significant impact on the Group's earnings. Two tax cases in Sweden and Finland will be appealed to a higher court. For further information see the Report of the Board of Directors.
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. 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 2015 are reported in the Report of the Board of Directors and in Note 30, Business combinations.
Restructuring measures The restructuring programs mainly entail some production units changing direction principally to final assembly, while certain units are closed.	The restructuring programs are carried on as a series of projects with stipulated activities and schedules. The various projects in the respective restructuring program are systematically monitored on a regular basis. At year-end 2015, only the most recently launched program from 2013 was active.	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. 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, Expenses by nature.
Credit losses	Trade receivables are spread across a large number of customers in many markets. No individual customer in the Group accounts for more than 1 percent of sales. Commercial credit risks are managed locally at company level and monitored at division level.	Receivables from each customer are relatively small in relation to total trade receivables. The risk of significant credit losses for the Group is considered to be limited, but has increased somewhat in pace with the Group's increased share of operations in emerging markets.
Insurance risks	A Group-wide insurance program is in place, mainly relating to property, business interruption and liability risks. This program covers all business units. The Group's exposure to the risk areas listed above is regulated by means of its own captive insurance 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	The organization is considered to be relatively transparent, with a clear allocation of responsibilities. A well-established Controller organization at both division and Group level monitors financial reporting quality. Instructions about the allocation of responsibilities, authorization and procedures for ordering, sourcing and plant management are laid down in an internal control manual. Compliance is evaluated annually for all operating companies, combined with an action plan for concrete improvements. An annual internal audit of financial reporting is performed for selected Group companies on a rotating basis.	Internal control and other related issues are reported in more detail in the Report of the Board of Directors, section on Corporate governance. Further information on risk management relating to financial reporting can be found in the Report of the Board of Directors, section on Corporate governance. See also the section 'Basis of preparation' in Note 1.

Significant risks and risk management

Financial risks

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. A large number of financial instruments are used to manage these risks. Accounting principles, risk management and risk exposure are described in more detail in Notes 1 and 33, as well as Note 24, Post-employment employee benefits.

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. It can be reduced by maintaining an even maturity profile for borrowing and a high credit rating. The risk is further reduced by substantial unutilized confirmed credit facilities.

Currency risk

Since ASSA ABLOY sells its products in countries worldwide and has companies in a large number of countries, the Group is exposed to the effects of exchange rate fluctuations. These fluctuations 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 expected to increase over time due to rationalization of production and sourcing. In accordance with financial policy, the Group only hedged a very limited part of current currency flows in 2015. 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 the Group's 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 22,269 M (22,327) at year-end 2015. Debt was mainly denominated in 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 variable-rate and fixed-rate loans, various interest rate derivatives are used to adjust interest rate sensitivity.

Credit risk

Credit risk arises in ordinary business activities and as a result of financial transactions. Trade 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 monitored 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 2015, ASSA ABLOY had obligations for pensions and other post-employment benefits of SEK 7,421 M (7,049). The Group manages pension assets valued at SEK 4,660 M (4,103). Provisions in the balance sheet for defined benefit and defined contribution plans and post-employment medical benefits totaled SEK 2,761 M (2,946). 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. Significant remeasurement of obligations and plan assets is recognized on a current basis in the balance sheet and in other comprehensive income. The assumptions made include discount rates and anticipated inflation and salary increases.

Tower 185 relies on SMARTair access control from ASSA ABLOY

CUSTOMER: The ensemble of Tower 185 comprises a high-rise office building with 51 floors and a base building with a horseshoe-shaped floor plan. It is the fourth tallest high-rise building in Germany and one of the first high-rises in Europe that has been issued Gold LEED Certification from the U.S. Green Building Council. The building has also received a Gold Certificate from the German Sustainable Building Council (DGNB). With numerous innovative approaches, Tower 185 spares valuable natural resources and thus the environment. For instance, more than 2.3 million liters of drinking water are saved each year by using rainwater, and with an intelligent energy concept, current specifications of energy savings regulations are undercut by more than 20 percent.

CHALLENGE: According to the original plans, the entire building would be equipped with a mechanical locking system. However, with the repeated loss of keys and the associated expense, the facility management decided to install a more flexible and user-friendly solution.

SOLUTION: A SMARTair electronic access control solution was chosen. In this system, access permissions at the door are updated via user cards. These authorizations can be adjusted with time schedules that are automatically read by the event memory. The access control management is simple, visual and easy to operate. SMARTair is also cost-efficient in its daily operation. Instead of a permanent connection to the main network, individual components are powered by standard batteries. This reduces operating and maintenance costs for the doors to a minimum. The intelligent technology provides notification when it is time for battery replacement. SMARTair is easy to install and does not require any wiring. Lost keys are also no longer a problem, because the access rights of lost cards can be revoked within a matter of seconds.

Critical infrastructure requires locks for all seasons

CUSTOMER: Founded as a private gas company in the 1800s, Industrielle Werke Basel (IWB) is now an independent utility owned by the city and canton of Basel. It employs over 750 people and supplies around 190,000 customers in Basel and north-western Switzerland with electricity, district heating, biogas and natural gas, energy services, telecommunications and safe drinking water.

CHALLENGE: As critical infrastructure for one of Switzerland's most economically dynamic regions, IWB needed a proven locking system that would equip it to face 21st-century security challenges. Industrielle Werke Basel needed a security system flexible enough to work across geographically distributed sites of diverse types, from water plants to electricity stations and a system that could withstand extremes of climate, including solar radiation, freezing temperatures, and heavy rain.

SOLUTION: For IWB, the answer was CLIQ from ASSA ABLOY. CLIQ is an intelligent mechatronic locking system that combines the best of mechanical security and electronic access control. Users are issued with a single, programmable key that enables them to open just the locks for which the key has authorization. Power for communication between key and cylinder comes from a standard battery in each key, so technicians servicing the system don't need to start up each cylinder to replace a battery. Furthermore, installing CLIQ-cylinders requires no wiring – a big advantage when securing remote or outdoor openings. Precision mechanics inside every of the 4,500 cylinders installed also guarantee durability for years to come.

Corporate governance

ASSA ABLOY is a Swedish public limited liability company with registered office in Stockholm, Sweden, whose Series B share is listed on the Nasdaq Stockholm.

The Group's corporate governance is based on the Swedish Companies Act, the Annual Accounts Act, the Nasdaq Stockholm Rule Book for Issuers and the Swedish Code of Corporate Governance, as well as other applicable external laws, regulations and recommendations, and internal rules and regulations.

This Corporate Governance Report has been prepared as part of ASSA ABLOY's application of the Swedish Code of Corporate Governance. The report is audited by ASSA ABLOY's auditor.

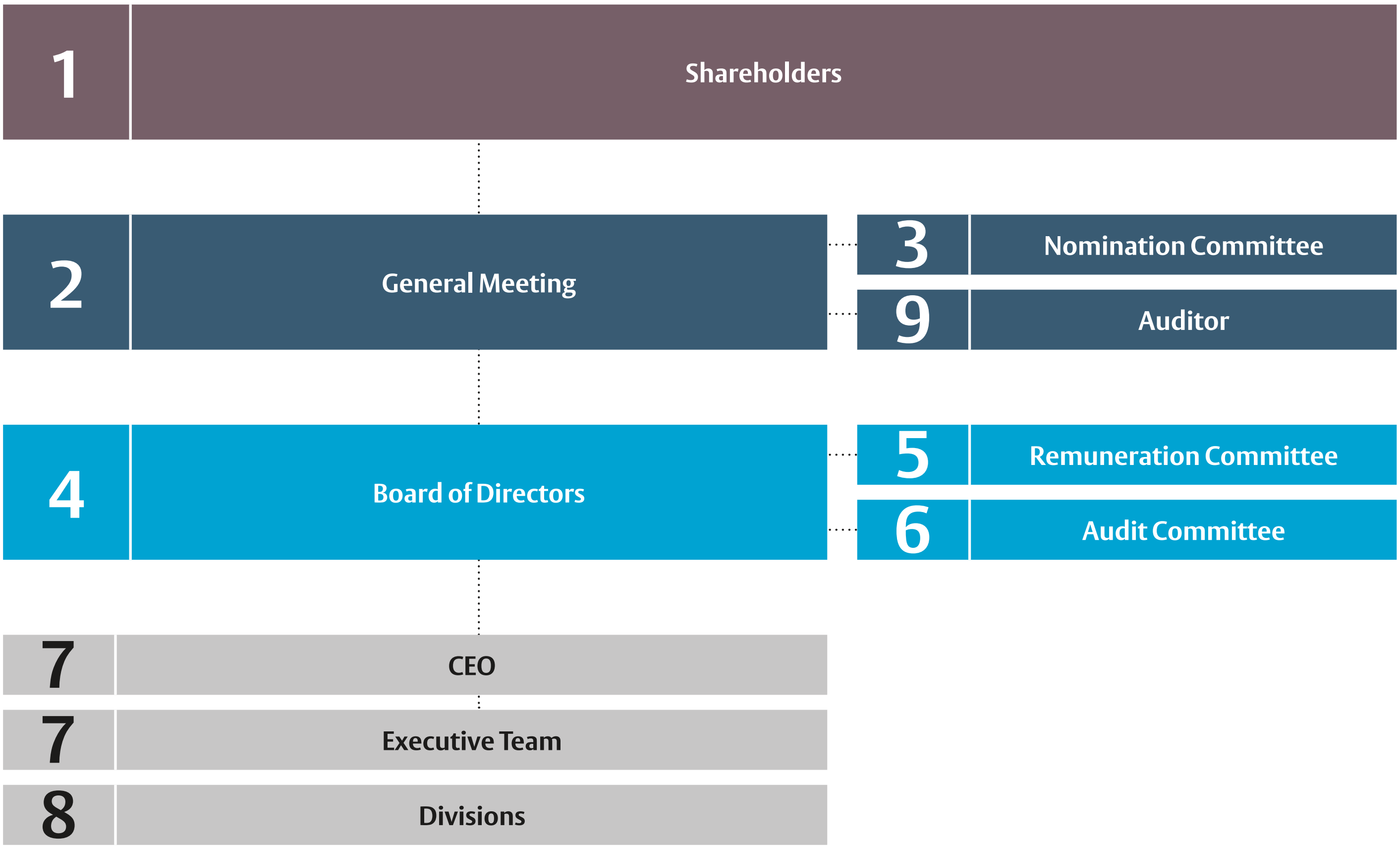
ASSA ABLOY's objective is that its activities should generate good long-term returns for its shareholders and other stakeholders. An effective scheme of corporate governance for ASSA ABLOY can be summarized in a number of interacting components, which are described below.

1 Shareholders

At year-end, ASSA ABLOY had 22,232 shareholders (17,720). The principal shareholders are Investment AB Latour (9.5 percent of the share capital and 29.5 percent of the votes) and Melker Schörling AB (3.9 percent of the share capital and 11.4 percent of the votes). Foreign shareholders accounted for around 64 percent (65) of the share capital and around 44 percent (44) of the votes. The ten largest shareholders accounted for around 38 percent (35) of the share capital and 58 percent (56) of the votes. For further information on shareholders, see page 123.

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 Directors of ASSA ABLOY is not aware of any other shareholders' agreements or other agreements between shareholders in ASSA ABLOY.

Corporate governance structure



Important external rules and regulations

- Swedish Companies Act
- Annual Accounts Act
- Nasdaq Stockholm Rule Book for Issuers
- Swedish Code of Corporate Governance (www.bolagsstyrning.se)

Important internal rules and regulations

- Articles of Association
- Board of Directors' rules of procedure
- Financial Policy
- Accounting Manual
- Communication Policy
- Insider Trading Policy
- Internal control procedures
- Code of Conduct and Anti-Corruption Policy

Share capital and voting rights

At the Annual General Meeting in May 2015, it was resolved to increase the number of shares in the company by dividing each share, irrespective of series, into three shares of the same series (stock split 3:1). ASSA ABLOY's share capital amounted at year-end to SEK 370,858,778 distributed among 57,525,969 Series A shares and 1,055,050,365 Series B shares. The total number of votes was 1,630,310,055. Each Series A share carries ten votes and each Series B share one vote. All shares have a par value of around SEK 0.33 and give shareholders equal rights to the company's assets and earnings.

Repurchase of own shares

Since 2010, the Board of Directors has requested and received a mandate from the Annual General Meeting to repurchase and transfer ASSA ABLOY shares. The aim has, among other things, been to secure the company's undertakings in connection with its long-term incentive programs (LTI). The 2015 Annual General Meeting authorized the Board of Directors 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 10 percent of the total number of shares in the company.

ASSA ABLOY holds a total of 1,800,000 (1,800,000)[1] Series B shares after repurchase. These shares account for around 0.2 percent (0.2) of the share capital and each share has a par value of around SEK 0.33. The purchase consideration amounted to SEK 103 M (103). No shares were repurchased in 2015.

Share and dividend policy

ASSA ABLOY's Series B share is listed on the Nasdaq Stockholm Large Cap list. At year-end, ASSA ABLOY's market capitalization amounted to SEK 197,718 M. The Board of Directors' 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.

2 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 date and have duly notified their intent to attend are entitled to take part in the General Meeting, either in person or by proxy. Resolutions at the General Meeting are normally passed by simple majority. For certain matters, however, the Swedish Companies Act prescribes that a proposal should be supported by a higher majority. Individual shareholders who wish to submit a matter for consideration at the General Meeting can send such request 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: dividend; adoption of the income statement and balance sheet; discharge of the Board of Directors and the CEO from liability; election of members of the Board of Directors and Chairman of the Board of Directors; appointment of the Nomination Committee and auditors; and 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.

2015 Annual General Meeting

The Annual General Meeting in May 2015 was attended by shareholders representing 56.1 percent of the share capital and 70.1 percent of the votes.

At the Annual General Meeting, Lars Renström, Carl Douglas, Birgitta Klasén, Eva Lindqvist, Johan Molin, Jan Svensson and Ulrik Svensson were re-elected as members of the Board of Directors. Eva Karlsson was elected a new member of the Board of Directors. Further, Lars Renström was re-elected as Chairman of the Board of Directors, and Carl Douglas as Vice Chairman. After 14 years as a board member, Sven-Christer Nilsson chose to leave the Board of Directors at the Annual General Meeting.

The 2015 Annual General Meeting approved a dividend of SEK 6.50 per share, in accordance with the proposal of the Board of Directors and the CEO. In addition, the Annual General Meeting passed resolutions on fees payable to the Board of Directors, remuneration guidelines for senior management, authorization of the Board of Directors regarding repurchase and transfers of own Series B shares, implementation of a long-term incentive program for senior management and other key staff in the Group (LTI 2015), a stock split (3:1), and amendment of the Articles of Association to adjust the limits for the number of shares, as well as appointing members of the Nomination Committee prior to the 2016 Annual General Meeting.

3 Nomination Committee

The Nomination Committee prior to the 2016 Annual General Meeting comprises Carl Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur fonder) and Anders Oscarsson (AMF and AMF fonder). On 4 November 2015, it was announced that Carl Douglas had replaced Gustaf Douglas as Investment AB Latour's representative on the Nomination Committee.

Carl Douglas is Chairman of the Nomination Committee. Carl Douglas is also Vice Chairman of ASSA ABLOY's Board of Directors. The Nomination Committee thus deviates from the Swedish Code of Corporate Governance in that the Vice Chairman of the Board of Directors is Chairman of the Nomination Committee. The reason for this deviation is that the Nomination Committee considers it important to have the representative from the largest shareholder as 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 Nomination Committee before the 2016 Annual General Meeting.

The Nomination Committee has the task of preparing, on behalf of the shareholders, resolutions on the election of the Chairman, the Vice 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 2016 Annual General Meeting, the Nomination Committee makes an assessment of whether the current Board of Directors is appropriately composed and fulfills the demands made on the Board of Directors by the company's present situation and future direction. The annual evaluation of the Board of Directors is part of the basis for this assessment. The search for suitable board members is carried on 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 by e-mailing: nominationcommittee@assaabloy.com.

[1] Adjusted for stock split (3:1).

Corporate governance

The Nomination Committee's proposals for the 2016 Annual General Meeting are published at the latest in conjunction with the formal notification of the Annual General Meeting, which is expected to be issued around 23 March 2016.

4 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 of Directors decides on the Group's overall objectives, strategies, significant policies, acquisitions and divestments as well as investments of major importance. All acquisitions and divestments with a value (on a debt-free basis) exceeding SEK 100 M are decided by the Board of Directors. This amount presumes that the matter relates to acquisitions or divestments within the framework of the strategy agreed by the Board of Directors. The Board of Directors 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 of Directors' other duties include:

- continuously evaluating the company's operational management, including the work of the CEO,
- ensuring that appropriate systems are in place for monitoring and control of the company's operations and the risks associated with the company's operations,
- ensuring that external information provided by the company is transparent, accurate, relevant and reliable,
- ensuring that there is satisfactory control of the company's compliance with laws and other regulations relevant to the company's operations, and its compliance with internal guidelines, and
- establishing appropriate guidelines to govern the company's conduct in society with the aim of ensuring long-term value-creating capability.

The Board of Directors' rules of procedure, including instructions relating to the allocation of work between the Board of Directors and the CEO as well as financial reporting and internal control, are updated and adopted at least once a year.

In addition to leading the work of the Board of Directors, 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 of Directors is evaluated annually, and that new members of the Board of Directors receive appropriate training.

The Board of Directors has at least four scheduled meetings and one statutory meeting per year. A scheduled meeting is always held in connection with the company's publication of its Year-end Report and Interim Reports. At least once a year the Board of Directors visits one of the Group's businesses, combined with a board meeting. In addition, extraordinary board meetings are held when necessary. All meetings follow an approved agenda. Prior to each meeting, a draft agenda, including documentation, is distributed to all members of the Board of Directors.

The Board of Directors has a Remuneration Committee and an Audit Committee. The purpose of these Committees is to deepen and streamline the work of the Board of Directors 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 of Directors at the statutory board meeting. Instructions for the Committees are included in the Board of Directors' rules of procedure.

Board of Directors' composition

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 of six and a maximum of 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 of Directors 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.

Board of Directors' work in 2015

During the year the Board of Directors held ten meetings (six scheduled meetings, one statutory meeting and three extraordinary meetings). At the scheduled board meetings, the CEO reported on the Group's performance and financial position, including the outlook for the coming quarters. Acquisitions and divestments were also discussed to the extent they arose.

More important matters dealt with by the Board of Directors during the year comprised a number of acquisitions,

SUMMARY OF BOARD OF DIRECTORS' WORK AND COMMITTEE MEETINGS IN 2015

January	February	March	April	May	June
	Scheduled board meeting Year-end results Proposed distribution of earnings Approval Annual Report Final audit report Proposals to Annual General Meeting Evaluation Board of Directors Evaluation Executive Team Acquisitions		**Scheduled board meeting** Interim Report Q1 Acquisitions		
Remuneration committee meeting	**Audit committee meeting**	**Extraordinary board meeting** Notice Annual General Meeting	**Audit committee meeting**	**Statutory board meeting** Appointment committee members Adoption Board of Directors' rules of procedure Signatory powers **Extraordinary board meeting** Adoption record date stock split (3:1)	

At the scheduled board meetings the CEO also reported on the Group's performance and financial position, including the outlook for the coming quarters.

including Quantum Secure, Flexim, Papaiz, Udinese, CEDES and Nergeco. During the year, the Board of Directors conducted in-depth reviews of the Group's operations in Americas division and APAC division, and visited EMEA division's and Entrance Systems division's operations in Gothenburg, Sweden. The Board of Directors' work is summarized in the timeline on pages 72–73.

An evaluation of the Board of Directors' work is conducted annually in the form of a web-based survey, which each board member responds to individually. A summary of the results is reported to the Board of Directors at the board meeting in February. Board members who wish can access the complete results of the evaluation. The Secretary to the Board of Directors presents the complete results of the evaluation to the Nomination Committee.

5 *Remuneration Committee*

The Remuneration Committee comprises Lars Renström (Chairman), Jan Svensson and Ulrik Svensson. Ulrik Svensson replaced Sven-Christer Nilsson as a member of the Remuneration Committee at the statutory board meeting.

The Remuneration Committee has the task of drawing up remuneration guidelines for senior management, which the Board of Directors proposes to the Annual General Meeting for resolution. The Board of Directors' proposal for guidelines prior to the 2016 Annual General Meeting is set out on page 79.

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

The Committee held one meeting in 2015. Its work included preparing a proposal for the remuneration of the Executive Team, evaluating existing incentive programs, and preparing a proposal for a long-term incentive program for 2016. Committee meetings are minuted and a verbal report is given at board meetings.

6 *Audit Committee*

The Audit Committee comprises Ulrik Svensson (Chairman), Birgitta Klasén and Jan Svensson.

The duties of the Audit Committee include 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.

The Audit Committee held four meetings in 2015, which were attended by committee members, the company's auditor and representatives of senior management. More important matters dealt with by the Audit Committee during the year included internal control, financial statements and valuation matters, tax matters, insurance and risk management matters, IT security, and legal risk areas. Committee meetings are minuted and a verbal report is given at board meetings.

Remuneration of the Board of Directors

The Annual General Meeting passes a resolution on the remuneration to be paid to board members. The 2015 Annual General Meeting passed a resolution on board fees totaling SEK 5,100,000 (excluding remuneration for committee work) to be allocated between the members as follows: SEK 1,850,000 to the Chairman, SEK 750,000 to the Vice Chairman, and SEK 500,000 to each of the other members elected by the Annual General Meeting and not employed by the company. As remuneration for committee work, the Chairman of the Audit Committee is to receive SEK 250,000, the Chairman of the Remuneration Committee SEK 100,000, members of the Audit Committee (except the Chairman) SEK 125,000 each, and members of the Remuneration Committee (except the Chairman) SEK 50,000 each.

The Chairman and other board members have no pension benefits or severance pay agreements. The CEO and employee representatives do not receive board fees. For further information on the remuneration of board members in 2015, see Note 32.

Attendance, Board of Directors and Committees

Name	Board of Directors	Audit Committee	Remuneration Committee
Lars Renström	10/10		1/1
Carl Douglas	10/10		
Eva Karlsson	7/7		
Birgitta Klasén	9/10	4/4	
Eva Lindqvist	10/10		
Johan Molin	10/10		
Sven-Christer Nilsson	2/3		1/1
Jan Svensson	10/10	4/4	1/1
Ulrik Svensson	9/10	4/4	0/0
Bert Arleros	7/7		
Mats Persson	10/10		

The maximum number of meetings varies due to appointment and resignation in 2015.

	July	August	September	October	November	December
Above	**Scheduled board meeting** Interim Report Q2	**Scheduled board meeting** Presentation Americas Acquisitions	**Scheduled board meeting and visit to operations** Visit EMEA and Entrances Systems Strategy	**Scheduled board meeting** Interim Report Q3 Presentation APAC Acquisitions Strategy		
Below	**Audit committee meeting**			**Audit committee meeting**		**Extraordinary board meeting** Acquisitions

Board of Directors

Board members elected by the 2015 Annual General Meeting


Lars Renström


Carl Douglas


Eva Karlsson


Birgitta Klasén


Eva Lindqvist


Johan Molin

Lars Renström
Chairman.
Board member since 2008.
Born 1951.
Master of Science in Engineering and Master of Science in Business and Economics.
President and CEO of Alfa Laval AB since 2004.[1] President and CEO of Seco Tools AB 2000–2004. President and Head of Division of Atlas Copco Rock Drilling Tools 1997–2000. Previously a number of senior positions at ABB and Ericsson.
Other appointments: Board member of Alfa Laval AB and Tetra Laval Group.
Shareholdings (including related parties and through companies): 30,000 Series B shares.

Carl Douglas
Vice Chairman.
Board member since 2004.
Born 1965.
BA (Bachelor of Arts) and D. Litt (h.c.) (Doctor of Letters).
Self-employed.
Other appointments: Vice Chairman of Securitas AB. Board member of Investment AB Latour.
Shareholdings (including related parties and through companies): 41,595,729 Series A shares and 63,900,000 Series B shares through Investment AB Latour.

Eva Karlsson
Board member since 2015.
Born 1966.
Master of Science in Engineering.
President and CEO of Armatec AB since 2014. CEO of SKF Sverige AB and Global Manufacturing Manager 2011–2013, Director of Industrial Marketing & Product Development Industrial Market AB SKF 2005–2010, various positions in the SKF Group mainly in Manufacturing Management.
Other appointments: Board member of Bräcke diakoni.
Shareholdings (including related parties and through companies): –

Birgitta Klasén
Board member since 2008.
Born 1949.
Master of Science in Engineering.
Independent IT consultant (Senior IT Advisor). CIO and Head of Information Management at EADS (European Aeronautics Defence and Space Company) 2004–2005. CIO and Senior Vice President at Pharmacia 1996–2001 and previously CIO at Telia. Various positions at IBM 1976–1994.
Other appointments: Board member of Acando AB, Avanza AB and IFS AB.
Shareholdings (including related parties and through companies): 21,000 Series B shares.

Eva Lindqvist
Board member since 2008.
Born 1958.
Master of Science in Engineering and Master of Science in Business and Economics.
Senior Vice President of Mobile Business at TeliaSonera AB 2006–2007. Previously several senior positions at Telia-Sonera AB, including President and Head of Business Operation International Carrier, and various positions in the Ericsson Group 1981–1999.
Other appointments: Board member of companies including Tieto Oy, Sweco AB and Bodycote plc. Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Shareholdings (including related parties and through companies): 7,650 Series B shares.

Johan Molin
Board member since 2006.
Born 1959.
Master of Science in Business and Economics.
President and CEO of ASSA ABLOY AB since 2005. CEO of Nilfisk-Advance 2001–2005. Various positions mainly in Finance and Marketing, later divisional head in the Atlas Copco Group 1983–2001.
Other appointments: Chairman of Sandvik AB.
Shareholdings (including related parties and through companies): 1,830,537 Series B shares.

[1] Lars Renström will retire as President and CEO of Alfa Laval AB on 29 February 2016.

Shareholdings as at 31 December 2015. This information is updated regularly at *www.assaabloy.com*.

Board members appointed by employee organizations


Jan Svensson


Ulrik Svensson


Bert Arleros


Mats Persson


Rune Hjälm


Bjarne Johansson

Jan Svensson
Board member since 2012.
Born 1956.
Degree in Mechanical Engineering and Master of Science in Business and Economics.
President and CEO of Investment AB Latour since 2003.
Previously CEO of AB Sigfrid Stenberg 1986–2002.
Other appointments: Chairman of AB Fagerhult, Nederman Holding AB, Oxeon AB and Tomra Systems ASA. Board member of Loomis AB, Investment AB Latour and Troax Group AB.
Shareholdings (including related parties and through companies): 6,000 Series B shares.

Ulrik Svensson
Board member since 2008.
Born 1961.
Master of Science in Business and Economics.
CEO of Melker Schörling AB since 2006. 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, Hexagon AB, Hexpol AB, Flughafen Zurich AG and Absolent Group AB.
Shareholdings (including related parties and through companies): 9,000 Series B shares.

Bert Arleros
Board member since 2015.
Born 1954.
Employee representative, IF Metall
Shareholdings (including related parties and through companies): –

Mats Persson
Board member since 1994.
Born 1955.
Employee representative, IF Metall.
Shareholdings (including related parties and through companies): –

Rune Hjälm
Deputy board member since 2005.
Born 1964.
Employee representative, IF Metall, Chairman of European Works Council (EWC) in the ASSA ABLOY Group.
Shareholdings (including related parties and through companies): –

Bjarne Johansson
Deputy board member since 2015.
Born 1966.
Employee representative, IF Metall.
Shareholdings (including related parties and through companies): –

ASSA ABLOY's Board of Directors fulfills the requirements for independence in accordance with the Swedish Code of Corporate Governance.

Independence of the Board of Directors

Name	Position	Independent of the company and its management	Independent of the company's major shareholders
Lars Renström	Chairman	Yes	Yes
Carl Douglas	Vice Chairman	Yes	No
Eva Karlsson	Board member	Yes	Yes
Birgitta Klasén	Board member	Yes	Yes
Eva Lindqvist	Board member	Yes	Yes
Johan Molin	Board member, President and CEO	No	–
Jan Svensson	Board member	Yes	No
Ulrik Svensson	Board member	Yes	No

The Board of Directors' composition and shareholdings

Name	Position	Elected	Born	Remuneration Committee	Audit Committee	Series A shares[1]	Series B shares[1]
Lars Renström	Chairman	2008	1951	Chairman	–	–	30,000
Carl Douglas	Vice Chairman	2004	1965	–	–	41,595,729	63,900,000
Eva Karlsson	Board member	2015	1966	–	–	–	–
Birgitta Klasén	Board member	2008	1949	–	Member	–	21,000
Eva Lindqvist	Board member	2008	1958	–	–	–	7,650
Johan Molin	Board member, President and CEO	2006	1959	–	–	–	1,830,537
Jan Svensson	Board member	2012	1956	Member	Member	–	6,000
Ulrik Svensson	Board member	2008	1961	Member	Chairman	–	9,000
Bert Arleros	Board member, employee representative	2015	1954	–	–	–	–
Mats Persson	Board member, employee representative	1994	1955	–	–	–	–
Rune Hjälm	Deputy, employee representative	2005	1964	–	–	–	–
Bjarne Johansson	Deputy, employee representative	2015	1966	–	–	–	–

[1] Including related parties and through companies. Shareholdings as at 31 December 2015. This information is updated regularly at *www.assaabloy.com*.

Executive Team

Executive Team

Johan Molin

Carolina Dybeck Happe

Magnus Kagevik

Thanasis Molokotos

Johan Molin
President and CEO since 2005 and Head of Global Technologies division since 2007.
Born 1959.
Master of Science in Business and Economics.
Previous positions: CEO of Nilfisk-Advance 2001–2005. Various positions mainly in Finance and Marketing, later divisional head in the Atlas Copco Group 1983–2001.
Other appointments: Chairman of Sandvik AB.
Shareholdings (including related parties and through companies): 1,830,537 Series B shares.

Carolina Dybeck Happe
Executive Vice President and Chief Financial Officer (CFO) since 2012.
Born 1972.
Master of Science in Business and Economics.
Previous positions: CFO of Trelleborg AB 2011–2012. Previously various positions in the ASSA ABLOY Group, including CFO of ASSA ABLOY EMEA 2007–2011 and ASSA ABLOY Central Europe 2002–2006.
Shareholdings: 23,400 Series B shares.

Magnus Kagevik
Executive Vice President and Head of Asia Pacific division since 2014.
Born 1967.
Master of Science in Mechanical Engineering.
Previous positions: Various positions in the ASSA ABLOY Group, including Head of East Europe EMEA 2011–2014 and Vice President Operations EMEA 2007–2011. Previously various positions in Whirlpool Corporation.
Shareholdings: 38,199 Series B shares.

Thanasis Molokotos
Executive Vice President and Head of Americas division since 2004.
Born 1958.
Master of Science in Engineering.
Previous positions: President of ASSA ABLOY Architectural Hardware 2001–2004. Previously various positions and later President of Sargent Manufacturing 1993–2001.
Shareholdings: 99,198 Series B shares.

7

Organization

CEO and Executive Team

The Executive Team consists of the CEO, the heads of the Group's divisions, the Chief Financial Officer and the Chief Technology Officer. For a presentation of the CEO and the other members of the Executive Team, see pages 76–77.

8

Divisions – decentralized organization

ASSA ABLOY's operations are decentralized. Operations are organizationally divided into five divisions: EMEA, Americas, Asia Pacific, Global Technologies and Entrance Systems. The fundamental principle is that the divisions should be responsible, as far as possible, for business operations, while various functions at ASSA ABLOY's headquarters are responsible for coordination, monitoring, policies and guidelines at an overall level. Decentralization is a deliberate strategic choice based on the industry's local nature and a conviction of the benefits of a divisional control model. The Group's structure results in a geographical and strategic spread of responsibility ensuring short decision-making paths.

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 five divisions are divided into around 40 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.

Policies and guidelines

Significant policies and guidelines in the Group concern financial control, communication issues, insider trading issues, the Group's brands, environmental issues, business ethics and export control. ASSA ABLOY's financial policy and accounting manual provide the framework for financial control and monitoring. The Group's communication policy aims to ensure that essential information is provided at the right time and in compliance with applicable rules and regulations. ASSA ABLOY has adopted an insider trading policy to complement applicable Swedish insider trading legislation.


Tim Shea


Ulf Södergren


Juan Vargues


Stefan Widing


Tzachi Wiesenfeld

Tim Shea
Executive Vice President since 2006 and Head of Global Technologies business unit ASSA ABLOY Hospitality since 2004.
Born 1959.
Bachelor of Science in Mechanical Engineering, MBA.
Previous positions: Executive Vice President USA, Service Operations, Schindler Elevator Company 2002–2003. Previously President of Millar Elevator Service Company 1998–2001 and prior to that various positions in Schindler Elevator Company.
Shareholdings: 49,482 Series B shares.

Ulf Södergren
Executive Vice President and Chief Technology Officer (CTO) since 2006.
Born 1953.
Master of Science in Engineering and Master of Science in Business and Economics.
Previous positions: Various positions in the ASSA ABLOY Group, including Regional Manager of ASSA ABLOY Scandinavia 2003–2006 and COO and Senior Vice President ASSA ABLOY 2000–2003. Previously various senior positions in Electrolux 1984–2000.
Shareholdings: 87,544 Series B shares.

Juan Vargues
Executive Vice President and Head of Entrance Systems division since 2006.
Born 1959.
Degree in Mechanical Engineering, MBA.
Previous positions: Various positions in the Besam Group, including President and CEO of Besam 2004–2005, Executive Vice President and Head of Besam EMEA 1998–2003, and CEO of Besam Ibérica 1992–1997. Previously various positions in the SKF Group 1982–1991.
Shareholdings: 187,422 Series B shares.

Stefan Widing
Executive Vice President and Head of Global Technologies business unit HID Global since 2015.
Born 1977.
Master of Science in Applied Physics and Electrical Engineering and Bachelor of Social Science in Business Administration.
Previous positions: Various positions in the ASSA ABLOY Group, including Director of Product Management and General Manager of Shared Technologies Unit 2006–2015. Previously various positions in the Saab Group 2001–2006.
Shareholdings: 1,647 Series B shares.

Tzachi Wiesenfeld
Executive Vice President and Head of EMEA division since 2006.
Born 1958.
Bachelor of Science in Industrial Engineering, MBA.
Previous positions: Various positions in the ASSA ABLOY Group, including Market Region Manager and Managing Director ASSA ABLOY UK 2004–2006, and President and CEO of Mul-T-Lock Ltd. 2000–2003. Previously various senior posts in Mul-T-Lock 1990–2000.
Shareholdings: 23,274 Series B shares.

Shareholdings as at 31 December 2015. This information is updated regularly at *www.assaabloy.com.*

This policy applies to all persons reported to the Swedish Financial Supervisory Authority as holding an insider position in ASSA ABLOY AB (including subsidiaries) as well as certain other categories of employees. 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 and 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. ASSA ABLOY has also adopted an anti-corruption policy and an export control policy that apply to the whole Group.

9 Auditor

At the 2015 Annual General Meeting, PricewaterhouseCoopers (PwC) was re-appointed as the company's external auditor up to the end of the 2016 Annual General Meeting. In connection with the 2015 Annual General Meeting, PwC notified that the authorized public accountant Bo Karlsson would remain the auditor in charge. In addition to ASSA ABLOY, Bo Karlsson, born 1966, is responsible for auditing SKF, Scania and Investment AB Latour.

PwC has been the Group's auditor since its formation in 1994. 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 auditor in charge 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 conducted in accordance with International Standards in Auditing (ISA), which has been good auditing practice in Sweden since 2011. The audit of the financial statements for legal entities outside Sweden is conducted 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 in the past three financial years, see Note 3 and the Annual Report for 2014, Note 3.

Internal control – financial reporting

ASSA ABLOY's internal control process for 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 inspired by the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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 of Directors' 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 an internal audit function whose primary objective is ensuring reliable financial reporting. 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. Internal control guidelines have been established and are reviewed annually for all operating companies. These Group-wide guidelines have a relatively broad scope and concern various processes such as ordering, sourcing, financial statements, plant management, compliance with various policies, legal matters, and HR matters.

The Code of Conduct was previously reviewed and updated, and compliance is monitored systematically in operations.

Risk assessment

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

Control activities

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

A global financial internal audit 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 are submitted to the Audit Committee and the auditors. Group-wide internal control guidelines are reviewed annually.

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 levels and as part of the Board of Directors' 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 legal and operating review. Operating reviews conform to a structure 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 process and monthly and quarterly forecasts.

The Group-wide internal control guidelines are reviewed during the year in all operating companies through self-assessment and in some cases a second opinion from external auditors. An action plan was implemented during the year to further improve basic processes with an impact on the company's financial position. Each company shall implement improvement measures in various areas and processes such as ordering, sourcing, financial statements and policy compliance.

Remuneration guidelines for senior management

The Board of Directors' proposal for remuneration guidelines for senior management

The Board of Directors of ASSA ABLOY proposes that the 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. The proposed guidelines below do not involve any material change, compared with the guidelines adopted by the 2015 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 of 75 percent of the basic salary (excluding social security costs).

In addition, the Executive Team should, within the framework of the Board of Directors' proposal for a long-term incentive program, be able to receive variable remuneration in the form of shares, based on the outcome in relation to a range determined by the Board of Directors for the performance of the company's earnings per share in 2016. This remuneration model also includes the right, when purchasing shares under certain conditions, to receive free matching shares from the company. This remuneration should, if the share price is unchanged, be equivalent to a maximum of 75 percent of the basic salary (excluding social security costs).

The annual cost of variable remuneration for the Executive Team as above, assuming maximum outcome, totals around SEK 57 M (excluding social security costs and financing cost). 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' basic 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 of six months' basic salary and other employment benefits plus an additional 12 months' basic salary.

Deviation from guidelines

The Board of Directors should have the right to deviate from the remuneration guidelines for senior management adopted by the Annual General Meeting, if there are particular reasons for doing so in an individual case.

Sales and income

- Net sales increased by 20 percent to SEK 68,099 M (56,843). Organic growth was 4 percent (3), while acquired growth was 3 percent (9).
- Operating income (EBIT) increased by 20 percent to SEK 11,079 M (9,257), equivalent to an operating margin of 16.3 percent (16.3).
- Earnings per share after full dilution increased by 20 percent to SEK 6.93 (5.79).

Sales
The Group's sales totaled SEK 68,099 M (56,843). Exchange rate effects had a positive impact on sales of SEK 6,544 M (2,138).

Change in sales

%	2014	2015
Organic growth	3	4
Acquired growth	9	3
Exchange rate effects	5	13
Total	**17**	**20**

The total change in sales for 2015 was 20 percent (17). Organic growth was 4 percent (3) and acquired units made a positive contribution of 3 percent (9).

Sales by product group
Mechanical locks, lock systems and fittings accounted for 29 percent (30) of total sales. Electromechanical and electronic locks rose to 51 percent (50) of sales, of which entrance automation accounted for 26 percentage points (27). Security doors and hardware accounted for 20 percent (20) of sales.

Cost structure
Total wage costs, including social security expenses and pension expenses, amounted to SEK 18,995 M (16,026), equivalent to 28 percent (28) of sales. The average number of employees was 45,994 (44,269).

The Group's material costs amounted to SEK 25,128 M (20,763), equivalent to 37 percent (37) of sales.

Other purchasing costs totaled SEK 11,588 M (9,866), equivalent to 17 percent (17) of sales.

Depreciation and amortization of non-current assets amounted to SEK 1,433 M (1,163), equivalent to 2 percent (2) of sales.

Operating income
Operating income (EBIT) increased by 20 percent to SEK 11,079 M (9,257), due to efficiency savings and continued growth in operations. The operating margin was 16.3 percent (16.3). Positive exchange rate effects in operating income amounted to SEK 881 M (349).

Operating income before depreciation and amortization (EBITDA) totaled SEK 12,512 M (10,419). The corresponding margin was 18.4 percent (18.3).

Items affecting comparability
No items affecting comparability were included in operating income neither for 2015 nor 2014.

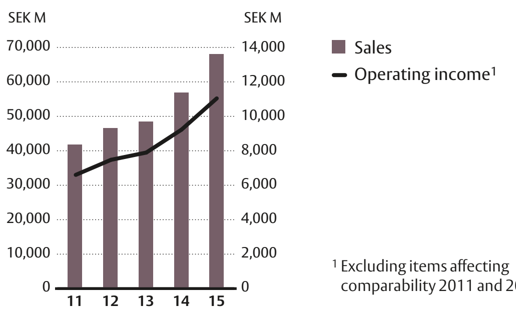
Income before tax
Income before tax totaled SEK 10,382 M (8,698). The positive exchange rate effect amounted to SEK 796 M (326). Net financial items increased to SEK –697 M (–559), mainly due to exchange rate effects. The profit margin, defined as income before tax in relation to sales, was 15.2 percent (15.3).

The parent company's income before tax was SEK 3,142 M (5,553). The reduction in income compared with the previous year is mainly due to a reduction in dividends received from subsidiaries.

Tax
The Group's tax expense totaled SEK 2,689 M (2,261), equivalent to an effective tax rate of 26 percent (26).

Earnings per share
Earnings per share after full dilution amounted to SEK 6.93 (5.79), an increase of 20 percent.

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability 2011 and 2013.

Consolidated income statement and Statement of comprehensive income

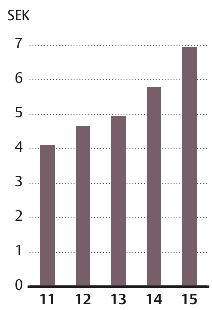
Income statement, SEK M	Note	2014	2015
Sales	2	56,843	68,099
Cost of goods sold		–34,921	41,704
Gross income		**21,922**	**26,395**
Selling expenses		–8,684	–10,441
Administrative expenses	3	–2,668	–3,066
Research and development costs		–1,545	–1,932
Other operating income and expenses	4	100	–10
Share of earnings in associates	5	132	134
Operating income	6–9, 24, 32	**9,257**	**11,079**
Financial income	10	28	22
Financial expenses	9, 11, 24	–587	–719
Income before tax		**8,698**	**10,382**
Tax on income	12	–2,261	–2,689
Net income		**6,436**	**7,693**
Net income attributable to:			
Parent company's shareholders		6,436	7,693
Non-controlling interest		0	0
Earnings per share[1]			
before dilution, SEK	13	5.79	6.93
after dilution, SEK	13	5.79	6.93

Statement of comprehensive income, SEK M	Note	2014	2015
Net income		**6,436**	**7,693**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gain/loss on post employment benefit obligations	24	–695	150
Deferred tax from actuarial gain/loss on post-employment benefit obligations		152	–33
Total		**–543**	**117**
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of associates		105	–28
Cashflow hedges		–3	8
Net investment hedges		–374	89
Exchange rate differences		3,810	75
Total		**3,539**	**143**
Total comprehensive income		**9,433**	**7,953**
Total comprehensive income attributable to:			
Parent company's shareholders		9,432	7,953
Non-controlling interest		0	0

[1] Earnings per share has been recalculated for all historical periods reflecting the stock split (3:1) in 2015.

SALES BY PRODUCT GROUP, 2015

EARNINGS PER SHARE AFTER TAX AND DILUTION



[1] Excluding items affecting comparability 2011 and 2013.

[2] Earnings per share has been recalculated for all historical periods reflecting the stock split (3:1) in 2015.

Comments by division

ASSA ABLOY is organized into five divisions. EMEA (Europe, Middle East and Africa) division, Americas (North and South America) division and Asia Pacific (Asia and Pacific) division manufacture and sell mechanical and electromechanical locks, security doors and hardware 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 entrance automation products and service.

EMEA

Sales totaled SEK 16,524 M (14,753), with organic growth of 4 percent (3). Acquired units contributed 4 percent (5) to sales. Operating income amounted to SEK 2,620 M (2,432), with an operating margin (EBIT) of 15.9 percent (16.5). Return on capital employed was 20.4 percent (21.0). Operating cash flow before interest paid was SEK 2,622 M (2,288).

Growth in Europe remained good but was unevenly distributed across the different regions. Demand for electromechanical solutions increased very strongly during the year. A continuing focus on innovation and new products, strengthened market presence on emerging markets and continuous efficiencies contributed to EMEA's continued good operating margin.

Americas

Sales totaled SEK 15,665 M (12,156), with organic growth of 7 percent (4). Acquired units contributed 2 percent (10) to sales. Operating income amounted to SEK 3,363 M (2,613), with an operating margin (EBIT) of 21.5 percent (21.5). Return on capital employed was 24.1 percent (23.1). Operating cash flow before interest paid was SEK 3,217 M (2,637).

Demand remained strong during the year in the important commercial and institutional customer segments in the USA. Growth remained good as a result of continued investments in innovation and product development in the majority of product lines, including digital door opening solutions. Profitability remained good due to strong growth in key customer segments and continuous rationalizations.

Asia Pacific

Sales totaled SEK 10,171 M (8,336), with organic growth of –3 percent (1). Acquired units contributed 9 percent (6) to sales. Operating income amounted to SEK 1,436 M (1,187), with an operating margin (EBIT) of 14.1 percent (14.2). Return on capital employed was 12.6 percent (14.2). Operating cash flow before interest paid was SEK 1,235 M (931).

Growth remained weak in China during the year, while growth was good or very good in Southeast Asia, India, South Korea, Australia and New Zealand. Operating margin and cash flow were maintained at a good level due to rationalizations and increased efficiency, for example, in the Chinese operations.

Global Technologies

Sales totaled SEK 9,100 M (7,207), with organic growth of 7 percent (1). Acquired units contributed 2 percent (4) to sales. Operating income amounted to SEK 1,647 M (1,368), with an operating margin (EBIT) of 18.1 percent (19.0). Return on capital employed was 18.8 percent (19.6). Operating cash flow before interest paid was SEK 1,557 M (1,282).

HID Global's sales were good in identification technology and secure identity solutions, while Government ID and Biometrics showed negative growth. Growth remained strong for ASSA ABLOY Hospitality on the majority of markets, driven by wireless locks and Mobile Access. Operating margin and return on capital employed remained at a good level.

Entrance Systems

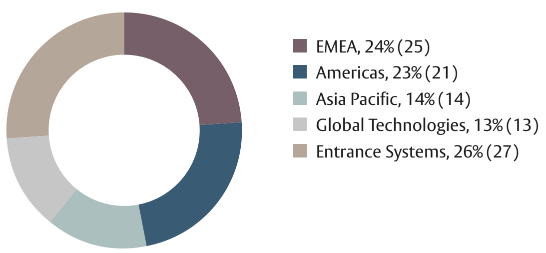
Sales totaled SEK 17,957 M (15,409), with organic growth of 5 percent (4). Acquired units contributed 1 percent (17) to sales. Operating income amounted to SEK 2,436 M (2,054), with an operating margin (EBIT) of 13.6 percent (13.3). Return on capital employed was 14.9 percent (13.1). Operating cash flow before interest paid was SEK 2,637 M (2,007).

Growth remained strong on the North American market during the year. In Europe, growth was good in northern Europe but more subdued in southern Europe. The decline in the Chinese market strengthened during the year resulting in a fall in sales. New service concepts were launched during the year and experienced a very positive customer response. Sales, operating income and operating cash flow increased substantially compared with the previous year.

Other

The costs of Group-wide functions, such as corporate management, accounting and finance, supply management and Group-wide product development, totaled SEK 422 M (398). Elimination of sales between the Group's segments is included in 'Other'.

EXTERNAL SALES, 2015



Results by division

SEK M	EMEA[1]		Americas[2]		Asia Pacific[3]		Global Technologies[4]		Entrance Systems		Other		Total	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Sales, external	14,519	16,220	12,096	15,588	7,755	9,401	7,147	9,031	15,325	17,858	0	0	56,843	68,099
Sales, internal	233	304	60	76	581	770	59	69	84	98	–1,017[6]	–1,317[6]	–	–
Sales	**14,753**	**16,524**	**12,156**	**15,665**	**8,336**	**10,171**	**7,207**	**9,100**	**15,409**	**17,957**	**–1,017**	**–1,317**	**56,843**	**68,099**
Organic growth	3%	4%	4%	7%	1%	–3%	1%	7%	4%	5%	–	–	3%	4%
Share of earnings in associates	–	–	–	–	23	16	–	–	109	118	–	–	132	134
Operating income (EBIT)	**2,432**	**2,620**	**2,613**	**3,363**	**1,187**	**1,436**	**1,368**	**1,647**	**2,054**	**2,436**	**–398**	**–422**	**9,257**	**11,079**
Operating margin (EBIT)	16.5%	15.9%	21.5%	21.5%	14.2%	14.1%	19.0%	18.1%	13.3%	13.6%	–	–	16.3%	16.3%
Net financial items													–559	–697
Tax on income													–2,261	–2,689
Net income													**6,436**	**7,693**
Capital employed	12,299	12,916	12,909	13,908	9,810	11,689	8,239	9,815	16,245	16,030	–1,077	–509	58,425	63,848
– of which goodwill	7,247	7,857	9,000	9,903	7,931	7,690	5,984	7,437	9,615	9,891	–	–	39,778	42,777
– of which other intangible assets and property, plant and equipment	3,051	3,210	2,982	3,184	3,137	3,908	1,711	2,300	4,021	3,939	87	107	14,990	16,649
– of which investments in associates	9	8	–	0	414	452	–	–	1,438	1,450	–	–	1,861	1,910
Return on capital employed	21.0%	20.4%	23.1%	24.1%	14.2%	12.6%	19.6%	18.8%	13.1%	14.9%	–	–	16.9%	17.8%
Operating income (EBIT)	2,432	2,620	2,613	3,363	1,187	1,436	1,368	1,647	2,054	2,436	–398	–422	9,257	11,079
Depreciation and amortization	351	398	237	300	183	268	182	232	212	231	–2	4	1,163	1,433
Investments in property, plant and equipment and intangible assets	–444	–555	–247	–346	–280	–251	–205	–219	–153	–161	–12	–24	–1,341	–1,555
Sales of property, plant and equipment and intangible assets	47	206	4	21	6	13	1	8	12	67	1	–	69	314
Change in working capital	–98	–47	31	–120	–164	–231	–63	–110	–118	63	109	–57	–303	–502
Cash flow[5]	**2,288**	**2,622**	**2,637**	**3,217**	**931**	**1,235**	**1,282**	**1,557**	**2,007**	**2,637**	**–302**	**–499**	**8,845**	**10,770**
Non-cash items											–150	–269	–150	–269
Interest paid and received											–457	–548	–457	–548
Operating cash flow[5]													**8,238**	**9,952**
Average number of employees	10,678	10,886	7,193	7,957	13,439	13,651	3,331	3,583	9,420	9,686	208	231	44,269	45,994

[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] Of which eliminations SEK –1,317 M (–1,017).

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

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

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, see Note 2.

OPERATING INCOME, 2015[1]

- EMEA, 23% (25)
- Americas, 29% (27)
- Asia Pacific, 13% (13)
- Global Technologies, 14% (14)
- Entrance Systems, 21% (21)

[1] "Other" is not included in the calculation. See section Comments by division for what is included in "Other".

AVERAGE NUMBER OF EMPLOYEES, 2015

- EMEA, 24% (24)
- Americas, 17% (16)
- Asia Pacific, 30% (31)
- Global Technologies, 8% (8)
- Entrance Systems, 21% (21)

Financial position

- Capital employed amounted to SEK 63,848 M (58,425).
- Return on capital employed remained high at 17.8 percent (16.9).
- The net debt/equity ratio was 0.54 (0.62).

SEK M	2014	2015
Capital employed	58,425	63,848
– of which goodwill	39,778	42,777
Net debt	22,327	22,269
Equity	36,098	41,579
– of which non-controlling interests	2	4

Capital employed

Capital employed in the Group, defined as total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liabilities, amounted to SEK 63,848 M (58,425). The return on capital employed excluding items affecting comparability was 17.8 percent (16.9).

Intangible assets amounted to SEK 51,863 M (47,056). The 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 3,002 M as a result of completed acquisitions and adjustments of acquisitions made in previous years . 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.

Property, plant and equipment amounted to SEK 7,562 M (7,712). Capital expenditure on property, plant and equipment and intangible assets, less sales of property, plant and equipment and intangible assets, totaled SEK 1,241 M (1,271). Depreciation and amortization amounted to SEK 1,433M (1,163).

Trade receivables amounted to SEK 11,775 M (10,595) and inventories totaled SEK 8,348 M (7,845). The average collection period for trade receivables was 56 days (53). Material throughput time was 90 days (91). The Group is making systematic efforts to increase capital efficiency.

Net debt

Net debt amounted to SEK 22,269 M (22,327), of which pension commitments and other post-employment benefits accounted for SEK 2,761 M (2,946).

Net debt was increased by acquisitions, exchange rate effects and the dividend to shareholders during the year, while it was reduced by a continued strong positive operating cash flow. Over the whole period net debt changed marginally although it fluctuated during the year.

External financing

The Group's long-term loan financing mainly consists of a Private Placement Program in the USA totaling USD 542 M (618), a GMTN program of SEK 7,886 M (7,339), a loan from the European Investment Bank of EUR 92 M (110), and a loan from the Nordic Investment Bank of EUR 110 M (110). During the year, a total of four issues were made under the GMTN program for a total amount of SEK 1,862 M. During the year a couple of small local bilateral bank loans of SEK 229 M were raised in countries with currency restrictions. Other changes in long-term loans are mainly due to some of the originally long-term loans now having less than 1 year to maturity. A total of SEK 2,092 M was raised in new long-term loans, while SEK 2,425 M in originally long-term loans matured during the year.

The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 1,240 M (1,287) 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 of EUR 900 M (900), which was wholly unutilized at year-end. The interest coverage ratio, defined as income before tax plus net interest, divided by net interest, was 16.7 (17.4). Fixed interest terms increased during the year, with an average term of 26 months (17) at year-end.

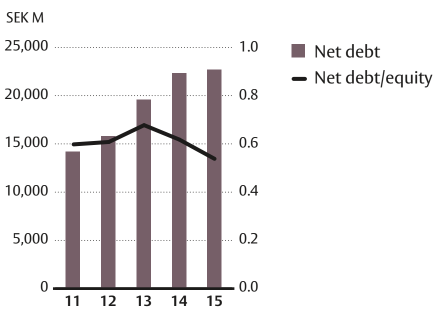
Cash and cash equivalents amounted to SEK 501 M (667) and are invested in banks with high credit ratings.

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

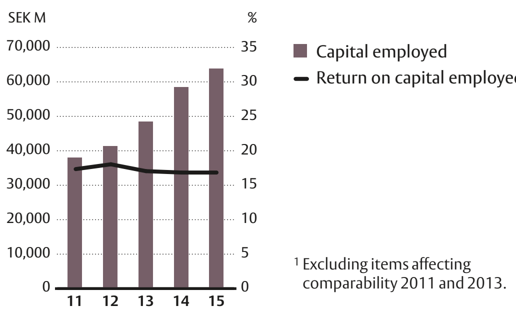
Equity

The Group's equity totaled SEK 41,579 M (36,098) at year-end. The return on equity was 19.8 percent (19.8). The equity ratio was 48.2 percent (45.1). The debt/equity ratio, defined as net debt divided by equity, was 0.54 (0.62).

NET DEBT



CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



[1] Excluding items affecting comparability 2011 and 2013.

Consolidated balance sheet

SEK M	Note	2014	2015
ASSETS			
Non-current assets			
Intangible assets	14	47,056	51,863
Property, plant and equipment	15	7,712	7,562
Investments in associates	17	1,861	1,910
Other financial assets	19	76	77
Deferred tax assets	18	1,555	1,434
Total non-current assets		**58,260**	**62,847**
Current assets			
Inventories	20	7,845	8,348
Trade receivables	21	10,595	11,775
Current tax receivables		506	416
Other current receivables		1,120	1,139
Prepaid expenses and accrued income		831	970
Derivative financial instruments	33	159	148
Short-term investments	33	14	34
Cash and cash equivalents	33	667	501
Total current assets		**21,738**	**23,330**
TOTAL ASSETS		**79,998**	**86,177**
EQUITY AND LIABILITIES			
Equity			
Parent company's shareholders			
Share capital	23	371	371
Other contributed capital		9,675	9,675
Reserves		2,498	2,642
Retained earnings		23,553	28,888
Equity attributable to the Parent company's shareholders		**36,096**	**41,575**
Non-controlling interest		2	4
Total equity		**36,098**	**41,579**
Non-current liabilities			
Long-term loans	33	15,362	15,568
Deferred tax liabilities	18	1,462	2,031
Pension provisions	24	2,946	2,761
Other non-current provisions	25	2,428	1,717
Other non-current liabilities		2,320	2,089
Total non-current liabilities		**24,517**	**24,166**
Current liabilities			
Short-term loans	33	4,636	4,574
Derivative financial instruments	33	251	80
Trade payables		5,699	6,553
Current tax liabilities		930	1,145
Current provisions	25	525	607
Other current liabilities	26	3,060	2,847
Accrued expenses and deferred income	27	4,282	4,626
Total current liabilities		**19,383**	**20,432**
TOTAL EQUITY AND LIABILITIES		**79,998**	**86,177**

Cash flow

- Operating cash flow remained strong and amounted to SEK 9,952 M (8,238).
- Net capital expenditure totaled SEK 1,241 M (1,271).

Operating cash flow

SEK M	2014	2015
Operating income (EBIT)	9,257	11,079
Depreciation and amortization	1,163	1,433
Net capital expenditure	–1,271	–1,241
Change in working capital	–303	–502
Interest paid and received	–457	–548
Non-cash items	–150	–269
Operating cash flow[1]	**8,238**	**9,952**
Operating cash flow/ Income before tax	0.95	0.96

[1] Excluding restructuring payments.

The Group's operating cash flow amounted to SEK 9,952 M (8,238), equivalent to 96 percent (95) of income before tax excluding restructuring costs.

Net capital expenditure

Net capital expenditure on intangible assets and property, plant and equipment totaled SEK 1,241 M (1,271), equivalent to 87 percent (109) of amortization and depreciation on intangible assets and property, plant and equipment. The lower net capital expenditure compared with the previous year is mainly due to the Group receiving a purchase consideration of SEK 176 M relating to a property sale completed in a previous year.

Change in working capital

SEK M	2014	2015
Inventories	–261	–147
Trade receivables	–695	–713
Trade payables	582	549
Other working capital	71	–189
Change in working capital	**–303**	**–502**

The material throughput time was 90 days (91) at year-end. Capital tied up in working capital increased somewhat during the year, which had an impact on cash flow of SEK –502 M (–303) overall.

Relationship between cash flow from operating activities and operating cash flow

SEK M	2014	2015
Cash flow from operating activities	6,679	8,572
Restructuring payments	453	375
Net capital expenditure	–1,271	–1,241
Reversal of tax paid	2,376	2,247
Operating cash flow	**8,238**	**9,952**

Investments in subsidiaries

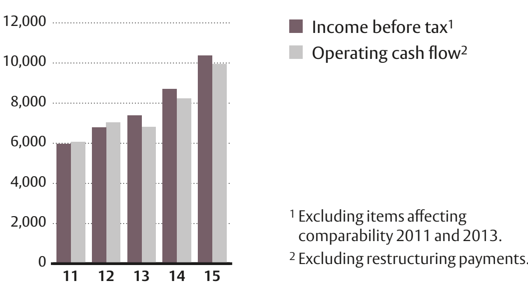
The total purchase price of investments in subsidiaries amounted to SEK 3,835 M (4,627), of which the cash flow effect was SEK 3,171 M (–2,454). Acquired cash and cash equivalents totaled SEK 155 M (204).

Change in net debt

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

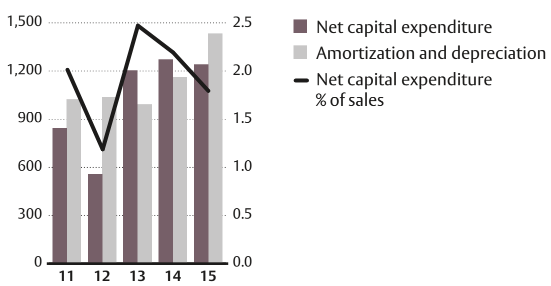
SEK M	2014	2015
Net debt at 1 January	19,595	22,327
Operating cash flow	–8,238	–9,952
Restructuring payments	453	375
Tax paid	2,376	2,247
Acquisitions/Disposals	2,454	4,161
Dividend	2,110	2,407
Actuarial gain/loss on post-employment benefit obligations	695	–150
Exchange rate differences and others	2,880	855
Net debt at 31 December	**22,327**	**22,269**

INCOME BEFORE TAX AND OPERATING CASH FLOW



[1] Excluding items affecting comparability 2011 and 2013.
[2] Excluding restructuring payments.

CAPITAL EXPENDITURE



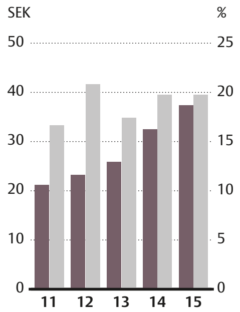
Consolidated cash flow statement

SEK M	Note	2014	2015
OPERATING ACTIVITIES			
Operating income		9,257	11,079
Depreciation and amortization	8	1,163	1,433
Restructuring payments		–453	–375
Other non-cash items	31	–150	–269
Cash flow before interest and tax		**9,816**	**11,869**
Interest paid		–477	–574
Interest received		20	25
Tax paid on income		–2,376	–2,247
Cash flow before changes in working capital		**6,983**	**9,073**
Changes in working capital	31	–303	–502
Cash flow from operating activities		**6,679**	**8,572**
INVESTING ACTIVITIES			
Investments in property, plant and equipment and intangible assets	14, 15	–1,341	–1,555
Sales of property, plant and equipment and intangible assets	14, 15	69	314
Investments in subsidiaries	30	–2,454	–3,171
Investments in associates		–1	–1
Disposals of subsidiaries		201	–
Other investments		0	0
Cash flow from investing activities		**–3,524**	**–4,412**
FINANCING ACTIVITES			
Dividends		–2,110	–2,407
Long-term loans raised		2,757	2,092
Long-term loans repaid		–2,131	–2,425
Purchase of shares in subsidiaries from non-controlling interest		–	–990
Stock purchase plans		–75	–121
Net cash effect of changes in other borrowings		–1,349	–484
Cash flow from financing activities		**–2,908**	**–4,335**
CASH FLOW		**247**	**–175**
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		**362**	**667**
Cash flow		247	–175
Effect of exchange rate differences		58	9
Cash and cash equivalents at 31 December	33	**667**	**501**

Changes in consolidated equity

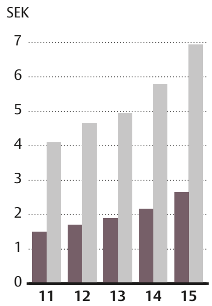
MSEK	Note	Parent company's shareholders Share capital	Other contributed capital	Reserves	Retained earnings	Non-controlling interest	Total
Opening balance 1 January 2014		**371**	**9,675**	**–1,041**	**19,808**	**0**	**28,813**
Net income					6,436	0	6,436
Other comprehensive income				3,539	–543	0	2,996
Total comprehensive income				**3,539**	**5,894**	**0**	**9,433**
Dividend for 2013	23				–2,110	–	–2,110
Stock purchase plans					–38	–	–38
Total contributions by and distributions to parent company's shareholders					**–2,149**	**–**	**–2,149**
Change in non-controlling interest					–	2	2
Total transactions with parent company's shareholders					**–2,149**	**2**	**–2,147**
Closing balance 31 December 2014	23	**371**	**9,675**	**2,498**	**23,553**	**2**	**36,098**
Opening balance 1 January 2015		**371**	**9,675**	**2,498**	**23,553**	**2**	**36,098**
Net income					7,693	0	7,693
Other comprehensive income				144	117	0	260
Total comprehensive income				**144**	**7,810**	**0**	**7,953**
Dividend for 2014	23				–2,407	–	–2,407
Stock purchase plans					–82	–	–82
Total contributions by and distributions to parent company's shareholders					**–2,489**	**–**	**–2,489**
Change in non-controlling interest					15	1	17
Total transactions with parent company's shareholders					**–2,474**	**1**	**–2,472**
Closing balance 31 December 2015	23	**371**	**9,675**	**2,642**	**28,888**	**4**	**41,579**

EQUITY PER SHARE AFTER DILUTION AND RETURN ON EQUITY AFTER TAX



■ Equity per share after dilution, SEK[2]
■ Return on equity after tax, %

DIVIDEND



■ Dividend per share[2]
■ Earnings per share after tax and dilution[1, 2]

[1] Excluding items affecting comparability 2011 and 2013.
[2] Comparatives has been recalculated for all historical periods reflecting the stock split (3:1) in 2015.

ASSA ABLOY lives up to Living Building Challenge for Brock Environmental Center

■ **CUSTOMER**: The Chesapeake Bay Foundation's (CBF) Brock Environmental Center in Virginia Beach, Virginia, is one of the first buildings designed to meet the standards of the Living Building Challenge (LBC), a certification that surpasses LEED qualifications. LBC is a holistic approach to building that requires all project stakeholders to consider the life cycle impact of design, construction and operation of the structure. ASSA ABLOY's products were chosen for their adherence to the stringent LBC guidelines, most notably that products offer transparency in how they are sourced and manufactured.

■ **CHALLENGE**: Adhering to LBC standards requires building materials companies to provide product declarations, from the recycled content to where they originated, as well as complete supply chain information. The building has approximately 1,000 different products, each of which needed this documentation.

■ **SOLUTION**: Because of ASSA ABLOY's focus on sustainability, we were able to speak a common language to communicate with the team, and the architect gave preference to their products because of the company's shared commitment to the product declarations.

In addition to locks, hinges and kick plates, the architect selected Curries hollow metal doors and frames because of the extra insulation they provide, and Pemko weather stripping which prevents transfer of heat, a key consideration given the building's waterfront site.

Security, Aesthetics and Lean Construction Combine in University Medical Center Project

■ **CUSTOMER**: The new 446-bed University Medical Center (UMC), New Orleans is one of the largest hospital campuses of its kind in the country and the only Level One trauma center in southeast Louisiana. Aesthetically designed to be at the forefront of healthcare delivery and patient care, UMC New Orleans will also play a vital role in training future generations of healthcare professionals. UMC is the replacement for the Medical Center of Louisiana, New Orleans, which closed after sustaining damage during Hurricane Katrina in 2005.

■ **CHALLENGE**: Security is always the most critical component for any medical facility, but UMC also wanted to ensure that its solutions were aesthetically pleasing to fit with its image as a high-tech, modern center at the forefront of innovation in training and patient care. Additionally, the medical center's location in downtown New Orleans presented a major hurdle for product delivery during construction.

■ **SOLUTION**: When ASSA ABLOY initially scoped the project, we worked with the team to provide specifications that ensured that the most effective products were offered. Overall, the massive project entailed 6,000 openings comprising hardware, doors and frames, accessory hardware, power operators and EAC/EM products.

One solution that was especially appealing because of its premiere access control capabilities and aesthetics was the Harmony Integrated Wiegand Lock (IWP). ASSA ABLOY provided 500 of these locksets to the medical center. The Harmony access control lock includes the reader within the lock escutcheon thus integrating the reader and lock together for a more aesthetic look.

Additionally, ASSA ABLOY developed an innovative solution to fulfill the challenge of the lean mandate and stringent scheduling requirements by shipping the doors ready to be hung, rather than shipping boxes of components. This also allowed them to test each lock prior to shipping.

Parent company financial statements

Income statement – Parent company

SEK M	Note	2014	2015
Administrative expenses	3, 6, 8, 9	–1,129	–1,312
Research and development costs	6, 8, 9	–658	–729
Other operating income and expenses	4	3,085	3,392
Operating income	9, 32	**1,298**	**1,351**
Financial income	10	5,265	1,691
Financial expenses	9, 11	–1,649	–849
Income before appropriations and tax		**4,914**	**2,193**
Appropriations – Group contributions		639	949
Tax on income	12	–352	–416
Net income		**5,201**	**2,725**

Statement of comprehensive income – Parent company

SEK M	2014	2015
Net income	**5,201**	**2,725**
Other comprehensive income		
Changes in value of financial instruments	374	273
Total comprehensive income	**5,575**	**2,998**

Balance sheet – Parent company

SEK M	Note	2014	2015
ASSETS			
Non-current assets			
Intangible assets	14	1,062	657
Property, plant and equipment	15	2	5
Shares in subsidiaries	16	33,001	32,855
Other financial assets	19	1,620	1,621
Total non-current assets		**35,684**	**35,138**
Current assets			
Receivables from subsidiaries		7,518	9,371
Other current receivables		17	11
Prepaid expenses and accrued income		26	28
Cash and cash equivalents		0	0
Total current assets		**7,561**	**9,410**
TOTAL ASSETS		**43,245**	**44,548**
EQUITY AND LIABILITIES			
Equity	22		
Restricted equity			
Share capital	23	371	371
Revaluation reserve		275	275
Statutory reserve		8,905	8,905
Fair value reserve		–273	–
Non-restricted equity			
Share premium reserve		787	787
Retained earnings incl. net income for the year		9,979	10,215
Total equity		**20,044**	**20,553**
Provisions			
Other provisions		0	–
Total provisions		**0**	**–**
Non-current liabilities			
Long-term loans	33	7,659	8,153
Total non-current liabilities		**7,659**	**8,153**
Current liabilities			
Short-term loans	33	1,518	1,224
Trade payables		52	77
Current liabilities to subsidiaries		13,637	14,141
Current tax liabilities		81	108
Other current liabilities		4	4
Accrued expenses and deferred income	27	251	288
Total current liabilities		**15,542**	**15,842**
TOTAL EQUITY AND LIABILITIES		**43,245**	**44,548**
Assets pledged	29	–	–
Contingent liabilities	28	9,789	11,249

Cash flow statement – Parent company

SEK M	Note	2014	2015
OPERATING ACTIVITIES			
Operating income		1,298	1,351
Depreciation and amortization	8	436	442
Cash flow before interest and tax		**1,735**	**1,793**
Interest paid and received		–386	–262
Dividends received		5,229	1,583
Tax paid and received		–420	–391
Cash flow before changes in working capital		**6,157**	**2,723**
Changes in working capital		–2,219	–2,435
Cash flow from operating activities		**3,937**	**288**
INVESTING ACTIVITIES			
Investments in tangible and intangible assets		–11	–41
Investments in subsidiaries		–4,541	–109
Other investments		–1	–1
Cash flow from investing activities		**–4,553**	**–151**
FINANCING ACTIVITIES			
Dividends		–2,110	–2,407
Loans raised		3,442	4,434
Loans repaid		–716	–2,164
Cash flow from financing activities		**616**	**–137**
CASH FLOW		**0**	**0**
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		**0**	**0**
Cash flow		0	0
Cash and cash equivalents at 31 December		**0**	**0**

Change in equity – Parent company

	Restricted equity				Non-restricted equity		
SEK M	Share capital	Revaluation reserve	Statutory reserve	Fair value reserve	Share premium reserve	Retained earnings	Total
Opening balance 1 January 2014	**371**	**275**	**8,905**	**101**	**787**	**6,926**	**17,365**
Net income						5,201	5,201
Hedge accounting				–374			–374
Total comprehensive income				**–374**		**5,201**	**4,828**
Dividend for 2013						–2,110	–2,110
Stock purchase plans						–38	–38
Total transactions with parent company's shareholders						**–2,149**	**–2,149**
Closing balance 31 December 2014	**371**	**275**	**8,905**	**–273**	**787**	**9,979**	**20,044**
Opening balance 1 January 2015	**371**	**275**	**8,905**	**–273**	**787**	**9,979**	**20,044**
Net income						2,725	2,725
Hedge accounting				273			273
Total comprehensive income				**273**		**2,725**	**2,998**
Dividend for 2014						–2,407	–2,407
Stock purchase plans						–82	–82
Total transactions with parent company's shareholders						**–2,489**	**–2,489**
Closing balance 31 December 2015	**371**	**275**	**8,905**	**–**	**787**	**10,215**	**20,553**

Notes

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 the Swedish Financial Reporting Board's RFR 1 Supplementary Accounting Rules for Corporate Groups. The accounting principles are based on IFRS as endorsed by 31 December 2015 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 provided on pages 63–120.

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 for financial assets and liabilities (including derivatives) measured at fair value through profit or loss and available-for-sale financial assets.

The total amount in tables and statements might not always summarize as there are rounding differences. The aim is to have each line item corresponding to the source and it might therefore be rounding differences in the total.

Key estimates and assessments for accounting purposes

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 provided in the financial statements. Consequently changes in estimates and assessments may lead to changes in the financial statements.

Estimates and assessments play an important part in the measurement of items such as identifiable assets and liabilities in acquisitions, in impairment testing of goodwill and other assets, in determining actuarial assumptions for calculating employee benefits, as well as in the valutation of deferred taxes. Estimates and assessments are continually evaluated and are based on both 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.

The actuarial assumptions made when calculating post-employment employee benefits also have material importance for the consolidated financial statements. For information on these actuarial assumptions, see Note 24.

New and revised standards applied by the Group

None of the standards and interpretations to be applied for the first time for the financial year beginning 1 January 2015 had a significant impact on the consolidated financial statements.

New and revised IFRS not yet effective

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contract with Customers
- IFRS 16 Leases

Of the above new standards, IFRS 9 and IFRS 15 is to be applied from the financial year beginning 1 January 2018, while IFRS 16 takes effect on 1 January 2018. Earlier application is allowed for all standards. IFRS 9 is not considered to have a significant impact on the consolidated financial statements. The Group has not yet evaluated the effects of the implementation of IFRS 15 and IFRS 16.

Consolidated financial statements

The consolidated financial statements include ASSA ABLOY AB (the Parent company) and all companies over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Companies acquired during the year are included in the consolidated financial statements with effect from the date when a controlling interest arose. Companies divested 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 was eliminated against their equity at the acquisition date. 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. Consequently only that part of the equity in subsidiaries that has arisen after the acquisition date is included in consolidated equity. The Group determines on an individual basis for each acquisition whether a non-controlling interest in the acquired company shall be recognized at fair value or at the interest's proportional share of the acquired company's net assets. Any negative difference, negative goodwill, is recognized as revenue immediately after determination.

Deferred considerations are classified as financial liabilities and revalued through profit or loss in operating income. Significant deferred considerations are discounted to present value. Acquisition-related transaction costs are expensed as incurred.

Intra-Group 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 the subsidiaries' accounts with application of fair value adjustments resulting from a completed acquisition analysis. Non-controlling interests' share in subsidiaries' earnings is recognized 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 recognized separately in consolidated equity. Transactions with non-controlling interests are recognized as transactions with the Group's shareholders in equity.

Note 1 cont.

Associates

Associates are defined as companies which are not subsidiaries but in which the Group has a significant (but not a controlling) interest. This generally refers to companies in which the Group's shareholding represents between 20 and 50 percent of the voting rights.

Investments in associates are accounted for in accordance with the equity method. In the consolidated balance sheet, shareholdings in associates are recognized at cost, and the carrying amount is adjusted for the share of associates' earnings after the acquisition date. Dividends from associates are recognized as a reduction in the carrying amount of the holdings. The share of associates' earnings is recognized 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 consist of products 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 recognized 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 recognized in other comprehensive income. Receivables and liabilities are measured 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. Exchange differences arising from the translation of foreign subsidiaries are recognized as translation differences in other comprehensive income.

The table below shows the weighted average rate and the closing rate for important currencies used in the Group, relative to the Group's presentation currency (SEK).

		Average rate		Closing rate	
Country	**Currency**	**2014**	**2015**	**2014**	**2015**
Argentina	ARS	0.85	0.91	0.92	0.65
Australia	AUD	6.19	6.31	6.39	6.09
Brazil	BRL	2.94	2.57	2.90	2.16
Canada	CAD	6.24	6.58	6.73	6.04
Switzerland	CHF	7.51	8.70	7.92	8.43
Chile	CLP	0.012	0.013	0.013	0.012
China	CNY	1.12	1.34	1.26	1.29
Colombia	COP	0.0034	0.0031	0.0033	0.0026
Czech Republic	CZK	0.33	0.34	0.34	0.34
Denmark	DKK	1.22	1.25	1.28	1.23
Euro zone	EUR	9.12	9.35	9.53	9.14
United Kingdom	GBP	11.34	12.84	12.16	12.39
Hong Kong	HKD	0.89	1.08	1.01	1.08
Hungary	HUF	0.030	0.030	0.030	0.029
Israel	ILS	1.92	2.16	2.00	2.15
India	INR	0.11	0.13	0.123	0.126
Kenya	KES	0.078	0.086	0.086	0.082
South Korea	KRW	0.0066	0.0074	0.0071	0.0071
Mexico	MXN	0.52	0.53	0.53	0.48
Malaysia	MYR	2.10	2.17	2.24	1.95
Norway	NOK	1.09	1.04	1.05	0.96
New Zealand	NZD	5.69	5.89	6.12	5.72
Poland	PLN	2.18	2.23	2.22	2.16
Romania	RON	2.06	2.10	2.13	2.02
Russia	RUB	0.18	0.14	0.14	0.11
Singapore	SGD	5.43	6.12	5.91	5.91
Thailand	THB	0.21	0.25	0.24	0.23
Turkey	TRY	3.16	3.11	3.38	2.87
USA	USD	6.90	8.41	7.83	8.36
South Africa	ZAR	0.64	0.66	0.67	0.54

Revenue

Revenue comprises the fair value of goods sold, excluding VAT and discounts, and after eliminating intra-Group sales. The Group's sales revenue mainly consists of product sales. Service related to products sold represents a limited share of revenue. Revenue from sales of the Group's products is recognized when all significant risks and benefits associated with ownership have been transferred to the purchaser in accordance with applicable terms of sale, which is normally upon delivery. If the product requires installation at the customer's premises, revenue is recognized when installation has been 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 and the like are recognized 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 recognized after reducing the carrying amount of the asset by the amount of the grant.

Research and development

Research expenditure is expensed as incurred. Development expenditure is recognized in the balance sheet to the extent that it is expected to generate future economic benefits for the Group and provided such benefits can be reliably measured.

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 further development of existing products is expensed as incurred.

Note 1 cont.

Borrowing costs
Borrowing costs are interest expenses and other expenses directly related to borrowing. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are included in the cost of the asset. Other borrowing costs are recognized as an expense 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. These taxes have been calculated at 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 recognized in the income statement, associated tax effects are also recognized in the income statement. The tax effects of items recognized directly against equity or in other comprehensive income are themselves recognized against equity or in other comprehensive income. The liability method is used in accounting for deferred tax. This means that deferred tax is recognized 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 recognized to the extent that it is probable that the allowance can be offset against taxable income in future taxation. Deferred tax liabilities for temporary differences relating to investments in subsidiaries are not recognized 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 deferred taxes relate to the same tax authority.

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

Cash and cash equivalents
Cash and cash equivalents include cash and bank balances, and short-term financial investments that mature within three months of the acquisition date.

Goodwill and acquisition-related intangible assets
Goodwill represents the positive difference between the acquisition cost and the fair value of the Group's share of the acquired company's identifiable net assets at the acquisition date, and is recognized 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 recognized 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 recognized 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 reliably measured. Such an asset is initially recognized at cost and is amortized over its estimated useful life, usually between three and five years. The carrying amount is the cost less accumulated amortization and impairment losses.

Property, plant and equipment
Property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses. Cost includes expenditure directly attributable to 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 incurred. Depreciable amount is the cost of an asset less its estimated residual value. Land is not depreciated. For other assets, cost is depreciated over the estimated useful life, which for the Group results in the following average depreciation periods:
- Buildings 25–50 years.
- Land improvements 10–25 years.
- Machinery 7–10 years.
- Equipment 3–6 years.

The residual value and useful life of assets are reviewed at each reporting date and adjusted when necessary. Gain or loss on the disposal of property, plant and equipment is recognized in the income statement as 'Other operating income' or 'Other operating expenses', and consists of the difference between the selling price and the carrying amount.

Leasing
The Group's leasing is chiefly operating leasing. The lease payments are expensed on a straight-line basis over the term of the lease and are recognized 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 many not be recoverable.

Impairment losses are recognized in the amount by which the carrying amount of the asset exceeds the recoverable amount, which is the higher of the asset's fair value, less selling expenses, and value in use.

Inventories
Inventories are valued in accordance with the 'first in, first out' principle at the lower of cost and net realizable value at the reporting date. Deductions are made for internal profits arising from deliveries between Group companies. Work in

Note 1 cont.

progress and finished goods include both direct costs incurred and a fair allocation of indirect production costs.

Trade receivables
Trade 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 recognized in the income statement as selling expenses.

Financial assets
Financial assets include cash and cash equivalents, trade receivables, short-term investments and derivatives, and are classified in the following categories: financial assets at fair value through profit and loss, available-for-sale financial assets, and loans and receivables. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through the income statement
This category is divided into two sub-categories: financial assets held for trading, and those classified on acquisition as financial assets at fair value through profit and loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if classified as such by management. Derivatives are also classified as held for trading provided they are not defined 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 recognized in Other comprehensive income.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payment streams, which are not quoted in an active market. They are recognized in current assets, except for receivables maturing more than 12 months after the reporting date, which are classified as non-current assets.

Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

Financial liabilities
Financial liabilities include deferred considerations, loan liabilities, trade payables and derivative instruments. Recognition depends on how the liability is classified.

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

Loan liabilities
Loan liabilities are initially valued at fair value, net of transaction costs, and subsequently at amortized cost. Amortized cost is determined based on the effective interest rate calculated when the loan was raised. Accordingly, surplus values and negative surplus values as well a direct issue expenses are allocated over the term of the loan. Non-current loan liabilities have an anticipated term of more than one year, while current loan liabilities have a term of less than one year.

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

Recognition and measurement of financial assets and liabilities
Acquisitions and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Transaction costs are initially included in fair value for all financial instruments, except for those recognized at fair value through profit and loss where the transaction cost is recognized through profit and loss. The fair value of quoted investments is based on current bid prices. In the absence of an active market for an investment, the Group applies various measurement techniques to determine fair value. These include use of available information on current arm's length transactions, comparison with equivalent assets and analysis of discounted cash flows. The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is derecognized from the balance sheet 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 from the balance sheet when the obligation is fulfilled, cancelled or expires, see above.

Derivative instruments and hedging
Derivative instruments are recognized in the balance sheet at the transaction date and are measured at fair value, both initially and in subsequent revaluations. The method for recognizing profit or loss depends on whether the derivative instrument is designated as a hedging instrument, and if so, the nature of the hedged item. For derivatives not designated as hedging instruments, changes in value are recognized on a continuous basis through profit or loss under financial items, either as income or expense.

The Group designates derivatives as follows:
i) Fair value hedge: a hedge of the fair value of an identified liability;
ii) Cash flow hedge: a hedge of a certain risk associated with a forecast cash flow for a certain transaction; or
iii) Net investment hedge: a hedge of a net investment in a foreign subsidiary.

When entering into the hedge transaction, the Group documents the relationship between the hedging instrument and hedged items, as well as its risk management strategy for the hedge. The Group also documents its assessment, both on inception and on a regular basis, of whether the derivative instruments used in hedge transactions are effective in offsetting changes in fair value attributable to the hedged items.

The fair value of forward exchange contracts is calculated at net present value based on prevailing forward rates on the reporting date, while interest rate swaps are measured by estimating future discounted cash flows.

For information on the fair value of derivative instruments, see Note 33, 'Financial risk management and

Note 1 cont.

financial instruments'. Derivatives at fair value, with a maturity of more than 12 months, are classified as non-current interest-bearing liabilities or receivables. Other derivatives are classified as current interest-bearing liabilities and investments respectively.

Fair value hedges

For derivatives that are designated and qualify as fair value hedges, changes in value of both the hedged item and the hedging instrument are recognized on a continuous basis in the income statement (under financial items). Fair value hedges are used to hedge interest rate risk in borrowing linked to fixed interest terms. If the hedge would no longer qualify for hedge accounting, the fair value adjustment of the carrying amount is dissolved through profit or loss over the remaining term using the effective interest method.

Cash flow hedges

For derivatives that are designated and qualify as cash flow hedges, changes in value of the hedging instrument are recognized on a continuous basis in other comprehensive income for the part relating to the effective portion of the hedges. Gain or loss arising from ineffective portions of derivatives is recognized directly in the income statement under financial items. When a hedging instrument expires, is sold or no longer qualifies for hedge accounting, and accumulated gains or losses relating to the hedge are recognized in equity, these gains/losses remain in equity and are taken to income, while the forecast transaction is finally recognized in the income statement. When a forecast transaction is no longer expected to occur, the accumulated gain or loss recognized in equity is immediately transferred to Other comprehensive income in the income statement. When a forecast transaction is no longer expected to occur, the gain or loss recognized in Other comprehensive income is recognized directly under financial items.

Net investment hedges

For derivatives that are designated and qualify as net investment hedges, the portion of value changes in fair value designated as effective is recognized in other comprehensive income. The ineffective portion of the gain or loss is recognized directly in profit or loss for the period under financial items. Accumulated gain or loss in other comprehensive income is recognized in the income statement when the foreign operation, or part thereof, is sold.

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 of the amount can be made. Provisions are recognized at a value equivalent to the outflow of resources that will probably be required to settle the obligation. The amount of a provision is discounted to present value where the effect of time value is considered material.

Assets and liabilities of a disposal group classified as held for sale

Assets and liabilities are classified as held for sale when their carrying amounts will principally be recovered through a sale and when such a sale is considered highly probable. They are recognized at the lower of carrying amount and fair value less selling expenses.

Employee benefits

The Group operates both defined contribution and defined benefit pension plans. Comprehensive defined benefit plans are found chiefly in the USA, the UK and Germany. Post-employment medical benefits are also provided, mainly in the USA, and 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. Actuarial gains and losses resulting from experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income during the period they arise. The pension expense for defined benefit plans is spread over the employee's service period. The Group's payments relating to defined contribution pension plans are recognized as an expense in the period to which they relate, 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 determined in accordance with IAS 19 and pension expense determined in accordance with the regulations applicable in the legal entity.

Equity-based incentive programs

The Group has equity-based remuneration plans in the form of ASSA ABLOY's long-term incentive program presented for the first time at the 2010 Annual General Meeting. For the long-term incentive program, personnel costs during the vesting period are recognized based on the shares' fair value on the allotment 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 allotment 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 settle 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 recognized as a provision for social security contributions.

The long-term incentive programs are essentially equity settled and an amount equivalent to the personnel cost is recognized against retained earnings in equity. In the income

Note 1 cont.

statement, the personnel cost is allocated to the respective function.

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 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 recognized if their conversion to ordinary shares would lead to a reduction in earnings per share after dilution.

Dividend

Dividend is recognized as a liability after the Annual General Meeting has approved the dividend.

The Parent company

The Group's Parent company, ASSA ABLOY AB, is responsible for Group management 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 the Swedish Financial Reporting Board's RFR 2 Accounting for Legal Entities. RFR 2 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 which 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 recognized in the income statement as 'Other operating income' to make clear that the Parent company has no product sales like other Group companies with external operations.

Pension obligations

The Parent company's pension obligations are accounted for in accordance with FAR 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 considered certain.

Research and development costs

Research and development costs are expensed as 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 are recognized 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 classified as rental agreements (operating leases) irrespective of whether they are financial or operating leases.

Shares in subsidiaries

Shares in subsidiaries are recognized 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 recognized in Financial expenses in the income statement.

Financial instruments

Derivative instruments are recognized at fair value. Changes in the value of derivatives are recognized in profit or loss.

Group contributions

The Parent company recognizes Group contributions in accordance with RFR 2. Group contributions received and paid are recognized under appropriations in the income statement. The tax effect of Group contributions is recognized in accordance with IAS 12 in the income statement.

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 alternative rule in RFR 2, reporting these guarantees as a contingent liability.

Note 2 Sales

Customer sales by country

	Group	
SEK M	2014	2015
USA	17,589	23,039
China	5,151	6,471
Sweden	3,233	3,579
France	3,164	3,261
United Kingdom	2,621	3,019
Germany	2,768	2,886
Canada	2,005	2,238
Australia	1,798	2,010
Netherlands	1,546	1,606
Norway	1,520	1,541
Finland	1,096	1,429
South Korea	1,127	1,317
Belgium	941	1,070
Mexico	874	1,054
Denmark	978	1,043
Spain	705	874
Switzerland	547	775
Italy	707	718
Poland	559	629
Austria	576	582
United Arab Emirates	394	556
Brazil	442	526
Czech Republic	524	518
Saudi Arabia	387	509
India	257	482
New Zealand	406	442
Turkey	253	341
South Africa	297	335
Chile	157	315
Hong Kong	218	257
Israel	206	240
Singapore	244	235
Malaysia	130	224
Russia	255	216
Thailand	166	210
Colombia	193	193
Indonesia	122	181
Portugal	184	170
Slovakia	163	166
Ireland	138	164
Japan	122	145
Estonia	126	141
Philippines	123	139
Romania	107	134
Hungary	101	126
Macao	52	114
Croatia	80	95
Kenya	78	90
Taiwan	65	78
Guatemala	42	75
Vietnam	52	73
Egypt	50	66
Other countries	1,204	1,401
Total	**56,843**	**68,099**

Sales by continent

	Group	
MSEK	2014	2015
Europe	23,242	25,443
North America	20,468	26,331
Central and South America	1,150	1,524
Africa	783	846
Asia	8,980	11,484
Pacific	2,220	2,470
Total	**56,843**	**68,099**

Sales by product group

	Group	
SEK M	2014	2015
Mechanical locks, lock systems and fittings	16,960	19,516
Entrance automation	15,465	17,992
Electromechanical and electronic locks	13,297	17,143
Security doors and hardware	11,121	13,448
Total	**56,843**	**68,099**

Note 3 Auditors' fees

	Group		Parent company	
SEK M	2014	2015	2014	2015
Audit assignment				
PwC	36	43	3	5
Other	11	12	–	–
Audit-related services in addition to audit assignment				
PwC	1	1	–	–
Tax advice				
PwC	11	13	3	1
Other	2	2	–	0
Other services				
PwC	20	14	8	1
Other	1	1	–	1
Total	**82**	**86**	**14**	**8**

Note 4 Other operating income and expenses

	Group	
SEK M	2014	2015
Rental income	9	7
Business-related taxes	–31	–38
Transaction expenses from acquisitions	–33	–80
Exchange rate differences	19	–27
Anticipated Bad debt losses	–	–193
Revaluated Earnout	71	284
Other, net	65	37
Total	**100**	**–10**

Parent company

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

Note 5 Share of earnings in associates

	Group	
SEK M	2014	2015
Agta Record AG	102	107
Goal Co., Ltd	23	16
Saudi Crawford Doors Factory Ltd	5	10
Låsgruppen Wilhelm Nielsen AS	2	–
Other	0	1
Total	**132**	**134**

The share of earnings in Agta Record AG has been estimated on the basis of the associated company's latest available financial report, which is the published Interim Report for the first half of 2015.

Note 6 Operating leases

	Group		Parent company	
SEK M	2014	2015	2014	2015
Lease payments during the year	725	891	15	12
Total	**725**	**891**	**15**	**12**
Nominal value of agreed future lease payments:				
Due for payment in:				
(2015) 2016	641	714	14	16
(2016) 2017	510	621	14	16
(2017) 2018	403	446	15	17
(2018) 2019	267	321	15	17
(2019) 2020	185	218	15	18
(2020) 2021 or later	194	245	15	18
Total	**2,201**	**2,565**	**88**	**103**

Lease payments during the year consist of fees for assets that are held as operating leases such as rented premises, machinery, and computer equipment. The Group has no single substantial operating leases since the lease agreements are spread over a large number of subsidiaries.

Note 7 Expenses by nature

In the income statement costs are broken down by function. Below, these same costs are broken down by nature:

	Group	
SEK M	2014	2015
Remuneration of employees (Note 32)	16,026	18,995
Direct material costs	20,763	25,128
Depreciation and amortization (Note 8, 14, 15)	1,163	1,433
Other purchase expenses	9,866	11,588
Total	**47,818**	**57,144**

Note 8 Depreciation and amortization

	Group		Parent company	
SEK M	2014	2015	2014	2015
Intangible assets	288	404	435	441
Machinery	445	529	–	–
Equipment	237	274	1	1
Buildings	187	219	–	–
Land improvements	6	6	–	–
Total	**1,163**	**1,433**	**436**	**442**

Note 9 Exchange differences in the income statement

	Group		Parent company	
SEK M	2014	2015	2014	2015
Exchange differences recognized in operating income	19	–27	26	–6
Exchange differences recognized in financial expenses (Note 11)	9	5	5	–245
Total	**29**	**–22**	**31**	**–251**

Note 10 Financial income

	Group		Parent company	
SEK M	2014	2015	2014	2015
Earnings from investments in subsidiaries	–	–	5,130	1,538
Earnings from investments in associates	–	–	36	45
Intra-Group interest income	–	–	98	109
Other financial income	8	5	–	–
External interest income and similar items	19	17	0	0
Total	**28**	**22**	**5,265**	**1,691**

Note 11 Financial expenses

	Group		Parent company	
SEK M	2014	2015	2014	2015
Intra-Group interest expenses	–	–	–319	–233
Interest expenses, other liabilities[1]	–517	–590	–155	–134
Interest expenses, interest rate swaps	9	40	–	–
Interest expenses, foreign exchange forwards	–42	–127	–	–
Exchange rate differences on financial instruments	9	5	5	–245
Fair value adjustments on shares and interests	–	–	–1,150	–207
Other financial expenses	–46	47	–30	–29
Total	**–587**	**–719**	**–1,649**	**–849**

[1] Of which 164 (–212) is fair value adjustments on derivatives, non-hedge accounting, for the Group.

Note 12 Tax on income

	Group		Parent company	
SEK M	2014	2015	2014	2015
Current tax	–2,008	–2,489	–344	–463
Tax attributable to prior years	68	114	–	37
Foreign Coupon Tax	–	–4	–7	9
Deferred tax	–322	–309	–	–
Total	**–2,261**	**–2,689**	**–352**	**–416**

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

	Group		Parent company	
Percent	2014	2015	2014	2015
Swedish rate of tax on income	22	22	22	22
Effect of foreign tax rates	8	8	–	–
Non-taxable income/non-deductible expenses, net	–3	–1	–16	–9
Utilized loss carry-forward not recognized in prior period	–1	–1	–	–
Other	0	–2	–	–
Effective tax rate in income statement	**26**	**26**	**6**	**13**

Note 13 Earnings per share

Earnings per share before dilution

	Group	
SEK M	2014	2015
Earnings attributable to the Parent company's shareholders	6,436	7,693
Weighted average number of shares issued (thousands)	1,110,776	1,110,776
Earnings per share before dilution (SEK per share)	**5.79**	**6.93**

Earnings per share after dilution

	Group	
SEK M	2014	2015
Earnings attributable to the Parent company's shareholders	6,436	7,693
Net profit	6,436	7,693
Weighted average number of shares issued (thousands)	1,110,776	1,110,776
Earnings per share after dilution (SEK per share)	**5.79**	**6.93**

Earnings per share has been recalculated for all historical periods reflecting the stock split (3:1) in 2015.

Note 14 Intangible assets

2015, SEK M	Group: Goodwill	Group: Brands	Group: Other intangible assets	Group: Total	Parent company: Intangible assets
Opening accumulated acquisition cost	**39,842**	**5,497**	**4,238**	**49,577**	**3,125**
Purchases	–	0	365	365	37
Acquisitions of subsidiaries	2,485	518	787	3,790	–
Sales, disposals and adjustments	–	–	44	44	–
Reclassifications	–	92	350	442	–
Exchange rate differences	511	94	61	667	–
Closing accumulated acquisition cost	**42,838**	**6,201**	**5,847**	**54,886**	**3,161**
Opening accumulated amortization/impairment	**–63**	**–33**	**–2,424**	**–2,520**	**–2,063**
Sales, disposals and adjustments	–	–	–47	–47	–
Reclassifications	–	–62	57	–5	–
Amortization	–	–3	–402	–404	–441
Exchange rate differences	3	–1	–48	–46	–
Closing accumulated amortization/impairment	**–61**	**–98**	**–2,864**	**–3,022**	**–2,504**
Carrying amount	**42,777**	**6,103**	**2,983**	**51,863**	**657**

2014, SEK M	Group: Goodwill	Group: Brands	Group: Other intangible assets	Group: Total	Parent company: Intangible assets
Opening accumulated acquisition cost	**31,876**	**4,909**	**3,429**	**40,214**	**3,114**
Purchases	–	1	177	178	10
Acquisitions of subsidiaries	4,013	59	98	4,169	–
Sales, disposals and adjustments	–	2	54	56	–
Reclassifications	–	–4	42	39	–
Exchange rate differences	3,953	530	438	4,920	–
Closing accumulated acquisition cost	**39,842**	**5,497**	**4,238**	**49,577**	**3,125**
Opening accumulated amortization/impairment	**–59**	**–24**	**–1,851**	**–1,934**	**–1,627**
Sales, disposals and adjustments	–	–2	–57	–59	–
Reclassifications	–	–	–9	–9	–
Reversal of impairment	–	–	2	2	–
Amortization	–	–3	–285	–288	–435
Exchange rate differences	–5	–4	–224	–233	–
Closing accumulated amortization/impairment	**–63**	**–33**	**–2,424**	**–2,520**	**–2,063**
Carrying amount	**39,778**	**5,464**	**1,814**	**47,056**	**1,062**

Other intangible assets consist mainly of customer relations and technology. The carrying amount of intangible assets with an indefinite useful life, excluding goodwill, amounts to SEK 6,060 M (5,419) and relates to brands.

Useful life has been defined as indefinite where the time period, during which an asset is deemed to contribute economic benefits, cannot be determined.

Amortization and impairment of intangible assets are mainly recognized as cost of goods sold in the income statement.

Impairment testing of goodwill and intangible assets with indefinite useful life

Goodwill and intangible assets with an indefinite useful life are allocated to the Group's Cash Generating Units (CGUs), which consist of the Group's five divisions.

For each cash-generating unit, the Group annually tests goodwill and intangible assets with an indefinite useful life for impairment, in accordance with the accounting principle described in Note 1. Recoverable amounts for Cash Generating Units have been determined by calculating value in use. These calculations are based on estimated future cash flows, which in turn are based on financial budgets for a three-year period approved by management. Cash flows beyond the three-year period are extrapolated using estimated growth rates according to the information below.

Material assumptions used to calculate values in use:

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

Management has determined the budgeted operating margin based on previous results and expectations of future market development. A growth rate of 3 percent (3) has been used for all CGUs to extrapolate cash flows beyond the budget period. This growth rate is considered to be a conservative estimate. Further, an average discount rate in local currency after tax has been used in the calculations. The difference in value compared with using a discount rate before tax is not deemed to be material. The discount rate has been determined by calculating the weighted average cost of capital (WACC) for each division.

Note 14 cont.

2015

Overall, the discount rate after tax used 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 an indefinite useful life were allocated to the Cash Generating Units as summarized in the following table:

2015, SEK M	EMEA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	7,857	9,903	7,690	7,437	9,891	42,777
Intangible assets with indefinite useful life	213	741	1,825	572	2,708	6,060
Total	**8,070**	**10,644**	**9,515**	**8,009**	**12,599**	**48,837**

2014

Overall, the discount rate after tax used 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 an indefinite useful life were allocated to the Cash Generating Units as summarized in the following table:

2014, SEK M	EMEA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	7,247	9,000	7,931	5,984	9,615	39,778
Intangible assets with indefinite useful life	220	701	1,333	488	2,677	5,419
Total	**7,467**	**9,701**	**9,264**	**6,473**	**12,292**	**45,197**

Sensitivity analysis

A sensitivity analysis has been carried out for each cash-generating unit. The results of this analysis are summarized below.

2015

If the estimated operating margin after the end of the budget period had been one percentage point lower than the management's estimate, the total recoverable amount would be 6 percent lower (EMEA 6 percent, Americas 4 percent, Asia Pacific 6 percent, Global Technologies 5 percent, and Entrance Systems 7 percent).

If the estimated growth rate used to extrapolate cash flows beyond the budget period had been one percentage point lower than the basic assumption of 3 percent, the 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 capital cost used for the Group's discounted cash flows had been one percentage point higher than the basic assumption of 9.0 to 10.0 percent, the total recoverable amount would be 14 percent lower (EMEA 14 percent, Americas 14 percent, Asia Pacific 12 percent, Global Technologies 13 percent, and Entrance Systems 14 percent).

These calculations are hypothetical and should not be viewed as an indication that these factors are any more or less likely to change. The sensitivity analysis should therefore be interpreted with caution.

None of the hypothetical cases above would lead to an impairment of goodwill in an individual Cash Generating Unit.

2014

If the estimated operating margin after the end of the budget period had been one percentage point lower than the management's estimate, the total recoverable amount would be 6 percent lower (EMEA 6 percent, Americas 4 percent, Asia Pacific 6 percent, Global Technologies 5 percent, and Entrance Systems 7 percent).

If the estimated growth rate used to extrapolate cash flows beyond the budget period had been one percentage point lower than the basic assumption of 3 percent, the 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 capital cost used for the Group's discounted cash flows had been one percentage point higher than the basic assumption of 9.0 to 10.0 percent, the 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 factors are any more or less likely to change. The sensitivity analysis should therefore be interpreted with caution.

None of the hypothetical cases above would lead to an impairment of goodwill in an individual Cash Generating Unit.

Note 15 Property, plant and equipment

2015, SEK M	Group						Parent company
	Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Equipment
Opening accumulated acquisition cost	**5,210**	**1,210**	**8,039**	**2,833**	**903**	**18,195**	**19**
Purchases	43	3	232	228	684	1,190	4
Acquisitions of subsidiaries	61	31	101	35	1	229	–
Sales and disposals	–77	–119	–133	–22	–6	–357	–
Reclassifications	67	–	330	125	–970	–448	–
Exchange rate differences	22	–19	9	–31	24	5	–
Closing accumulated acquisition cost	**5,326**	**1,106**	**8,578**	**3,168**	**636**	**18,814**	**23**
Opening accumulated depreciation and impairment	**–2,286**	**–211**	**–5,877**	**–2,110**	**–**	**–10,484**	**–17**
Sales and disposals	46	83	65	22	–	216	–
Impairment	6	–6	–7	1	–	–6	–
Depreciation	–219	–6	–529	–274	–	–1,029	–1
Reclassifications	3	–	–2	4	–	5	–
Exchange rate differences	9	5	2	30	–	46	–
Closing accumulated depreciation and impairment	**–2,441**	**–135**	**–6,348**	**–2,327**	**–**	**–11,252**	**–18**
Carrying amount	**2,885**	**971**	**2,230**	**841**	**636**	**7,562**	**5**

2014, SEK M	Group						Parent company
	Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Equipment
Opening accumulated acquisition cost	**4,239**	**959**	**6,581**	**2,329**	**927**	**15,034**	**20**
Purchases	69	26	224	186	657	1,163	–
Acquisitions of subsidiaries	76	85	87	42	–1	289	–
Sales and disposals	–148	–14	–194	–200	–17	–573	–1
Reclassifications	378	46	230	72	–769	–43	–
Exchange rate differences	596	108	1,111	404	106	2,325	–
Closing accumulated acquisition cost	**5,210**	**1,210**	**8,039**	**2,833**	**903**	**18,195**	**19**
Opening accumulated depreciation and impairment	**–1,963**	**–198**	**–4,742**	**–1,741**	**–**	**– 8,644**	**–17**
Sales and disposals	140	7	182	194	–	524	1
Impairment	–8	–	–6	–1	–	–15	–
Depreciation	–187	–6	–445	–237	–	–875	–1
Reclassifications	5	–5	4	6	–	9	–
Exchange rate differences	–272	–9	–869	–332	–	–1,483	–
Closing accumulated depreciation and impairment	**–2,286**	**–211**	**–5,877**	**–2,110**	**–**	**–10,484**	**–17**
Carrying amount	**2,924**	**999**	**2,163**	**723**	**903**	**7,712**	**2**

Note 16 Shares in subsidiaries

Company name	Corporate identity number, Registered office	Parent company Number of shares	Share of equity, %	Carrying amount, SEK M
ASSA Sverige AB	556061-8455, Eskilstuna	70	100	197
Timelox AB	556214-7735, Landskrona	15,000	100	5
ASSA ABLOY Entrance Systems AB	556204-8511, Landskrona	1,000	100	192
ASSA ABLOY Kredit AB	556047-9148, Stockholm	400	100	6,036
ASSA ABLOY Försäkrings AB	516406-0740, Stockholm	60,000	100	145
ASSA ABLOY Identification Technology Group AB	556645-4087, Stockholm	1,000	100	1
ASSA ABLOY Asia Holding AB	556602-4500, Stockholm	1,000	100	189
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	1	100	1,086
ASSA ABLOY Nederland Holding B.V.	52153924, Raamsdonksveer	180	100	771
Pan Pan DOOR Co LTD	210800004058002, Dashiqiao	–	66[1]	2,228
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	109
ASSA ABLOY Ltd	2096505, Willenhall	1,330,000	100	3,077
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	2,237
Fleming Door Products, Ltd	147126, Ontario	25,846,600	100	0
ABLOY Canada Inc.	104722749 RC0002, Vaughn, Ontario	1	100	0
AAC Acquisition Inc.	002098175, Ontario	1	100	17
ASSA ABLOY Australia Pacific Pty Ltd	ACN 095354582, Oakleigh, Victoria	48,190,000	100	242
Grupo Industrial Phillips, S.A de C.V.	GIP980312169, Mexico	27,036,635	100	762
Cerraduras de Colombia S.A.	Public Deed 2798, Bogota	2,201,670	71[1]	142
WHAIG Limited	EC21330, Bermuda	100,100	100	303
ASSA ABLOY Asia Pacific Ltd	53451, Hong Kong	1,000,000	100	72
Cardo AB	556026-8517, Malmö	27,000,000	100	5,093
ASSA ABLOY Portugal, Unipessoal, Lda (Portugal)	PT500243700, Alfragide	1	100	0
ASSA ABLOY Mobile Services AB	556909-5929, Stockholm	50,000	100	25
ASSA ABLOY Holding Italia S.p.A.	IT01254420597, Rome	650,000	100	974
HID SA (Argentina)	CUIT 30-61783980-2, Buenos Aires	2,400	2[1]	0
ActivIdentity Europe S.A. (France)	FR21341213411, Nanterre	1,000,000	100	82
Dynaco US Inc	2979272, Illinois	850	100	309
Total				**32,855**

[1] The Group's holdings amount to 100 percent.

Note 17 Investments in associates

2015 Company name	Country of registration	Group Number of shares	Share of equity, %	Carrying amount, SEK M
Agta Record AG	Switzerland	5,166,945	39	1,430
Goal Co., Ltd	Japan	2,778,790	46	452
SARA Loading Bay Ltd	United Kingdom	4,990	50	14
Talleres Agui S.A.	Spain	4,800	40	8
Saudi Crawford Doors Ltd	Saudi Arabia	800	40	5
Other				1
Total				**1,910**

The share of equity in Agta Record AG has been estimated on the basis of the associated company's latest available financial report, which is the published Interim Report for the first half of 2015. For the period January to June, the company's revenue totaled SEK 1,391 M (1,227) and income after tax was SEK 65 M (76). The company's assets totaled SEK 2,736 M (2,482) and total liabilities amounted to SEK 850 M (831).

2014 Company name	Country of registration	Group Number of shares	Share of equity, %	Carrying amount, SEK M
Agta Record AG	Switzerland	5,166,945	39	1,419
Goal Co., Ltd	Japan	2,778,790	46	414
SARA Loading Bay Ltd	United Kingdom	4,990	50	14
Talleres Agui S.A.	Spain	4,800	40	8
Saudi Crawford Doors Ltd	Saudi Arabia	800	40	5
Other				1
Total				**1,861**

Note 18 Deferred tax

SEK M	Group 2014	Group 2015
Deferred tax assets		
Property, plant and equipment and intangible assets	236	203
Pensions	536	514
Tax losses and other tax credits	297	356
Other deferred tax assets	486	361
Deferred tax assets	1,555	1,434
Deferred tax liabilities		
Property, plant and equipment and intangible assets	1,411	1,566
Other deferred tax liabilities	51	465
Deferred tax liabilities	1,462	2,031
Deferred tax assets, net	**93**	**–597**

Change in deferred tax	2014	2015
Opening balance	262	93
Acquisitions of subsidiaries, net	67	–365
Recognized in income statement	–322	–309
Deferred tax from actuarial gain/loss on post-employment benefit obligations	152	–33
Exchange rate differences	–66	17
Closing balance	**93**	**–597**

The Group has tax loss carry forwards and other tax credits of SEK 1,626 M (1,554) for which deferred tax assets have not been recognized, as it is uncertain whether they can be offset against taxable income in future taxation.

Note 19 Other financial assets

SEK M	Group 2014	Group 2015	Parent company 2014	Parent company 2015
Investments in associates	–	–	1,620	1,621
Other shares and interests	5	11	–	–
Interest-bearing non-current receivables	28	30	–	–
Other non-current receivables	43	36	–	–
Total	**76**	**77**	**1,620**	**1,621**

Note 20 Inventories

SEK M	Group 2014	Group 2015
Materials and supplies	2,266	2,430
Work in progress	1,767	1,723
Finished goods	3,453	3,874
Advances paid	359	320
Total	**7,845**	**8,348**

Impairment of inventories amounted to SEK 139 M (172).

Note 21 Trade receivables

SEK M	Group 2014	Group 2015
Trade receivables	11,215	12,532
Provision for bad debts	–620	–758
Total	**10,595**	**11,775**

Maturity analysis	2014	2015
Trade receivables not due	**7,675**	**8,308**
Trade receivables due not impaired:		
< 3 months	2,475	2,982
3–12 months	596	660
> 12 months	470	582
	3,540	**4,224**
Impaired trade receivables:		
< 3 months	–81	–78
3–12 months	–109	–121
> 12 months	–430	–558
	–620	**–758**
Total	**10,595**	**11,775**

Trade receivables per currency	2014	2015
EUR	2,534	2,669
USD	3,266	3,644
CNY	1,533	2,060
SEK	457	493
GBP	466	509
CAD	311	287
AUD	297	305
Other currencies	1,731	1,808
Total	**10,595**	**11,775**

Current year change in provision for bad debts	2014	2015
Opening balance	541	620
Acquisitions and disposals	19	54
Receivables written off	–105	–89
Reversal of unused amounts	–31	–37
Provision for bad debts	132	212
Exchange rate differences	63	–2
Closing balance	**620**	**758**

Note 22 Parent company's equity

The Parent company's equity is split between restricted and non-restricted equity. Restricted equity consists of share capital, revaluation reserve, statutory reserve and the fair value reserve. 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.

Non-restricted equity consists of share premium reserves, retained earnings and net income for the year.

Note 23 Share capital, number of shares and dividend per share

	Number of shares (thousands) Series A	Series B	Total	Share capital, SEK K
Opening balance at 1 January 2014	19,175	351,684	370,859	370,859
Closing balance at 31 December 2014	**19,175**	**351,684**	**370,859**	**370,859**
Number of votes, thousands	191,753	351,684	543,437	
Opening balance at 1 January 2015	19,175	351,684	370,859	370,859
Stock split	38,350	703,368	741,718	
Closing balance at 31 December 2015	**57,525**	**1,055,052**	**1,112,576**	**370,859**
Number of votes, thousands	575,259	1,055,052	1,630,311	

All shares have a par value of around SEK 0.33 (1) and give shareholders equal rights to the company's assets and earnings. All shares are entitled to dividends subsequently determined. 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 was 1,110,776 (1,110,776) during the year. None of the Group's outstanding long-term incentive programs are expected to result in significant dilution in the future.

The total number of treasury shares as at 31 December 2015 amounted to 1,800,000. No shares have been repurchased during the year.

The number of shares increased due to the stock split (3:1) in 2015.

Dividend per share

The dividend paid during the financial year totaled SEK 2,407 M (2,110), equivalent to SEK 2.17 (1.90) per share. A dividend for 2015 of SEK 2.65 per share, a total of SEK 2,944 M, will be proposed at the Annual General Meeting on Wednesday, 27 April 2016.

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 in the balance sheet mainly relate to defined benefit plans. ASSA ABLOY has defined benefit pension plans in a number of countries, with those in the USA, the UK and Germany being the most significant.

The defined benefit plans in the USA and the UK are secured by assets in pension funds, while the plans in Germany are chiefly unfunded. In the USA, there are also unfunded plans for post-employment medical benefits.

The operations of pension funds are regulated by national regulations and practice. The responsibility for monitoring the pension plans and their assets rests mainly with the boards of the pension funds, but can also rest more directly with the company. The Group has an overall policy for the limits within which asset allocation should be made. Each pension fund adjusts its local asset allocation according to the nature of the local pension obligation, particularly the remaining term and the breakdown between active members and pensioners. The Group has not changed the processes used for managing these risks compared with previous periods.

The investments are well diversified so that depreciation of an individual investment should not have any material impact on the plan assets. The majority of assets are invested in shares as the Group considers that shares produce the best long-term return at an acceptable risk level. The total allocation to shares should not, however, exceed 60 percent of total assets. Fixed income assets are invested in a combination of ordinary government bonds and corporate bonds but also in inflation-indexed bonds. The average term of these is normally somewhat shorter than the term of the underlying liability. Bonds should not account for less than 30 percent of assets. A small proportion of assets is also invested in real estate and alternative investments, mainly hedge funds.

As at 31 December 2015, shares accounted for 45 percent (46) and fixed income securities for 34 percent (34) of plan assets, while other assets accounted for 22 percent (20). The actual return on plan assets in 2015 was SEK 40 M (384).

Amounts recognized in the income statement

Pension costs, SEK M	2014	2015
Defined contribution pension plans	428	479
Defined benefit pension plans	86	164
Post-employment medical benefit plans	24	31
Total	**538**	**674**
of which, included in:		
Operating income	455	577
Net financial items	84	96

Amounts recognized in the balance sheet

Pension provisions, SEK M	2014	2015
Provisions for defined benefit pension plans	2,311	2,163
Provisions for post-employment medical benefits	554	582
Provisions for defined contribution pension plans	81	16
Total	**2,946**	**2,761**

Pensions with Alecta

Commitments for old-age pensions and family pensions for salaried employees in Sweden are secured in part through insurance with Alecta. According to UFR 10, this is a defined benefit plan that covers many employers. For the 2015 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 secured through insurance with Alecta are therefore reported as defined contribution plans. The year's pension contributions that are contracted to Alecta total SEK 27 M (27), of which SEK 11 M (10) relates to the Parent company. Pension contributions are expected to remain largely unchanged in 2016.

Alecta's surplus can be distributed to policyholders and/or the insured. As at 31 December 2015, Alecta's surplus expressed as the collective consolidation level amounted preliminarily to 153 percent (144 percent as at 30 December 2014). The 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 IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 percent. If the consolidation level deviates from this range, measures in the form of an adjustment of the premium level should be taken to return to the normal range.

Specification of defined benefit pension plans, post-employment medical benefits and plan assets by country

Specification of defined benefits, SEK M	United Kingdom 2014	United Kingdom 2015	Germany 2014	Germany 2015	USA 2014	USA 2015	Other countries 2014	Other countries 2015	Total 2014	Total 2015
Present value of funded obligations	2,689	2,617	142	89	1,976	1,998	469	980	5,275	5,684
Fair value of plan assets	–2,351	–2,370	–24	–23	–1,453	–1,577	–275	–690	–4,103	–4,660
Net value of funded plans	*339*	*247*	*118*	*67*	*522*	*421*	*194*	*290*	*1,172*	*1,024*
Present value of unfunded obligations	–	–	688	643	–	–	464	496	1,152	1,138
Present value of unfunded medical benefits	–	–	–	–	549	578	4	4	554	582
Net value of defined benefit pension plans	**339**	**247**	**805**	**709**	**1,071**	**999**	**662**	**790**	**2,877**	**2,745**
Provisions for defined contribution pension plans	–	–	–	–	–	–	68	16	68	16
Total	**339**	**247**	**805**	**709**	**1,071**	**999**	**730**	**806**	**2,946**	**2,761**

Note 24 cont.

Movement in obligations

2015, SEK M	Post-employ-ment medical benefits	Defined benefit pension plans	Plan assets	Total
Opening balance at 1 January 2015	**554**	**6,427**	**–4,103**	**2,877**
Acquisitions/disposals	–	148	–123	25
Reclassifications	–	347	–301	47
Recognized in the income statement:				
Current service cost	7	98	–	106
Past service cost	–	–8	–	–8
Impairment/reversal of pension receivables	–	–	–	–
Interest expense/income	23	233	–160	96
Total recognized in the income statement	**31**	**324**	**–160**	**194**
Recognized in other comprehensive income:				
Return on plan assets, excluding amounts included above	–	–	121	121
Gain/loss from change in demographic assumptions	–	–38	–	–38
Gain/loss from change in financial assumptions	–10	–207	–	–217
Experience-based gains/losses	–	–16	–	–16
Remeasurement of net pension obligations	**–10**	**–261**	**121**	**–150**
Exchange rate differences	36	127	–133	30
Total recognized in other comprehensive income	**26**	**–134**	**–12**	**–120**
Contributions and payments:				
Employer contributions	–	–	–203	–203
Employee contributions	0	12	–17	–4
Payments	–28	–302	258	–72
Total payments	**–28**	**–290**	**39**	**–279**
Closing balance at 31 December 2015	**582**	**6,823**	**–4,660**	**2,745**

2014, SEK M	Post-employ-ment medical benefits	Defined benefit pension plans	Plan assets	Total
Opening balance at 1 January 2014	**389**	**4,992**	**–3,425**	**1,956**
Acquisitions/disposals	–	0	–	0
Reclassifications	–	63	–55	8
Recognized in the income statement:				
Current service cost	5	59	–	64
Past service cost	–	0	–	0
Impairment/reversal of pension receivables	–	–194	157	–38
Interest expense/income	19	220	–156	84
Total recognized in the income statement	**24**	**85**	**1**	**110**
Recognized in other comprehensive income:				
Return on plan assets, excluding amounts included above	–	–	–228	–228
Gain/loss from change in demographic assumptions	–	134	–	134
Gain/loss from change in financial assumptions	80	719	–	799
Experience-based gains/losses	–	–10	–	–10
Remeasurement of net pension obligations	**80**	**843**	**–228**	**695**
Exchange rate differences	88	674	–515	247
Total recognized in other comprehensive income	**168**	**1,517**	**–743**	**942**
Contributions and payments:				
Employer contributions	–	–	–59	–59
Employee contributions	0	0	0	0
Payments	–27	–231	178	–81
Total payments	**–27**	**–231**	**119**	**–139**
Closing balance at 31 December 2014	**554**	**6,427**	**–4,103**	**2,877**

Plan assets allocation

Plan assets	2014	2015
Publicly traded shares	1,901	2,077
Government bonds	599	659
Corporate bonds	605	689
Inflation-linked bonds	188	228
Property	281	314
Cash and cash equivalents	24	32
Alternative investments	280	93
Other assets	226	568
Total	**4,103**	**4,660**

Note 24 cont.

Key actuarial assumptions

Key actuarial assumptions (weighted average), %	United Kingdom 2014	United Kingdom 2015	Germany 2014	Germany 2015	USA 2014	USA 2015
Discount rate	3.5	3.8	1.8	2.2	4.0	4.4
Expected annual salary increases	n/a	n/a	2.3	2.8	n/a	n/a
Expected annual pension increases	2.0	1.9	1.8	1.3	2.0	2.0
Expected annual medical benefit increases	n/a	n/a	n/a	n/a	7.2	6.9
Expected annual inflation	2.0	2.0	1.8	1.3	3.0	3.0

Sensitivity analysis of defined benefit obligations and post-employment medical benefits

The effect on defined benefit obligations and post-employment medical benefits of a 1 percentage change in some actuarial assumptions, change in percent	+1.0%	–1.0%
Discount rate	–15.1	15.0
Expected annual medical benefit increases	13.4	–11.2

Note 25 Other provisions

SEK M	Group: Restructuring reserve	Group: Other	Group: Total
Opening balance at 1 January 2014	**1,369**	**1,860**	**3,229**
Provisions for the year	–	224	224
Reversal of non-utilized amounts	–	–37	–37
Payments	–453	–53	–507
Utilized during the year, without cash flow impact	–40	–	–40
Exchange rate differences	65	18	83
Closing balance at 31 December 2014	**941**	**2,012**	**2,952**

SEK M	Group: Restructuring reserve	Group: Other	Group: Total
Opening balance at 1 January 2015	**941**	**2,012**	**2,952**
Provisions for the year	–	262	262
Acquisitions of subsidiaries	–	88	88
Reversal of non-utilized amounts	–	–123	–123
Payments	–375	–458	–832
Utilized during the year, without cash flow impact	–12	–	–12
Exchange rate differences	–3	–7	–10
Closing balance at 31 December 2015	**551**	**1,773**	**2,324**

Balance sheet breakdown:	Group 2014	Group 2015
Other non-current provisions	2,428	1,717
Other current provisions	525	607
Total	**2,952**	**2,324**

The restructuring reserve relates mainly to the ongoing restructuring program launched in 2013. The closing balance is expected to be chiefly utilized in the next two years and mainly relates to severance payments. The non-current part of the restructuring reserve totaled SEK 44 M. For further information on the restructuring programs, see the Report of the Board of Directors. Other provisions relate to taxes and legal obligations including future environment-related measures.

Note 26 Other current liabilities

SEK M	Group 2014	Group 2015
VAT and excise duties	545	567
Employee withholding tax	88	92
Advances received	528	562
Social security contributions and other taxes	61	58
Deferred considerations	1,313	952
Other current liabilities	526	615
Total	**3,060**	**2,847**

Note 27 Accrued expenses and deferred income

SEK M	Group 2014	Group 2015	Parent company 2014	Parent company 2015
Personnel-related expenses	2,255	2,335	162	200
Customer-related expenses	753	678	–	–
Deferred income	303	345	–	–
Accrued interest expenses	102	108	53	61
Other	868	1,161	36	27
Total	**4,282**	**4,626**	**251**	**288**

Note 28 Contingent liabilities

SEK M	Group 2014	Group 2015	Parent company 2014	Parent company 2015
Guarantees	99	100	–	–
Guarantees on behalf of subsidiaries	–	–	9,789	11,249
Total	**99**	**100**	**9,789**	**11,249**

In addition to the guarantees shown in the table above, the Group has a large number of minor bank guarantees for performance of obligations in operating activities. No material liabilities are expected as a result of these guarantees.

Maturity profile – guarantees, SEK M	Group 2014	Group 2015
<1 year	50	31
>1<2 years	16	5
>2<5 years	28	42
>5 years	5	22
Total	**99**	**100**

Note 29 Assets pledged against liabilities to credit institutions

SEK M	Group 2014	Group 2015	Parent company 2014	Parent company 2015
Real estate mortgages	19	18	–	–
Other mortgages	87	63	–	–
Total	**106**	**81**	**–**	**–**

Note 30 Business combinations

SEK M	2014	2015
Purchase prices		
Cash paid for acquisitions during the year	2,478	2,690
Holdbacks and deferred consideration for acquisitions during the year	2,191	1,155
Adjustment of purchase prices for acquisitions in prior years	–42	–10
Total	**4,627**	**3,835**
Acquired assets and liabilities at fair value		
Intangible assets	156	1,305
Property, plant and equipment	289	229
Deferred tax assets	–4	43
Other financial assets	–11	1
Inventories	266	385
Current receivables and investments	324	673
Cash and cash equivalents	204	155
Non-controlling interest	–2	–3
Deferred tax liabilities	71	–409
Pension provisions	0	–25
Other non-current liabilities	–47	–109
Current liabilities	–627	–895
Total	**619**	**1,350**
Acquired negative goodwill – recognized as other operating income	6	–
Goodwill	**4,013**	**2,485**
Cash paid for acquisitions during the year	2,478	2,690
Cash and cash equivalents in acquired subsidiaries	–204	–155
Paid deferred considerations for acquisitions in previous years	180	635
Change in cash and cash equivalents due to acquisitions	**2,454**	**3,171**
Net sales from acquisition date	1,097	908
EBIT from acquisition date	173	51
Net income from acquisition date	156	30

The table above includes fair value adjustments of acquired net assets from acquisitions made in previous years.

Acquisition analyses have been prepared for all acquisitions in 2015. The net sales of acquired units for 2015 totaled SEK 2,586 M (2,373) and net income amounted to SEK 85 M (306). Acquisition-related costs for 2015 totaled SEK 80 M (33) and have been reported as other operating expenses in the income statement.

See below for an account of some acquisitions completed in 2015 and 2014. No single acquisition is significant in terms of size and separate acquisition details are therefore not provided.

2015

Quantum Secure

On 25 March 2015 the Group acquired 100 per cent of the share capital of Quantum Secure, the leading provider of solutions to help enterprises manage identities and meet compliance requirements in highly-regulated industries.

The acquisition reinforces the strategy of being the world leader in secure identity solutions. Quantum Secure takes ASSA ABLOY one step further in being able to provide the customers with an end to end identity management system. The company is headquartered in San Jose, California.

Intangible assets in the form of brand, customer relationship and technology have been disclosed. Residual goodwill is mainly attributable to synergies and other intangible assets that do not fulfill the criteria for separate reporting.

Other acquisitions

Other notable acquisitions during the year comprised Prometal (United Arab Emirates), Teamware (Malaysia), Flexim (Finland) and Papaiz and Udineze (Brazil).

2014

Lumidigm

On 10 February 2014, 100 percent of Lumidigm (USA) was acquired, a leading player in the fast-growing biometric segment. The acquisition significantly advances the Group's position in biometrics and will create further growth opportunities for ASSA ABLOY. The company is headquartered in Albuquerque, New Mexico.

Intangible assets in the form of the brand and technology have been disclosed in the purchase price allocation. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

Digi Electronic Lock

On 29 December 2014 the Group acquired 51 per cent of the share capital of Digi Electronic Lock, the leading digital door lock manufacturer in China. In connection to the acquisition, an agreement was signed on future acquisition of outstanding interests, and the company is therefore consolidated 100 percent from the acquisition date.

Keylock is the leading brand in China for digital door locks with a comprehensive product range for the mid to low segments which complements ASSA ABLOY´s current premium products. Digi Electronic Lock is a great addition to the current offering within the rapidly growing digital door locks segment. Digi Electronic Lock is headquartered in Guangzhou, southern China.

Jiawei

On 1 December 2014 the Group acquired 95 per cent of the share capital of Jiawei in China, one of the leading suppliers of security locks in China. In connection to the acquisition, an agreement was signed on future acquisition of outstanding interests, and the company is therefore consolidated 100 percent from the acquisition date.

Jiawei broadens ASSA ABLOY´s presence in the OEM channel for door manufacturers and gives important complementary access to the growing replacement market for security locks and cylinders in China. Jiawei constitutes another important step in the strategy to grow market presence in China and other emerging markets. Jiawei is headquartered in Jinhua, Zhejiang province, eastern China.

Other acquisitions

Other notable acquisitions during the year comprised the Brazilian companies Metalika and Silvana, ENOX (India) and Huasheng and Xinmao (China).

Note 31 Cash flow

	Group	
SEK M	2014	2015
Adjustments for non-cash items		
Profit on sales of non-current assets	–40	–38
Change in pension provision	63	98
Share of earnings in associates	–132	–134
Dividend from associates	41	52
Remeasurement of earn out provisions related to acquisitions	–71	–284
Other	–11	37
Adjustments for non-cash items	**–150**	**–269**
Change in working capital		
Inventories increase/decrease (–/+)	–261	–147
Trade receivables increase/decrease (–/+)	–695	–713
Trade payables increase/decrease (+/–)	582	549
Other working capital increase/decrease (–/+)	71	–189
Change in working capital	**–303**	**–502**

Note 32 Employees

Salaries, wages, other remuneration and social security costs

	Group		Parent company	
SEK M	2014	2015	2014	2015
Salaries, wages and other remuneration	12,544	14,805	158	179
Social security costs	3,483	4,190	86	117
– of which pensions	428	577	24	29
Total	**16,026**	**18,995**	**244**	**296**

Fees to Board members in 2015 (including committee work), SEK thousand

Name and post	Board	Remuneration Committee	Audit Committee	Total
Lars Renström, Chairman	1,850	100	–	1,950
Carl Douglas, Vice Chairman	750	–	–	750
Eva Karlsson, Member	500	–	–	500
Birgitta Klasén, Member	500	–	125	625
Eva Lindqvist, Member	500	–	–	500
Johan Molin, President and CEO	–	–	–	–
Ulrik Svensson, Member	500	50	250	800
Jan Svensson, Member	500	50	125	675
Employee representatives (4)	–	–	–	–
Total	**5,100**	**200**	**500**	**5,800**

Total fees to Board members amounted to SEK 5.55 M in 2014.

Remuneration and other benefits of the Executive Team in 2015, SEK thousands

Name	Fixed salary	Variable salary	Stock-related benefits	Other benefits	Pension costs
Johan Molin, President and CEO	15,586	11,546	7,763	115	6,547
Other members of the Executive Team (8)	48,790	16,224	13,608	4,049	8,779
Total remuneration and benefits	**64,377**	**27,770**	**21,371**	**4,164**	**15,326**

Total remuneration and other benefits of the Executive Team amounted to SEK 120 M in 2014.

Salaries and remuneration for the Board of Directors and the parent company's Executive Team

Salaries and remuneration for the Board of Directors and the parent company's Executive Team totaled SEK 55 M (51), excluding pension costs and social security costs. Pension costs amounted to SEK 9 M (8). Pension obligations for several senior executives are secured through pledged endowment insurances.

Long-term incentive programs[1]

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.

At the 2011 to 2015 Annual General Meetings, it was decided to implement further long-term incentive programs for senior executives and other key staff in the Group. The new long-term incentive programs, named LTI 2011 to LTI 2015 have been drawn up with similar terms to LTI 2010.

For each Series B share acquired by the CEO within the framework of LTI 2013, LTI 2014 and LTI 2015, the company awards 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 awards one matching stock option and three performance-based stock options. For other participants, the company awards one matching stock option and one performance-based stock option. In accordance with the terms of the incentive programs, employees have acquired a total of 483,276 shares in ASSA ABLOY AB, of which 122,265 shares were acquired in 2015 within the framework of LTI 2015.

Each matching stock option entitles the holder to receive one free Series B share in the company after three years, provided that the holder, with certain exceptions, is still employed in the Group when the interim report for Q1 2016, 2017 and 2018 for the respective program is published, and has retained the shares acquired within the framework of the long-term incentive programs. Each performance-based stock option entitles the holder to receive one free Series B share in the company three years after allotment, provided that the above conditions have been fulfilled. In addition, the maximum level in a range determined by the Board of Directors for the performance of the company's earnings per share must have been fulfilled. The performance-based condition for each respective year has been fulfilled for all three programs.

Outstanding matching and performance-based stock options for LTI 2015 total 351,081. The total number of outstanding matching and performance-based stock options for LTI 2013, LTI 2014 and LTI 2015 amounted to 1,256,016 on the reporting date of 31 December 2015.

Fair value is based on the share price on the allotment 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 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 allotment date for LTI 2015 of 28 May 2015 was SEK 169.50. The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2014 of 21 May 2014 was SEK 112.86. The equivalent value on the allotment date for LTI 2013 of 21 May 2013 was SEK 90.78.

The total cost of the Group's long-term incentive programs excluding social security costs amounted to SEK 39 M (37) in

[1] Number of shares and fair values have been recalculated for all historical periods reflecting the stock split in 2015.

Note 32 cont.

2015. In April 2015 a redemption of LTI 2012 took place and 703,782 shares (658,050) at a total market value of SEK 121 M (75) were transferred to the participants of the program. Parts of the redemption of LTI 2012 were settled through endowment insurances. The payment for the transferred shares was recognized in equity.

Other equity-based incentive programs

ASSA ABLOY has previously issued a number of convertible debentures to employees in the Group. At year-end 2015, there were no outstanding convertible debentures issued to employees in the Group.

Notice and severance pay

If the CEO is given notice, the company is liable to pay the equivalent of 24 months' basic 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 six months' basic salary and other employment benefits plus an additional 12 months' basic salary.

Average number of employees per country, broken down by gender

	Group					
	2014			2015		
	Total	of which women	of which men	**Total**	of which women	of which men
China	12,596	5,138	7,458	12,591	5,085	7,506
USA	8,662	2,370	6,293	9,202	2,563	6,639
Sweden	2,039	500	1,539	2,065	495	1,570
France	2,060	638	1,422	1,971	614	1,357
Germany	1,589	477	1,113	1,612	467	1,145
United Kingdom	1,594	526	1,068	1,571	515	1,055
Mexico	1,353	437	917	1,360	417	943
Czech Republic	1,352	559	793	1,315	540	775
Finland	937	312	625	1,147	368	779
Netherlands	1,027	193	834	1,029	155	875
Canada	856	185	671	826	193	633
Romania	845	310	535	793	304	489
Brazil	429	117	312	792	205	588
Malaysia	654	371	283	756	339	417
Norway	714	137	577	750	145	605
Australia	758	210	548	748	237	511
South Korea	703	223	480	681	231	450
Poland	514	107	407	561	115	446
Spain	563	134	429	534	124	410
Italy	553	140	413	515	131	383
Belgium	455	110	345	501	106	394
Denmark	447	114	333	454	117	337
South Africa	378	161	217	398	168	230
India	180	16	164	379	33	346
Switzerland	320	88	232	378	102	276
Chile	175	55	120	352	96	256
Israel	337	104	233	308	95	214
New Zealand	321	90	230	304	102	202
Colombia	225	51	174	213	49	164
Austria	195	38	157	190	36	154
Ireland	180	61	119	180	60	120
Hong Kong	148	60	88	143	61	82
Other	1,110	214	896	1,374	253	1,121
Total	**44,269**	**14,244**	**30,025**	**45,994**	**14,520**	**31,473**

	Parent company					
	2014			2015		
	Total	of which women	of which men	**Total**	of which women	of which men
Sweden	161	36	125	180	47	133
Total	**161**	**36**	**125**	**180**	**47**	**133**

Gender distribution of Board of Directors and Executive Team

	2014			2015		
	Total	of which women	of which men	**Total**	of which women	of which men
Board of Directors[1]	8	2	6	8	3	5
Executive Team	9	1	8	9	1	8
– of which Parent company's Executive Team	3	1	2	3	1	2
Total	**17**	**3**	**14**	**17**	**4**	**13**

[1] Excluding employee representatives.

Note 33 Financial risk management and financial instruments

Financial risk management

ASSA ABLOY is exposed to a variety of financial risks due to its international business operations. Financial risk management for ASSA ABLOY's units has been implemented in accordance with the Group's financial policy. The principles for financial risk management are described below.

Organization and activities

ASSA ABLOY's financial policy, which is determined by the Board of Directors, provides 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. Treasury achieves significant economies of scale when negotiating borrowing agreements, using interest rate derivatives and managing currency flows.

Capital structure

The objective of the Group's capital structure is to safeguard its ability to continue as a going concern, and to generate good returns for shareholders and benefits for other stakeholders. Maintaining an optimal capital structure enables the Group to keep capital costs as low as possible. The Group can adjust the capital structure based on the requirements that arise by varying the dividend paid to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debt. The capital requirement is assessed on the basis of 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, and other interest-bearing investments including positive market values of derivatives. The table 'Net debt and equity' shows the position as at 31 December.

Net debt and equity

	Group	
SEK M	2014	2015
Non-current interest-bearing receivables	–28	–30
Short-term interest-bearing investments incl. positive market values of derivatives	–174	–182
Cash and bank balances	–667	–501
Pension provisions	2,946	2,761
Non-current interest-bearing liabilities	15,362	15,568
Current interest-bearing liabilities incl. negative market values of derivatives	4,887	4,653
Total	**22,327**	**22,269**
Equity	**36,098**	**41,579**
Net debt/equity ratio	**0.62**	**0.54**

Another important variable in the assessment of the Group's capital structure is the credit rating assigned by credit rating agencies to the Group's debt. It is essential to maintain a solid credit rating in order to have access to both long-term and short-term financing from the capital markets when needed. 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[1]

	31 December 2014				31 December 2015			
SEK M[2]	<1 year	>1<2 years	>2<5 years	>5 years	<1 year	>1<2 years	>2<5 years	>5 years
Long-term bank loans	–279	–209	–1,596	–1,336	–249	–464	–1,500	–1,130
Long-term capital market loans	–2,500	–2,207	–5,736	–5,527	–2,213	–2,455	–6,073	–5,168
Short-term bank loans	–997	–	–	–	–1,325	–	–	–
Commercial papers and short-term capital market loans	–1,286	–	–	–	–1,240	–	–	–
Derivatives (outflow)	–9,176	–35	–602	–41	–8,649	–26	–567	–29
Total by period	**–14,240**	**–2,451**	**–7,934**	**–6,904**	**–13,675**	**–2,944**	**–8,141**	**–6,327**
Cash and cash equivalents incl. interest-bearing receivables	841	–	–	–	683	–	–	–
Non-current interest-bearing receivables	28	–	–	–	31	–	–	–
Derivatives (inflow)	9,058	70	638	131	8,659	48	631	90
Deferred considerations	–1,313	–843	–1,084	–	–952	–966	–684	–39
Trade receivables	10,595	–	–	–	11,775	–	–	–
Trade payables	–5,699	–	–	–	–6,553	–	–	–
Net total	**–729**	**–3,224**	**–8,380**	**–6,773**	**–33**	**–3,862**	**–8,194**	**–6,276**
Confirmed credit facilities	8,575	–	–8,575	–	8,229	–	–8,229	–
Credit facilities maturing < 1 year	–598	–	–	–	–685	–	–	–
Adjusted maturity profile[1]	**7,248**	**–3,224**	**–16,955**	**–6,773**	**7,510**	**–3,862**	**–16,422**	**–6,276**

[1] For maturity structure of guarantees, see Note 28.

[2] The amounts in the table are undiscounted and include future known interest payments. The exact amounts are therefore not found in the balance sheet.

Note 33 cont.

External financing/net debt

Credit lines/facilities	Amount, SEK M	Maturity	Carrying amount, SEK M	Currency	Amount 2014	Amount 2015	Of which Parent company, SEK M
US Private Placement Program	418	Apr 2017	418	USD	50	50	
US Private Placement Program	418	May 2017	418	USD	50	50	
US Private Placement Program	1,020	Dec 2018	1,020	USD	122	122	
US Private Placement Program	209	Aug 2019	209	USD	25	25	
US Private Placement Program	585	May 2020	585	USD	70	70	
US Private Placement Program	418	Aug 2022	445[1]	USD	50	50	
US Private Placement Program	834	Aug 2022	834	USD	100	100	
US Private Placement Program	626	Aug 2024	626	USD	75	75	
Multi–Currency RCF	8,228	Jun 2020		EUR	900	900	
Bank loan EIB	838	Jul 2018[2]	838	EUR	110	92	
Bank loan NIB	502	Dec 2019	502	EUR	55	55	
	502	Dec 2021	502	EUR	55	55	
Global MTN Program	17,056	May 2017	500	SEK	500	500	500
		Sep 2017	843	CHF	100	100	843
		Mar 2018	457	EUR	50	50	457
		Jun 2018	500	SEK	500	500	500
		Sep 2018	84	USD	10	10	84
		Oct 2018	274	EUR	30	30	274
		Jan 2019	84	USD		10	84
		Aug 2019	418	USD	50	50	418
		Sep 2019	167	USD	20	20	167
		Feb 2020	457	EUR	50	50	457
		Sep 2020	638	EUR		70	638
		Nov 2020	341[1]	EUR	35	35	
		Dec 2020	290[1]	EUR	30	30	273
		Feb 2021	418	USD	50	50	418
		Oct 2021	137	EUR	15	15	137
		Mar 2022	457	EUR	50	50	457
		Nov 2023	223[1]	USD	25	25	
		Feb 2025	456	EUR		50	456
		Mar 2025	307[1]	EUR	30	30	274
		Feb 2027	274	EUR	30	30	274
		Apr 2030	633	EUR		70	633
Other long-term loans	1,214		1,214				811
Total long-term loans/facilities	**32,868**		**15,568**				**8,153**
Global MTN Program	1,230	Jun 2016	244[1]	NOK	250	250	238
		Jun 2016	96	NOK	100	100	96
		Aug 2016	250	SEK	250	250	250
		Nov 2016	274	EUR	30	30	274
		Nov 2016	366	EUR	40	40	366
US Private Placement Program	631	Dec 2016	631	USD	76	76	
Global CP Program	8,362		418	USD	25	50	
			622	EUR	41	68	
Swedish CP Program	5,000		200	SEK	700	200	
Other bank loans	518		518				
Overdraft facility	1,976		955				
Total short-term loans/facilities	**17,717**		**4,573**				**1,224**
Total loans/facilities	**50,585**		**20,141**				**9,377**
Cash and bank balances			–501				
Short-term interest-bearing investments			–34				
Long-term interest-bearing investments			–30				
Market value of derivatives			–68				
Pensions			2,761				
Net debt			**22,269**				**9,377**

[1] The loans are subject to hedge accounting.
[2] The loan amortizes starting November 2016. In the table the average date of maturity of the loan has been stated.

Rating

Agency	Short-term	Outlook	Long-term	Credit outlook
Standard & Poor's	A2	Stable	A –	Stable
Moody's	P2	Stable	n/a	

The Group's credit rating remained unchanged during the 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 financing. ASSA ABLOY manages financing risk at Group level. Treasury is responsible for external borrowings and external investments. ASSA ABLOY strives to have access on every occasion to both short-term and long-term loan facilities. In accordance with financial policy, the available loan facilities, including available cash and cash equivalents, should include a reserve (facilities available but not utilized) equivalent to 10 percent of the Group's total annual sales.

Note 33 cont.

Maturity profile

The table 'Maturity profile' on page 111 shows the maturities for ASSA ABLOY's financial instruments, including confirmed credit facilities. The maturities are not concentrated to a particular date in the immediate future. The Group's Multi-Currency Revolving Credit Facility was extended by one year in line with an extension option in the original agreement. Originally this facility matured in June 2019, but has now extended to June 2020. This credit facility was wholly unutilized at year-end. Moreover, existing financial assets are also taken into account. The table shows undiscounted cash flows relating to the Group's financial instruments at the reporting date, and these amounts are therefore not found in the balance sheet.

Interest-bearing liabilities

The Group's long-term loan financing mainly consists of a Private Placement Program in the USA totaling USD 618 M, of which USD 542 M (618) is long-term, a GMTN program of SEK 9,111 M (8,857), of which SEK 7,886 M (7,339) is long-term, a loan from the European Investment Bank of EUR 92 M (110), and a loan from the Nordic Investment Bank of EUR 110 M (110). During the year, four new issues were made under the GMTN program for a total amount of around SEK 1,862 M. The size of the GMTN program was increased from EUR 1,500 to EUR 2,000. During the year a couple of small local bilateral bank loans of SEK 229 M were raised in countries with currency restrictions. Other changes in long-term loans are mainly due to some of the originally long-term loans now having less than one year to maturity. The size of the loans has also been affected by currency fluctuations, in particular the strenghtening of the USD against SEK. In total SEK 2,092 M was raised in new long term loans while SEK 2,425 M of originally long term loans were repaid during the year.

The Group's short term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 1,240 M (1,287) 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 of EUR 900 M (900). At year-end the average time to maturity for the Group's interest-bearing liabilities, excluding the pension provision, was 46 months (46).

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

Currency composition

The currency composition of ASSA ABLOY's borrowing depends on the currency composition of the Group's assets and other liabilities. Currency swaps are used 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 totaled SEK 34 M (14) at year-end. In addition, ASSA ABLOY has non-current interest-bearing receivables of SEK 30 M (28) and financial derivatives with a positive market value of SEK 148 M (159) 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 bank accounts or interest-bearing instruments with high liquidity from issuers with a credit rating of at least A–, according to Standard & Poor's or similar rating agency. The average term for cash and cash equivalents was 1 day (1) at year-end 2015.

The Parent company's cash and cash equivalents are held in a sub-account to the Group account.

	Group		Parent company	
SEK M	**2014**	**2015**	**2014**	**2015**
Cash and bank balances	638	404	–	–
Short-term investments with maturity less than 3 months	29	97	–	–
Cash and cash equivalents	**667**	**501**	**–**	**–**
Short-term investments with maturity more than 3 months	14	34	–	–
Long-term interest-bearing receivables	28	30	–	–
Positive market value of derivatives	159	148	–	–
Total	**868**	**713**	**–**	**–**

Net debt by currency

	31 December 2014		31 December 2015	
SEK M	**Net debt excluding currency swaps**	**Net debt including currency swaps**	**Net debt excluding currency swaps**	**Net debt including currency swaps**
USD	8,117	12,009	8,036	11,620
EUR	8,998	6,099	9,993	5,807
CNY	–302	395	74	1,975
AUD	21	682	1	557
NOK	462	506	407	510
KRW	233	233	369	369
PLN	44	387	24	329
CZK	12	367	21	314
CHF	824	–73	986	199
DKK	21	258	31	197
SEK	3,282	1,171	1,731	147
Other	614	293	596	244
Total	**22,327**	**22,327**	**22,269**	**22,269**

Interest rate risks in interest-bearing assets

Treasury manages interest rate risk in interest-bearing assets. Derivative instruments such as interest rate swaps and FRAs (forward rate agreements) may be used to manage interest rate risk. These 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 45 day (1) at year-end 2015. A downward change in the yield curve of one percentage point would reduce the Group's interest income by around SEK 1 M (0) and consolidated equity by SEK 1 M (0).

Note 33 cont.

Interest rate risks in borrowing

Changes in interest rates have a direct impact on ASSA ABLOY's net interest expense. Treasury is responsible for identifying and managing the Group's interest rate exposure. Treasury analyzes the Group's interest rate exposure and calculates the impact on income of changes in interest rates on a rolling 12-month basis. The Group strives for a mix of fixed rate and variable rate borrowings, and uses interest rate swaps to adjust the fixed interest term. The financial 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 liabilities, was around 26 months (17). An upward change in the yield curve of one percentage point would increase the Group's interest expense by around SEK 97 M (110) and reduce consolidated equity by SEK 72 M (81).

Currency risk

Currency risk affects ASSA ABLOY mainly through translation of capital employed and net debt, translation of the income of foreign subsidiaries, and the impact on income of flows of goods between countries with different currencies.

Transaction exposure

Currency risk in the form of transaction exposure, or exports and imports of goods respectively, is relatively limited in the Group, even though it can be significant for individual business units. 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, current currency flows are not normally hedged.

Transaction flows relating to major currencies (import + and export –)

	Currency exposure	
Currency, SEK M	**2014**	**2015**
AUD	135	53
CAD	411	531
CNY	–1,058	–1,123
DKK	249	276
EUR	1,321	1,590
GBP	82	190
RON	–260	–299
SEK	–1,538	–1,952
USD	224	293

Translation exposure in income

The table below shows the impact on the Group's income before tax of a 10 percent weakening of the Swedish krona (SEK) in relation to the major currencies, with all other variables constant.

Impact on income before tax of a 10 percent weakening of SEK

Currency, SEK M	2014	2015
AUD	36	37
CHF	13	22
CNY	77	95
EUR	147	139
GBP	20	28
HKD	39	55
KRW	14	17
NOK	10	14
USD	341	460

Translation exposure in the balance sheet

The impact of translation of equity is limited by the fact that a large part of financing is in local currency.

The capital structure in each country is optimized based on local legislation. Whenever possible, according to local conditions, gearing per currency should generally aim to be the same as for the Group as a whole to limit the impact of fluctuations in individual currencies. Treasury uses currency derivatives and loans to achieve appropriate financing and to eliminate undesirable currency exposure.

The table 'Net debt by currency' on page 113 shows the use of forward exchange contracts in relation to financing in major currencies. Forward exchange contracts are used to neutralize the exposure arising between external debt and internal requirements.

Financial credit risk

Financial risk management exposes ASSA ABLOY to certain counterparty risks. Such exposure may arise from the investment of surplus cash as well as from investment in debt instruments and derivative 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 is primarily achieved through cash pools put in place by Treasury. Around 88 percent (88) of the Group's sales were settled through cash pools in 2015. However, the Group can in the short term invest surplus cash in banks to match borrowing and cash flow.

Derivative instruments are allocated between banks based on risk levels defined in the financial policy, in order to limit counterparty risk. Treasury only enters into derivative contracts with banks that have a good credit rating.

ISDA agreements (full netting of transactions in case of counterparty default) have been entered into with respect to interest rate and currency derivatives. The table on page 115 shows the impact of this netting.

Commercial credit risk

The Group's trade receivables are distributed across a large number of customers who are spread globally. No single customer accounts for more than 1 percent of the Group's sales. The concentration of credit risk associated with trade receivables is therefore limited. The fair value of trade receivables is equivalent to the carrying amount. Credit risks relating to operating activities are managed locally at company level and monitored at division level.

Commodity risk

The Group is exposed to price risks relating to purchases of certain commodities (primarily metals) used in production. Forward contracts are not used to hedge commodity purchases.

Fair value of financial instruments

Derivative financial instruments such as forward exchange contracts and forward rate agreements are used to the extent necessary. The use of derivative instruments is limited to reducing exposure to financial risks.

The positive and negative fair values in the table 'Outstanding derivative financial instruments' on page 115 show the fair values of outstanding instruments at year-end, based on available fair values, and are the same as the carrying amounts in the balance sheet. The nominal value is equivalent to 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' on page 115 provides an overview of financial assets and liabilities, measurement category, and carrying amount and fair value per item.

Note 33 cont.

Disclosures of offsetting of financial assets and liabilities

	2014					2015				
SEK M	Gross amount	Amounts netted in the balance sheet	Net amounts in the balance sheet	Amount covered by netting agree-ment but not offset	Net amount	Gross amount	Amounts netted in the balance sheet	Net amounts in the balance sheet	Amount covered by netting agree-ment but not offset	Net amount
Financial assets	159	–	159	104	55	148	–	148	38	110
Financial liabilities	251	–	251	104	147	80	–	80	38	42

Netted financial assets and financial liabilities only consist of derivative instruments.

Outstanding derivative financial instruments at 31 December

	31 December 2014			31 December 2015		
Instrument, SEK M	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value	Nominal value
Foreign exchange forwards, funding	23	–117	6,571	26	–31	7,389
Interest rate swaps[1]	136	–35	3,817	122	–25	2,883
Cross currency swaps	–	–99	1,045	–	–24	507
Total	**159**	**–251**	**11,433**	**148**	**–80**	**10,779**

[1] For interest rate swaps, only one leg is included in nominal value.

Financial instruments: carrying amounts and fair values by measurement category

		2014		2015	
SEK M	IAS 39 category*	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Other shares and interests	3	5	5	11	11
Other financial assets	1	1,861	1,861	1,910	1,910
Trade receivables	1	10,595	10,595	11,775	11,775
Derivative instruments – hedge accounting	5	136	136	121	121
Derivative instruments – held for trading	2	23	23	27	27
Short-term investments	1	14	14	34	34
Cash and cash equivalents	1	667	667	501	501
Financial liabilities					
Long-term loans – hedge accounting	4	1,870	1,870	1,606	1,606
Long-term loans – not hedge accounting	4	13,492	13,834	13,962	14,157
Long-term loans, total		**15,362**	**15,704**	**15,568**	**15,763**
Short-term loans – hedge accounting	4	637	637	244	244
Short-term loans – not hedge accounting	4	4,000	4,000	4,330	4,330
Derivative instruments – hedge accounting	5	35	35	25	25
Derivative instruments – held for trading	2	216	216	55	55
Trade payables	4	5,699	5,699	6,553	6,553
Deferred considerations	2	3,239	3,239	2,640	2,640

* Applicable IAS 39 categories:
1 = Loans and 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.

The fair value of long-term borrowing is based on observable data by discounting cash flows to market rate, while the fair value of current receivables and current liabilities is considered to correspond to the carrying amount.

Financial instruments: measured at fair value

	2014				2015			
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	159	–	159	–	148	–	148	–
Financial liabilities								
Derivative instruments	251	–	251	–	80	–	80	–
Deferred considerations[1]	3,239	–	–	3,239	2,640	–	–	2,640

[1] Deferred considerations often depend on the earnings trend of an acquired business over a certain period. Measurement of the deferred consideration is based on the management's best judgment. Discounting to present value takes place in the case of significant amounts.

Comments on five years in summary

2011

2011 was a successful year for ASSA ABLOY despite challenging market conditions and some slowdown in the second half of the year on mature markets. Organic growth was 4 percent, driven by continued investments in new products and the marketing organization. The year saw high acquisition activity in general, with 18 completed acquisitions, increasing sales by 17 percent. The acquisition of Crawford was the Group's largest ever structural transaction.

The year also saw two major disposals of acquired businesses, which were not considered to be a good fit with ASSA ABLOY in the long term.

A new restructuring program was launched during the year to further increase the Group's cost-efficiency. The previous programs have proved to be very successful, resulting in major savings and further increased efficiency in the production units.

Continued streamlining, a strengthened market position and the launch of innovative new products consolidated ASSA ABLOY's leading position and the Group is well positioned for long-term sustainable growth.

Operating income excluding restructuring costs increased 10 percent and cash flow remained strong. Earnings per share after full dilution excluding items affecting comparability increased 13 percent.

2012

Organic growth was 2 percent, despite the continued weak market conditions globally. The share of sales on emerging markets continued to increase to over 25 percent of total sales. The major investments in product development in recent years have been fruitful. This can be seen from the share of products launched in the past three years, which has increased considerably and currently accounts for around 25 percent of total sales.

Operating income excluding items affecting comparability increased by 13 percent during the year and operating cash flow remained very strong. Earnings per share after full dilution, excluding items affecting comparability, increased by 13 percent, compared with 2011.

A total of 13 acquisitions were completed during the year, which mainly strengthened the position in entrance automation for high-performance doors and docking systems. These acquisitions increase annual sales by a total of around SEK 4,500 M and provide important products and technology.

Activities in the ongoing restructuring programs remained at a high level during the year. More than 6,700 employees have left the Group, as a result of these activities since the programs began in 2006.

In summary, it may be stated that ASSA ABLOY continued gradually to expand and consolidate its leading market position during the year, and showed good earnings capacity under the prevailing economic circumstances.

2013

Demand remained weak in Europe but leveled off during the year, combined with a continuing recovery in the USA and strong sales growth in emerging markets. Continued substantial investment in innovative new products further consolidated market leadership, with products launched in the past three years accounting for a record 27 percent of sales.

Operating income, excluding items affecting comparability, increased by 6 percent compared with 2012, and cash flow showed a positive trend. Earnings per share after full dilution, excluding items affecting comparability, increased 6 percent.

A total of 10 acquisitions were consolidated during the year, which mainly strengthened the position in entrance automation for overhead sectional doors and in high-security fencing and gates for the North American market. These acquisitions increase annual sales by a total of around SEK 3,700 M and provide important products and technology.

A new restructuring program was launched during the year for the purpose of continuing to increase the cost-efficiency of all divisions. Some 30 production plants and offices are set to close with an estimated payback period of just over three years. At year-end 2013, more than 8,500 employees had left the Group as a result of restructuring activities since the programs began in 2006.

2014

ASSA ABLOY continued to grow rapidly during the year, with total sales growth of 17 percent. Demand was strong in the USA, while growth in Europe was more unevenly distributed between the different regions. Emerging markets showed a slowdown, partly due to a credit crunch.

The Group's continued focus on market presence and innovation during the year took the form of a strengthened sales force and the launch of many new products. Integration of acquisitions made and continued efficiencies contributed to maintaining good earning capacity.

Operating income, excluding items affecting comparability, increased by 17 percent compared with 2013, and cash flow remained strong. Earnings per share after full dilution, excluding items affecting comparability, increased by 17 percent.

A total of 20 acquisitions were consolidated during the year, which both strengthened the market position in key emerging markets such as China, India and Brazil, and complemented the customer offering in fast-growing new segments such as biometrics.

2015

ASSA ABLOY's good performance continued during the year despite challenging market conditions and relatively weak underlying growth worldwide. The Group's growth remained strong during the year, with total sales growth of 7 per cent excluding exchange rate effects. The global market showed a divided picture with strong demand in the USA and much of Asia, while growth in Europe was more unevenly distributed. Emerging markets showed a slowdown, particularly China.

The focus in recent years on product development, innovation and sustainability yielded positive results during the year. ASSA ABLOY has established leadership in the ongoing industry shift from mechanical solutions to electronics, digitization and mobile. Growth remained strong for electromechanical products and entrance automation, whose share of sales exceeded 50 percent. Integration of acquisitions, efficiencies and rationalizations strengthened the Group's flexibility and financial strength.

Operating income increased by 20 percent compared with 2014, and cash flow remained very strong. Earnings per share after full dilution increased by 20 percent.

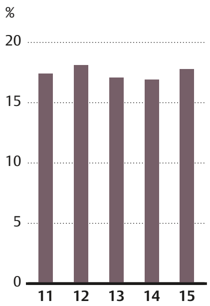
A total of 16 acquisitions were consolidated during the year, which strengthened the market position in important emerging markets such as Brazil, and complemented the customer offering in key areas for the Group such as entrance automation and secure identity solutions.

Five years in summary

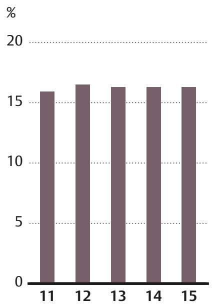
Amounts in SEK M unless stated otherwise	2011	2012	2013	2014	2015
Sales and income					
Sales	41,786	46,619	48,481	56,843	68,099
Organic growth, %	4	2	2	3	4
Acquired growth, %	17	9	4	9	3
Operating income before depreciation/amortization (EBITDA)[1]	7,646	8,536	8,917	10,419	12,512
Depreciation and amortization	–1,022	–1,034	–993	–1,163	–1,433
Operating income (EBIT)[1]	6,624	7,501	7,923	9,257	11,079
Income before tax (EBT)[4]	4,559	6,784	6,381	8,698	10,382
Net income[4]	3,869	5,172	4,775	6,436	7,693
Cash flow					
Cash flow from operating activities	5,347	5,990	6,224	6,679	8,572
Cash flow from investing activities	–7,357	–4,738	–6,030	–3,524	–4,412
Cash flow from financing activities	2,326	–1,564	–731	–2,908	–4,335
Cash flow	316	–312	–537	247	–175
Operating cash flow[3]	6,080	7,044	6,803	8,238	9,952
Capital employed and financing					
Capital employed[4]	37,942	41,422	48,408	58,425	63,848
– of which goodwill	27,014	28,932	31,817	39,778	42,777
– of which other intangible assets and property, plant and equipment	10,126	11,093	12,854	14,990	16,649
– of which investments in associates	1,211	1,519	1,675	1,861	1,910
Assets and liabilities of disposal group classified as held for sale	–	385	–	–	–
Net debt[4]	14,207	15,805	19,595	22,327	22,269
Non-controlling interest	208	183	0	2	4
Shareholders' equity, excluding non-controlling interest[4]	23,527	25,819	28,812	36,096	41,575
Data per share, SEK[5]					
Earnings per share after tax and before dilution[4]	3.48	4.66	4.30	5.79	6.93
Earnings per share after tax and dilution (EPS)[1, 4]	4.10	4.66	4.95	5.79	6.93
Shareholders' equity per share after dilution[4]	21.85	23.29	25.94	32.50	37.43
Dividend per share	1.50	1.70	1.90	2.17	2.65[2]
Price of Series B share at year-end	57.53	80.97	113.27	138.27	178.00
Key ratios					
Operating margin (EBITDA), %[1]	18.3	18.3	18.4	18.3	18.4
Operating margin (EBIT), %[1]	15.9	16.1	16.3	16.3	16.3
Profit margin (EBT), %[4]	10.9	14.6	13.2	15.3	15.2
Return on capital employed, %[4]	13.6	18.1	14.9	16.9	17.8
Return on capital employed excluding items affecting comparability, %[4]	17.4	18.1	17.1	16.9	17.8
Return on shareholders' equity, %[4]	16.7	20.9	17.5	19.8	19.8
Equity ratio, %[4]	42.9	43.2	43.8	45.1	48.2
Net debt/equity ratio, times[4]	0.60	0.61	0.68	0.62	0.54
Interest coverage ratio, times[4]	8.8	11.1	13.5	17.4	16.7
Interest on convertible debentures net after tax	10.5	3.9	–	–	–
Number of shares, thousands[5]	1,104,750	1,112,576	1,112,576	1,112,576	1,112,576
Number of shares after dilution, thousands[5]	1,113,639	1,112,576	1,112,576	1,112,576	1,112,576
Weighted average number of shares after dilution, thousands[5]	1,117,881	1,108,776	1,110,776	1,110,776	1,110,776
Average number of employees	41,070	42,762	42,556	44,269	45,994

[1] Excluding items affecting comparability in 2011 and 2013.
[2] Dividend proposed by the Board of Directors.
[3] Excluding restructuring payments.
[4] 2012 has been adjusted due to a change in accounting principles for defined benefit pension plans.
[5] Comparatives has been recalculated for all historical periods reflecting the stock split (3:1) in 2015.

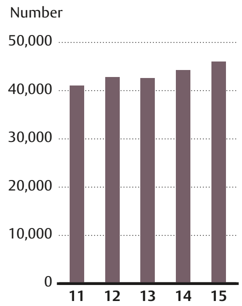
RETURN ON CAPITAL EMPLOYED[1]



OPERATING MARGIN (EBIT)[1]



AVERAGE NUMBER OF EMPLOYEES



[1] Excluding items affecting comparability 2011 and 2013.

Quarterly information

THE GROUP IN SUMMARY Amounts in SEK M unless stated otherwise	Q 1 2014	Q 2 2014	Q 3 2014	Q 4 2014	Full year 2014	Q 1 2015	Q 2 2015	Q 3 2015	Q 4 2015	Full year 2015
Sales	12,305	13,964	14,727	15,847	56,843	15,252	17,082	17,465	18,301	68,099
Organic growth	4%	2%	4%	3%	3%	5%	4%	3%	5%	4%
Gross income	**4,791**	**5,368**	**5,689**	**6,074**	**21,922**	**5,969**	**6,623**	**6,758**	**7,046**	**26,395**
Gross income/ Sales	38.9%	38.4%	38.6%	38.3%	38.6%	39.1%	38.8%	38.7%	38.5%	38.8%
Operating income before depreciation (EBITDA)	**2,135**	**2,504**	**2,791**	**2,990**	**10,419**	**2,659**	**3,117**	**3,330**	**3,406**	**12,512**
Operating margin (EBITDA)	17.3%	17.9%	19.0%	18.9%	18.3%	17.4%	18.2%	19.1%	18.6%	18.4%
Depreciation and amortization	–278	–285	–292	–309	–1,163	–331	–374	–360	–368	–1,433
Operating income (EBIT)	**1,857**	**2,219**	**2,499**	**2,681**	**9,257**	**2,329**	**2,742**	**2,970**	**3,038**	**11,079**
Operating margin (EBIT)	15.1%	15.9%	17.0%	16.9%	16.3%	15.3%	16.1%	17.0%	16.6%	16.3%
Net financial items	–148	–146	–136	–129	–559	–145	–191	–174	–187	–697
Income before tax (EBT)	**1,709**	**2,073**	**2,364**	**2,552**	**8,698**	**2,184**	**2,551**	**2,796**	**2,851**	**10,382**
Profit margin (EBT)	13.9%	14.8%	16.0%	16.1%	15.3%	14.3%	14.9%	16.0%	15.6%	15.2%
Tax on income	–444	–539	–614	–664	–2,261	–568	–663	–727	–731	–2,689
Net income	**1,264**	**1,534**	**1,749**	**1,889**	**6,436**	**1,616**	**1,888**	**2,069**	**2,120**	**7,693**
Net income attributable to:										
Parent company shareholders	1,264	1,534	1,749	1,889	6,436	1,616	1,888	2,069	2,120	7,693
Non-controlling interests	0	0	0	0	0	0	0	0	0	0

OPERATING CASH FLOW	Q 1 2014	Q 2 2014	Q 3 2014	Q 4 2014	Full year 2014	Q 1 2015	Q 2 2015	Q 3 2015	Q 4 2015	Full year 2015
Operating income (EBIT)	1,857	2,219	2,499	2,681	9,257	2,329	2,742	2,970	3,038	11,079
Depreciation and amortization	278	285	292	309	1,163	331	374	360	368	1,433
Net capital expenditure	–266	–272	–388	–345	–1,271	–344	–327	–344	–227	–1,241
Change in working capital	–1,268	–6	–93	1,064	–303	–1,722	–526	–115	1,861	–502
Interest paid and received	–52	–201	–101	–103	–457	–71	–200	–84	–195	–548
Non-cash items	8	–61	39	–136	–150	–2	–74	28	–221	–269
Operating cashflow[1]	**557**	**1,963**	**2,249**	**3,469**	**8,238**	**520**	**1,991**	**2,816**	**4,625**	**9,952**
Operating cash flow / Income before tax	0.33	0.95	0.95	1.36	0.95	0.24	0.78	1.01	1.62	0.96

CHANGE IN NET DEBT	Q 1 2014	Q 2 2014	Q 3 2014	Q 4 2014	Full year 2014	Q 1 2015	Q 2 2015	Q 3 2015	Q 4 2015	Full year 2015
Net debt at beginning of period	19,595	21,375	23,072	22,348	19,595	22,327	25,184	26,579	25,131	22,327
Operating cash flow	–557	–1,963	–2,249	–3,469	–8,238	–520	–1,991	–2,816	–4,625	–9,952
Restructuring payments	87	140	107	119	453	90	60	80	145	375
Tax paid	1,005	409	437	525	2,376	711	371	217	948	2,247
Acquisitions/disposals	952	180	109	1,213	2,454	978	1,536	688	959	4,161
Dividend	–	2,110	–	–	2,110	–	2,407	–	–	2,407
Actuarial gain/loss on post-employment benefit obligations	97	71	73	455	695	206	–274	70	–152	–150
Exchange rate differences and other	195	750	799	1,136	2,880	1,392	–713	313	–136	855
Net debt at end of period	**21,375**	**23,072**	**22,348**	**22,327**	**22,327**	**25,184**	**26,579**	**25,131**	**22,269**	**22,269**
Net debt / equity ratio	0.72	0.76	0.68	0.62	0.62	0.64	0.70	0.63	0.54	0.54

NET DEBT	Q 1 2014	Q 2 2014	Q 3 2014	Q 4 2014	Q 1 2015	Q 2 2015	Q 3 2015	Q 4 2015
Non-current interest-bearing receivables	–26	–28	–30	–28	–31	–29	–32	–30
Current interest-bearing investments including derivatives	–148	–153	–247	–174	–263	–217	–265	–182
Cash and cash equivalents	–498	–615	–809	–667	–515	–646	–648	–501
Pension provisions	2,110	2,242	2,400	2,946	3,260	2,984	2,954	2,761
Other non-current interest-bearing liabilities	14,627	14,209	14,272	15,362	16,497	16,495	17,453	15,568
Current interest-bearing liabilities including derivatives	5,311	7,415	6,762	4,887	6,235	7,992	5,669	4,653
Total	**21,375**	**23,072**	**22,348**	**22,327**	**25,184**	**26,579**	**25,131**	**22,269**

CAPITAL EMPLOYED AND FINANCING	Q 1 2014	Q 2 2014	Q 3 2014	Q 4 2014	Q 1 2015	Q 2 2015	Q 3 2015	Q 4 2015
Capital employed	51,141	53,282	55,359	58,425	64,699	64,689	65,070	63,848
– of which goodwill	32,930	34,052	35,423	39,778	43,092	41,818	42,404	42,777
– of which other intangible assets and property, plant and equipment	12,941	13,383	14,055	14,990	16,324	16,512	16,693	16,649
– of which investments in associates	1,696	1,805	1,790	1,861	1,890	1,901	1,934	1,910
Net debt	21,375	23,072	22,348	22,327	25,184	26,579	25,131	22,269
Non-controlling interests	0	0	0	2	2	4	4	4
Equity attributable to Parent company's shareholders	29,766	30,210	33,010	36,096	39,513	38,105	39,935	41,575

DATA PER SHARE, SEK	Q 1 2014	Q 2 2014	Q 3 2014	Q 4 2014	Full year 2014	Q 1 2015	Q 2 2015	Q 3 2015	Q 4 2015	Full year 2015
Earnings per share after tax and before dilution[2]	1.14	1.38	1.57	1.70	5.79	1.45	1.70	1.86	1.91	6.93
Earnings per share after tax and dilution[2]	1.14	1.38	1.57	1.70	5.79	1.45	1.70	1.86	1.91	6.93
Shareholders' equity per share after dilution[2]	26.80	27.20	29.72	32.50	32.50	35.57	34.31	35.95	37.43	37.43

NUMBER OF SHARES[2]	Q 1 2014	Q 2 2014	Q 3 2014	Q 4 2014	Full year 2014	Q 1 2015	Q 2 2015	Q 3 2015	Q 4 2015	Full year 2015
Number of shares before dilution, millions	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6
Weighted average number of shares after dilution, millions	1,110.8	1,110.8	1,110.8	1,110.8	1,110.8	1,110.8	1,110.8	1,110.8	1,110.8	1,110.8

[1] Items affecting comparability consist of restructuring costs.

[2] Comparatives have been recalculated for all historical periods reflecting the stock split (3:1) in 2015.

Definitions of key ratios

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 on operating cash flow for detailed information.

Net capital expenditure
Investments in tangible and intangible assets less disposals of tangible and intangible assets.

Depreciation
Depreciation/amortization of intangible and tangible 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 as a percentage of average shareholders' equity (excluding non-controlling interests) after any potential 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 divided by weighted average number of shares after any potential dilution.

Shareholders' equity per share after dilution
Equity excluding non-controlling interests divided by number of shares after any potential dilution.

Proposed distribution of earnings

The following earnings are at the disposal of the Annual General Meeting:

Share premium reserve: SEK 787 M
Retained earnings brought forward: SEK 7,490 M
Net income for the year: SEK 2,725 M
TOTAL: SEK 11,002 M

The Board of Directors and the President and CEO propose that a dividend of SEK 2.65 per share, a total of SEK 2,944 M, be distributed to shareholders and that the remainder, SEK 8,058 M, be carried forward to the new financial year. The dividend amount is calculated on the number of outstanding shares as per 5 February 2016.

No dividend is payable on ASSA ABLOY AB's holding of treasury shares, the exact number of which is determined on the record date for payment of dividend. ASSA ABLOY AB held 1,800,000 treasury shares as at 5 February 2016.

Friday, 29 April 2016 has been proposed as the record date for dividends. If the Annual General Meeting approves this proposal, dividends are expected to be distributed by Euroclear Sweden AB on Wednesday, 4 May 2016.

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, 5 February 2016

Lars Renström
Chairman of the Board

Carl Douglas
Vice Chairman of the Board

Eva Karlsson
Board member

Birgitta Klasén
Board member

Eva Lindqvist
Board member

Johan Molin
President and CEO

Jan Svensson
Board member

Ulrik Svensson
Board member

Bert Arleros
Board member
Employee representative

Mats Persson
Board member
Employee representative

Our audit report was issued on 5 February 2016

PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Linda Corneliusson
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders of ASSA ABLOY AB, corporate identity number 556059-3575

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of ASSA ABLOY AB for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 63–120.

Responsibilities of the Board of Directors and the President and CEO for the annual accounts and consolidated accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President and CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President and CEO of ASSA ABLOY AB for the year 2015.

Responsibilities of the Board of Directors and the President and CEO
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President and CEO are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President and CEO is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory 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, 5 February 2016

PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Linda Corneliusson
Authorized Public Accountant

The ASSA ABLOY share

Share price trend

In 2015 Nasdaq Stockholm rose and OMX Stockholm closed with an increase of 7 percent. ASSA ABLOY's series B-shares rose 29 percent. This was the eighth consecutive year that the ASSA ABLOY share outperformed the index.

The share price rose from the 2014 closing price of SEK 138.27 (adjusted for split 3:1) to the 2015 closing price of SEK 178.00. The highest closing price of SEK 186.40 was recorded on 2 December 2015 and the lowest of SEK 135.50 was recorded on 7 January 2015.

At year-end, market capitalization amounted to SEK 197,718 M (153,832), calculated on both Series A and Series B shares.

Listing and trading[1)]

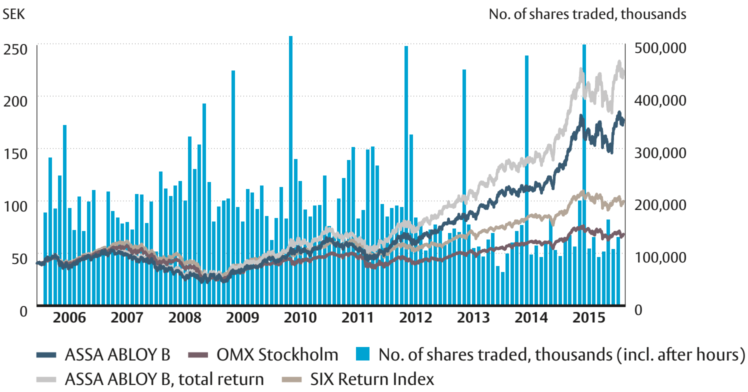
ASSA ABLOY's Series B share has been listed on Nasdaq Stockholm, Large Cap since 8 November 1994 under the code ASSA-B.ST.

Total turnover of the Series B share on all markets amounted to 1,911 million shares (1,789) in 2015, equivalent to a turnover rate of 172 percent (161). Turnover of the Series B share on Nasdaq Stockholm amounted to 585 million shares (588), equivalent to a turnover rate of 52 percent (56). The average turnover rate was 72 percent (66) on Nasdaq Stockholm, and to 70 percent (67) on the Large Cap list.

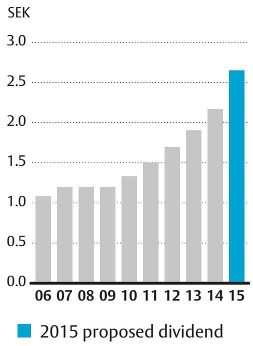
The implementation of the EU's Markets in Financial Instruments Directive (MiFID) in late 2007 has totally changed the structure of equity trading in Europe. Share trading now takes place on both regulated markets and other trading platforms, and has thus become more fragmented. Consequently, an ever-increasing proportion of trading in shares in Swedish companies now takes place on markets other than Nasdaq Stockholm.

In 2015 the ASSA ABLOY share was traded on more than 10 different markets, with trading on Nasdaq Stockholm accounting for only around 31 percent of share turnover, compared with 65 percent in 2009. The diagram below shows the trend and distribution of trading in ASSA ABLOY's Series B share on various markets over the past five years.

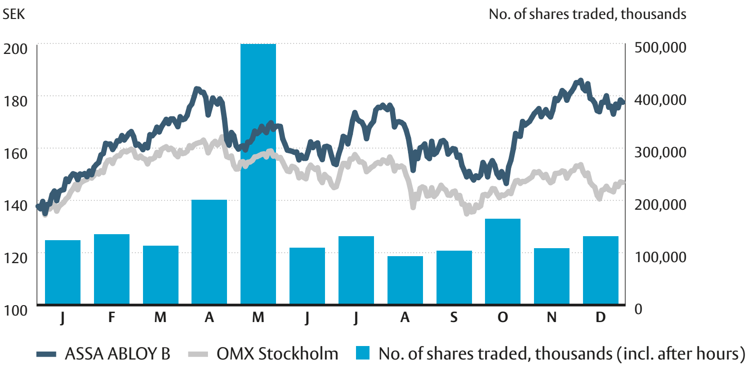
SHARE PRICE TREND AND TURNOVER 2006–2015[1]



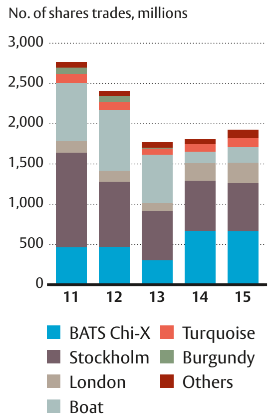
DIVIDEND PER SHARE 2006–2015



SHARE PRICE AND TURNOVER 2015[1]



MARKETS FOR THE SHARE[1]



[1] Comparatives have been recalculated for all historical periods reflecting the stock split (3:1) in 2015.

Data per share

SEK/share[1]	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Earnings after tax and dilution	2.66[2]	3.00	3.07[2]	3.07[2]	3.63	4.10[2]	4.66	4.95[2]	5.79	6.93
Dividend	1.08	1.20	1.20	1.20	1.33	1.50	1.70	1.90	2.17	2.65[3]
Dividend yield, %[4]	2.2	2.8	4.1	2.6	2.1	2.6	2.1	1.7	1.6	1.5
Dividend, %[5]	64.0	40.5	52.3	47.8	37.0	36.6	36.8	38.4	37.4	38.2
Share price at year-end	49.67	43.25	29.50	45.93	63.17	57.53	80.97	113.27	138.27	178.00
Highest share price	50.33	54.67	42.00	47.50	66.40	64.97	81.60	114.07	139.17	189.00
Lowest share price	36.33	41.67	23.25	23.83	42.20	44.50	57.23	79.33	105.63	135.00
Equity	13.04	15.58	18.64	18.25	19.55	21.85	23.29	25.94	32.50	37.43
Number of shares, millions[6]	1,128.1	1,142.1	1,142.1	1,118.8	1,118.2	1,113.6	1,112.6	1,112.6	1,112.6	1,112.6

[1] Adjustments made for new issues and stock split (3:1) in 2015.
[2] Excluding items affecting comparability 2006, 2008, 2009, 2011 and 2013.
[3] Dividend proposed by the Board of Directors.
[4] Dividend as percentage of share price at year-end.
[5] Dividend as percentage of earnings per share after tax and dilution, excluding items affecting comparability.
[6] After full dilution.

Ownership structure

The number of shareholders at year-end was 22,232 (17,720) and the ten largest shareholders accounted for around 38 percent (35) of the share capital and 58 percent (56) of the votes. Shareholders with more than 50,000 shares, a total of 550 shareholders, accounted for 97 percent (95) of the share capital and 98 percent (97) of the votes.

Investors outside Sweden accounted for around 64 percent (65) of the share capital and around 44 percent (44) of the votes, and were mainly in the USA and the United Kingdom.

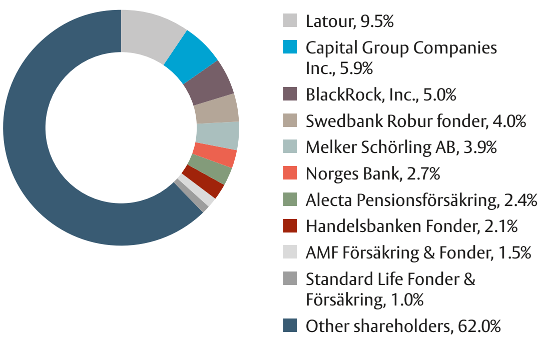
ASSA ABLOY's ten largest shareholders

Based on the share register at 30 December 2015.

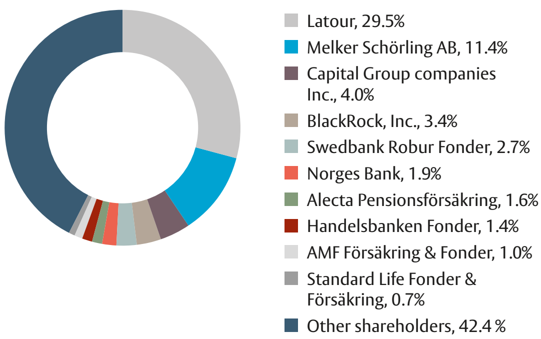
Shareholders	Series A shares	Series B shares	Total number of shares	Share capital[1], %	Votes[1], %
Latour	41,595,729	63,900,000	105,495,729	9.50	29.47
Melker Schörling AB	15,930,240	26,882,608	42,812,848	3.85	11.43
Capital Group Companies Inc		65,120,395	65,120,395	5.86	4.00
BlackRock, Inc.		55,660,998	55,660,998	5.01	3.42
Swedbank Robur Fonder		43,894,375	43,894,375	3.95	2.70
Norges Bank		30,300,915	30,300,915	2.73	1.86
Alecta Pensionsförsäkring		26,670,000	26,670,000	2.40	1.64
Handelsbanken Fonder		23,405,636	23,405,636	2.11	1.44
AMF Försäkring & Fonder		16,985,896	16,985,896	1.53	1.04
Standard Life Fonder & Försäkring		11,410,144	11,410,144	1.03	0.70
Other shareholders		690,819,398	690,819,398	62.03	42.31
Total number	**57,525,969**	**1,055,050,365**	**1,112,576,334**	**100.00**	**100.00**

[1] Based on the number of outstanding shares and votes of 1,110,776,334 and 1,628,510,055 respectively, excluding shares held by ASSA ABLOY.
Source: Modular Finance AB and Euroclear Sweden AB.

OWNERSHIP STRUCTURE (SHARE CAPITAL)



OWNERSHIP STRUCTURE (VOTES)



Share capital and voting rights

At the Annual General Meeting in May 2015, it was resolved to increase the number of shares in the company by dividing each share, irrespective of series, into three shares of the same series (stock split 3:1). At 31 December 2015, the share capital amounted to SEK 370,858,778 at year-end, distributed among a total of 1,112,576,334 shares, comprising 57,525,969 Series A shares and 1,055,050,365 Series B shares. All shares have a par value of around SEK 0.33 and give shareholders equal rights to the company's assets and earnings. The total number of votes amounts to 1,630,310,055. Each Series A share carries ten votes and each Series B share one vote.

Repurchase of own shares

Since 2010 the Board of Directors has requested and received a mandate from the Annual General Meeting to repurchase and transfer ASSA ABLOY shares. The aim has been to be able to, among other things, secure the company's obligations in connection with the company's long-term incentive programs (LTI).

The 2015 Annual General Meeting authorized the Board of Directors 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 10 percent of the total number of shares in the company.

ASSA ABLOY holds a total of 1,800,000 (1,800,000, adjusted for stock split) Series B shares after repurchase. These shares account for 0.2 percent (0.2) of the share capital and each share has a par value of SEK around 0.33. The purchase consideration amounted to SEK 103 M.

No shares were repurchased in 2015.

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 income after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

The Board of Directors and the President and CEO propose that the dividend to shareholders be raised by 22 percent to SEK 2.65 per share (2.17, adjusted for stock split) for the 2015 financial year, equivalent to a dividend yield on the Series B share of 1.5 percent (1.6).

In 2015 the total return on the ASSA ABLOY share, defined as market price movement plus reinvested dividends, was 31 percent, compared with the total return SIX Return Index, which was up 10 percent. Over the ten-year period 2006–2015, the total return on the share was 438 percent, compared with a 142 percent rise in the SIX Return Index and a 67 percent rise in OMX Stockholm.

Changes in share capital

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 share 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
2011	Converted debentures	19,175,323		349,075,055	368,250,378
2012	Converted debentures	19,175,323		351,683,455	370,858,778
2015	Split 3:1	57,525,969		1,055,050,365	370,858,778

* SEK 1 per share before split in 2015 – number of shares at the end of the period and around SEK 0.33 per share after split in 2015. Number of shares at the end of the period 1,112,576,334 (including repurchase of own shares).

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Information for shareholders

Annual General Meeting

The Annual General Meeting of ASSA ABLOY AB will be held at Moderna Museet (Museum of Modern Art), Skeppsholmen, Stockholm at 15.30 on Wednesday, 27 April 2016. Shareholders wishing to attend the Annual General Meeting should:

- Be recorded in the share register kept by Euroclear Sweden AB by Thursday, 21 April 2016.
- Notify ASSA ABLOY AB of their intent to attend no later than Thursday, 21 April 2016.

Registration in the share register

In addition of giving notice to attend, shareholders whose shares are nominee registered must be temporarily registered in their own name in the share register (so-called voting right registration) to be able to attend the Annual General Meeting. Such registration must be effected by Thursday, 21 April 2016, and shareholders should contact their bank or nominee well in advance of this date.

Notice of attendance

- Website www.assaabloy.com
- Address ASSA ABLOY AB, Annual General Meeting Box 7842, SE-103 98 Stockholm, Sweden
- Telephone +46 (0)8 506 485 14

The notice of attendance should state:

- Name
- Personal or corporate identity number
- Address and daytime telephone number
- Number of shares
- Any assistants attending

If participation is by proxy, the proxy should be submitted in connection with the notice of attendance and the proxy must be presented in original at the latest at the Annual General Meeting. Proxy forms are available at: www.assaabloy.com.

Nomination Committe

The Nomination Committee has the task of preparing resolutions on the election of the Chairman, the Vice 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 2016 Annual General Meeting comprises Carl Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur fonder) and Anders Oscarsson (AMF and AMF fonder). Carl Douglas is Chairman of the Nomination Committee.

Dividend

Friday, 29 April 2016 has been proposed as the record date for dividend. If the Annual General Meeting approves the proposal, dividend is expected to be distributed by Euroclear Sweden AB on Wednesday, 4 May 2016.

Further information

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Financial reporting

First quarter: 27 April 2016
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Third quarter: 21 October 2016
Fourth quarter and Year-end report: February 2017
Annual Report 2016: March 2017

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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 and a continuing process of rationalization and synergies across the Group «

Johan Molin, President and CEO