Annual Report 2008

ASSA ABLOY

The global leader in door opening solutions

Contents

Cover photograph: The Clarion Hotel Sign in Stockholm uses the latest security solutions from ASSA ABLOY, including doors equipped to identify the user and be opened by means of a secure SMS text message sent to a cellphone.

ASSA ABLOY in brief

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

ASSA ABLOY is represented in all major regions, on both mature and emerging markets, with leading positions in much of Europe and North America and in Australia. In the rapidly growing electro-mechanical security sector, the Group has a leading position in fields such as access control, identification technology, automatic doors and hotel security.

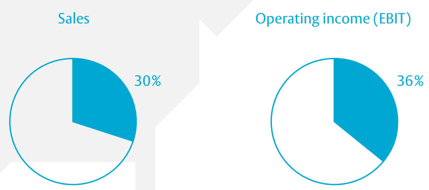
Since its founding in 1994, ASSA ABLOY has grown from a regional company to an international group with 32,700 employees and sales of about SEK 35 billion. As the world's leading lock group, ASSA ABLOY offers a more complete range of door opening solutions than any other company on the market.

Division

Americas

The division manufactures and sells locks, cylinders, electro-mechanical products, security doors and fittings in North and South America. Most sales take place in the United States, Canada and Mexico. South America is growing in significance, with Brazil as the most important market. Some of the division's leading brands are Corbin Russwin, Curries, Emtek, Medeco, Phillips, SARGENT and La Fonte. The division has 8,600 employees and divisional management is based in New Haven, Connecticut, USA.

Americas' share of Group total



Division

Global Technologies

Division

Entrance Systems

Mixed Sources
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341 MILJÖMÄRKT 123
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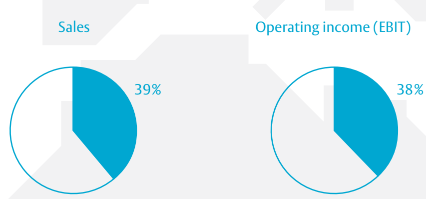
ASSA ABLOY's divisions

Division

EMEA

The division manufactures and sells locks, cylinders, electromechanical products, security doors and fittings in Europe, the Middle East and Africa (EMEA). Most sales take place in Western Europe, but growth markets in Eastern Europe and the Middle East are gaining in importance. Some of the division's leading brands are ABLOY, ASSA, IKON, TESA, Yale and Vachette. The division has 11,900 employees and divisional management is based in London, United Kingdom.

EMEA's share of Group total

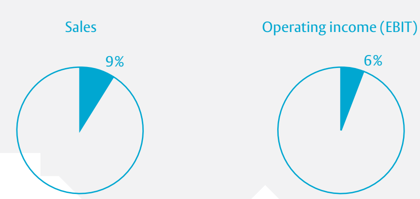


Division

Asia Pacific

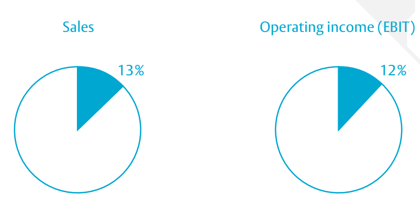
The division manufactures and sells locks, cylinders, electromechanical products, security doors and fittings in Asia and Oceania. Australia and New Zealand account for a large part of sales, but China and other Asian markets are rapidly gaining in importance. China is also an important country of production. Some of the division's leading brands are Lockwood, Guli, Wangli, Baodean, Tianming, Shenfei, Interlock and iRevo. The division has 7,100 employees and divisional management is based in Hong Kong, China.

Asia Pacific's share of Group total



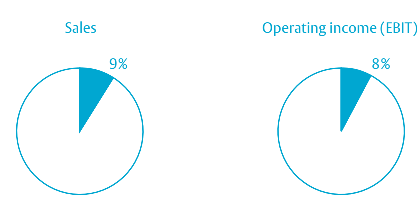
Global Technologies' share of Group total

This global division manufactures and sells products for electronic access control, secure issuance of cards, identification technology and electronic lock products for hotels. The division consists of two business units, HID Global and ASSA ABLOY Hospitality, which sell their products worldwide. Leading brands are HID, Fargo, Elsafe and VingCard. The division has 2,800 employees and divisional management is based in Stockholm, Sweden.



Entrance Systems' share of Group total

Entrance Systems is a global division that manufactures and sells automatic door systems and service. The products are sold under the Besam brand. The division engages in sales and offers its own direct service network around the world, with production in Sweden, the UK, the USA and China. The division has 2,300 employees and divisional management is based in Landskrona, Sweden.



2008 in brief

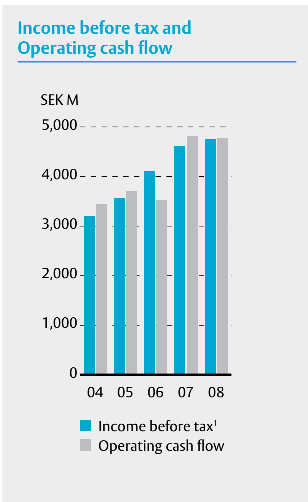
Significant events

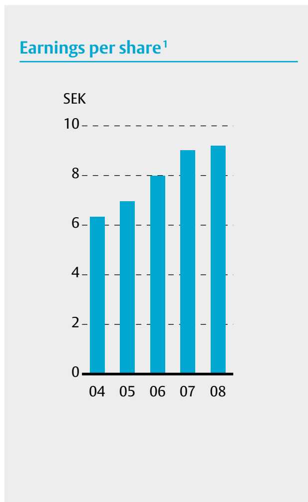
- Sales increased by 4 percent to SEK 34,918 M (33,550).
- Operating income (EBIT) amounted to SEK 5,526[1] M (5,458).
- Earnings per share amounted to SEK 9.21[1] (9.02).
- Operating cash flow amounted to SEK 4,769 M (4,808)
- The restructuring program initiated in 2006 has been a great success and will be completed in 2009. The annual rate of savings is close to the target level of SEK 600 M, which will be achieved during 2009.
- A new review of production structures was carried out during the year and the cost of the new program amounts to SEK 1,180 M with a payback time of 2–3 years.
- Significant investments were made in product development, which will make a positive contribution to sales.
- 18 companies were acquired during the year, bringing in annual sales of SEK 1,800 M.

Financials in brief

Key data	2006	2007	2008	Change
Sales, SEK M	31,137	33,550	34,918	+4%
of which: Organic growth, %	9	7	0	
Acquired growth, %	3	5	4	
Exchange-rate effects, %	0	–4	0	
Operating income (EBIT), SEK M	4,771 [1]	5,458	5,526 [1]	+1%
Operating margin (EBIT), %	15.3 [1]	16.3	15.8 [1]	
Income before tax (EBT), SEK M	4,100 [1]	4,609	4,756 [1]	+3%
Operating cash flow, SEK M	3,528	4,808	4,769	–1%
Return on capital employed, %	17.1 [1]	18.4	17.2 [1]	

Data per share	2006	2007	2008	Change
Earnings per share after tax and dilution, SEK/share	7.99 [1]	9.02	9.21 [1]	+2%
Equity per share after dilution, SEK/share	39.13	46.76	55.91	
Dividend, SEK/share	3.25	3.60	3.60 [2]	
Number of shares after full dilution, thousands	376,033	380,713	380,713	





[1] Excluding restructuring costs 2006 and non-recurring costs 2008.
[2] Dividend proposed by the Board of Directors.

Statement by the President and CEO
Strong development in a weak market

I am pleased to report that ASSA ABLOY recorded its highest-ever sales and income in 2008, at the same time as investments in product development and market presence continued at a high level. The global economy gradually weakened during the year but the ongoing restructuring programs and other measures achieved valuable savings, which counteracted the steadily weakening market. Acquisition activity continued at a high rate, with 18 acquisitions completed.

Johan Molin, President and CEO

Sales in 2008 increased by 4 percent and amounted to SEK 34,918 M (33,550). At the same time operating income increased by 1 percent excluding restructuring and non-recurring costs and amounted to SEK 5,526 M (5,458) – once again the highest-ever income for the Group – representing an operating margin of 15.8 percent (16.3).

Viewed over a five-year period, total growth excluding currency effects amounted to a satisfactory 52 percent, of which 30 percent was organic growth and 22 percent acquired growth. Cash flow over the whole period has been very good, with a significantly strengthened balance sheet.

Investments in product development

For ASSA ABLOY, organic growth is the single most important driver of profitability and success. Organic growth is driven chiefly by product development, improved marketing and increased market coverage. The year was marked by continued strong investments in product development, which will deliver a number of exciting new products and good contributions to growth in 2009 and beyond. In parallel, the successful expansion of the marketing organization also continued, with increased concentration on specification salesmen and architects and greater focus on the fast-growing area of electromechanical lock solutions. The effectiveness of marketing efforts is growing in step with the consolidation of the separate brands under the ASSA ABLOY master brand.

An industry under consolidation

On the acquisition front, activity was high during the year, with 18 acquisitions that steadily strengthened ASSA ABLOY's positions, especially on the growth markets in Asia which are important for the future. ASSA ABLOY operates in an industry under consolidation, where acquisitions are an important element in the Group's development. Through acquisitions ASSA ABLOY complements its product portfolio, brings in new technology and increases the Group's geographical market penetration. The companies acquired during the year will provide annual sales of about SEK 1,800 M. All five divisions acquired new units. The major acquisitions include Rockwood in North America, Gardesa and Valli&Valli in Italy, Copiax in Sweden, Cheil in South Korea and the Chinese companies Beijing Tianming and Shenfei.

Improved production efficiency

ASSA ABLOY's restructuring program begun in 2006, which will be completed early in 2009, has been a great success, with major savings and substantially improved efficiency in the Group's production units. The program, which included 50 individual structural measures, has led to 24 manufacturing units closing while a substantial number of other units have refocused their operations to concentrate on final assembly. A consequence of the program is that more and more standard production has moved to low-cost countries and is being carried out in both our own and external plants. Production processes have improved, while a local presence on the end-user markets ensures rapid delivery and efficient assembly of customized products. Net savings from the program are SEK 600 M a year and more than 2,000 employees have now left the Group.

During the second half of 2008 a new review of the production structure in the high-cost countries was undertaken. Its aims are to accelerate the restructuring process and address those units that have not yet converted from full production to final assembly. The review resulted in about 40 restructuring projects and the full cost was expensed in the third and fourth quarters of 2008. Some projects started before the end of the year. The new program affects a total of 1,800 employees and the estimated payback time for the projects is 2–3 years.

It is highly satisfactory to report that at the same time as production has been undergoing restructuring in the high-cost countries, ASSA ABLOY has maintained a high tempo in the expansion of its production base in low-cost countries. Over the past two years the number of employees in the low-cost countries has increased by 50 percent to over 12,000 people, more than 40 percent of the Group's total workforce.

Development of the divisions

EMEA division

The EMEA division was affected by the gradually deteriorating economy in Europe during the year and reported negative organic growth of 2 percent (+7). Operating income was unchanged, excluding items affecting comparability.

The project to develop the marketing and sales organizations, which includes bringing them together under the ASSA ABLOY brand, continued to produce good results. Work with joint product platforms led to the launch of several extremely promising electromechanical and electronic products such as Aperio and various Hi-O solutions.

Most of the projects from the restructuring program launched in 2006 were concluded in 2008. During the second half of 2008 a new program was initiated to convert the division's remaining production units in high-cost countries from full production to assembly.

Several acquisitions were carried out, the most important being Gardesa, Copiax and Valli&Valli. Gardesa is a leading Italian manufacturer of high-security doors. Copiax is a Swedish security wholesaler. Valli&Valli is a leading Italian supplier of designer door-handles. The acquisitions strengthen ASSA ABLOY'S position as a provider of total door opening solutions on the market.

Americas division

The Americas division reported organic growth of 4 percent (5) during the year, though trends varied among the different segments. While demand in the non-residential segment continued to be robust during the year, demand in the residential segment fell back strongly. However, this trend had only a minor effect on the division because of low exposure to the residential segment. Profitability further improved during the year and operating income rose by 5 percent.

The initiatives to establish a common segmented sales organization and to increase specification work so as to stimulate demand have proved highly successful and led to increased market shares and advancement of positions.

Work on restructuring and Lean methods continued successfully through the year. The North American company Rockwood, which produces door components, was acquired during the year.

Asia Pacific division

The Asia Pacific division reported 0 percent (10) organic growth during the year. Market trends in Australia and New Zealand were negative during the year, but they were positive on the Chinese market in particular. However, even this market slowed toward the end of the year. Export sales to the Group's units in North America and Western Europe also fell toward the end of the year due to weak demand and inventory reductions.

Despite the weak demand, operating income increased by 11 percent thanks to an efficiency program which continued at undiminished pace. Two of the four production units in Australia and New Zealand closed, while the remaining units are focusing on assembly and customization.

Two large acquisitions were completed: the door manufacturer Beijing Tianming, and Shenfei's door-closer business. With these acquisitions the Group can now offer a complete range of door and locking solutions on the Chinese market.

Global Technologies division

Organic growth was 0 percent (11) for the year and operating income fell by 3 percent. Growth for the HID Global business unit was weakly negative and for the ASSA ABLOY Hospitality business unit was weakly positive.

However, within HID Global, Identity and Access Management showed growth while Identification Solutions (formerly ITG) reported negative growth due to reduced demand, the phasing-out of unprofitable customer segments and delays to many customer projects. HID Global launched a large number of innovative products during the year. Great interest surrounded products that combine logical and physical access, including those built into some Dell laptop computer models from 2008.

The ASSA ABLOY Hospitality business unit launched a number of innovative new products on the market. One important launch was Signature RFID, the first product on the market to combine RFID technology with NFC, making it possible to use cellphones to communicate with locking systems.

Entrance Systems division

The Entrance Systems division reported organic growth of 3 percent (6), and operating income was up 5 percent with unchanged operating margin.

Demand from the retailing sector in Europe and North America weakened during the year, though this was largely offset by increased demand from the healthcare sector and by increasing demand on growth markets. Robust sales in the service segment also made a positive contribution. Among the products launched was a new global platform for automatic door closers.

The move of production from the German plant to the Czech Republic has now been completed and the new production plant in China is running very smoothly. In addition to several small acquisitions of service businesses in both mature and new markets, the major acquisition of the South Korean company Cheil was completed.

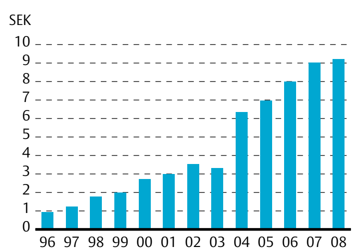
Future development
The Group is well-positioned for long-term sustainable growth through our position as market leader with a global presence. Our focus on the non-residential segment, the high percentage of aftermarket sales and an increasing proportion of fast-growing electromechanical and electronic products all contribute to stability in growth and earnings. The sales organizations are now gathered under the ASSA ABLOY master brand, which is producing good results.

Electromechanical solutions growing rapidly
New products are the most important source of organic growth. The increased investment in product development has ranged from 10 to 20 percent annually in recent years. The number of development engineers is now close to 1,000. Much of the work is concentrated on rapidly growing electromechanical lock solutions, which are being developed as global common product platforms with adaptations for local markets. The product platforms are being developed in part by the Group's common development department, Shared Technologies, and in part through projects within and between divisions in which skills are assembled to take optimum advantage of existing resources. A large number of new products will be launched in 2009.

The share of sales held by electromechanical products has risen sharply from 20 to 34 percent during the 2000s and this trend will continue in the future, since the growth rate for this segment is two to three times higher than for traditional mechanical products.

Increased sales on growth markets
The Group is dedicating resources specifically to increasing its presence in the growth markets in Asia, Eastern Europe, the Middle East, Africa and South America. The share of sales on these markets has now passed 16 percent of the Group's total sales, compared with 9 percent four years ago.

Positive trend in Earnings per share



Weakening world economy
The global economy weakened gradually during 2008, and at an accelerating pace towards the end of the year and in early 2009. This has had a sharply negative effect on construction activity in both mature and new markets that has resulted in reduced demand for the Group's products. For 2009 as a whole we expect negative organic growth. We therefore took measures already in 2008 to adapt the Group to the market situation, with the result that 10 percent of employees left the Group during the year. In 2009 we will continue to work on both the long-term restructuring program and other measures to keep costs, profit margins and cash flow at good levels. Opportunities for financing have also become extremely limited on the capital market, which means we must adopt a conservative approach to acquisitions and place even greater emphasis on sustaining cash flow and streamlining working capital.

Great efforts by the employees
In conclusion I would like to thank all the employees who contributed to the Group's successes during the year, and look forward to our continued efforts together to make ASSA ABLOY even better despite the difficult market situation and the challenges we now face.

Since ASSA ABLOY was formed in 1994 the Group has gone through several distinct stages of development and has become established as a global leader. Much has been accomplished, but many important markets and product areas remain to be consolidated. We have never had a better range of products, greater market penetration or more innovative new products than we have now. The continued demand for safety and security, along with continuing population growth and urbanization, ensure that there is an underlying structural demand for the Group's products which will only increase over time. Combined with the restructuring measures that are now being implemented, this means that, over time, our prospects for continued growth with good profitability are very good.

Stockholm, 13 February 2009

Johan Molin
President and CEO

ASSA ABLOY's Executive Team
Johan Molin, President and CEO. Standing, left to right: Åke Sund, Director for Market and Business Development.
Ulf Södergren, Chief Technology Officer (CTO). Tomas Eliasson, Chief Financial Officer (CFO). Tim Shea, Head of the ASSA ABLOY Hospitality business unit.
Sitting, left to right: Martin Brandt, Head of Asia Pacific division. Juan Vargues, Head of Entrance Systems division. Thanasis Molokotos, Head of Americas division. Tzachi Wiesenfeld, Head of EMEA division. Denis Hébert, Head of the HID Global business unit.

Vision, financial targets and strategy

Vision

ASSA ABLOY's vision is:

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

Financial targets

The financial targets are:

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

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

Strategy

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

ASSA ABLOY's strong development is based on long-term structural growth in demand on our key markets in Europe and North America, an increasing demand on new markets, and successes in the rapidly growing product segments.

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

Strategy – Market presence

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

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

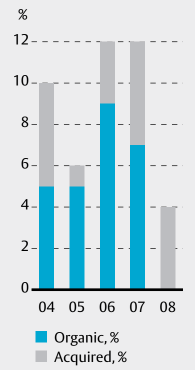
Exploiting the strength of the brand portfolio

ASSA ABLOY has many of the industry's strongest brands. To better meet the rising demand for more complete security solutions, the sales teams on the local markets will gradually be united under the ASSA ABLOY master brand. The Group's local product brands will progressively be linked more closely to the ASSA ABLOY master brand, and a number of global brands will supplement the master brand. Examples of global brands are Yale, which is used in the residential market, and ABLOY, which is used for customers who demand an extra high level of security.

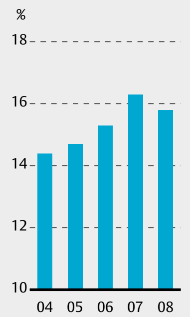
Increasing growth in the core business

Growth in the core business will be increased through several activities. One of the most important is developing the specification and project markets through an intensified collaboration with architects, security consultants and major end-users. Continued development of the distribution channels, for example through training and clear market segmentation, is also a priority. In the fast-growing area of electronic and automatic door solutions, where the Group has a market-leading position, continuing investments will be made to develop channels to market.

Organic and acquired growth

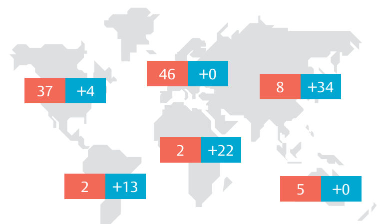


Operating margin (EBIT)[1]



[1] Excluding restructuring costs 2006 and non-recurring costs 2008.

Sales in 2008 by region

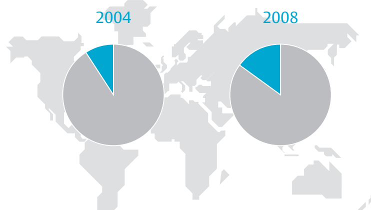


Share of Group sales 2008, %
Change in sales relative to previous year, %

Expanding into new markets and segments

The Group will expand into new geographic markets by developing the distribution channels, with customized product offerings and through acquisitions. The Group's presence on the OEM market for door and window manufacturers varies among the different markets. There is great potential here for improved market reach. Efforts to develop channels and products for the residential market continue; digital door locks in particular are a priority product area. Exploiting the Group's strengths in specific technologies will create interesting new areas for growth. One example is RFID, which is being adapted to special areas of use such as contactless hotel-room locks that are opened with cards.

Increased sales on growth markets



Growth markets, 9 %
Mature markets, 91 %

Growth markets, 16 %
Mature markets, 84 %

Strategy – Product leadership

The overall goal is continuous development of products that offer increased customer benefit and lower product costs. A key activity for achieving this is to increase the use of common product platforms with fewer components. For enhanced customer benefit, products are also being developed in close collaboration with ASSA ABLOY's end-users and distributors. The product development process has been streamlined by implementing a clearly defined common development process and by separating the maintenance and improvement of existing products from new development. Customers are demanding more and more from lock and door products and the technical level is continually rising; at the same time, electromechanical lock solutions are growing at a much faster pace than traditional mechanical products. Global common product platforms which are then adapted to the local markets have therefore become increasingly important. These platforms are developed in part through the Group function for product development, Shared Technologies, and in part through collaboration within and between divisions.

The changing product mix

2000, SEK 14 billion

Mechanical products, 66 %
Electromechanical products, 20 %
Doors, 14 %

2008, SEK 35 billion

Mechanical products, 47 %
Electromechanical products, 34 %
Doors, 19 %

Strategy – Cost-efficiency

The Group focuses closely on cost-efficiency in all areas. Its efforts towards common product platforms, fewer components and joint product development have already been mentioned.

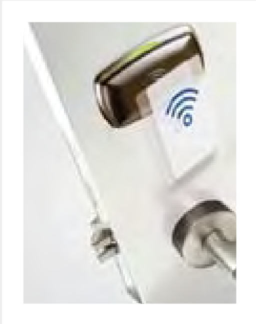
The value chain in production is under continual review and the capacity for flexible final assembly close to the customer is combined with the transfer of standard production in large volumes to external and internal production units in low-cost countries.

Implementation of Lean methods in the Group's operations continues. Lean methods lead to more efficient production flows, better control of material costs, better decision-making routines, shorter development times and increased cooperation with the marketing and sales teams. Many of the companies in the Group have followed these principles for many years, enhancing their efficiency.

In purchasing, a far-reaching supply management project covering both raw materials and components has been initiated, which will become increasingly important as outsourcing of component supply to external suppliers increases. The percentage of the Group's total purchases of raw materials, components and finished products that comes from low-cost countries has increased from 23 percent to 37 percent over the past four years.

Support functions such as IT, customer support and finance are being coordinated. Functions that do not have direct contact with commercial operations, such as the IT network, are coordinated regionally and globally. Functions that are directly business-critical are coordinated within the divisions and their business units.

Did you know that, every day, 50,000 people in Beijing open their hotel room doors without touching the lock?



Leading hotels around the world use the same convenient access solution from ASSA ABLOY: a contactless RFID smart card opens the authorized doors, transmitting a signal at radio frequency. The same card can conveniently be used for other functions too.

The ASSA ABLOY Group company VingCard has supplied the rooms at the Marriott Renaissance Beijing Hotel with its Signature RFID contactless electronic lock. ASSA ABLOY is now the market leader in the high-end hospitality market in Beijing, and is gaining market share in the total market as well. Before the 2008 Olympic Games, ASSA ABLOY supplied security products to more than 30,000 hotel rooms in around 90 Beijing hotels. These hotels represent more than 50 percent of the total high-end market of four-star and five-star hotels.

The security market
A growing and changing market

ASSA ABLOY is currently the world-leading supplier of total lock and door solutions. As the Group has grown, its product portfolio has expanded and evolved to cover the widely varying needs of airports, schools, hospitals, offices, homes and more. Growth in the security market is mainly fueled by increasing prosperity, urbanization and a general trend toward higher security. Another factor is that crime, violence and terrorism have increased. The underlying trends and growing uncertainty in the world put security high on the agenda, driving the development of increasingly advanced solutions and upgrades of existing security systems. The total security market consists primarily of security services and electronic and mechanical security products.

ASSA ABLOY estimates the total security market to be worth about EUR 200 billion. The Group has concentrated its efforts on electronic and mechanical security products as well as security doors. The segment in which the Group is active represents about 15 percent of the total market and ASSA ABLOY has a market share of over 10 percent but with large variations between different markets.

Electronic and mechanical security products

In the field of electronic security, ASSA ABLOY's product range includes electronic cylinders, automatic doors, secure identification and various products for access control, some of which use radio-frequency identification (RFID). As a rule, electronic products offer high functionality and high security, making them ideal for commercial applications. Focused product development in this area is continuously expanding the areas of use of ASSA ABLOY's electromechanical products.

The annual growth of the market for electronic security products is estimated to be two to three times higher than for mechanical security products. Today electronic products represent about one-third of the Group's sales, and that share is increasing every year.

In addition to locks, mechanical security products mainly include products such as door closers, emergency exit devices and window hardware. ASSA ABLOY is also a major manufacturer of security doors and door hardware. Development in the field of mechanical security products is mainly driven by renovations and replacements of old locks in existing windows and doors, as well as new construction. The market is growing in tandem with each country's GDP (averaged over a business cycle). The market for mechanical security products is relatively stable for ASSA ABLOY, both because the large aftermarket makes this market less sensitive to shifts in the economy, and because ASSA ABLOY is active in a large number of countries with different economic cycles.

Today only 3–4 percent of all doors are electromechanical, but the percentage is steadily rising. There is great potential to upgrade traditional mechanical locks to electromechanical lock solutions in order to enhance security and functionality. ASSA ABLOY is the market leader in electromechanical lock solutions such as electromechanical lock cases, access control and electric door closers.

Complete security solutions

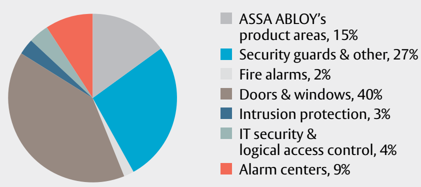
ASSA ABLOY works with architects, authorities and large end-customers to offer the best security solutions for different types of door opening. The requirements for different areas vary greatly and the security solution for each door must be adapted to the location and type of use of the door – an entry to a building, or the door to a computer room or a conference room.

The functions of the door must also be adapted to needs for security and convenience – for example, whether it is an interior or exterior door, how often it will be opened, how many people will use it, and special requirements such as fire safety. Customers are also increasingly demanding that the products should be simple to integrate into new or existing security systems and IT networks.

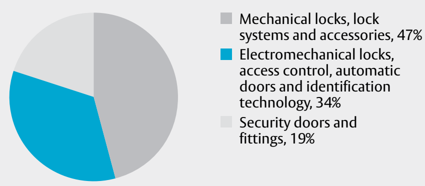
Differences between markets

Americans spend more than twice as much on emergency exit devices as Europeans. Conversely, northern Europeans spend three to four times as much on high-security locks for their homes as Americans. Automatic doors are also much more common in Europe than in the United States. The prevalence of electromechanical products is significantly larger in the commercial segment than in the residential segment. If the demands for security and evacuation solutions were equally great in Europe and the United States, the overall market would roughly double – representing great potential for ASSA ABLOY.

The total security market



ASSA ABLOY's sales by product group



In global terms the lock market is still fragmented; however, the market in each country is fairly consolidated, because companies in the industrialized parts of the world are often still family-owned and leaders on their home markets. They are well-established and have strong ties with local distributors. In less-developed countries, however, established lock standards and brands are less common.

Distribution channels

In the security market today, manufacturers of security products such as ASSA ABLOY mainly reach their end-customers through a variety of distribution channels. Many of ASSA ABLOY's products are sold in small volumes to many end-customers with very different needs, leading to a largely local and fragmented distribution of mechanical and electromechanical security products.

Specification of security solutions of growing importance

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

In contrast, electronic security products go from manufacturer to end-user mainly through security installers and specialized distributors. The products are also sold through security integrators who often offer a complete solution for installation of perimeter protection, access control and, to a growing degree, computer security too.

The role of distributors

One of the most critical parts of a well-functioning total door and security solution is the installation of the various components. ASSA ABLOY works closely with its distribution channels to offer end-customers the right products, a correct installation and thereby a well-functioning security solution.

Distributors also have a key role in providing service and support after installation. This role can vary between different customer segments. In the commercial segment, distributors on some markets act as consultants and project managers to create good security solutions. They understand the customer's needs and ensure that products meet local regulations.

As technology moves toward more complex security solutions, distributors need increasing skills levels. On many markets specialized security distributors may be locksmiths with expert knowledge of mechanical and electromechanical security products. They buy directly from the manufacturer or via wholesalers, providing advice, products, installation and service. Some locksmiths now have an increased focus on electronics, while IT integrators are beginning to add physical security solutions to their offer.

Customer segments

ASSA ABLOY's main customer segment is the non-residential segment with institutional and commercial customers who account for 80 percent of sales, while the residential segment accounts for 20 percent.

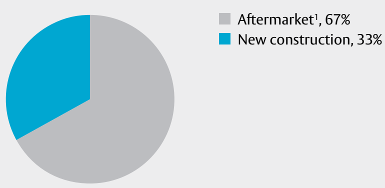
Major customers

This segment consists of institutional and commercial customers such as universities, hospitals, offices, airports and shopping malls, through which a large number of people pass daily. ASSA ABLOY usually has primary contact with the customer's head of security, a person well acquainted with security needs who actively participates in planning security solutions. Lead times for this kind of project are often long and based largely on custom solutions. Distribution and installation are largely handled by installers and locksmiths.

Small and medium-sized customers

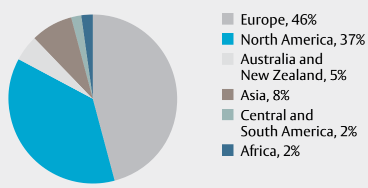
This segment is characterized by the customers' need for professional advice and installation. This need is primarily met by specialized distributors and installers, such as locksmiths. ASSA ABLOY works actively to train distributors and to develop more standardized solutions for small and medium-sized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

What drives demand?



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

ASSA ABLOY's total sales by region



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

Heightened demand for electromechanical products
The heightened demand for electromechanical products is one of the clearest trends in the security market. This is accompanied by greater technical standardization, making it easier to integrate different components in the security solution with each other. ASSA ABLOY's products aim for open standards to allow them to be easily connected to the customers' other security and administrative systems.

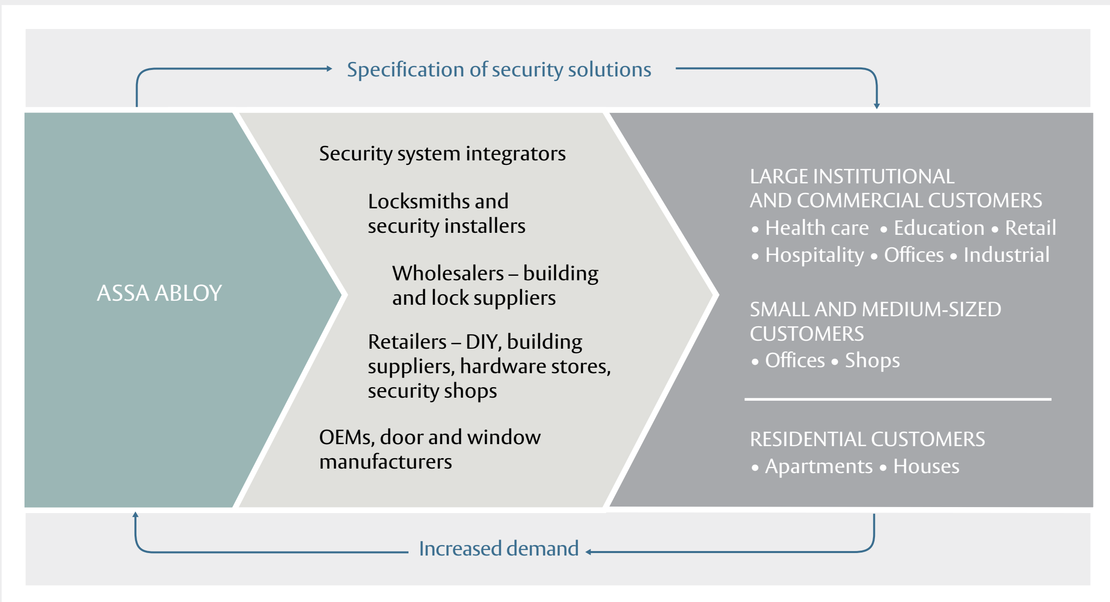
Changing demand
Customers' preferences for different security solutions are becoming polarized, and there is a change in demand patterns for security solutions at different levels. There is increased demand for complete security solutions in the higher segment, but also for good-quality products that meet basic security requirements.

Competition
Although some consolidation has taken place over the past ten years, the security industry is still fragmented in the global perspective. Some countries have one strong manufacturer that holds a large share of the local market and focuses on that, often with limited international activity.

Globally, ASSA ABLOY is the market leader; its main competitors are five other major players who are active in parts of ASSA ABLOY's segment: Ingersoll-Rand, Stanley Works, Dorma, Kaba and Black & Decker. Three of them are based in the United States and two in Europe. All competitors are strongest on their home markets and also have a presence on some other markets, although none of them has international market coverage comparable with ASSA ABLOY's. The Asian market is still very fragmented; even the largest manufacturers have quite modest market shares.

Common sales force
In order to compete effectively in a global market, ASSA ABLOY's sales force is working more and more across corporate boundaries. The common sales organizations work under the master brand, ASSA ABLOY, but at the same time they work as representatives for the local product brands with which the customer is familiar. Thus the sales representatives do not handle just a single brand but several product brands to solve customers' security needs.

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



ASSA ABLOY's brand strategy

Through its many acquisitions, ASSA ABLOY owns a broad variety of well known brands and has the world's largest installed base of locks. To take advantage of and manage these valuable assets while benefiting from the Group's size, ASSA ABLOY's logo is being combined with the individual product brands. This approach preserves the link to the installed base while increasing the visibility of ASSA ABLOY as the master brand, which will continue to be developed. Under the ASSA ABLOY master brand the Group can offer an array of complete security solutions that no single product brand can offer on its own.

The Group complements the master brand with several global brands that are all leaders in their respective segments in the market. These brands are HID in RFID and access control, Yale in the residential market, Besam in automatic doors, Mul-T-Lock and ABLOY in high-security locks and VingCard/Elsafe in the hospitality and cruise-ship market.

The growing visibility of ASSA ABLOY as the master brand for complete security solutions demonstrates the great breadth of the Group's product range as the world's largest provider of security solutions.

The brand strategy has been developed to take advantage of the Group's size and product range:

- ASSA ABLOY as master brand. Sales departments will be unified under the ASSA ABLOY master brand.
- Product brands that benefit from the large installed base and are adapted to local rules and safety standards.
- Complementary global brands, where the products' leading position and market positioning in their segment are unique or overlap that of ASSA ABLOY.

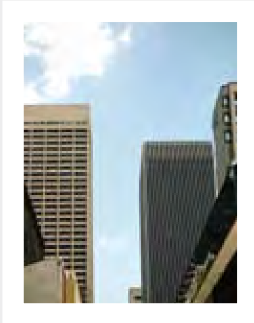
Master brand

Product brands

Global brands

The intelligent door
Complete security solutions using the entire Group's product range

A complete security solution from ASSA ABLOY includes products of many different types. At the main entrance there may be automatic doors and access control, for example, and there may also be access systems on each floor of offices. Inside the offices there may be security doors, high-security cylinders, mechanical cylinders, handles and hinges as well as interior doors. Access cards may also be used to log on to computers and networks. These are examples of products from ASSA ABLOY that make up a complete security solution.



The intelligent door is connected to a network over which each individual component around the door can communicate interactively with other systems, such as security or maintenance systems. The advantages are secure information about each component, simple installation through standardized connections, and remote configuration over the network, which can also be connected to the Internet.

Products and product development
Investment and partnership for increased competitiveness

ASSA ABLOY's vision is to be the most innovative provider of total door opening solutions. Over the past few years the Group has sharply increased its investments in research and development. ASSA ABLOY is creating tomorrow's security solutions by taking advantage of the skills and expertise of its divisions to develop common technology platforms. Secure, convenient and flexible solutions for the door environment provide the basis for future growth.

Today's customer base helps to build tomorrow's security solutions

ASSA ABLOY has the largest base of installed locks and lock systems in the world, well-adapted to local and regional standards. The Group uses this installed base as a starting point to develop tomorrow's solutions, in which electronic codes supplement or replace mechanical identification.

People are assigned authorization to use specific doors or computers. Keys, cards and other identification credentials are assigned codes, which are managed securely and distributed encrypted. The past years' acquisitions in new technology and skills enhancement have given ASSA ABLOY all the tools it needs to meet the challenges of tomorrow.

Security and specification

But security is not just identification – far from it. The mechanical and electromechanical products that prevent intrusion and permit rapid evacuation are just as important to the final solution. A well-crafted specification also considers the design of the products and makes sure that they simplify usage. The Group's electromechanical products help to meet all these security requirements. The electromechanical field is growing quickly and now accounts for more than one third of Group sales.

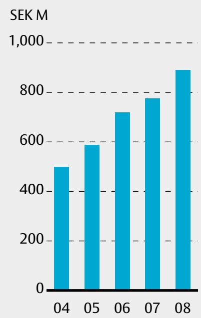
ASSA ABLOY's Hi-O communication platform allows the electromechanical products to be connected together and the whole door environment to be connected to the Internet. This makes it possible to check the status of the door online, which enhances security and facilitates maintenance. In 2008 ASSA ABLOY installed the first Hi-O systems and integrated Hi-O with over ten of the market's leading security systems. The software is continually being developed to improve integration and allow remote programming, diagnostics and troubleshooting.

RFID enhances security

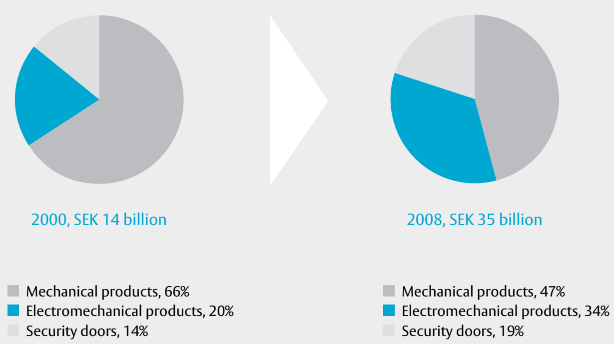
RFID – radio-frequency identification – and wireless communication allow the Group to create new security applications while offering services that assist users.

During the year ASSA ABLOY launched Aperio, a wireless technology that allows cost-effective connection of several doors to an existing access control system. Battery-operated electromechanical cylinders and locks communicate wirelessly with the existing network. No expensive installation costs, no new keycards and no new access system are required. Aperio received several prizes for innovation during the year.

Investments in research and development



The changing product mix



Next-generation electric strike

In 2008, Lockwood released its next-generation electric strike on to the Australian market. The strike offers the latest in technology with its pre-programming capabilities combined with field-selectable Fail Safe or Fail Secure in a very small footprint. The product exceeds the highest security and durability requirements of the Australian Standards when used with an approved lockset. It was launched for export in February 2009 and the major export markets include the UK, Korea, New Zealand, the Netherlands, Singapore, Hong Kong and China.

Aperio wireless door control

Aperio is a new technology developed to upgrade mechanical doors and connect them wirelessly to an existing electronic access control system, thus providing end-users with a simple, intelligent way to raise the security level of their premises at a lower cost than a traditional system. Aperio technology provides a convenient and cost-effective way for security and IT managers to increase the number of doors that can be monitored. The technology bridges the gap between mechanical and electronic security solutions to create intelligent door solutions.

TimeLox passes a milestone

TimeLox®, the world's leading supplier of Zigbee wireless online electronic locking systems for hotels, resorts and grand casinos, now has more than 20,000 hotel guestrooms worldwide using its wireless radio-frequency online electronic locking system, DC-One ONLINE. TimeLox passed the 20,000-guestroom milestone with the 3,186-room installation at the Mandalay Bay Hotel & Casino in Las Vegas in 2006. It makes DC-One ONLINE the most widespread hospitality wireless online locking system.

Revolving door for high traffic

Besam's new revolving door is designed to meet market demands for automatic revolving-door entrances that can handle high traffic volumes safely and conveniently. Available in two sizes, the 3-wing door creates an impressive entrance that is 'always open' and can accommodate large numbers of pedestrians with or without shopping trolleys. The door's patented drive mechanism is located in the periphery of the drum, reducing stress on the drive itself and resulting in lower maintenance costs.

Wireless access control solution for campuses

The SARGENT Passport 1000 P.2 lockset features Wi-Fi technology that enables the lock to connect wirelessly to PERSONA Campus™ software, which allows access and transaction rights to be changed. The software interfaces with all major housing and campus transaction applications to avoid duplicating data.

The product utilizes the existing IT infrastructure to communicate with the server. These features make it a comprehensive, economical and unique access control solution for campus housing and facilities.

In contrast with Aperio, Smartair is an off-line system. Smartair's 'update-on-card' increases security and convenience through validation; access is updated on the access card for a specific period. If the card is not updated in one of the special readers or printers that come with the system, the person is not granted access. Lost cards can easily be blocked and become useless for people without authorization.

No more waiting in line for hotel guests
For hotel guests, VingCard has used RFID and the wireless technology offered by mobile telephony in combination with a new communication interface called Near Field Communication (NFC). Guests can use their cellphones to book a room, gain access to the room and the hotel's facilities, and even pay their bills over the Internet. The cellphone serves as a code carrier and the locks open when the phone is held up against them. This innovative application won several awards for best NFC service of the year at the 2008 NFC Forum in Monaco.

Total door solutions are ASSA ABLOY's strength
ASSA ABLOY's business is not based solely on innovations; the great strength of the Group is the variety of traditional and new products built into various door environments. ASSA ABLOY has products for different climates, different types of buildings and differing security and safety requirements. By combining hundreds of thousands of components to meet the needs of consumers, architects and installers, ASSA ABLOY creates products with the right quality, design and price, ideal for new buildings and renovations alike.

A common process with greater customer focus and better product planning
ASSA ABLOY is building a Group-wide product development process, aimed at cutting product development time in half while increasing the number of new products. A clear 'gateway' process with common terminology and interdisciplinary collaboration speeds and improves the quality of the product development process.

In 2008 ASSA ABLOY focused on introducing 'Voice of the Customer', a strategy to strengthen customer relationships and integrate customers in the development process.

Focus was also placed on improving the product planning process by providing in-house training for over one hundred people to spread the process throughout the organization.

As part of the product development and procurement process, the Group intensified its efforts in value analysis and value-generating product improvements through a process known as Value Analysis / Value Engineering (VA/VE).

The goal is to reduce product costs without impairing functionality. ASSA ABLOY doubled the cost savings in its existing product range as a result of the initiative.

iCLASS gives secure authentication to PCs
In selected models of Dell's new Latitude E-Family laptop computers, HID Global's contactless iCLASS smart cards are now read by an embedded purpose-designed card-reader. A single card can thus be used for both physical access to buildings and secure authentication to PCs. The development means that HID Global – which is a key player in the physical access control and identification technology market – is expanding its presence into 'logical security'.

When first turning a laptop on, the user presents an iCLASS card to the contactless smart card reader located in the computer. A valid card will allow the laptop to boot up and take the user to the operating system. The cards use secure contactless technology to transmit data between the card and the reader.

The cards are cost-effective, easy to deploy, and convenient for the individual users, who can use the same HID card to access both the PC and the building. For ASSA ABLOY's customers, the seamless integration of the technology into a mainstream PC platform gives increased security and functionality at modest cost, with a range of options to secure PCs and their associated data.

Did you know that Besam swing doors are installed in virtually every hospital in Sweden?

The intelligent lock technology in Besam's SW100 swing door gives increased security and safety, while the almost silent motor is appreciated by staff and patients alike. The product will be launched on several markets around the world during 2009.

The need for safety and convenience for staff who have their hands full, as well as for patients with limited mobility, made Swedish hospitals early adopters of Besam's first automatic swing doors launched in 1962. Today hospitals around the world rely on Besam's full range of swing, sliding and revolving doors, and service support to provide secure entrances, improve internal logistics and isolate clean-room environments such as operating rooms and laboratories.

EMEA

Increased focus on market and production synergies

During 2008 EMEA continued its aggressive marketing efforts to develop and lead the European lock market. The division also made substantial investments in innovative new products, and several Pan-European product platforms will be launched in 2009. In the later part of the year the European lock market weakened progressively, and powerful measures were put in place to counter the downturn. The result was an increase in Operational Excellence activities – a program directed towards Lean methods, purchasing and administration – and significant savings were achieved.

EMEA in brief

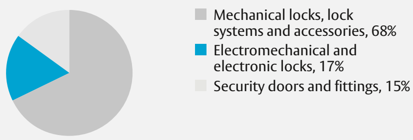
The EMEA division manufactures and sells mechanical and electromechanical locks, cylinders, security doors and accessories in Europe, the Middle East and Africa. EMEA consists of a number of companies which have good knowledge of their local, often highly diversified, markets and which sell products under some of the most respected brands in the industry.

Report on the year

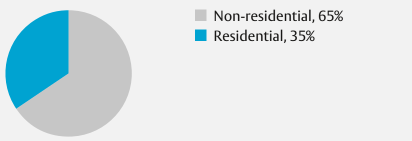
The division's sales during the year totaled SEK 13,988 M (13,477), which was an increase of 4 percent. Operating income (EBIT) excluding restructuring costs and non-recurring charges amounted to SEK 2,289 M (2,295), which represents an operating margin of 16.4 percent (17.0).

The year began with good growth. Towards the end of 2008 the financial crisis led to a slowdown on the housing market and delays on commercial projects. This applied

Sales by product group



Market segments

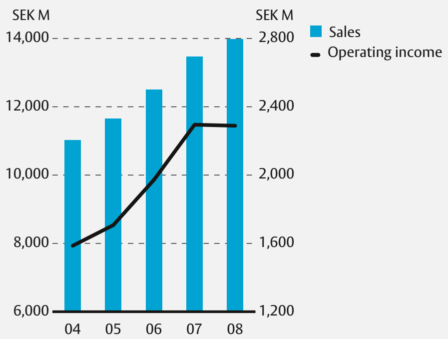


Key figures

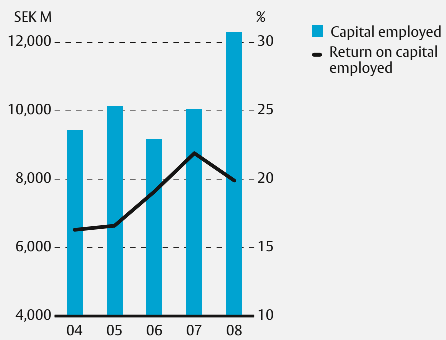
SEK M	2007	2008
Income statement		
Sales	13,477	**13,988**
Growth, %	8	**4**
Operating income (EBIT)[1]	2,295	**2,289**
Operating margin (EBIT)[1], %	17.0	**16.4**
Capital employed		
Capital employed	10,055	**12,306**
– of which goodwill	4,926	**5,766**
Return on capital employed[1], %	21.9	**19.9**
Cash flow		
Cash flow	2,267	**2,421**
Average number of employees	12,493	**11,903**

[1] Excluding non-recurring costs.

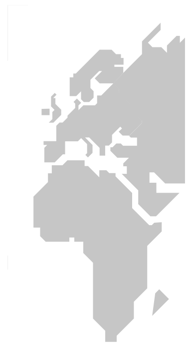
Sales and Operating income[1]



Capital employed and Return on capital employed[1]



[1] Excluding restructuring costs 2006 and non-recurring costs 2008.



The division manufactures and sells mechanical and electromechanical locks, cylinders, security doors and accessories in Europe, the Middle East and Africa (EMEA).

particularly to regions such as the UK, Spain and the Baltic countries and to a lesser extent in France, Italy and Scandinavia. The negative impact on earnings caused by reduced sales was very largely offset by savings resulting from efficiency programs directed at production and the division's other efforts towards greater efficiency.

Local differences

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

Development of the marketing organization

EMEA's sales organization is structured by vertical segments in order to serve the market, and the program to develop this continued during the year. Many sales organizations have been coordinated under the ASSA ABLOY master brand. As the specification of total locking solutions has grown in importance for achieving sales, the number of sales representatives specializing in specification has been substantially increased and collaboration with architects and security consultants further strengthened.

Acquisitions

In 2008 EMEA made three large acquisitions: Gardesa, Copiax and Valli&Valli. Gardesa is a leading Italian manufacturer of high-security steel doors, offering both standard and customized doors that can be tailored to the customer's needs. Copiax is a Swedish wholesaler of security products, focusing on locksmiths, security installers and builders' merchants. Valli&Valli is a leading Italian manufacturer of designer handles and accessories. The acquisitions further strengthen ASSA ABLOY's product offering of complete door opening solutions to the market.

Strategic priorities

Product development

Substantially increased investment in research and development in recent years has resulted in the launch of many new electromechanical and electronic products. These include cylinders and lock cases with Aperio technology, and Hi-O solutions. The Group's new product-development process focuses on increased customer value while improving cost-efficiency and maintaining higher quality. The products have been well received by customers and have strengthened ASSA ABLOY's market-leading position in complete security solutions.

More effective selling and specification

The program to further strengthen the sales organization on the highly diversified European market is continuing, for example through the appointment of specification salesmen.

Operating under the ASSA ABLOY master brand does not just mean presenting a common face to the customer, but also offering a greatly expanded product portfolio based on the Group's total range and increasingly on the common product platforms inside and outside the division.

Efficiency programs

In 2006 ASSA ABLOY launched an efficiency program with the aim of improving production efficiency and moving production to low-cost countries. During 2008 the Group continued to outsource the production of components and simple products, mainly to preferred suppliers in low-cost countries. The production of some important components is now concentrated in specialized production plants, for example cylinders in the Czech Republic and lock cases in Romania. In order to maintain high standards of service and remain close to the customers, Western European production facilities will focus on final assembly and customization of products. Most of the projects in the 2006 efficiency program will be completed early in 2009, and there have been a number of plant closures in high-cost countries.

At the end of 2008 a new review of production structures in high-cost countries was initiated, covering the units not yet converted from full production to final assembly and customization. The new program will be implemented from 2009 and aims to be completed by 2011.

An important initiative in EMEA is to coordinate purchasing for the different production units. This has resulted in an increased percentage of purchases in low-cost countries and better exploitation of benefits of scale within the division.

Common administration

Administrative services are being consolidated on a region-by-region basis to improve efficiency. Common administration has already been implemented in Germany, with good results, and in the coming years all regions will be similarly organized.

Americas
Good performance in a challenging year

ASSA ABLOY's growth in Americas continued in 2008 through focused efforts to increase demand for products primarily in the non-residential segment. The division increased its sales and its margins through good growth in the non-residential segment. The residential segment showed negative growth because of the US housing slowdown. Towards the end of the year, growth decelerated in most segments as a result of the widespread market downturn.

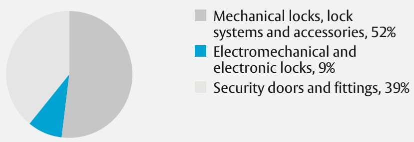
Americas in brief

The Americas division manufactures and sells mechanical and electromechanical locks, cylinders and security doors on the American continents. The largest portion of the division's sales occurs in North America where ASSA ABLOY has an extensive sales organization and sells its products through distributors. Sales in South America and Mexico take place through distributors, wholesalers and DIY stores. Americas division operates in both the non-residential and the residential segment. The non-residential segment accounts for the majority of the division's sales.

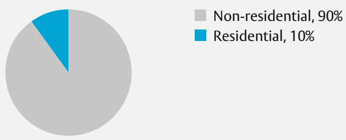
Report on the year

The division's sales during the year totaled SEK 10,467 M (10,220), which was an increase of 2 percent. Operating income (EBIT) excluding restructuring costs rose by 5 percent to SEK 2,101 M (1,995), which represents an operating margin of 20.1 percent (19.5).

Sales by product group



Market segments

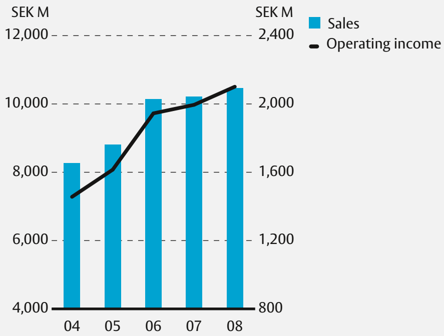


Key figures

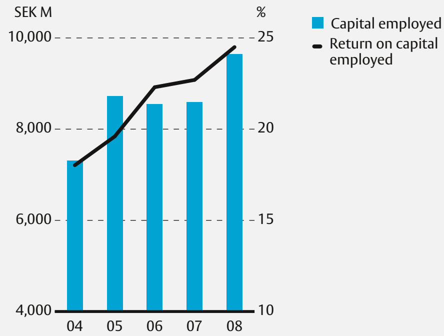
SEK M	2007	2008
Income statement		
Sales	10,220	**10,467**
Growth, %	1	**2**
Operating income (EBIT)[1]	1,995	**2,101**
Operating margin (EBIT)[1], %	19.5	**20.1**
Capital employed		
Capital employed	8,595	**9,639**
– of which goodwill	4,928	**6,236**
Return on capital employed[1], %	22.7	**24.5**
Cash flow		
Cash flow	2,211	**2,097**
Average number of employees	9,428	**8,573**

[1] Excluding restructuring costs.

Sales and Operating income[1]



Capital employed and Return on capital employed[1]



[1] Excluding restructuring costs 2006 and 2008.

The division manufactures and sells mechanical and electromechanical locks, cylinders, security doors and frames on the American continents.

Different products for different market segments

In the North American market there is a clear distinction between products intended for the residential segment and products for the non-residential segment. As a result, very few of the division's products are suitable for both segments, and the distribution channels are also totally distinct. Security doors and door frames are major components of the solutions offered to non-residential customers.

Good performance in the non-residential segment

The non-residential segment accounts for a large percentage of the division's sales in the USA and Canada and recorded a good positive trend for the year. Within the non-residential segment, institutional customers predominate. Americas is working actively on specification to increase demand in this segment. Typical security applications are in public buildings, hospitals, school and college campuses, airports, transport terminals, sports and shopping centers, manufacturing plants and commercial offices.

Since security and safety standards for these environments are often highly complex, they normally require more lock and door functionality than typical residential applications. Fire and life-safety codes for buildings change frequently and call for ever-rising levels of product functionality, complexity and durability. It is increasingly essential that security solutions should consider the door environment as a whole. A complete solution from ASSA ABLOY is often a combination of doors, door-frames, locks, door closers or exit devices, access-control products and high-security key systems.

A challenging year for the residential segment

The residential segment, which constitutes only a minor part of the division's sales, showed a strong negative trend due to the ongoing downturn in the housing market. Substantial efforts to cut costs and offer innovative solutions made positive contributions to managing the worsened market conditions.

Latin America

The Latin American markets developed very well during the year. The increasing standard of living in these developing economies has accelerated the need for higher security levels. Each country requires unique security solutions depending on local standards. For example, several new products and strong demand for more stringent security solutions in high-rise residential construction resulted in good sales growth for ASSA ABLOY in Brazil.

Acquisitions during the year

In 2008 the division acquired Rockwood Manufacturing Company, a leading US manufacturer of decorative door hardware, both standard and customized. Rockwood complements the division's product offering to the non-residential segment.

Strategic priorities

Integration of electronics into traditional mechanical door and security products is a high priority for Americas division. There is continuing focus on aesthetic design in the development of products and specific end-user solutions. Lean activities in both manufacturing and administration are an important part of Americas' operations and drive continuous improvement across the entire division. Outsourcing of some components and improved automation processes complement the division's cost-efficiency strategy.

Sales and specification

In 2008 Americas division continued to focus on specification of security solutions and end-user sales activities. The sales force furthered its knowledge about the needs of installers and end-users, and is focused on selling total door opening solutions rather than individual products.

The division is also working with architects and security consultants early in the building process. ASSA ABLOY specification consultants share their expertise to ensure that security solutions are code-compliant and meet the functional and security needs of the end-user. Such activities strengthen relations with architects and increase the chance of orders once construction is underway.

Innovation

In 2008 the division launched its sales campaign for Hi-O in North America. Hi-O stands for Highly Intelligent Operation and is a new concept of intelligent door systems that simplify installation, service and expansion. Marketplace reception of the pioneering Hi-O innovation has been very favorable.

Wireless access-control locks and electronic cylinder locks were other products launched in 2008.

Operational Excellence

Americas division works in a number of areas of Operational Excellence to further improve performance. Some of the areas targeted are Shared Services, production efficiency, Lean methods and coordinated purchasing for the production units.

Shared Services

Americas division continues to coordinate administrative services for companies in the same market segment. In addition to financial services and human resources, legal and IT services have been consolidated, leading to increased efficiency and quality for the Group. Efforts to coordinate administration will continue in 2009.

Efficient production

Lean methods are still a major driving force for Americas division and continually raise efficiency in both production and administration. Lean methods lead to more efficient product flows, better control of material costs, improved decision-making procedures, shorter time-to-market and increased cooperation with marketing and sales teams. They have contributed to increasing the operating margin in 2008. Work to advance Lean methods will continue in 2009.

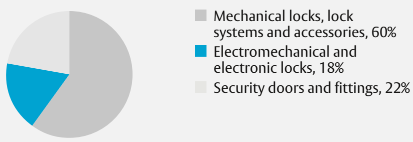
Asia Pacific
Acquisitions support good growth in Asia

Sales in Asia grew strongly in 2008, and through a combination of organic growth and strategic acquisitions ASSA ABLOY is now the leading player on the Chinese market. As a result of its focused acquisition strategy, the Group now offers a complete range of door opening solutions on the Asian markets. Late in 2008 the strong growth in Asia slowed. In the more mature markets in Australia and New Zealand growth also slowed in the second half of the year owing to the downturn in the housing and retail markets.

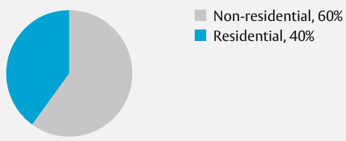
Asia Pacific in brief
The Asia Pacific division manufactures and sells mechanical and electromechanical locks, high-security doors and fittings. The division is divided into five geographical sub-regions: North Asia, China, South Asia, Australia and New Zealand, plus a common group for high-security doors. Australia and New Zealand account for about half of the division's sales and China and the rest of Asia for the other half. In Asia the division's major brands are Yale, Guli, and Baodean. The markets in Australia and New Zealand are more mature, with established lock standards and strong brands such as Lockwood and Interlock. The production units in China supply significant volumes to ASSA ABLOY's other regions.

Report on the year
The division's sales during the year totaled SEK 3,321 M (2,780), which was an increase of 19 percent. Operating

Sales by product group



Market segments

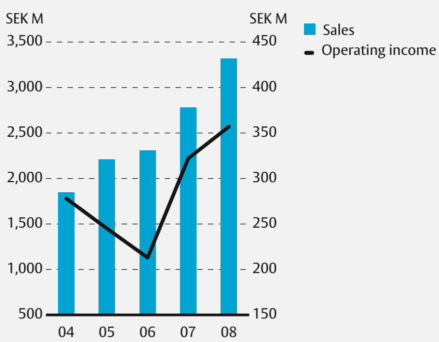


Key figures

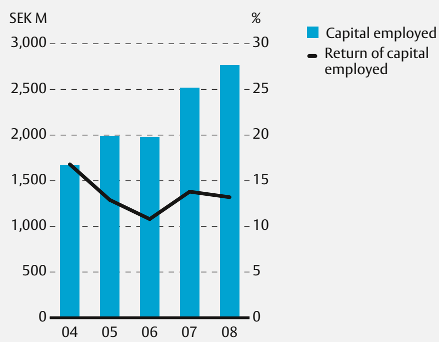
SEK M	2007	2008
Income statement		
Sales	2,780	**3,321**
Growth, %	20	**19**
Operating income (EBIT)[1]	322	**357**
Operating margin (EBIT)[1], %	11.6	**10.8**
Capital employed		
Capital employed	2,520	**2,768**
– of which goodwill	1,211	**1,628**
Return on capital employed[1], %	13.8	**13.2**
Cash flow		
Cash flow	294	**460**
Average number of employees	5,445	**7,065**

[1] Excluding restructuring costs.

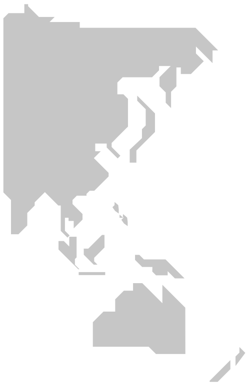
Sales and Operating income[1]



Capital employed and Return of capital employed[1]



[1] Excluding restructuring costs 2006 and 2008.



The division manufactures and sells mechanical and electromechanical locks, security doors and fittings in Asia, Australia and New Zealand.

income (EBIT) excluding restructuring costs rose by 11 percent to SEK 357 M (322), which represents an operating margin of 10.8 percent (11.6).

Strong growth in China

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

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

In 2008 ASSA ABLOY established a Door Group comprising Wangli, Beijing Tianming and Pyropanel. These Group companies are working together to develop new products, technologies and sales channels and to reduce the costs of adapting products for different national and security standards. The investment put into the new Door Group is expected to lead to high growth because of the increased focus across the region on higher security requirements for doors, including fire safety requirements.

China has few national or regional standards governing how locks, doors and fittings should be designed and fit together. ASSA ABLOY is working with Chinese regulatory authorities to formulate and improve such standards.

During 2008 the Chinese market showed strong growth, although this slowed somewhat towards the end of the year.

Acquisitions strengthen ASSA ABLOY on the Chinese market

ASSA ABLOY made two large acquisitions in China during 2008, Beijing Tianming and Shenfei. Beijing Tianming is one of the leading manufacturers of fire-rated security doors on the local market. China is strengthening its enforcement of fire and life-safety regulations in buildings, and Beijing Tianming is an ideal partner for building developers and specifiers. Shenfei sells door closers both on the local Chinese market and for export; the acquisition adds sales network and the products complement the Group's product portfolio well.

ASSA ABLOY is now by far the largest lock company in China with more than 7,000 employees in the local market, making it the clear leader in door opening solutions with a full range of products covering many segments under well-known brands. This has been achieved through a healthy combination of acquired and organic growth.

Increased presence on other Asian markets

There remains great growth potential in the large, fragmented markets elsewhere in Asia. These markets are generally underdeveloped, with low security standards, and are therefore mostly price-driven when buying locks and security solutions.

In 2008 ASSA ABLOY showed good growth in all major countries in Asia. Forceful efforts to develop the sales organization with focused sales teams and concentration on fewer but powerful brands have further strengthened the product offer.

In South Korea the Group company iRevo is the market leader in digital door locks. This type of door lock has had great success on the residential market in both South Korea and China. In the first quarter of 2009 iRevo will start to assemble digital door locks in Shanghai to fulfill the high demand from China in this segment.

Slowdown in Australia and New Zealand

In Australia and New Zealand ASSA ABLOY is the market leader on both the residential and the commercial markets with its established Lockwood and Interlock brands. In 2008 the new sales organization based on market segmentation and specification work, with key-account managers for large national customers, showed encouraging development. Residential and commercial markets then weakened during the later part of the year, resulting in a slowdown in sales.

Strategic priorities

Product development and product range

Innovation and continued product development are important factors enabling the division to maintain an attractive range of products and increase sales. Electromechanical security products are becoming more important and there is considerable growth potential for electronic cylinders in the commercial segment. Products like Verso CLIQ and ABLOY Smart Disc have been successfully launched. The Asia Pacific division is working together with Group companies in Europe like ASSA and effeff to develop products for the local market.

Efficiency measures

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

After the closure of two factories (in Wellington, New Zealand and Brisbane, Australia) the remaining factories in Auckland in New Zealand and Melbourne in Australia will focus on customization and final assembly. A large proportion of parts and commodity products will be made by the division's Chinese factories. Productivity in these factories is being continually improved through implementing Lean methods and investing in semi-automation and sustainability.

Did you know the most heavily attended opening at the Walker Art Center receives little attention?

There is a lot to see at the Walker Art Center in Minneapolis, Minnesota – a one-of-a-kind space housing both indoor and outdoor art exhibitions, performances and educational activities. When the Center doubled in size in 2005, the planners wanted visitors to be drawn into an informal, inspiring space.

The minimalist approach applies to the door opening solutions which make judicious use of concealed hardware and go unnoticed by the majority of museum visitors.

ASSA ABLOY's Americas division supplied ADAMS RITE storefront hardware and RITE Doors, CECO doors and frames, McKINNEY hinges, RIXSON floor closers and SARGENT hardware.

Global Technologies

Strong customer offering on the global market

There were varied outcomes for Global Technologies' two business units, HID Global and ASSA ABLOY Hospitality, in 2008. Within HID Global, HID Identity and Access Management achieved good growth and improved margins, while HID Identification Solutions (formerly ITG) showed a negative sales trend as the program to phase out unprofitable segments continued and some customer projects were delayed. The ASSA ABLOY Hospitality business unit achieved stable sales during the year with slightly weakened margins.

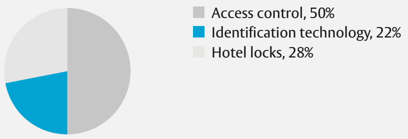
Global Technologies in brief

Global Technologies division has a leading position as a supplier of electronic security solutions worldwide. The division consists of two business units, HID Global and ASSA ABLOY Hospitality, whose sales are concentrated on the non-residential segment. HID Global provides solutions for secure identification and card issuance, primarily for access management but also for a growing range of other applications such as logical access to computers and networks. ASSA ABLOY Hospitality is the market leader in electronic lock systems and safes for hotels and cruise ships throughout the world.

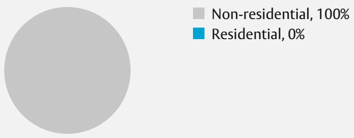
Report on the year

The division's sales during the year totaled SEK 4,884 M (4,922), which was a reduction of 1 percent. Operating income (EBIT) excluding restructuring costs fell by 3 percent to SEK 729 M (754), which represents an operating margin

Sales by product group



Market segments

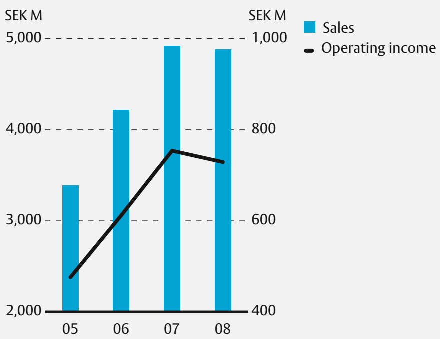


Key figures

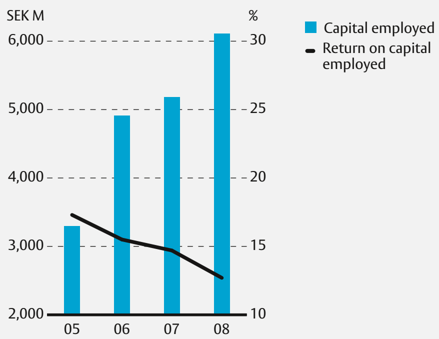
SEK M	2007	2008
Income statement		
Sales	4,922	**4,884**
Growth, %	17	**–1**
Operating income (EBIT)[1]	754	**729**
Operating margin (EBIT)[1], %	15.3	**14.9**
Capital employed		
Capital employed	5,181	**6,112**
– of which goodwill	3,640	**4,275**
Return on capital employed[1], %	14.7	**12.7**
Cash flow		
Cash flow	699	**672**
Average number of employees	2,650	**2,811**

[1] Excluding restructuring costs.

Sales and Operating income[1]



Capital employed and Return on capital employed[1]



[1] Excluding restructuring costs 2006 and 2008.

The division sells electronic security solutions worldwide.

of 14.9 percent (15.3). The operating margin was held back by continuing initiatives to expand the sales and marketing organizations in the rapidly growing segments of access control and secure card issuance.

HID Global

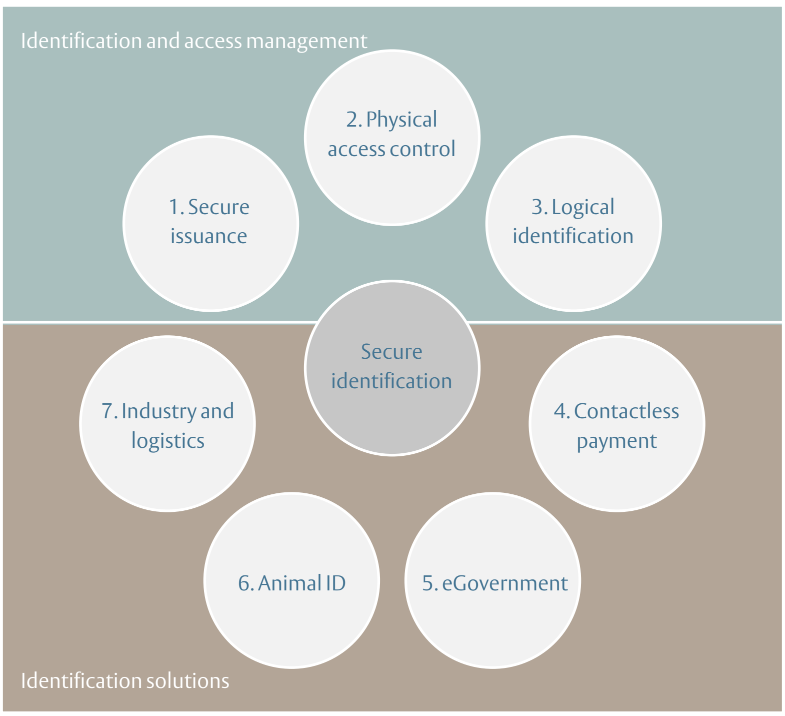
HID Global is the world leader in the areas of electronic access control, secure issuance of smart cards, and identification technology using contactless cards and readers for both physical and logical access control. HID Identity and Access Management has a product range that includes various types of card reader, smart cards for access control and control systems, and secure issuance of smart cards. The products use several different technologies, including radio-frequency identification (RFID), magnetic stripe and biometrics, and are sold under brands such as HID, Indala and Omnikey. In the field of secure issuance of smart cards, the Group company Fargo offers a number of printer products designed for the distributed management of different types of cards.

Under the brand name Sokymat, HID Identification Solutions supplies innovative products in the field of contactless smart card technology for secure identification, including electronic passports and identity cards, contactless payment cards, ID marking of animals and other automatic identification applications. The main customers are external system-integrators in the government, financial and industrial sectors. HID Connect is the business unit's technology partnership program that provides embedded and virtual product solutions to a growing network of over 100 application and system developers worldwide. The program enables the business unit's technology to be used in the development of a wide variety of smart-card-technology applications including access control, monitoring of time and attendance, parking control, biometric verification, digital security, document printing and manufacturing process control.

HID Global – Main events in 2008

During 2008 HID Global continued to develop groundbreaking new products with great success. One of the most promising is the introduction of built-in card readers in equipment such as Dell laptop computers to combine physical and logical access in one system, enabling contactless smart cards to be used for both buildings and computers. There were also further launches of EDGE door controllers, an innovative IP-based product that gives the door a unique IP address, allowing remote supervision via the Internet. In the healthcare sector, Smart-ID smart cards and Omnikey eHealth smart-card readers for fast, secure reading of patient records were launched. Other interesting and successful products were the bioCLASS biometric readers which complement existing products in physical access control.

In the field of payment systems, Fargo's high-definition printers achieved further great success in the bank sector, where they are used for immediate secure issuance of payment cards at the local bank branch. The new products contributed to the business unit's good growth. Due to the continuing phasing-out of unprofitable segments and some delayed customer projects, HID Identification Solutions



HID Global's product areas

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

Identification and access management

1. Secure issuance
   Issuance of secure electronic cards
2. Physical access control
   Electronic cards and card readers
3. Logical identification
   Identification and encryption of computers

Identification solutions

4. Contactless payment
   Electronic payment cards
5. eGovernment
   Electronic identity cards and electronic passports
6. Animal ID
   Electronic chips for identifying livestock
7. Industry and logistics
   Electronic chips for stock control and logistics

(formerly ITG) showed a negative sales trend during the year. In 2008 the former ITG was reorganized as a more focused unit, HID Identification Solutions (IDS), which established competence centers and marketing organizations directed at identification and access management. This has created a good platform for strengthening and improving the offering to existing and prospective customers in some important business segments.

ASSA ABLOY Hospitality

ASSA ABLOY Hospitality produces electronic lock systems and safes for hotels and cruise-ships. The business unit embraces leading global brands such as VingCard, Elsafe and TimeLox. The world's most recognized brand name for hotel locking systems, VingCard, now has products installed in over 6 million hotel rooms in more than 35,000 hotels throughout the world.

ASSA ABLOY Hospitality – Main events in 2008

For the year as a whole, ASSA ABLOY Hospitality's sales to both new hotel construction projects and the aftermarket remained stable. Towards the end of the year, however, it became apparent that customers were delaying major projects more and more. This had a negative effect on sales in the fourth quarter. All locks in the hotel segment are electromechanical, with a life of about ten years, which means that the aftermarket is important. Hospitality continued to expand its position on growth markets successfully by recruiting new distributors. In addition, the important aftermarket sales and service business expanded from 30 to 36 percent of total sales revenue.

Innovative new products were important for growth in 2008. One example is VingCard's latest electronic lock solution, Signature RFID, which is the industry's first contactless RFID lock compatible with NFC cellphones. The system makes it possible for hotel guests to receive reservation confirmations, room numbers and an encrypted access code for the room by SMS before they arrive at the hotel. They can bypass the line at the hotel front desk and instead proceed direct to the room and unlock the door with the help of their cellphone. VingCard's Signature RFID security solution won prizes for Best NFC Service at the NFC Forum at the WIMA exhibition in Monaco in April 2008.

Another example is a project using Zigbee wireless technology as a cost-effective way to give hotels a higher level of security via multidirectional communication between stand-alone electronic locks and the hotel's booking system. In the first quarter of 2009 this will be complemented with a new range of electronic in-room safes that also communicate using Zigbee technology.

Strategic priorities

One important strategic priority for HID Global is the global launch of 'HID on the Desktop', a set of logical-access-control solutions that extends the reach of existing physical-access investments. With 'HID on the Desktop', the same card that opens the door of the office or university is also used to log on to the computer.

Another significant priority for HID Global is to supply reader technology to an increasing extent to all divisions of the ASSA ABLOY Group. Reader technology is being integrated into ordinary mechanical door and locking solutions. It will give both HID Global and the other divisions increased growth by substantially raising the technology level in these traditional products so that customers can be offered higher security and better functionality.

HID Global is also implementing Lean methods in production and has appointed Lean project leaders in all its plants worldwide, which is leading to greater efficiency.

One strategic priority for increased growth in ASSA ABLOY Hospitality is to offer upgrades for products already installed. Important components in achieving this are technologies such as RFID, NFC and Zigbee RF-online solutions.

It is also strategically important for ASSA ABLOY Hospitality to expand the customer base beyond the traditional hotel and cruising sectors. Efforts are therefore being made in other segments, such as housing for the elderly and for students, where the needs for security and ease of access can be met by the products and technologies that ASSA ABLOY Hospitality offers.

Major efforts are also being made to increase efficiency in the business unit. These include the continuing migration of production to low-cost countries and outsourcing some component manufacture to high-quality suppliers in low-cost countries.

Who makes sure that the 32 million passengers a year at Mexico City Airport pass through the right doors?

With 340,000 flights a year, Mexico City Airport is one of the largest in the world and one of many using ASSA ABLOY's contactless smart card technology for access control.

Latin America's busiest airport places high demands on secure access control. That's why they are using a combination of RFID technology and biometric identification based on fingerprints.

The airport uses contactless smart cards from the ASSA ABLOY Group company HID Global. To pass a controlled door, the user must first prove identity with an access control card and then place a specified finger on the biometric reader.

Entrance Systems
Good development under difficult market conditions

ASSA ABLOY Entrance Systems achieved good sales development in 2008, although demand weakened towards the end of the year. On the European and North American markets new products and acquisitions contributed to a strong performance, and growth in Asia was high. Expanded service continued to be an important component in the market offering.

Entrance Systems in brief

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

Report on the year

The division's sales during the year totaled SEK 3,173 M (2,987), which was an increase of 6 percent. Operating income (EBIT) excluding restructuring costs rose by 5 percent to SEK 453 M (432), which represents an operating margin of 14.3 percent (14.4).

On the division's major markets demand weakened towards the end of the year, primarily because the important retailing sector reduced its investments. However, this

Sales by product group

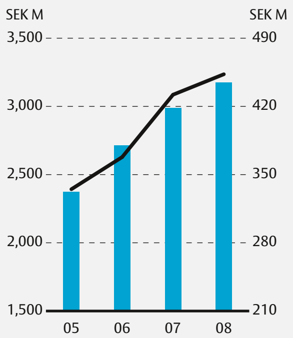
Market segments

Key figures

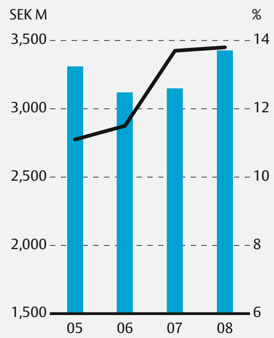
SEK M	2007	2008
Income statement		
Sales	2,987	**3,173**
Growth, %	10	**6**
Operating income (EBIT)[1]	432	**453**
Operating margin (EBIT)[1], %	14.4	**14.3**
Capital employed		
Capital employed	3,149	**3,425**
– of which goodwill	2,566	**2,763**
Return on capital employed[1], %	13.7	**13.8**
Cash flow		
Cash flow	497	**399**
Average number of employees	2,137	**2,260**

[1] Excluding restructuring costs.

Sales and Operating income[1]



Capital employed and Return on capital employed[1]



[1] Excluding restructuring costs 2006 and 2008.

The division is a global supplier of automatic doors with a complete range of services for the aftermarket.

was compensated by growing sales to other sectors like healthcare and hospitality. Asia was the region that showed the best growth during the year.

In the second half of the year the margin deteriorated somewhat because of increased price competition and a higher proportion of sales in emerging markets where margins are lower. The division also made major investments in new products and increased marketing activities.

During the year Entrance Systems division accelerated the execution of its efficiency program and continued to adapt products for local markets in Asia and North America, which strengthened competitiveness on several key markets.

Automatic entrance solutions for non-residential customers

Automatic entrance solutions and comprehensive service offerings are mainly sold in the non-residential segment, which comprises both private-sector and public-sector end-users. Typical customers are retail stores, hospitals, homes for the elderly, hotels, airports, transport terminals, public buildings, schools and office buildings. To satisfy end-user needs it is increasingly important to be able to offer automatic entrance solutions in the form of complete packages. A total solution from Entrance Systems is likely to include a coordinated combination of automatic sliding, swing and revolving doors, with safety and convenience sensors and a preventative service program.

The division's product range, global resources and local market knowledge concerning end-customers' needs make ASSA ABLOY an ideal partner for creating a wide range of safe, practical and reliable entrance solutions, backed by a customized service offering.

EMEA

Growth in EMEA was negative, affected by the deterioration in market conditions, but despite this the division continued to increase its market shares. Several factors sustained sales, including new-product launches, the development of new service concepts and a number of acquisitions in Portugal, Turkey and South Africa.

North America

Sales on the North American market were stable during 2008 but were affected negatively by the widespread market downturn in the retail segment in particular.

The launch of the new range of swing-door operators in 2008 was received very positively by the market and will lead to stronger market positioning. A new regional organization was implemented with the aims of capturing synergies after the acquisitions completed in recent years and increasing profitability in the region.

Asia, Australia and New Zealand

Sales in Asia remained strong during the year, with positive progress in China and South East Asia. The acquisition of Cheil in South Korea has significantly strengthened the position in the region. The markets in Australia and New Zealand slowed down but the division improved its market position both organically and through a number of complementary acquisitions in Perth, Adelaide and Wellington.

Strategic priorities

Products

Investments in product development continued and the division initiated several important projects during 2008. The new Besam SW100 low-energy automatic door was launched during the year in North America and Europe. The heavy-duty Besam Swingmaster 900 swing door was also launched in North America in 2008. These products have several competitive advantages, including low operating costs.

In 2009 several further product launches will be carried out in the important product areas of swing doors, sliding doors and revolving doors.

Service business upgraded

Entrance Systems is continually working to expand its customer offering by selling complete automatic door solutions, including a comprehensive range of service offerings. Regular preventative maintenance is beneficial for customers, and regular contact with these end-customers also enhances opportunities for additional sales. Great emphasis is placed on sales training of service technicians to take advantage of their daily contacts with customers. Within the service organization the division is working on becoming more efficient, automating processes even more, and increasing the number of customer visits.

Higher efficiency

Relocation of parts of production from high-cost to low-cost countries continued in 2008. The major measures included closing the production plant in Germany at the beginning of the year and transferring all its output to the newly established production facility in the Czech Republic. After a number of acquisitions in the UK in recent years, the division decided to integrate its operations there under a common Besam UK banner. The integration process will be completed at the beginning of 2009.

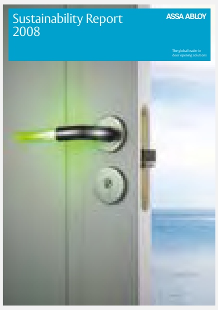
Measures to enhance sales and productivity were implemented in the service organization. A large number of service engineers in various countries were equipped with hand-held computers to improve their efficiency in dealing with customers and orders, with good results.

A new program for standardizing business processes across the European organizations began during the year with the aims of improving efficiency and reducing costs.

Sustainable development
Sustainability in all business processes

ASSA ABLOY's work on sustainability means that it is integrated in all business processes and throughout the value chain. Sustainability initiatives impact both internal and external stakeholders. They are based on an ongoing risk analysis throughout the value chain as well as on ASSA ABLOY's Code of Conduct.

The 2008 Sustainability Report will be published at the time of the 2009 Annual General Meeting.



ASSA ABLOY's Code of Conduct is based on international guidelines such as the United Nations Declaration of Human Rights and the core conventions of the International Labor Organization (ILO). The Code of Conduct applies to areas such as environment, health and safety, business ethics, working conditions, human rights and social responsibility. The ongoing initiatives are carried out in a three-step process of analysis, implementation and follow-up. All elements of business activities are affected: management, purchasing, production, acquisitions, investment, Research & Development, sales and human resources.

Organization

Environmental Sustainability Coordinators at Group and divisional level ensure that necessary policies, programs and tools regarding environmental issues exist and are implemented, while the Human Resources departments at Group and divisional level are responsible for social and ethical issues.

Councils for Operations, Human Resources, Sourcing and Innovation, each with representatives from the Group and from all divisions, handle issues related to their business processes/functions and the implementation of Group-wide tools.

Tools and audits

Internal sustainability development audits are carried out regularly in ASSA ABLOY's manufacturing units. The audits cover the external environment, the working environment, human rights and business ethics and are followed by detailed action plans. ASSA ABLOY also applies its internal audit tools to its suppliers. The work to evaluate ASSA ABLOY's suppliers started in 2007 and continued during 2008. ASSA ABLOY sees it as beneficial to all parties to work close to suppliers and support their development and improvements.

One important sustainable development tool is the ISO 14001 environmental management standard. Reporting is carried out at the C level of the Global Reporting Initiative (GRI). Measurements serve as the basis for decision-making relating to the use of chemicals, energy and water, as well as matters relating to health and safety and gender equality. The Code of Conduct's whistleblower mechanism is a tool to be used in the event of suspected violation of the Code.

The 2007–2010 sustainability program

The program adopted in 2007 for work on sustainability issues is ongoing and runs up to 2010. The program contains 20 objectives in the fields of chemicals handling, energy efficiency, health and safety, relationships with suppliers, Research & Development, employee issues and governance. Concrete projects have been defined, with goals, timetables and cost/benefit analyses. The following activities will be carried out during the period of this sustainability program:

Use of chemicals

ASSA ABLOY is continuously working to reduce hazardous substances in the production and to find replacements for them. Many production facilities have already phased out chlorinated solvents successfully. Since the program started, consumption of these solvents has been significantly reduced; phasing out in just two units now remains.

ISO 14001

Most of the Group's production plants have implemented ISO 14001 environmental management systems or the equivalent. The table on page 33 shows the number of certificates along with the corresponding number of certifiable systems for North American units. Only a small number of production plants have any significant environmental impact. The goal of the sustainability program is that all plants that impact the environment should be certified, and that newly acquired companies should be certified within two years after the acquisition.

Energy consumption and greenhouse gases

ASSA ABLOY compiled measurable results for energy consumption and carbon dioxide emissions in the Group companies for the first time in 2005. These figures serve as the baseline for actions taken under the sustainability program. The goal for all units is to achieve total energy savings of 15 percent by the end of 2012. ASSA ABLOY will also analyze the contribution made by transport to energy consumption and consider opportunities to increase coordination in order to reduce emissions.

Suppliers

ASSA ABLOY has prepared a standard template for global supplier contracts throughout the Group. Training and implementation began in 2008. Among other things, the contracts include requirements for suppliers to live up to the Group's Code of Conduct. The template is designed to ensure a uniform approach to quality standards and sustainability.

Innovation

ASSA ABLOY's Research & Development process, from preliminary studies to product launch, includes several gateways at which the project plan is reviewed and decisions made about continuing the project. Evaluation of environmental, health and safety issues is addressed at these gateways.

Health and safety

ASSA ABLOY's work on health and safety in production is based on a zero-tolerance approach to injuries. Goals have been set for injury rates and for working days lost due to injuries. Benchmarks are implemented at divisional level based on reporting from each production unit. Units are also sharing their experiences of efforts to prevent drug and alcohol use.

Gender equality and diversity

ASSA ABLOY's Code of Conduct prevents all forms of discrimination in the workplace. The company also wants to work proactively to promote gender equality and diversity. Each division is taking action to facilitate the advancement of female employees to more senior roles. In general, preference is given to the under-represented gender in recruitment, assuming equal qualifications.

Code of Conduct

ASSA ABLOY's Code of Conduct was introduced in 2004. It is based on the Group's values and policies and on international conventions. A new short version of the Code was published in 2008 and distributed throughout the Group in 17 languages. The Code of Conduct deals with the following subjects:

- Employee rights, human rights, consumers' interests and social responsibility
- Sustainability
- Health and safety
- Business ethics

Dialog with stakeholders

ASSA ABLOY strives to have an open dialog with external stakeholders. The overarching objective is to receive input from outside interests with respect to strategy choices and to contribute to a sustainable development that benefits both the company and its stakeholders. During 2008, ASSA ABLOY invited ethical analysts to round-table discussions and visits to the Group's production plants and subsuppliers in the Czech Republic and Romania.

More information about sustainable development is available in ASSA ABLOY's 2008 Sustainability Report and ASSA ABLOY's Code of Conduct. Both documents can be downloaded at www.assaabloy.com.

Some of the results from the sustainability program

Objective	Result 2006	Result 2007	Result 2008	Trend
Energy conservation – in manufacturing: A reduction of 15 percent by 2012 compared to the result in 2006, based on normalized values.	17.4 MWh/SEK M	16.0 MWh/SEK M	13.8 MWh/SEK M	■
Organic solvents – Phase out all use of perchloroethylene and trichloroethylene by the end of 2009[1].	172 tonnes	93 tonnes	42 tonnes	■
Health and Safety Zero-vision and targets for improvement: • 2007: IR 10; ILDR 220 • 2008: IR 9; ILDR 200 – IR, injury rate = number of injuries per million hours worked – ILDR, injury lost-day rate = number of days lost due to injuries per million hours worked	IR 10.9 ILDR 242	IR 9.5 ILDR 179	IR 8.7 ILDR 166	■
ISO 14001 – Compliance at all factories with significant environmental impact[2].	54	68	63	■
Suppliers – Sustainability assessments; acceptance of the Code of Conduct a documented requirement for all suppliers; sustainability audits for all suppliers in the risk category.	40 sustainability audits in China	120 sustainability audits in China	100 sustainability audits in China	■
Gender equality – Improve current levels of gender equality at senior levels.	Level 2: 0% Level 3: 9% Level 4: 10% Level 5: not measured	Level 2: 0% Level 3: 14% Level 4: 19% Level 5: 22%	Level 2: 0% Level 3: 11% Level 4: 17% Level 5: 23%	■

■ Deterioration ■ Unchanged ■ Improvement

[1] Plants with completely closed washing processes will be phased out when the machines are taken out of service. Read more about the updated objective in the 2008 Sustainability Report.
[2] Number of certificates plus the corresponding number of certifiable systems for North American units. The change is due in part to the closing of plants in the restructuring program and in part to the addition of a number of new plants with certificates.

Is one card all that students need at Quinnipiac University?

The SARGENT 'Powered by PERSONA' lock uses Wi-Fi technology. Wi-Fi is a wireless technology used in home networks, mobile phones and video games.

Students at Quinnipiac University in Connecticut, USA have a personal ID card to open doors to their dormitory and other campus buildings. The same card is also valid in the campus cafeteria and vending machines, for borrowing books from the library and in washing machines in the laundry. The University's 32 buildings and 11 halls of residence use ASSA ABLOY products exclusively, including SARGENT's latest approved Powered by PERSONA Wi-Fi lock which hooks up to the campus's existing wireless network.

Employees
ASSA ABLOY – People make it all happen

ASSA ABLOY's vision is to offer an attractive company and an attractive workplace for its employees. This involves a conscious effort to develop and retain employees and to be able to recruit new talent when needed.

Common knowledge-base

A new version of the ASSA ABLOY Orientation Program, 'Entrance to ASSA ABLOY', was launched in 2008. This interactive web-based program provides employees worldwide with a common knowledge-base about ASSA ABLOY which includes the Group's history, products, strategy and Code of Conduct. It is mandatory for all employees to do the Program.

Employee survey follow-up

A global employee survey was carried out for the first time in 2006. It showed that ASSA ABLOY's employees are in general satisfied with their job and workplace. The survey was followed up during 2007 with activities, to address areas where the results were less positive. The survey was repeated in 2008 with about 18,000 participants. The results were encouraging and showed greater or lesser improvements in all areas compared to 2006, which confirms the effectiveness of the earlier follow-up.

Development of leaders

ASSA ABLOY conducts two Group-wide training programs, ASSA ABLOY Management Training (MMT) and the ASSA ABLOY Business Leadership Program.

MMT began in 1996 and over 300 of the Group's senior executives have now taken part. The program comprises four modules held during one year with the main objectives to support integration among Group companies and to provide opportunities to network, to learn about the various operations and products and to share experiences from all parts of the Group. In 2008 the twelfth program was run, with 30 participants.

The ASSA ABLOY Business Leadership Program is held in collaboration with IMD (the International Institute for Management Development) in Lausanne, Switzerland. 30 senior executives participated in 2008 and about 150 have now taken part.

Development through cross-fertilization

The ASSA ABLOY Scholarship Program provides employees with the opportunity to work at another Group company for a short period. It gives participants the opportunity to share their own knowledge and experiences while learning about other cultures, methods and procedures, which they can bring back to their workplace.

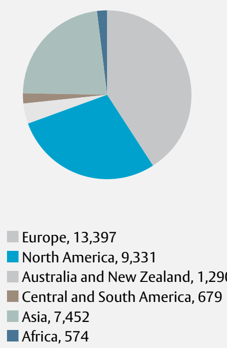
Talent Management

The goal of ASSA ABLOY's annual Talent Management Process is to take advantage of the entire Group's resources – the leaders and specialists of today and tomorrow – as well as to offer career advancement opportunities outside the own unit. The process involves a structured procedure for succession planning and for employee development.

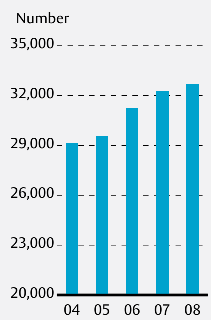
Recruitment

A basic principle of ASSA ABLOY's recruitment policy is to give priority to internal employees if their qualifications equal those of external applicants. To encourage and facilitate internal mobility, all vacant positions are advertised on the Group's global Intranet.

Number of employees by region



Average number of employees



Distribution, men and women

Did you know that 100,000 people in Korea open their apartment doors by showing a finger to a scanner?

Digital door locking offers the opportunity to include additional functionality. The locks in this project are integrated into the apartments' security network.

In Korea, highly intelligent locks are very popular for home security, with 45 percent of apartment entrance doors being fitted with digital or biometric locks. The ASSA ABLOY Group company iRevo created this market and remains the market leader. 3,410 of its fingerprint scanners are currently being installed in the exclusive Seoul properties shown here. There is increasing interest in such smart solutions around the world and ASSA ABLOY offers a range of products under its well known Yale residential and consumer brand.

Report of the Board of Directors, financial reports and

Contents

Report of the Board of Directors

The Annual Report of ASSA ABLOY AB (publ.), corporate identity number 556059-3575, contains the consolidated financial statements for the financial year 1 January – 31 December 2008. 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 earnings

During the year, sales rose by 4 percent to SEK 34,918 M (33,550), with organic growth of 0 percent and acquired growth of 4 percent. Operating income (EBIT) excluding restructuring and non-recurring costs rose by 1 percent to SEK 5,526 M (5,458), representing an operating margin of 15.8 percent (16.3). Income before tax excluding restructuring and non-recurring costs totaled SEK 4,756 M (4,609).

Restructuring costs of SEK 1,180 M and non-recurring costs of SEK 77 M relating to supplementary lock protection in the Swedish operation had a negative impact on operating income for the year. Including these costs, operating income (EBIT) amounted to SEK 4,269 M and the corresponding margin was 12.2 percent.

Operating cash flow excluding restructuring payments was SEK 4,769 M (4,808), a decline of 1 percent. Earnings per share excluding restructuring and non-recurring costs rose 2 percent to SEK 9.21 (9.02).

Restructuring

The restructuring program initiated in 2006 has been a great success and will be completed in 2009. The annual rate of savings is close to the target level of SEK 600 M, which will be achieved during 2009. More than 2,000 employees have left the Group as a result of the changes in the production structure.

The restructuring program initiated during the second half of 2008 was fully underway by year-end. The program comprises some 40 projects, is expected to cost SEK 1,180 M and affects 1,800 employees. Fifteen production facilities are closing, while the remaining plants in high-cost countries are converting to final assembly. In addition, administrative support functions will be consolidated. Payback time for the full program is 2–3 years and the entire cost was expensed in the third and fourth quarters of 2008.

Payments related to the restructuring programs totaled SEK 485 M for the twelve-month period.

Acquisitions

In June Americas Division acquired Rockwood, a leading US manufacturer of specialty door hardware, which has annual sales of USD 48 M. The acquisition was EPS-accretive from the acquisition date.

In June Asia Pacific division acquired Beijing Tianming's security-door operation. The company, which is located outside Beijing, employs 400 people and has annual sales of SEK 100 M. The acquisition was EPS-accretive from the acquisition date. During the fall the division also submitted a public bid for the remaining 49 percent of shares in the South Korean company iREVO. ASSA ABLOY now holds more than 90 percent of the total number of outstanding shares and the Korean stock exchange has approved the company's request for delisting. ASSA ABLOY acquired the first 51 percent of iRevo in 2007 and the company has been consolidated in the Group since 1 October 2007.

The Chinese authorities have approved the acquisition of the door-closer manufacturer Shenfei and the company has been consolidated since the beginning of 2009. Annual sales are expected to total SEK 180 M and the acquisition will be EPS-accretive in 2009.

In February EMEA Division acquired 20 percent of the shares in Copiax, a Swedish wholesaler of security products focusing on locksmiths, security installers and builders' merchants, and at the same time submitted a bid for the remaining shares. The competition authorities approved the acquisition during the fall and it was consolidated during the third quarter. The company has sales of SEK 400 M and employs 45 people. The division also completed the acquisition of Valli&Valli, a leading Italian manufacturer of designer door handles, and Gardesa, one of Italy's leading manufacturers of high-security doors. Sales for the two companies total EUR 75 M and they have 370 employees. All these acquisitions were EPS-accretive during the year.

In July Entrance Systems Division acquired Cheil, a leading Korean company with a broad range of products in automatic doors and services. The company has 50 employees and annual sales of about SEK 150 M. The acquisition was EPS-accretive from the acquisition date.

Including smaller acquisitions, a total of 18 acquisitions were consolidated during the year. The total purchase price for these 18 acquisitions was SEK 2,013 M and preliminary acquisition analyzes indicate that goodwill and other intangible assets with an indefinite useful life amount to about SEK 1,460 M. The purchase price was adjusted for acquired net debt and estimated earn outs.

The competition authority in Germany rejected the company's application for the acquisition of the German company SimonsVoss. ASSA ABLOY has lodged a formal appeal and is currently considering the next step in the process.

Research and development

ASSA ABLOY's expenditure on research and development during the year amounted to SEK 890 M (776), which is equivalent to 2.5 percent (2.3) of sales.

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

Sustainable development

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

The subsidiaries ASSA AB and ASSA OEM AB are actively addressing environmental issues and are certified in accordance with ISO 14001. Most units outside Sweden carry on licensable activities and hold equivalent licenses under local legislation.

ASSA ABLOY's units all over the world are working purposefully to reduce the emission of greenhouse gases. This applies to units on both mature and new markets and to both existing and newly acquired companies. ASSA ABLOY's largest production unit in North America, Sargent Manufacturing, has made an investment in a combined-heat-and-power plant. By using the plant both to generate power and for heating, efficiency has been raised from 40 percent to 90 percent, which has significantly reduced energy consumption and the emission of greenhouse gases. Furthermore the investment has a financial payback time of only two years.

The 2008 Sustainability Report, reporting on the Group's 20-point program and giving other information about sustainable development, will be published at the time of the Annual General Meeting in April 2009.

Outlook

Long-term outlook

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

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

Outlook for the year

2009 will be a challenging year since the financial crisis has had a strongly negative effect on investments in construction, and negative organic growth for the year is therefore expected for ASSA ABLOY.

Shareholders and share capital

At year-end, ASSA ABLOY had 22,921 shareholders. ASSA ABLOY's principal shareholders are Investment AB Latour and Säkl AB (9.7 percent of the capital and 29.8 percent of the votes) and Melker Schörling AB (4.0 percent of the capital and 11.6 percent of the votes). Foreign shareholders accounted for 50 percent of the share capital and 34 percent of the votes. The ten largest shareholders accounted for 41 percent of the share capital and 60 percent of the votes.

A shareholders' agreement that includes preemption rights for sale of Series A shares by any party exists between Gustaf Douglas, Melker Schörling and companies closely related to them. Apart from this, the Board of Directors of ASSA ABLOY is not aware of any shareholders' agreements or other arrangements between shareholders of ASSA ABLOY.

ASSA ABLOY's share capital at year-end amounted to SEK 365,918,034 distributed among 19,175,323 Series A shares and 346,742,711 Series B shares. Each Series A share carries ten votes and each Series B share one vote. All shares give the shareholders equal rights to the company's assets and earnings.

Remuneration of senior management in 2009

The Board of ASSA ABLOY proposes that the 2009 Annual General Meeting adopts the following guidelines for the remuneration of senior management. The basic principle is that the remuneration and other employment conditions of senior management should be in line with market conditions and competitive, in order to ensure that the ASSA ABLOY Group can attract and retain competent senior management. The total remuneration of senior management should consist of fixed salary, variable salary, other benefits and pension.

In addition to the fixed salary, the Executive Team should have the opportunity to receive variable salary, which should be based on the outcome in relation to targets for operating income, and in some cases for other key financial figures, in their individual area of responsibility (Group or division). Variable salary should be capped at a maximum 75 percent of fixed salary for the CEO and other members of the Executive Team. Under the Board's proposal, the cost of variable salary for senior management is calculated on the basis of current remuneration levels and maximum outcome, i.e. assuming the fulfillment of all the targets on which remuneration is based, and can amount to a total of SEK 35 M, excluding social security contributions. This calculation is made on the basis of the current members of the Executive Team. The costs may change if more people join the Executive Team.

ASSA ABLOY has no outstanding remuneration commitments apart from current commitments to senior management in accordance with the remuneration principles described here, including previous commitments regarding a Long-Term Incentive (LTI) agreement.

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 for senior management in equivalent positions in the labor market in which the executive is employed. 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.

If the company gives notice of termination of contract, the CEO is entitled to a maximum 24 months' salary and other employment benefits, while the other members of the Executive Team are entitled to a maximum 18 months' salary and other employment benefits. These guidelines should cover the members of the Executive Team during the period the guidelines apply. The guidelines apply to contracts entered into following the resolution of the Annual General Meeting, and where amendments are made in existing contracts after this time. The Board should have the right to deviate from these guidelines if there are particular reasons for doing so in an individual case.

The remuneration of ASSA ABLOY's senior management in 2008 was determined in accordance with the guidelines drawn up and adopted by the Board and subsequently approved by the 2008 Annual General Meeting. During 2008, the same remuneration guidelines were applied as the Board's proposal to the 2009 Annual General Meeting described above.

Dating from the period before the 2007 Annual General Meeting, and in one particular case from 2008 where special circumstances were considered to apply, ASSA ABLOY has made Long-Term Incentive (LTI) agreements with some members of the Executive Team (excluding the CEO), which allow them to receive variable salary based on improvements in earnings per share (67 percent) and organic growth (33 percent). The maximum amount of SEK 2 M per person is payable if earnings per share increase by 10 percent compared with the previous year and organic growth reaches 6 percent. One-third of such variable salary is paid the following year, while two-thirds is retained for either one or two years and grows at the same rate as the Group's return on capital employed. The residual two-thirds is paid only if, at the end of the period, the executive has not left his job on his own initiative or been dismissed for breach of contract.

For more information about remuneration to senior management, see Note 33.

Transactions with related parties

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

Significant risks and risk management

Risk management

Uncertainty about future developments and the course of events is a natural risk for any business. Risk-taking in itself provides opportunities for continued economic growth, but naturally the risks may also have a negative effect on business operations and the goals set for them. 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, handling and minimizing the effects of these risks. This work is based on an assessment of the probability of the risks and their potential effect on the Group.

ASSA ABLOY is an international group with a wide geographical spread, which involves it in 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 effect on the Group's earnings and financial position. Financial risks mainly comprise financing risk, currency risk, interest rate risk, credit risk and risk associated with the Group's pension obligations.

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

Strategic risks

The main risks of this nature that ASSA ABLOY encounters include various forms of risks from the surrounding world that may have an impact on the security market in general, mainly changes in customer behavior, competitors, brand positioning and environmental risks. In addition, there are country-specific risks.

ASSA ABLOY has worldwide 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. For natural reasons, therefore, the Group is exposed to both general risks from the world at large and country-specific risks such as political decisions, comprehensive changes in the regulatory framework, etc. Changes in customer behavior in general, as well as 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. For some time the Group has had a central business intelligence organization that primarily focuses on industry-specific factors. In 2008 measures were taken to further strengthen this organization, for example by spreading pertinent information to the Group's various business units. As regards competitors, risk analyzes are carried out both centrally and locally.

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

Activities aimed at maintaining and further strengthening ASSA ABLOY's good reputation are continually in hand. One aspect is to ensure compliance with ASSA ABLOY's Code of Conduct. The Code of Conduct previously implemented in the Group was reviewed and updated in 2008. The Code expresses the Group's high aspirations relating to social responsibility, commitment and respect for the environment. A more detailed description of the Code can be found in the Sustainable development report on page 32.

Operational risks

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

The table on page 42 describes in greater detail how these risks are handled.

Operational risks	Risk management	Comments
Legal risks	The Group continuously monitors anticipated and implemented changes in legislation in the countries in which it operates. A Group-wide legal policy specifies the legal framework within which business operations may be conducted. Ongoing and potential disputes and other legal matters are reported regularly to the Group's central legal function. ASSA ABLOY has implemented guidelines on compliance with current competition legislation. Legal risks associated with property and liability issues are continually evaluated together with insurance company representatives.	It was judged at the end of 2008 that there are no outstanding legal disputes that are expected to lead to significant costs for the Group.
Acquisition of new businesses	Acquisitions are carried out by a group of people with considerable experience of acquisitions 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 2008 acquisitions are presented in the Report of the Board of Directors and in Note 31, Acquisitions.
Restructuring measures The Group is implementing specific restructuring programs which involve some production units changing focus mainly to final assembly, while certain units are closing.	The restructuring programs are being run as a series of projects with set activities and schedules. The various projects are systematically followed up on a regular basis.	The scope, costs and savings of the restructuring programs are presented in greater detail in the Report of the Board of Directors.
Price fluctuations and access to 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 more information about procurement of materials, see Note 7.
Customer losses	Accounts receivable are spread among a large number of customers in many markets. Credit risks are handled locally at company level and reviewed at division level.	Receivables for each customer are relatively small in relation to total accounts receivable. The risk of significant credit losses for the Group is considered to be limited.
Insurance risks	ASSA ABLOY has set up a Group-wide insurance program mainly relating to property, interruption of operations, and liability risks. The insurance program covers all business units. The Group's exposure in the risk areas listed above is regulated by measures such as its own insurance company.	The Group's insurance coverage is considered to be generally adequate, providing a reasonable balance between assessed risk exposure and insurance costs.
Risks related to internal control	The organization is considered to be relatively transparent, with a clear allocation of responsibilities. Instructions about the allocation of responsibilities and authority and other internal control procedures are laid down in an internal control manual. Compliance with the manual is evaluated annually through self assessment.	Internal control and other related issues are reported in greater detail in the Corporate governance report.
Risks relating to financial reporting	A well-established Controller organization at both division and Group level analyzes and monitors financial reporting quality. A comprehensive systematic risk assessment of financial reporting was carried out in 2008.	Also see the section 'Basis of preparation' in Note 1. More information about risk management relating to financial reporting can be found in the Corporate governance report.

Financial risks

Group Treasury at ASSA ABLOY is responsible for the Group's short- and long-term financing, financial cash management, currency risk and other financial risk management. Financial operations are centralized in a Treasury function that handles most financial operations as well as financial risks with a Group-wide focus. Group Treasury moved during the year from Geneva to headquarters in Stockholm in order to further optimize its work on financial risks within the company.

A financial policy that is updated annually and approved by the Board regulates the distribution of responsibilities and control of the Group's financing activities. Group Treasury has the main responsibility for financial risks within the framework established in the financial policy. In this work a large number of financial instruments is used. Accounting principles, risk management and risk exposure are described in greater detail in Note 1 and Note 22, as well as Note 26 for pension obligations.

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

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

Since ASSA ABLOY sells its products in countries worldwide and has companies in over 60 countries, the Group is exposed to the effects of exchange rate fluctuations. Such changes affect Group earnings both when foreign subsidiaries' income statements 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, or the relative values of exports and imports of goods, is fairly limited in the Group, though it is expected to increase over time due to efficiency measures in production and purchasing. In 2008 the Group handled transaction exposure by hedging expected cash flows in tradable currencies for the next financial year. Hedging was done through derivatives, primarily through a currency basket. For 2009 the Group has revised its policy and the underlying principle is to allow currency fluctuations to have an impact on the business as quickly as possible. As a result of this strategy, only limited portions of current currency flows are usually hedged.

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

With respect to interest rate risks, interest rate fluctuations 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 14,013 M (12,953) at the end of 2008 and was mainly denominated in SEK, USD and EUR. Group Treasury analyzes the Group's interest rate exposure and calculates the impact on income of defined interest rate shifts on a rolling 12-month basis. In addition to raising fixed-rate and floating-rate loans, various interest rate derivatives are used to adjust interest rate sensitivity. At year-end, the average interest rate duration, excluding pension obligations, was about 23 (25) months.

Credit risk arises both within ordinary business operations and through the financial transactions carried out by Treasury. Accounts receivable are spread across a large number of customers from different territories, which reduces the credit risk. Credit risks related to operational business activities are handled locally at company level and reviewed at division level.

Financial risk management exposes ASSA ABLOY to certain counterparty risks. Such exposure may arise, for example, from the placement of surplus cash, from borrowing and from derivative financial instruments. Counterparty limits are set for each financial counterparty and continually reviewed.

At the end of 2008 ASSA ABLOY had obligations for pensions and other post-employment benefits of SEK 3,963 M (4,384). The Group manages pension assets valued at SEK 2,604 M (3,177). Pension provisions in the balance sheet amount to SEK 1,182 M (1,156). Changes in the value of assets and liabilities from year to year are due in part to trends on the debt capital markets and equity markets and in part to the actuarial assumptions made. Such assumptions involve factors such as discount rates, as well as anticipated inflation and salary increases.

Sales and earnings

- Organic growth for comparable units was 0 percent (7), while acquired growth was 4 percent (5).
- Operating income (EBIT) excluding restructuring costs and non-recurring costs rose by 1 percent to SEK 5,526 M (5,458), equivalent to an operating margin of 15.8 percent (16.3).
- Earnings per share excluding restructuring costs and non-recurring costs rose by 2 percent to SEK 9.21 (9.02).

Sales

The Group's sales increased to SEK 34,918 M (33,550). Exchange-rate effects had a positive impact of SEK 16 M on sales, compared with 2007.

Change in sales

%	2007	2008
Organic growth	7	0
Acquired growth	5	4
Exchange-rate effects	–4	0
Total	**8**	**4**

Sales rose by 4 percent (12) in local currency, of which organic growth for comparable units accounted for 0 percent (7) and acquired units made a positive contribution of 4 percent (5).

Sales by product group

%	2007	2008
Mechanical locks, lock systems and accessories	48	47
Electromechanical and electronic locks	33	34
Security doors and fittings	19	19

Mechanical locks, lock systems and accessories accounted for 47 percent (48) of sales. Sales of electromechanical and electronic locks rose to 34 percent (33), while security doors and fittings accounted for 19 percent (19) of sales.

Cost structure

Total wage costs, including social security expenses and pension expenses, amounted to SEK 10,016 M (10,066), corresponding to 29 percent (30) of sales. The average number of employees was 32,723 (32,267). The average number of employees in the Parent company was 101 (98).

The Group's material costs totaled SEK 11,329 M (10,721), corresponding to 32 percent (32) of sales. This increase was mainly due to the increased costs of raw materials and outsourcing.

Other purchasing costs totaled SEK 7,172 M (6,424), corresponding to 20 percent (19) of sales.

Depreciation and amortization of fixed assets amounted to SEK 921 M (910), corresponding to 3 percent (3) of sales.

Operating income

Operating income (EBIT) excluding restructuring costs and non-recurring costs amounted to SEK 5,526 M (5,458) after positive exchange-rate effects of SEK 5 M. The corresponding operating margin was 15.8 percent (16.3).

Operating income before depreciation and amortization (EBITDA) excluding restructuring costs and non-recurring costs amounted to SEK 6,447 M (6,366). The corresponding margin was 18.5 percent (19.0).

Restructuring costs of SEK 1,180 M and non-recurring costs of SEK 77 M relating to the provision of supplementary lock protection in the Swedish operation had a negative impact on operating income for the year. Including these items, operating income (EBIT) amounted to SEK 4,269 M and the corresponding margin was 12.2 percent.

Restructuring costs

Total restructuring costs were SEK 1,180 M (–) including write-down of assets, mainly machinery and equipment, of SEK 141 M. The remaining portion mainly pertains to payments in connection with staff redundancies.

Income before tax

Income before tax excluding restructuring costs and non-recurring costs totaled SEK 4,756 M (4,609), an increase of 3 percent compared with the previous year. Negative exchange-rate effects amounted to SEK 14 M. Net financial items amounted to SEK –770 M (–849). This reduction was mainly attributable to non-recurring costs of SEK 75 M in the last quarter of 2007. Profit margin – defined as income before tax in relation to sales – was 13.6 percent (13.7) excluding restructuring costs and non-recurring costs.

The Parent company's income before tax was SEK 1,589 M (2,351).

Tax

The Group's tax expense totaled SEK 1,061 M (1,240), corresponding to an effective tax rate of 30 percent (27). The increase in the effective tax rate was due to the fact that deferred tax was not factored into certain restructuring costs.

Earnings per share

Earnings per share excluding restructuring costs and non-recurring costs amounted to SEK 9.21 (9.02), corresponding to an increase of 2 percent.

Income statement – Group

SEK M	Note	2007	2008
Sales	2	33,550	34,918
Cost of goods sold		–19,751	–21,532
Gross income		**13,799**	**13,386**
Selling expenses		–5,664	–6,129
Administrative expenses	3	–1,930	–2,067
Research and development costs		–776	–890
Other operating income and expenses	4	19	–43
Share of earnings in associates	5	9	12
Operating income	6–9	**5,458**	**4,269**
Financial income	10	27	47
Financial expenses	9, 11	–876	–817
Income before tax		**4,609**	**3,499**
Tax on income	12	–1,240	–1,061
Net income		**3,368**	**2,438**
Allocation of net income:			
Shareholders in ASSA ABLOY AB		3,358	2,413
Minority interest		10	25
Earnings per share			
before dilution, SEK	13	9.18	6.60
after dilution, SEK	13	9.02	6.55
after dilution excl. items affecting comparability, SEK	13	9.02	9.21

Comments by division

ASSA ABLOY is organized into five divisions. The three divisions EMEA (Europe, Middle East and Africa), Americas (North and South America) and Asia Pacific (Asia, Australia and New Zealand) manufacture and sell mechanical and electromechanical locks, security doors and fittings in their respective geographical markets. Global Technologies division operates worldwide in the product areas of access control systems, secure issuance of cards, identification technology and hotel locks. Entrance Systems division is a worldwide supplier of automatic doors and service. Group-wide functions are shown in the column headed 'Other' in the table on page 47.

EMEA
Sales totaled SEK 13,988 M (13,477), with organic growth of –2 percent (7). Acquired units contributed 4 percent. Operating income excluding restructuring and non-recurring costs amounted to SEK 2,289 M (2,295), with an operating margin (EBIT) of 16.4 percent (17.0). Return on capital employed excluding restructuring and non-recurring costs was 19.9 percent (21.9). Operating cash flow before interest paid amounted to SEK 2,421 M (2,267).

Many markets noted declining sales towards the end of the year as a result of the economic downturn in the housing market and delayed commercial projects. Savings from efficiency programs in production, together with the division's other Operating Excellence initiatives, have been largely responsible for sustaining the margin during the year.

Americas
Sales totaled SEK 10,467 M (10,220), with organic growth of 4 percent (5). Acquired units contributed 2 percent to sales. Operating income excluding restructuring costs amounted to SEK 2,101 M (1,995), with an operating margin (EBIT) of 20.1 percent (19.5). Return on capital employed excluding restructuring costs was 24.5 percent (22.7). Operating cash flow before interest paid amounted to SEK 2,097 M (2,211).

The division increased sales and margins mainly due to robust growth in the commercial segment. The residential segment demonstrated negative growth due to the downturn in the US housing market.

Asia Pacific
Sales totaled SEK 3,321 M (2,780), with organic growth of 0 percent (10). Acquired units contributed 20 percent to sales. Operating income excluding restructuring costs amounted to SEK 357 M (322), with an operating margin (EBIT) of 10.8 percent (11.6). Return on capital employed excluding restructuring costs was 13.2 percent (13.8). Operating cash flow before interest paid amounted to SEK 460 M (294).
Market trends in Australia and New Zealand were negative during the year, but they were positive on the Chinese market in particular. However, even this market slowed down towards the end of the year. Export sales to the Group's units in North America and Western Europe also fell towards the end of the year due to inventory reductions on those markets.

Global Technologies
Sales totaled SEK 4,884 M (4,922), with organic growth of 0 percent (11). Units acquired and sold reduced sales by 1 percent net. Operating income excluding restructuring costs amounted to SEK 729 M (754), with an operating margin (EBIT) of 14.9 percent (15.3). Return on capital employed excluding restructuring costs totaled was 12.7 percent (14.7). Operating cash flow before interest paid amounted to SEK 672 M (699).

Growth for the HID Global business unit was weakly negative and for the ASSA ABLOY Hospitality business unit was weakly positive. However, within HID Global, Identity and to Access Management reported growth, while Identification Solutions (formerly ITG) reported negative growth due to the phasing-out of unprofitable customer segments and to customer delays.

Entrance Systems
Sales totaled SEK 3,173 M (2,987), with organic growth of 3 percent (6). Acquired units contributed 3 percent to sales. Operating income excluding restructuring costs amounted to SEK 453 M (432), with an operating margin (EBIT) of 14.3 percent (14.4). Return on capital employed excluding restructuring costs was 13.8 percent (13.7). Operating cash flow before interest paid amounted to SEK 399 M (497).

Demand from the retailing sector in Europe and North America weakened during the year, though increased demand from healthcare and from growth markets largely compensated for this trend. Robust sales in the service segment made a positive contribution.

Other
The costs of Group-wide functions, such as Group management, accounting and finance, supply management and Shared Technologies, amounted to SEK 404 M (340).

Results by division

SEK M	EMEA[1] 2007	EMEA[1] 2008	Americas[2] 2007	Americas[2] 2008	Asia Pacific[3] 2007	Asia Pacific[3] 2008	Global Technologies[4] 2007	Global Technologies[4] 2008	Entrance Systems 2007	Entrance Systems 2008	Other 2007	Other 2008	Total 2007	Total 2008
Sales, external	13,073	13,578	10,166	10,426	2,558	3,031	4,805	4,748	2,949	3,135	–	–	33,550	34,918
Sales, internal	405	410	54	41	222	290	117	136	38	39	–836	–915		
Sales	**13,477**	**13,988**	**10,220**	**10,467**	**2,780**	**3,321**	**4,922**	**4,884**	**2,987**	**3,173**	**–836**	**–915**	**33,550**	**34,918**
Organic growth	7%	–2%	5%	4%	10%	0%	11%	0%	6%	3%			7%	0%
Share of earnings in associates	3	3	6	9	–	–	–	–	–	–	–	–	9	12
Operating income (EBIT) excl. items affecting comparability	**2,295**	**2,289**	**1,995**	**2,101**	**322**	**357**	**754**	**729**	**432**	**453**	**–340**	**–404**	**5,458**	**5,526**
Operating margin (EBIT)	17.0%	16.4%	19.5%	20.1%	11.6%	10.8%	15.3%	14.9%	14.4%	14.3%			16.3%	15.8%
Items affecting comparability [6]	–	–863	–	–77	–	–65	–	–149	–	–103	–	–	–	–1,257
Operating income (EBIT)	**2,295**	**1,426**	**1,995**	**2,024**	**322**	**293**	**754**	**580**	**432**	**350**	**–340**	**–404**	**5,458**	**4,269**
Net financial items													–849	–770
Tax on income													–1,240	–1,061
Net income													**3,368**	**2,438**
Capital employed	10,055	12,306	8,595	9,639	2,520	2,768	5,181	6,112	3,149	3,425	–879	–1,400	28,621	32,850
– of which goodwill	4,926	5,766	4,928	6,236	1,211	1,628	3,640	4,275	2,566	2,763	–	–	17,270	20,669
Return on capital employed excl. items affecting comparability	21.9%	19.9%	22.7%	24.5%	13.8%	13.2%	14.7%	12.7%	13.7%	13.8%			18.4%	17.2%
Assets	13,933	16,637	9,839	11,137	3,269	3,950	6,602	7,293	3,771	4,631	317	1,311	37,732	44,960
– of which shares in associates	32	31	2	2	5	5	–	–	–	–	–	–	39	38
Liabilities	3,953	4,330	1,235	1,500	763	1,183	1,174	1,181	721	1,206	14,217	16,722	22,064	26,122
Operating income (EBIT)	2,295	1,426	1,995	2,024	322	293	754	580	432	350	–340	–404	5,458	4,269
Restructuring costs	–	786	–	77	–	65	–	149	–	103	–	–	–	1,180
Depreciation	433	455	218	205	69	80	138	136	38	37	12	8	909	921
Investments in fixed assets	–524	–403	–187	–235	–84	–107	–197	–152	–36	–37	–22	–29	–1,050	–962
Sales of fixed assets	173	75	45	20	27	9	33	23	22	5	–	–	299	133
Change in working capital	–111	82	140	5	–40	120	–29	–64	41	–60	–27	–88	–25	–5
Cash flow [5]	**2,267**	**2,421**	**2,211**	**2,097**	**294**	**460**	**699**	**672**	**497**	**399**			**5,591**	**5,536**
Adjustment for non-cash items											–49	–49	–49	–49
Paid and received interest											–734	–718	–734	–718
Operating cash flow [5]													**4,808**	**4,769**
Investments in subsidiaries	–275	–762	–319	–420	–357	–331	–304	–114	–102	–204	–	–	–1,358	–1,831
Average number of employees	12,493	11,903	9,428	8,573	5,445	7,065	2,650	2,811	2,137	2,260	113	111	32,267	32,723

[1] Europe, Middle East and Africa.
[2] North and South America
[3] Asia, Australia and New Zealand.
[4] ASSA ABLOY Hospitality and HID Global.
[5] Excluding restructuring payments.
[6] Items affecting comparability consist of restructuring costs and non-recurring costs. Non-recurring costs relate to EMEA and totaled SEK 77M.

Financial position

- Capital employed amounted to SEK 32,850 M (28,621).
- Net debt totaled SEK 14,013 M (12,953).
- The net debt / equity ratio was 0.74 (0.83).

SEK M	2007	2008
Capital employed	28,621	32,850
– of which goodwill	17,270	20,669
Net debt	12,953	14,013
Equity	15,668	18,838
– of which minority interests	201	163

Capital employed

Capital employed – defined as total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liabilities – amounted to SEK 32,850 M (28,621). The return on capital employed excluding items affecting comparability was 17.2 percent (18.4).

Intangible assets amounted to SEK 22,662 M (18,708). The change can be attributed to exchange-rate effects and to acqusitions made. During the year, goodwill and other intangible assets with an indefinite useful life have arisen to a value of approximately SEK 1,460 M. A valuation model based on discounted future cash flows is used for impairment testing of goodwill and other intangible assets with an indefinite useful life. No impairment was recognized this year.

Tangible assets amounted to SEK 5,952 M (5,345). Capital expenditure on tangible and intangible assets, less sales of tangible and intangible assets, totaled SEK 829 M (751). Depreciation according to plan amounted to SEK 921 M (909).

Accounts receivable totaled SEK 6,372 M (5,537) and inventories totaled SEK 5,383 M (4,399). The average collection period for accounts receivable was 52 days (54). Material throughput time was 105 days (104). The Group is making systematic efforts to increase capital efficiency.

Net debt

Net debt amounted to SEK 14,013 M (12,953), of which pension commitments accounted for SEK 1,182 M (1,156). Net debt was increased by acquisitions, exchange-rate effects and the dividend to shareholders and reduced by the strong operating cash flow.

External financing

The Group's long-term loan financing consists mainly of Private Placement Programs in the USA totaling USD 630 M (630), Incentive Programs of EUR 138 M (238) and a three-year bank financing totaling SEK 1,000 M (0).

The Group's short-term loan financing consists mainly of two Commercial Paper Programs for a maximum of USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 3,215 M (4,166) 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 (MCRC) agreement for a maximum of EUR 1,100 M (1,100), which had not been utilized at all at year-end.

The interest coverage ratio, defined as income before tax plus net interest, divided by net interest, was 5.7 (7.4). Fixed interest terms were largely unchanged during the year, with average terms of 23 months (25) at year-end.

Cash and cash equivalents amounted to SEK 1,931 M (1,338) and are invested in banks with high credit ratings.

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

Equity

The Group's equity totaled SEK 18,838 M (15,668) at year-end. The return on shareholders' equity amounted to 12.8 percent (21.0). The equity ratio was 41.9 percent (41.5). The net debt / equity ratio, defined as net debt divided by shareholders' equity, was 0.74 (0.83).

Balance sheet – Group

SEK M	Note	2007	2008
ASSETS			
Non-current assets			
Intangible assets	14	18,708	22,662
Tangible assets	15	5,345	5,952
Shares in associates	17	39	38
Other long-term financial assets	19	170	317
Deferred tax receivables	18	881	757
Total non-current assets		**25,143**	**29,726**
Current assets			
Inventories	20	4,399	5,383
Accounts receivable	21	5,537	6,372
Current tax receivables		404	249
Other short-term receivables		449	479
Prepaid expenses and accrued income		368	485
Derivative financial instruments	22	94	277
Short-term investments	22	–	58
Cash and cash equivalents	22	1,338	1,931
Total current assets		**12,589**	**15,234**
TOTAL ASSETS		**37,732**	**44,960**
EQUITY AND LIABILITIES			
Equity			
Parent company's shareholders			
Share capital	24	366	366
Other contributed capital		8,887	8,887
Reserves	25	–540	1,572
Retained earnings		6,754	7,850
		15,467	**18,675**
Minority interests		201	163
Total equity		**15,668**	**18,838**
Non-current liabilities			
Long-term loans	22	5,805	6,248
Convertible debenture loans	22	2,245	1,518
Deferred tax liabilities	18	119	56
Pension provisions	26	1,156	1,182
Other long-term provisions	27	774	1,453
Other long-term liabilities		122	151
Total non-current liabilities		**10,221**	**10,608**
Current liabilities			
Short-term loans	22	5,258	6,400
Convertible debenture loans	22	–	1,096
Derivative financial instruments	22	26	92
Accounts payable		2,503	2,909
Current tax liabilities		249	377
Short-term provisions	27	566	787
Other short-term liabilities	28	624	729
Accrued expenses and prepaid income	29	2,617	3,124
Total current liabilities		**11,843**	**15,514**
TOTAL EQUITY AND LIABILITIES		**37,732**	**44,960**

Cash flow

- Operating cash flow amounted to SEK 4,769 M (4,808).
- Net capital expenditure amounted to SEK 829 M (751).

Operating cash flow

SEK M	2007	2008
Operating income (EBIT)	5,458	4,269
Restructuring costs	–	1,180
Depreciation	909	921
Net capital expenditure	–751	–829
Change in working capital	–25	–5
Interest paid and received	–734	–718
Adjustments for non-cash items	–49	–49
Operating cash flow [1]	**4,808**	**4,769**
Operating cash flow / Income before tax	1.04	1.02 [2]

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

The Group's operating cash flow amounted to SEK 4,769 M (4,808), equivalent to 102 percent (104) of income before tax excluding restructuring costs. The Parent company's cash flow amounted to SEK 1 M (–1).

Net capital expenditure

Direct net capital expenditure on tangible and intangible assets totaled SEK 829 M (751), equivalent to 90 percent (83) of depreciation of tangible and intangible assets. The low net capital expenditure is mainly due to the Group's long-term efforts to optimize investments, and to streamline the production structure.

Change in working capital

SEK M	2007	2008
Inventories	–148	–144
Accounts receivable	–256	38
Accounts payable	219	–59
Other working capital	160	160
Change in working capital	**–25**	**–5**

The material throughput time was 105 days (104) at year-end. Capital tied up in inventories has increased somewhat during the year, which had an impact of SEK –144 M (–148) on cash flow. The decreased capital tied up in accounts receivable is attributable in part to weaker sales toward the end of the year.

Relationship between cash flow from operating activities and operating cash flow

SEK M	2007	2008
Cash flow from operating activities	3,871	4,369
Restructuring payments	424	485
Net capital expenditure	–751	–829
Tax paid	1,264	742
Operating cash flow	**4,808**	**4,769**

Acquisitions of subsidiaries

The total purchase price for acquisitions of subsidiaries amounted to SEK 2,030 M (1,675). Acquired cash totaled SEK 58 M (100).

Change in net debt

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

SEK M	2007	2008
Net debt at 1 January	13,560	12,953
Operating cash flow	–4,808	–4,769
Restructuring payments	424	485
Tax paid	1,264	742
Acquisitions	1,376	1,819
Dividend	1,189	1,317
Exchange-rate differences	–52	1,466
Net debt at 31 December	**12,953**	**14,013**

Cash flow statement – Group

SEK M	Note	2007	2008
OPERATING ACTIVITIES			
Operating income		5,458	4,269
Depreciation	8	909	921
Reversal of restructuring costs		–	1,180
Restructuring payments		–424	–485
Non-cash items	32	–49	–49
Cash flow before interest and tax		**5,894**	**5,836**
Interest paid		-764	–732
Interest received		30	14
Tax paid on income		–1,264	–742
Cash flow before changes in working capital		**3,896**	**4,376**
Changes in working capital	32	–25	–5
Cash flow from operating activities		**3,871**	**4,369**
INVESTING ACTIVITIES			
Investments in tangible and intangible assets	14, 15, 32	–1,050	–962
Sales of tangible and intangible assets	14, 15, 32	299	133
Investment in subsidiaries	32	–1,358	–1,831
Other investments	32	–18	12
Cash flow from investing activities		**–2,127**	**–2,648**
FINANCING ACTIVITIES			
Dividends		–1,189	–1,317
Long-term loans raised		924	1,000
Long-term loans repaid		–926	–
Net cash effect of changes in other borrowings		–377	–994
Cash flow from financing activities		**–1,568**	**–1,311**
CASH FLOW		**176**	**410**
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		**1,154**	**1,338**
Cash flow		176	410
Effect of exchange-rate differences		8	183
Cash and cash equivalents at 31 December	22	**1,338**	**1,931**

Changes in equity – Group

		Parent company's shareholders					
SEK M	**Note**	**Share capital**	**Other contribu-ted capital**	**Reserves**	**Retained earnings**	**Minority interests**	**Total**
Opening balances 1 January 2007	24	**366**	**8,887**	**–253**	**4,585**	**60**	**13,645**
Translation differences for the year				–287		–4	–291
Value changes in cashflow hedging instruments	25			0			0
Income/expenses reported directly to equity				*–287*		*–4*	*–291*
Net income from income statement					3,358	10	3,368
Total income and expenses				**–287**	**3,358**	**6**	**3,077**
Dividend for 2006	24				–1,189		–1,189
Acquisitions						135	135
Closing balance 31 December 2007	24	**366**	**8,887**	**–540**	**6,754**	**201**	**15,668**
Opening balances 1 January 2008	24	**366**	**8,887**	**–540**	**6,754**	**201**	**15,668**
Translation differences for the year				2,112		19	2,131
Value changes in cashflow hedging instruments	25			0			0
Income/expenses reported directly to equity				*2,112*		*19*	*2,131*
Net income from income statement					2,413	25	2,438
Total income and expenses				**2,112**	**2,413**	**44**	**4,569**
Dividend for 2007	24				–1,317		–1,317
Acquisitions						–82	–82
Closing balance 31 December 2008	24	**366**	**8,887**	**1,572**	**7,850**	**163**	**18,838**

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

Parent company financial statements

Income statement
Parent company

SEK M	Note	2007	2008
Administrative expenses	3, 6, 8, 9	–660	–554
Research and development costs	6, 8, 9	–221	–229
Other operating income and expenses	4	1,641	1,775
Operating income	9, 33	**760**	**992**
Financial income	10	2,294	1,443
Financial expenses	9, 11	–703	–846
Income before tax		**2,351**	**1,589**
Tax on income	12	–197	–435
Net income		**2,154**	**1,154**

Balance sheet
Parent company

SEK M	Note	2007	2008
ASSETS			
Non-current assets			
Intangible assets	14	692	506
Tangible assets	15	6	4
Shares in subsidiaries	16	13,266	16,061
Receivables from subsidiaries		2,374	2,624
Other long-term financial assets	19	101	79
Total non-current assets		**16,439**	**19,274**
Current assets			
Receivables from subsidiaries		14,837	15,268
Other short-term receivables		13	36
Prepaid expenses and accrued income		31	24
Cash and cash equivalents		0	1
Total current assets		**14,881**	**15,329**
TOTAL ASSETS		**31,320**	**34,603**
EQUITY AND LIABILITIES			
Equity	23		
Restricted equity			
Share capital	24	366	366
Statutory reserve		8,905	8,905
Fair value reserve		142	408
Unrestricted equity			
Retained earnings		3,186	2,943
Net income		2,154	1,154
Total equity		**14,753**	**13,776**
Provisions			
Other provisions	27	91	58
Total provisions		**91**	**58**
Non-current liabilities			
Long-term loans	22	1,500	1,000
Convertible debenture loans	22	2,245	1,517
Long-term loans to subsidiaries		2,374	2, 624
Other long-term liabilities		335	4
Total non-current liabilities		**6,454**	**5,145**
Current liabilities			
Short-term loans	22	622	2,224
Convertible debenture loans	22	–	1,096
Accounts payable		28	18
Short-term liabilities to subsidiaries		9,260	12,123
Current tax liabilities		1	31
Other short-term liabilities		7	16
Accrued expenses and prepaid income	29	104	116
Total current liabilities		**10,022**	**15,624**
TOTAL EQUITY AND LIABILITIES		**31,320**	**34,603**
Assets pledged	34	None	None
Contingent liabilities	30	9,939	8,501

Cash flow statement Parent company

SEK M	Note	2007	2008
OPERATING ACTIVITIES			
Operating income		760	992
Depreciation	8	212	188
Cash flow before interest and tax		**972**	**1,180**
Paid and received interest		170	160
Dividends received		1,489	555
Tax paid and received		3	20
Cash flow before changes in working capital		**2,634**	**1,915**
Changes in working capital		–987	–819
Cash flow from operating activities		**1,647**	**1,096**
INVESTING ACTIVITIES			
Investment in tangible and intangible assets		–496	0
Sales of tangible and intangible assets		1	0
Investments in subsidiaries		–676	–1,560
Other investments		20	0
Cash flow from investing activities		**–1,151**	**–1,560**
FINANCING ACTIVITIES			
Dividends		–1,189	–1,317
Net cash effect of changes in borrowings		692	1,782
Cash flow from financing activities		**–497**	**465**
CASH FLOW		**–1**	**1**
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		**1**	**0**
Cash flow		–1	1
Cash and cash equivalents at 31 December		**0**	**1**

Changes in equity Parent company

		Restricted shareholders' equity			Unrestricted shareholders' equity	
SEK M	**Note**	**Share capital**	**Statutory reserve**	**Fair value reserve**	**Retained earnings**	**Total**
Opening balance 1 January 2007		**366**	**8,905**	**43**	**4,927**	**14,241**
Changes in value of financial instruments				99		99
Group contributions net					–766	–766
Tax effect of Group contributions					214	214
Net income from the income statement					2,154	2,154
Total income and expenses				*99*	*1,602*	*1,701*
Dividend for 2006	24				–1,189	–1,189
Closing balance 31 December 2007	24	**366**	**8,905**	**142**	**5,340**	**14,753**
Opening balance 1 January 2008		**366**	**8,905**	**142**	**5,340**	**14,753**
Changes in value of financial instruments				266		266
Group contributions net					–1,500	–1,500
Tax effect of Group contributions					420	420
Net income from the income statement					1,154	1,154
Total income and expenses				*266*	*74*	*340*
Dividend for 2007	24				–1,317	–1,317
Closing balance 31 December 2008	24	**366**	**8,905**	**408**	**4,097**	**13,776**

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 standard RFR 1.1, of the Swedish Financial Reporting Board. The accounting principles are based on IFRS as endorsed by 31 December 2008 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 reports, which comprise the information appearing on pages 38–84.

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 under the historical cost convention, except regarding available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value through profit and loss.

The preparation of financial statements is based on estimates and assumptions made for accounting purposes. The management also makes judgments about the application of the Group's accounting principles. Estimates and assumptions may affect the income statement and balance sheet as well as the supplementary information that appears in the financial reports. Thus changes in estimates and assumptions may lead to changes in the financial statements.

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

The Group considers that estimates and assumptions relating to impairment testing of goodwill and other intangible assets with indefinite useful life are of significant 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 established by calculating their values in use. The calculations are based on certain assumptions about the future which, for the Group, are associated with risks of material adjustments in reported amounts during the next financial year. Major assumptions and the effects of likely changes to them are described in Note 14.

New and amended standards not yet effective

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

- IAS 1 Presentation of Financial Statements (amendment), effective from 1 January 2009.
- IAS 23 Borrowing costs (amendment), effective from 1 January 2009.
- IAS 27 Consolidated and Separate Financial Statements (amendment), effective from 1 July 2009, not yet endorsed by EU.
- IFRS 2 Share based payments (amendment), effective from 1 January 2009.
- IFRS 3 Business Combinations (amendment), effective from 1 July 2009, not yet endorsed by EU.
- IFRS 8 Operating Segments, effective from 1 January 2009.
- IAS 32 Financial instruments presentation (amendment), effective from 1 January 2009.
- IAS 39 Financial instruments , recognition and measurement (amendment), effective from 1 July 2009, not yet endorsed by EU.
- IFRIC 13 Customer loyalty programmes, effective from 1 July 2008.
- IFRIC 15, Agreements for construction of real estate, effective from 1 January 2009, not yet endorsed by EU.
- IFRIS 16, Hedges of net investment in a foreign operation, effective from 1 October 2008, nor yet endorsed by EU.
- IFRIC 17, Distribution of Non Cash Assets to owners, effective from 1 July 2009, not yet endorsed by EU.
- IFRIC 18, Transfers of Assets from Customers, effective from 1 July 2009, not yet endorsed by EU.

Management analyzes the impact of the new and amended standards on the financial reports. Mainly, the amendments to IAS 1, IAS 27, IFRS 3 and the new IFRS 8 are considered relevant to the Group. These changes may have certain impact on the Group's financial reports. The changes will not affect the financial reports prepared prior to the effective dates. The amendments to IAS 1 mainly affect the formats and terms used in the financial reports. The amendments to IAS 27 will have an impact on the accounting for minority interest in future transactions. IFRS 3 will affect the accounting of future business combinations regarding transaction costs, contingent consideration and business combinations achieved in stages. IFRS 8 will not change the segments, only the presentation of the segments. In other respects, it is currently assessed that none of the new and amended standards listed above will have a significant impact on the Group's financial statements.

Consolidated financial statements

The consolidated financial statements cover ASSA ABLOY AB (the Parent company) and companies in which the Parent company held, directly or indirectly, more than 50 percent of the voting rights at the end of the period, as well as companies in which the Parent company exercises control by some other means, for example by having the power to govern financial and operating policies. Companies acquired during the year are included in the consolidated financial statements with effect from the date when control was obtained. Companies sold during the year are included in the consolidated financial statements up to the date when control ceased.

The consolidated financial statements have been prepared in accordance with the purchase method, which means that the cost of acquisition of shares in subsidiaries is eliminated against their equity at the time of acquisition. In this context, equity in subsidiaries is determined on the basis of the fair value of assets, liabilities and contingent liabilities at the date of acquisition. Thus only that part of subsidiaries' equity that has arisen after the acquisition is included in the Group's equity. A positive difference between the cost of acquisition and the fair value of the Group's share of acquired net assets is reported as goodwill. A negative difference, negative goodwill, is recognized immediately in the income statement.

Intra-group transactions and balance sheet items and unrealized profits on transactions between Group companies are eliminated in the Group financial statements.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34

Note 1 cont.

Minority interests

Minority interests are based on subsidiaries' accounts with application of fair value adjustments resulting from completed acquisition analysis. Minority participations in subsidiaries' income are reported in the income statement with net income divided between the Parent company's shareholders and minority interests. Minority participations in subsidiaries' equity are reported as a separate item in the Group's equity. Transactions with minority shareholders are accounted for as third-party transactions.

Associates

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

Participations in associates are accounted for in accordance with the equity method. In the consolidated balance sheet, shareholdings in associates are reported at cost, adjusted for participation in income after the date of acquisition. Dividends from associates are reported as a reduction in the carrying amount of the investment. Participations in the income of associates are reported in the consolidated income statement as part of operating income as the investments are related to business operations.

Segment reporting

The Group's business operations are split organizationally into five divisions. Three divisions are based on products sold in local markets in the respective division: EMEA, Americas and Asia Pacific. Global Technologies' and Entrance Systems' products are sold worldwide. The divisions reflect a partition of the Group's operations according to major risks and returns. The divisions form the operational structure for internal control and reporting and also constitute the Group's segments for external financial reporting. There are no secondary segments.

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 at the dates of the transactions. Foreign exchange gains and losses arising from the settlement of such transactions are normally reported in the income statement, as are those arising from translation of monetary balances in foreign currencies at the closing-day rate. Exceptions are transactions relating to qualifying cash flow hedges, which are reported in equity. Receivables and liabilities are valued at the closing-day 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 closing-day rate and net income is translated at the average rate. The income statement is translated at the average rate for the period. Exchange-rate differences arising from the translation of foreign subsidiaries are reported in the translation reserve in equity.

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

		Average rate		Closing-day rate	
Country	**Currency**	**2007**	**2008**	**2007**	**2008**
Argentina	ARS	2.16	2.08	2.04	2.25
Australia	AUD	5.65	5.55	5.64	5.38
Brazil	BRL	3.46	3.62	3.59	3.26
Canada	CAD	6.29	6.20	6.54	6.30
Switzerland	CHF	5.63	6.11	5.68	7.37
Chile	CLP	0.013	0.012	0.013	0.012
China	CNY	0.89	0.94	0.88	1.14
Czech Republic	CZK	0.33	0.38	0.35	0.41
Denmark	DKK	1.24	1.29	1.26	1.47
Estonia	EEK	0.59	0.62	0.60	0.70
Euro zone	EUR	9.24	9.65	9.42	10.96
United Kingdom	GBP	13.48	12.11	12.79	11.27
Hong Kong	HKD	0.86	0.85	0.82	1.00
Hungary	HUF	0.037	0.039	0.037	0.041
Israel	ILS	1.65	1.83	1.66	2.02
Kenya	KES	0.100	0.095	0.101	0.099
Korea	KRW	0.0073	0.0060	0.0068	0.0062
Lithuania	LTL	2.68	2.80	2.73	3.17
Mexico	MXN	0.62	0.59	0.59	0.57
Malaysia	MYR	1.96	1.98	1.94	2.22
Norway	NOK	1.15	1.17	1.18	1.11
New Zealand	NZD	4.97	4.66	4.97	4.53
Poland	PLN	2.45	2.74	2.62	2.64
Russia	RUB	0.26	0.26	0.26	0.26
Singapore	SGD	4.48	4.65	4.45	5.39
Slovenia	SIT	0.039	0.039	0.038	0.038
Slovakia	SKK	0.27	0.31	0.28	0.36
Thailand	THB	0.20	0.20	0.19	0.22
USA	USD	6.74	6.59	6.40	7.78
South Africa	ZAR	0.96	0.81	0.94	0.82

Revenue

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

Intra-group sales

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

Government grants

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

Research and development

Research costs are expensed as they are incurred. The costs of development work are reported in the balance sheet only to the extent that they are expected to generate future economic benefits for the Group and provided such benefits

Note 1 cont.

can be reliably measured. Development costs so reported are amortized over the expected useful life.

Development costs recorded as assets but not yet in use are subject to annual impairment testing. Costs for development of existing products are expensed as they are incurred.

Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred.

Tax on income

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

Cash flow statement

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

Cash and cash equivalents

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

Goodwill and acquisition-related intangible assets

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

Other intangible assets

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

Tangible assets

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

- office buildings, 50 years
- industrial buildings, 25 years
- machinery and other technical plant, 7–10 years
- equipment and tools, 3–6 years.

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

Leasing

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

Impairment

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

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

When impairment has been established, the value of the asset is reduced to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and its 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 year-end. Deductions are made for internal profits arising from deliveries between Group companies. Work in progress and finished goods include both direct costs incurred and a fair allocation of indirect manufacturing costs.

Accounts receivable

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

Financial instruments

Financial instruments are initially recorded at fair value. Subsequent measurement of financial instruments depends on the classification at initial recognition, which in turn depends on the original purpose of acquiring the instrument. Classification is determined when the instrument is recorded for the first time. Financial instruments are divided into the following categories:

'Financial instrument fair value through profit and loss' are financial assets held for trading, financial assets at fair value through profit and loss (classified at inception) and derivatives that are not part of a hedge relationship qualifying for hedge accounting. Gains and losses arising from changes in the fair value of financial instruments at fair value through profit and loss are included in the income statement in the period in which they arise. For the accounting of hedging instruments qualifying for hedge accounting, see the section 'Hedge accounting'.

'Loans and other receivables' are non-derivative financial assets, with fixed or determinable payments, which are not traded on an active market. Such a receivable usually arises when the Group provides a counterparty with cash or supplies a customer with goods or services without intention of trading the receivable. Loans and other receivables are carried at amortized cost using the effective interest method. The category covers non-current receivables, accounts receivable, other current receivables, short-term investments and cash and cash equivalents.

'Available-for-sale financial assets' includes non-derivative financial assets that are either classified as available for sale or are not classified in any of the other categories of financial assets. The Group holds no positions falling into this category.

'Financial liabilities at amortized cost' are financial liabilities which are neither recorded at fair value through profit and loss nor included in a hedge relationship qualifying for hedge accounting. Such financial liabilities are reported at amortized cost using the effective interest method. The category covers non-current and current loan liabilities which are not hedged items, other non-current and current liabilities, and accounts payable.

Acquisitions and disposals of financial instruments are recognized on trade-date, i.e. when the Group is committed to the purchase or sale. Transaction costs are included initially in the fair value of all financial instruments apart from those reported at fair value through profit and loss.

The fair value of a quoted financial instrument is based on the bid price on the closing day. Regarding financial instruments in a non-active market and for unlisted securities, fair value is determined by using an appropriate method of valuation, for example using available information on comparable arm's length transactions, comparison with similar instruments, and analysis of discounted cash flows.

The current and non-current distinction is applied consistently to all financial instruments. When settlement or disposal is expected to occur more than 12 months after closing day, a financial asset is reported as a non-current asset. Conversely, when settlement or disposal is expected to occur within 12 months of closing day, financial assets are reported as current assets.

Financial liabilities with maturity later than 12 months after closing day are reported as non-current liabilities and those with maturity within 12 months of closing day as current liabilities.

A financial asset is derecognized when the right to receive cash flow from the asset expires or is transferred to another party because all risks and rewards associated with the asset have been transferred to that party. A financial liability is derecognized when the obligation is discharged or cancelled or when it expires.

Hedge accounting

Hedge accounting is applied only to transactions that are designated to hedge a specific risk and that qualify for hedge accounting. The Group holds a limited number of such hedge relationships. When a transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group objectives of the risk management and the hedging strategy.

A financial liability is a hedged item when it is included in a hedge relationship qualifying for hedge accounting, thus effectively hedged by a derivative designated as a hedging instrument. The liability (the hedged item) as well as the derivative (the hedging instrument) is recognized at fair value. In calculating fair value, only general changes in market interest rates, and not changes in the credit spread of the individual company, are taken into account.

Changes in the fair value of both the hedged item and the hedging instrument are reported in the income statement (financial items) in the period in which they arise. Information about the fair values of the various derivative financial instruments used for hedge accounting can be found in Note 22.

Gain or loss from revaluation of a hedging instrument of a cash-flow hedge qualifying for hedge accounting is reported in equity in the period in which it arises and is transferred to the income statement in the period that the hedged cash flow is recognized. The ineffective portion of the gain or loss is reported in the income statement in the period in which it arises.

Provisions

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

Employee benefits

Both defined contribution and defined benefit pension plans exist in the Group. Comprehensive defined benefit plans are found chiefly in the USA, the UK and Germany. Post-employment medical benefits also exist, mainly in the USA, which are reported in the same way as defined benefit pension plans. Calculations related 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. Obliga-

Note 1 cont.

tions are valued on the closing day at their discounted value. For funded plans, obligations are reduced by the fair value of the plan assets. Unrecognized actuarial gains and losses lying outside the so-called corridor (exceeding the higher of 10 percent of the present value of the obligation or the fair value of plan assets) are spread over the expected average remaining working lives of the employees. Pension costs for defined benefit plans are spread over the employee's service period. The part of the interest component in the pension cost that relates to the deficit in pension plans is reported as a financial expense. The Group's payments related to defined contribution pension plans are reported as cost in the period to which they refer, based on the services performed by the employee. Swedish Group companies apply UFR 4 which means that tax on pension costs is calculated on the difference between pension cost in accordance with IAS 19 and pension cost determined in accordance with local regulations.

Share-based incentive programs

Current share-based incentive programs were issued at market value and therefore involve no personnel costs for the Group.

Dividend

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

The Parent company

The Group's Parent company, ASSA ABLOY AB, is responsible for the management of the Group and handles common Group functions. The Parent company's revenue consists of intra-group franchise and royalty revenues, and its main balance sheet items consist of shares in subsidiaries, intra-group receivables and liabilities, and external borrowing.The Parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and standard RFR 2.1 of the Swedish Financial Reporting Board . RFR 2.1 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. RFR 2.1states what exceptions from, and additions to, IFRS should be made.

Revenue

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

Pension obligations

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

Dividend

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

Research and development costs

Research and development costs are expensed as they are incurred.

Intangible assets

Intangible assets comprise patented technology and other intangible rights. Intangible assets are amortized over 5 years.

Tangible assets

Tangible assets owned by the Parent company are reported at cost less accumulated depreciation and any impairment losses in the same way as for the Group. All leasing contracts in the Parent company consist of operational leasing and are reported according to applicable rules.

Shares in subsidiaries

Shares in subsidiaries are reported at cost less impairment losses.

Financial instruments

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

Group contributions

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

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34

Note 2 Sales

The Group's sales revenues come chiefly from sales of products. Service related to products sold accounts for a very limited part of revenues (3-4 percent).

Sales to customers, by country

	Group	
SEK M	2007	2008
USA	10,681	11,005
France	2,501	2,597
United Kingdom	2,179	1,965
Germany	1,649	1,731
Sweden	1,547	1,541
Australia	1,583	1,539
Netherlands	1,180	1,267
China	827	1,195
Spain	1,350	1,193
Canada	1,144	1,149
Finland	867	887
Norway	798	834
Denmark	773	810
Middle East	586	680
Italy	493	671
Mexico	679	634
Asia (excluding China and Korea)	468	576
Czech Republic	382	444
South America	408	441
Belgium	410	440
Korea	231	439
Switzerland	302	332
South Africa	324	303
New Zealand	325	290
Austria	290	276
Africa (excluding South Africa)	182	258
Russia	215	211
Central America (excluding Mexico)	174	192
Poland	138	170
Portugal	127	169
Baltic countries	154	139
Ireland	74	80
Greece	56	74
Romania	66	61
Turkey	54	58
Other countries	333	267
Total	**33,550**	**34,918**

Note 3 Auditors' fees

	Group		Parent company	
SEK M	2007	2008	2007	2008
Audit				
PricewaterhouseCoopers	22	26	2	3
Other	6	6	–	–
Assignments other than audit				
PricewaterhouseCoopers	12	10	2	2
Other	5	5	2	1
Total	**45**	**47**	**6**	**6**

Note 4 Other operating income and expenses

	Group	
SEK M	2007	2008
Rent received	14	14
Net income from sales of fixed assets	52	56
Government grants	4	10
Business-related taxes	–42	–38
Other, net	–9	–85
Total	**19**	**–43**

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	2007	2008
Låsgruppen Wilhelm Nielsen AS	3	3
Cerraduras de Colombia Cerracol S.A	6	9
Total	**9**	**12**

Note 6 Operational leasing agreements

	Group		Parent company	
SEK M	2007	2008	2007	2008
Leasing fees paid during the year	273	279	11	13
Total	**273**	**279**	**11**	**13**
Nominal value of agreed future leasing fees				
Due for payment in (2008) 2009	254	253	12	13
Due for payment in (2009) 2010	199	200	12	13
Due for payment in (2010) 2011	155	156	12	14
Due for payment in (2011) 2012	113	111	12	14
Due for payment in (2012) 2013	76	90	12	12
Due for payment in (2013) 2014 or later	145	112	12	12
Total	**942**	**922**	**72**	**78**

Note 7 Expenses by nature

In the income statement costs are broken down by function. Cost of goods sold, Selling expenses, Administrative expenses and Research and development costs amount to SEK 30,618 M (28,121). Below, these same costs are broken down by nature:

	Group	
SEK M	2007	2008
Remuneration to employees (Note 33)	10,066	10,016
Direct material costs	10,721	11,329
Depreciation (Note 8, 14, 15)	910	921
Other purchase expenses	6,424	7,172
Restructuring costs	–	1,180
Total	**28,121**	**30,618**

Note 8 Depreciation and amortization

	Group		Parent company	
SEK M	2007	2008	2007	2008
Intangible rights	107	124	210	186
Machinery	436	424	–	–
Equipment	239	240	2	2
Buildings	126	134	–	–
Land improvements	1	1	–	–
Total	**909**	**921**	**212**	**188**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34

Note 9 Exchange-rate differences in the income statement

	Group		Parent company	
SEK M	2007	2008	2007	2008
Exchange-rate differences reported in operating income	–20	6	–2	4
Exchange-rate differences reported in financial expenses (Note 11)	–24	4	77	–3
Total	**–44**	**10**	**75**	**1**

Note 10 Financial income

	Group		Parent company	
SEK M	2007	2008	2007	2008
Earnings from participations in subsidiaries	–	–	1,489	486
- of which dividends from subsidiaries	–	–	*1,489*	*555*
- of which impairment of shares in subsidiaries	–	–	–	*–69*
Intra-group interest income	–	–	803	956
External interest income and similar items	27	47	2	1
Total	**27**	**47**	**2,294**	**1,443**

Note 11 Financial expenses

	Group		Parent company	
SEK M	2007	2008	2007	2008
Intra-group interest expenses	–	–	-484	–578
Interest expenses, convertible debenture loans	–76	–110	–76	–110
Interest expenses, other liabilities	–625	–665	–88	–125
Interest expenses, interest rate swaps	3	24	–	–
Interest expenses, foreign exchange forwards	–53	–31	1	–
Exchange-rate differences on financial instruments	–12	–17	77	–3
Fair value adjustments on derivatives, hedge accounting	18	148	–	–
Fair value adjustments on derivatives, non-hedge accounting	–28	–11	–30	–22
Fair value adjustments on borrowings, hedge accounting	–18	–148	–	–
Fair value adjustments on loan receivables	–75	–	–75	–
Other financial expenses	–10	–7	–28	–8
Total	**–876**	**–817**	**–703**	**–846**

Note 12 Tax on income

	Group		Parent company	
SEK M	2007	2008	2007	2008
Current tax paid	–1,090	–1,047	–209	–419
Tax attributable to prior years	–14	14	12	–16
Deferred tax	–136	–28	–	–
Total	**–1,240**	**–1,061**	**–197**	**–435**

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

	Group		Parent company	
Percent	2007	2008	2007	2008
Swedish rate of tax on income	28	28	28	28
Effect of foreign tax rates	3	4	–	–
Non-taxable income/non-deductible expenses, net	–3	–3	–20	–1
Deductible goodwill	–1	–1	–	–
Tax losses utilized	–1	–1	–	–
Other	1	–	–	–
Restructuring costs	–	3	–	–
Effective tax rate in income statement	**27**	**30**	**8**	**27**

Note 13 Earnings per share

Earnings per share before dilution

	Group	
	2007	2008
Earnings assigned to the Parent company's shareholders	3,358	2,413
Weighted average number of shares issued (thousands)	365,918	365,918
Earnings per share before dilution (SEK per share)	**9.18**	**6.60**

Earnings per share after dilution

	Group	
	2007	2008
Earnings assigned to the Parent company's shareholders	3,358	2,413
Interest expenses for convertible debenture loans, after tax	55	81
Net profit for calculating earnings per share after dilution	3,413	2,494
Weighted average number of shares issued (thousands)	365,918	365,918
Asssumed conversion of convertible debentures (thousands)	12,615	14,795
Weighted average number of shares for calculations (thousands)	378,533	380,713
Earnings per share after dilution (SEK per share)	**9.02**	**6.55**

Earnings per share after dilution and items affecting comparability

	Group	
	2007	2008
Earnings assigned to the Parent company's shareholders	3,358	2,413
Interest expenses for convertible debenture loans, after tax	55	81
Items affecting comparability, before tax [1]	–	1,014
Net profit for calculating earnings per share after dilution	3,413	3,508
Weighted average number of shares issued (thousands)	365,918	365,918
Asssumed conversion of convertible debentures (thousands)	12,615	14,795
Weighted average number of shares for calculations (thousands)	378,533	380,713
Earnings per share after dilution (SEK per share)	**9.02**	**9.21**

[1] Items affecting comparability consist of restructuring costs and non-recurring costs. Non-recurring costs totaled SEK 77 M.

Note 14 Intangible assets

	Group			Parent company
2008, SEK M	**Goodwill**	**Intangible rights**	**Total**	**Intangible rights**
Opening accumulated acquisition value	**17,271**	**1,866**	**19,137**	**938**
Purchases	–	114	114	–
Acquisitions of subsidiaries	1,208	251	1,459	–
Adjustments for prior year acquisitions	–13	–	–13	–
Divestments/disposals	–4	–7	–11	–
Reclassifications	–	78	78	–
Exchange-rate differences	2,207	363	2,570	–
Closing accumulated acquisition value	**20,669**	**2,665**	**23,334**	**938**
Opening accumulated amortization/impairment	**–**	**–429**	**–429**	**–246**
Divestments/disposals	–	7	10	–
Reclassifications	–	–34	–34	–
Impairment	–	–	0	–
Amortization for the year	–	–124	–124	–186
Exchange-rate differences	–	–92	–95	–
Closing accumulated amortization/impairment	**–**	**–672**	**–672**	**–432**
Carrying amount	**20,669**	**1,993**	**22,662**	**506**

	Group			Parent company
2007, SEK M	**Goodwill**	**Intangible rights**	**Total**	**Intangible rights**
Opening accumulated acquisition value	**16,683**	**1,474**	**18,157**	**443**
Purchases	–	103	103	495
Acquisitions of subsidiaries	1,029	341	1,370	–
Adjustments for prior year acquisitions	–22	–	–22	–
Divestments/disposals	–	–2	–2	–
Reclassifications	–	–	–	–
Exchange-rate differences	–419	–50	–469	–
Closing accumulated acquisition value	**17,271**	**1,866**	**19,137**	**938**
Opening accumulated amortization/impairment	**–**	**–332**	**–332**	**–36**
Divestments/disposals	–	2	2	–
Reclassifications	–	–	–	–
Impairment	–	–	–	–
Amortization for the year	–	–107	–107	–210
Exchange-rate differences	–	8	8	–
Closing accumulated amortization/impairment	**–**	**–429**	**-429**	**–246**
Carrying amount	**17,271**	**1,437**	**18,708**	**692**

Intangible rights consist mainly of licenses and brands. The carrying value of intangible rights with indefinite useful life amounts to SEK 1,138 M (763).

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

Amortization and impairment of intangible rights are mainly reported as costs of goods sold in the income statement.

Impairment testing of goodwill and intangible rights with indefinite useful life

Goodwill and intangible rights with indefinite useful life are assigned to the Group's Cash Generating Units (CGU). For each Cash Generating Unit, the Group assesses each year whether any write-down of goodwill is needed, in accordance with the accounting principles described in Note 1. Recoverable amounts for Cash Generating Units have been established by calculation of value in use. These calculations are based on estimated future cash flows, which in turn are based on financial budgets approved by the management and covering a three-year period. Cash flows beyond three years are extrapolated using estimated growth rates according to the principles below. Main assumptions used to calculate values in use:

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

The management has established the budgeted operating margin on a basis of previous results and its expectations about future market development. For extrapolating cash flows beyond the three-year period, a growth rate of 3 percent is used for all Cash Generating Units. This growth rate is thought to be a conservative estimate. In addition, an average discount rate in local currency after tax is used for the Group.

2008

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

Goodwill and intangible rights with indefinite useful life were assigned to the Group's Cash Generating Units as summarized in the following table:

SEK M	EMEA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	5,766	6,236	1,628	4,275	2,763	20,669
Intangible rights with indefinite useful life	233	256	247	377	25	1,138
Total	**5,999**	**6,492**	**1,875**	**4,652**	**2,788**	**21,807**

2007

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

Goodwill and intangible rights with indefinite useful life were assigned to the Group's Cash Generating Units as summarized in the following table:

SEK M	EMEA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	4,926	4,928	1,211	3,639	2,566	17,270
Intangible rights with indefinite useful life	73	161	219	310	–	763
Total	**4,999**	**5,089**	**1,430**	**3,949**	**2,566**	**18,033**

Sensitivity analysis

A sensitivity analysis has been carried out for each Cash Generating Unit. The result of the analyzis can be summarized as follows.

2008

If the estimated operating margin after the end of the budget period had been one percentage point lower than the management's figure, total recoverable amount would be 6 percent lower (EMEA 6 percent, Americas 5 percent, Asia Pacific 8 percent, Global Technologies 6 percent and Entrance Systems 6 percent).

If the estimated growth rate to extrapolate cash flows beyond the budget period had been one percentage point lower than the basic assumption of 3 percent, total recoverable amount would be 13 percent lower (EMEA 13 percent, Americas 13 percent, Asia Pacific 11 percent, Global Technologies 11 percent and Entrance Systems 13 percent).

If the estimated weighted average cost of capital used for the Group's discounted cash flow had been one percentage point higher than the basic assumption of 9.0 to 10.0 percent, total recoverable amount would be 14 percent lower (EMEA 14 percent, Americas 14 percent, Asia Pacific 13 percent, Global Technologies 13 percent and Entrance Systems 14 percent). These calculations are hypothetical and should not be viewed as an indication that these figures are any more or less likely to be changed. The sensitivity analysis should therefore be interpreted with caution.

None of the hypothetical cases above would lead to impairment of goodwill in a particular Cash Generating Unit.

2007

If the estimated operating margin after the end of the budget period had been 10 percent lower than the management's figure, total recoverable amount would be 9 percent lower (EMEA 9 percent, Americas 10 percent, Asia Pacific 9 percent, Global Technologies 9 percent and Entrance Systems 10 percent).

If the estimated growth rate to extrapolate cash flows beyond the budget period had been 10 percent lower than the basic assumption of 3 percent, total recoverable amount would be 4 percent lower (EMEA 4 percent, Americas 4 percent, Asia Pacific 4 percent, Global Technologies 4 percent and Entrance Systems 4 percent).

If the estimated weighted average cost of capital used for the Group's discounted cash flow had been 10 percent higher than the basic assumption of 9 to 10 percent, total recoverable amount would be 13 percent lower (EMEA 13 percent, Americas 13 percent, Asia Pacific 13 percent, Global Technologies 13 percent and Entrance Systems 13 percent). These calculations are hypothetical and should not be viewed as an indication that these figures are any more or less likely to be changed. The sensitivity analysis should therefore be interpreted with caution.

None of the hypothetical cases above would lead to impairment of goodwill in a particular Cash Generating Unit.

Note 15 Tangible assets

2008, SEK M	Group					Parent company
	Buildings	Land and land im-provements	Machinery	Equipment	Total	Equipment
Opening accumulated acquisition value	**3,133**	**736**	**5,959**	**1,966**	**11,794**	**16**
Purchases	144	8	318	194	664	0
Acquisitions of subsidiaries	87	2	96	17	202	–
Sales/disposals	–57	–1	–489	–170	–717	–1
Reclassifications	35	1	39	–17	58	–
Exchange-rate differences	507	88	1,141	376	2,112	–
Closing accumulated acquisition value	**3,849**	**834**	**7,064**	**2,366**	**14,113**	**15**
Opening accumulated depreciation/ impairment	**–1,352**	**–25**	**–4,125**	**–1,354**	**–6,857**	**–10**
Sales/disposals	42	1	456	147	646	1
Impairment	–18	–	–62	–	–80	–
Depreciation for the year	–134	–1	–424	–239	–798	–2
Reclassifications	–	–	–	34	34	–
Exchange-rate differences	–278	–7	–968	–316	–1,568	–
Closing accumulated depreciation/ impairment	**–1,740**	**–32**	**–5,123**	**–1,728**	**–8,623**	**–11**
Construction in progress					462	
Carrying amount	**2,109**	**802**	**1,941**	**638**	**5,952**	**4**

The tax value of the Group's Swedish buildings was SEK 128 M (120).
The tax value of the Group's Swedish land was SEK 5 M (14).

2007, SEK M	Group					Parent company
	Buildings	Land and land im-provements	Machinery	Equipment	Total	Equipment
Opening accumulated acquisition value	**2,982**	**700**	**5,575**	**1,764**	**11,021**	**17**
Purchases	166	5	310	214	695	3
Acquisitions of subsidiaries	83	72	73	35	263	–
Sales/disposals	–165	–28	–120	–122	–435	–4
Reclassifications	48	–19	58	66	153	–
Exchange-rate differences	19	6	63	9	97	–
Closing accumulated acquisition value	**3,133**	**736**	**5,959**	**1,966**	**11,794**	**16**
Opening accumulated depreciation/ impairment	**–1,282**	**–24**	**–3,789**	**–1,189**	**–6,284**	**–10**
Sales/disposals	71	–	100	103	274	2
Impairment	–	–	–	–1	–1	–
Depreciation for the year	–126	–1	–436	–239	–802	–2
Reclassifications	–	–	18	–18	0	–
Exchange-rate differences	–15	0	–18	–10	–43	–
Closing accumulated depreciation/ impairment	**–1,352**	**–25**	**–4,125**	**–1,354**	**–6,857**	**–10**
Construction in progress					408	
Carrying amount	**1,781**	**711**	**1,834**	**612**	**5,345**	**6**

Note 16 Shares in subsidiaries

		Parent company		
Company name	**Corporate identity number, Registered office**	**Number of shares**	**% of share capital**	**Book value, SEK M**
ASSA Sverige AB	556061-8455, Eskilstuna	70	100	197
Timelox AB	556214-7735, Landskrona	15,000	100	22
ASSA ABLOY Entrance Systems AB	556204-8511, Landskrona	1,000	100	81
ASSA ABLOY Kredit AB	556047-9148, Stockholm	400	100	528
ASSA ABLOY Identification Technology Group AB	556645-4087, Stockholm	1,000	100	220
ASSA ABLOY Svensk Fastighets AB	556645-0275, Stockholm	1,000	100	0
ASSA ABLOY Asia Holding AB	556602-4500, Stockholm	1,000	100	189
ASSA ABLOY IP AB	556608-2979, Stockholm	1,000	100	0
ASSA ABLOY OY	1094741-7, Joensuu	800,000	100	1,595
ASSA ABLOY Norge A/S	979207476, Moss	150,000	100	538
ASSA ABLOY Danmark A/S	CVR 10050316, Herlev	60,500	100	376
ASSA ABLOY Deutschland GmbH	HR B 66227, Berlin	2	100	1,064
ASSA ABLOY Nederland BV	23028070, Geertruidenberg	3,515	100	87
Nemef BV	08023138, Apeldoorn	4,000	100	928
Integrated Engineering B.V.	33216643, Amsterdam	500	100	9
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	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	15
ASSA ABLOY Ltd	2096505, Willenhall	1,330,000	100	3,002
ITG (UK) Ltd	5099094, Haverhill	1	100	1
Aontec Teoranta	364896, Galway	501,000	100	323
Mul-T-Lock Ltd	520036583, Yavne	13,787,856	90	901
ASSA ABLOY Holdings (SA) Ltd	1948/030356/06, Johannesburg	100,220	100	184
ASSA ABLOY Inc	039347-83, Oregon	100	100	2,259
Fleming Door Products, Ltd	147126, Ontario	25,846,600	100	0
ABLOY Holdings Ltd	1148165260, St Laurent, Quebec	1	100	13
AAC Acquisition Inc.	002098175, Ontario	1	100	78
ASSA ABLOY Australia Pacific Pty Ltd	ACN 095354582, Oakleigh, Victoria	48,190,000	100	242
ASSA ABLOY South Asia Pte Ltd	199804395K, Singapore	3,400,000	100	43
Grupo Industrial Phillips, S.A de C.V.	GIP980312169, Mexico	27,036,635	100	765
ASSA ABLOY Innovation AB	556192-3201, Stockholm	2,500	100	1
ASSA ABLOY Hospitality AB	556180-7156, Göteborg	1,000	100	14
ASSA ABLOY North America AB	556671-9851, Stockholm	1,000	100	0
WHAIG Limited	EC21330, Bermuda	100,100	100	303
ASSA ABLOY Asia Pacific Ltd	53451, Hong Kong	1,000,000	100	72
Total				**16,061**

Note 17 Shares in associates

		Group		
2008 Company name	**Country of registration**	**Number of shares**	**% of share capital**	**Book value**
Talleres Agui S.A	Spain	4,800	40	16
Låsgruppen Wilhelm Nielsen AS	Norway	305	50	11
Panpan Security Industries Co. Ltd.	China	123,323	3	5
Cerraduras de Colombia Cerracol S.A	Colombia	182,682	29	2
Renato Fattorini SRL	Italy	1	25	4
Total				**38**

		Group		
2007 Company name	**Country of registration**	**Number of shares**	**% of share capital**	**Book value**
Talleres Agui S.A	Spain	4,800	40	14
Låsgruppen Wilhelm Nielsen AS	Norway	305	50	12
Panpan Security Industries Co. Ltd.	China	123,323	3	5
Cerraduras de Colombia Cerracol S.A	Colombia	182,682	29	2
Renato Fattorini SRL	Italy	1	25	5
Other				1
Total				**39**

Note 18 Deferred tax on income

	Group	
SEK M	2007	2008
Deferred tax receivables		
Tax-deductible goodwill	439	430
Pensions	187	106
Other deferred tax receivables	255	221
Deferred tax receivables	**881**	**757**
Deferred tax liabilities	**119**	**56**
Deferred tax receivables, net	**762**	**701**

Change in deferred tax during the year		
At 1 January	983	762
Acquisitions of subsidiaries	–84	-46
Reported in income statement	–136	-28
Exchange-rate differences	–1	13
At 31 December	**762**	**701**

The group has additional tax losses carried forward of some SEK 900 M (900) for which deferred tax receivables have not been recognized.

Note 19 Other long-term financial assets

	Group		Parent company	
SEK M	2007	2008	2007	2008
Other shares and participations	37	37	29	28
Interest-bearing long-term receivables	105	256	72	51
Other long-term receivables	28	24	–	–
Total	**170**	**317**	**101**	**79**

Other shares and participations are valued at cost. Interest-bearing long-term receivables and other long-term receivables are valued at amortized cost.

Note 20 Inventories

	Group	
SEK M	2007	2008
Materials and supplies	1,157	1,458
Work in progress	1,361	1,630
Finished goods	1,782	2,213
Paid in advance	99	82
Total	**4,399**	**5,383**

Write-downs of inventory amounted to SEK 188 M (103).

Note 21 Accounts receivable

	Group	
SEK M	2007	2008
Accounts receivable	5,831	6,776
Provision for bad debts	–294	–404
Total	**5,537**	**6,372**

Ageing analysis		
Accounts receivable not due	3,866	4,408
Accounts receivable past due not impaired:		
<3 months	1,292	1,448
3-12 months	156	224
>12 months	17	62
	1,465	**1,734**
Impaired accounts receivable:		
<3 months	216	288
3-12 months	144	179
>12 months	140	167
	500	**634**
Provision for bad debts	–294	–404
Total	**5,537**	**6,372**

Accounts receivable per currency	2007	2008
EUR	1,947	2,343
USD	1,621	2,023
GBP	362	269
AUD	269	250
CNY	111	241
SEK	202	202
Other currencies	1,025	1,044
Total	**5,537**	**6,372**

Current year's change in provision for bad debts	2007	2008
Opening balance	278	294
Acquisitions (+) / disposals (-)	8	0
Receivables written off	–71	–78
Reversal of unused amounts	–23	–39
Provision for bad debt	89	184
Exchange-rate differences	13	43
Closing balance	**294**	**404**

Note 22 Financial risk management and financial instruments

Financial risk management

ASSA ABLOY is exposed to a variety of financial risks through its international business operations. ASSA ABLOY's units have carried out financial risk management in accordance with the ASSA ABLOY Group's Treasury Policy. The Group's financial risk management principles are described below.

Organization and activities

ASSA ABLOY's Treasury Policy, which is reviewed annually by the Board of Directors, constitutes a framework of guidelines and regulations for the management of financial risks and financial activities.

ASSA ABLOY's financial activities are coordinated centrally and the majority of financial transactions are entered through the subsidiary ASSA ABLOY Financial Services AB, which is the Group's internal bank. External financial transactions are conducted by Treasury which also handles transactions involving foreign currencies and interest rates. Treasury achieves many economies of scale when borrowing funds, fixing interest rates and exchanging currency flows.

Capital structure

The Group's objectives regarding capital structure are to safeguard the Group's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders. Maintaining an optimal capital structure enables the Group to keep the cost of capital as low as possible. In order to adjust the capital structure in response to need, the Group can vary the amount paid as dividend to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Group monitors capital based on factors such as the ratio between net debt and equity.

Net debt is defined as interest bearing liabilities, including negative market values on derivatives, plus pension provisions, less cash and cash equivalents, other interest-bearing investments and positive market values for derivatives. The table Net debt and Equity on page 68 shows the position at 31 December.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34

Note 22 cont'd.

Net debt and equity

	Group	
SEK M	**2007**	**2008**
Long-term interest-bearing receivables	–105	–256
Short-term interest-bearing investments incl. derivatives	–220	–688
Cash and bank balances	–1,212	–1,579
Pension provisions	1,156	1,182
Long-term interest-bearing liabilities	8,050	7,766
Short-term interest-bearing liabilities incl. derivatives	5,284	7,589
Total	**12,953**	**14,013**
Equity	**15,668**	**18,838**
Net debt/equity	**0,83**	**0,74**

Another important variable in the assessment of the Group's capital structure is the credit rating that the credit ratings agencies assign to the Group's liabilities. In order to have access to both long-term and short-term financing from the capital markets when needed, it is essential to maintain a good credit rating. ASSA ABLOY maintains both long-term and short-term credit ratings from Standard & Poor's and a short-term rating from Moody's.

Maturity profile – financial instruments

	31 December 2007				31 December 2008			
SEK M	**< 1 year**	**> 1 < 2 years**	**> 2 < 5 years**	**> 5 years**	**< 1 year**	**> 1 < 2 years**	**> 2 < 5 years**	**> 5 years**
Long-term bank loans	–51	–51	–640	–412	–43	–36	–1,036	–
Long-term capital market loans	–239	–1,813	–997	–3,601	–252	–252	–2,148	–4,317
Convertible loans	–110	–1,029	–1,444	–	–1,164	–50	–1,577	–
Other long-term liabilities	–	–25	–103	–	–	–27	–148	–74
Short-term bank loans	–5,088	–	–	–	–1,728	–	–	–
Commercial papers and short-term capital-market loans	–3,060	–	–	–	–4,820	–	–	–
Derivatives	45	3	–8	1	94	42	72	22
Total by period	**–8,503**	**–2,915**	**–3,192**	**–4,012**	**–7,913**	**–323**	**–4,837**	**–4,369**
Cash and cash equivalents incl. interest-bearing receivables	1,338				1,989			
Accounts receivable	5,537				6,372			
Accounts payable	–2,503				–2,909			
Net total	**–4,131**				**–2,461**			
Confirmed credit facilities	10,360			–10,360	12,055			–12,055
Adjusted maturity profile	**6,229**	**–2,915**	**–3,192**	**–14,372**	**9,594**	**–323**	**–4,837**	**–16,424**

External financing / net debt

Credit lines /facilities	**Amount, SEK M**	**Maturity**	**Carrying amount, SEK M**	**Currency**	**Amount 2007**	**Amount 2008**	**Of which Parent company, SEK M**
US Private Placement Program	388	Dec 2011	388	USD	50	50	
US Private Placement Program	674	May 2012	674[1]	USD	80	80	
US Private Placement Program	408	Dec 2013	408	USD	53	53	
US Private Placement Program	721	May 2015	721[1]	USD	80	80	
US Private Placement Program	586	Dec 2016	586	USD	76	76	
US Private Placement Program	388	Apr 2017	388	USD	50	50	
US Private Placement Program	388	May 2017	388	USD	50	50	
US Private Placement Program	947	Dec 2018	947	USD	122	122	
US Private Placement Program	544	May 2020	544	USD	70	70	
Multi-Currency RCF	12,055	Jun 2014	0	EUR	1,100	1,100	
Bank loan	1,000	Oct 2011	1,000	SEK	0	1,000	1,000
Incentive Program	1,096	Jun 2012	1,096	EUR	100	100	1,096
Incentive Program	421	Jun 2011	421	EUR	38	38	421
Other long-term loans	205		205				
Total long-term loans	**19,821**		**7,766**				**2,517**
Global MTN Program	16,439	Nov 2009	1,500	SEK	1,500	1,500	1,500
Global CP Program	7,779		607	EUR	205	56	
Swedish CP Program	5,000		2,608	EUR/SEK	25/2,000	0/2,637	
Incentive Program	1,096	Jun 2009	1,096	EUR	100	100	1,096
Bank loan	724	Feb 2009	724	EUR	66	66	724
Other bank loans	546		546				
Overdraft facility	1,174		415				
Total short-term loans	**32,757**		**7,495**				**3,320**
Total credit lines/facilities	**52,577**		**15,261**				**5,837**
Cash and bank balances			–1,579				–1
Short-term interest-bearing investments			–410				
Long-term interest-bearing investments			–256				–51
Market-value derivatives			–185				
Pensions			1,182				
Net debt			**14,013**				**5,785**

[1] Loans subject to hedge accounting.

Note 22 cont'd.

Rating

Agency	Short-term	Outlook	Long-term	Outlook
Standard & Poor's	A2	Stable	A–	Negative
Moody's	P2	Stable	n/a	

Ratings from both agencies remain unchanged from last year. The outlook for the long-term rating from Standard & Poor's was changed from stable to negative during January 2009.

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 credit from external sources. ASSA ABLOY manages liquidity risk on a consolidated basis. Group Treasury is responsible for external borrowing and external investments. ASSA ABLOY strives to have access, on every occasion, to both short-term and long-term loan facilities. According to the Treasury Policy, the available facilities should include a reserve (facilities confirmed but not used) equivalent to 10 percent of the Group's annual total sales.

Maturity profile

The table Maturity profile on page 68 shows that maturities of the debt are not concentrated in the short term, especially considering the credit facility of EUR 1,100 M that matures in 2014, which was completely unutilized at year-end. Moreover, the financial assets should also be considered when evaluating the maturity structure. The table shows undiscounted future cash flows related to the Group's financial instruments, and to derivatives that existed at the balance sheet date, which is why the amounts are not found in the balance sheet.

Interest-bearing liabilities

The Group's long-term loan financing mainly consists of Private Placement Programs in the US totaling USD 630 M (630), Incentive Programs of EUR 138 M (238) and a bilateral bank loan of SEK 1,000 M (0). The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum of USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 3,215 M (4,166) of the Commercial Paper programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility for EUR 1,100 M (1,100), which was not utilized at all at year-end. According to the Group's policy, the average remaining time to maturity for interest-bearing liabilities should not be less than 18 months. At year-end, the average time to maturity, excluding the pension provision, was 41 (43) months. Some of the Group's main financing agreements contain a customary Change of Control clause. The effect of the clause is that lenders have the right in certain circumstances to demand the renegotiation of conditions or to terminate the agreement should control of the company change.

During the year the Parent Company raised only one new loan, a bilateral bank loan of SEK 1,000 M.

Convertible debenture loans

Incentive 2004 has a variable interest rate equivalent to 0.9* EURIBOR + 47 basis points. Any conversion of Incentive2004 will take place in a 90-day period between March and June 2009. Full conversion at a conversion rate of EUR 10.20 for Bond 1, of EUR 12.20 for Bond 2, of EUR 14.30 for Bond 3 and of EUR 16.30 for Bond 4 will add 7,782,155 shares. The dilution effects with full conversion will amount to 2.1 percent of share capital and 1.4 percent of the total number of votes.

Incentive 2006 has a variable interest rate equivalent to 0.9* EURIBOR + 45 basis points. Any conversion of Incentive 2006 will take place in a 180-day period between December 2010 and June 2011. Full conversion at a conversion rate of EUR 14.60 for Bond 1, of EUR 15.90 for Bond 2, of EUR 17.30 for Bond 3 and of EUR 18.60 for Bond 4 will add 2,332,350 shares. The dilution effects with full conversion will amount to 0.6 percent of share capital and 0.4 percent of the total number of votes.

Incentive 2007 has a variable interest rate equivalent to 0.9* EURIBOR + 35 basis points. Any conversion of Incentive 2007 will take place in a 30-day period in May and June 2012. Full conversion at a conversion rate of EUR 18.00 for Bond 1, EUR 20.50 for Bond 2, EUR 23.00 for Bond 3 and EUR 25.40 for Bond 4, will add 4,679,610 shares.The dilution effects with full conversion will amount to 1.2 percent of share capital and 0.8 percent of the total number of votes.

Full conversion of the three programs will add a total of 14,794,115 shares and result in dilution effects amounting to 3.9 percent of share capital and 2.6 percent of the total number of votes. Incentive 2004 has a value of EUR 100 M, Incentive 2006 has a value of EUR 38 M and Incentive 2007 has a value of EUR 100 M.

Currency composition

The currency composition of ASSA ABLOY's borrowing depends on the currency composition of the Group's assets. ASSA ABLOY uses currency swaps to achieve the desired currency composition. See the table 'Net debt by currency' below.

Cash and cash equivalents and other interest-bearing receivables

Short-term interest-bearing investments amounted to SEK 410 M (126) at year-end. In addition, ASSA ABLOY has long-term interest-bearing receivables of SEK 256 M (105) and financial derivatives with a positive market value of SEK 277 M (94) which, in addition to cash and cash equivalents, are included in the definition of net financial debt. Cash and cash equivalents are mainly invested in interest-bearing

Net debt by currency

	31 Dec 2007		31 Dec 2008	
SEK M	**Net debt excl. currency swaps**	**Net debt incl. currency swaps**	**Net debt excl. currency swaps**	**Net debt incl. currency swaps**
USD	3,166	4,645	4,713	5,662
EUR	6,258	4,824	4,621	4,021
SEK	3,745	1,174	4,920	2,048
GBP	114	1,051	18	936
AUD	–47	543	–94	576
KRW	286	286	487	487
DKK	1	286	0	283
Other	–569	143	–651	0
Total	**12,953**	**12,953**	**14,013**	**14,013**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34

Note 22 cont'd.

instruments with high liquidity from issuers with a credit rating of at least A-, according to Standard & Poor's or similar agency. The average term for cash and cash equivalents was 2.2 days (4.3) at the end of 2008.

The Parent Company's cash and cash equivalents are held in a sub-account to the Group cash pool.

	Group		Parent company	
SEK M	**2007**	**2008**	**2007**	**2008**
Cash and bank balances	1,212	1,579	0	1
Short-term investments with duration less than 3 months	126	352	–	–
Cash and cash equivalents	**1,338**	**1,931**	**0**	**1**
Short-term investments with duration more than 3 months	–	58	–	–
Long-term interest-bearing receivables	105	256	73	51
Positive market value derivatives	94	277	–	–
Total	**1,537**	**2,522**	**73**	**52**

Interest rate risk in cash and cash equivalents

Treasury manages interest rate risks in these investments. Derivative instruments such as interest rate swaps and FRAs (Forward Rate Agreements) may be used to manage interest risk. The investments are primarily short-term. The duration for most of the investments is three months or less. The interest rate duration for these short-term investments was 2.2 days (4.3) at the end of 2008. A downward change of one percentage point in the yield curve would reduce the Group's interest income by about SEK 20 M (13) and the Group's equity by SEK 15 M (10).

Interest rate risk on borrowing

Changes in interest rates have a direct effect on ASSA ABLOY's net interest. Treasury is responsible for identifying and managing the Group's interest rate exposure. It analyzes the Group's interest rate exposure and calculates the impact on net income by shifts in the interest rates on a rolling 12-month basis. The Group seeks to have a mixture of fixed-rate and floating-rate debt and uses interest rate swaps when it deems necessary. The Treasury Policy stipulates that the average interest rate duration should usually be 24 months. At year-end, the average interest rate duration, excluding pension obligations, was about 23 (25) months. An upward change of one percentage point in the yield curve would increase the Group's financial expense by about SEK 91 M (87) and reduce the Group's equity by SEK 67 M (64).

Currency risk

Currency risk affects ASSA ABLOY mainly through translation of capital employed and net debt, through translation of income in foreign subsidiaries, and through the effects on income of flows of goods between countries with different currencies.

Transaction exposure

Currency risk in the form of transaction exposure, or the relative values of exports and imports of goods, is limited in the Group. In 2008, the Group managed transaction exposure by hedging anticipated cash flows in all tradable currencies for the 12 months following the balance date. Hedging was carried out through derivatives, primarily a currency basket that facilitated contract management and reduced administrative costs. For 2009 the Group has revised its policy and the underlying principle is to allow currency fluctuations to have an impact on the business as quickly as possible. As a result of this strategy only limited portions of current currency flows are usually hedged.

Transaction flows relating to major currencies (import + and export –)

	Currency exposure, SEK M	
Currency	**2007**	**2008**
AUD	283	357
CAD	232	413
CHF	–242	–218
EUR	443	385
GBP	184	286
NOK	–220	–220
SEK	–925	–678
USD	146	–329

Translation exposure of income

The table below shows the impact on the Group's income before tax of a 10 percent weakening of the Swedish krona in relation to the major currencies, while all other variables remain constant.

Impact on income before tax of a 10 percent weakening of the SEK

Currency, SEK M	2007	2008
AUD	22	21
CAD	12	13
CHF	9	7
EUR	139	145
GBP	24	13
NOK	31	25
USD	229	238

Translation exposure in the balance sheet

The effect arising on translation of capital employed is limited by the fact that financing is largely done in local currency.

The capital structure in each country is optimized based on local legislation. So far as this constraint allows, the currency exposure and gearing per currency should reflect the overall exposure and gearing for the whole Group to limit the effect of movements in individual currencies. Treasury uses currency derivatives to supply the appropriate funding and to eliminate undesirable currency exposure.

The table 'Net debt by currency' on page 69 shows the use of currency forward contracts in association with funding, for the major currencies. The forward contracts are used to neutralize the exposure arising between net debt and internal needs.

Financial credit risk

Financial risk management exposes ASSA ABLOY to certain counterparty risks. Such exposure may arise from the placement of surplus cash as well as from the use of debt securities and derivative financial instruments.

ASSA ABLOY's policy is to minimize the potential credit risk from cash surplus by using cash from subsidiaries to amortize the Group's debt. This objective is achieved primarily by cash pools put in place by Treasury. About 78 (75) percent of the Group's sales were settled through cash pools in 2008. The Group may nevertheless deposit surplus funds on a short-term basis with banks in order to match debt maturities and cash flow.

Derivative financial instruments are allocated to banks according to risk limits set in the Treasury policy in order to limit counterparty risk. Treasury enters into derivative con-

Note 22 cont'd.

tracts exclusively with banks that have a good rating. ISDA agreements (full netting of transactions in case of default by a counterparty) has been set up in the case of interest rate and currency derivatives.

Commercial credit risk

The Group's accounts receivable are distributed over a large number of customers who are spread internationally. The concentration of credit risk associated with accounts receivable is therefore limited. The fair value of accounts receivable corresponds with the carrying amount. Credit risk from operating activities is monitored by local management at company level and reviewed by the respective division.

Commodity risk

The Group is exposed to price risk related to purchases of certain commodities (primarily metals) used in production. The Group's policy is to not enter into financial commodity hedge contracts.

Fair value of financial instruments

Derivative financial instruments such as currency and interest rate forwards are used to the extent necessary. The use of derivative financial instruments is solely to reduce exposure to financial risks.

The positive and negative fair value in the table 'Outstanding derivative financial instruments' below show the fair values of instruments outstanding at year-end, based on available fair values, and are the same as the values reported on the balance sheet. The nominal value represents the gross value of the contract.

For accounting purposes financial instruments are allocated to categories based on IAS 39. The table below provides an overview of financial assets and liabilities, measurement categories and carrying value and fair value per item.

When calculating fair value only general changes in market interest rates are considered and not credit spread movements for the company itself.

Outstanding derivative financial instruments at 31 December

	31 December 2007			31 December 2008		
Instrument, SEK M	**Positive fair value**	**Negative fair value**	**Nominal value**	**Positive fair value**	**Negative fair value**	**Nominal value**
Foreign exchange forwards, funding	61	–19	6,058	124	–72	4,312
Foreign exchange forwards, transaction exposure	2	–2	31	–	–	–
Currency basket option	6	–	–	–	–	–
Interest rate swaps	26	–5	2,089	153	–20	2,411
Total	**94**	**–26**	**9,092**	**277**	**–92**	**6,723**

Financial Instruments: carrying amounts and fair values by measurement categories

		2007		2008	
SEK M	**IAS 39 category***	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets					
Other long-term financial assets	1	170	170	317	317
Accounts receivable	1	5,537	5,537	6,372	6,372
Other short-term receivables	1	449	449	479	479
Derivative instruments – hedge accounting	5	26	26	153	153
Derivative instrument – held for trading	2	68	68	124	124
Derivative instruments, total		94	94	277	277
Short-term investments	1	–	–	58	58
Treasury notes/bills	3	51	51	–	–
Other cash and cash equivalents	1	1,287	1,287	1,931	1,931
Cash and cash equivalents total	1	1,338	1,338	1,931	1,931
Financial liabilities					
Long-term loans – hedge accounting	2	1,024	1,073	1,245	1,433
Long-term loans – not hedge accounting	4	4,781	4,920	5,003	5,433
Long-term loans		5,805	5,993	6,248	6,866
Convertible debenture loans	4	2,245	2,245	2,614	2,614
Other long-term liabilities	4	122	122	151	151
Short-term loans – not hedge accounting	4	5,258	5,258	6,400	6,400
Derivative instruments – hedge accounting		–	–	–	–
Derivatives instrument – held for trading	2	26	26	92	92
Derivative instruments total		26	26	92	92
Accounts payable	4	2,503	2,503	2,909	2,909
Other current liabilities	4	624	624	729	729

* Applicable IAS 39 categories:
1 = Loans and other receivables.
2 = Financial instruments at fair value through profit and loss.
3 = Available-for-sale financial assets.
4 = Financial liabilities at amortized cost.
5 = Derivative hedge accounting.

Note 23 Parent company's equity

The Parent company's equity is split between restricted and unrestricted equity. Restricted equity consists of share capital, the statutory reserve and the fair value reserve. Restricted funds must not be reduced by issue of dividends. Unrestricted equity consists of retained earnings and the year's net income.

The statutory reserve contains premiums (amounts received from share issues that exceed the nominal value of the shares) relating to shares issued up to 2005.

Note 24 Share capital, number of shares and dividend per share

	Number of shares (thousands)			Share capital SEK T
	Series A	Series B	Total	
Opening balance at 1 January 2007	19,175	346,743	365,918	365,918
Closing balance at 31 December 2007	**19,175**	**346,743**	**365,918**	**365,918**
Number of votes, thousands	191,753	346,743	538,496	
Opening balance at 1 January 2008	19,175	346,743	365,918	365,918
Closing balance at 31 December 2008	**19,175**	**346,743**	**365,918**	**365,918**
Number of votes, thousands	191,753	346,743	538,496	

All shares have a par value of SEK 1.00 and provide the holders with equal rights to the Company's assets and earnings. All shares are entitled to dividends subsequently issued. Each Series A share carries ten votes and each Series B share one vote. All issued shares are fully paid-up.

The average number of shares during the year, to the nearest thousand, was 365,918 thousand (365,918). The average number of shares after full conversion of outstanding convertible bonds, similarly rounded, was 380,713 thousand (378,533).

Dividend per share

The dividend paid out during the financial year amounted to a total sum of SEK 1,317 M (1,189), corresponding to SEK 3.60 (3.25) per share. At the Annual General Meeting on 23 April 2009, a dividend of SEK 3.60 per share for the year 2008 – a total sum of SEK 1,317 M – will be proposed.

Note 25 Reserves

Group, SEK M	Translation reserve	Hedging reserve	Total
Opening balance at 1 January 2007	–253	0	–253
Translation differences	–287	–	–287
Financial instruments, fair value	–	0	0
Closing balance at 31 December 2007	**–540**	**0**	**–540**
Opening balance at 1 January 2008	–540	0	–540
Translation differences	2,112		2,112
Financial instruments, fair value	–	0	0
Closing balance at 31 December 2008	**1,572**	**0**	**1,572**

The translation reserve consists of all currency translation differences that arise in the translation of foreign subsidiaries. If a subsidiary is sold, translation differences are transferred to the income statement.

Note 26 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 provisions reported in the balance sheet are mainly due to defined benefit pension plans. ASSA ABLOY has defined benefit plans in a number of countries, those in the USA and the UK being the most significant ones. There are also obligations related to post-retirement medical benefits in the USA.

Amounts recognized in the income statement

Pension costs, SEK M	2007	2008
Defined benefit pension charges (A)	29	56
Defined contribution pension charges	326	328
Post-employment medical benefit charges (A)	29	29
Total	**384**	**413**

Amounts recognized in the balance sheet

Pension provisions, SEK M	2007	2008
Provisions for defined benefit pension plans (B)	701	638
Provisions for post-employment medical benefits (B)	383	485
Provisions for defined contribution pension plans	72	59
Pension provisions	**1,156**	**1,182**
Financial assets	**–20**	**–23**
Pension provisions, net	**1,136**	**1,159**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34

Note 26 cont.

A) Specification of amounts recognized in the income statement

	Post-employment medical benefits		Defined benefit pension plans		Total	
Pension cost, SEK M	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Current service cost	7	6	58	50	65	56
Interest on obligations	22	23	206	219	228	242
Expected return on plan assets	–	–	–214	–216	–214	–216
Net actuarial losses (gains), net	–	0	0	1	0	1
Past service cost	–	0	0	2	0	2
Losses (gains) on curtailments/settlements	–	–	–21	0	–21	0
Total	**29**	**29**	**29**	**56**	**58**	**85**
–of which included in:						
Operating income	7	6	58	53	65	59
Net financial items	22	23	–29	3	–7	26
Total	**29**	**29**	**29**	**56**	**58**	**85**

Actuarial gains/losses resulting from changes in the actuarial assumptions for defined benefit pension plans are recognized to the extent that their accumulated amount exceeds the 'corridor', i.e. 10 percent of the higher of the obligation's present value or the fair value of plan assets. The surplus/deficit is recognized as income/expense over the expected average remaining service period, starting in the year after the actuarial gain or loss arose. Amortization of actuarial gains/losses that arose in 2008 will start in 2009.

The actual return on plan assets regarding defined benefit plans was SEK –594 M (239) in 2008.

There are no defined benefit plans with surpluses within the Group. Partly funded or unfunded pension plans are reported as provisions for pensions.

B) Specification of amounts recognized in the balance sheet

	Post-employment medical benefits		Defined benefit pension plans		Total	
Specification of pension provisions, SEK M	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Present value of funded obligations (C)	–	–	3,733	2,867	3,733	2,867
Fair value of plan assets (D)	–	–	–3,177	–2,604	–3,177	–2,604
Net value of funded plans	–	–	556	263	556	263
Present value of unfunded obligations (C)	391	361	260	736	651	1,097
Unrecognized actuarial gains (losses)	–4	122	–114	–356	–118	–234
Unrecognized past service cost	–4	2	–1	–5	–5	–3
	383	**485**	**701**	**638**	**1,084**	**1,123**
Provisions for defined contribution pension plans					72	59
Total					**1,156**	**1,182**

C) Movement in pension obligations

	Post-employment medical benefits		Defined benefit pension plans		Total	
SEK M	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Opening obligation, present value	**406**	**391**	**4,081**	**3,993**	**4,487**	**4,384**
Current service cost	7	6	58	50	65	56
Interest on obligations	22	23	206	219	228	242
Actuarial losses (gains)	6	–106	13	–574	19	–680
Curtailments / settlements	2	6	–40	–1	–38	5
Payments	–28	–25	–175	–184	–203	–209
Exchange-rate differences	–24	66	–150	99	–174	165
Closing obligation, present value	**391**	**361**	**3,993**	**3,602**	**4,384**	**3,963**

Note 26 cont.

D) Movement in fair value of plan assets

	Defined benefit pension plans	
SEK M	**2007**	**2008**
Opening fair value of plan assets	**3,133**	**3,177**
Expected return on plan assets	214	216
Actuarial gains (losses)	25	–811
Net payments	–16	–43
Exchange-rate differences	–179	65
Closing fair value of plan assets (E)	**3,177**	**2,604**

E) Plan assets allocation

Plan assets	**2007**	**2008**
Shares	2,030	1,413
Interest-bearing investments	959	907
Other assets	188	284
Total	**3,177**	**2,604**

F) Sensitivity analysis on medical benefits

The effect of a 1 percent change in the assumed medical benefit trend rate, SEK M	**+1%**	**–1%**
Effect on the aggregate of the current service cost and interest cost	3	–2
Effect on the defined benefit obligation	25	–22

Key actuarial assumptions (weighted average), %	**2007**	**2008**
Discount rate	5.6	6.9
Expected return on plan assets [1]	7.1	6.7
Future salary increases	2.4	2.2
Future pension increases	2.7	2.7
Future medical benefit increases	11.0	9.5
Expected inflation	2.9	2.8

At 31 December	**2004**	**2005**	**2006**	**2007**	**2008**
Present value of obligation (+)	3,960	4,892	4 487	4,384	3,963
Fair value of plan assets (–)	–2,243	–3,009	–3 133	–3,177	–2,604
Obligation, net	**1,717**	**1,883**	**1 354**	**1,207**	**1,359**

[1] The expected return on plan assets is determined by considering the expected returns avaiable on assets underlying the current investment policy. Plan assets chiefly consist of equity instruments and the expected return reflects long-term rates of return on the market.

Pensions with Alecta

Commitments for old-age pensions and family pensions for salaried employees in Sweden are guaranteed in part through insurance with Alecta. According to UFR 3 this is a defined benefit plan that covers many employers. For the 2008 financial year the company has not had access to information making it possible to report this plan as a defined benefit plan. Pension plans in accordance with ITP that are guaranteed through insurance with Alecta are therefore reported as defined contribution plans. The year's contributions that are contracted to Alecta amount to SEK 7 M (9), of which SEK 3 M (4) relates to the Parent company. Alecta's surplus may be distributed to the policy-holders and/or the persons insured. At the end of 2008 Alecta's surplus expressed as collective consolidation level amounted to 112.0 (152.0) percent. 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.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34

Note 27 Other provisions

	Group		
SEK M	Restruc-turing reserve	Other	Total
Opening balance at 1 January 2007	**1,257**	**186**	**1,443**
Reclassifications	–3	164	161
Reversal of unused amounts	–74	–	–74
Provisions for the year	54	17	71
Acquisitions of subsidiaries	–	293	293
Utilized during the year	–424	–94	–518
Exchange-rate differences	18	–54	–36
Closing balance at 31 December 2007	**828**	**512**	**1,340**
Opening balance at 1 January 2008	**828**	**512**	**1,340**
Reclassifications	–	–	–
Reversal of unused amounts	–	0	0
Provisions for the year	1,038	11	1,049
Acquisitions of subsidiaries	–	267	267
Utilized during the year	–485	–114	–599
Exchange-rate differences	137	46	183
Closing balance at 31 December 2008	**1,518**	**722**	**2,240**

	Group	
Balance sheet allocation:	**2007**	**2008**
Other long-term provisions	774	1,453
Other short-term provisions	566	787
Total	**1,340**	**2,240**

The restructuring reserve is concerned chiefly with the ongoing restructuring programs initiated in 2006 and 2008. The closing balance of the provision is expected to be utilized during the coming three-year period and is mainly related to severance payments. The long-term part of the restructuring provision amounts to SEK 870 M. For detailed information about the restructuring programs see the Report of the Board of Directors. 'Other provisions' relates to estimates of deferred considerations for acquisitions and to legal obligations including future environmental-related interventions.

Parent company

'Other provisions' in the Parent company relate to estimates of deferred considerations for acquisitions.

Note 28 Other short-term liabilities

	Group	
SEK M	2007	2008
VAT and excise duty	217	244
Employee withholding tax	74	72
Advances received	66	93
Social security contributions	26	38
Other short-term liabilities	241	282
Total	**624**	**729**

Note 29 Accrued expenses and prepaid income

	Group		Parent company	
SEK M	2007	2008	2007	2008
Personnel-related expenses	1,346	1,441	51	57
Customer-related expenses	438	444	–	–
Prepaid income	121	79	–	–
Accrued interest expenses	87	125	39	55
Other	625	1,035	14	4
Total	**2,617**	**3,124**	**104**	**116**

Note 30 Contingent liabilities

	Group		Parent company	
SEK M	2007	2008	2007	2008
Guarantees	29	36	–	–
Guarantees on behalf of subsidiaries	–	–	9,339	8,501
Total	**29**	**36**	**9,339**	**8,501**

In addition to the guarantees shown in the table above the Group has a large number of small performance guarantees issued by banks in the ordinary course of business. No material obligations are expected as a result of these guarantees.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34

Note 31 Acquisitions

2008, SEK M	Total
Cash paid, including direct acquisition costs	1,710
Unpaid parts of purchase prices	320
Total purchase price	**2,030**
Fair value of acquired net assets	–822
Goodwill	**1,208**
Acquired assets and liabilities in accordance with purchase price allocations	
Intangible assets	251
Tangible assets	202
Inventories	339
Receivables	223
Cash and cash equivalents	58
Interest-bearing liabilities	–40
Other liabilities	–275
Minority interests	64
Acquired net assets at fair value	**822**
Fair value adjustments, intangible assets	–233
Fair value adjustments, deferred taxes etc	165
Acquired net assets at book value	**754**
Purchase prices settled in cash	1,710
Cash and cash equivalents in acquired subsidiaries	–58
Change in Group cash and cash equivalents resulting from acquisitions	**1,652**
Net sales from times of acquisition	691
EBIT from times of acquisition	82
Net income from times of acquisition	9

Total net sales in 2008 of acquired entities amounted to SEK 1,732 M and net income amounted to SEK 29 M. No individually material acquisition was performed in 2008. In November 2008 the holding in iRevo was increased and amounts to more than 90 percent of the share capital. Rockwood, Valli & Valli, Gardesa and Shenfei were the largest acquisitions during 2008.

Rockwood

On 24 June 2008 the Group acquired 100 percent of the share capital of Rockwood Manufacturing Company, a leading US producer of standard and decorative specialty door hardware. The acquisition brings into ASSA ABLOY a well recognized producer of door components. With the acquisition of Rockwood ASSA ABLOY takes another step in its strategy to provide total door solutions on the non-residential market in the USA. The company has its headquarters and manufacturing facility in Rockwood, Pennsylvania. The brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualifying for separate recognition.

Valli&Valli

On 3 July 2008 the Group acquired 100 percent of the share capital of Valli&Valli, a leading Italian manufacturer of design handles. The acquisition brings into ASSA ABLOY an exciting product range and a well known brand used by designers and architects worldwide. The acquisition will strengthen ASSA ABLOY's leading position on the Italian market and it will also reinforce the Group's specification efforts in many other countries. The company is based near Milan in Italy. The brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualifying for separate recognition.

Gardesa

On 9 July 2008 the Group acquired 100 percent of the share capital of Gardesa, a leading Italian manufacturer of high-security steel doors. Gardesa is a valuable addition to ASSA ABLOY, bringing a leading brand, a very exciting product range, advanced technology and very attractive Italian design. The majority of the products are sold through the company's distribution network in Italy while 25 percent are sold through distributors to other markets in Europe, Africa and Asia. Gardesa is located near Piacenza in Italy. The brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualifying for separate recognition.

Shenfei

On 19 December 2008 the Group acquired 100 percent of the share capital of Shenfei, a leading Chinese manufacturer of door closers. The acquisition is an important step in the growth strategy on emerging markets and adds market presence as well as complementing ASSA ABLOY's product portfolio. Shenfei complements the Group's portfolio of locks and door opening solutions and adds a valuable distribution network in China. Shenfei is located in Wen Zou, south of Shanghai. The purchase price allocation is preliminary. Goodwill is chiefly related to synergies and other intangible assets not qualifying for separate recognition.

2007, SEK M	Total
Cash paid, including direct acquisition costs	1,424
Unpaid parts of purchase prices	251
Total purchase price	**1,675**
Fair value of acquired net assets	–646
Goodwill	**1,029**
Acquired assets and liabilities in accordance with purchase price allocations	
Intangible assets	341
Tangible assets	273
Inventories	253
Receivables	271
Cash and cash equivalents	100
Interest-bearing liabilities	–104
Other liabilities	–345
Minority interests	–143
Acquired net assets at fair value	**646**
Fair value adjustments, intangible assets	–328
Fair value adjustments, deferred taxes etc	120
Acquired net assets at book value	**438**
Purchase prices settled in cash	1,424
Cash and cash equivalents in acquired subsidiaries	–100
Change in Group cash and cash equivalents resulting from acquisitions	**1,324**
Net sales from times of acquisition	989
EBIT from times of acquisition	134
Net income from times of acquisition	46

Total net sales in 2007 of acquired entities amounted to SEK 1,841 M and net income amounted to SEK 64 M. No individually material acquisition was performed in 2007. Pemko, Aontec, Baodean and iRevo were the largest acquisitions during 2007.

Pemko

On 1 January 2007 the Group acquired 100 percent of the share capital of Pemko Manufacturing Company, a leading North American producer of door components. The acquisition of Pemko brings into ASSA ABLOY a well recognized and highly respected producer of door components. The Pemko product line is complementary to ASSA ABLOY's existing product offerings and distribution channels. The company has its headquarters in Ventura, California, from where most of the business is conducted. The brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualifying for separate recognition.

Aontec

On 3 July 2007 the Group acquired 100 percent of the share capital of Aontec Teoranta, one of the world's largest suppliers of RFID inlays for electronic passports. The acquisition expanded the customer base, provided ASSA ABLOY with yet another secure site for the Group's operations and added complementary manufacturing technologies for RFID inlays. Aontec designs and manufactures RFID inlays mainly for European passport printers and security integrators. The operations are conducted in high-security premises in Ireland. Intangible assets in the form of customer relationships and licenses have been separately recognized. Remaining goodwill is chiefly related to synergies and other intangible assets not qualifying for separate recognition.

Baodean

On 1 October 2007 the Group acquired 70 percent of Baodean, a leading Chinese lock company. Baodean manufactures and distributes anti-theft door locks and cylinders mainly for the Chinese market. The company leads the market segment of high-security anti-theft door locks and cylinders in China and has developed an extensive support and service network. Baodean is located in the Zhejiang region, south of Shanghai. Based on a preliminary purchase-price allocation, the brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualifying for separate recognition.

iRevo

On 12 October 2007 the Group acquired more than 50 percent of the share capital of iRevo, a Seoul-listed company and market leader in digital door locks. The acquisition brings benefits to the ASSA ABLOY Group including a market-leading position in Korea, access to efficient distribution channels in the residential sector and ability to leverage on ASSA ABLOY's global distribution network. Based on a preliminary purchase-price allocation, the brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualifying for separate recognition.

Note 32 Cash flow

	Group	
SEK M	**2007**	**2008**
Adjustments for non-cash items		
Profit on sales of fixed assets	–58	–31
Change of pension obligations	20	–3
Other	–11	–15
Adjustments for non-cash items	**–49**	**–49**
Change in working capital		
Inventory increase/decrease (–/+)	–148	–144
Accounts receivable increase/decrease (–/+)	–256	38
Accounts payable increase/decrease (+/–)	219	–59
Other working capital increase/decrease (–/+)	160	160
Change in working capital	**–25**	**–5**
Capital expenditure		
Purchase of tangible and intangible assets	–1,050	–962
Sales of tangible and intangible assets	299	133
Net capital expenditure	**–751**	**–829**
Investments in subsidiaries		
Acquired assets and liabilities according to purchase price allocations:		
Intangible assets	–1,370	–1,459
Tangible assets	–273	–202
Inventory	–253	–339
Accounts receivable	–206	–203
Other receivables	–65	–20
Minority interests	143	–64
Long-term liabilities	117	70
Accounts payable	154	135
Other short-term liabilities	74	70
Acquired net debt	4	–18
Purchase price	**–1,675**	**–2,030**
Less, acquired cash and cash equivalents	100	58
Less, unpaid parts of purchase prices	251	320
Plus, paid parts of purchase prices relating to previous years	–34	–179
Investments in subsidiaries	**–1,358**	**–1,831**
Other investments		
Investments in / sales of other shares	–13	1
Investments in / sales of other financial assets	–5	11
Other investments	**–18**	**12**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34

Note 33 Employees

Salaries, wages and other remuneration

	Group			
	2007		2008	
SEK M	**Salaries, wages and other remuneration**	of which, performance-related salary paid to managing directors	**Salaries, wages and other remuneration**	of which, performance-related salary paid to managing directors
Sweden	587	8	590	5
Finland	329	0	339	0
Norway	276	1	311	1
Denmark	185	1	230	0
United Kingdom	625	3	503	3
Belgium	67	0	45	0
Netherlands	227	2	245	2
France	635	4	430	4
Germany	554	4	568	2
Switzerland	212	1	230	1
Italy	120	1	154	0
Spain	280	2	288	2
Czech Republic	90	0	133	–
Romania	48	–	48	–
Israel	87	–	118	0
South Africa	69	–	67	–
Canada	205	1	194	2
USA	2,666	8	2,733	11
Mexico	195	1	151	0
South America	69	0	76	0
China	155	0	166	0
Australia	391	0	303	0
New Zealand	80	–	85	0
Korea	59	0	39	0
Other	136	0	278	2
Total	**8,347**	**36**	**8,324**	**35**

	Parent company			
	2007		2008	
SEK M	**Salaries, wages and other remuneration**	of which, performance-related salary paid to managing directors	**Salaries, wages and other remuneration**	of which, performance-related salary paid to managing directors
Sweden	96	6	102	3
Other	12	–	0	–
Total	**108**	**6**	**102**	**3**

Social security costs

	Group		Parent company	
SEK M	**2007**	**2008**	**2007**	**2008**
Social security costs	1,719	1,692	55	55
–of which pensions	384	413	21	20
Total	**1,719**	**1,692**	**55**	**55**

Fees to board members in 2008 (including committee work), SEK thousands

Name and post	Board	Remuneration Committee	Audit Committee	Social security costs	Total
Gustaf Douglas, Chairman	900	100	–	102	1,102
Jorma Halonen, member	450	–	–	–	450
Carl Douglas, member	450	–	–	141	591
Birgitta Klasén, member	450	–	100	173	723
Eva Lindqvist, member	450	–	–	141	591
Johan Molin, president and CEO	–	–	–	–	–
Sven-Christer Nilsson, member	450	50	–	157	657
Lars Renström, member	450	–	100	173	723
Ulrik Svensson, member	450	–	200	204	854
Employee representatives (2)	–	–	–	–	–
Total	**4,050**	**150**	**400**	**1,092**	**5,692**

Remuneration and other benefits of the Executive Team in 2008, SEK thousands

	Fixed salary	Variable salary	Other benefits	Pension costs
Johan Molin	12,831	2,625	100	3,500
Other members of the Executive Team (9)	29,460	8,933	1,548	8,092
Total remuneration and benefits	**42,291**	**11,558**	**1,648**	**11,592**
Total costs[1]	**51,426**	**14,055**	**1,813**	**13,910**

[1] Total costs include social security contributions on salaries and benefits, special pension tax and additional costs for other benefits. Salaries and other remuneration paid to the Executive Team during 2007 totaled SEK 63 M and social security costs totaled SEK 26 M, of which SEK 13 M were pension costs.

Salaries and remuneration to the Board of Directors and the Parent company's Executive Team

Salaries and other remuneration paid to the Board of Directors and the Parent company´s Executive Team totaled SEK 31 M (34). Social security costs for the Board of Directors and the Parent company's Executive Team amounted to SEK 19 M (19), of which SEK 10 M (8) are pension costs.

Severance pay agreement

For the CEO, a period of 24 months' notice has been agreed if the company terminates the contract. No severance payment agreement applies.

Absence for illness, %

	Parent company	
	2007	2008
Total absence for illness	2.4	1.8
– long-term [1]	–	–
– men	2.7	2.0
– women	1.8	1.2
– aged 29 or younger	0.9	0.6
– aged 30-49	1.5	1.0
– aged 50 or older [1]	–	–

[1] Information not displayed since it could be linked to specific individuals.

Average number of employees per country, with breakdown into women and men

	Group					
	2007			2008		
	Total	Women	Men	**Total**	Women	Men
Sweden	1,490	587	903	1,433	536	897
Finland	1,156	457	699	1,073	420	653
Norway	685	219	466	667	245	422
Denmark	408	149	259	414	141	273
United Kingdom	1,554	717	837	1,315	525	790
Belgium	211	83	128	224	83	141
Netherlands	646	109	537	620	91	529
France	2,265	889	1,376	2,124	907	1,217
Germany	1,275	484	791	1,242	485	757
Switzerland	428	177	251	407	159	248
Italy	406	178	228	604	202	402
Spain	786	230	556	760	224	536
Czech Republic	1,115	712	403	1,085	578	507
Romania	839	350	489	484	234	250
Israel	459	132	327	460	131	329
South Africa	710	328	382	534	206	328
Canada	564	113	451	581	107	474
USA	7,203	2,342	4,861	6,961	2,246	4,715
Mexico	2,371	1,456	915	1,721	1,042	679
South America	695	165	530	659	172	487
Malaysia	416	252	164	527	369	158
China	4,333	1,821	2,512	5,962	2,939	3,023
Korea	85	22	63	266	50	216
Australia	1,048	318	730	954	283	671
New Zealand	301	99	202	336	116	220
Other	818	302	516	1,310	583	727
Total	**32,267**	**12,691**	**19,576**	**32,723**	**13,074**	**19,649**

	Parent company					
	2007			2008		
	Total	Women	Men	**Total**	Women	Men
Sweden	90	29	61	101	32	69
Other	8	2	6	–	–	–
Total	**98**	**31**	**67**	**101**	**32**	**69**

Gender-split in senior management

	2007			2008		
SEK M	**Total**	Women	Men	**Total**	Women	Men
Board of Directors[2]	8	1	7	9	2	7
Executive Team	10	–	10	10	–	10
– of which Parent company's Executive Team	*4*	–	*4*	*4*	–	*4*
Total	**18**	**1**	**17**	**19**	**2**	**17**

[2] Excluding employee representatives.

Note 34 Assets pledged against liabilities to credit institutes

	Group		Parent company	
SEK M	**2007**	**2008**	**2007**	**2008**
Real-estate mortgages	41	41	None	None
Other mortgages	32	30	None	None
Total	**73**	**71**	**None**	**None**

Comments on five years in summary

2004

Some recovery in demand on major markets contributed to a notable improvement in organic growth. Acquisitions contributed to business performance in the EMEA and Global Technologies divisions. Negative exchange-rate effects continued to reduce reported sales and earnings. The operating margin rose owing to better sales volumes and cost savings as a result of the ongoing action program, while higher purchase prices for important metals were neutralized by higher selling prices and changes in the purchasing structure. Operating cash flow was strong as usual.

During the year, ASSA ABLOY refined the Group's strategy with the aim of strengthening organic growth in ASSA ABLOY's core business and in attractive and fast-growing markets and product segments, and of better exploiting the Group's size to generate significant cost savings, mainly in production and purchasing.

2005

Sales were relatively weak at the start of the year but then steadily improved, which resulted in good organic growth for the full year. The Group's performance was founded on strong demand on the important US market. A number of small companies were acquired, mainly in the Asia Pacific and Global Technologies divisions.

The Leverage & Growth program was concluded at year-end. This program contributed to increasing the Group's efficiency and productivity. The operating margin and operating cash flow both improved during the year. Johan Molin succeeded Bo Dankis as President and CEO.

ASSA ABLOY strengthened its position by focusing on customer value in both traditional businesses and segments with rather higher market growth such as electromechanical locks, automatic doors, access control systems and identification technology.

2006

This was a very good year for ASSA ABLOY, with the highest organic growth in the company's history and a substantial improvement in profitability. ASSA ABLOY's robust performance was based on strong economic growth in the Group's most important markets in Europe and North America, as well as success in fast-growing segments such as electromechanical locks, access control, automatic doors and identification technology. The acquisition rate increased and acquisitions included Fargo Electronics, a global leader in the fast-growing segment of secure card issuance.

A three-year restructuring program to realize synergies and increase efficiency in the Group's manufacturing units was launched during the year. This program means that a major part of production will switch focus from full production to concentrate on final assembly. Some production will be relocated to low-cost countries, resulting in the closing of a number of production units.

Total restructuring costs amounted to SEK 1,274 M and the program is predicted to produce annual savings of SEK 600 M when fully implemented in 2009.

Sales volume growth, acquisitions and the restructuring measures implemented contributed to the strong increase in operating income.

2007

The year saw strong growth for ASSA ABLOY, combined with continued very satisfactory growth in earnings. All five divisions showed growth, increased profitability and an improved return. ASSA ABLOY's strong performance was based on long-term structural growth in demand in the Group's most important markets in Europe and North America, increasing demand in new markets, and successes in fast-growing segments such as electromechanical locks, access control, secure smart-card issuance, automatic doors and identification technology. The acquisition rate remained high during the year and major acquisitions included Baodean (China), iRevo (Korea), Aontec (Irish Republic), Powershield (Northern Ireland), Pemko (North America) and Pyropanel (Australia).

The successful implementation of the three-year restructuring program for the Group's manufacturing units continued during the year. All 50 projects are proceeding according to plan and more than 1,300 employees out of a planned total of 2,000 have now left the Group. By year-end 2007 cost savings were running at over 60 percent of the final target of achieving annual savings of SEK 600 M in 2009.

Sales-volume growth, acquisitions, price management and the restructuring measures implemented, as well as continuous improvements in production, administration and market development, contributed to the strong financial performance.

2008

2008 was a record year for ASSA ABLOY with increased sales and profit due to focused efforts to increase demand mainly on the commercial and institutional markets. The Group increased its investments in product development and more products than ever were introduced on the market. The economic situation weakened toward the end of the year as the financial crisis had a negative impact on investments in new construction.

Five years in summary

(Amounts in SEK M unless stated otherwise)	2004	2005	2006	2007	2008
Sales and income					
Sales	25,526	27,802	31,137	33,550	34,918
Organic growth, %	5	5	9	7	0
Acquired growth, %	5	1	3	5	4
Operating income before depreciation / amortization (EBITDA)	4,606	4,960	5,669[1]	6,366	6,447[1]
Depreciation	923	882	898	909	–921
Operating income (EBIT)	3,683	4,078	4,771[1]	5,458	5,526[1]
Income before tax (EBT)	3,199	3,556	2,626	4,609	3,499
Net income	2,356	2,613	1,756	3,368	2,438
Cash flow					
Cash flow from operating activities	3,018	3,153	2,968	3,871	4,369
Cash flow from investing activities	–1,505	–1,052	–3,871	–2,127	–2,648
Cash flow from financing activities	–1,413	–2,027	1,203	–1,568	–1,311
Cash flow	100	73	300	176	410
Operating cash flow	3,439	3,702	3,528	4,808	4,769
Capital employed and financing					
Capital employed	23,461	26,653	27,205	28,621	32,850
– of which, goodwill	13,917	15,716	16,683	17,270	20,669
Net debt	12,208	12,240	13,560	12,953	14,013
Minority interests	27	71	60	201	163
Shareholders' equity, excl. minority interests	11,226	14,342	13,585	15,467	18,674
Data per share, SEK					
Earnings per share after tax and before dilution	6.42	7.13	4.77	9.18	6.60
Earnings per share after tax and dilution (EPS)	6.33	6.97	7.99[1]	9.02	9.21[1]
Shareholders' equity per share after dilution	34.74	42.85	39.13	46.76	55.91
Dividend per share	2.60	3.25	3.25	3.60	3.60[2]
Price of Series B share at year-end	113.50	125.00	149.00	129.75	88.50
Key data					
Gross margin (EBITDA), %	18.0	17.8	18.2[1]	19.0	18.5[1]
Operating margin (EBIT), %	14.4	14.7	15.3[1]	16.3	15.8[1]
Profit margin (EBT), %	12.5	12.8	8.4	13.7	10.0
Return on capital employed, %	15.3	15.9	12.1	18.4	13.3
Return on capital employed excl. items affecting comparability, %	15.3	15.9	17.1	18.4	17.2
Return on shareholders' equity, %	20.0	18.1	11.5	21.0	12.8
Equity ratio, %	37.4	42.8	38.4	41.5	41.9
Net debt / Equity ratio, times	1.09	0.85	0.99	0.83	0.74
Interest coverage ratio, times	7.6	8.2	5.1	7.4	5.7
Interest on convertible debenture loans after tax	24.0	33.1	43.6	55.0	81.0
Number of shares, thousands	365,918	365,918	365,918	365,918	365,918
Number of shares after dilution, thousands	378,718	378,718	376,033	380,713	380,713
Average number of employees	29,160	29,578	31,243	32,267	32,723

[1] Excluding restructuring costs in 2006 and items affecting comparability in 2008
[2] For 2008, as proposed by the Board.

Quarterly information

THE GROUP IN SUMMARY

(Amounts in SEK M unless stated otherwise)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Full year 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Full year 2008
Sales	8,227	8,329	8,274	8,721	33,550	8,203	8,526	8,722	9,468	34,918
Organic growth	8%	7%	7%	6%	7%	0%	5%	1%	-4%	0%
Gross income excl. items affecting comparability	**3,383**	**3,425**	**3,405**	**3,587**	**13,799**	**3,383**	**3,547**	**3,590**	**3,898**	**14,418**
Gross income / Sales	41.1%	41.1%	41.2%	41.1%	41.1%	41.2%	41.6%	41.2%	41.2%	41.3%
Operating income before depreciation (EBITDA) excl. items affecting comparability	**1,518**	**1,554**	**1,625**	**1,670**	**6,366**	**1,476**	**1,599**	**1,669**	**1,703**	**6,447**
Gross margin (EBITDA)	18.5%	18.7%	19.6%	19.1%	19.0%	18.0%	18.8%	19.1%	18.0%	18.5%
Depreciation	–229	–229	–221	–230	–909	–232	–222	–234	–233	–921
Operating income (EBIT) excl. items affecting comparability	**1,289**	**1,325**	**1,404**	**1,440**	**5,458**	**1,244**	**1,378**	**1,435**	**1,469**	**5,526**
Operating margin (EBIT)	15.7%	15.9%	17.0%	16.5%	16.3%	15.2%	16.2%	16.5%	15.5%	15.8%
Items affecting comparability [4]	–	–	–	–	–	–	–	–247	–1,010	–1,257
Operating income (EBIT)	**1,289**	**1,325**	**1,404**	**1,440**	**5,458**	**1,244**	**1,378**	**1,188**	**460**	**4,269**
Net financial items	–188	–197	–193	–271	–849	–189	–190	–207	–184	–770
Income before tax (EBT)	**1,101**	**1,128**	**1,211**	**1,168**	**4,609**	**1,055**	**1,188**	**980**	**276**	**3,499**
Profit margin (EBT)	13.4%	13.5%	14.6%	13.4%	13.7%	12.9%	13.9%	11.2%	2.9%	10.0%
Tax	–298	–306	–327	–309	–1 240	–283	–323	–271	–184	–1,061
Net income	**803**	**822**	**884**	**859**	**3,368**	**772**	**865**	**709**	**92**	**2,438**
Allocation of net income:										
Shareholders in ASSA ABLOY AB	803	820	882	854	3 358	772	857	700	84	2,413
Minority interests	1	2	2	5	10	0	8	8	9	25

OPERATING CASH FLOW	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Full year 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Full year 2008
Operating income (EBIT)	1,289	1,325	1,404	1,440	5,458	1,244	1,378	1,188	460	4,269
Restructuring costs	–	–	–	–	–	–	–	247	933	1,180
Depreciation	229	229	221	230	909	232	222	234	233	921
Net operating capital expenditure	–101	–218	–220	–212	–751	–164	–173	–199	–293	–829
Change in working capital	–469	–159	53	550	–25	–581	–113	–111	801	–5
Paid and received interest	–124	–216	–149	–245	–734	–162	–206	–134	–217	–718
Non-cash items	–19	–4	–3	–23	–49	14	–26	–36	–1	–49
Operating cash flow [1]	**805**	**957**	**1,306**	**1,740**	**4,808**	**583**	**1,081**	**1,189**	**1,916**	**4,769**
Operating cash flow/Income before tax	0.73	0.85	1.08	1.49	1.04	0.55	0.91	0.97[2]	1.49[2]	1.02[2]

CHANGE IN NET DEBT	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Full year 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Full year 2008
Net debt at start of period	13,560	13,799	14,534	13,456	13,560	12,953	12,414	13,549	14,010	12,953
Operating cash flow	–805	–957	–1,306	–1,740	–4,808	–583	–1,081	–1,189	–1,916	–4,769
Restructuring payments	44	81	90	209	424	111	97	126	152	485
Tax paid	173	433	258	400	1,264	127	251	81	283	742
Acquisitions	509	92	341	434	1,376	126	473	717	503	1,819
Dividend	–	1,189	–	–	1,189	–	1,317	–	–	1,317
Exchange-rate differences	318	–103	–461	194	–52	–320	78	726	981	1,466
Net debt at end of period	**13,799**	**14,534**	**13,456**	**12,953**	**12,953**	**12,414**	**13,549**	**14,010**	**14,013**	**14,013**
Net debt/Equity ratio	0.94	1.02	0.91	0.83	0.83	0.79	0.87	0.80	0.74	0.74

NET DEBT	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Long-term interest-bearing receivables	–139	–161	–197	–105	–102	–83	–89	–256
Short-term interest-bearing investments incl. derivatives	–79	–119	–261	–220	–332	–191	–133	–688
Cash and bank balances	–998	–1,549	–979	–1,212	–953	–1,221	–1,534	–1,579
Pension obligations	1,337	1,239	1,213	1,156	1,151	1,150	1,131	1,182
Long-term interest-bearing liabilities	7,392	8,218	8,002	8,050	7,707	7,683	7,539	7,766
Short-term interest-bearing liabilities incl. derivatives	6,285	6,906	5,678	5,284	4,943	6,212	7,096	7,589
Total	**13,799**	**14,534**	**13,456**	**12,953**	**12,414**	**13,549**	**14,010**	**14,013**

CAPITAL EMPLOYED AND FINANCING	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Capital employed	28,535	28,822	28,198	28,621	28,116	29,045	31,538	32,850
– of which, goodwill	17,375	17,237	17,077	17,270	16,508	17,068	18,851	20,669
Net debt	13,799	14,534	13,456	12,953	12,414	13,549	14,010	14,013
Minority interests	59	56	56	201	181	188	211	163
Shareholders' equity (excl. minority interests)	14,677	14,232	14,686	15,467	15,521	15,308	17,317	18,674

DATA PER SHARE, SEK	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Full year 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Full year 2008
Earnings per share after tax and before dilution	2.19	2.24	2.41	2.34	9.18	2.11	2.34	1.91	0.23	6.60
Earnings per share after tax and dilution	2.16	2.20	2.36	2.30	9.02	2.08	2.30	1.89	0.29	6.55
Earnings per share after tax and dilution excl. items affecting comparability	2.16	2.20	2.36	2.30	9.02	2.08	2.30	2.38	2.45	9.21
Shareholders' equity per share after dilution	42.46	43.68	44.68	46.76	46.76	46.64	46.13	51.61	55.91	55.91

NUMBER OF SHARES	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Full year 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Full year 2008
Number of shares before dilution, thousands	365,918	365,918	365,918	365,918	365,918	365,918	365,918	365,918	365,918	365,918
Number of shares after dilution, thousands[3]	376,033	376,599	380,713	380,713	378,533	380,713	380,713	380,713	380,713	380,713

[1] Excluding restructuring payments.
[2] Income before tax excluding items affecting comparability.
[3] Weighted average.
[4] Items affecting comparability consist of restructuring costs and non-recurring costs. Non-recurring costs total SEK 77 M in the fouth quarter and for the full year.

Definitions of key data terms

Organic growth:
Change in sales for comparable units after adjustments for acquisitions and exchange-rate effects.

Gross 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 page 50 for the items included in operating cash flow.

Net capital expenditure:
Investments in fixed assets less disposals of fixed assets.

Depreciation:
Depreciation/amortization of tangible and intangible fixed 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 minority interests, plus interest expenses after tax for convertible debenture loans, as a percentage of average shareholders' equity (excluding minority interests) after dilution.

Return on capital employed:
Income before tax plus net interest as a percentage of average capital employed.

Earnings per share after tax and before dilution:
Net income excluding minority interests divided by weighted average number of shares before dilution.

Earnings per share after tax and dilution:
Net income excluding minority interests, plus interest expenses after tax for convertible debenture loans, divided by weighted average number of shares after dilution.

Shareholders' equity per share after dilution:
Equity excluding minority interests, plus convertible debenture loan, divided by number of shares after dilution.

Proposed disposition of earnings

The following retained earnings are available for disposition by the shareholders at the Annual General Meeting:

Net income for the year: SEK 1,154 M
Retained earnings brought forward: SEK 2,943 M
TOTAL: SEK 4,097 M

The Board of Directors and the President and CEO propose that a dividend of SEK 3.60 per share, a maximum total of SEK 1,317 M, be distributed to shareholders and that the remainder, SEK 2,780 M, be carried forward to the new financial year.

Tuesday 28 April 2009 has been proposed as the record date for dividends. If the Annual General Meeting confirms this proposal, dividends are expected to be distributed by VPC AB on Monday 4 May 2009.

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 review of the development of the Group's and the Parent company's business operations, position and results, and describes significant risks and uncertainties to which the Parent company and the companies that make up the Group are exposed.

Stockholm, 13 February 2009

Gustaf Douglas
Chairman

Carl Douglas
Board member

Jorma Halonen
Board member

Birgitta Klasén
Board member

Eva Lindqvist
Board member

Johan Molin
President and CEO

Sven-Christer Nilsson
Board member

Lars Renström
Board member

Ulrik Svensson
Board member

Seppo Liimatainen
Employee representative

Mats Persson
Employee representative

Our audit report was issued on 13 February 2009

PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant
Auditor in Charge

Bo Karlsson
Authorized Public Accountant

Audit report

To the Annual General Meeting of the shareholders of ASSA ABLOY AB
Corporate identity number 556059-3575

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President and CEO of ASSA ABLOY AB for the year 2008. (The company's annual accounts are presented on pages 38-84 of the printed version of this document.) The Board of Directors and the President and CEO are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards, IFRS, as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and CEO and significant estimates made by the Board of Directors and the President and CEO when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President and CEO. We also examined whether any Board member or the President and CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent company and the Group be adopted, that the profit of the Parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Stockholm, 13 February 2009

PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant
Auditor in Charge

Bo Karlsson
Authorized Public Accountant

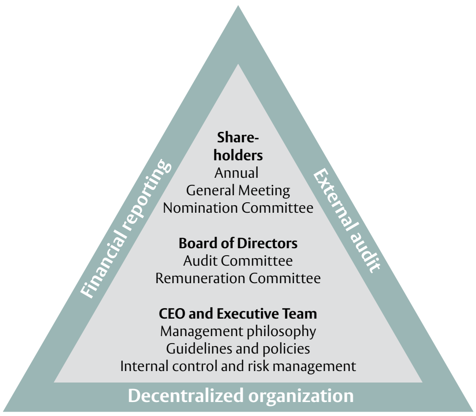
Corporate governance report

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

The Group's corporate governance is based on, among other things, its articles of association, the Swedish Companies Act and the rules and regulations of the NASDAQ OMX Stockholm (Stockholm Stock Exchange). ASSA ABLOY applies the Swedish Code of Corporate Governance and is considered, at the end of 2008, to be in compliance with all of its provisions.

The Corporate Governance Report describes how the work of corporate governance has been conducted at ASSA ABLOY during the 2008 financial year. This report has not been examined by the company's auditors.

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



Shareholders

At year-end, ASSA ABLOY had 22,921 shareholders. ASSA ABLOY's principal shareholders are Investment AB Latour and Säkl AB (9.7 percent of the capital and 29.8 percent of the votes) and Melker Schörling AB (4.0 percent of the capital and 11.6 percent of the votes). Foreign shareholders accounted for 50 percent of the share capital and 34 percent of the votes. The ten largest shareholders accounted for 41 percent of the share capital and 60 percent of the votes.

Share capital and voting rights

ASSA ABLOY's share capital at year-end amounted to SEK 365,918,034, distributed among 19,175,323 Series A shares and 346,742,711 Series B shares. Each Series A share carries ten votes and each Series B share one vote. All shares give the shareholders equal rights to the company's assets and earnings.

Share and dividend policy

ASSA ABLOY's Series B share is quoted on the Large Cap list of the Stockholm Stock Exchange. ASSA ABLOY's market capitalization at year-end amounted to SEK 32,383 M. The aim of the Board is that, in the long term, the dividend should be equivalent to 33–50 percent of ASSA ABLOY's earnings after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

Annual General Meeting

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

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

Annual General Meeting 2008

The Annual General Meeting in April 2008 was attended by shareholders representing 49 percent of the company's capital and 66 percent of the votes.

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

It was noted that the 2006 Annual General Meeting had appointed PricewaterhouseCoopers as auditors, with authorized public accountant Peter Nyllinge as Auditor in Charge, for the four-year period up to the 2010 Annual General Meeting.

The Meeting approved a dividend of SEK 3.60 per share, in accordance with the proposal of the Board and the CEO. In addition, the Meeting passed a resolution on remuneration guidelines for senior management and fees payable to the Board and the auditors and appointed the members of the Nomination Committee up to the 2009 Annual General Meeting.

Nomination Committee

The Nomination Committee prior to the 2009 Annual General Meeting comprises Mikael Ekdahl (Melker Schörling AB), Gustaf Douglas (Investment AB Latour and Säkl), Staffan Grefbäck (Alecta), Mats Tunér (SEB Fonder) and Marianne Nilsson (Swedbank Robur). Mikael Ekdahl is Chairman of the Nomination Committee. If a shareholder represented by one of the members of the Nomination Committee ceases to be among the major shareholders in ASSA ABLOY, the Nomination Committee has the right to elect another representative of one of the major shareholders to take the place of 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 2009 Annual General Meeting for any other reason. During the year the Nomination Committee appointed Mats Tunér (SEB Fonder) to replace Björn Lind (SEB Fonder). The Nomination Committee has the task of preparing, on behalf of the shareholders, decisions on the election of the Chairman, Vice Chairmen 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. Prior to the 2009 Annual General Meeting, the Nomination Committee has made an assessment of whether the current Board is appropriately composed and fulfills the demands made on the Board by the company's present situation and future direction. The annual evaluation of the Board was part of the basis for this assessment. The search for suitable board members continues throughout the year and proposals for new board members are based in each individual case on a profile of requirements laid down by the Nomination Committee.

Shareholders who wish to submit proposals to the Nomination Committee can do so by e-mailing nominationcommittee@assaabloy.com. The Nomination Committee's proposals are published at the latest in conjunction with the formal notification of the Annual General Meeting, which is expected to be issued around 20 March 2009.

Board of Directors

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

The Board's other duties include:

- continuously evaluating the company's operational management, including the work of the CEO
- ensuring that there are effective systems in place for monitoring and control of the company's operations and financial position with reference to its stated objectives
- ensuring that the company's external provision of information is marked by openness and objectivity
- ensuring that there is satisfactory control of the company's compliance with laws and other regulations applying to the company's operations
- ensuring that necessary ethical guidelines for the company's conduct are established

The Board's rules of procedure and instructions for the division of duties between the Board and the CEO are updated and approved at least once a year. The Board has also issued written instructions specifying how financial reporting to the Board should be carried out. In addition to leading the work of the Board, the Chairman should continuously monitor the Group's operations and development through contact with the CEO.

The Chairman should consult the CEO on strategic issues and represent the company in matters concerning the ownership structure. The Chairman should also, when necessary, take part in particularly important external discussions and, in consultation with the CEO, in other matters of particular significance. The Chairman should ensure that the work of the Board is evaluated each year and that new members of the Board receive appropriate training.

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

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

The Board's work during 2008

During the year the Board held nine meetings, including two by telephone. At two meetings one board member was absent and at one meeting two board members were absent. Otherwise all members were present at all meetings. At the scheduled board meetings, the President and CEO reported on the Group's performance and financial position, including the outlook for the coming quarters. Investments, acquisitions and disposals were also considered. The Board takes decisions on all acquisitions and disposals with a value (on a debt-free basis) exceeding SEK 100 M. This amount presumes that the matter involves acquisitions or disposals that fall within the framework of the strategy as agreed by the Board.

More important matters dealt with by the Board during the year included the acquisitions of Rockwood, Gardesa, Shenfei and Valli&Valli, as well as the restructuring program announced during 2008. During the year the Board also conducted in-depth reviews of the Group's activities in the Americas and HID Global and visited several of the Group's sales and production units in China and the Czech Republic.

Remuneration Committee

During 2008, the Remuneration Committee comprised Gustaf Douglas (Chairman) and Sven-Christer Nilsson.

The Remuneration Committee's task is to draw up guidelines for the remuneration of senior management, which the Board proposes to the Annual General Meeting for resolution. The Board's proposal for guidelines prior to the 2009 Annual General Meeting can be seen on page 39. The Remuneration Committee also addresses matters pertaining to salaries, bonus, pension, severance pay and incentive programs for the CEO and other senior management.

The committee held one meeting during the year at which all members were present. The meetings of the Remuneration Committee are minuted; the minutes are sent out with material for the Board and a verbal report is given at board meetings.

The Audit Committee

During 2008 the Audit Committee comprised Ulrik Svensson (Chairman), Birgitta Klasén and Lars Renström.

The duties of the Audit Committee include the continuous quality assurance of ASSA ABLOY's financial reporting. Regular communication is maintained with the Company's auditor on matters including the focus and scope of the audit. The Audit Committee is also responsible for evaluating the audit assignment and informing the Board of Directors and the Nomination Committee of the results, as well as continuously monitoring the current risk status of legal risks in the operation.

The Audit Committee held four meetings during the year at which all members, the company's auditor and representatives from corporate management were present. The meetings of the Audit Committee are minuted; the minutes are sent out with material for the Board and a verbal report is given at board meetings.

More important matters dealt with by the Audit Committee during the year included monitoring accounting aspects of the restructuring program, the adoption of new guidelines for appointing external auditors locally, and the procurement of services other than auditing from the company's auditors. In addition to this, the Audit Committee was kept updated on the move of Treasury operations from Geneva to Stockholm, and also monitored the Group's financing situation, given the turbulence in the credit markets during the year. The Audit Committee also initiated an overview of the Group's policies and guidelines for management of funds allocated to meet the Group's pension liability.

ASSA ABLOY's Board of Directors

The Board consists of 11 members. Nine members are elected by the Annual General Meeting for a period of one year and two of the members are appointed by the employee organizations in accordance with Swedish law. The employee organizations also appoint two deputies. With the exception of the CEO, none of the board members are members of the Executive Team. The CEO has no significant shareholdings or partnerships in companies with significant business relationships with ASSA ABLOY.

Remuneration of the Board

The Annual General Meeting passes a resolution on the remuneration to be paid to board members. The 2008 Annual General Meeting decided that fees paid to the Board should comprise a total sum of SEK 4,050,000 (excluding remuneration for committee work), to be allocated between the members as follows: SEK 900,000 to the Chairman and SEK 450,000 to each of the other members not employed by the company. As remuneration for committee work, the Chairman of the Audit Committee should receive SEK 200,000, the Chairman of the Remuneration Committee SEK 100,000, members of the Audit Committee SEK 100,000 and members of the Remuneration Committee SEK 50,000.

The Chairman and other board members have no pension benefits or severance payment agreements. The CEO and employee representatives do not receive any remuneration. For more information about remuneration to Board members for 2008, please see Note 33.

The Board of Directors of ASSA ABLOY meets the requirements for independence according to the rules and regulations of NASDAQ OMX Stockholm and the Swedish Code of Corporate Governance.

Independence of the Board

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

The Board's composition and shareholdings

Name	Position	Appointed	Born	Remuneration Committee	Audit Committee	Series A shares[1]	Series B shares[1]	Incentive program Series B shares
Gustaf Douglas	Chairman	1994	1938	Chairman	–	13,865,243	21,750,000	–
Carl Douglas	Board member	2004	1965	–	–	–	–	–
Jorma Halonen	Board member	2008	1948	–	–	–	1,000	–
Birgitta Klasén	Board member	2008	1949	–	Member	–	4,000	–
Eva Lindqvist	Board member	2008	1958	–	–	–	–	–
Johan Molin	Board member, President and CEO	2006	1959	–	–	–	500,000	440,000
Sven-Christer Nilsson	Board member	2001	1944	Member	–	–	2,500	–
Lars Renström	Board member	2008	1951	–	Member	–	10,000	–
Ulrik Svensson	Board member	2008	1961	–	Chairman	–	3,000	–
Seppo Liimatainen	Board member, employee representative	2003	1950	–	–	–	2,600	–
Mats Persson	Board member, employee representative	1994	1955	–	–	–	–	–
Rune Hjälm	Deputy, employee representative	2005	1964	–	–	–	–	–
Per Edvin Nyström	Deputy, employee representative	1994	1955	–	–	–	7,727	7,800

[1] Including family and through companies.

Board of Directors

Board members elected at the 2008 Annual General Meeting


Gustaf Douglas

Gustaf Douglas, Chairman
Board member of ASSA ABLOY AB since 1994.
Born 1938.
MBA, Harvard Business School.
Principal shareholder of Investment AB Latour and Säkl AB. Self-employed since 1980.
Other appointments: Chairman of Säkl AB. Board member of Stiftelsen Svenska Dagbladet and the Swedish Conservative Party.
Shareholdings (including family and through companies): 6,746,425 Series A shares and 19,450,000 Series B shares through Investment AB Latour, and 7,118,818 Series A shares and 2,300,000 Series B shares through Säkl AB.


Carl Douglas

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


Jorma Halonen

Jorma Halonen
Board member of ASSA ABLOY AB since 2008.
Born 1948.
Bachelor of Science in Economics.
Executive Vice President of AB Volvo and Deputy CEO of the Volvo Group 2004–2008. President and CEO of Volvo Truck Corporation 2001–2004. Prior to that, a number of senior posts at Scania, such as President of Saab-Scania in Finland 1990–1996, Vice President 1996–1998 and President 1998–2001 of Scania Latin America. Prior to that, senior posts in the telecommunication and computer industry 1972–1990.
Other appointments: Chairman of the Board of Niscayah Group AB and CPS Color. Board member of SEMCON AB and NICDP (Advisory Board to the Saudi Arabian Government).
Shareholdings (including family and through companies): 1,000 Series B shares.


Birgitta Klasén

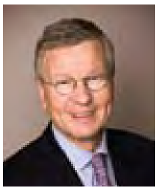
Birgitta Klasén
Board member of ASSA ABLOY AB since 2008.
Born 1949.
Master of Science in Engineering.
Independent IT consultant (Senior IT Advisor). Chief Information Officer (CIO) and Head of Information Management at EADS (European Aeronautics Defence and Space Company) 2004–2005. CIO and Senior Vice President of Pharmacia 1996–2001 and prior to that, CIO at Telia. Held various posts at IBM 1976–1994.
Other appointments: Board member of Acando AB and BISNODE AB.
Shareholdings (including family and through companies): 4,000 Series B shares.


Eva Lindqvist

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


Johan Molin

Johan Molin
Board member of ASSA ABLOY AB since 2006.
Born 1959.
Bachelor of Science in Economics.
President and CEO of ASSA ABLOY AB since 2005. CEO of Nilfisk-Advance 2001–2005. Various posts mainly in finance and marketing, later divisional head in the Atlas Copco Group 1983–2001.
Other appointments: Board member of AB Electrolux.
Shareholdings (including family and through companies): 500,000 Series B shares as well as Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 440,000 Series B shares.



Sven-Christer Nilsson

Sven-Christer Nilsson
Board member of ASSA ABLOY AB since 2001.
Born 1944.
Bachelor of Science, Lund University.
President and CEO of Telefonaktiebolaget LM Ericsson 1998–1999, various posts mainly in marketing and management in the Ericsson Group 1982–1997.
Other appointments: Chairman of the National Swedish Public Service Broadcasting Foundation (Sveriges Radio AB, Sveriges Television AB and Sveriges Utbildningsradio AB) and Swedish ICT Research AB. Board member of Sprint Nextel Corporation, CEVA, Inc. and Tilgin AB.
Shareholdings (including family and through companies): 2,500 Series B shares.

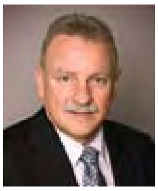
Lars Renström

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

Ulrik Svensson

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

Board members appointed by employee organizations



Seppo Liimatainen

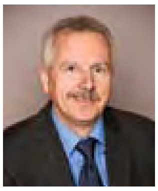
Mats Persson

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

Mats Persson
Board member of ASSA ABLOY AB since 1994.
Born 1955.
Employee representative, Swedish Metal Workers Union.
Shareholdings: —

Deputy board members appointed by employee organizations

Rune Hjälm



Per Edvin Nyström

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

Per Edvin Nyström
Deputy board member at ASSA ABLOY AB since 1994.
Born 1955.
Employee representative, Swedish Metal Workers Union.
Shareholdings: 7,727 Series B shares and Incentive 2004 corresponding, on full conversion, to 7,800 Series B shares.

The Executive Team

From the left: *Åke Sund, Ulf Södergren, Denis Hébert, Tim Shea, Johan Molin, Martin Brandt, Juan Vargues, Thanasis Molokotos, Tzachi Wiesenfeld, Tomas Eliasson.*

Johan Molin
Born 1959
Bachelor of Science in Economics
President and CEO and Head of Global Technologies division
Employed since 2005
Shareholdings: 500,000 Series B shares. Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 440,000 Series B shares.

Martin Brandt
Born 1960
M.Sc. Engineering, MBA
Executive Vice President
Head of Asia Pacific division
Employed since 1996
Shareholdings: Incentive 2006 corresponding, on full conversion, to 60,700 Series B shares.

Denis Hébert
Born 1956
Bachelor of Commerce, MBA
Executive Vice President
Head of Global Technologies business unit HID Global
Employed since 2002
Shareholdings: Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 62,200 Series B shares.

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

Thanasis Molokotos
Born 1958
M.Sc. Engineering
Executive Vice President
Head of Americas division
Employed since 1996
Shareholdings: 25,000 Series B shares. Incentive 2004, Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 105,400 Series B shares.

Tim Shea
Born 1959
Degree in Mechanical Engineering, MBA
Executive Vice President
Head of Global Technologies business unit ASSA ABLOY Hospitality
Employed since 2004
Shareholdings: Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 21,500 Series B shares.

Åke Sund
Born 1957
Graduate Diploma in Marketing
Executive Vice President
Director for Market and Business Development
Employed since 1994
Shareholdings: Incentive 2004, Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 223,900 Series B shares.

Ulf Södergren
Born 1953
Master of Science in Engineering, Bachelor of Science in Economics
Executive Vice President
Chief Technology Officer (CTO)
Employed since 2000
Shareholdings: Incentive 2004, Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 217,600 Series B shares.

Juan Vargues
Born 1959
Degree in Mechanical Engineering, MBA
Executive Vice President
Head of Entrance Systems division
Employed since 2002
Shareholdings: Incentive 2004, Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 229,600 Series B shares.

Tzachi Wiesenfeld
Born 1958
Bachelor of Science in Industrial Engineering, MBA
Executive Vice President
Head of EMEA division
Employed since 2000
Shareholdings: Incentive 2004, Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 183,800 Series B shares.

The Executive Team and organization

The Executive Team (Group Management) consists of the CEO, the heads of the Group's divisions, the Chief Financial Officer, the Director for Technology and Product Development and the Director for Market and Business Development. ASSA ABLOY's operating activities are divided into five divisions, where the fundamental principle is that these divisions should be responsible, as far as is possible, for business operations, while various functions at headquarters are responsible for coordination, monitoring, policies and guidelines at a comprehensive level. The composition of this group gives a geographical and strategic spread of responsibility designed to ensure short decision-making paths. The Group's management philosophy is based on trust, as well as respect for local cultures and conditions.

Guidelines and policies

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

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

Decentralized organization

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

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

Internal control and financial reporting

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

Control environment

The Board of Directors is responsible for effective internal control and to this end has established fundamental documents of significance for financial reporting. These documents include the Board of Directors' rules of procedure and instructions to the Chief Executive Officer, as well as the Group's code of conduct, financial policy etc. Regular meetings are held with the Audit Committee, which also adopts the internal audit plan annually. The Group has an established internal audit function, with the primary goal of providing 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. A handbook was published in 2008 that established minimum levels for internal control of financial reporting. The Code of Conduct was also reviewed and updated during the year.

Risk assessment

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

A systematic comprehensive risk assessment of financial reporting was carried out during 2008, which will be regularly updated over the next few years.

Control activities

The Group's controller and accounting organization at both central and division level plays a significant role in ensuring reliable financial information. It is responsible for complete, accurate and timely financial reporting. Internal financial audits were carried out during the year in certain parts of the Group, where experienced financial personnel conduct audits in units other than the ones where they work. In 2009 the Group will review the structure and format of the internal audit. Group-wide guidelines for internal control were adopted in 2008 and affect various processes such as orders and purchasing (including payments), procedures for finalizing accounts and facilities, as well as compliance with various relevant policies.

Information and communication

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

Follow-up

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

All business units report their financial results monthly in accordance with the Group's accounting principles. This reporting serves as the basis for quarterly reports and a monthly operating review. Operating reviews conform to a long-established structure - Lock-Pack - in which sales, income, 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 and monthly in the form of performance reviews and through more informal analysis. Particular attention is paid to the sales trend, and monitoring takes the form of daily sales reporting by all the units in the Group. Other important Group-wide components of internal control are the annual business planning and budgeting process and quarterly detailed forecasts of all the financial parameters for the current calendar year. Internal control guidelines implemented during the year are also monitored in the large business units through self-assessments and a second opinion from external auditors. Self-assessments are usually followed up at division and Group level to further improve the reliability of the financial reporting.

External audit

At the 2006 Annual General Meeting, Pricewaterhouse-Coopers (PwC) were appointed as the company's external auditors for a four-year period up to the 2010 Annual General Meeting, with authorized public accountant Peter Nyllinge as the Auditor in Charge.

PwC have been the Group's auditors since the Group was formed in 1994. Peter Nyllinge, born in 1966, is responsible for auditing the following companies besides ASSA ABLOY: Securitas, SäkI, Bonnier and Skandinaviska Enskilda Banken. PwC submits the audit report for ASSA ABLOY AB, the Group and a large majority of the subsidiaries worldwide. The audit of ASSA ABLOY AB also includes the administration by the Board of Directors and the CEO.

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

The external audit is carried out in accordance with good auditing practice in Sweden. The audit of annual accounts for legal units outside Sweden takes place according to statutory requirements and other applicable rules in each country. For information about the fees paid to auditors and other assignments carried out in the Group during the last three financial years, please see Note 3 of this Report and Note 3 on page 72 of the Annual Report for 2007.

The ASSA ABLOY share

Share price trend in 2008

The closing price of ASSA ABLOY's Series B share at the end of 2008 was SEK 88.50 (129.75), equivalent to a market capitalization of SEK 32,383 M (47,203). The ASSA ABLOY share fell 32 percent compared with its closing price at the end of 2007. During the same period, the OMXSPI index on NASDAQ OMX Stockholm decreased by 42 percent. The highest closing price of the share was SEK 126.00, recorded on 2 January, and the lowest was SEK 69.75, recorded on 21 November.

Listing and trading

ASSA ABLOY's Series B share is listed on NASDAQ OMX Stockholm, Large Cap. The share has been listed since 8 November 1994.

During the year, a total of 788 million shares (675) were traded, which is an average of 3.1 million shares (2.7) a day and is equivalent to about 227 percent (195) of the listed shares.

Ownership structure

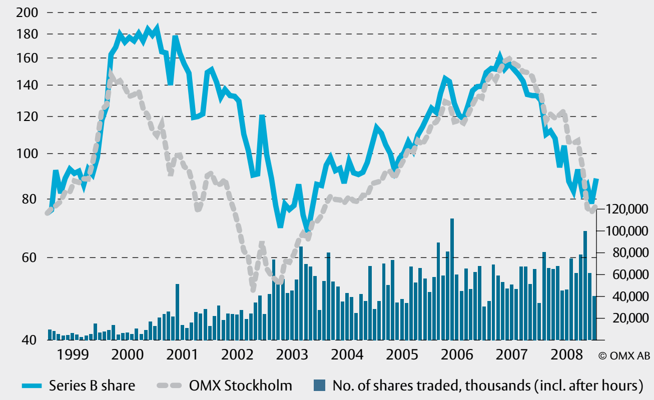
The number of shareholders at year-end was 22,921 (23,961). Investors outside Sweden accounted for 50 percent (49) of the share capital and 34 percent (33) of the votes. The ten largest shareholders accounted for 41 percent (40) of the share capital and 60 percent (59) of the votes. Shareholders with more than 50,000 shares accounted for approximately 2 percent of the total number of shareholders, 93 percent of the share capital and 95 percent of the votes.

Share capital and voting rights

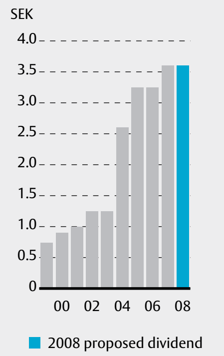
Share capital at year-end amounted to SEK 365,918,034 distributed among 19,175,323 Series A shares and 346,742,711 Series B shares. All shares have a par value of SEK 1.00 and provide the holders with equal rights to the company's assets and earnings. Each Series A share carries ten votes and each Series B share one vote.

Cont. on page 97

Share price trend and trading 1999–2008



Dividend per share 1999–2008



Data per share

SEK/share [1]	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Earnings after tax and dilution [8]	2.00[3]	2.73	2.98[2]	3.53	3.31[2]	6.33	6.97	7.99[2]	9.02	9.21[2]
Dividend, %	0.74	0.90	1.00	1.25	1.25	2.60	3.25	3.25	3.60	3.60[4]
Direct return, % [5]	0.6	0.5	0.7	1.3	1.5	2.3	2.6	2.2	2.8	4.1
Dividend, % [6,8]	32.6	30.9	30.5	32.2	33.9	42.0	47.6	64.0	40.5	52.3
Share price at year-end	119.50	184.50	151.00	99.50	85.50	113.50	125.00	149.00	129.75	88.50
Highest share price	140.00	206.70	186.00	159.50	110.00	113.50	126.00	151.00	164.00	126.00
Lowest share price	73.21	110.50	94.50	76.50	67.00	84.00	89.25	109.00	124.50	69.75
Shareholders' equity [8]	16.95[3]	30.58[3]	35.80	35.85	31.23	34.74	42.85	39.13	46.76	55.91
Number of shares (thousands) [7]	324,200	356,712	361,730	370,935	370,935	378,718	378,718	376,033	380,713	380,713

[1] Adjustments made for new issues.
[2] Excluding items affecting comparability.
[3] Key data adjusted following change in accounting principle.
[4] Proposed dividend.
[5] Dividend as percentage of share price at year-end.
[6] Dividend as percentage of adjusted earnings in line with dividend policy.
[7] After full dilution.
[8] 1999–2003 have not been adjusted for IFRS.

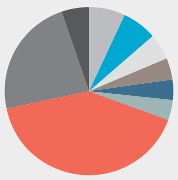
ASSA ABLOY's 10 largest shareholders

Based on the register of shareholders at 31 December 2008.

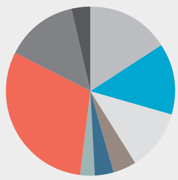
Shareholders	A shares	B shares	Share capital, %	Votes, %
Investment AB Latour	6,746,425	19,450,000	7.2	16.1
Säkl	7,118,818	2,300,000	2.6	13.6
Melker Schörling AB	5,310,080	9,162,136	4.0	11.6
Alecta		23,800,000	6.5	4.4
Capital Group Funds		18,631,900	5.1	3.5
Swedbank Robur Funds		15,175,959	4.1	2.8
Oppenheimer Funds (USA)		13,942,956	3.8	2.6
SEB Funds		11,555,968	3.2	2.1
Harbor Funds Inc		10,578,608	2.9	2.0
Wärtsilä Corporation		7,270,350	2.0	1.4
Other shareholders		214,874,834	58.7	39.9
Total number	**19,175,323**	**346,742,711**	**100.0**	**100.0**

Source: SIS Ägarservice AB and Euroclear Sweden AB (VPC AB).

Ownership structure (capital)



Ownership structure (votes)



Share capital

ASSA ABLOY's share capital on 31 December 2008 was SEK 365,918,034, distributed among 19,175,323 Series A shares and 346,742,711 Series B shares. All shares have a par value of SEK 1.00 and provide the holders with equal rights to the company's assets and earnings. Each Series A share carries ten votes and each Series B share one vote.

Year	Transaction	A shares	C shares	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 C shares into A shares	3,809,466		60,501,066	64,310,532
1997	New share issue	4,190,412		66,541,706	70,732,118
1998	Converted debentures	4,190,412		66,885,571	71,075,983
1999	Converted debentures before split	4,190,412		67,179,562	71,369,974
1999	Bonus issue				
1999	Split 4:1	16,761,648		268,718,248	285,479,896
1999	New share issue	18,437,812		295,564,487	314,002,299
1999	Converted debentures after split and new issues	18,437,812		295,970,830	314,408,642
2000	Converted debentures	18,437,812		301,598,383	320,036,195
2000	New share issue	19,175,323		313,512,880	332,688,203
2000	Non-cash issue	19,175,323		333,277,912	352,453,235
2001	Converted debentures	19,175,323		334,576,089	353,751,412
2002	New share issue	19,175,323		344,576,089	363,751,412
2002	Converted debentures	19,175,323		346,742,711	365,918,034
	Number of shares fully diluted	19,175,323		361,536,826	380,712,149

Dividend and dividend policy

The Board of Directors and the President propose that a dividend of SEK 3.60 per share (3.60), a maximum total amount of SEK 1,317 M, be paid to shareholders for the 2008 financial year, equivalent to a direct return on Series B shares of 4.1 percent (2.8). The aim is that, in the long term, the dividend should be equivalent to 33-50 percent of ASSA ABLOY's earnings after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

Incentive programs

ASSA ABLOY has issued several convertible debentures to employees in the Group.

The first debenture was issued in 1995 and approximately 400 employees participated in the issue. The debenture amounted to approximately SEK 75 M and expired in 2000. The second debenture was issued in 1997. A total of 1,400 employees participated in this issue The debenture loan amounted to SEK 250 M and expired in 2002.

In 2001, a convertible debenture amounting to EUR 100 M was issued. This program expired in November 2006 and no conversion took place.

In 2004, it was decided to launch an incentive program, Incentive 2004. This program amounts to a total of EUR 100 M and is based on four series of convertible bonds, each series having a par value of EUR 25 M. The only difference between the series of bonds is the conversion price. At full conversion, at a conversion price of EUR 10.20 for Series 1, EUR 12.20 for Series 2, EUR 14.30 for Series 3 and EUR 16.30 for Series 4, an additional 7,782,155 shares would be created. Any conversion will take place in a 90-day period between March and June 2009.

In 2006, it was decided to launch an incentive program for senior managers, Incentive 2006. This program amounts to a total of EUR 38.4 M and is based on four series of convertible bonds, each series having a par value of EUR 9.6 M. Any conversion of Incentive 2006 will take place in a 180-day period between December 2010 and June 2011. At full conversion, at a conversion price of EUR 14.60 for Series 1, EUR 15.90 for Series 2, EUR 17.30 for Series 3 and EUR 18.60 for Series 4, an additional 2,332,350 shares would be created.

In 2007, it was decided to launch a new incentive program, Incentive 2007. This program amounts to a total of EUR 100 M and is based on four series of convertible bonds, each series having a par value of EUR 25 M. Any conversion of Incentive 2007 will take place in a 30-day period in May and June 2012. At full conversion, at a conversion price of EUR 18.00 for Series 1, EUR 20.50 for Series 2, EUR 23.00 for Series 3 and EUR 25.40 for Series 4, an additional 4,679,610 shares would be created.

Full conversion of Incentive 2004, 2006 and 2007 would create an additional 14,794,115 shares, which would have a dilutive effect of 3.9 percent on the share capital and 2.6 percent on the total number of votes.

About 2,500 employees in about 15 countries are participating in the incentive programs.

Analysts who follow ASSA ABLOY

Company	Name	Telephone	E-mail
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Enskilda Securities	Julian Beer	+46 8 522 296 52	julian.beer@enskilda.se
Goldman Sachs	Sam Edmunds	+44 20 7552 1289	samson.edmunds@gs.com
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The Royal Bank of Scotland	Klas Bergelind	+44 20 7678 6001	klas.bergelind@rbs.com
UBS	Fredric Stahl	+44 20 7568 9016	fredric.stahl@ubs.com

Information for shareholders

Annual General Meeting

The Annual General Meeting of ASSA ABLOY will be held at Moderna Museet (Museum of Modern Art), Skeppsholmen, Stockholm at 15.00 on Thursday 23 April 2009. Shareholders wishing to attend the Annual General Meeting should:

- Be registered in the share register kept by Euroclear Sweden AB (formerly VPC AB) by Friday 17 April 2009.
- Notify ASSA ABLOY AB of their intention to attend by 16.00 on Friday 17 April 2009.

Registration in the share register

Shareholders whose shares are nominee-registered through a bank or other nominee must request that their shares be temporarily registered in their own name in the share register kept by Euroclear Sweden AB by Friday 17 April 2009, in order to have the right to attend the Annual General Meeting. Shareholders must notify the nominee of this well before that date.

Notification of intention to attend

Shareholders must notify ASSA ABLOY of their intention to attend the Annual General Meeting by 16.00 on Friday 17 April 2009 by:

- Website www.assaabloy.com
- Post ASSA ABLOY AB "årsstämman", Box 7842, SE-103 98 Stockholm
- Telephone +46 (0) 8 506 485 14
- Fax +46 (0) 8 506 485 18 (mark notification "ASSA ABLOY")

The notification should state:

- Name
- Personal identity number or corporate identity number
- Address and daytime telephone number
- Number of shares held
- Any accompanying advisers

A shareholder who is to be represented by a proxy should submit a completed form of proxy. If a legal entity appoints a proxy, a copy of the registration certificate (or similar document) for the legal entity should be enclosed. Documents must not be older than one year. To ensure admission to the Annual General Meeting, forms of proxy (originals) and registration certificates should reach the company at the above address by Friday 17 April 2009.

Nomination Committee

The Nomination Committee has the task of preparing decisions on the election of the Chairman and other members of the Board of Directors, the appointment of the auditor, the election of the Chairman of the Annual General Meeting, and fees and associated matters. The Nomination Committee prior to the 2009 Annual General Meeting comprises Mikael Ekdahl (Melker Schörling AB), Gustaf Douglas (Investment AB Latour and Säkl), Staffan Grefbäck (Alecta), Mats Tunér (SEB Fonder) and Marianne Nilsson (Swedbank Robur). Mikael Ekdahl is Chairman of the Nomination Committee.

Dividend

Tuesday 28 April 2009 is proposed as the record date for dividends. If the Annual Meeting approves the proposal of the Board of Directors, dividends are expected to be distributed by Euroclear Sweden AB on Monday 4 May 2009.

Additional information

Niklas Ribbing, Director, Investor Relations
Telephone +46 (0) 8 506 485 79
niklas.ribbing@assaabloy.com

Reports can be ordered from ASSA ABLOY AB

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- Telephone +46 (0) 8 506 485 00
- Fax +46 (0) 8 506 485 85
- Post ASSA ABLOY AB
  Box 70340
  SE-107 23
  Stockholm
  Sweden

Financial reporting

First quarter: 22 April 2009
Second quarter: 29 July 2009
Third quarter: 28 October 2009
Fourth quarter and Year-end Report: February 2010
2009 Annual Report: March 2010

Glossary

Aperio
Aperio is a new technology that enables mechanical locks to be wirelessly linked to an existing access control system. Aperio locks can be installed in a new or existing access control system and users can use the same credentials they have for that system.

ElectroLynx
ElectroLynx is an ASSA ABLOY solution that simplifies the process of introducing electrical hardware into a door. It has a wiring scheme and simple, snap-together connectors that can be used with all electrical ASSA ABLOY products and can be installed inside doors as desired. The solution means that installers themselves do not need to solder and connect individual wires.

Gateway process
The ASSA ABLOY Product Innovation Process is based on a structured Gateway approach, meaning that all projects have to pass six gates on their way from idea to installed products.

High Definition Printing (HDP)
Fargo HDP – High Definition Printing – is a process used in the production of tamper-evident and highly wear-resistant ID cards. HDP produces high-quality images that are sandwiched between Fargo's HDP film and the card, and that essentially destroy themselves if there is any attempt to alter the card.

Hi-O
Highly Intelligent Opening is a standardized new technology for security and control of door environments. Hi-O allows interconnectivity – communication between all components in a door solution.

Inlay
An RFID inlay is one of the components in a contact-free card or similar document. It consists of a circuit board connected to an antenna mounted on plastic film.

Lean
The Lean Production philosophy is to use as few resources as possible. The focus is on just-in-time production, which means that materials, parts and products are in the right place at the right time. The Lean philosophy includes striving for continuous improvement.

NFC
Near Field Communication (NFC) is a short-range wireless connectivity standard that uses magnetic field induction to enable communication between devices when they are touched together or brought within a few centimeters of each other.

OEM
Original Equipment Manufacturer, a company that makes the final product that can be sold on the open market. Usually the OEM company does not sell the product directly to the public but goes through dealers. The product may consist of proprietary components or a combination of purchased and proprietary.

RFID
Radio Frequency Identification is a technology for reading and storing information remotely using small radio transmitter/receivers and memories called tags. A tag can be small enough to fit in a price tag on goods in a store, or placed in a glass capsule and injected under a pet's skin with ID information. One current use of RFID is in keycards.

Zigbee
Zigbee is a standard for wireless control of equipment in homes, commercial properties, industry and other places where there is a need for it. The technique consumes little energy and the wireless platform makes it easy to install retrospectively.

Production: ASSA ABLOY and Hallvarsson & Halvarsson.
Photographs: Emil Larsson, Ulf Huett, Lars Trangius, Getty Images, Mariusz Sznerch© 2008, Rithuset, ASSA ABLOY's own photographic library and others. Translation: Textforum.
English editing: Marcom International. Printing: Elanders AB, Falköping, March 2009.

ASSA ABLOY is the global
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"Since ASSA ABLOY was formed in 1994 the Group has gone through several distinct stages of development and has become established as a global leader. Much has been accomplished, but many important markets and product areas remain to be consolidated. We have never had a better range of products, greater market penetration or more innovative new products than we have now. The continued demand for safety and security, along with continuing population growth and urbanization, ensure that there is an underlying structural demand for the Group's products which will only increase over time. Combined with the restructuring measures that are now being implemented, this means that, over time, our prospects for continued growth with good profitability are very good."

Johan Molin, President and CEO