

Annual Report 2009

ASSA ABLOY

The global leader in
door opening solutions



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Cover photograph:
**ASSA ABLOY's Hi-O solution at the
Gothenburg Opera House**

The Gothenburg Opera House was the first ASSA ABLOY customer to have a Hi-O door installed. Hi-O stands for Highly Intelligent Opening and is a new technology based on an established open standard for managing electromechanical door products. Detailed information on the door's status is centrally logged. Simple installation and the facility to connect the whole door environment to the building's IP network provide better security and simpler maintenance procedures.

Annual Report online

ASSA ABLOY's Annual Report online has many user-friendly features. You can get texts read aloud to you and financial tables can be expanded and downloaded in Excel. All information in the Report can be found easily through the navigation menu or by using the search function.

The Annual Report is available online at:
www.assaabloy.com/annualreport2009

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 all over the world, on both mature and emerging markets, with leading positions in much of Europe and North America and in Australia. In the fast-growing electromechanical security segment, the Group has a leading position in areas such as access control, identification technology, door automation and hotel security.

Since its founding in 1994, ASSA ABLOY has grown from a regional company to an international group with 29,000 employees and sales of around 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.

2009 in brief

- Sales increased by 0 percent to SEK 34,963³ M (34,829³).
- Operating income (EBIT) amounted to SEK 5,413¹ M (5,526¹).
- Earnings per share after full dilution amounted to SEK 9.22¹ (9.21¹).
- Operating cash flow⁴ increased substantially to SEK 6,843 M (4,769).
- The two successful restructuring programs launched in 2006 and 2008 were followed by a new program launched in Q4 2009. This program entails the closure of eleven production units and the conversion of four units to final assembly at a total cost of SEK 930 M. These programs secure continued efficiencies in the Group.
- Substantial investments were made in product development, which will make a positive contribution to sales.
- Eight companies were acquired during the year, bringing in annual sales of around SEK 1,175 M.

| Key data | 2007 ³ | 2008 ³ | 2009 ³ | Change |
|--------------------------------|-------------------|--------------------|--------------------|--------|
| Sales, SEK M | 33,550 | 34,829 | 34,963 | +0% |
| of which: Organic growth, % | 7 | 0 | -12 | |
| Acquired growth, % | 5 | 4 | 3 | |
| Exchange-rate effects, % | -4 | 0 | 9 | |
| Operating income (EBIT), SEK M | 5,458 | 5,526 ¹ | 5,413 ¹ | -2% |
| Operating margin (EBIT), % | 16.3 | 15.9 ¹ | 15.5 ¹ | |
| Income before tax (EBT), SEK M | 4,609 | 4,756 ¹ | 4,779 ¹ | +0% |
| Operating cash flow, SEK M | 4,808 | 4,769 | 6,843 | +43% |
| Return on capital employed, % | 18.4 | 17.2 ¹ | 16.2 ¹ | |

| Data per share | 2007 | 2008 | 2009 | Change |
|--|---------|-------------------|-------------------|--------|
| Earnings per share after tax and dilution, SEK/share | 9.02 | 9.21 ¹ | 9.22 ¹ | +0% |
| Equity per share after dilution, SEK/share | 46.76 | 55.91 | 54.76 | |
| Dividend, SEK/share | 3.60 | 3.60 | 3.60 ² | |
| Number of shares after dilution, thousands | 380,713 | 380,713 | 372,931 | |

¹Excluding items affecting comparability. ²As proposed by the Board of Directors ³Figures for 2008 and 2009 are affected by reclassification. For more information see Note 34. Figures for 2007 are not affected by reclassification. ⁴Excluding payments related to restructuring.



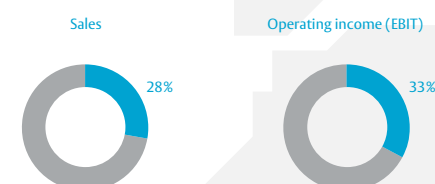
ASSA ABLOY's divisions

Division

Americas

The division manufactures and sells locks, cylinders, electromechanical products, security doors and fittings on the American continents. Most sales take place in the USA, Canada and Mexico. South America is growing in significance, with Brazil as the most important market. Some of the division's leading brands are Ceco, Corbin Russwin, Curries, Emtek, Medeco, Phillips, SARGENT and La Fonte. The division has 6,900 employees and divisional management is based in New Haven, Connecticut, USA.

Americas' share of Group total

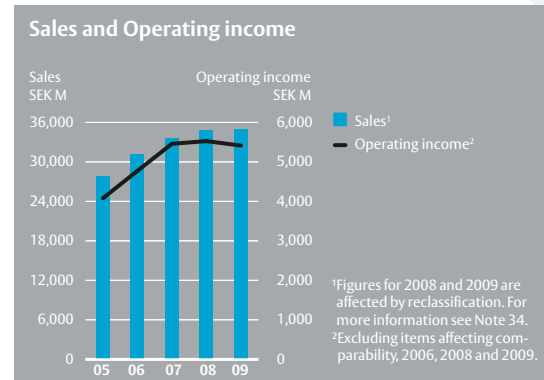


Division

Global Technologies

Division

Entrance Systems

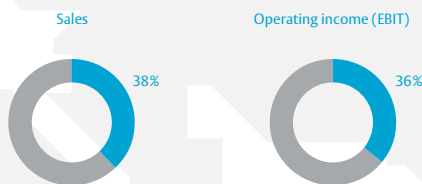


Division

EMEA

The division manufactures and sells locks, cylinders, electro-mechanical products, security doors and fittings in Europe, the Middle East and Africa (EMEA). Most sales take place in Western Europe, but emerging 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, Mul-T-Lock and Vachette. The division has 10,100 employees and divisional management is based in London, United Kingdom.

EMEA's share of Group total



This global division manufactures and sells products for electronic access management, secure card issuance, 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 2,400 employees and divisional management is based in Stockholm, Sweden.

This global division manufactures and sells automatic entrance solutions and service. The products are sold under the brand names Besam, Ditec Entrematic and EM Entrematic. The division has sales and its own service operations worldwide. Entrance Systems has 2,300 employees and divisional management is based in Landskrona, Sweden.

Income before tax and Operating cash flow



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

Division

Asia Pacific

The division manufactures and sells locks, cylinders, electro-mechanical products, security doors and fittings in Asia and Oceania. Australia and New Zealand account for around half of the division's sales, while China and the rest of Asia accounts for the other half. China is also an important country of production. Some of the division's leading brands are Baodean, Beijing Tianming, Guli, Interlock, iRevo, Lockwood, Shenfei and Wangli. The division has 7,600 employees and divisional management is based in Hong Kong, China.

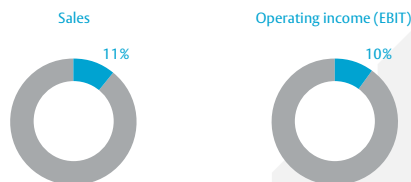
Asia Pacific's share of Group total



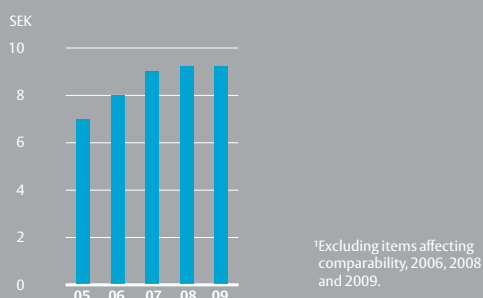
Global Technologies' share of Group total



Entrance Systems' share of Group total



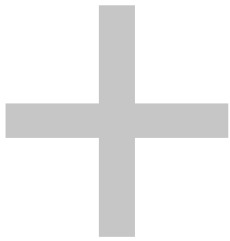
Earnings per share¹ after tax and full dilution



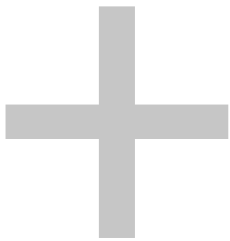
¹Excluding items affecting comparability, 2006, 2008 and 2009.

Creating opportunities for growth and profitability

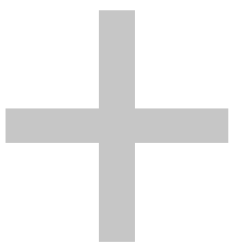
Today ASSA ABLOY is the leading global supplier of lock and security solutions. Products from ASSA ABLOY account for more than one in ten of all lock and security installations worldwide. The strategy to further strengthen the Group's position is divided into three areas:



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



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



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



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

Vision

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

Financial targets

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

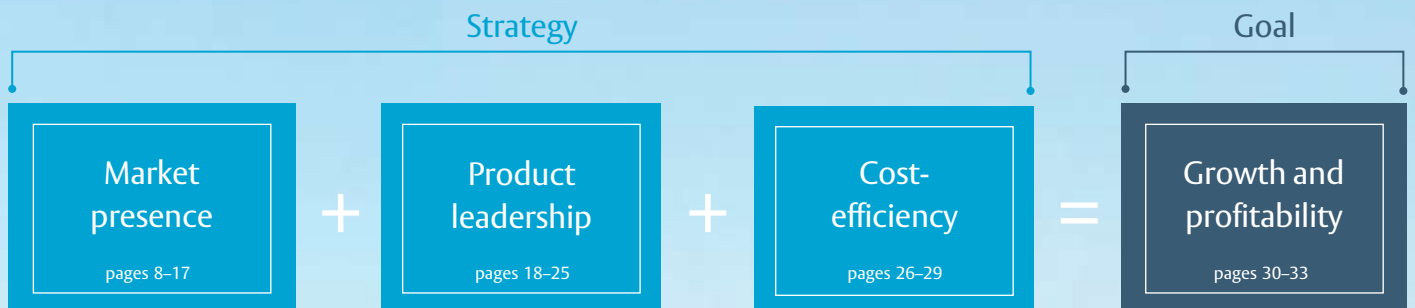
The financial targets are long-term goals and should be considered as an average over a business cycle.

Strategy

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

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

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



Statement by the President and CEO

A challenging year with very good results

Although the general economic climate in 2009 was the most challenging in the Group's history, I can proudly report that we succeeded in strengthening our market position and maintained high earnings and margins. Cash flow reached an all-time high and our financial position was robust. This was the result of strong measures at all levels in the Group. Meanwhile investments in product development and market presence continued at a high level. As a result of this we finished the year as an even stronger and more efficient company. Acquisition activity was resumed in the latter part of the year and a total of eight acquisitions were completed.

Sales for 2009 increased to SEK 34,963 M (34,829). Operating income excluding restructuring and non-recurring costs fell by 2 percent to SEK 5,413 M (5,526), equivalent to an operating margin of 15.5 percent (15.9).

Strategic action plans

ASSA ABLOY's strategic action plan is divided into the areas market presence, product leadership and cost-efficiency. We operate in an industry that is under consolidation, and increased presence on existing and new markets is therefore crucial for the Group's position as market leader. Organic growth is the single most important driving force and requires a strong product leadership. At the same time continuous efforts to increase cost-efficiency are required to create value. We create the opportunities for future growth and continued high profitability by combining enhanced market presence, strong product leadership and cost-efficiency.

Market presence

The Group's sales force has in recent years been united under the ASSA ABLOY master brand to allow more efficient market development. About 70 percent of the Group's products are sold 'double-branded', with the local brand and the ASSA ABLOY master brand in combination. The remaining 30 percent of products are sold under their own global brands.

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

The Group is deliberately focusing on increasing its presence on the emerging markets in Asia, Eastern Europe, the Middle East, Africa and South America. These markets accounted for nearly 17 percent of total Group sales in 2009, compared with 9 percent five years ago. The 18 percent mark was passed towards the end of the year as Asian markets showed good growth again, while North American sales continued to decline and European sales were stable.

Acquisitions are an important part of the Group's development, complementing the product range, providing new technology and increasing the Group's geographical market presence.

As a result of the financial crisis and the uncertain economic situation in early 2009, acquisition activities were stopped and only running projects were completed. As the year progressed with a stabilizing sales trend on a number of important markets and a strengthened balance sheet, acquisition activities were resumed.

A total of eight acquisitions with annualized sales of around SEK 1,175 M were completed. Major acquisitions included Maiman, USA, Ditec, Italy, Portsystem 2000, Sweden and Cerracol, South America.

Product leadership

Successful product development is the single most important source for organic growth. ASSA ABLOY's overall target is to continuously develop products with increased customer benefits and lower costs.

A key activity for achieving this is by using common product platforms with fewer components. New products are also developed in close collaboration with ASSA ABLOY's end-users and distributors to generate customer value.

The product development process has been streamlined by implementing a clearly defined common development process and by separating the maintenance and improvement of existing products from new product development.

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

Cost-efficiency

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

The process of change in the production structure began with the restructuring programs launched in 2006 and 2008. These have been very successful, resulting in large savings and increased efficiency in the Group's production units. At year-end these programs had resulted in the closure of 36 production units, while an additional large number of units had switched to mainly final assembly. As a result of this restructuring 4,631 employees have left the Group. Another four units are set to close in 2010 on the completion of these programs. One consequence is that an increasing volume of standard production has been transferred to internal and external suppliers in low-cost countries. The production process has been improved, while local



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

– Johan Molin, President and CEO

presence on end-customer markets ensures fast delivery and efficient assembly of customized products.

These two restructuring programs were followed by a new program launched in Q4 2009. In this program 11 production units will be closed and four will be converted to assembly. In addition, 11 primarily administrative units will close. The total cost is SEK 930 M and the program will result in a reduction of 1,200 employees in high-cost countries.

In parallel with the reorganization of production in high-cost countries, it is very satisfying to see that ASSA ABLOY has maintained a rapid expansion of the production base in low-cost countries. More than 40 percent of the Group's total employees are now employed in low-cost countries.

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

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

Development of the divisions

EMEA division

The EMEA division began the year with a weak sales trend, due to the downturn in the housing market and the commercial construction market. The situation stabilized in the second half of the year and several markets returned to positive growth at the end of the year. The division reported organic growth of –12 percent (–2).

EMEA worked actively to increase the division's market presence through development of the specification and project market, expansion into new markets and segments, and acquisition growth.

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

The 2006 and 2008 restructuring programs are now nearing completion and the new program launched in 2009 is mainly related to EMEA. Their successful results were clearly seen in the strong operating income and operating margin for the year despite the 12 percent organic sales decline.

The year saw two minor acquisitions in the Czech Republic and South Africa.

Americas division

The Americas division reported organic growth of –19 percent (4) for the year. Demand in the non-residential and the residential segment was strongly down throughout the year, with a particularly sharp fall in the demand for security doors. However, most of the Latin American markets performed better during the year, especially Brazil. Structural and capacity adjustments helped maintain the operating margin at a very strong level.

Americas continued to focus on the commercial market during the year through increased efforts by its own specification consultants and a common, segmented sales organization. By focusing on the early design phases in new construction and renovation projects in the non-residential market segment the division was able to influence current and future construction projects. This was very successful and led to increased market shares and stronger market positions. A number of new products, mainly electro-mechanical and environmentally sensitive solutions, were launched.

Structural measures and Lean methods continued successfully. The year saw the acquisition of the North American door manufacturer Maiman and the South American company Cerracol, the market leader on the Central American lock market.

Asia Pacific division

The Asia Pacific division reported organic growth of –1 percent (0) for the year. The initial negative sales trend reversed in the second half and the year finished with positive growth on all markets. Growth in China was particularly strong. Export sales to the Group's units in North America and Western Europe also improved towards the end of the year.

The operating margin improved thanks to efficiency programs which continued at a good pace.

Asia Pacific is working actively on a number of initiatives to increase the division's market presence. Some of the key initiatives are development of the specification and project market, expansion into new markets and segments, and acquisitions. No acquisitions were completed during the year, but an agreement was signed to acquire Pan Pan, China's largest manufacturer of security doors.

Statement by the President and CEO

Global Technologies division

The Global Technologies division reported organic growth of -12 percent (0) for the year, but the operating margin increased as a result of implemented restructuring measures. The HID Global business unit was impacted by the downturn on the North American market, but growth stabilized towards the end of the year. The ASSA ABLOY Hospitality business unit reported negative growth throughout the year, driven by a substantial downturn in the hotel industry affecting both new construction and major renovations.

HID Global continued its long-term investments in market presence and sales despite the adverse business climate in 2009. One important priority for HID Global is the global launch of 'HID on the Desktop', a series of logical access solutions that help to increase utilization of existing investments in physical access.

In recent years demand for Hospitality's RFID technology has increased and this now accounts for a significant percentage of the electronic locks produced. RFID technology offers higher security and when combined with ZigBee wireless technology provides a very reliable and cost-efficient security system, improving efficiency and reducing maintenance costs for hotels. Nearly 50,000 rooms are now equipped with VingCard's VisiOnline wireless system.

Entrance Systems division

The Entrance Systems division reported organic growth of -3 percent (3), but the operating margin improved as a result of implemented restructuring measures and standardization of the product range. The sales trend was very stable during the year. New product sales fell, but were mostly offset by positive service sales-growth.

During the year Entrance Systems continued to expand its customer offering by selling total automatic entrance solutions, including a comprehensive service concept. Regular preventive maintenance is beneficial for customers, and ongoing contact with these end-customers also enhances opportunities for additional sales. Great importance is attached to the sales training of service engineers to take advantage of their daily contact with customers. In the service organization the division worked on increasing efficiency, further automating processes and increasing the number of customer visits.

Several important projects to transfer component purchases and production capacity to low-cost countries were completed during the year and new projects were initiated to further reduce product costs.

The year saw two major acquisitions, Ditec, Italy, and Portsystem 2000, Sweden, and two minor acquisitions in the USA and New Zealand.

Future development

The Group is well positioned for long-term sustainable growth due to our position as market leader with a global presence. Our focus on the non-residential segment, the high proportion of aftermarket sales and the increasing share of fast-growing electromechanical and electronic products contributes to stability in growth and earnings.

Market situation

The global economy weakened gradually in 2008 and accelerated in 2009. Towards the end of the year the market situation stabilized in Europe, Asia returned to growth, while North America remained weak. In 2010 the organic growth is expected to be about 0 percent. This is mainly because the turnaround on the US market is expected to take at least another six months. Our focus will therefore be on selective growth initiatives where we see market opportunities and continued cost control where the market is weak.

Major efforts by employees

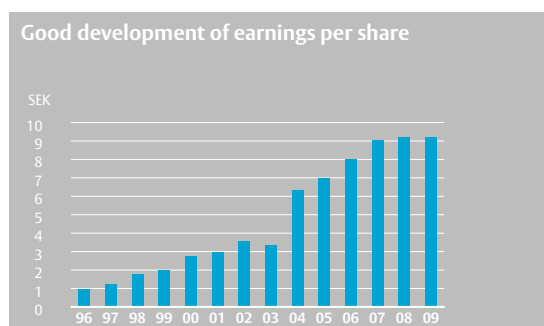
Finally I should like to thank all our employees who contributed to the Group's successes during the year, and I look forward to our continued joint efforts to make ASSA ABLOY even more successful.

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

Stockholm, 12 February 2010



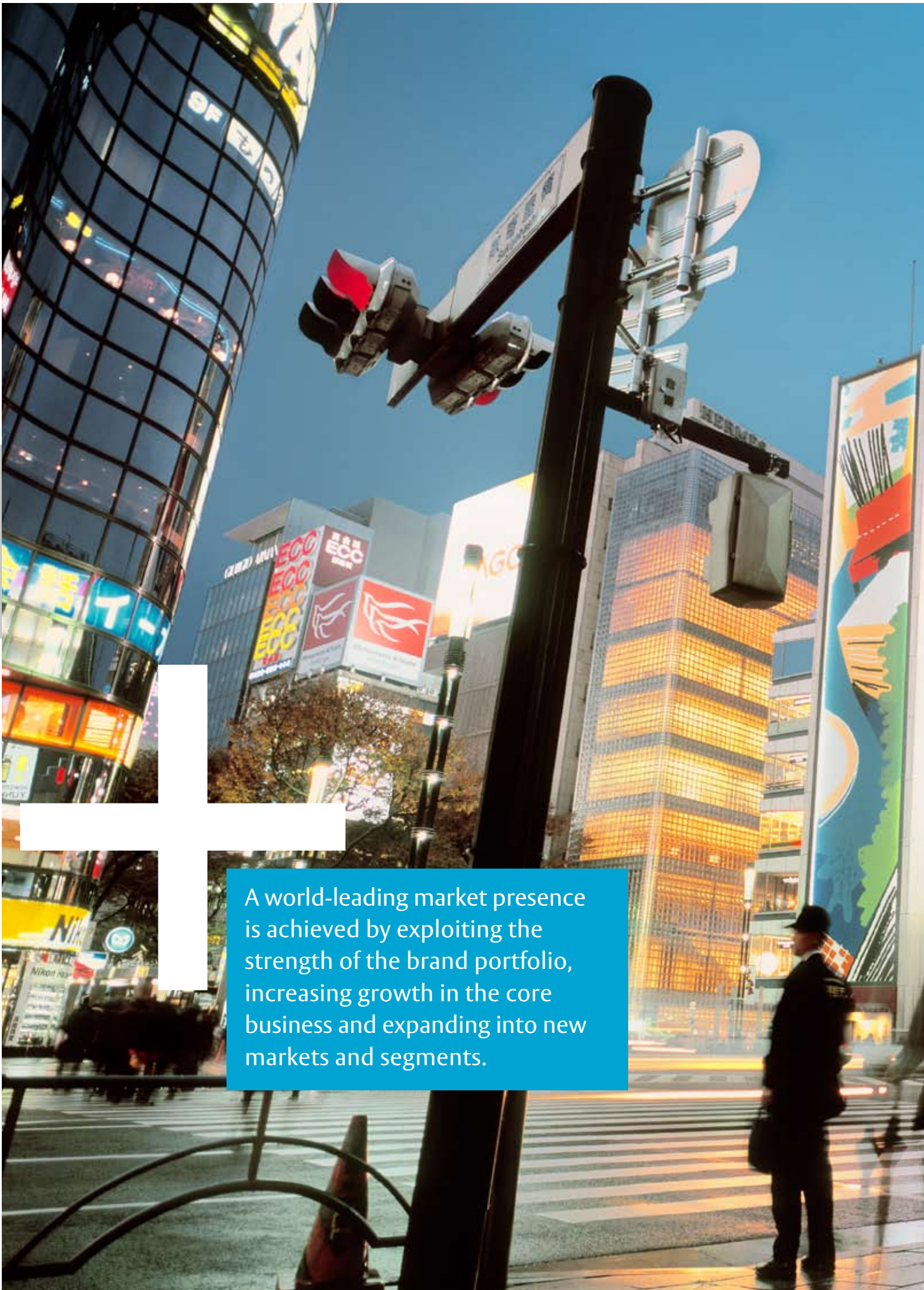
Johan Molin
President and CEO





ASSA ABLOY's Executive Team

Seated, left to right: Tomas Eliasson, Chief Financial Officer (CFO); Thanasis Molokotos, Head of Americas division; Johan Molin, President and CEO and Head of Global Technologies division; Tzachi Wiesenfeld, Head of EMEA division. Standing, left to right: Juan Vargues, Head of Entrance Systems division; Jonas Persson, Head of Asia Pacific division; Ulf Södergren, Chief Technology Officer (CTO); Denis Hébert, Head of the HID Global business unit; Tim Shea, Head of the ASSA ABLOY Hospitality business unit.



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

Market presence



Market presence

Three main approaches to enhancing market presence

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

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

THE MARKET

The security market

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

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

Mechanical and electronic security products

In addition to locks, the mechanical security product range mainly includes door closers, emergency exit devices and window hardware. ASSA ABLOY is also a major manufacturer of security doors and door hardware. Development in mechanical security products is mainly driven by renovations and replacements of old locks in existing windows and doors, as well as new construction. The market is growing in pace with each country's GDP, averaged over an economic cycle, and is relatively stable for ASSA ABLOY. This is due to the fact that the large aftermarket makes this market less sensitive to cyclical fluctuations, and to the fact that ASSA ABLOY's operations are spread across a large number of countries with different economic cycles.

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

Customer segments

ASSA ABLOY's main customer segment is the non-residential segment comprising institutional and commercial customers, which accounts for around 75 percent of sales, while the residential segment accounts for about 25 percent.

Major customers

– the institutional and commercial market

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

Small and medium-sized customers

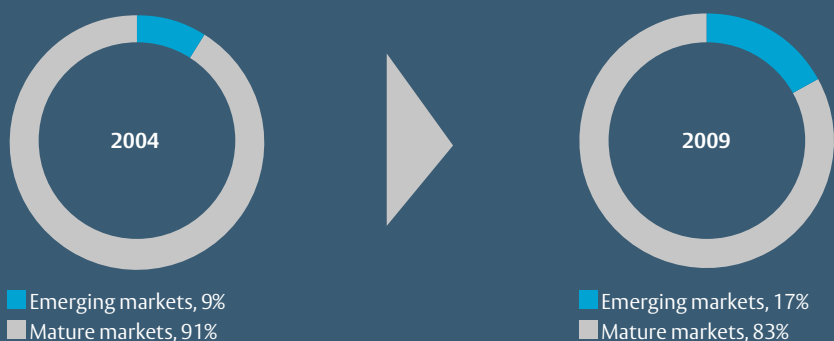
This segment is characterized by the customer's need for professional advice and installation, which is primarily met by specialized distributors and installers such as locksmiths.

Sales by region 2009

■ Share of Group sales in local currencies 2009, %
 ■ Change relative to the previous year, %



Increased sales on emerging markets



Market presence

ASSA ABLOY works actively to train distributors and to develop more standardized solutions for small and medium-sized companies such as stores and offices.

The consumer market

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

Distribution channels

Today's market is characterized by products mainly reaching the end-customer through a variety of distribution channels, notably locksmiths, building and lock wholesalers, door and window manufacturers and security system integrators.

Differences between markets

North Americans spend more than twice as much on emergency exit devices as Europeans. Conversely, northern Europeans spend three to four times as much on high-security locks for their homes as North Americans. Automatic doors are also much more common in Europe than in the USA. Electromechanical products are considerably more prevalent in the non-residential segment than in the residential segment. If the demands for security and evacuation solu-

tions were equally large in Europe and in the USA the total market would roughly double. This represents considerable potential for ASSA ABLOY.

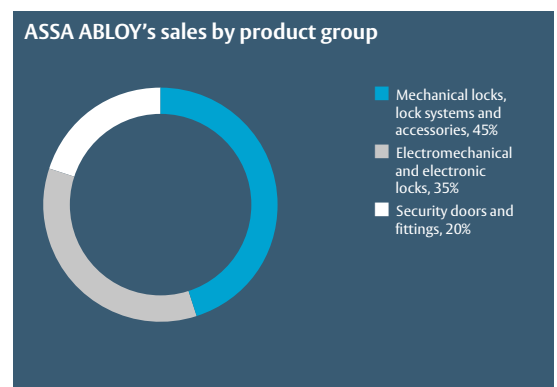
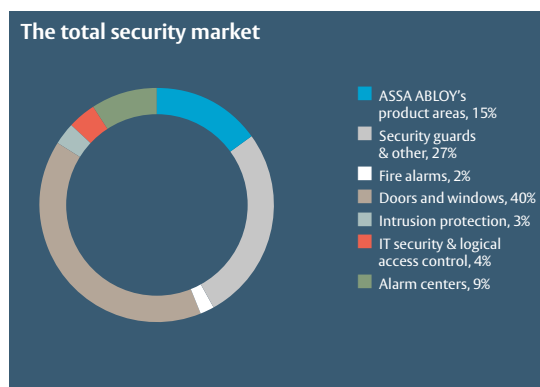
Globally, the lock market is still fragmented. However, the market in each country is relatively consolidated, as companies in the industrialized world are often still family-owned and leaders on their home markets. They are well-established and have strong ties with local distributors. In less-developed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

Competition

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

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

» North Americans spend more than twice as much on emergency exit devices as Europeans. Conversely, northern Europeans spend three to four times as much on high-security locks for their homes as North Americans. Automatic doors are also much more common in Europe than in the USA.«



67%
33%

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

of ASSA ABLOY's sales consist of new construction.

ENHANCED 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

Common sales force

In order to compete effectively in a global market, the sales force operates as an integrated organization under the ASSA ABLOY master brand. The sales staff represent ASSA ABLOY but retain their link to the established local brands. Consequently, customers can be offered total door opening solutions while still recognizing the old brands.

ASSA ABLOY's brand strategy

As a result of its many acquisitions, ASSA ABLOY owns a variety of well-known brands and has the world's largest installed lock base. In order to exploit and manage this valuable asset while benefiting from the Group's size,

ASSA ABLOY's logo is combined with the individual product brands. This approach preserves the link to the installed lock base, while increasing the visibility of the ASSA ABLOY master brand.

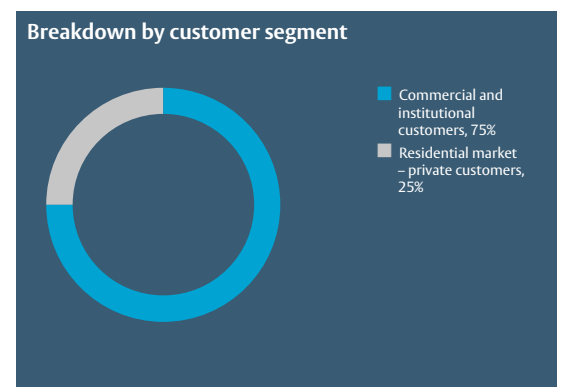
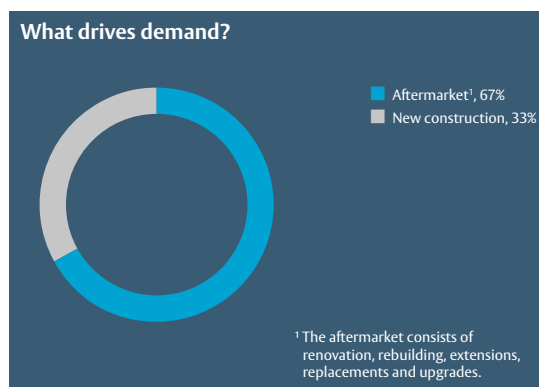
The master brand is complemented by a number of global brands, which are all leaders in their respective market segments. These brands are HID in access control, secure card issuance and identification technology, Yale in the residential market, Besam in automatic doors, and Mul-T-Lock and ABLOY in high-security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

Increasing growth in the core business

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

Complete security solutions

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



Market presence

Specification of security solutions increasingly important

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

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

Increased focus on distributors

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

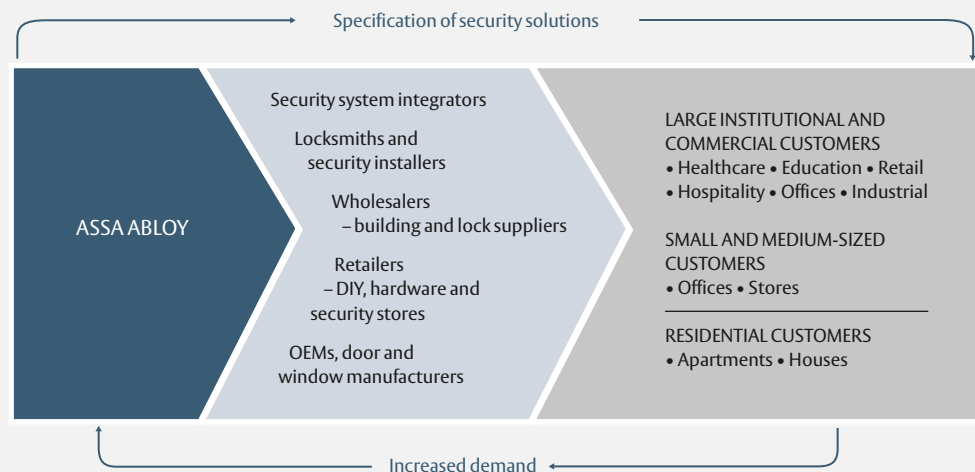
As technology moves towards more complex security solutions, distributors need increasing skills levels. Locksmiths, who are key distributors of mechanical and electromechanical security products on many markets, are an example of specialized security distributors. They buy direct from the manufacturer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

75% of sales are to the institutional and commercial market.

25% of sales are to private customers and the residential market.

Distribution channels for the security market

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



The ASSA ABLOY master brand

ASSA ABLOY

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

Examples of product brands

SARGENT
ASSA ABLOY

ZIKON
ASSA ABLOY

**Corbin
Russwin**
ASSA ABLOY

Ruko
ASSA ABLOY

TrloVing
ASSA ABLOY

LOCKWOOD
ASSA ABLOY

GULI
ASSA ABLOY

KESO
ASSA ABLOY

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

Two focused brands for specific segments

besam
ASSA ABLOY

**VingCard
Elsafe**
ASSA ABLOY

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

Global brands with a unique market position

HID

MUL-T-LOCK

ABLOY

Yale

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

70%

About 70 percent of the Group's products are sold with the local brand and the ASSA ABLOY master brand in combination.

Expanding into new markets and segments

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

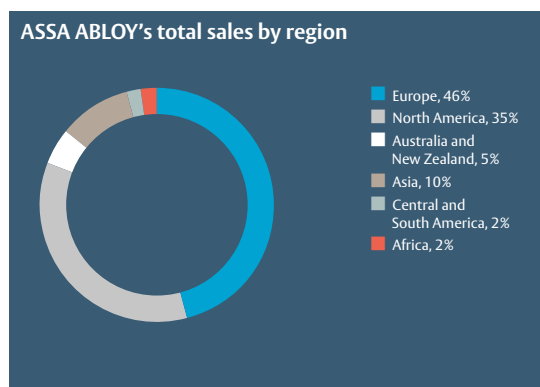
Geographical expansion is achieved principally through acquisitions. By establishing ASSA ABLOY on markets with rising populations and developing economies, the Group can build a strong platform for future growth. The emerging markets in Asia, Eastern Europe, the Middle East, Africa and South America accounted for nearly 17 percent of the Group's total sales in 2009, compared with 9 percent five years before, and the figure passed 18 percent towards the end of 2009.

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

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

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

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





ASSA ABLOY part of Chinese building history

A graceful and sturdy 'sculpture-style' structure, the new home of state broadcaster China Central Television (CCTV) is considered a breakthrough in architectural design. The 550,000 square meter headquarters building will contain more than 12,000 doors, and be the largest application of American ANSI (American National Standards Institute) standards.

To meet the requirements of standards, ASSA ABLOY has delivered a complete solution with locks, door closers, exit devices and electric strikes.

Irene Yip, ASSA ABLOY Hong Kong's General Manager,

says it took a combination of close cooperation and commitment throughout the Group to secure the deal.

'From the outset of this project, we worked closely with the jury and architect to specify the customer's requirements. We were able to secure the project by offering user-friendly, systematic solutions, quality products and technical know-how,' Irene says.

The CCTV headquarters is attracting widespread interest for its innovative design, best described as a continuous loop of five vertical and horizontal sections, rather than a traditional television tower.



Olympiastadion Berlin

Olympiastadion Berlin attracts thousands of visitors every year and is the largest arena in Germany. When the multi-functional venue needed a highly flexible and comprehensive security concept, Verso CLIQ was the answer.

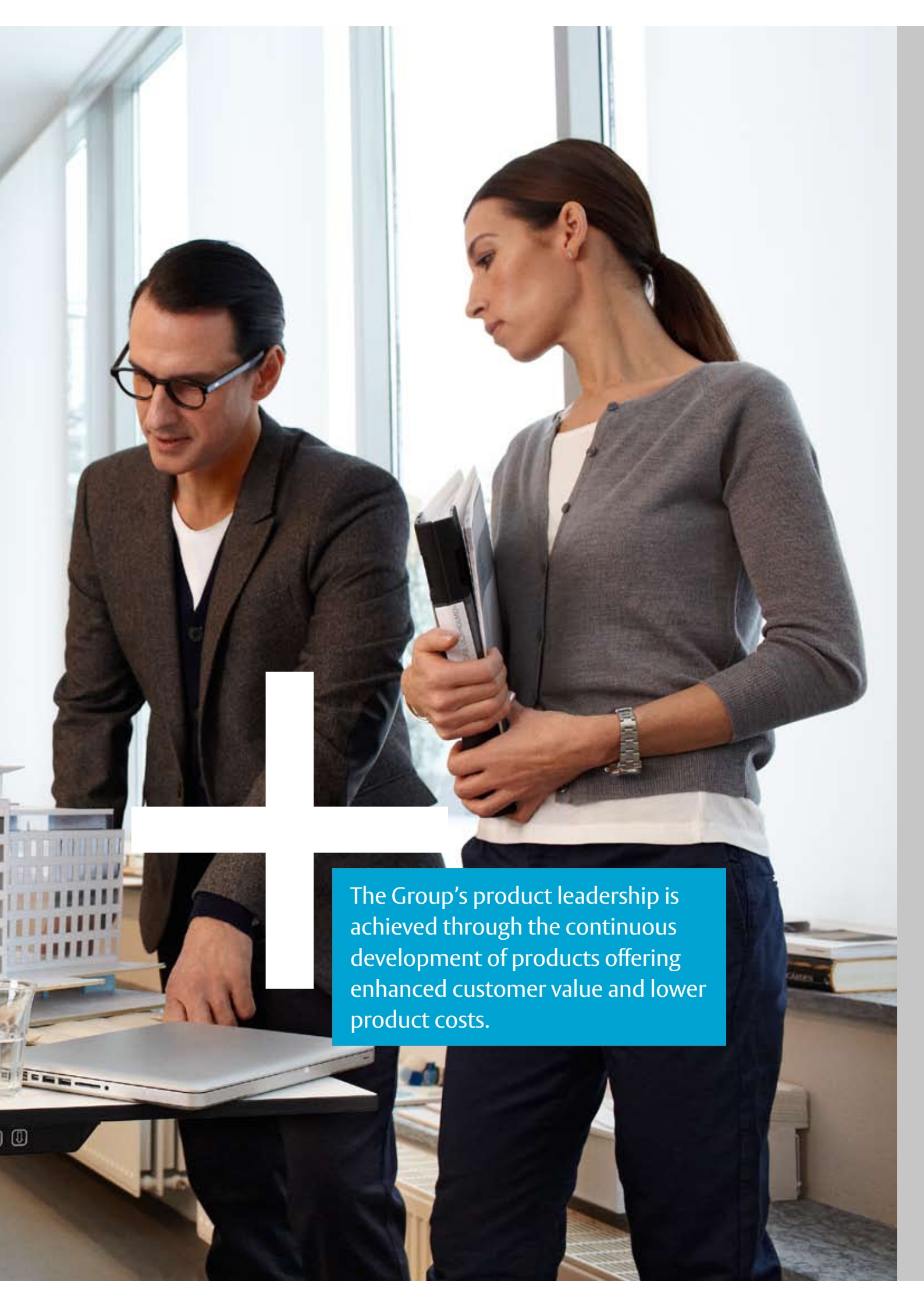
"Verso CLIQ provides us with the excellent level of security we desire," says Sylvan Bandke, Technical Manager at Olympiastadion. "The security system combines highly developed microelectronics with intelligent data encryption. This includes advantages such as the ability to reprogram locking cylinders quickly, which reduces the security risk associated with lost keys."

The stadium hosts many events with a high volume of visitors and it is important that the security system has programmable locking cylinders. The stadium can provide individual event organizers and their subcontractors with flexibility in managing access authorizations.

The CLIQ cylinders could also be customized to fit doors in the old parts of the building. There is no need for structural alterations or expensive cabling to the door because the keys supply the energy to operate the system and communicate with the cylinder.

Product leadership





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

Product leadership

Successful product development drives organic growth

ASSA ABLOY's vision is to be the most innovative supplier of total door opening solutions. Over the past few years investments in research and development have increased substantially. Successful product development is the single most important source of organic growth. ASSA ABLOY is creating tomorrow's security solutions by exploiting the skills and expertise of its divisions and by developing common technology platforms. Secure, convenient and flexible solutions for the door environment provide the basis for future growth.

Product leadership

Successful product development is the single most important source of organic growth. ASSA ABLOY's overall goal is the continuous development of products offering enhanced customer value and lower product costs. A crucial activity for achieving this is using common product platforms with fewer components. New products are also developed in close collaboration with ASSA ABLOY's end-users and distributors to enhance customer value. The product development process has been streamlined by implementing a clearly defined common development process and by separating the maintenance and improvement of existing products from new development. Customers are increasingly demanding more advanced lock and door products and the technical level is constantly rising, with electromechanical door opening solutions growing considerably faster than traditional mechanical products. Global common product platforms, which are then adapted to the local markets, have therefore become increasingly important. These platforms are developed by the Group product development function, Shared Technologies, and through collaboration within and between divisions.

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

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

People are assigned access rights to doors or computers. Keys, cards and other ID credentials are assigned codes,

which are managed securely and distributed encrypted. As a result of acquisitions in recent years in new technologies and the development of skills and expertise in the Group, ASSA ABLOY is well equipped to meet tomorrow's challenges.

Security and convenience

Security depends on far more than identification alone. The mechanical and electromechanical products that prevent intrusion and permit rapid evacuation are just as important to the final solution. A well-specified security solution also takes into account the design of the products and ensures that they simplify use. The Group's electromechanical products help to meet all these security requirements. The electromechanical segment is growing rapidly and now accounts for more than one-third of Group sales.

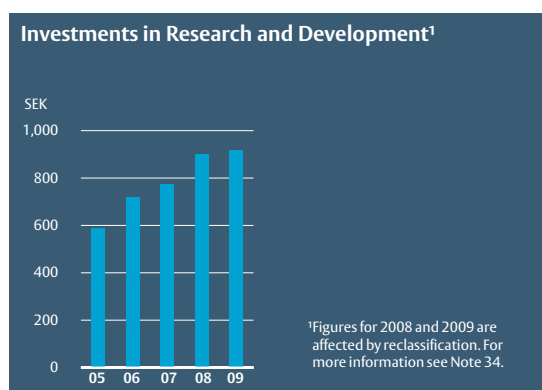
ASSA ABLOY's Hi-O communication platform allows the interconnection of electromechanical products and the connection of the whole door environment to the Internet. This enables the security supervisor to check the status of the door online, enhancing security and facilitating maintenance. In 2009 the Group continued to install Hi-O systems and integrate them with many of the market's leading security systems. The software is under constant development to facilitate integration and also allow remote programming, diagnostics and troubleshooting. During the year the Group took part in PSIA, a forum for the development of a common standard for the integration of various security systems.

RFID enhances security and is user-friendly

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

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, avoiding expensive installation costs, new keycards and new access systems. Aperio received several prizes for innovation during the year.

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



» Successful product development is the single most important source of organic growth «

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

Hotel guests avoid waiting in line

For hotels, VingCard has used RFID and the wireless technology offered by mobile telephony in combination with Near Field Communication (NFC). Hotel guests can use their cell phones to book and pay online. The cell phone serves as a code carrier, and guests can also use their cell phones to unlock the door of their hotel room by holding the phone close to the lock. This innovative application won several awards in 2009.

Using wireless technology from ASSA ABLOY, many hotels have connected their rooms online, providing guests with enhanced security and comfort, such as arranging room changes without visiting the lobby. The Group is carefully following developments in this area through its participation in the NFC Forum and other wireless technology organizations.

Total door opening solutions are ASSA ABLOY's strength

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

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

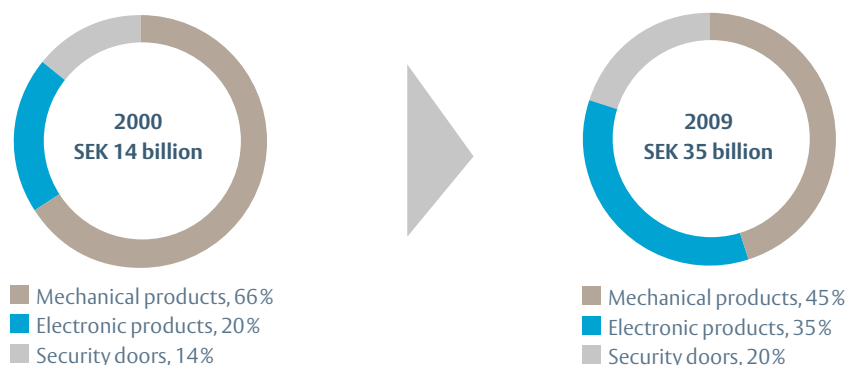
A common process with increased customer focus and better product planning

ASSA ABLOY is building a Group-wide product development process, aimed at halving product development time while increasing the number of new products. A clear Gateway process with common terminology and interdisciplinary collaboration speeds up and improves the quality of the product development process.

In 2008 the Group introduced 'Voice of the Customer', a strategy to strengthen customer relationships and integrate customers into the product innovation process, which together with the new product innovation process increases the fitness for purpose of the Group's product offerings. The Group also focused on improving the product innovation process by providing in-house training for over one hundred people to spread this process across the organization.

In 2009 more than 1,500 employees received training in the innovation process, and a number of in-depth studies together with customers have resulted in many new concepts and products under development. Work on Value Analysis / Value Engineering of the existing product range intensified, and the number of implemented cost savings increased by 60 percent compared with the previous year. A total of 50 projects to increase the skills of hundreds of employees were implemented during the year.

The changing product mix



Product leadership



Checking-in with your cell phone

Signature RFID from VingCard is the latest contactless electronic lock product for hotels. The technology enables hotel guests to check-in with an NFC-compatible cell phone, using the phone to open their hotel-room door and other doors in the hotel. No keycards are needed. Guests receive their reservation confirmation, room number and an encrypted room key by text message (SMS) before they arrive. They avoid check-in lines at the front desk and can go straight to their room, where they just open the door using their NFC-compatible cell phone as a room key. They can also pay and check-out online.

Self-powered door closer

Trinity door closer from Norton Door Control can adjust the doors closing ability after the desired needs. With intelligent self-adjusting technology and no need for batteries or electricity to power control electronics, the Trinity system is gaining attention from customers seeking a green solution as well as one that requires almost no routine maintenance checks. Any movement of the door of 10 per cent or more is enough to generate a sufficient amount of power for a complete closing cycle. Even if the door is untouched for months and powers down fully, a single attempt to open it will immediately bring it to life.

Increased demand for convenient security

The demand for intelligent products that communicate with a building's security systems is growing. One example is Aperio, which was developed to upgrade doors that lock with keys to ones that are wirelessly connected to an existing electronic access control system. Another trend is the increasing demand for easily accessible security, especially in private homes; consumers want door solutions that are both secure and convenient. One example is the new Code Handle electromechanical lock, which opens the lock with a digital code instead of a traditional mechanical key. Code Handle was launched in 2009 and is already a bestseller on the do-it-yourself market.



High-capacity 3-wing revolving door

ASSA ABLOY Entrance Systems' newest revolving door was launched in the fall of 2009. The Besam RD3L is designed to meet European market demands for automatic revolving door entrances that can handle high traffic volumes efficiently and conveniently. The RD3L creates an impressive entrance that is 'always open' because of its 3-wing configuration. Its compartments can accommodate large numbers of pedestrians with or without shopping trolleys. The RD3L also features state-of-the-art safety sensors and monitoring capabilities, as well as a unique drive mechanism that contributes to lower maintenance costs for the customer. Revolving doors save energy for heating or cooling regardless of where they are installed as they allow eight times less air exchange than a swing door.

Secure instant issuance of cards

With HID Global's innovative Fargo HDPii card printer and encoder, banks and retailers can instantly issue high quality personalized credit, debit, prepaid, and gift cards. The HDPii provides a practical and affordable way to instantly deliver activated cards to customers, significantly reducing the time to the first transaction use and ensuring activation at the time of issuance. The technology is more convenient for customers, who no longer have to wait for their credit and the risk of loss or theft during the mailing process is eliminated. The printing technology gives increased durability and fraud protection. Special features such as lockable security and encryption make the HDPii compliant with Financial Card Association security requirements.

Increased demand for digital residential locks

Digital locks that combine convenience and design with high security are a new way for people to secure their homes. There is growing interest worldwide in intelligent, convenient solutions that use digital keys, a card, a pin code or a fingerprint to lock and unlock doors. The ASSA ABLOY Group company iRevo developed the market for digital locks in Korea and is the market leader. Almost half of all homes in Seoul have digital biometric locks. In the fall of 2009 digital code-locks from ASSA ABLOY were launched on the US market.

Product leadership

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



ASSA ABLOY's Hi-O communication platform allows the intelligent door to be connected to a network over which each individual component around the door can communicate interactively with other systems, such as security or maintenance systems. The advantages are secure information about each component, simple installation using standardized connections, and remote configuration over the network, which can also be connected to the Internet. In the end of 2009 the ASSA ABLOY Group has 67 Hi-O certified products.



Access control



Access control



Access to computers
via access cards



Payment with
access card



Access control



Turnstile



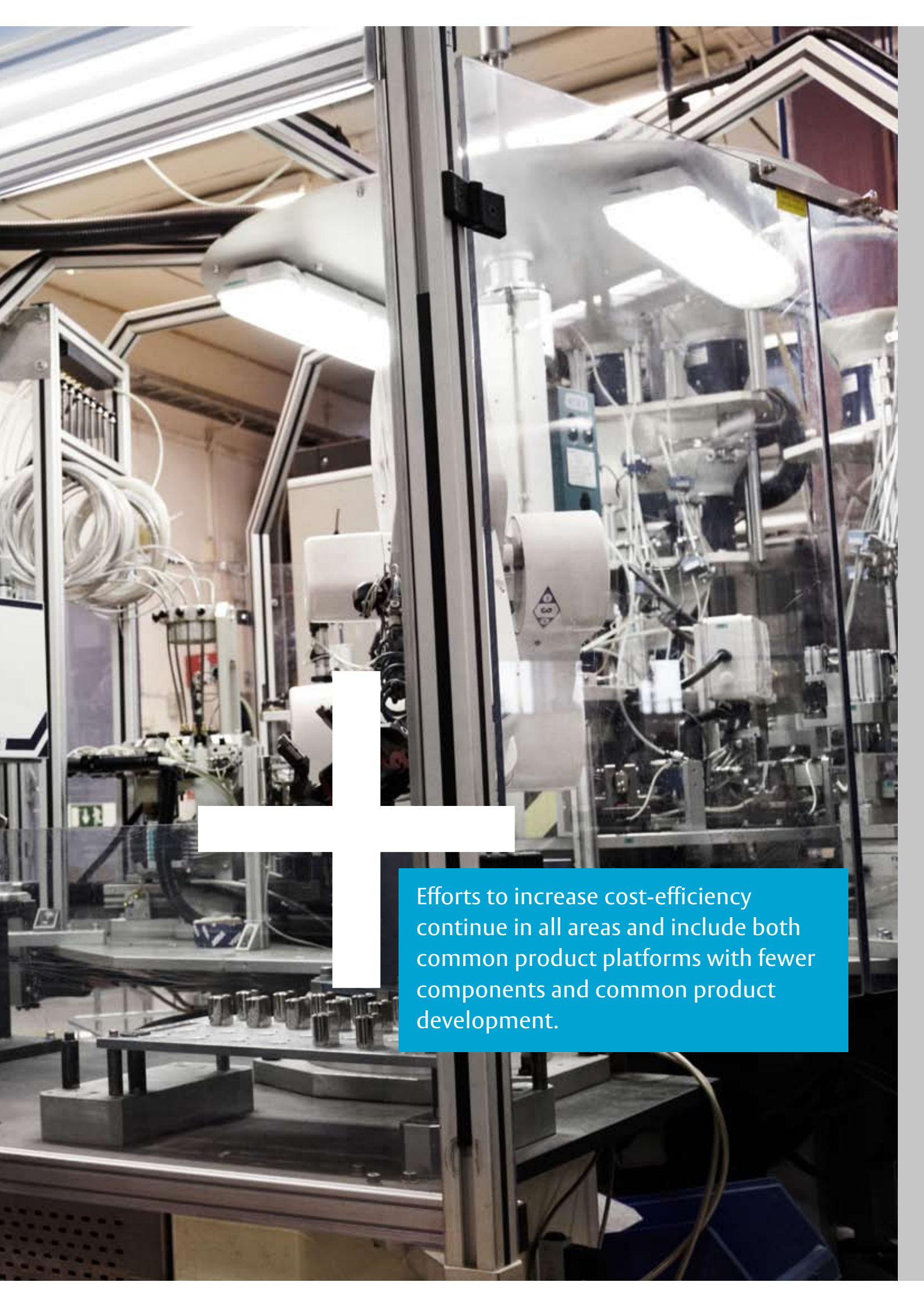
Printer for secure
issuance of access cards



Revolving door



Cost-
efficiency



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

Cost-efficiency

The share of purchases from low-cost countries has doubled

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

Cost-efficiency

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

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

Successful restructuring programs

The process of change in the production structure began with the restructuring programs launched in 2006 and 2008. These have been very successful, resulting in large savings and increased efficiency in the Group's production units. At year-end these programs had resulted in the closure of 36 production units, while an additional large number of units had switched to mainly final assembly. As a result of this restructuring 4,631 employees have left the Group. Another four units are set to close in 2010 as these programs are completed. One consequence is that an increasing volume of standard production has been transferred to internal and external units in low-cost countries. The production process has been improved, while local presence on end-customer markets ensures fast delivery and efficient assembly of customized products.

These two restructuring programs were followed by a new program launched in Q4 2009. This program will entail the closure of 11 production units and the conversion of four units to final assembly. In addition, 11 primarily administrative units will close. The total cost is SEK 930 M and the program will result in a reduction of 1,200 employees in high-cost countries.

In parallel with the reorganization of production in high-cost countries, the Group has maintained rapid expansion of the production base in low-cost countries. More than 40

percent of the Group's total employees are now employed in low-cost countries.

Lean methods

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

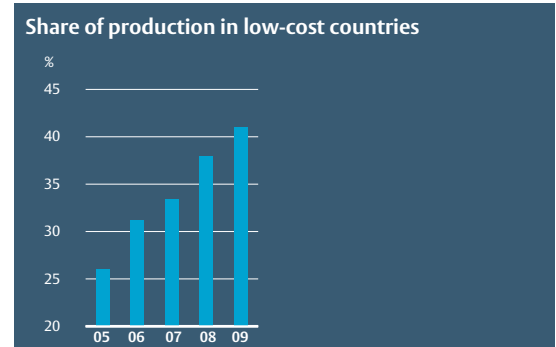
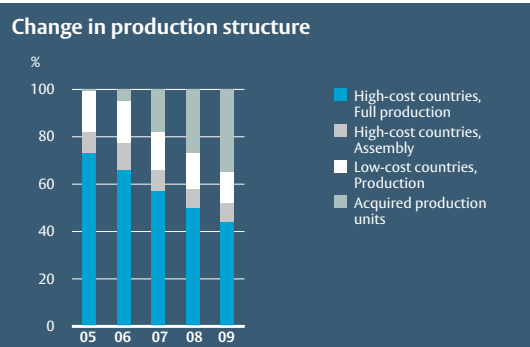
Many of the companies in the Group have followed these principles for several years and have achieved enhanced efficiency.

Seamless Flows in administration

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

Efficient sourcing

In purchasing, a comprehensive supply management project covering both raw materials and components has been initiated. This will be increasingly important as areas of component supply are outsourced to external suppliers in low-cost countries and will result in better exploitation of economies of scale in the Group. The share of the Group's total purchases of raw materials, components and finished goods that comes from low-cost countries has increased from 23 percent to 41 percent over the past five years. The divisions have appointed specialized purchasing managers for each component category. As a result the number of suppliers has fallen by 6 percent.





First-class hotel security

VingCard just right for Hilton Family hotel – Guests at the first-class Doubletree Dallas/Richardson Hotel in Texas now benefit from higher levels of comfort and security, thanks to a major overhaul of the hotel completed in July 2009. As part of the total renovation of the 300-room property, a member of the Hilton Family of Hotels, VingCard installed its wireless VisiOnline RF-online system together with its Signature RFID contactless radio-frequency identification electronic locks throughout the premises.

The RF-online-based system means that room doors can be remotely monitored from the hotel's front desk. In addition to dramatically improved security for hotel guests, the system also enhances staff efficiency by providing SMS and e-mail maintenance alerts with significant improvement to the hotel's bottom line.

As part of the upgrade, the Doubletree Hotel also chose Signature RFID contactless electronic door locks by VingCard which, allow more security and intuitive ease of use for guests. A further benefit of this system is its compatibility with NFC cell phones, which makes the system ready to implement a solution for guests to skip the check-in line and simply use their NFC phones to unlock the guestroom door.



One good turn deserves another

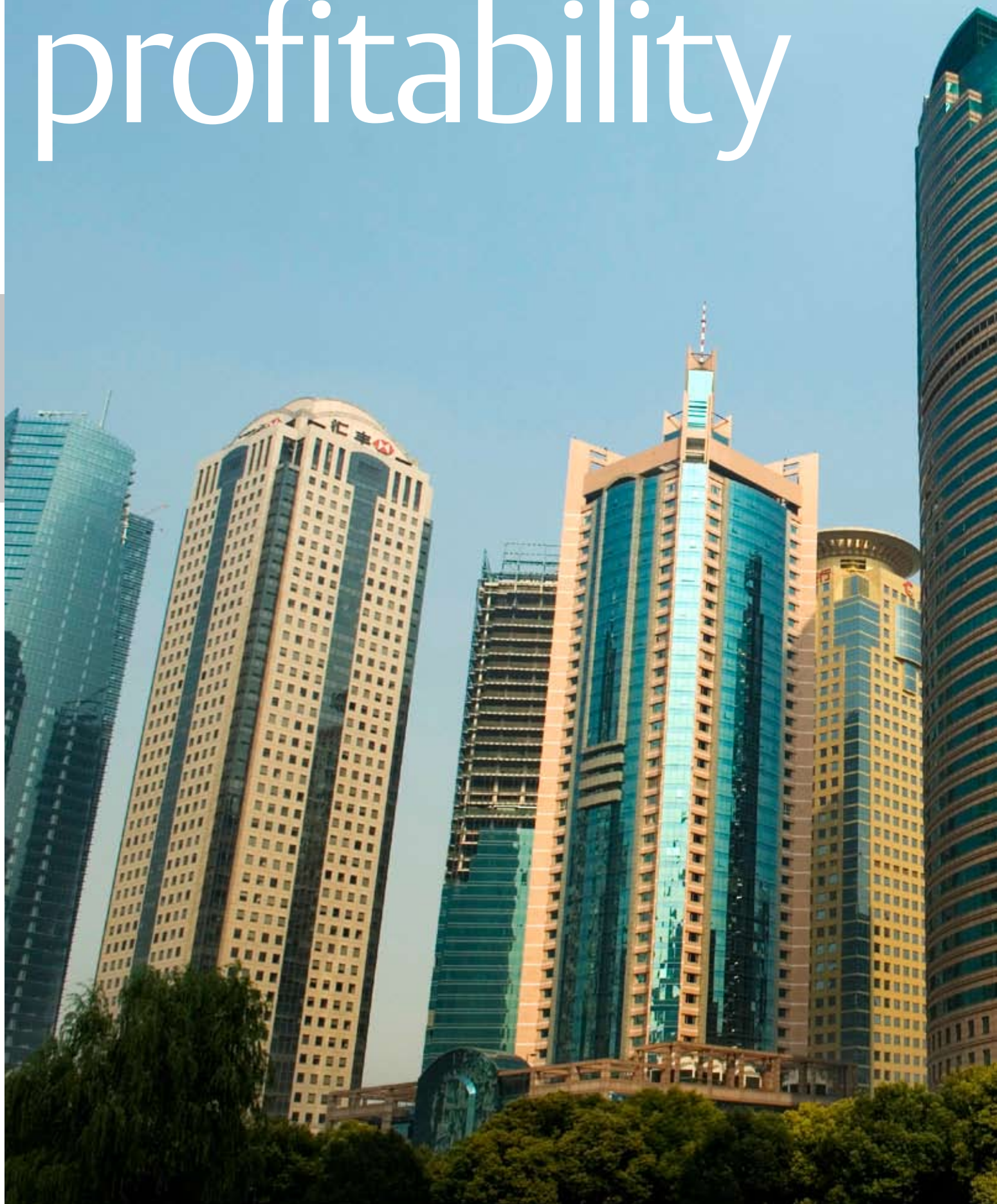
When IKEA chose the Besam RD3L high-capacity revolving door for the entrances to its anchor store in the new Port Łódź Shopping Center in Poland, contractors working on other parts of the 120,000-square-meter retail and indoor recreational facility took note.

IKEA's two primary demands were easy access and safety during high-volume use, and the RD3L delivers both with style. Besam's newest revolving door range is designed with large, comfortable compartments that can safely and easily accommodate continuous pedestrian traffic flow and shopping carts. IKEA Port Łódź opened in November 2009, with the remainder of the shopping center set to welcome visitors in the spring of 2010.

The RD3L's state-of-the-art electronics and safety sensors, combined with Besam Poland's ability to deliver on time and provide world-class service and maintenance after installation, resulted in the door being chosen for a total of eight of the new shopping center's entrances.

In addition to the revolving doors, Besam Poland supplied UniSlide Frame sliding-door systems and door closers for various locations in the center. Furthermore, the relationships built on the construction site created opportunities for ASSA ABLOY Poland to win contracts for a variety of door hardware, including Yale panic bars and locks.

Growth and profitability





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

Growth and profitability

Successful expansion for 15 years

Today ASSA ABLOY is the global leader in intelligent door solutions and celebrates 15 years of successful expansion. Since its formation in 1994, the Group has expanded successfully through a combination of organic growth and acquisitions, transforming the company from a traditional lock company into a modern, multinational security company in intelligent door solutions. Today ASSA ABLOY is the global market leader in this sector.

3–35

Growth from 3 to SEK 35 billion in 15 years.

From regional lock company to international security group

Since ASSA ABLOY's formation, Group sales have risen from SEK 3 billion to SEK 35 billion. Today the Group has around 29,000 employees, compared with 4,700 employees in 1994. Operating income, excluding items affecting comparability, has increased from SEK 212 M in 1994 to SEK 5,413 M in 2009, an increase of 2,453 percent.

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

Today the Group has its own operations in 50 countries and sales throughout the world. ASSA ABLOY is focusing on enhancing its presence on emerging markets in Asia, Eastern Europe, the Middle East, Africa and South America. Sales on these markets will account for nearly 20 percent of total Group sales, and following the announced acquisition of Pan Pan, China is expected to account for nearly 10 percent of sales.

One in ten lock purchasers in the world today chooses an ASSA ABLOY lock, and the Group continues to grow. Demand for safety and security is constantly increasing in

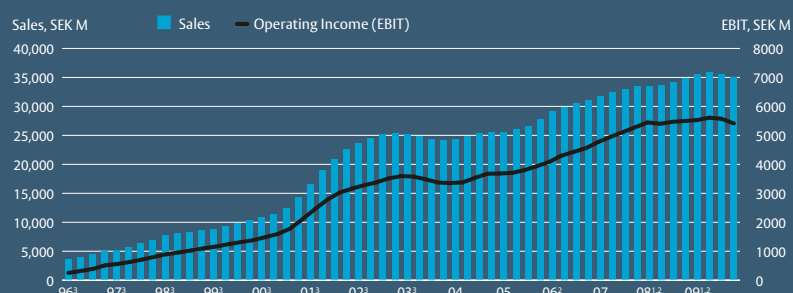
the world and the Group has never had a wider product range, higher market penetration and so many innovative new products.

At the start in 1994, the product range largely consisted of mechanical security products such as traditional locks and handles for entrance doors. In 2009, ASSA ABLOY launched more products than ever before in the Group's history, particularly in the fast-growing product segments of electromechanical and electronic locks, access control, identification technology and automatic doors.

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

The ASSA ABLOY Group has come a long way in 15 years. However, the goals and expectations for the Group's future development are high. The demand for secure and safe security solutions is constantly increasing and will offer the Group major opportunities.

Sales and Operating Income (EBIT)



Sales have risen by more than 2,400 percent in 15 years.

¹Figures affected by reclassification. For more information see Note 34.
²Excluding items affecting comparability.
³1996–2003 have not been adjusted for IFRS.

Strategy

Targets

Market presence

Exploiting the strength of the brand portfolio.

Increasing growth in the core business.

Expanding into new markets and segments.

+

Product leadership

Developing products offering enhanced customer value and lower product costs.

Common product platforms with fewer components.

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

+

Cost-efficiency

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

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

Seamless Flows streamline administration.

Implementation of Lean methods continues.

=

Growth and profitability

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

An operating margin of 16–17 percent.

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

ASSA ABLOY's first 15 years

1994

The ASSA ABLOY Group is founded in 1994 through the merger of ASSA (Sweden) and Abloy (Finland). The new company is listed on the Stockholm Stock Exchange on 8 November 1994. Abloy brings the IKON, ABLOY, TrioVing, VingCard and Cardkey brands and ASSA the Arrow, Ruko, SOLID and FAS brands.

1996 – Acquisitions lead the way

The Group expands its product portfolio through the acquisition of the American company ESSEX, with its Sargent, McKinney, Curries and Graham brands. Other acquisitions: NT Møller Undall, Låsgruppen and Grorud (Norway), Secureware (Singapore) and Ambouw (Netherlands).

1997 – Expansion in France

The French lock group Vachette is acquired, with its units Vachette, JPM, Laperche and Bezault (France) and Litto (Belgium). Other acquisitions: Elsafe (Norway), FAB (Czech Republic) and Abloy Security (Singapore).

1998 – Expansion in the USA

ASSA ABLOY expands in North America with the acquisition of Medeco. The Group opens an office in China. Other acquisitions: URBIS (Romania), Wilhelm Dörrenhaus (Germany), ASSA-Solid (Poland), Scovill (Mexico), Securitron Magnalock and New England Lock & Hardware (USA), Abloy Canada (Canada) and Precise Security Supplies (Hong Kong).

1999 – Higher security

The Group acquires the lock manufacturer Mul-T-Lock (Israel). The acquisition of the German company effeff gives ASSA ABLOY a good position on the electromechanical lock market. Other acquisitions: Lockwood (Australia), Stremler (France), AZBE (Spain), Björkboda lås (Finland), Timelox and AKI Låsassisten (Sweden), Fichet (France), Arrow Lock (Canada) and Sloth & Co (Denmark).

2000 – Twice the size

ASSA ABLOY acquires Yale Intruder Security and becomes the world's leading lock group almost overnight. The acquisition of HID Corporation in the USA expands the Group's product offering with electronic identification products. The CLIQ technology is launched. Other acquisitions: ASSA ABLOY Hungary (Hungary), C.E.M. and Nuova Feb (Italy).

2001 – Global integration

ASSA ABLOY takes part in the Volvo Ocean Race to help integrate over 100 companies worldwide. Joint venture with UDP brings in the companies Ceco, Dominion, Fleming and Trussbilt (USA). Other acquisitions: Phillips (Mexico), RIS (Czech Republic), MAB (Italy), Viro (South Africa), Interlock (New Zealand), Indala (USA) and TESA (Spain).

2002 – New opportunities in door automation

The Group acquires the Swedish company Besam, with its door automation products. ASSA ABLOY finishes in second place in the Volvo Ocean Race. Other acquisitions: COSAS Electronica and UBA Almadis (Argentina), Radicovic (Slovenia), Union Locks (Kenya), Poli (Chile), VEMA (Netherlands) and INITIAL, since renamed Abloy France (France).

2003 – Stronger position in Europe

The acquisitions of Nemeff (Netherlands) and Corbin (Italy) strengthen the Group's position on these markets. Other acquisitions: Interlock and Sokymat (Switzerland), Metget (Sweden) and ACG's identification technology business.

2004 – Hi-O launched

The launch of Hi-O technology introduces a new concept for electronic door solutions, in which connected units exchange encrypted information, simplifying both installation and service. Other acquisitions: Security Merchants Group (Australia and New Zealand), joint venture with Brighthandle (Sweden), and BEST Metaline (South Korea). Divestment of Folger Adam Security and Trussbilt Detention.

2005 – Increased presence in China

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

2006 – Secure ID cards

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

2007 – Expansion in Asia

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

2008 – Wireless technology launched

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

2009 – Strong results despite weak market

Agreement to acquire Pan Pan, China's largest manufacturer of high-security steel doors. Other acquisitions: Ditec Group (Italy), Portsystem 2000 (Sweden), Maiman (USA) and Cerracol (Colombia).

In addition to the acquisitions listed here, ASSA ABLOY has acquired some 50 smaller companies over the years.

Aggressive marketing efforts

EMEA continued its aggressive marketing efforts to develop and lead the European lock market. The division made substantial investments in innovative new products, and several pan-European product platforms were launched in 2009, which will continue in 2010. The European lock market was weak during the year due to the financial crisis and considerable inventory reductions by distributors. Efficiency programs and capacity adjustments offset the major part of the earnings impact of the market downturn.

EMEA in brief

The EMEA division manufactures and sells mechanical, electromechanical and electronic locks, cylinders, security doors and accessories in Europe, the Middle East and Africa. EMEA consists of a number of 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, such as ABLOY, ASSA, IKON, TESA, Yale, Mul-T-Lock and Vachette.

Report on the year

The division's sales during the year totaled SEK 13,601 M (13,927), which was a reduction of 2 percent. Operating income (EBIT) excluding restructuring and non-recurring costs fell by 10 percent to SEK 2,056 M (2,289), which represents an operating margin of 15.1 percent (16.4).

The financial crisis led to a downturn on the housing market and the commercial construction market. This applied particularly to regions such as Spain, Italy and Eastern Europe and to some extent France. The German and Scandinavian markets showed a stable trend, albeit at a relatively low sales level. The negative impact on operating income of lower sales was largely offset by savings resulting from efficiency programs in production and the division's other efforts to increase efficiency.

Local differences between markets

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

Market presence

EMEA is working actively to increase the division's market presence through development of the specification and project market, expansion into new markets and segments, and growth through acquisitions. The sales force on the local markets is being united under the ASSA ABLOY master brand.

Specification of total door opening solutions is increasingly important for sales, and the number of specification sales representatives has therefore been increased substantially in EMEA and the close collaboration with architects and security consultants further strengthened. Efforts to further strengthen the sales organization in the highly diversified European market continue through an increased focus on specification sales representatives and the structuring of the sales organization into different market segments.

Many sales organizations in EMEA have been coordinated under the ASSA ABLOY master brand to better meet the increased demand for more complete security solutions. The united sales organization has resulted in a joint image to the customer and a considerably wider product portfolio based on the Group's total offering.

Product leadership

Effective product development with a strong customer focus is the strongest driver of organic growth. The use of Group-wide product platforms with fewer components is constantly increasing, contributing to enhanced customer value and lower costs. Substantially increased investment in product development in recent years has resulted in the launch of many new electromechanical and electronic products that are both secure and easy to use. These include cylinders and lock cases with Aperio technology, and the Code Handle electronic lock. 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 consolidated ASSA ABLOY's market-leading position in total security solutions.

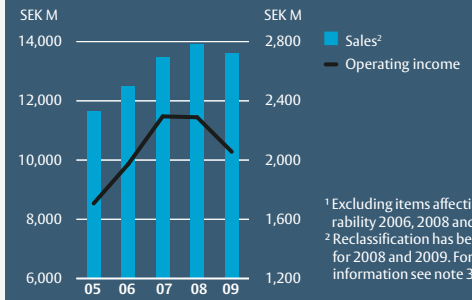
Key figures

| SEK M | 2008 | 2009 |
|---|--------|--------|
| Income statement | | |
| Sales ² | 13,927 | 13,601 |
| Total growth, % | 3 | -2 |
| Operating income (EBIT) ¹ | 2,289 | 2,056 |
| Operating margin (EBIT) ¹ , % | 16.4 | 15.1 |
| Capital employed | | |
| Capital employed | 12,306 | 9,814 |
| – of which goodwill | 5,766 | 5,540 |
| Return on capital employed ¹ , % | 19.9 | 16.9 |
| Cash flow | | |
| Cash flow | 2,421 | 2,850 |
| Average number of employees | 11,903 | 10,138 |

¹ Excluding items affecting comparability.

² Reclassification has been made for 2008 and 2009. For more information see note 34.

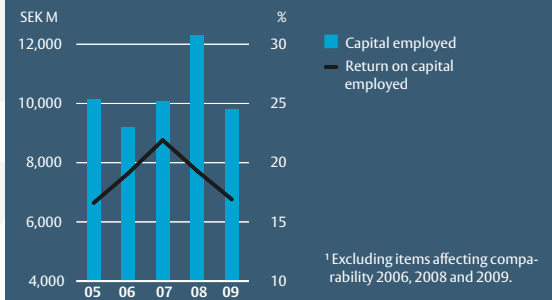
Sales and Operating income¹



¹ Excluding items affecting comparability 2006, 2008 and 2009.

² Reclassification has been made for 2008 and 2009. For more information see note 34.

Capital employed and Return on capital employed¹



¹ Excluding items affecting comparability 2006, 2008 and 2009.

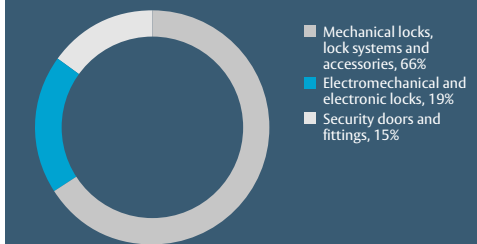
Cost-efficiency

The Group's efficiency programs intensified in 2009. The aim of these programs is to improve production efficiency and relocate component production to low-cost countries. In 2009 the Group continued to outsource the production of components and basic products, mainly to preferred suppliers in low-cost countries. The production of some important components is now concentrated in specialized EMEA production plants, such as cylinders in the Czech Republic and lock cases in Romania. In order to maintain high standards of service and proximity to customers, Western European production facilities will focus on final assembly and product customization.

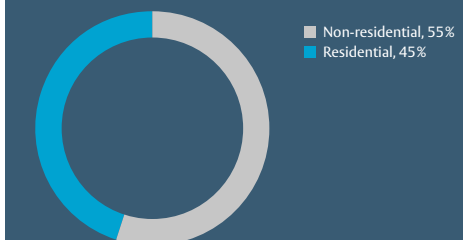
An important initiative in EMEA is the coordination of purchases for the different production units by specialized purchasing managers for each component category. This has led to an increased percentage of purchases in low-cost countries and better exploitation of economies of scale in the division.

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

Sales by product group



Market segments



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

Americas

Market presence and innovation

Americas continued its focus during the year on the non-residential market through increased efforts by its own specification consultants. Many new electromechanical products and environmentally sensitive solutions were launched. However, the financial crisis had a significant negative impact on both the residential and the non-residential segment of the US construction market, which led to a substantial market downturn. In order to meet these challenges, Americas increased its focus on Lean methods and rationalized its production capacity. These measures enabled the division to maintain a very good operating income and cash flow.

Americas in brief

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

Report on the year

The division's sales during the year totaled SEK 9,880 M (10,456), which was a reduction of 6 percent. Operating income (EBIT) excluding restructuring costs fell by 8 percent to SEK 1,925 M (2,101), which represents an operating margin of 19.5 percent (20.1).

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, door frames and locks are major components of the solutions offered to non-residential customers.

Impact of market downturn in the non-residential segment

The non-residential segment accounts for a large percentage of the division's sales in the USA and Canada. Institutional customers predominate in this segment. The market downturn in the non-residential segment had a negative impact on the division's sales, but despite lower volumes the division succeeded in maintaining very good margins thanks to active marketing efforts and efficient production. The Americas division works vigorously to generate demand in many non-residential sectors, including public buildings, hospitals, school and college campuses, airports, transport terminals, sports and shopping centers, manufacturing plants and commercial offices.

Since security and safety standards for these environments are often highly complex, they require more lock and door functionality than typical residential applications.

Fire and life-safety building codes 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 security solution from ASSA ABLOY is often a combination of doors, door frames, locks, door moldings, 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, continued on a negative trend due to the prolonged and severe downturn in the US housing market. Substantial efforts to cut costs, combined with aggressive new product launches, made positive contributions to managing the weak market conditions.

Latin America

The Latin American markets performed well during the year, especially Brazil. The increasing standard of living in these emerging economies has increased the need for higher security levels. Each country requires unique security solutions to meet local standards.

Market presence

The Americas division continues to focus on specifying security solutions and increasing its knowledge of end-users' needs. New marketing tools such as a Mobile Innovation Showroom allow customers to view and learn about the latest door opening solutions at convenient local venues.

The division also works closely with architects and security consultants early in the construction process. ASSA ABLOY's specification consultants share their expertise to ensure that security solutions are code-compliant and meet the functional and security needs of the end-user. Such activities strengthen relations with architects and increase the likelihood of orders when the project is procured.

Focusing on market development in new construction and retrofit projects in the non-residential segment has enabled the division to influence current and future building projects.

Product leadership

Integration of electronics into traditional mechanical door and security products is a high priority for Americas division. Product development continues to focus on aesthetic product design and specific end-user solutions.

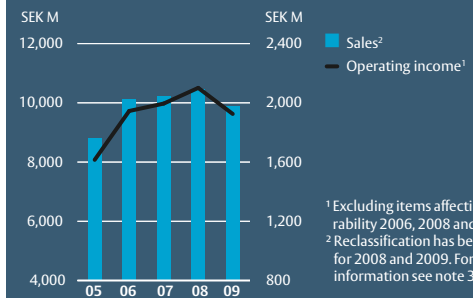
Key figures

| SEK M | 2008 | 2009 |
|---|--------|-------|
| Income statement | | |
| Sales ² | 10,456 | 9,880 |
| Total growth, % | 2 | -6 |
| Operating income (EBIT) ¹ | 2,101 | 1,925 |
| Operating margin (EBIT) ¹ , % | 20.1 | 19.5 |
| Capital employed | | |
| Capital employed | 9,639 | 8,687 |
| - of which goodwill | 6,236 | 6,003 |
| Return on capital employed ¹ , % | 24.5 | 20.5 |
| Cash flow | | |
| Cash flow | 2,097 | 2,677 |
| Average number of employees | 8,573 | 6,897 |

¹ Excluding items affecting comparability.

² Reclassification has been made for 2008 and 2009. For more information see note 34.

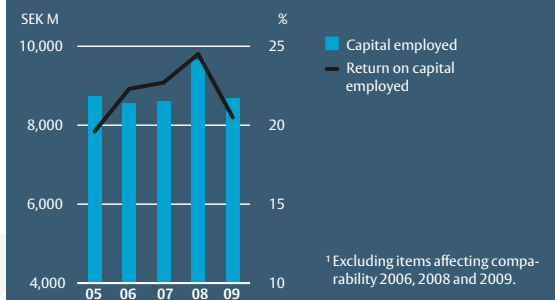
Sales and Operating income¹



¹ Excluding items affecting comparability 2006, 2008 and 2009.

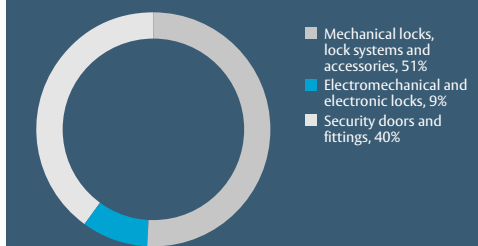
² Reclassification has been made for 2008 and 2009. For more information see note 34.

Capital employed and Return on capital employed¹

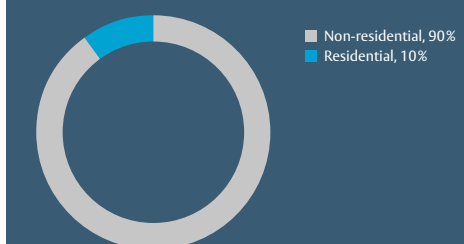


¹ Excluding items affecting comparability 2006, 2008 and 2009.

Sales by product group



Market segments



In 2009 the division launched aesthetic and environmentally sensitive access control solutions, including stand-alone access control solutions using innovative technologies from other ASSA ABLOY companies. Some of these door and hardware solutions were winners of the prestigious GOOD DESIGN® Awards, providing international recognition for new, advanced, visionary and innovative products with imaginative, original and groundbreaking design.

Cost-efficiency

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

Lean activities in both manufacturing and administration are an important part of Americas' operations and culture and drive continuous improvement across the entire division. Outsourcing of some components and improved automation processes complement the division's cost-efficiency strategy.

Lean methods lead to more efficient production flows, better control of material costs, improved decision-making procedures, shorter time-to-market and closer cooperation with marketing and sales teams. They have contributed to an increased operating margin in 2009. Work on developing Lean methods will continue in 2010.

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

» Increased focus on Lean activities, market presence and innovation in tough market conditions «

Asia Pacific

Strengthens the leading position in Asia

ASSA ABLOY has a leading position on the Chinese market and is continuing to grow through the announced acquisition of Pan Pan. As a result of organic growth and strategic acquisitions, the Group offers a complete range of door opening solutions on the Asian markets. In the first part of the year, the markets were negatively impacted by the downturn in the housing market and the commercial construction market. Later in the year, growth in Asia accelerated again and Asia Pacific strengthened its market-leading position.

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 around half of the division's sales, while China and the rest of Asia account for the other half. In Asia the division's major brands are Yale, Guli, Wangli 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 3,789 M (3,321), which was an increase of 14 percent. Operating income (EBIT) excluding restructuring costs rose by 29 percent to SEK 459 M (357), which represents an operating margin of 12.1 percent (10.8).

Growth in China

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

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

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

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

In the first part of the year, the markets in Asia were negatively impacted by the downturn in the housing market and the commercial construction market. The latter part of the year saw the return of positive organic growth in Asia, with particularly strong growth in the Door Group.

Other Asian markets

There is still considerable growth potential in the large, fragmented markets in the rest of Asia. These markets are generally underdeveloped, with low security standards, and are therefore mainly driven by the price of the lock or security solution.

Asia Pacific is continuing its strong efforts to develop the sales organization into focused sales teams and to concentrate on fewer but stronger brands, which has further strengthened the division's product offering.

In South Korea the Group company iRevo is the market leader in digital door locks. This type of door lock has been very successful on the residential market in both South Korea and China. During the year, iRevo began to assemble digital door locks in Shanghai to meet the high Chinese demand in this segment.

Stable market in Australia and New Zealand

In Australia and New Zealand ASSA ABLOY is the market leader on both the housing and the commercial market with its established Lockwood and Interlock brands. In 2009 a substantial downturn in the housing and the commercial markets resulted in reduced sales. In the latter part of the year the market began to grow again, albeit at a somewhat lower rate than in previous years.

Market presence

Asia Pacific is working actively on a number of initiatives to increase the division's market presence. Some of the most important initiatives are the development of the specification and project market, expansion into new markets and segments, and acquisitions.

Specification of total door opening solutions is increasingly important for sales and the number of specification sales representatives has therefore been increased substantially in Asia Pacific and the close collaboration with architects and security consultants further strengthened. In order to actively counter the market downturn, the division continued to focus on the new sales organization, which is structured into market segments and specification development, with account managers for major national customers.

» ASSA ABLOY has a leading position on the Chinese market «

The local sales organizations are united under the ASSA ABLOY master brand in order to better meet the demand for total door and security solutions. This initiative will continue in 2010.

Acquisitions remain an important strategy for increasing market presence in Asia Pacific, and during 2009 the acquisition of Pan Pan was announced, which is China's largest manufacturer of high-security steel doors. The company has production in six locations in China. Pan Pan manufactures high-security doors, including fire, corrosion-proof, armored and standard high-security doors. The company has an annual capacity to produce 2.4 million doors. It has an extensive and well-established distribution network across China and is a good fit with ASSA ABLOY's other door companies on the Chinese market.

Today ASSA ABLOY is the largest lock company in China and with the announced acquisition of Pan Pan the Group has more than 12,000 employees in the local market, making it the leader in door opening solutions, with a full product range covering many different segments and well-known brands. This has been achieved through a healthy combination of acquired and organic growth.

Product leadership

Innovation and continued product development are important factors enabling the division to maintain an attractive product range and increase sales. Electromechanical security products are increasingly important and there is considerable growth potential for electronic cylinders in the non-residential segment. Electromechanical security solutions for the residential segment have been launched under the iRevo brand and have attracted much attention on the market.

Cost-efficiency

The Group's efficiency programs intensified in 2009. The aim of these efficiency programs is to improve production efficiency and relocate component production to low-cost countries, mainly China. 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.

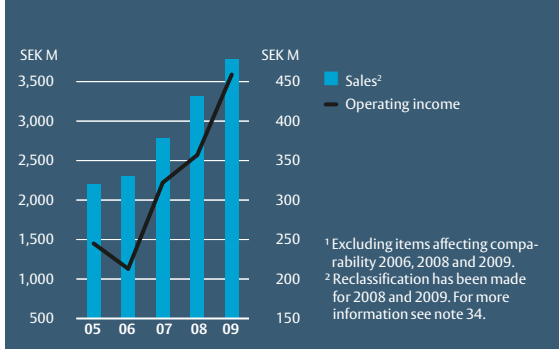
The remaining production plants in Australia and New Zealand now focus on customized solutions and final assembly. A large proportion of the components and standard products will be made by the division's Chinese plants. Productivity in these plants is constantly improving as a result of the continued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

Key figures

| SEK M | 2008 | 2009 |
|---|-------|-------|
| Income statement | | |
| Sales ² | 3,321 | 3,789 |
| Total growth, % | 19 | 14 |
| Operating income (EBIT) ¹ | 357 | 459 |
| Operating margin (EBIT) ¹ , % | 10.8 | 12.1 |
| Capital employed | | |
| Capital employed | 2,768 | 2,768 |
| – of which goodwill | 1,628 | 1,536 |
| Return on capital employed ¹ , % | 13.2 | 16.1 |
| Cash flow | | |
| Cash flow | 460 | 610 |
| Average number of employees | 7,065 | 7,560 |

¹ Excluding items affecting comparability.
² Reclassification has been made for 2008 and 2009. For more information see note 34.

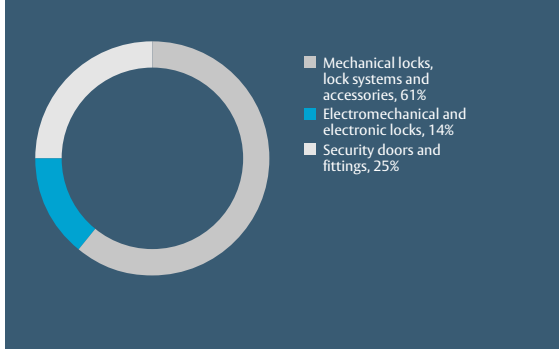
Sales and Operating income¹



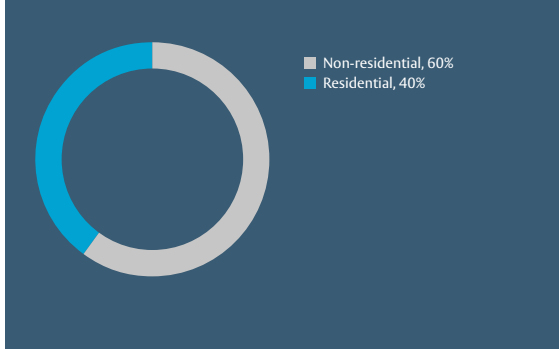
Capital employed and Return on capital employed¹



Sales by product group



Market segments



Global Technologies

Enhanced product offering

Aggressive investments in new products and market segmentation had a positive impact on sales during a year of weak market development. The global economic downturn had a negative impact on new commercial construction, especially in North America. European sales were stable, although at lower levels, and the Asian market returned to growth in late 2009. In order to counter the downturn on mature markets, HID Global and ASSA ABLOY Hospitality made major marketing efforts but also increased Lean activities and adjustments to production capacity, making it possible to maintain good operating income and cash flow levels.

Global Technologies in brief

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

Report on the year

The division's sales during the year totaled SEK 4,766 M (4,866), which was a reduction of 2 percent. Operating income (EBIT) excluding restructuring costs rose by 5 percent to SEK 766 M (729), which represents an operating margin of 16.1 percent (15.0).

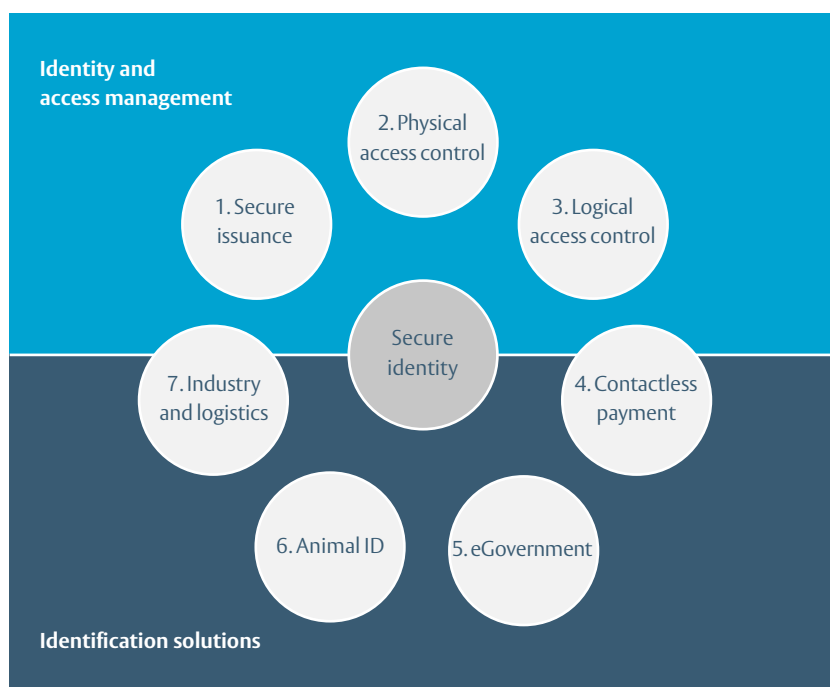
HID Global

HID Global is the global leader in physical access control and offers a variety of technology-based solutions for secure identification. Identity and access-management product

lines include contactless smart cards, readers and controllers for physical and logical access control under the HID and OMNIKEY brands. In the field of secure smart card issuance and card personalization services, the Group company Fargo offers a number of card printers and encoders.

HID Global – main events in 2009

New products, together with active efforts to improve the efficiency and the organization of the business unit, enabled HID Global to maintain good margins even though the market downturn had a negative impact on sales. Sales of embedded card readers in equipment such as Dell's laptop computers continued to show positive growth. The technology combines physical and logical access in one system, enabling the same contactless smart cards to be used for both buildings and computers. Fargo's networked printer business performed well during the year. The reorganization of HID Identification Solutions (previously ITG) is nearing completion with the establishment of targeted business segment for sales, marketing, engineering and support function.



HID Global's product areas

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

Identity and access management

1. Secure issuance
Printing and issuance of identification cards
2. Physical access control
Contactless cards and card readers
3. Logical access control
Card readers and software for secure log-on

Identification solutions

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

» Global leader in access management and hotel security «

Market presence

HID Global continued its long-term investments in market presence and sales despite the adverse business climate in 2009. One important priority for HID Global is the global launch of 'HID on the Desktop', a series of logical access solutions that help to increase utilization of existing investments in physical access. With 'HID on the Desktop', the same smart card is used to gain access to the office or university and to log on to the computer. The products have been well received by the market and the roll-out will continue in 2010.

The business unit also works closely with architects and security consultants on project specification early in the construction process. During the year, HID Global organized a number of round-table activities to which external security consultants and ASSA ABLOY's other divisions were invited to discuss new applications and solutions, new technology trends and how the new technology and security solutions can be used. This creates closer collaboration with specifiers and security consultants in the market.

Product leadership

HID Global increasingly supplies reader technology to all the Group's divisions. Reader technology is being integrated into ordinary mechanical door opening solutions. This results in increased growth for both HID Global and the other divisions, as it considerably raises the technology level of traditional products, offering customers higher security and better functionality. One of HID Global's key priorities is therefore drawing up a development strategy for a global solutions platform. HID Global has more than 20 ongoing development projects within the ASSA ABLOY Group.

Cost-efficiency

One important project in 2009 was to reduce inventories in the business unit. The project was implemented across all product and geographical areas and resulted in a reduction in capital employed and an improved cash flow.

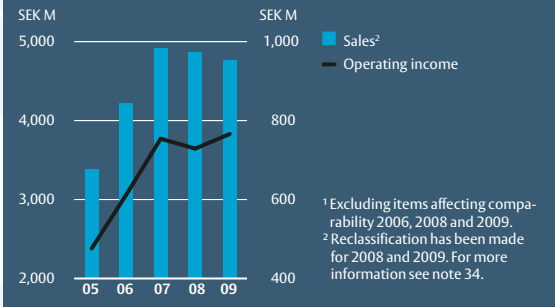
HID Global also increased its activities in Value Analysis/ Value Engineering (VA/VE). The goal is to reduce product costs without impairing functionality. This has led to significant cost savings in both the existing product range and the production of new products.

Key figures

| SEK M | 2008 | 2009 |
|---|-------|-------|
| Income statement | | |
| Sales ² | 4,866 | 4,766 |
| Total growth, % | -1 | -2 |
| Operating income (EBIT) ¹ | 729 | 766 |
| Operating margin (EBIT) ¹ , % | 15.0 | 16.1 |
| Capital employed | | |
| Capital employed | 6,112 | 5,464 |
| - of which goodwill | 4,275 | 4,030 |
| Return on capital employed ¹ , % | 12.7 | 12.9 |
| Cash flow | | |
| Cash flow | 672 | 1,005 |
| Average number of employees | 2,811 | 2,416 |

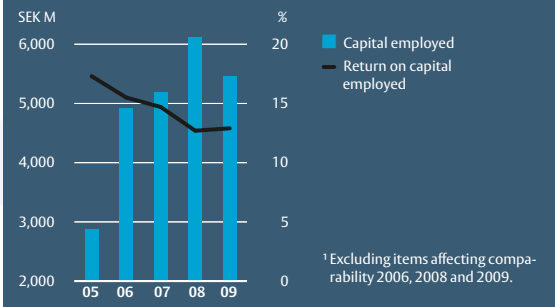
¹ Excluding items affecting comparability.
² Reclassification has been made for 2008 and 2009. For more information see note 34.

Sales and Operating income¹



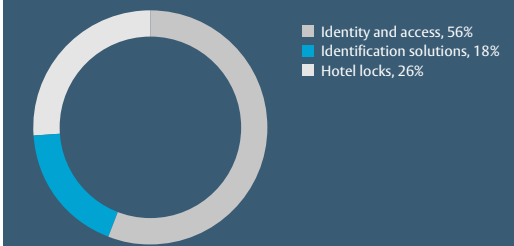
¹ Excluding items affecting comparability 2006, 2008 and 2009.
² Reclassification has been made for 2008 and 2009. For more information see note 34.

Capital employed and Return on capital employed¹



¹ Excluding items affecting comparability 2006, 2008 and 2009.

Sales by product group



Market segments



ASSA ABLOY Hospitality

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

ASSA ABLOY Hospitality – main events in 2009

The new radio-frequency identification (RFID) hotel lock was well received by the market and made a positive contribution to sales in a market with lower volumes. ASSA ABLOY Hospitality also felt the downturn in the new-construction sector, particularly on the hotel and casino market. The relocation of production from Western Europe to a new production plant in China and increased production efficiency had a positive impact on the operating margin.

In recent years demand for VingCard's RFID technology has increased and this now accounts for more than 50 percent of the electronic locks produced by VingCard. RFID technology offers higher security and, when combined with ZigBee wireless technology, provides a very reliable and cost-efficient security system, improving efficiency and reducing maintenance costs for hotels. More than 35,000 rooms are now equipped with VingCard's VisiOnline wireless system.

The new VisiOnline system is integrated with the hotel's other operating systems to add efficient new housekeeping, security and maintenance functions. The VisiOnline system improves customer service by enabling the front desk to authorize room changes, extensions of stay and access to conference rooms without the guest needing to hand in their key. New integrated technology to further develop the VisiOnline system will be launched in early 2010.

Market presence

It is strategically important for ASSA ABLOY Hospitality to expand its customer base beyond the traditional hotel and cruise sectors. Marketing efforts are therefore being made

in other segments, such as retirement and student accommodation, where security and accessibility requirements can be met by the products and technologies offered by ASSA ABLOY Hospitality. Future initiatives are in hand to offer integrated security solutions with other ASSA ABLOY companies.

Product leadership

One strategic priority for increased growth in ASSA ABLOY Hospitality is offering upgrades for previously installed products. Important components in achieving this are technologies such as RFID, NFC (Near Field Communication) and ZigBee RF online solutions.

ASSA ABLOY Hospitality's online products are designed to facilitate gradual upgrading of existing technology over several years to better meet customers' needs and investment plans. For example, ASSA ABLOY Hospitality has installed its products in 10,000 rooms at the Venetian Palazzo in Las Vegas, where 3,500 rooms now use VisiOnline technology and the rest use off-line technology.

Cost-efficiency

Major efforts are also being made to increase efficiency in the business unit through relocation of production to low-cost countries and outsourcing of component production to high-quality suppliers in low-cost countries. In 2009 ASSA ABLOY Hospitality completed the relocation of all production from Western Europe to the new production plant in China.

In 2010 Hospitality is set to implement a global ERP system, which will improve the efficiency of administrative and global purchasing functions and develop the web-based ordering portal used by all Hospitality's business partners.



The home of Australian cricket goes for a fast, seamless upgrade of its access control system

The Melbourne Cricket Ground (MCG), built in 1853, is not only one of the most famous arenas in the sport; it also rates as one of the world's most well known stadiums, ranking alongside Lord's Cricket Ground, Wembley Stadium and Yankee Stadium.

Because of its popularity as a sporting and exhibition venue, the ground is under 24-hour guard, yet its security and access systems were seen as old fashioned and out of date. The existing software and hardware solutions were complex, the cabling was poorly documented; and the whole system required substantial training for all its users. Time for an upgrade—but a clever one, for the ground is in constant use, every day of the year. The solution needed to be very easy to learn and reliable; the installation would have to be quick and seamless.

HID was chosen to provide an open, IP-based solution that would allow an easy upgrade path for the MCG at any stage in the future. HID's proposal featured the OPIN™ platform on VertX™ hardware, which meant that existing security cables could be utilized along with much of the existing IT infrastructure.

The overall proposal proved to be a very simple and effective solution from a user's point of view while maintaining all of the power and functionality expected in a world-class control platform.

Entrance Systems

Acquisitions strengthen the customer offering

ASSA ABLOY Entrance Systems strengthened its product and service offering through complementary acquisitions in 2009. The Italian company Ditec, which offers products in the fast-growing and profitable entrance solutions segment, was acquired in the fall. In the established operations, new products contributed to a strong performance during a year of weak market development due to the global downturn in the construction segment. Expanded service continued to be a key component of the division's market offering.

Entrance Systems in brief

Entrance Systems division is the world-leading supplier of automatic entrance solutions. The product range, sold under the Besam brand, include automatic swing-, sliding and 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.

Pedestrian door, gate, garage door and industrial door automation is sold under the Ditec Entrematic brand. The products are distributed through distributors and installation companies and installed in both commercial and private applications.

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

Report on the year

The division's sales during the year totaled SEK 3,733 M (3,173), which was an increase of 18 percent. Operating income (EBIT) excluding restructuring costs rose by 30 percent to SEK 587 M (453), which represents an operating margin of 15.7 percent (14.3).

Demand on the division's principal markets slowed during the year, mainly due to lower investments in the important retailing sector. However, this was offset by increased sales in other segments such as healthcare and transport. Asia showed strong growth during the year. The division also made major investments in new products and increased marketing activities.

Automatic entrance solutions for non-residential customers

Automatic entrance solutions and service offerings are mainly sold in the non-residential segment, which comprises end-users in both the private and public sectors. Typical customers are retailers, hospitals, homes for the elderly, hotels, airports, transport terminals, office buildings, public buildings and schools. It is increasingly important to offer automatic entrance solutions in the form of complete packages in order to satisfy end-user needs. A total solution from Entrance Systems usually consists of a combination of automatic sliding, swing and revolving doors with safety and convenience sensors and a preventive maintenance program.

The division's product range, global resources and knowledge of the end-customer's local needs make Entrance Systems an ideal partner for creating a wide range of safe,

convenient, reliable and aesthetic entrance solutions that are sustainable and can be complemented by a customized service offering.

EMEA

The weakening market conditions in EMEA resulted in negative growth during the year, but the division nevertheless continued to increase its market shares in many key markets. Marketing activities were implemented to mitigate this negative growth, including new product launches and the development of new service concepts. The EM Entrematic brand continued to show strong growth and increased its activities in a number of new markets.

North America

Sales in the North American market were weak in 2009 and negatively impacted by the widespread market downturn in the retail segment in particular.

The customer service offering performed strongly and Besam won a number of major service contracts in the USA and Canada. The product launches in 2008 had a full impact in 2009 and resulted in increased market shares.

Asia, Australia and New Zealand

Sales in Asia remained strong during the year, with positive growth 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, but the division consolidated its market position through organic growth and a complementary acquisition in New Zealand, which resulted in a stronger service offering.

Market presence

Entrance Systems is continuously working to expand its customer offering by selling total automatic entrance solutions, including a comprehensive service concept. Regular preventive maintenance is beneficial for customers, and ongoing contact with these end-customers also enhances opportunities for additional sales. Great importance is attached to the sales training of service engineers to take advantage of their daily contact with customers. The division is also working on increasing efficiency in the service organization, on further automating processes and increasing the number of customer visits.

The acquisition of Ditec has added a further range of products to the customer offering. Ditec is a global leader in

» Acquisitions in door automation are strengthening the customer offering «

entrance automation covering pedestrian doors, industrial doors, high-speed doors and gate automation. This acquisition is an important step in the division's growth strategy in the fast-growing and profitable entrance automation segment. It also strengthens the division's indirect sales channel to both the mature markets in Europe and North America and the expanding entrance automation business in emerging markets.

Entrance Systems also acquired the Swedish company Portsystem 2000, which specializes in end-customer solutions for industrial doors and docking systems. The company offers an attractive fit with Besam's model of supplying major logistics and retail companies with customization and service in application areas such as automatic doors, industrial doors and docking stations.

The division launched an eCommerce solution during the year to further strengthen the relationship with its distributors and increase transaction efficiency. These services will be further expanded in 2010.

Product leadership

The division continued to invest in product development and initiated a number of important projects in 2009. The new Besam SW100 low-energy automatic door was launched in Europe during the year. The new Besam RD3L large revolving door was launched in the second half of the year and was well received by the market. These products have a number of competitive advantages, including low operating costs. SMART Reset, Ditec's High Speed Industrial Rolling door has a self-repairing curtain and is suitable for high-traffic areas. SMART Reset handles high wind loads, is compact and therefore fits into limited spaces.

Several product launches are set to take place in 2010 in the key product areas of sliding doors, revolving doors and garage and gate automation.

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

Cost-efficiency

The division's efficiency programs intensified in 2009. The aim of these efficiency programs is to improve production efficiency and transfer component production to low-cost countries. Several important projects to relocate component purchases and production capacity to low-cost countries were completed during the year and new projects were initiated to further reduce product costs.

Measures to increase sales and productivity continue in the service organization. The project to provide service engineers in several countries with hand-held computers to improve their efficiency continued during the year producing good results and leading to reduced service administration costs.

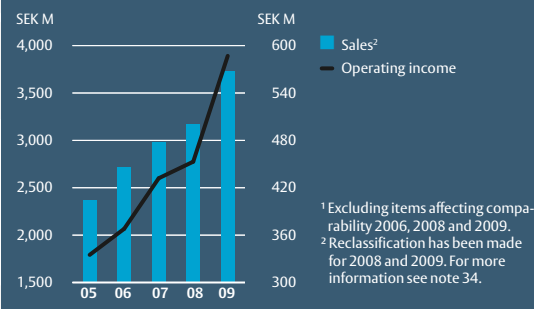
Owing to the weaker market trend in mature markets during the year, Entrance Systems successfully adjusted costs to the lower volumes. This had a positive impact on the operating margin in 2009.

Key figures

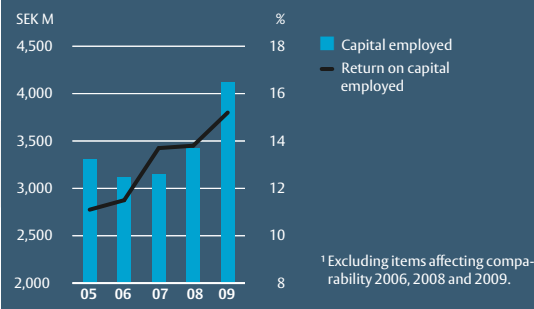
| SEK M | 2008 | 2009 |
|---|-------|-------|
| Income statement | | |
| Sales ² | 3,173 | 3,733 |
| Total growth, % | 6 | 18 |
| Operating income (EBIT) ¹ | 453 | 587 |
| Operating margin (EBIT), % | 14.3 | 15.7 |
| Capital employed | | |
| Capital employed | 3,425 | 4,116 |
| – of which goodwill | 2,763 | 3,223 |
| Return on capital employed ¹ , % | 13.8 | 15.2 |
| Cash flow | | |
| Cash flow | 399 | 680 |
| Average number of employees | 2,260 | 2,253 |

¹ Excluding items affecting comparability.
² Reclassification has been made for 2008 and 2009. For more information see note 34.

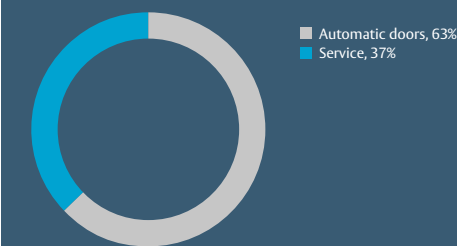
Sales and Operating income¹



Capital employed and Return on capital employed¹



Sales by product group



Market segments



Employees

Employees generate success

It is ASSA ABLOY's employees that generate its success. Considerable efforts are therefore made to develop and retain the Group's employees. ASSA ABLOY aims to be an attractive employer by offering challenging jobs, good development opportunities and a positive and engaging work situation.

Common knowledge-base

All employees must complete the interactive web-based orientation program 'Entrance to ASSA ABLOY'. It is available in 15 languages and informs employees about the organization's history, products, strategy and Code of Conduct. In 2009 more than 22,000 employees took part in the program.

Global employee survey

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

Evaluation and comparison with the results of previous surveys show the effect of the measures taken and are important tools in the improvement process. Around 18,000 employees took part in the latest survey in 2008. This survey showed a major or minor improvement in all areas compared with 2006, confirming that the follow-up activities had been effective.

The results from more than 150 units are reported and communicated to all employees.

The next employee survey, the third, will be conducted in April 2010.

Management training

Every year ASSA ABLOY offers a number of senior managers the opportunity to take part in the Group's two development programs, ASSA ABLOY Management Training (MMT) and the ASSA ABLOY Business Leadership Program. In 2009 84 managers took part in these programs.

MMT, which is an internal program, gives participants a deeper knowledge of all aspects of ASSA ABLOY's business and the opportunity to build and expand their internal contact network, to share and benefit from good practice and to identify new business opportunities. Since the first pro-

gram in 1996, 360 managers from 33 countries (including the 2010 program) have taken part. The program comprises three or four modules over a 12-month period.

The ASSA ABLOY Business Leadership Program was launched in 2005 and is done in collaboration with the Institute for Management Development (IMD) in Lausanne, Switzerland. In 2009 two programs were run with a total of 57 managers. A total of over 200 managers have taken part in the program.

Scholarship Program

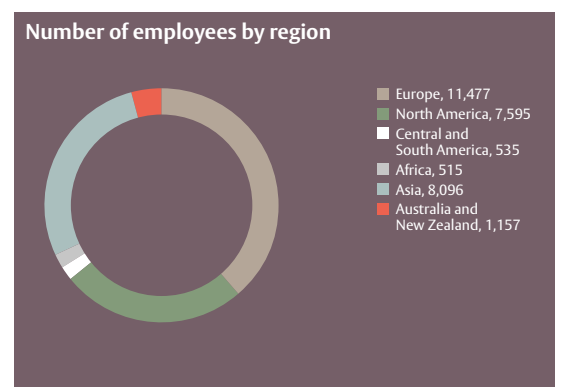
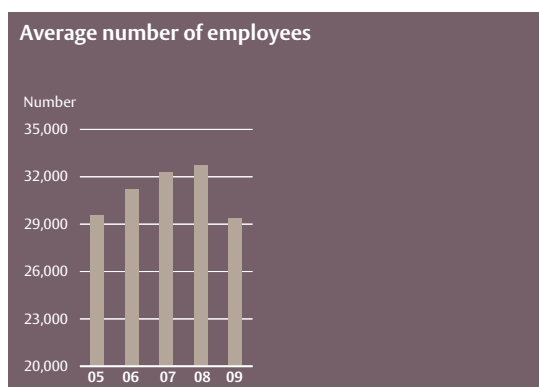
ASSA ABLOY's Scholarship Program offers employees the opportunity to work at another Group company for a short period. This program is open to all employees. It gives participants the opportunity to learn about the methods, procedures and products of another Group company and to bring these experiences back to their own workplace.

Employee development

ASSA ABLOY has a global employee development process in place, the Talent Management Process. The goal is to enhance career opportunities in a structured way, while achieving better utilization of the Group's total resources. This process includes employees at all levels.

Recruitment

A basic principle of ASSA ABLOY's recruitment policy is to give priority to internal candidates provided they have equal qualifications to external applicants. To encourage and facilitate internal mobility, all job vacancies are also advertised on the Group's global intranet. In 2009 a Group-wide guide to recruitment and selection was launched to ensure a uniform approach and the quality of the recruitment process.



An unforgettable experience

Three participants in the ASSA ABLOY Scholarship program for 2009 share their experiences.



Dean Norton, Product Development Technician, ASSA ABLOY Australia

Eight weeks spent at ASSA in Eskilstuna, Sweden

'I helped with testing, developing test jigs, and machine maintenance in the test lab. The whole experience allowed me to develop my ability to adapt to new situations and improved my communication and people skills.'



Thomas Schultz, Advertising and PR Manager at ASSA ABLOY Sicherheitstechnik, Germany

Two months spent at Security Merchants Ltd in Auckland, New Zealand, and ASSA ABLOY Australia in Melbourne.

'During my stay, we had a lot of discussions and workshops that were beneficial for both sides. Having improved my English language skills, I am now able to communicate more effectively with other PR and advertising colleagues throughout the Group.'



Roland Martin, Operations Analyst, ASSA ABLOY EMEA

Three months spent at ASSA ABLOY South Africa

'The benefits far outweigh the challenges if you make the most of each opportunity. I worked with a team of engineers, applying Overall Equipment Effectiveness principles in the zinc furniture die-casting facility. We made substantial gains at the facility, improving output by 10 per cent.'

Jobseekers targeted on Facebook and Twitter

Social networking on the Internet is a natural part of everyday life and has changed the way people search for jobs and interesting employers.

When Americas Division wanted to get into social recruitment it approached its recruitment partner Monster.com.

'As we're breaking new ground there are no given rules. Monster's system has enabled us to upload the jobs we already market on Monster.com to our own Facebook and Twitter pages – ASSA ABLOY Americas Jobs,' says Margaret Wirtes, director of the strategic Human Resources project at ASSA ABLOY Americas.

'This has allowed us to market ourselves to all the active and passive jobseekers who twitter and social-network on these sites daily – potentially millions of people.'

In addition, all the jobseekers who do not normally visit the company's website get a chance to learn more about ASSA ABLOY Americas, Wirtes says. 'Apart from the latest jobs we've added lots of videos, links, images and news to our profile pages.'

Be a fan or follow ASSA ABLOY Americas at www.facebook.com/assaabloyamericasjobs and www.twitter.com/assaabloyameric. You can also be a fan or follow the ASSA ABLOY Group at www.facebook.com/assaabloygroup and www.twitter.com/assaabloygroup.

Distribution, men and women

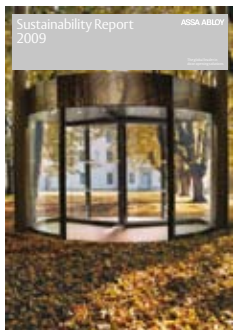


»ASSA ABLOY's vision: to offer an attractive company for our employees«

Sustainable development

A natural part of the business

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



The 2009 Sustainability Report will be published at the time of the 2010 Annual General Meeting.

Code of Conduct

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

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

In 2009, 22,000 employees went through a mandatory orientation program which includes chapters targeted to increased awareness and understanding of the importance of the Code of Conduct.

ASSA ABLOY's way of working

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

Coordinators appointed at divisional and company level are responsible for ensuring that policies, programs and tools relating to sustainability and environmental issues exist and are implemented, while the Human Resources departments at Group and divisional level oversee social and ethical issues. The divisions and their companies are responsible for compliance with the Group's Code of Conduct and for reporting back to Head Office.

A committee chaired by ASSA ABLOY's Director of Human Resources and including two employee representatives manages compliance with the Code of Conduct and handles any whistle-blowing cases.

As well as information and guidelines, ASSA ABLOY's intranet also provides tools to support the Group companies in their sustainable development work. One such tool is a database detailing previous examples of good practice in the Group and containing all available facts, reports and follow-up actions concerning the sustainability program. Statistics and reports can be extracted from the database to enable Group companies to compare their performance with other ASSA ABLOY companies and assess what measures should be undertaken.

The sustainability program

In 2007 ASSA ABLOY launched a three-year program developed by the Group's Sustainability Council together with representatives from all divisions. The program, which ended early in 2010, was based on the Group's risk assessment procedures, practical sustainability issues and measurable results.

The program set out 20 objectives in the areas of chemicals handling, energy efficiency, health and safety, relationships with suppliers, product development, employee issues, and governance, along with clear timeframes and cost/benefit analyses.

The program has made it possible to introduce procedures for quality and environmental management and to establish a structure for ongoing improvement in day-to-day operations. These now provide a firm platform for building a sustainable future for the Group.

Corporate Governance

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

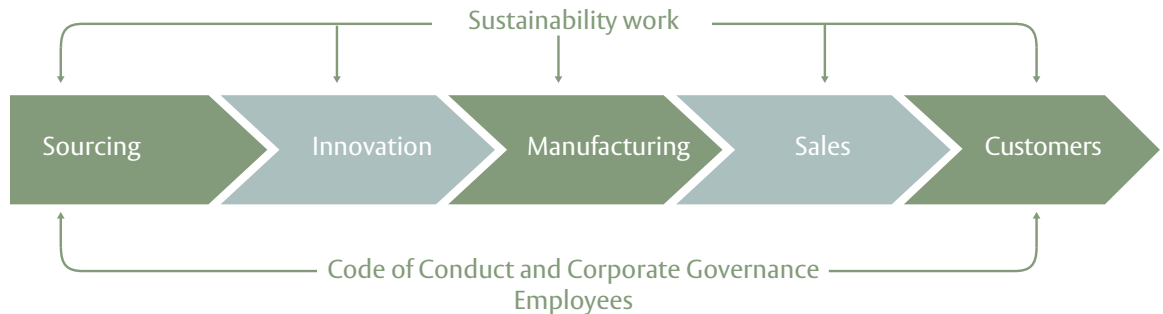
Control of suppliers

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

Suppliers too are required to adhere to the Code of Conduct. Quality and sustainability audits are carried out before new suppliers are accepted, and these audits are prioritized for any deemed to be in a risk category.

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

Any supplier failing to comply is asked to implement necessary improvements, and contracts are terminated if non-compliance continues.



The supplier selection process

The process has three steps:

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

Screening will continue and yearly follow-ups on previously approved suppliers will be performed. Random, unannounced inspections will be more frequent.

ASSA ABLOY's supplier database

The Group's suppliers are listed, graded and tracked in a supplier database. Audit reports – for both quality and sustainability – are added regularly.

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

»An important part of ASSA ABLOY's work on sustainable development is to ensure that all suppliers meet the Group's requirements «

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

A red or yellow grade can be upgraded through an improvement plan. If the supplier takes no steps to improve, it is immediately graded red and all purchasing is halted until the supplier achieves green status.

Audits performed

ASSA ABLOY performed 192 quality audits and 188 sustainability audits in 2009. At the end of the year, 178 active suppliers had passed the minimum standards for quality and sustainability and were classed as reliable. Another 37 suppliers were rejected and 29 were blacklisted.

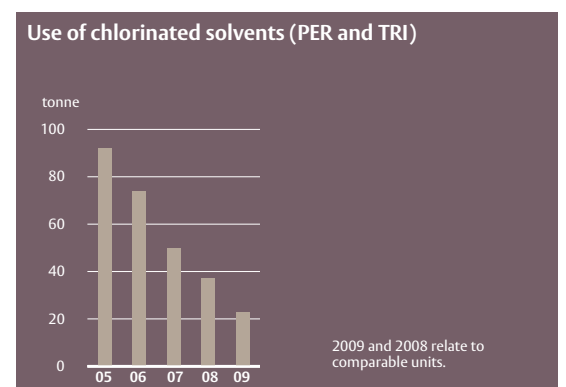
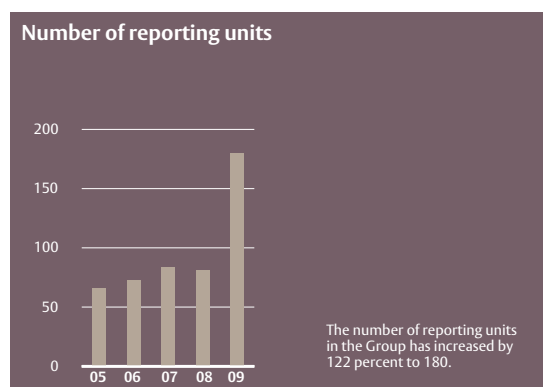
Product development

ASSA ABLOY's ambition to achieve world-class innovation involves looking at the environmental impact of every product, not just those for specifically Green solutions.

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

The Product Innovation Process has three major elements:

- Product Management – addressing the strategic aspects of the process.
- Voice of the Customer – ensuring the company develops what the customers want.
- The Gateway process – ensuring that development projects are carried out in a structured and efficient way.



Sustainable development

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

Manufacturing

Energy

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

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

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

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

Water consumption

Work to improve water efficiency has focused on plants with plating operations, where most of the consumption arises.

Technical improvements in the purification and reuse of water in production reduced water consumption in 2009.

Waste management

The principle of Reduce, Reuse, Recycle is followed across the organization, reducing the amount of material in the products, designing products that can be upgraded rather than exchanged, and enabling recycling of material from process scrap and at the end of the products' life cycle.

Hazardous chemicals

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

Health and Safety

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

ASSA ABLOY has defined a number of objectives directed to continuous improvement. These objectives are based on a zero vision for work-related accidents.

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

All units are benchmarked against each other so that special attention can be given to the plants with the greatest need.

Sales and customers

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

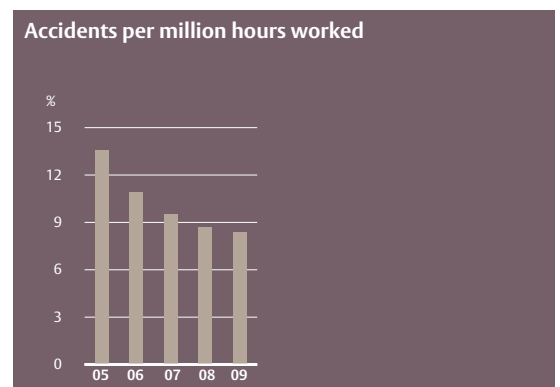
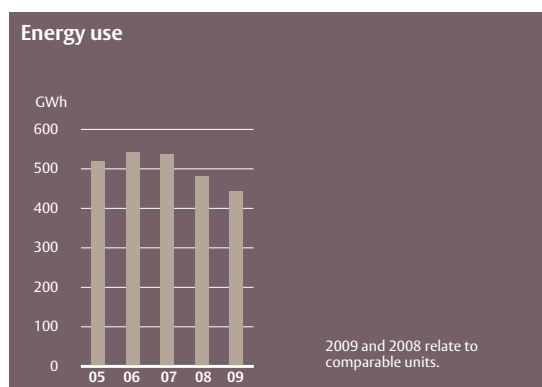
For this reason the requirements of ASSA ABLOY's Code of Conduct and business ethics form an important part of the Group's sales training.

Sustainability can provide new business opportunities. Research shows that 10 percent of all commercial construction projects in the Western world may be Green in 2010. For the USA alone, the estimated value of related security products is USD 1.2 billion in 2010, and double that in 2013.

A responsible employer

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

The Audits are followed by actions to implement improvements where needed.



Stakeholders

In the area of sustainable development, ASSA ABLOY's stakeholders include shareholders, investors, customers, suppliers, employees, local communities, non-governmental organizations (NGOs) and the media. ASSA ABLOY's open-door policy means listening to these stakeholders and gaining benefit from their views.

During 2009 ASSA ABLOY held round-table discussions and separate meetings with a number of investors. Requests from investors have generally concerned making more infor-

mation about low-cost countries externally available, such as measures when establishing new operations; due diligence procedures; suppliers; sourcing volumes; indicators for supplier audits; reports about supplier audits, and information about rejected suppliers. The meetings have proved valuable and given the Group important feedback on subjects such as suppliers, the sustainability agenda and new business opportunities for Green products.

Some of the results from the sustainability program

| Objective | Result 2007 | Result 2008 | Result 2009 | Trend |
|--|---|---|---|--------|
| Energy conservation – in manufacturing: A reduction of 15 percent by 2012 compared to the result in 2006, based on normalized values. | 536 GWh | 482 GWh | 444 GWh ¹ | ■ |
| Organic solvents – Phase out all use of perchloroethylene and trichloroethylene ² . | 93 tonnes | 42 tonnes | 23 tonnes ³ | ■ |
| Health and Safety Zero-vision and targets for improvement: – 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 9.5 ILDR 179 | IR 8.7 ILDR 166 | IR 8.4 ILDR 150 | ■ ■ |
| ISO 14001 – Compliance at all factories with significant environmental impact ⁴ . | 68 | 63 | 62 ⁵ | ■ |
| Suppliers – Sustainability assessments; acceptance of the Code of Conduct a documented requirement for all suppliers; sustainability audits for all suppliers in the risk category. | 120 sustainability audits in China | 100 sustainability audits in China | 178 sustainability audits in China | ■ |
| Gender equality – Improve current levels of gender equality at senior levels. | Level 2: 0% Level 3: 14% Level 4: 19% Level 5: 22% | Level 2: 0% Level 3: 11% Level 4: 17% Level 5: 23% | Level 2: 0% Level 3: 15% Level 4: 18% Level 5: 20% | ■ |

¹ For comparable units. Total energy consumption amounted to 491 GWh, including units acquired during the year and increased reporting.

² 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 2009 Sustainability Report.

³ For comparable units. Total discharge amounted to 43 tonnes, including units acquired during the year and increased reporting.

⁴ 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.

⁵ The reduction is due to the continuing restructuring program.

■ Deterioration ■ Unchanged ■ Improvement

The sustainable development program in brief



Ensuring compliance by independent audits

In 2009 the independent company Hifab International, together with local partners, carried out audits concerning the environment and social responsibility at ASSA ABLOY's factories in Roodepoort, South Africa and in Mexico City.

The audits were conducted in line with internationally accepted and established procedures: an opening meeting with management and key staff; factory inspection; management interviews; documentation reviews; interviews with a selected number of workers at the factory; and a closing meeting with management.

The audit team that visited ASSA ABLOY Mexico reported: "There have been a lot of improvements made at ASSA ABLOY Mexico in recent years. Of course there is always room for further improvement, but this factory has a committed management team and that is a fundamental and crucial point for success."

Lyna May, HR Manager at ASSA ABLOY South Africa, said: "One of the things we learnt from the audit was that what the management takes for granted is not necessarily what the employees are thinking. The social compliance audit has shown us where we can improve and that these improvements will benefit the entire organization."

Smart thinking at Entrance Systems' production plant

ASSA ABLOY Entrance Systems' production plant at Monroe, North Carolina, USA found that a low-cost way of reducing energy use was by installing clear plastic barrier strips on all dock door openings. This reduces the loss of cool air during the heat of the day, meaning that the air-conditioning system has to work less hard. In addition, installing mesh grilles on the dock doors enabled the doors to be opened and the plant cooled by air from outside during the early part of the day without compromising security. Comparing energy usage figures for the third quarters of 2009 and 2008 shows an average daily reduction of 425 kWh.

The redesign of packaging material for the Besam PowerSwing resulted in 100 percent recyclable material being used for the operator part of the product, and a 50 percent reduction in the amount of foam in the header part. The company is also participating in a recycling program for wooden pallets.



Energy-saving door solutions

When ASSA ABLOY Americas division started to create its Green door solutions it already had a number of energy-efficient products in its product portfolio that could be certified under LEED (the Leadership in Energy and Environmental Design Green Building Rating System, developed by the US Green Building Council). Some were originally developed for cold weather in Alaska and have a high level of thermal resistance.

Stacey Callahan, Director of Marketing and Innovation for the Door Group in the Americas Division in the USA, says: "Using these products saves energy in any building; they are just as useful in a warm climate where you want to keep the heat out and the cool air-conditioning in."

Callahan says the division is continuing to develop Green and energy-efficient products. Maiman's Thermal Fused Flush doors are made from 75 percent recycled material. Ceco's metal doors are constructed using a high percentage of scrap steel and other recycled material. The TRIO steel-stiffened hollow metal door from Ceco Door and Curries is filled with polyurethane foam, which expands to fill the core, eliminating air pockets that could allow thermal leakage. The Trinity door-closer from Norton Door Control needs no batteries or power wiring. Any movement of the door of 10 percent or more is enough to generate the necessary power for closing.

Report of the Board of Directors and financial reports

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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 2009. 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

Sales were maintained at a high level during the year and amounted to SEK 34,963 M (34,829), with organic growth of –12 percent (0) and acquired growth of 3 percent (4). Operating income (EBIT) excluding restructuring and non-recurring costs fell by 2 percent to SEK 5,413 M (5,526), equivalent to an operating margin of 15.5 percent (15.9). Income before tax excluding restructuring and non-recurring costs totaled SEK 4,779 M (4,756).

Restructuring costs of SEK 1,039 M (1,180) had a negative impact on operating income for the year.

Operating cash flow excluding restructuring payments was very strong and rose to SEK 6,843 M (4,769), an increase of 43 percent. Earnings per share after full dilution excluding restructuring and non-recurring costs were SEK 9.22 (9.21).

Restructuring

The restructuring programs launched in 2006 and 2008 continued at a high level during the year. More than 4,600 employees have left the Group as a result of the changes in the production structure since the start of the program. A number of plant closures and a switch to final assembly in high-cost countries have been implemented.

A third restructuring program was launched in Q4 2009. This program comprises some 30 projects, is estimated to cost SEK 930 M and affects 1,200 employees. Over 20 production plants and offices will close. In addition, administrative support functions will be consolidated. Payback time for the full program is estimated at 3 years and the total cost was expensed in Q4 2009. Restructuring measures during Q1 affected the earnings by an additional SEK 109 M.

Payments related to the restructuring programs totaled SEK 676 M (485) for the full year.

Acquisitions and divestments

In September Entrance Systems Division acquired the Ditec Group, a leading player in automatic doors, industrial and high-speed doors, and gate automation. The company, headquartered outside Milan, Italy, has annual sales of around SEK 800 M. In December the division also acquired the Swedish company Portsystem 2000, specialized in end-customer solutions for industrial doors and docking systems. The company has annual sales of around SEK 125 M. Both acquisitions were EPS-accretive from the acquisition date.

In February Americas Division acquired Maiman, an established and respected player in wood and laminate doors. The company is located in Missouri, USA and has

annual sales of around SEK 100 M. The acquisition was EPS-accretive from the acquisition date. In December the division also acquired the remaining 70 percent of shares in Cerracol. The company, headquartered in Bogota, Colombia, is the market leader on the Central American lock market, with forecast sales for 2010 of around SEK 140 M. The acquisition was EPS-accretive from the acquisition date.

Including smaller acquisitions, a total of eight acquisitions were consolidated during the year. The total purchase price for these acquisitions was SEK 1,107 M and preliminary acquisition analyses indicate that goodwill and other intangible assets with an indefinite useful life amount to around SEK 800 M.

In 2009 an agreement was signed to acquire Pan Pan, China's largest manufacturer of high-security steel doors. ASSA ABLOY has received anti-trust clearance. A business license is required from the local Chinese authorities before Pan Pan can be consolidated into the Group. This license is expected in Q1 2010.

Three businesses in New Zealand, Sweden and Switzerland were sold during the year. The impact on the Group's financial position and performance was not significant.

Research and development

ASSA ABLOY's expenditure on research and development during the year amounted to SEK 920 M (901), which is equivalent to 2.6 percent (2.6) of sales.

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

Sustainable development

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

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

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

The 2009 Sustainability Report, reporting on the Group's prioritized environmental activities and providing other information about sustainable development, will be published at the time of the Annual General Meeting in April 2010.

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 2010

The organic growth is expected to be about 0 percent.

Shareholders and share capital

At year-end, ASSA ABLOY had 22,014 shareholders (22,921). The principal shareholders are Investment AB Latour and Säkl (9.6 percent of the share capital and 29.7 percent of the votes) and Melker Schörling AB (4.0 percent of the share capital and 11.6 percent of the votes). Investors outside Sweden accounted for 53 percent (50) of the share capital and 36 percent (34) of the votes. The ten largest shareholders accounted for 37 percent (41) of the share capital and 57 percent (60) of the votes.

A shareholders' agreement, which includes preemption rights for sale of Series A shares by any party, exists between Gustaf Douglas, Melker Schörling and affiliated companies. 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.

The Board's proposed remuneration guidelines for senior management

The Board of ASSA ABLOY proposes that the 2010 Annual General Meeting adopts the following guidelines for the remuneration and other employment conditions of the President and CEO and the other members of the Executive Team. Apart from the changes resulting from the Board's proposal for a long-term incentive program, the proposed guidelines below do not involve any material change, compared with the guidelines adopted by the 2009 Annual General Meeting. The basic principle is that remuneration and other employment conditions should be in line with market conditions and competitive. ASSA ABLOY takes into account both global remuneration practice and practice in the home country of each member of the Executive Team. The total remuneration of senior management should consist of basic salary, variable components in the form of annual and long-term variable remuneration, other benefits and pension.

The total remuneration of the Executive Team, including previous commitments not yet due for payment, is reported in the Annual Report 2009, Note 32.

Fixed and variable remuneration

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

In addition, the Executive Team should, within the framework of the Board's proposal for a Long-Term Incentive program, have the opportunity to receive variable remuneration in the form of shares based on an interval defined by the Board regarding the development of earnings per share during 2010. This remuneration model also includes the right, when purchasing a share under certain conditions, to receive a free matching share from the company. This remuneration should, if the share price is unchanged, be equivalent to a maximum 50 percent of basic salary (excluding social security expenses).

The cost of variable remuneration for the Executive Team as above, assuming maximum outcome, amounts to a total of SEK 44 M (excluding social security expenses). This calculation is made on the basis of the current members of the Executive Team.

Report of the Board of Directors

Other benefits and pension

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

Notice and severance pay

If the company gives notice of termination of contract, the CEO is entitled to 24 months' basic salary and other employment benefits, while the other members of the Executive Team are entitled to a maximum 6 months' basic salary and other employment benefits plus an additional 12 months' basic salary.

Deviations from guidelines

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

Transactions with related parties

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

Significant risks and risk management

Risk management

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

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

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

Strategic risks

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

ASSA ABLOY has global market penetration, with sales and production in a large number of countries. The emphasis is on Western Europe and North America, but the proportion of sales in Asia and in Central and Eastern Europe has

increased in recent years. The Group is therefore exposed to both general business environment risks and country-specific risks, including political decisions and comprehensive changes in the regulatory framework. Changes in customer behavior in general and the actions of competitors affect demand for different products and their profitability.

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

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

Activities to maintain and further strengthen ASSA ABLOY's good reputation are constantly ongoing. These include ensuring compliance with ASSA ABLOY's Code of Conduct, which expresses the Group's high aspirations relating to social responsibility, commitment and respect for the environment.

Operational risks

Operational risks comprise risks directly attributable to business operations and with a potential impact 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 control also fall into this category.

The table on page 58 describes in more detail the management of these risks.

Financial risks

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

Strategic risks

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

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

Operational risks

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

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

Financial risks

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

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

Significant risks and risk management

| Operational risks | Risk management | Comments |
|---|---|---|
| Legal risks | <p>The Group continuously monitors anticipated and implemented changes in legislation in the countries in which it operates.</p> <p>A Group-wide legal policy has been implemented, specifying the legal framework in which business operations may be conducted.</p> <p>Ongoing and potential disputes and other legal matters are reported regularly to the Group's central legal function.</p> <p>Guidelines on compliance with current competition legislation have been implemented.</p> <p>Legal risks associated with property and liability issues are continually evaluated together with insurance company representatives.</p> | At the end of 2009 it was assessed that there are no outstanding legal disputes that may lead to significant costs for the Group. |
| Acquisition of new businesses | <p>Acquisitions are carried out by a number of people with considerable acquisition experience and with the support of for example legal and financial consultants.</p> <p>Acquisitions are carried out according to a uniform and predefined Group-wide process. This consists of four documented phases: strategy, evaluation, implementation and integration.</p> | The Group's acquisitions in 2009 are reported in the Report of the Board of Directors and in Note 30, Business combinations. |
| <p>Restructuring measures</p> <p>The Group is implementing specific restructuring programs, which entail some production units changing focus mainly to final assembly while certain units are closed.</p> | <p>The restructuring programs are carried on as a series of projects with stipulated activities and schedules.</p> <p>The various projects are systematically monitored on a regular basis.</p> | The scope, costs and savings of the restructuring programs are presented in more detail in the Report of the Board of Directors. |
| Price fluctuations and availability of raw materials | <p>Raw materials are purchased and handled primarily at division and business-unit level.</p> <p>Regional committees coordinate these activities with the help of senior coordinators for selected material components.</p> | For further information about procurement of materials, see Note 7. |
| Credit losses | <p>Accounts receivable are spread across a large number of customers in many markets.</p> <p>Commercial credit risks are managed locally at company level and reviewed at division level.</p> | Receivables from 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 | <p>A Group-wide insurance program is in place, mainly relating to property, business interruption, and liability risks. The insurance program covers all business units.</p> <p>The Group's exposure to the risk areas listed above is regulated by means of its own captive reinsurance company.</p> | The Group's insurance cover is considered to be generally adequate, providing a reasonable balance between assessed risk exposure and insurance costs. |
| Risks relating to internal control regarding financial reporting | <p>The organization is considered to be relatively transparent, with a clear allocation of responsibilities.</p> <p>Instructions about the allocation of responsibilities, authorization and other internal control procedures are laid down in an internal control manual.</p> <p>Compliance with internal control is evaluated annually for all operating companies in the form of self assessment and via the Group's Management Assurance function.</p> | Internal control and other related issues are reported in more detail in the Corporate governance report. |
| Risks relating to financial reporting | <p>A well-established Controller organization at both division and Group level analyzes and monitors financial reporting quality.</p> <p>A comprehensive systematic risk assessment of financial reporting is carried out regularly.</p> | <p>See also the section 'Basis of preparation' in Note 1.</p> <p>Further information about risk management relating to financial reporting can be found in the Corporate governance report.</p> |

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

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

Currency risk

Since ASSA ABLOY sells its products in countries worldwide and has companies in over 60 countries, the Group is exposed to the effects of exchange rate fluctuations. Such changes affect Group earnings when the income statements of foreign subsidiaries are translated to Swedish kronor (translation exposure), and when products are exported and sold in countries outside the country of production (transaction exposure). Translation exposure is primarily related to earnings in USD and EUR. This type of exposure is not hedged. Currency risk in the form of transaction exposure, i.e. the relative values of exports and imports of goods, is fairly limited in the Group, though it is expected to increase over time due to efficiency measures in production and purchasing. In accordance with financial policy, the Group only hedged a limited part of current currency flows in 2009. As a result exchange rate fluctuations had a direct impact on business operations.

Exchange rate fluctuations 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 fluctuations and causes a translation difference which affects the Group's comprehensive income. A general weakening of the Swedish krona

leads to an increase in net debt, but at the same time increases Group equity. At year-end, the largest foreign net assets were denominated in USD and EUR.

Interest rate risk

With respect to interest rate risks, interest rate changes have a direct impact on ASSA ABLOY's net interest expense. The net interest expense is also impacted by the size of the Group's net debt and its currency composition. Net debt was SEK 11,048 M (14,013) at the end of 2009 and was mainly denominated in SEK, USD and EUR. Group Treasury analyzes the Group's interest rate exposure and calculates the impact on income of interest rate changes on a rolling 12-month basis. In addition to raising fixed-rate and variable-rate loans, various interest rate derivatives are used to adjust interest rate sensitivity. At year-end, the average fixed interest term, excluding pension liabilities, was around 26 months (23).

Credit risk

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

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

Pension obligations

At the end of 2009, ASSA ABLOY had obligations for pensions and other post-employment benefits of SEK 4,696 M (3,963). The Group manages pension assets valued at SEK 2,817 M (2,604). Pension provisions in the balance sheet amount to SEK 1,118 M (1,182). Changes in the value of assets and liabilities from year to year are due partly to trends on equity and debt capital markets, and partly to the actuarial assumptions made. These assumptions include discount rates, as well as anticipated inflation and salary increases.

Sales and earnings

- Organic growth for comparable units was –12 percent (0), while acquired growth was 3 percent (4).
- Operating income (EBIT) excluding restructuring costs and non-recurring costs fell by 2 percent to SEK 5,413 M (5,526), equivalent to an operating margin of 15.5 percent (15.9).
- Earnings per share after full dilution excluding restructuring costs and non-recurring costs amounted to SEK 9.22 (9.21).

Sales

The Group's sales increased to SEK 34,963 M (34,829). Exchange-rate effects had a positive impact of SEK 3,491 M (16).

Change in sales

| % | 2008 | 2009 |
|-----------------------|----------|----------|
| Organic growth | 0 | -12 |
| Acquired growth | 4 | 3 |
| Exchange-rate effects | 0 | 9 |
| Total | 4 | 0 |

The total change in sales for 2009 was 0 percent (4). Organic growth for comparable units accounted for –12 percent (0), while acquired units made a positive contribution of 3 percent (4).

Sales by product group

Mechanical locks, lock systems and accessories accounted for 45 percent (46) of sales. Sales of electromechanical and electronic locks rose to 35 percent (34), while security doors and fittings accounted for 20 percent (20) of sales.

Cost structure

Total wage costs, including social security expenses and pension expenses, amounted to SEK 10,133 M (10,016), corresponding to 29 percent (29) of sales. The average number of employees was 29,375 (32,723). The average number of employees in the Parent company was 94 (101).

The Group's material costs were relatively unchanged and totaled SEK 11,346 M (11,329), corresponding to 32 percent (32) of sales.

Other purchasing costs totaled SEK 6,985 M (7,083), corresponding to 20 percent (20) of sales.

Depreciation and amortization of non-current assets amounted to SEK 1,014 M (921), corresponding to 3 percent (3) of sales.

Operating income

Operating income (EBIT) excluding restructuring costs and non-recurring costs amounted to SEK 5,413 M (5,526) after positive exchange-rate effects of SEK 643 M (5). The corresponding operating margin was 15.5 percent (15.9).

Operating income before depreciation and amortization (EBITDA) excluding restructuring costs and non-recurring costs amounted to SEK 6,426 M (6,447). The corresponding margin was 18.4 percent (18.5).

Restructuring costs of SEK 1,039 M (1,180) had a negative impact on operating income for the year. Including these items, operating income (EBIT) amounted to SEK 4,374 M (4,269) and the corresponding margin was 12.5 percent (12.3).

Restructuring costs

Total restructuring costs amounted to SEK 1,039 M (1,180), of which impairment of assets, mainly machinery and equipment, accounted for SEK 124 M (141).

The remaining portion mainly relates to payments in connection with staff redundancies.

Income before tax

Income before tax excluding restructuring costs and non-recurring costs totaled SEK 4,779 M (4,756). The exchange-rate effect amounted to SEK 598 M (–14). Net financial items amounted to SEK –634 M (–770). This reduction was mainly attributable to lower interest rates and net debt than in 2008. Profit margin – defined as income before tax in relation to sales – was 13.7 percent (13.7) excluding restructuring costs and non-recurring costs.

The Parent company's income before tax was SEK 1,694 M (1,589).

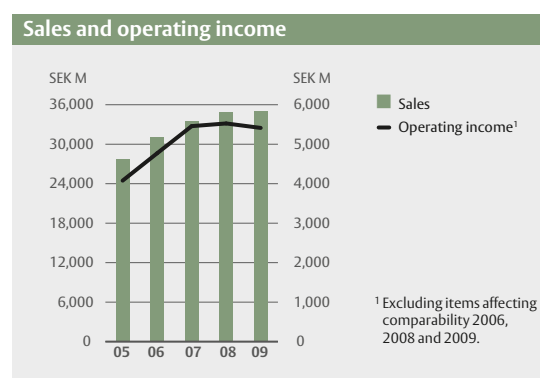
Tax

The Group's tax expense totaled SEK 1,081 M (1,061), corresponding to an effective tax rate of 29 percent (30).

The year's restructuring program had an impact of 2 percentage points (3) on the effective tax rate for the year, due to the fact that deferred tax was not factored into certain restructuring costs. The effective tax rate, excluding restructuring effects, was 27 percent (27) of income before tax.

Earnings per share

Earnings per share after full dilution excluding restructuring costs and non-recurring costs amounted to SEK 9.22 (9.21).

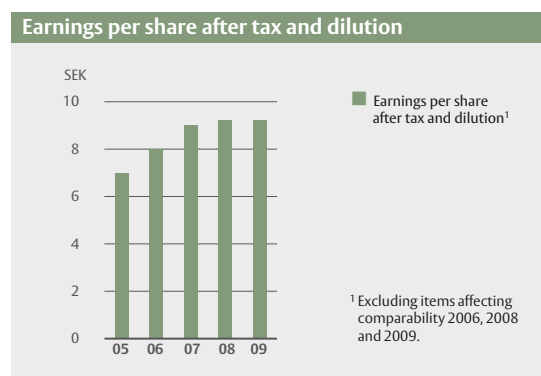
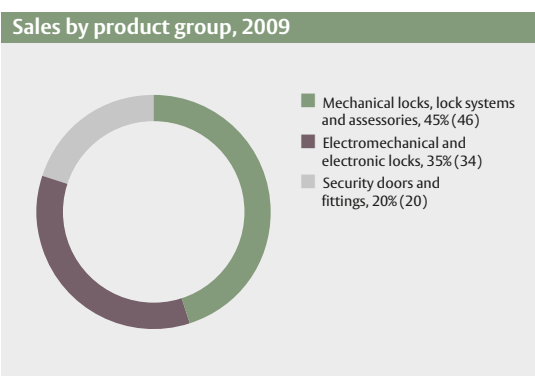


Income statement – Group and Statement of comprehensive income

| Income statement, SEK M | Note | 2008 ¹ | 2009 |
|---|---------|-------------------|---------------|
| Sales | 2, 34 | 34,829 | 34,963 |
| Cost of goods sold | 34 | -21,843 | -21,780 |
| Gross income | | 12,986 | 13,183 |
| Selling expenses | 34 | -5,718 | -5,836 |
| Administrative expenses | 3, 34 | -2,067 | -1,915 |
| Research and Development costs | 34 | -901 | -920 |
| Other operating income and expenses | 4 | -43 | -150 |
| Share of earnings in associates | 5 | 12 | 12 |
| Operating income | 6-9, 32 | 4,269 | 4,374 |
| Financial income | 10 | 47 | 130 |
| Financial expenses | 9, 11 | -817 | -764 |
| Income before tax | | 3,499 | 3,740 |
| Tax on income | 12 | -1,061 | -1,081 |
| Net income | | 2,438 | 2,659 |
| Net income attributable to: | | | |
| Parent company shareholders | | 2,413 | 2,626 |
| Minority interest | | 25 | 32 |
| Earnings per share | | | |
| before dilution, SEK | 13 | 6.60 | 7.18 |
| after dilution, SEK | 13 | 6.55 | 7.06 |
| after dilution and excluding items affecting comparability, SEK | 13 | 9.21 | 9.22 |

| Statement of comprehensive income, SEK M | 2008 | 2009 |
|---|--------------|--------------|
| Profit for the year | 2,438 | 2,659 |
| Other comprehensive income | | |
| Exchange rate differences on translating foreign operations | 2,131 | -826 |
| Total comprehensive income | 4,569 | 1,833 |
| Total comprehensive income attributable to: | | |
| Parent company shareholders | 4,525 | 1,814 |
| Minority interest | 44 | 19 |

¹ Reclassification has been performed, see Note 34.



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 global supplier of automatic doors and service.

EMEA

Sales totaled SEK 13,601 M (13,927), with organic growth of -12 percent (-2). Acquired units contributed 3 percent (4) to sales. Operating income excluding restructuring costs and non-recurring costs amounted to SEK 2,056 M (2,289), with an operating margin (EBIT) of 15.1 percent (16.4). Return on capital employed excluding restructuring costs and non-recurring costs was 16.9 percent (19.9). Operating cash flow before interest paid amounted to SEK 2,850 M (2,421).

The downturn in the housing and commercial construction markets in important market regions led to a decline in the division's sales. Initiatives to further increase efficiency and savings from ongoing restructuring programs largely offset the negative impact on the operating margin of reduced sales.

Americas

Sales totaled SEK 9,880 M (10,456), with organic growth of -19 percent (4). Acquired units contributed 2 percent (2) to sales. Operating income excluding restructuring costs amounted to SEK 1,925 M (2,101), with an operating margin (EBIT) of 19.5 percent (20.1). Return on capital employed excluding restructuring costs was 20.5 percent (24.5). Operating cash flow before interest paid amounted to SEK 2,677 M (2,097).

The market downturn in the North American market had a negative impact on sales volumes during the year. The operating margin could, however, be maintained at a high level thanks to continued active marketing and efficient production.

Asia Pacific

Sales totaled 3,789 SEK M (3,321), with organic growth of -1 percent (0). Acquired units contributed 5 percent net (20) to sales. Operating income excluding restructuring costs amounted to SEK 459 M (357), with an operating margin (EBIT) of 12.1 percent (10.8). Return on capital employed excluding restructuring costs was 16.1 percent (13.2). Operating cash flow before interest paid amounted to SEK 610 M (460).

Sales by comparable units were stable for the full year. Market trends were, however, negative in the first part of the year, but there was a return to positive growth figures later in the year. The operating margin and operating cash flow strengthened compared with the previous year.

Global Technologies

Sales totaled SEK 4,766 M (4,866), with organic growth of -12 percent (0). No acquisitions were made during the year. Operating income excluding restructuring costs amounted to SEK 766 M (729), with an operating margin (EBIT) of 16.1 percent (15.0). Return on capital employed excluding restructuring costs was 12.9 percent (12.7). Operating cash flow before interest paid amounted to SEK 1,005 M (627).

The HID Global business unit and the ASSA ABLOY Hospitality business unit both showed negative organic growth, but continued to show strong margins thanks to active efforts to improve efficiency.

Entrance Systems

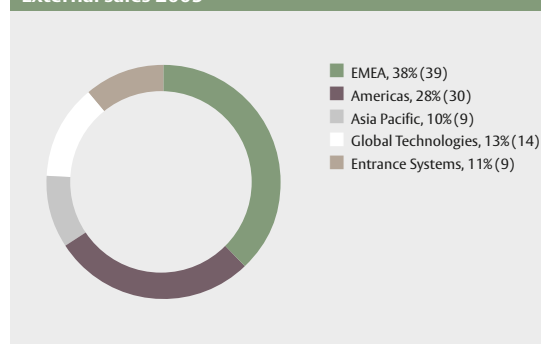
Sales totaled SEK 3,733 M (3,173), with organic growth of -3 percent (3). Acquired units contributed 12 percent (3) to sales. Operating income excluding restructuring costs amounted to SEK 587 M (453), with an operating margin (EBIT) of 15.7 percent (14.3). Return on capital employed excluding restructuring costs was 15.2 percent (13.8). Operating cash flow before interest paid amounted to SEK 680 M (399).

Demand from the retailing sector in the division's largest markets weakened during the year. However, increased demand from healthcare and from growth markets largely compensated for this trend. Operating margin and cash flow showed very positive development.

Other

The costs of Group-wide functions, such as Group management, accounting and finance, supply management and central product development, amounted to SEK 380 M (404). Elimination of sales between the Group's segments is included in 'Other'.

External sales 2009



Results by division

| SEK M | EMEA ¹ | | Americas ² | | Asia Pacific ³ | | Global Technologies ⁴ | | Entrance Systems | | Other | | Total | |
|--|-------------------|---------------|-----------------------|--------------|---------------------------|--------------|----------------------------------|--------------|-------------------|--------------|-------------------|-------------|-------------------|---------------|
| | 2008 ⁷ | 2009 | 2008 ⁷ | 2009 | 2008 ⁷ | 2009 | 2008 ⁷ | 2009 | 2008 ⁷ | 2009 | 2008 ⁷ | 2009 | 2008 ⁷ | 2009 |
| Sales, external | 13,517 | 13,275 | 10,415 | 9,831 | 3,031 | 3,507 | 4,730 | 4,664 | 3,134 | 3,685 | - | - | 34,829 | 34,963 |
| Sales, internal | 410 | 327 | 41 | 49 | 290 | 282 | 136 | 102 | 39 | 47 | -915 | -807 | | |
| Sales | 13,927 | 13,601 | 10,456 | 9,880 | 3,321 | 3,789 | 4,866 | 4,766 | 3,173 | 3,733 | -915 | -807 | 34,829 | 34,963 |
| Organic growth | -2% | -12% | 4% | -19% | 0% | -1% | 0% | -12% | 3% | -3% | - | - | 0% | -12% |
| Share of earnings in associates | 3 | 4 | 9 | 8 | - | - | - | - | - | - | - | - | 12 | 12 |
| Operating income (EBIT) excluding items affecting comparability | 2,289 | 2,056 | 2,101 | 1,925 | 357 | 459 | 729 | 766 | 453 | 587 | -404 | -380 | 5,526 | 5,413 |
| Operating margin (EBIT) excluding items affecting comparability | 16.4% | 15.1% | 20.1% | 19.5% | 10.8% | 12.1% | 15.0% | 16.1% | 14.3% | 15.7% | - | - | 15.9% | 15.5% |
| Items affecting comparability ⁶ | -863 | -789 | -77 | - | -65 | -2 | -149 | -167 | -103 | -81 | - | - | -1,257 | -1,039 |
| Operating income (EBIT) | 1,426 | 1,267 | 2,024 | 1,925 | 293 | 457 | 580 | 599 | 350 | 506 | -404 | -380 | 4,269 | 4,374 |
| Operating margin (EBIT) | 10.2% | 9.3% | 19.4% | 19.5% | 8.8% | 12.1% | 11.9% | 12.6% | 11.0% | 13.6% | - | - | 12.3% | 12.5% |
| Net financial items | | | | | | | | | | | | | -770 | -634 |
| Tax on income | | | | | | | | | | | | | -1,061 | -1,081 |
| Net income | | | | | | | | | | | | | 2,438 | 2,659 |
| Capital employed | 12,306 | 9,814 | 9,639 | 8,687 | 2,768 | 2,768 | 6,112 | 5,464 | 3,425 | 4,116 | -1,400 | -467 | 32,850 | 30,382 |
| - of which goodwill | 5,766 | 5,540 | 6,236 | 6,003 | 1,628 | 1,536 | 4,275 | 4,030 | 2,763 | 3,223 | - | - | 20,669 | 20,333 |
| - of which other intangible and tangible assets | 3,450 | 3,097 | 1,944 | 1,757 | 914 | 933 | 1,282 | 1,138 | 207 | 485 | 148 | 130 | 7,945 | 7,541 |
| - of which shares in associates | 31 | 39 | 2 | - | 5 | - | - | - | - | - | - | - | 38 | 39 |
| Return on capital employed excluding items affecting comparability | 19.9% | 16.9% | 24.5% | 20.5% | 13.2% | 16.1% | 12.7% | 12.9% | 13.8% | 15.2% | - | - | 17.2% | 16.2% |
| Operating income (EBIT) | 1,426 | 1,267 | 2,024 | 1,925 | 293 | 457 | 580 | 599 | 350 | 506 | -404 | -380 | 4,269 | 4,374 |
| Restructuring costs | 786 | 789 | 77 | - | 65 | 2 | 149 | 167 | 103 | 81 | - | - | 1,180 | 1,039 |
| Depreciation | 455 | 473 | 205 | 236 | 80 | 99 | 136 | 156 | 37 | 38 | 8 | 11 | 921 | 1,014 |
| Investments in fixed assets | -403 | -358 | -235 | -138 | -107 | -90 | -152 | -190 | -37 | -41 | -29 | -9 | -962 | -825 |
| Sales of fixed assets | 75 | 77 | 21 | 4 | 9 | 10 | 23 | 63 | 6 | 8 | - | - | 133 | 161 |
| Change in working capital | 82 | 602 | 5 | 649 | 120 | 132 | -64 | 211 | -60 | 88 | -88 | -222 | -5 | 1,460 |
| Cash flow⁵ | 2,421 | 2,850 | 2,097 | 2,677 | 460 | 610 | 672 | 1,005 | 399 | 680 | | | 5,536 | 7,222 |
| Adjustment for non-cash items | | | | | | | | | | | -49 | 127 | -49 | 127 |
| Paid and received interest | | | | | | | | | | | -718 | -507 | -718 | -507 |
| Operating cash-flow⁵ | | | | | | | | | | | | | 4,769 | 6,843 |
| Average number of employees | 11,903 | 10,138 | 8,573 | 6,897 | 7,065 | 7,560 | 2,811 | 2,416 | 2,260 | 2,253 | 111 | 112 | 32,723 | 29,375 |

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 for 2008 and 2009. In 2008 items affecting comparability also includes non-recurring costs related to EMEA and totaled SEK 77M.

⁷ Reclassification has been made for 2008. For further information see Note 34.

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

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

The breakdown of sales is based on customer sales in the respective country. Sales between segments are carried out at arm's length.

For further information on sales, please see Note 2.

Operating income, 2009^{1,2}



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

Average number of employees, 2009



Financial position

- Capital employed amounted to SEK 30,382 M (32,850).
- A strong positive operating cash flow reduced net debt to SEK 11,048 M (14,013).
- The net debt / equity ratio was 0.57 (0.74).

| SEK M | 2008 | 2009 |
|-------------------------------|--------|--------|
| Capital employed | 32,850 | 30,382 |
| – of which goodwill | 20,669 | 20,333 |
| Net debt | 14,013 | 11,048 |
| Equity | 18,838 | 19,334 |
| – of which minority interests | 163 | 162 |

Capital employed

The Group's capital employed – defined as total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liabilities – amounted to SEK 30,382 M (32,850). The return on capital employed excluding items affecting comparability was 16.2 percent (17.2).

Intangible assets amounted to SEK 22,324 M (22,662).

The reduction is mainly due to negative exchange-rate effects exceeding the effects of acquisitions made. During the year, goodwill and other intangible assets with an indefinite useful life have arisen to a preliminary value of SEK 800 M. A valuation model based on discounted future cash flows is used for impairment testing of goodwill and other intangible assets with an indefinite useful life.

Tangible assets amounted to SEK 5,550 M (5,952). Capital expenditure on tangible and intangible assets, less sales of tangible and intangible assets, totaled SEK 664 M (829). Depreciation amounted to SEK 1,014 M (921).

Accounts receivable totaled SEK 5,618 M (6,372) and inventories totaled SEK 4,349 M (5,383). The average collection period for accounts receivable was 55 days (52). Material throughput time was 97 days (105). The Group is making systematic efforts to increase capital efficiency.

Net debt

Net debt amounted to SEK 11,048 M (14,013), of which pension commitments and other remuneration on termination of employment accounted for SEK 1,118 M (1,182). Net debt was increased by acquisitions and the dividend to shareholders and reduced by the continued strong positive operating cash flow. The net reduction is mainly due to a continued good earnings trend and a substantial release of working capital.

External financing

The Group's long-term loan financing mainly consists of Private Placement Programs in the USA totaling USD 630 M (630), GMTN-programs of SEK 3,292 M (0), Incentive Pro-

grams of EUR 138 M (138) and a bilateral bank loan of SEK 1,000 M (1,000).

During the year, long-term financing totaling SEK 3,384 M was raised in the form of borrowing on the capital market as follows:

- Three bonds in SEK totaling SEK 850 M with a maturity of 2 to 3 years.
- One bond in NOK of NOK 350 M with a maturity of 7 years.
- Two Private Placements in EUR of EUR 45 M and EUR 150 M, both with a maturity of 5 years.

These replace long-term financing of SEK 2,601 M which matured during the year, but have also replaced some short-term financing in order to extend the maturity profile.

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 632 M (3,215) of the Commercial Paper Programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility for a maximum of EUR 1,100 M (1,100), which was not utilized at year-end.

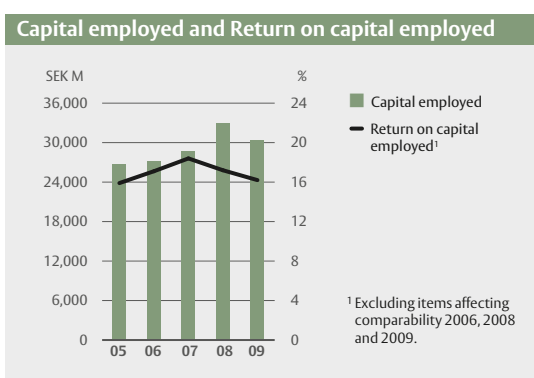
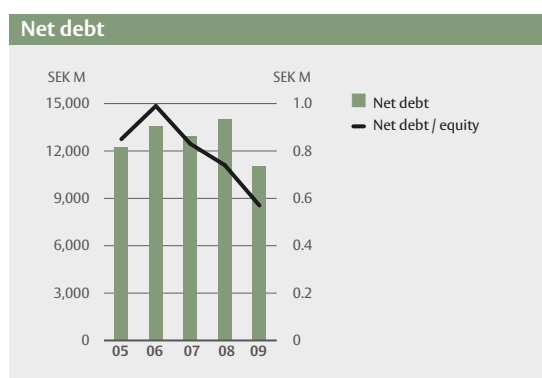
The interest coverage ratio, defined as income before tax plus net interest, divided by net interest, was 7.2 (5.7). Fixed interest terms were largely unchanged during the year, with average terms of 25 months (23) at year-end.

Cash and cash equivalents amounted to SEK 2,235 M (1,931) and are invested in banks with high credit ratings.

Some of the Group's main financing agreements contain a customary Change of Control clause. The effect of this clause is that lenders have the right in certain circumstances to demand the renegotiation of conditions or to terminate the agreement should control of the company change. The bonds issued during the year have been recognized in the Parent company balance sheet.

Equity

The Group's equity totaled SEK 19,334 M (18,838) at year-end. The return on shareholders' equity amounted to 12.7 percent (12.8). The equity ratio was 45.4 percent (41.9). The debt / equity ratio, defined as net debt divided by equity, was 0.57 (0.74).



Balance sheet – Group

| SEK M | Note | 2008 | 2009 |
|--------------------------------------|------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 14 | 22,662 | 22,324 |
| Tangible assets | 15 | 5,952 | 5,550 |
| Shares in associates | 17 | 38 | 39 |
| Other long-term financial assets | 19 | 317 | 334 |
| Deferred tax receivables | 18 | 757 | 814 |
| Total non-current assets | | 29,726 | 29,061 |
| Current assets | | | |
| Inventories | 20 | 5,383 | 4,349 |
| Accounts receivable | 21 | 6,372 | 5,618 |
| Current tax receivables | | 249 | 231 |
| Other short-term receivables | | 479 | 541 |
| Prepaid expenses and accrued income | | 485 | 399 |
| Derivative financial instruments | 33 | 277 | 100 |
| Short-term investments | 33 | 58 | 84 |
| Cash and cash equivalents | 33 | 1,931 | 2,235 |
| Total current assets | | 15,234 | 13,557 |
| TOTAL ASSETS | | 44,960 | 42,618 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| <i>Parent company's shareholders</i> | | | |
| Share capital | 23 | 366 | 366 |
| Other contributed capital | | 8,887 | 8,887 |
| Exchange rate differences | | 1,572 | 760 |
| Retained earnings | | 7,850 | 9,159 |
| | | 18,675 | 19,172 |
| Minority interest | | 163 | 162 |
| Total equity | | 18,838 | 19,334 |
| Non-current liabilities | | | |
| Long-term loans | 33 | 6,248 | 9,263 |
| Convertible debenture loans | 33 | 1,518 | 1,429 |
| Deferred tax liabilities | 18 | 56 | 63 |
| Pension provisions | 24 | 1,182 | 1,118 |
| Other long-term provisions | 25 | 1,453 | 1,829 |
| Other long-term liabilities | 33 | 151 | 176 |
| Total non-current liabilities | | 10,608 | 13,878 |
| Current liabilities | | | |
| Short-term loans | 33 | 6,400 | 1,869 |
| Convertible debenture loans | 33 | 1,096 | – |
| Derivative financial instruments | 33 | 92 | 32 |
| Accounts payable | | 2,909 | 2,682 |
| Current tax liabilities | | 377 | 324 |
| Short-term provisions | 25 | 787 | 726 |
| Other short-term liabilities | 26 | 729 | 895 |
| Accrued expenses and prepaid income | 27 | 3,124 | 2,878 |
| Total current liabilities | | 15,514 | 9,406 |
| TOTAL EQUITY AND LIABILITIES | | 44,960 | 42,618 |

Cash flow

- Operating cash flow amounted to SEK 6,843 M (4,769).
- Change in working capital amounted to SEK 1,460 M (-5).

Operating cash flow

| SEK M | 2008 | 2009 |
|---|-------------------|-------------------|
| Operating income (EBIT) | 4,269 | 4,374 |
| Restructuring costs | 1,180 | 1,039 |
| Depreciation | 921 | 1,014 |
| Net capital expenditure | -829 | -664 |
| Change in working capital | -5 | 1,460 |
| Interest paid and received | -718 | -507 |
| Adjustments for non-cash items | -49 | 127 |
| Operating cash flow¹ | 4,769 | 6,843 |
| Operating cash flow/ Income before tax | 1.02 ² | 1.43 ² |

¹ Excluding restructuring payments.

² Excluding restructuring costs.

The Group's operating cash flow amounted to SEK 6,843 M (4,769), equivalent to 143 percent (102) 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 intangible and tangible assets totaled SEK 664 M (829), equivalent to 65 percent (90) of depreciation of intangible and tangible assets. The low net capital expenditure is partly due to the Group's long-term efforts to streamline the production structure.

Change in working capital

| SEK M | 2008 | 2009 |
|----------------------------------|-----------|--------------|
| Inventories | -144 | 987 |
| Accounts receivable | 38 | 806 |
| Accounts payable | -59 | -232 |
| Other working capital | 160 | -102 |
| Change in working capital | -5 | 1,460 |

The material throughput time was 97 days (105) at year-end. Capital tied up in inventories and accounts receivable fell substantially during the year, increasing cash flow by a total of SEK 1,793 M (-106). The reduced capital tied up in accounts receivable is attributable to weaker sales during the year.

Relationship between cash flow from operating activities and operating cash flow

| SEK M | 2008 | 2009 |
|-------------------------------------|--------------|--------------|
| Cash flow from operating activities | 4,369 | 5,924 |
| Restructuring payments | 485 | 676 |
| Net capital expenditure | -829 | -664 |
| Reversal of tax paid | 742 | 907 |
| Operating cash flow | 4,769 | 6,843 |

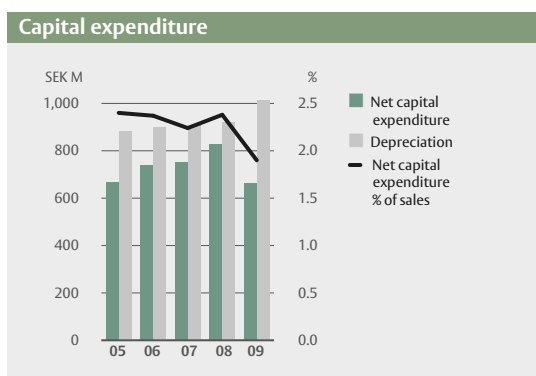
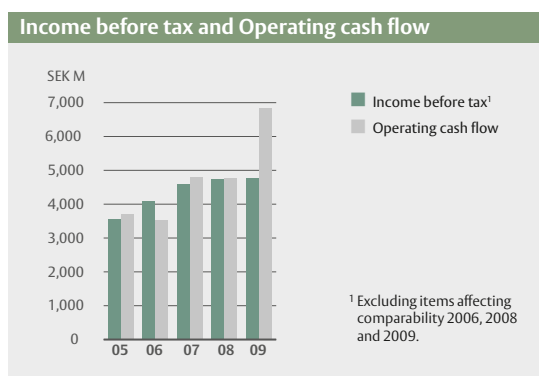
Acquisitions of subsidiaries

The total purchase price for acquisitions of subsidiaries amounted to SEK 1,107 M (2,030). Acquired cash totaled SEK 50 M (58).

Change in net debt

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

| SEK M | 2008 | 2009 |
|--------------------------------|---------------|---------------|
| Net debt at 1 January | 12,953 | 14,013 |
| Operating cash flow | -4,769 | -6,843 |
| Restructuring payments | 485 | 676 |
| Tax paid | 742 | 907 |
| Acquisitions/Disposals | 1,819 | 1,171 |
| Dividend | 1,317 | 1,317 |
| Exchange-rate differences | 1,466 | -193 |
| Net debt at 31 December | 14,013 | 11,048 |



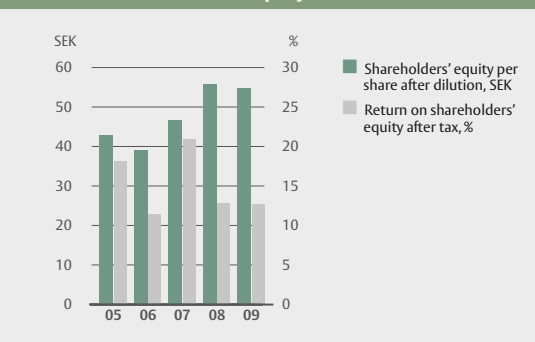
Cash flow statement – Group

| SEK M | Note | 2008 | 2009 |
|--|--------|---------------|---------------|
| OPERATING ACTIVITIES | | | |
| Operating income | | 4,269 | 4,374 |
| Depreciation | 8 | 921 | 1,014 |
| Reversal of restructuring costs | | 1,180 | 1,039 |
| Restructuring payments | | -485 | -676 |
| Non-cash items | 31 | -49 | 127 |
| Cash flow before interest and tax | | 5,836 | 5,878 |
| Interest paid | | -732 | -596 |
| Interest received | | 14 | 89 |
| Tax paid on income | | -742 | -907 |
| Cash flow before changes in working capital | | 4,376 | 4,464 |
| Changes in working capital | 31 | -5 | 1,460 |
| Cash flow from operating activities | | 4,369 | 5,924 |
| INVESTING ACTIVITIES | | | |
| Investments in tangible and intangible assets | 14, 15 | -962 | -825 |
| Sales of tangible and intangible assets | 14, 15 | 133 | 161 |
| Investments in subsidiaries | 31 | -1,831 | -1,077 |
| Disposals of subsidiaries | 31 | - | -71 |
| Other investments | 31 | 12 | -23 |
| Cash flow from investing activities | | -2,648 | -1,835 |
| FINANCING ACTIVITIES | | | |
| Dividends | | -1,317 | -1,317 |
| Long-term loans raised | | 1,000 | 3,384 |
| Repayment of originally long-term loans | | - | -2,601 |
| Net cash effect of changes in other borrowings | | -994 | -3,207 |
| Cash flow from financing activities | | -1,311 | -3,741 |
| CASH FLOW | | 410 | 348 |
| CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at 1 January | | 1,338 | 1,931 |
| Cash flow | | 410 | 348 |
| Effect of exchange rate differences | | 183 | -44 |
| Cash and cash equivalents at 31 December | 33 | 1,931 | 2,235 |

Changes in equity – Group

| SEK M | Note | Parent company's shareholders | | | | | Total |
|---|------|-------------------------------|---------------------------|---------------------------|-------------------|--------------------|--------|
| | | Share capital | Other contributed capital | Exchange rate differences | Retained earnings | Minority interests | |
| Opening balance 1 January 2008 | 23 | 366 | 8,887 | -540 | 6,754 | 201 | 15,668 |
| Total comprehensive income | | | | 2,112 | 2,413 | 44 | 4,569 |
| Dividend for 2007 | 23 | | | | -1,317 | | -1,317 |
| Minority interest, net | | | | | | -82 | -82 |
| Closing balance 31 December 2008 | 23 | 366 | 8,887 | 1,572 | 7,850 | 163 | 18,838 |
| Opening balance 1 January 2009 | 23 | 366 | 8,887 | 1,572 | 7,850 | 163 | 18,838 |
| Total comprehensive income | | | | -812 | 2,626 | 19 | 1,833 |
| Dividend for 2008 | 23 | | | | -1,317 | | -1,317 |
| Minority interest, net | | | | | | -20 | -20 |
| Closing balance 31 December 2009 | 23 | 366 | 8,887 | 760 | 9,159 | 162 | 19,334 |

Shareholders' equity per share after dilution and Return on shareholders' equity after tax



Dividend





Smilow Cancer Hospital

The Smilow Cancer Hospital at Yale-New Haven located in New Haven, Connecticut, USA opened with a simple mission – bring together the very best medical professionals and researchers to develop new methods to prevent, diagnose and treat cancer – all while attending to the needs of patients within a holistic, nurturing environment.

While designing the facility, architects, health care and design professionals collaborated to create a setting where patients can best focus on their treatment and path to wellness and healing. Throughout the fourteen-story building, aesthetically focused touches blend with the functional needs of the space. Special features include a roof-top healing garden complete with trees and a small stream. Throughout the garden, benches invite patients to sit and

enjoy the views of the City and the coastline. Additionally, the hospital's two-story glass lobby welcomes patients and visitors with a granite waterfall.

The building's calming environment is enhanced by the sense of safety and security the hospital achieved with local solutions provider ASSA ABLOY Door Security Solutions. A complete door opening package including frames, doors and hardware from Curries, McKinney, Rixson, Rockwood and Sargent was supplied.

Electromechanical exit devices help ease the opening and closing of some doors, while others are equipped with pivots and door pulls to fulfill the design intent of providing patients with a beautiful worry-free environment in which to heal.

Parent company financial statements

Income statement – Parent company

| SEK M | Note | 2008 | 2009 |
|-------------------------------------|------------|--------------|--------------|
| Administrative expenses | 3, 6, 8, 9 | -554 | -610 |
| Research and Development costs | 6, 8, 9 | -229 | -222 |
| Other operating income and expenses | 4 | 1,775 | 1,398 |
| Operating income | 9, 32 | 992 | 566 |
| Financial income | 10 | 1,443 | 1,365 |
| Financial expenses | 9, 11 | -846 | -237 |
| Income before tax | | 1,589 | 1,694 |
| Tax on income | 12 | -435 | -158 |
| Net income | | 1,154 | 1,536 |

Balance sheet – Parent company

| SEK M | Note | 2008 | 2009 |
|--|------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 14 | 506 | 321 |
| Tangible assets | 15 | 4 | 3 |
| Shares in subsidiaries | 16 | 16,061 | 19,115 |
| Receivables from subsidiaries | | 2,624 | - |
| Other long-term financial assets | 19 | 79 | 34 |
| Total non-current assets | | 19,274 | 19,473 |
| Current assets | | | |
| Receivables from subsidiaries | | 15,268 | 4,118 |
| Other short-term receivables | | 36 | 28 |
| Prepaid expenses and accrued income | | 24 | 30 |
| Cash and cash equivalents | | 1 | 0 |
| Total current assets | | 15,329 | 4,176 |
| TOTAL ASSETS | | 34,603 | 23,649 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| <i>Restricted equity</i> | | | |
| Share capital | 23 | 366 | 366 |
| Statutory reserve | | 8,905 | 8,905 |
| Fair value reserve | | 408 | - |
| <i>Unrestricted equity</i> | | | |
| Retained earnings | | 2,943 | 2,343 |
| Net income | | 1,154 | 1,536 |
| Total equity | | 13,776 | 13,150 |
| Provisions | | | |
| Other provisions | 25 | 58 | 5 |
| Total provisions | | 58 | 5 |
| Non-current liabilities | | | |
| Long-term loans | 33 | 1,000 | 4,291 |
| Convertible debenture loans | 33 | 1,517 | 1,429 |
| Long-term loans to subsidiaries | | 2,624 | - |
| Other long-term liabilities | | 4 | - |
| Total non-current liabilities | | 5,145 | 5,720 |
| Current liabilities | | | |
| Short-term loans | 33 | 2,224 | 681 |
| Convertible debenture loans | 33 | 1,096 | - |
| Accounts payable | | 18 | 20 |
| Short-term liabilities to subsidiaries | | 12,123 | 3,906 |
| Current tax liabilities | | 31 | 16 |
| Other short-term liabilities | | 16 | 6 |
| Accrued expenses and prepaid income | 27 | 116 | 145 |
| Total current liabilities | | 15,624 | 4,774 |
| TOTAL EQUITY AND LIABILITIES | | 34,603 | 23,649 |
| Assets pledged | 29 | None | None |
| Contingent liabilities | 28 | 8,501 | 7,472 |

Cash flow statement
– Parent company

| SEK M | Note | 2008 | 2009 |
|--|------|---------------|---------------|
| OPERATING ACTIVITIES | | | |
| Operating income | | 992 | 566 |
| Depreciation | 8 | 188 | 183 |
| Cash flow before interest and tax | | 1,180 | 749 |
| Paid and received interest | | 160 | 45 |
| Dividends received | | 555 | 898 |
| Tax paid and received | | 20 | -29 |
| Cash flow before changes in working capital | | 1,915 | 1,663 |
| Changes in working capital | | -819 | -4 |
| Cash flow from operating activities | | 1,096 | 1,659 |
| INVESTING ACTIVITIES | | | |
| Investment in tangible and intangible assets | | 0 | -1 |
| Sales of tangible and intangible assets | | 0 | 4 |
| Investments in subsidiaries | | -1,560 | -1,439 |
| Other investments | | 0 | 23 |
| Cash flow from investing activities | | -1,560 | -1,413 |
| FINANCING ACTIVITIES | | | |
| Dividends | | -1,317 | -1,317 |
| Loans raised | | 2,450 | 5,859 |
| Loans repaid | | -668 | -4,789 |
| Cash flow from financing activities | | 465 | -247 |
| CASH FLOW | | 1 | -1 |
| CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at 1 January | | 0 | 1 |
| Cash flow | | 1 | -1 |
| Cash and cash equivalents at 31 December | | 1 | 0 |

Change in equity
– Parent company

| SEK M | Note | Restricted shareholders' equity | | | Unrestricted shareholders' equity | |
|---|------|---------------------------------|-------------------|--------------------|-----------------------------------|--------|
| | | Share capital | Statutory reserve | Fair value reserve | Retained earnings | Total |
| Opening balance 1 January 2008 | | 366 | 8,905 | 142 | 5,340 | 14,753 |
| Changes in value of financial instruments | | | | 266 | | 266 |
| Group contributions | | | | | -1,500 | -1,500 |
| Tax effect of Group contributions | | | | | 420 | 420 |
| Net income from the income statement | | | | | 1,154 | 1,154 |
| Dividend for 2007 | 23 | | | | -1,317 | -1,317 |
| Closing balance 31 December 2008 | 23 | 366 | 8,905 | 408 | 4,097 | 13,776 |
| Opening balance 1 January 2009 | | 366 | 8,905 | 408 | 4,097 | 13,776 |
| Changes in value of financial instruments | | | | -408 | | -408 |
| Group contributions | | | | | -594 | -594 |
| Tax effect of Group contributions | | | | | 157 | 157 |
| Net income from the income statement | | | | | 1,536 | 1,536 |
| Dividend for 2008 | 23 | | | | -1,317 | -1,317 |
| Closing balance 31 December 2009 | 23 | 366 | 8,905 | - | 3,879 | 13,150 |

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 1.2 of the Swedish Financial Reporting Board. The accounting principles are based on IFRS as endorsed by 31 December 2009 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 54–104.

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 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 changed standards that are applied by the Group

The Group has applied the following new and changed IFRS from the 1 of January 2009.

- IFRS 7 Financial instruments – Disclosures (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level in a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- IAS 1 Presentation of financial statements. The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Comparative information has been re-presented so that it is in conformity with the revised standard. As the change in accounting policy only impacts the presentation, there is no impact on earnings per share.
- IFRS 8 Operating segments. Operating segments are reported in accordance with management reporting, as presented to the chief operating decision maker. IFRS 8 has not affected the division of segments, and the Group presents the same segments as before. The new standard affects disclosures by segment.
- IAS 23 Borrowing costs. Borrowing costs directly related to acquisition, construction or production of a qualified asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of that asset, in the case first time of capitalisation was on the 1 st of January 2009 or later. Comparative information has therefore not been restated. The new standard had an insignificant effect on the Group when it started to be applied.

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.

- IFRS 3 Business combinations (revised), effective from 1 July 2009.
- IAS 27 Consolidated and Separate Financial Statements, effective from 1 July 2009.
- IFRIC 17, Distribution of Non -Cash Assets to owners, effective from 1 July 2009.
- IFRS 2 Group cash-settled and share based payment transactions (revised) effective from 1 July 2009, not yet endorsed by EU.
- IAS 32 Classification of Right Issues (amendment) effective from 1 February 2009.
- IASB's yearly (annual) improvement project, effective from 1 January 2010, not yet endorsed by EU.
- IFRS 9 Financial instruments, effective from 1 January 2013, not yet endorsed by EU.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective from 1 July 2010, not yet endorsed by EU.
- IAS 24 Related party disclosures, effective from 1 January 2011, not yet endorsed by EU.
- IFRIC 14 Prepayments of a Minimum Funding requirements, effective from 1 January 2011, not yet endorsed by EU.

Management analyzes the impact of the new and amended standards on the financial reports. The amendments to IFRS 3 and IAS 27 are considered most relevant to the Group. These changes may have some 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 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. Transaction costs related to ongoing acquisitions have been reported as assets up to the 31 of December 2009. 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.

Reclassification

The Group has made a reclassification that affects direct distribution costs and depreciation on capitalized product development expenditure. The reason is to give a true and fair view of the allocation between direct and indirect costs as well as for product development expenses. In order to maintain comparability, the financial statements for 2008 and 2009 have been adjusted. The reclassification involves the transfer of direct distribution costs from Selling expenses and Administrative expenses, and where appropriate from Sales, to Cost of goods sold. In addition, depreciation on product development has been moved from Cost of goods sold to Selling expenses and Administrative expenses. Both these adjustments affect Gross income. The effect is shown in Note 34. Operating income is not affected.

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.

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

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

Foreign currency translation

Functional currency corresponds to local currency in each country where Group companies operate. Transactions in foreign currencies are translated to functional currency by application of the exchange rates prevailing 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 comprehensive income. 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 as translation differences in comprehensive income.

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

Note 1 cont.

| Country | Cur- rency | Average rate | | Closing-day rate | |
|----------------|---------------|--------------|--------|------------------|--------|
| | | 2008 | 2009 | 2008 | 2009 |
| Argentina | ARS | 2.08 | 2.06 | 2.25 | 1.88 |
| Australia | AUD | 5.55 | 5.98 | 5.38 | 6.42 |
| Brazil | BRL | 3.62 | 3.80 | 3.26 | 4.13 |
| Canada | CAD | 6.20 | 6.68 | 6.30 | 6.86 |
| Switzerland | CHF | 6.11 | 7.05 | 7.37 | 6.94 |
| Chile | CLP | 0.012 | 0.014 | 0.012 | 0.014 |
| China | CNY | 0.94 | 1.12 | 1.14 | 1.05 |
| Czech Republic | CZK | 0.38 | 0.40 | 0.41 | 0.39 |
| Denmark | DKK | 1.29 | 1.43 | 1.47 | 1.39 |
| Estonia | EEK | 0.62 | 0.68 | 0.70 | 0.66 |
| Euro zone | EUR | 9.65 | 10.63 | 10.96 | 10.32 |
| United Kingdom | GBP | 12.11 | 11.85 | 11.27 | 11.44 |
| Hong Kong | HKD | 0.85 | 0.99 | 1.00 | 0.93 |
| Hungary | HUF | 0.039 | 0.038 | 0.041 | 0.038 |
| Israel | ILS | 1.83 | 1.95 | 2.02 | 1.89 |
| Kenya | KES | 0.095 | 0.099 | 0.099 | 0.095 |
| Korea | KRW | 0.0060 | 0.0060 | 0.0062 | 0.0062 |
| Lithuania | LTL | 2.80 | 3.08 | 3.17 | 2.99 |
| Mexico | MXN | 0.59 | 0.56 | 0.57 | 0.55 |
| Malaysia | MYR | 1.98 | 2.17 | 2.22 | 2.10 |
| Norway | NOK | 1.17 | 1.21 | 1.11 | 1.24 |
| New Zealand | NZD | 4.66 | 4.80 | 4.53 | 5.15 |
| Poland | PLN | 2.74 | 2.46 | 2.64 | 2.50 |
| Russia | RUB | 0.26 | 0.24 | 0.26 | 0.24 |
| Singapore | SGD | 4.65 | 5.25 | 5.39 | 5.12 |
| Slovenia | SIT | 0.039 | – | 0.038 | – |
| Slovakia | SKK | 0.31 | – | 0.36 | – |
| Thailand | THB | 0.20 | 0.22 | 0.22 | 0.22 |
| USA | USD | 6.59 | 7.63 | 7.78 | 7.19 |
| South Africa | ZAR | 0.81 | 0.92 | 0.82 | 0.97 |

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

Tax on income

The income statement includes all tax that is to be paid or received for the current year, adjustments relating to tax due for previous years, and changes in deferred tax. Tax sums have been calculated as nominal amounts in accordance with the tax regulations in each country and in accordance with tax rates that have either been decided or have been notified and can confidently be expected to be confirmed. For items reported in the income statement, associated tax effects are also reported in the income statement. The tax effects of items reported directly against equity or comprehensive income are themselves reported against equity or comprehensive income. Deferred tax is accounted for 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.

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

Financial assets

Financial assets include cash and cash equivalents, accounts receivable, short-term assets and derivatives and are classified in following categories: financial assets at fair value through the income statement, loan claims, and accounts receivable. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through the income statement

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

Loan claims and accounts receivable

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

Financial liabilities

Financial liabilities include loan debts, accounts payable and derivative instruments. Reporting depends on how the liability is classified.

Loan debts

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

Accounts payable

Accounts payable are valued at fair value and thereafter at amortized cost using the effective interest method.

Recognition and measurement of financial assets

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement where transaction cost are reported in the income statement. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same and discounted cash-flow analysis. The Group assesses at each closing day whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is derecognized from the balance sheet when the rights to receive cash flows from the investments have expired or have been transferred to an external party. A financial liability is removed from the balance sheet when the debt is paid in full, or ceases to apply, or is transferred through all risks and benefits being assigned to an external party.

Derivative instruments and hedging

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

Changes in fair value of both the hedged item as the hedging instrument are reported in the income statement (financial items) in the period in which they arise. Changes in fair value for derivatives not designated as hedging instruments are reported continuously in the income statement, (financial items).

When the transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's risk management objectives and risk management strategy as regards the hedging. The Group also documents its assessment, both when hedging is entered into and on a regular basis, of whether the derivative instruments used in hedge transactions are effective in counteracting changes in fair value that relate to the hedged items. The Group holds a limited number of financial instruments qualifying for hedge accounting. Information about the fair values of the various derivative financial instruments used for hedge accounting can be found in Note 33.

Fair value for currency derivatives is calculated at net present value based on prevailing forward contract prices on the balance sheet day while interest rate swaps are valued using estimates of future discounted cash flows.

Provisions

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

probable outflow of resources that will be needed to settle the obligation. The amount of a provision is discounted to present value where the effect of time value 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. Obligations 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 highest 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 2.2 of the Swedish Financial Reporting Board. RFR 2.2 requires the Parent company, in its annual accounts, to apply all the International Financial Reporting Standards (IFRS) endorsed by the EU in so far as this is possible within the framework of the Annual Accounts Act and with regard to the relationship between accounting and taxation. RFR 2.2 states what exceptions from, and additions to, IFRS should be made.

Revenue

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

Pension obligations

Pension obligations for the Parent company are accounted for in accordance with FAR SRS 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 4–5 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. Tangible assets are depreciated over estimated useful life which is 5–10 years for equipment and for IT equipment 4 years.

Leasing

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

Shares in subsidiaries

Shares in subsidiaries are reported at cost less impairment losses. When there is an indication that the value of shares in subsidiaries or associated companies is reduced, a calculation is performed of the value in use. If this value is lower than the reported value a write-down is done. Write-downs are reported in result from shares in subsidiaries that are included in financial items in the profit and loss.

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.

Contingent liabilities

The Parent company has guarantees on behalf of its subsidiaries. Such a guarantee is according to IFRS classified

as a financial guarantee. For these agreements the Parent company applies the rule in RFR 2.2 p.72 and reports these guarantees as a contingent liability.

Note 2 Sales

Sales to customer, by country

| SEK M | Group | |
|---|-------------------|---------------|
| | 2008 ¹ | 2009 |
| USA | 10,990 | 10,666 |
| France | 2,586 | 2,675 |
| Germany | 1,725 | 1,789 |
| United Kingdom | 1,957 | 1,753 |
| China | 1,193 | 1,696 |
| Sweden | 1,535 | 1,563 |
| Australia | 1,538 | 1,555 |
| Netherlands | 1,263 | 1,259 |
| Canada | 1,147 | 1,146 |
| Spain | 1,188 | 988 |
| Italy | 668 | 869 |
| Finland | 883 | 863 |
| Denmark | 807 | 837 |
| Norway | 830 | 794 |
| Mexico | 633 | 571 |
| Korea | 439 | 492 |
| Belgium | 438 | 480 |
| South Africa | 302 | 375 |
| Switzerland | 331 | 356 |
| Czech Republic | 442 | 354 |
| Middle East (excluding Saudi Arabia and United Arab Emirates) | 327 | 311 |
| Austria | 276 | 288 |
| Africa (excluding South Africa) | 256 | 276 |
| New Zealand | 290 | 271 |
| Asia (excluding China, Korea, Singapore, India and Thailand) | 257 | 262 |
| Brazil | 215 | 226 |
| Saudi Arabia | 245 | 211 |
| Portugal | 168 | 183 |
| Central America (excluding Mexico) | 191 | 171 |
| Poland | 170 | 154 |
| South America (excluding Brazil and Chile) | 144 | 132 |
| Singapore | 143 | 131 |
| Russia | 210 | 128 |
| United Arab Emirates | 105 | 128 |
| India | 84 | 107 |
| Baltic countries | 139 | 104 |
| Turkey | 57 | 95 |
| Thailand | 75 | 90 |
| Chile | 80 | 88 |
| Greece | 74 | 87 |
| Ireland | 80 | 74 |
| Romania | 60 | 67 |
| Other countries | 288 | 298 |
| Total | 34,829 | 34,963 |

Sales by product group

| SEK M | Group | |
|--|-------------------|---------------|
| | 2008 ¹ | 2009 |
| Mechanical locks, lock systems and accessories | 16,173 | 15,830 |
| Electromechanical locks, access control, automatic doors and identification technology | 11,733 | 12,139 |
| Security doors and fittings | 6,923 | 6,994 |
| Total | 34,829 | 34,963 |

¹Reclassification has been made. For further information see Note 34.

Note 3 Auditors' fees

| SEK M | Group | | Parent company | |
|-------------------------------------|-----------|-----------|----------------|----------|
| | 2008 | 2009 | 2008 | 2009 |
| <i>Audit</i> | | | | |
| PricewaterhouseCoopers | 26 | 28 | 3 | 4 |
| Other | 6 | 6 | - | - |
| <i>Assignments other than audit</i> | | | | |
| PricewaterhouseCoopers | 10 | 12 | 2 | 1 |
| Other | 5 | 5 | 1 | 0 |
| Total | 47 | 51 | 6 | 5 |

Note 4 Other operating income and expenses

| SEK M | Group | |
|---------------------------------------|------------|-------------|
| | 2008 | 2009 |
| Rent received | 14 | 17 |
| Net income from sales of fixed assets | 56 | 3 |
| Government grants | 10 | 2 |
| Business-related taxes | -38 | -29 |
| Disposal of subsidiaries | - | -68 |
| Exchange rate differences | 6 | -17 |
| Other, net | -91 | -58 |
| Total | -43 | -150 |

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

| SEK M | Group | |
|-------------------------------------|-----------|-----------|
| | 2008 | 2009 |
| Läsgruppen Wilhelm Nielsen AS | 3 | 4 |
| Cerraduras de Colombia Cerracol S.A | 9 | 8 |
| Total | 12 | 12 |

Note 6 Operational leasing agreements

| SEK M | Group | | Parent company | |
|---|------------|--------------|----------------|-----------|
| | 2008 | 2009 | 2008 | 2009 |
| <i>Leasing fees paid during the year</i> | 279 | 304 | 13 | 14 |
| Total | 279 | 304 | 13 | 14 |
| <i>Nominal value of agreed future leasing fees:</i> | | | | |
| Due for payment in (2009) 2010 | 253 | 297 | 13 | 14 |
| Due for payment in (2010) 2011 | 200 | 231 | 13 | 14 |
| Due for payment in (2011) 2012 | 156 | 169 | 14 | 15 |
| Due for payment in (2012) 2013 | 111 | 127 | 14 | 15 |
| Due for payment in (2013) 2014 | 90 | 97 | 12 | 15 |
| Due for payment in (2014) 2015 or later | 112 | 131 | 12 | 15 |
| Total | 922 | 1,052 | 78 | 88 |

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 30,451 M (30,529). Below, these same costs are broken down by nature:

| SEK M | Group | |
|-------------------------------------|---------------|---------------|
| | 2008 | 2009 |
| Remuneration of employees (Note 32) | 10,016 | 10,133 |
| Direct material costs | 11,329 | 11,346 |
| Depreciation (Note 8, 14, 15) | 921 | 1,014 |
| Other purchase expenses | 7,083 | 6,985 |
| Restructuring costs | 1,180 | 973 |
| Total | 30,529 | 30,451 |

Note 8 Depreciation and amortization

| SEK M | Group | | Parent company | |
|-------------------|------------|--------------|----------------|------------|
| | 2008 | 2009 | 2008 | 2009 |
| Intangible rights | 124 | 162 | 186 | 181 |
| Machinery | 424 | 455 | - | - |
| Equipment | 240 | 237 | 2 | 2 |
| Buildings | 134 | 159 | - | - |
| Land improvements | 1 | 1 | - | - |
| Total | 921 | 1,014 | 188 | 183 |

Note 9 Exchange rate differences in the income statement

| SEK M | Group | | Parent company | |
|--|-----------|------------|----------------|------------|
| | 2008 | 2009 | 2008 | 2009 |
| Exchange rate differences reported in operating income | 6 | -17 | 4 | -10 |
| Exchange rate differences reported in financial expenses (Note 11) | 4 | -38 | -3 | 121 |
| Total | 10 | -55 | 1 | 111 |

Note 10 Financial income

| SEK M | Group | | Parent company | |
|---|-----------|------------|----------------|--------------|
| | 2008 | 2009 | 2008 | 2009 |
| Earnings from participations in subsidiaries | - | - | 486 | 898 |
| - of which dividends from subsidiaries | - | - | 555 | 898 |
| - of which impairment of shares in subsidiaries | - | - | -69 | - |
| Intra-group interest income | - | - | 956 | 375 |
| Other financial income | - | 73 | - | 73 |
| External interest income and similar items | 47 | 57 | 1 | 19 |
| Total | 47 | 130 | 1,443 | 1,365 |

Note 11 Financial expenses

| SEK M | Group | | Parent company | |
|---|-------------|-------------|----------------|-------------|
| | 2008 | 2009 | 2008 | 2009 |
| Intra-group interest expenses | - | - | -578 | -125 |
| Interest expenses, convertible debenture loans | -110 | -43 | -110 | -43 |
| Interest expenses, other liabilities | -665 | -640 | -125 | -156 |
| Interest expenses, interest rate swaps | 24 | 42 | - | - |
| Interest expenses, foreign exchange forwards | -31 | -39 | - | - |
| Exchange-rate differences on financial instruments | -17 | -38 | -3 | 121 |
| Fair value adjustments on derivatives, hedge accounting | 148 | -60 | - | - |
| Fair value adjustments on derivatives, non-hedge accounting | -11 | -7 | -22 | - |
| Fair value adjustments on borrowings, hedge accounting | -148 | 60 | - | - |
| Fair value adjustments on shares and participations | - | -22 | - | -22 |
| Other financial expenses | -7 | -17 | -8 | -12 |
| Total | -817 | -764 | -846 | -237 |

Note 12 Tax on income

| SEK M | Group | | Parent company | |
|---------------------------------|---------------|---------------|----------------|-------------|
| | 2008 | 2009 | 2008 | 2009 |
| Current tax | -1,047 | -1,095 | -419 | -158 |
| Tax attributable to prior years | 14 | 3 | -16 | - |
| Deferred tax | -28 | 11 | - | - |
| Total | -1,061 | -1,081 | -435 | -158 |

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

| Percent | Group | | Parent company | |
|--|-----------|-----------|----------------|----------|
| | 2008 | 2009 | 2008 | 2009 |
| Swedish rate of tax on income | 28 | 26 | 28 | 26 |
| Effect of foreign tax rates | 4 | 3 | - | - |
| Non-taxable income/ non-deductible expenses, net | -3 | -4 | -1 | -17 |
| Deductible goodwill | -1 | -1 | - | - |
| Utilized loss carry-forward not recognized in prior period | -1 | -1 | - | - |
| Restructuring costs | 3 | 2 | - | - |
| Other | - | 4 | - | - |
| Effective tax rate in income statement | 30 | 29 | 27 | 9 |

Note 13 Earnings per share

Earnings per share before dilution

| SEK M | Group | |
|--|-------------|-------------|
| | 2008 | 2009 |
| Earnings attributable to the Parent company's shareholders | 2,413 | 2,626 |
| Weighted average number of shares issued (thousands) | 365,918 | 365,918 |
| Earnings per share before dilution (SEK per share) | 6.60 | 7.18 |

Earnings per share after dilution

| SEK M | Group | |
|--|-------------|-------------|
| | 2008 | 2009 |
| Earnings attributable to the Parent company's shareholders | 2,413 | 2,626 |
| Interest expenses for convertible debenture loans, after tax | 81 | 32 |
| Net profit for calculating earnings per share after dilution | 2,494 | 2,658 |
| Weighted average number of shares issued (thousands) | 365,918 | 365,918 |
| Assumed conversion of convertible debentures (thousands) | 14,795 | 10,616 |
| Weighted average number of shares for calculations (thousands) | 380,713 | 376,534 |
| Earnings per share after dilution (SEK per share) | 6.55 | 7.06 |

Earnings per share after dilution and excluding items affecting comparability

| SEK M | Group | |
|--|-------------|-------------|
| | 2008 | 2009 |
| Earnings attributable to the Parent company's shareholders | 2,413 | 2,626 |
| Interest expenses for convertible debenture loans, after tax | 81 | 32 |
| Items affecting comparability, after tax ¹ | 1,014 | 815 |
| Net profit for calculating earnings per share after dilution | 3,508 | 3,473 |
| Weighted average number of shares issued (thousands) | 365,918 | 365,918 |
| Assumed conversion of convertible debentures (thousands) | 14,795 | 10,616 |
| Weighted average number of shares for calculations (thousands) | 380,713 | 376,534 |
| Earnings per share after dilution and excluding items affecting comparability (SEK per share) | 9.21 | 9.22 |

¹ Items affecting comparability for 2009 consist of restructuring cost. Items affecting comparability for 2008 consist of restructuring costs and non-recurring costs. Non-recurring costs for 2008 totaled SEK 77 M.

Note 14 Intangible assets

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

| 2008, SEK M | Group | | | Parent company |
|--|---------------|-------------------|---------------|-------------------|
| | 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 acquisitions in the prior year | -13 | - | -13 | - |
| Sales/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 |
| Sales/disposals | - | 7 | 7 | - |
| Reclassifications | - | -34 | -34 | - |
| Impairment | - | - | - | - |
| Amortization for the year | - | -124 | -124 | -186 |
| Exchange rate differences | - | -92 | -92 | - |
| Closing accumulated amortization/impairment | - | -672 | -672 | -432 |
| Carrying amount | 20,669 | 1,993 | 22,662 | 506 |

Intangible rights consist mainly of licenses and brands. The carrying value of intangible rights with indefinite life amounts to SEK 1,214 M (1,138).

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

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

Impairment testing of goodwill and intangible assets with indefinite useful life

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

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

covering a three-year period. Cash flows beyond three years are extrapolated using estimated growth rates according to the principles below.

Main assumptions used to calculate values in use:

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

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

Note 14 cont.

2009

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

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

| SEK M | EMEA | Americas | Asia Pacific | Global Technologies | Entrance Systems | Total |
|---|--------------|--------------|--------------|---------------------|------------------|---------------|
| Goodwill | 5,540 | 6,003 | 1,536 | 4,030 | 3,223 | 20,333 |
| Intangible assets with indefinite useful life | 221 | 243 | 212 | 349 | 190 | 1,214 |
| Total | 5,761 | 6,246 | 1,748 | 4,379 | 3,413 | 21,547 |

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

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

Sensitivity analysis

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

2009

If the estimated operating margin after the end of the budget period had been one percentage point lower than the management's estimate, total recoverable amount would be 6 percent lower (EMEA 6 percent, Americas 5 percent, Asia Pacific 7 percent, Global Technologies 6 percent and Entrance Systems 5 percent).

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

If the estimated weighted cost of capital used for the Group's discounted cash flow had been one percentage point higher than the starting assumption of 9.0 to 10.0 percent, total recoverable amount would be 14 percent lower (EMEA 14 percent, Americas 14 percent, Asia Pacific 13 percent, Global Technologies 12 percent and Entrance Systems 14 percent).

These calculations are hypothetical and should not be viewed as an indication that these figures are any more or less likely to be changed. The sensitivity analysis should therefore be interpreted with caution.

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

2008

If the estimated operating margin after the end of the budget period had been one percentage point lower than the management's estimate, total recoverable amount would be 6 percent lower (EMEA 6 percent, Americas 5 percent, Asia Pacific 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 cost of capital used for the Group's discounted cash flow had been one percentage point higher than the starting assumption of 9.0 to 10.0 percent, total recoverable amount would be 14 percent lower (EMEA 14 percent, Americas 14 percent, Asia Pacific 13 percent, Global Technologies 13 percent and Entrance Systems 14 percent).

These calculations are hypothetical and should not be viewed as an indication that these figures are any more or less likely to be changed. The sensitivity analysis should therefore be interpreted with caution.

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

Note 15 Tangible assets

| 2009, SEK M | Group | | | | | Parent company |
|---|---------------|----------------------------|---------------|---------------|---------------|----------------|
| | Buildings | Land and land improvements | Machinery | Equipment | Total | Equipment |
| Opening accumulated acquisition value | 3,849 | 834 | 7,064 | 2,366 | 14,113 | 15 |
| Purchases | 40 | 1 | 345 | 152 | 538 | 1 |
| Acquisitions of subsidiaries | 80 | 20 | 82 | 32 | 214 | – |
| Divestments of subsidiaries | – | – | – | –1 | –1 | – |
| Sales/disposals | –19 | –2 | –354 | –125 | –500 | – |
| Reclassifications | 26 | 8 | 143 | 39 | 216 | – |
| Exchange rate differences | –182 | –32 | –496 | –116 | –826 | – |
| Closing accumulated acquisition value | 3,794 | 829 | 6,784 | 2,347 | 13,754 | 16 |
| Opening accumulated depreciation/ impairment | –1,740 | –32 | –5,123 | –1,728 | –8,623 | –11 |
| Sales/disposals | 6 | 0 | 257 | 103 | 366 | – |
| Impairment | –18 | – | –62 | –8 | –88 | – |
| Depreciation for the year | –159 | –1 | –455 | –237 | –852 | –2 |
| Exchange rate differences | 95 | 3 | 412 | 94 | 604 | – |
| Closing accumulated depreciation/ impairment | –1,816 | –30 | –4,971 | –1,776 | –8,594 | –13 |
| Construction in progress | | | | | 389 | – |
| Carrying amount | 1,978 | 799 | 1,813 | 571 | 5,550 | 3 |

The tax value of the Group's Swedish buildings was SEK 122 M (120).

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

| 2008, SEK M | Group | | | | | Parent company |
|---|---------------|----------------------------|---------------|---------------|---------------|----------------|
| | Buildings | Land and land improvements | 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 |

Note 16 Shares in subsidiaries

| Company name | Corporate identity number, Registered office | Parent company | | |
|---|---|---------------------|-----------------------|----------------------|
| | | Number of shares | % of share capital | Book value, SEK M |
| ASSA Sverige AB | 556061-8455, Eskilstuna | 70 | 100 | 197 |
| Timelox AB | 556214-7735, Landskrona | 15,000 | 100 | 22 |
| ASSA ABLOY Entrance Systems AB | 556204-8511, Landskrona | 1,000 | 100 | 181 |
| ASSA ABLOY Kredit AB | 556047-9148, Stockholm | 400 | 100 | 528 |
| ASSA ABLOY Försäkrings AB | 516406-0740, Stockholm | 60,000 | 100 | 60 |
| ASSA ABLOY Identification Technology Group AB | 556645-4087, Stockholm | 1,000 | 100 | 220 |
| ASSA ABLOY Svensk Fastighets AB | 556645-0275, Stockholm | 1,000 | 100 | 0 |
| ASSA ABLOY Asia Holding AB | 556602-4500, Stockholm | 1,000 | 100 | 189 |
| ASSA ABLOY IP AB | 556608-2979, Stockholm | 1,000 | 100 | 0 |
| ASSA ABLOY OY | 1094741-7, Joensuu | 800,000 | 100 | 4,257 |
| ASSA ABLOY Norge A/S | 979207476, Moss | 150,000 | 100 | 538 |
| ASSA ABLOY Danmark A/S | CVR 10050316, Herlev | 60,500 | 100 | 376 |
| ASSA ABLOY Deutschland GmbH | HR B 66227, Berlin | 2 | 100 | 1,064 |
| ASSA ABLOY Nederland BV | 23028070, Geertruidenberg | 3,515 | 100 | 87 |
| Nemef BV | 08023138, Apeldoorn | 4,000 | 100 | 928 |
| 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 ¹ | 0 |
| HID Global Switzerland S.A. | CH-232-0730018-2, Granges | 2,500 | 100 | 47 |
| ASSA ABLOY Holding GmbH | FN 273601f, A-6175, Kematen | 1 | 100 | 15 |
| ASSA ABLOY Ltd | 2096505, Willenhall | 1,330,000 | 100 | 3,077 |
| ITG (UK) Ltd | 5099094, Haverhill | 1 | 100 | 1 |
| HID Global Ireland Teoranta | 364896, Galway | 501,000 | 100 | 293 |
| Mul-T-Lock Ltd | 520036583, Yavne | 13,787,856 | 90 ¹ | 901 |
| ASSA ABLOY Holdings (SA) Ltd | 1948/030356/06, Roodepoort | 100,220 | 100 | 184 |
| ASSA ABLOY Inc | 039347-83, Oregon | 100 | 100 | 2,259 |
| Fleming Door Products, Ltd | 147126, Ontario | 25,846,600 | 100 | 0 |
| ABLOY Holdings Ltd | 1148165260, St Laurent, Quebec | 1 | 100 | 13 |
| AAC Acquisition Inc. | 002098175, Ontario | 1 | 100 | 17 |
| ASSA ABLOY Australia Pacific Pty Ltd | ACN 095354582, Oakleigh, Victoria | 48,190,000 | 100 | 242 |
| ASSA ABLOY South Asia Pte Ltd | 199804395K, Singapore | 4,300,000 | 100 | 48 |
| Grupo Industrial Phillips, S.A de C.V. | GIP980312169, Mexico | 27,036,635 | 100 | 765 |
| Cerraduras de Colombia S.A. | Public Deed 2798, Bogota | 2,201,670 | 71 ¹ | 139 |
| ASSA ABLOY Innovation AB | 556192-3201, Stockholm | 2,500 | 100 | 105 |
| ASSA ABLOY Hospitality AB | 556180-7156, Göteborg | 1,000 | 100 | 14 |
| ASSA ABLOY North America AB | 556671-9851, Stockholm | 1,000 | 100 | 0 |
| WHAIG Limited | EC21330, Bermuda | 100,100 | 100 | 303 |
| ASSA ABLOY Asia Pacific Ltd | 53451, Hong Kong | 1,000,000 | 100 | 72 |
| Total | | | | 19,115 |

¹ The Group's holdings amount to 100 percent.

Note 17 shares in associates

| 2009 Company name | Country of registration | Group | | |
|-------------------------------|----------------------------|---------------------|-----------------------|-------------------|
| | | Number of shares | % of share capital | Book value, SEK M |
| Talleres Agui S.A | Spain | 4,800 | 40 | 19 |
| Låsgruppen Wilhelm Nielsen AS | Norway | 305 | 50 | 16 |
| Mab Iberica SA | Spain | 700 | 24 | 3 |
| Other | | | | 1 |
| Total | | | | 39 |

| 2008 Company name | Country of registration | Group | | |
|-------------------------------------|----------------------------|---------------------|-----------------------|-------------------|
| | | Number of shares | % of share capital | Book value, SEK M |
| Talleres Agui S.A | Spain | 4,800 | 40 | 16 |
| Låsgruppen Wilhelm Nielsen AS | Norway | 305 | 50 | 11 |
| Cerraduras de Colombia Cerracol S.A | Colombia | 182,682 | 29 | 2 |
| Renato Fattorini SRL | Italy | 1 | 25 | 4 |
| Other | | | | 5 |
| Total | | | | 38 |

Note 18 Deferred tax

| SEK M | Group | |
|---|------------|------------|
| | 2008 | 2009 |
| <i>Deferred tax receivables</i> | | |
| Tax-deductible goodwill | 430 | 351 |
| Pensions | 106 | 151 |
| Other deferred tax receivables | 221 | 312 |
| Deferred tax receivables | 757 | 814 |
| Deferred tax liabilities | 56 | 63 |
| Deferred tax receivables, net | 701 | 751 |
| Change in deferred tax during the year | | |
| At 1 January | 762 | 701 |
| Acquisitions of subsidiaries | -46 | -20 |
| Reported in income statement | -28 | 11 |
| Exchange rate differences | 13 | 59 |
| At 31 December | 701 | 751 |

The group has additional tax losses carried forward of some SEK 1,500 M (1,500) for which deferred tax assets have not been recognized.

Note 19 Other long-term financial assets

| SEK M | Group | | Parent company | |
|--|------------|------------|----------------|-----------|
| | 2008 | 2009 | 2008 | 2009 |
| Other shares and participations | 37 | 42 | 28 | 7 |
| Interest-bearing long-term receivables | 256 | 244 | 51 | 27 |
| Other long-term receivables | 24 | 48 | - | - |
| Total | 317 | 334 | 79 | 34 |

Note 20 Inventories

| SEK M | Group | |
|------------------------|--------------|--------------|
| | 2008 | 2009 |
| Materials and supplies | 1,458 | 1,179 |
| Work in progress | 1,630 | 1,274 |
| Finished goods | 2,213 | 1,811 |
| Advances paid | 82 | 85 |
| Total | 5,383 | 4,349 |

Write-downs of inventory amounted to SEK 191 M (201).

Note 21 Accounts receivable

| SEK M | Group | |
|--|--------------|--------------|
| | 2008 | 2009 |
| Accounts receivable | 6,776 | 6,010 |
| Provision for bad debts | -404 | -392 |
| Total | 6,372 | 5,618 |
| Maturity analysis | | |
| Accounts receivable not due | 4,408 | 4,119 |
| Accounts receivable past due not impaired: | | |
| < 3 months | 1,448 | 1,107 |
| 3-12 months | 224 | 205 |
| > 12 months | 62 | 39 |
| | 1,734 | 1,351 |
| Impaired accounts receivable: | | |
| < 3 months | 288 | 245 |
| 3-12 months | 179 | 126 |
| > 12 months | 167 | 169 |
| | 634 | 540 |
| Provision for bad debts | -404 | -392 |
| Total | 6,372 | 5,618 |

| Accounts receivable per currency | 2008 | 2009 |
|----------------------------------|--------------|--------------|
| EUR | 2,343 | 2,152 |
| USD | 2,023 | 1,382 |
| GBP | 269 | 249 |
| AUD | 250 | 290 |
| CNY | 241 | 302 |
| SEK | 202 | 212 |
| Other currencies | 1,044 | 1,031 |
| Total | 6,372 | 5,618 |

| Current year's change in provision for bad debts | 2008 | 2009 |
|--|------------|------------|
| Opening balance | 294 | 404 |
| Disposals | 0 | -1 |
| Receivables written off | -78 | -127 |
| Reversal of unused amounts | -39 | -30 |
| Provision for bad debt | 184 | 166 |
| Exchange rate differences | 43 | -20 |
| Closing balance | 404 | 392 |

Note 22 Parent company's equity

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

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

Note 23 Share capital, number of shares and dividend per share

| | Number of shares (thousands) | | | Share capital, SEK T |
|--|---------------------------------|----------------|----------------|----------------------------|
| | Series A | Series B | Total | |
| 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 | |
| Opening balance at 1 January 2009 | 19,175 | 346,743 | 365,918 | 365,918 |
| Closing balance at 31 December 2009 | 19,175 | 346,743 | 365,918 | 365,918 |
| Number of votes, thousands | 191,753 | 346,743 | 538,496 | |

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

The 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 376,534 thousand (380,713).

Dividend per share

The dividend paid out during the financial year amounted to a total sum of SEK 1,317 M (1,317), corresponding to SEK 3.60 (3.60) per share. At the Annual General Meeting on 22 April 2010, a dividend of SEK 3.60 per share for year 2009 – a total sum of SEK 1,317 M – will be proposed.

Note 24 Post-employment employee benefits

Post-employment employee benefits include pensions and medical benefits. Pension plans are classified as either defined benefit plans or defined contribution plans. Pension obligations reported in the balance sheet are mainly due to defined benefit pension plans. ASSA ABLOY has defined benefit plans in a number of countries, those in the USA, the UK and Germany being the most significant ones. There are also obligations related to post-retirement medical benefits in the USA.

Amounts recognized in the balance sheet

| Pension provisions, SEK M | 2008 | 2009 |
|---|--------------|--------------|
| Provisions for defined benefit pension plans (B) | 638 | 598 |
| Provisions for post-employment medical benefits (B) | 485 | 447 |
| Provisions for defined contribution pension plans | 59 | 73 |
| Pension provisions | 1,182 | 1,118 |
| Financial assets | -23 | -26 |
| Pension provisions, net | 1,159 | 1,092 |

Amounts recognized in the income statement

| Pension costs, SEK M | 2008 | 2009 |
|---|------------|------------|
| Defined benefit pension charges (A) | 56 | 126 |
| Defined contribution pension charges | 328 | 283 |
| Post-employment medical benefit charges (A) | 29 | 25 |
| Total | 413 | 434 |

A) Specification of amounts recognized in the income statement

| Pension costs, SEK M | Post-employment medical benefits | | Defined benefit pension plans | | Total | |
|--|----------------------------------|-----------|-------------------------------|------------|-----------|------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Current service cost | 6 | 5 | 50 | 50 | 56 | 55 |
| Interest on obligation | 23 | 29 | 219 | 223 | 242 | 252 |
| Expected return on plan assets | - | - | -216 | -158 | -216 | -158 |
| Net actuarial losses (gains), net | 0 | -9 | 1 | 15 | 1 | 6 |
| Past service cost | 0 | 0 | 2 | 0 | 2 | 0 |
| Losses (gains) on curtailments/settlements | - | - | 0 | -4 | 0 | -4 |
| Total | 29 | 25 | 56 | 126 | 85 | 151 |
| -of which, included in: | | | | | | |
| Operating income | 6 | 5 | 53 | 46 | 59 | 51 |
| Net financial items | 23 | 20 | 3 | 80 | 26 | 100 |
| Total | 29 | 25 | 56 | 126 | 85 | 151 |

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

loss arose. Amortization of actuarial gains/losses that arose in 2009 will start in 2010 to the extent that amortizations are applicable according to the current framework.

The actual return on plan assets regarding defined benefit plans was in 2009 SEK -321 M (-594) in 2009.

Partly funded or unfunded pension plans are reported as provisions for pensions.

B) Specification of amounts recognized in the balance sheet

| Specification of pension provisions, SEK M | Post-employment medical benefits | | Defined benefit pension plans | | Total | |
|---|----------------------------------|------------|-------------------------------|------------|--------------|--------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Present value of funded obligations (C) | - | - | 2,867 | 3,499 | 2,867 | 3,499 |
| Fair value of plan assets (D) | - | - | -2,604 | -2,817 | -2,604 | -2,817 |
| <i>Net value of funded plans</i> | - | - | 263 | 682 | 263 | 682 |
| Present value of unfunded obligations (C) | 361 | 402 | 736 | 795 | 1,097 | 1,197 |
| Unrecognized actuarial gains (losses), net | 122 | 45 | -356 | -879 | -234 | -834 |
| Unrecognized past service cost | 2 | 0 | -5 | 0 | -3 | 0 |
| | 485 | 447 | 638 | 598 | 1,123 | 1,045 |
| Provisions for defined contribution pension plans | | | | | 59 | 73 |
| Total | | | | | 1,182 | 1,118 |

Note 24 cont.

C) Movement in pension obligations

| SEK M | Post-employment medical benefits | | Defined benefit pension plans | | Total | |
|----------------------------|----------------------------------|------------|-------------------------------|--------------|--------------|--------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Opening obligations | 391 | 361 | 3,993 | 3,602 | 4,384 | 3,963 |
| Current service cost | 6 | 5 | 50 | 50 | 56 | 55 |
| Interest on obligation | 23 | 29 | 219 | 223 | 242 | 252 |
| Actuarial losses (gains) | -106 | 63 | -574 | 730 | -680 | 793 |
| Curtailments/settlements | 6 | -4 | -1 | -11 | 5 | -15 |
| Payments | -25 | -39 | -184 | -194 | -209 | -233 |
| Exchange rate differences | 66 | -13 | 99 | -106 | 165 | -119 |
| Closing obligation | 361 | 402 | 3,602 | 4,294 | 3,963 | 4,696 |

D) Movement in fair value of plan assets

| SEK M | Defined benefit pension plans | |
|--|-------------------------------|--------------|
| | 2008 | 2009 |
| Opening fair value of plan assets | 3,177 | 2,604 |
| Expected return on plan assets | 216 | 158 |
| Actuarial gains (losses) | -811 | 178 |
| Curtailments/settlements | - | -14 |
| Net payments | -43 | -35 |
| Exchange rate differences | 65 | -74 |
| Closing fair value of plan assets (E) | 2,604 | 2,817 |

E) Plan assets allocation

| Plan assets | 2008 | 2009 |
|------------------------------|--------------|--------------|
| Shares | 1,413 | 1,571 |
| Interest-bearing investments | 907 | 857 |
| Other assets | 284 | 389 |
| Total | 2,604 | 2,817 |

F) Sensitivity analysis on medical benefits

| The effect of a 1 percent change in the assumed medical cost trend rate | +1% | -1% |
|---|-----|-----|
| Effect on the aggregate of the current service cost and interest cost | 3 | -3 |
| Effect on the defined benefit obligation | 38 | -32 |

| Key actuarial assumptions (yearly, weighted average), % | 2008 | 2009 |
|---|------|------|
| Discount rate | 6.9 | 5.4 |
| Expected return on plan assets ¹ | 6.7 | 7.3 |
| Future salary increases | 2.2 | 2.3 |
| Future pension increases | 2.7 | 2.9 |
| Future medical benefit increases | 9.5 | 10.0 |
| Expected inflation | 2.8 | 3.0 |

| As at 31 December | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| Present value of obligation (+) | 4,892 | 4,487 | 4,384 | 3,963 | 4,696 |
| Fair value of plan assets (-) | -3,009 | -3,133 | -3,177 | -2,604 | -2,817 |
| Obligation, net | 1,883 | 1,354 | 1,207 | 1,359 | 1,879 |

¹ The expected return on plan assets is determined by considering the expected returns available on assets underlying the current investment policy.

Plan assets chiefly consist of equity instruments and interest-bearing investments. The expected return primarily reflects established risk premiums and index for interest-bearing investments.

Pensions with Alecta

Commitments for old-age pensions and family pensions for salaried employees in Sweden are guaranteed in part through insurance with Alecta. According to UFR3 this is a defined benefit plan that covers many employers. For the 2009 financial year the company has not had access to information making it possible to report this plan as a defined benefit plan. Pension plans in accordance with ITP that are guaranteed through insurance with Alecta are therefore reported as defined contribution plans. The year's contribution that are contracted to Alecta amount to SEK 10 M (7), of which

SEK 4 M (3) relates to the Parent company. Alecta's surplus may be distributed to the policy-holders and/or the persons insured. At the end of 2009 Alecta's surplus expressed as collective consolidation level amounted to 141 (112) 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 IAS19.

Note 25 Other provisions

| SEK M | Group | | |
|--|-----------------------|------------|--------------|
| | Restructuring reserve | Other | Total |
| Opening balance at 1 January 2008 | 828 | 512 | 1,340 |
| Provisions for the year | 1,038 | 11 | 1,049 |
| Additional purchase price 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 |

| SEK M | Group | | |
|--|-----------------------|------------|--------------|
| | Restructuring reserve | Other | Total |
| Opening balance at 1 January 2009 | 1,518 | 722 | 2,240 |
| Provisions for the year | 908 | 346 | 1,254 |
| Reversal of non-utilized amounts | –92 | –51 | –143 |
| Additional purchase price subsidiaries | – | 139 | 139 |
| Utilized during the year | –676 | –170 | –846 |
| Exchange rate differences | –81 | –8 | –89 |
| Closing balance at 31 December 2009 | 1,577 | 978 | 2,555 |

| Balance sheet breakdown: | Group | |
|-----------------------------|--------------|--------------|
| | 2008 | 2009 |
| Other long-term provisions | 1,453 | 1,829 |
| Other short-term provisions | 787 | 726 |
| Total | 2,240 | 2,555 |

The restructuring reserves is concerned chiefly with the ongoing restructuring programs initiated in 2006, 2008 and 2009. 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 totaled SEK 862 M. Detailed information about the restructuring programs appears in the Report of the Board of Directors. Other provisions related to estimates of deferred considerations related to acquisitions and legal obligations including future environment-related interventions.

Parent company

Other provisions in the Parent company refers to estimates of deferred considerations related to acquisitions.

Note 29 Assets pledged against liabilities to credit institutes

| SEK M | Group | | Parent company | |
|-----------------------|-----------|------------|----------------|-------------|
| | 2008 | 2009 | 2008 | 2009 |
| Real-estate mortgages | 41 | 71 | None | None |
| Other mortgages | 30 | 42 | None | None |
| Total | 71 | 113 | None | None |

Note 26 Other short-term liabilities

| SEK M | Group | |
|---|------------|------------|
| | 2008 | 2009 |
| VAT and excise duty | 244 | 283 |
| Employee withholding tax | 72 | 69 |
| Advances received | 93 | 95 |
| Social security contributions and other taxes | 38 | 55 |
| Other short-term liabilities | 282 | 393 |
| Total | 729 | 895 |

Note 27 Accrued expenses and prepaid income

| SEK M | Group | | Parent company | |
|----------------------------|--------------|--------------|----------------|------------|
| | 2008 | 2009 | 2008 | 2009 |
| Personnel-related expenses | 1,441 | 1,642 | 57 | 85 |
| Customer-related expenses | 444 | 430 | – | – |
| Prepaid income | 79 | 61 | – | – |
| Accrued interest expenses | 125 | 92 | 55 | 47 |
| Other | 1,035 | 653 | 4 | 13 |
| Total | 3,124 | 2,878 | 116 | 145 |

Note 28 Contingent liabilities

| SEK M | Group | | Parent company | |
|--------------------------------------|-----------|-----------|----------------|--------------|
| | 2008 | 2009 | 2008 | 2009 |
| Guarantees | 36 | 52 | – | – |
| Guarantees on behalf of subsidiaries | – | – | 8,501 | 7,472 |
| Total | 36 | 52 | 8,501 | 7,472 |

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.

| Maturity profile-guarantees, SEK M | Group | |
|------------------------------------|-----------|-----------|
| | 2008 | 2009 |
| <1 year | 21 | 9 |
| >1<2 year | – | – |
| >2<5 year | – | – |
| >5 year | – | – |
| Total | 52 | 52 |

The maturity profile is not significantly changed between 2008 and 2009.

Note 30 Business combinations

| SEK M | 2008 | 2009 |
|--|--------------|--------------|
| Cash paid, including direct acquisition costs | 1,710 | 968 |
| Unpaid part of purchase prices | 320 | 139 |
| Total purchase price | 2,030 | 1,107 |
| Fair value of acquired net assets | -822 | -470 |
| Goodwill | 1,208 | 637 |
| Acquired assets and liabilities in accordance with purchase price allocations | | |
| Intangible assets | 251 | 163 |
| Other tangible assets | 202 | 244 |
| Inventories | 339 | 149 |
| Receivables | 223 | 294 |
| Cash and cash equivalents | 58 | 50 |
| Interest-bearing liabilities | -40 | -195 |
| Other liabilities | -275 | -248 |
| Minority interest | 64 | 13 |
| Acquired net assets at fair value | 822 | 470 |
| Fair value adjustments, intangible assets | -233 | -163 |
| Fair value adjustments, other assets and liabilities | 165 | 45 |
| Acquired net assets at book value | 754 | 352 |
| Purchase prices settled in cash, including direct acquisition costs | 1,710 | 968 |
| Cash and cash equivalents in acquired subsidiaries | -58 | -50 |
| Change in Group cash and cash equivalents resulting from acquisition | 1,652 | 918 |
| Net sales from times of acquisition | 691 | 415 |
| EBIT from times of acquisition | 82 | 44 |
| Net income from times of acquisition | 9 | 27 |

Total net sales in 2009 of acquired entities amounted to SEK 1,175 M (1,732) and net income amounted to SEK 33 M (29). No individually material acquisition was performed in 2009 or 2008. During 2009 the holding in iRevo was increased and at the end of the year it totaled around 99 percent of the shares. The largest and most notable acquisitions during 2009 include Ditec, Maiman, Portsystem and Cerracol for which preliminary purchase price allocations have been made.

Rockwood, Gardea, Valli & Valli and Shenfei were the largest acquisitions during 2008.

2009

Ditec

On 8 September 2009 the Group acquired the Italian company Ditec Group, a global leader in automatic doors, industrial and high-speed doors and gate automation. At year end the participating interest amounted to 100 percent of the share capital. With the acquisition ASSA ABLOY becomes a world-leader in entrance automation by complementing the existing product portfolio. The acquisition of Ditec is an important step in ASSA ABLOY's growth strategy into the fast growing and profitable market segment of door automatics. The Company has its headquarters in Caronno, close to Milan, Italy. The brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualifying for separate recognition.

Pan Pan

In 2009 an agreement was signed to acquire Pan Pan, China's largest manufacturer of high-security steel doors. ASSA ABLOY has received anti-trust clearance. A business license is required from the local Chinese authorities before Pan Pan can be consolidated into the Group. This license is expected in the first quarter of 2010.

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.

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.

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.

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. Goodwill is chiefly related to synergies and other intangible assets not qualifying for separate recognition.

Note 30 cont.

Disposals of subsidiaries

During 2009 smaller businesses were disposed in New Zealand, Switzerland and Sweden. The cash flow effect and net earnings from the disposals are shown in the table below:

| SEK M | Group | |
|--|-------|-------------|
| | 2008 | 2009 |
| Disposed net assets | | |
| Fixed assets | - | -59 |
| Inventories | - | -14 |
| Receivables | - | -14 |
| Cash and cash equivalents | - | -71 |
| Liabilities | - | 24 |
| Disposed net assets to carrying amount | - | -134 |
| Purchase prices received | - | 0 |
| Less, cash and cash equivalents in disposed subsidiaries | - | -71 |
| Change in cash and cash equivalents for the Group | - | -71 |
| Net earnings of disposals | - | -73 |

Note 31 Cash flow

| SEK M | Group | |
|---|---------------|---------------|
| | 2008 | 2009 |
| Adjustments for non-cash items | | |
| Profit on sales of fixed assets | -31 | 3 |
| Change of pension obligations | -3 | 51 |
| Other | -15 | 73 |
| Adjustments for non-cash items | -49 | 127 |
| Change in working capital | | |
| Inventory increase/decrease (-/+) | -144 | 987 |
| Accounts receivable increase/decrease (-/+) | 38 | 806 |
| Accounts payable increase/decrease (+/-) | -59 | -232 |
| Other working capital increase/decrease (-/+) | 160 | -102 |
| Change in working capital | -5 | 1,460 |
| Investments in subsidiaries | | |
| Total purchase price | -2,030 | -1,107 |
| Less, acquired cash and cash equivalents | 58 | 50 |
| Less, unpaid parts of purchase prices | 320 | 139 |
| Plus, paid parts of purchase prices relating to prior years | -179 | -159 |
| Investments in subsidiaries | -1,831 | -1,077 |
| Disposal of subsidiaries | | |
| Purchase prices received | - | 0 |
| Less, cash and cash equivalents in disposed subsidiaries | - | -71 |
| Disposal of subsidiaries | - | -71 |
| Other investments | | |
| Investments in/ sales of other shares | 1 | 1 |
| Investments in/ sales of other financial assets | 11 | -24 |
| Other investments | 12 | -23 |

Note 32 Employees

Salaries, wages and other remuneration

| SEK M | Group | | | |
|----------------|--|---|--|---|
| | 2008 | | 2009 | |
| | 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 |
| USA | 2,733 | 11 | 2,534 | 11 |
| France | 430 | 4 | 604 | 2 |
| Germany | 568 | 2 | 568 | 2 |
| Sweden | 590 | 5 | 566 | 12 |
| United Kingdom | 503 | 3 | 425 | 1 |
| China | 166 | 0 | 333 | 2 |
| Finland | 339 | 0 | 331 | 0 |
| Australia | 303 | 0 | 328 | 0 |
| Spain | 288 | 2 | 278 | 0 |
| Norway | 311 | 1 | 275 | 0 |
| Netherlands | 245 | 2 | 248 | 1 |
| Switzerland | 230 | 1 | 248 | 1 |
| Italy | 154 | 0 | 236 | – |
| Denmark | 230 | 0 | 224 | 0 |
| Canada | 194 | 2 | 161 | 1 |
| Czech Republic | 133 | – | 110 | – |
| Israel | 118 | 0 | 109 | 0 |
| Mexico | 151 | 0 | 93 | 1 |
| Belgium | 45 | 0 | 88 | 0 |
| New Zealand | 85 | 0 | 79 | 0 |
| South America | 76 | 0 | 75 | 0 |
| South Africa | 67 | – | 67 | – |
| Korea | 39 | 0 | 53 | – |
| Austria | 52 | 1 | 50 | 0 |
| Ireland | 41 | 0 | 44 | – |
| Singapore | 27 | 1 | 31 | 0 |
| Romania | 48 | – | 29 | – |
| Portugal | 10 | 0 | 21 | 0 |
| Malaysia | 21 | 0 | 17 | 0 |
| Poland | 15 | 0 | 13 | 0 |
| Other | 112 | 0 | 61 | 1 |
| Total | 8,324 | 35 | 8,299 | 35 |

| SEK M | Parent company | | | |
|--------------|--|---|--|---|
| | 2008 | | 2009 | |
| | 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 | 102 | 3 | 109 | 8 |
| Other | 0 | – | – | – |
| Total | 102 | 3 | 109 | 8 |

Social security costs

| SEK M | Group | | Parent company | |
|-----------------------|--------------|--------------|----------------|-----------|
| | 2008 | 2009 | 2008 | 2009 |
| Social security costs | 1,692 | 1,834 | 55 | 53 |
| -of which pensions | 413 | 434 | 20 | 21 |
| Total | 1,692 | 1,834 | 55 | 53 |

Fees to board members in 2009 (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 2009, SEK thousands

| | Fixed salary | Variable salary | Other benefits | Pension costs |
|---|---------------|-----------------|----------------|---------------|
| Johan Molin | 10,500 | 7,875 | 100 | 3,675 |
| Other members of the executive team (9) | 36,411 | 24,709 | 2,515 | 9,501 |
| Total remuneration and benefits | 46,911 | 32,584 | 2,615 | 13,176 |
| Total costs¹ | 56,709 | 39,165 | 2,862 | 15,947 |

¹ Total costs for the Executive team include social fees on salaries and benefits, special pension tax and additional costs for other benefits. Salaries and other benefits paid to the Executive Team during 2008 totaled SEK 55 M and social security costs totaled SEK 26 M, of which SEK 14 M were pension costs.

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

Salaries and other remuneration to the Board of Directors and the Parent company's Executive team totaled SEK 42 M (31). Social security costs amounted to SEK 24 M (19), of which SEK 11 M (10) are pension costs.

Severance pay

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

Absence for illness, %

| | Parent company | |
|---------------------------------|----------------|------|
| | 2008 | 2009 |
| Total absence for illness | 1.8 | 2.3 |
| – long-term ¹ | – | – |
| – men | 2.0 | 2.8 |
| – women | 1.2 | 1.1 |
| – aged 29 or younger | 0.6 | 0.4 |
| – aged 30–49 | 1.0 | 0.8 |
| – 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 | | | | | |
|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2008 | | | 2009 | | |
| | Total | whereof women | whereof men | Total | whereof women | whereof men |
| Sweden | 1,433 | 536 | 897 | 1,371 | 487 | 884 |
| Finland | 1,073 | 420 | 653 | 921 | 338 | 583 |
| Norway | 667 | 245 | 422 | 514 | 157 | 357 |
| Denmark | 414 | 141 | 273 | 401 | 150 | 251 |
| United Kingdom | 1,315 | 525 | 790 | 1,066 | 358 | 708 |
| Belgium | 224 | 83 | 141 | 206 | 79 | 127 |
| Netherlands | 620 | 91 | 529 | 518 | 108 | 410 |
| France | 2,124 | 907 | 1,217 | 1,882 | 699 | 1,183 |
| Germany | 1,242 | 485 | 757 | 1,129 | 433 | 696 |
| Switzerland | 407 | 159 | 248 | 358 | 140 | 218 |
| Italy | 604 | 202 | 402 | 589 | 171 | 418 |
| Spain | 760 | 224 | 536 | 673 | 190 | 483 |
| Czech Republic | 1,085 | 578 | 507 | 980 | 494 | 486 |
| Romania | 484 | 234 | 250 | 368 | 174 | 194 |
| Israel | 460 | 131 | 329 | 401 | 109 | 292 |
| South Africa | 534 | 206 | 328 | 467 | 193 | 274 |
| Canada | 581 | 107 | 474 | 386 | 101 | 285 |
| USA | 6,961 | 2,246 | 4,715 | 6,000 | 2,094 | 3,906 |
| Mexico | 1,721 | 1,042 | 679 | 1,210 | 702 | 508 |
| South America | 659 | 172 | 487 | 535 | 139 | 396 |
| Malaysia | 527 | 369 | 158 | 419 | 283 | 136 |
| China | 5,962 | 2,939 | 3,023 | 6,855 | 3,264 | 3,591 |
| Korea | 266 | 50 | 216 | 211 | 42 | 169 |
| Australia | 954 | 283 | 671 | 833 | 230 | 603 |
| New Zealand | 336 | 116 | 220 | 325 | 99 | 226 |
| Other | 1,310 | 583 | 727 | 756 | 297 | 459 |
| Total | 32,723 | 13,074 | 19,649 | 29,375 | 11,531 | 17,843 |

| | Parent company | | | | | |
|--------------|----------------|---------------|-------------|-----------|---------------|-------------|
| | 2008 | | | 2009 | | |
| | Total | whereof women | whereof men | Total | whereof women | whereof men |
| Sweden | 101 | 32 | 69 | 94 | 26 | 68 |
| Total | 101 | 32 | 69 | 94 | 26 | 68 |

Gender-split in senior management

| | 2008 | | | 2009 | | |
|--|-----------|---------------|-------------|-----------|---------------|-------------|
| | Total | whereof women | whereof men | Total | whereof women | whereof men |
| Board of Directors ² | 9 | 2 | 7 | 9 | 2 | 7 |
| Executive Team | 10 | – | 10 | 10 | – | 10 |
| –whereof Parent company's Executive Team | 4 | – | 4 | 4 | – | 4 |
| Total | 19 | 2 | 17 | 19 | 2 | 17 |

² Excluding employee representatives

Note 33 Financial risk management and financial instruments

Financial risk management

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

Organization and activities

ASSA ABLOY's Treasury Policy, which is 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 conducted by 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 significant economies of scale when negotiating borrowing agreements, using interest rate derivatives and handling foreign exchange flows.

Capital structure

The Group's objective regarding capital structure is to safeguard the Group's ability to continue as a going concern, in order to provide good returns for shareholders and benefits for other stakeholders. Maintaining an optimal capital structure enables the Group to keep the cost of capital as low as possible. In order to adjust the capital structure in response to need, the Group can vary the amount paid as dividend to shareholders, return capital to shareholders, issue new

shares, or sell assets to reduce debt. The Group monitors capital based on factors such as the net debt/equity ratio.

Net debt is defined as interest-bearing liabilities, including negative market values for 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' shows the position at 31 December.

Net debt and equity

| SEK M | Group | |
|---|---------------|---------------|
| | 2008 | 2009 |
| Long-term interest-bearing receivables | -256 | -244 |
| Short-term interest-bearing investments incl. derivatives | -688 | -840 |
| Cash and bank balances | -1,579 | -1,579 |
| Pension provisions | 1,182 | 1,118 |
| Long-term interest-bearing liabilities | 7,766 | 10,692 |
| Current interest-bearing liabilities incl. derivatives | 7,589 | 1,901 |
| Total | 14,013 | 11,048 |
| Equity | 18,838 | 19,334 |
| Net debt/equity | 0.74 | 0.57 |

Another important variable in the assessment of the Group's capital structure is the credit rating that 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

| SEK M | 31 December 2008 | | | | 31 December 2009 | | | |
|--|------------------|---------------|---------------|----------------|------------------|---------------|----------------|---------------|
| | < 1 year | > 1 < 2 years | > 2 < 5 years | > 5 years | < 1 year | > 1 < 2 years | > 2 < 5 years | > 5 years |
| Long-term bank loans | -43 | -36 | -1,036 | - | -20 | -1,020 | - | - |
| Long-term capital market loans | -252 | -252 | -2 148 | -4,317 | -325 | -986 | -4,301 | -4,178 |
| Convertible loans | -1,164 | -50 | -1,577 | - | -14 | -409 | -1,037 | - |
| Other long-term liabilities | - | -27 | -148 | -74 | -14 | -116 | -192 | -88 |
| Short-term bank loans | -1,728 | - | - | - | -1,259 | - | - | - |
| Commercial papers and short-term capital market loans | -4,820 | - | - | - | -632 | - | - | - |
| Derivatives | 94 | 42 | 72 | 22 | 38 | 81 | 63 | - |
| Total by period | -7,913 | -323 | -4,837 | -4,369 | -2,226 | -2,450 | -5,467 | -4,266 |
| Cash and cash equivalents incl. interest-bearing receivables | 1,989 | - | - | - | 2,319 | - | - | - |
| Long-term interest-bearing investments | - | 198 | 27 | 31 | - | 194 | 22 | 28 |
| Accounts receivable | 6,372 | - | - | - | 5,618 | - | - | - |
| Accounts payable | -2,909 | - | - | - | -2,682 | - | - | - |
| Net total | -2,461 | -125 | -4,810 | -4,338 | 3,029 | -2,256 | -5,445 | -4,238 |
| Confirmed credit facilities | 12,055 | - | - | -12,055 | 11,355 | - | -11,355 | - |
| Adjusted maturity profile | 9,594 | -125 | -4,810 | -16,393 | 14,384 | -2,256 | -16,800 | -4,238 |

External financing/net debt

| Credit lines/facilities | Amount, SEK M | Maturity | Carrying amount, SEK M | Currency | Amount 2008 | Amount 2009 | of which Parent com- pany, SEK M |
|---|--------------------------|-----------------|---------------------------------------|-----------------|------------------------|------------------------|---|
| US Private Placement Program | 360 | Dec 2011 | 359 | USD | 50 | 50 | |
| US Private Placement Program | 575 | May 2012 | 621 ¹ | USD | 80 | 80 | |
| US Private Placement Program | 378 | Dec 2013 | 377 | USD | 53 | 53 | |
| US Private Placement Program | 575 | May 2015 | 621 ¹ | USD | 80 | 80 | |
| US Private Placement Program | 543 | Dec 2016 | 542 | USD | 76 | 76 | |
| US Private Placement Program | 360 | Apr 2017 | 359 | USD | 50 | 50 | |
| US Private Placement Program | 360 | May 2017 | 359 | USD | 50 | 50 | |
| US Private Placement Program | 877 | Dec 2018 | 876 | USD | 122 | 122 | |
| US Private Placement Program | 503 | May 2020 | 503 | USD | 70 | 70 | |
| Multi-Currency RCF | 11,355 | Jun 2014 | 0 | EUR | 1,100 | 1,100 | |
| Bank loan | 1,000 | Oct 2011 | 1,000 | SEK | 1,000 | 1,000 | 1,000 |
| Incentive Program | 1,032 | Jun 2012 | 1,032 | EUR | 100 | 100 | 1,032 |
| Incentive Program | 396 | Jun 2011 | 396 | EUR | 38 | 38 | 396 |
| Global MTN Program | 15,483 | Apr 2011 | 300 | SEK | – | 300 | 300 |
| | | Feb 2012 | 300 | SEK | – | 300 | 300 |
| | | May 2012 | 250 | SEK | – | 250 | 250 |
| | | Mar 2014 | 464 | EUR | – | 45 | 464 |
| | | Jun 2014 | 1,548 | EUR | – | 150 | 1,548 |
| | | Jun 2016 | 430 | NOK | – | 350 | 430 |
| Other long-term loans | 355 | | 355 | | | | |
| Total long-term loans | 34,152 | | 10,692 | | | | 5,720 |
| Swedish CP Program | 5,000 | | 629 | EUR/SEK | 0/2,637 | 0/632 | |
| Bank loan | 681 | Feb 2010 | 681 | EUR | 66 | 66 | 681 |
| Other bank loans | 306 | | 306 | | | | |
| Overdraft facility | 1,227 | | 253 | | | | |
| Total short-term loans | 7,214 | | 1,869 | | | | 681 |
| Total credit lines/facilities | 41,366 | | 12,561 | | | | 6,401 |
| Cash and bank balances | | | –1,579 | | | | 0 |
| Short-term interest-bearing investments | | | –740 | | | | |
| Long-term interest-bearing investments | | | –244 | | | | –27 |
| Market value derivatives | | | –68 | | | | |
| Pensions | | | 1,118 | | | | |
| Net debt | | | 11,048 | | | | 6,374 |

¹ Loans subject to hedge accounting.

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 since last year. The outlook for the long-term rating from Standard & Poor's was changed from stable to negative in 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. Treasury is responsible for external borrowing and external investments. ASSA ABLOY strives to have access, on every occasion, to both short-term and long-term loan facilities. According to the Treasury Policy, the available facilities should include a reserve (facilities confirmed but not used) equivalent to 10 percent of the Group's total annual sales.

Maturity profile

The table 'Maturity profile' on page 93 shows that debt maturities are not concentrated in the short term, especially in view of the credit facility of EUR 1,100 M maturing in 2014, which was unutilized at year-end. Moreover, financial assets should also be taken into account when evaluating the maturity profile. The table shows undiscounted future

cash flows related to the Group's financial instruments at the balance sheet date, and consequently these amounts are not found in the balance sheet.

Interest-bearing liabilities

The Group's long-term loan financing mainly consists of Private Placement Programs in the USA totaling USD 630 M (630), GMTN-program of SEK 3,292 M (0), Incentive Programs of EUR 138 M (138) and a bilateral bank loan of SEK 1,000 M (1,000). During the year, long-term financing totaling SEK 3,384 M was raised in the form of borrowing on the capital market as follows:

- Three bonds in SEK totaling SEK 850 M with a maturity of 2 to 3 years.
- One bond in NOK of NOK 350 M with a maturity of 7 years.
- Two Private Placements in EUR of EUR 45 M and EUR 150 M respectively both with a maturity of 5 years.

These replaced long-term financing of SEK 2,601 M which matured during the year, but also replaced some short-term financing in order to extend the maturity profile.

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 632 M (3,215) of the Commercial Paper Programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility for a maximum of EUR 1,100 M

Note 33 cont.

(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 46 months (41). Some of the Group's main financing agreements contain a customary Change of Control clause. The effect of this clause is that lenders have the right in certain circumstances to demand renegotiation of conditions or to terminate the agreement should control of the company change. The bonds issued during the year have been recognized in the Parent company balance sheet.

Convertible debenture loans

Incentive 2004 matured during the year without conversion.

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, EUR 15.90 for Bond 2, EUR 17.30 for Bond 3 and EUR 18.60 for Bond 4 will add 2,332,350 shares. The dilution effect of full conversion amounts to 0.6 percent of share capital and 0.4 percent of the total number of votes.

Incentive 2007 has a variable interest rate equivalent to 0.9* EURIBOR + 35 basis points. Any conversion of Incentive 2007 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 effect of full conversion amounts to 1.2 percent of share capital and 0.8 percent of the total number of votes.

Full conversion of the two programs will add a total of 7,011,960 shares and result in a dilution effect amounting to 1.9 percent of share capital and 1.3 percent of the total number of votes. Incentive 2006 amounts to EUR 38 M and Incentive 2007 to EUR 100 M.

Currency composition

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

Cash and cash equivalents and other interest-bearing receivables

Short-term interest-bearing investments amounted to SEK 656 M (410) at year-end. In addition, ASSA ABLOY has long-term interest-bearing receivables of 244 SEK M (256) and financial derivatives with a positive market value of SEK 100 M (277) which, in addition to cash and cash equivalents, are included in the definition of net financial debt. Cash and

cash equivalents are mainly invested in interest-bearing instruments with high liquidity from issuers with a credit rating of at least A-, according to Standard & Poor's or similar agency. The average term for cash and cash equivalents was 7.5 days (2.2) at the end of 2009.

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

| SEK M | Group | | Parent company | |
|---|--------------|--------------|----------------|-----------|
| | 2008 | 2009 | 2008 | 2009 |
| Cash and bank balances | 1,579 | 1,579 | 1 | 0 |
| Short-term investments with maturity less than 3 months | 352 | 656 | - | - |
| Cash and cash equivalents | 1,931 | 2,235 | 1 | 0 |
| Short-term investments with maturity more than 3 months | 58 | 84 | - | - |
| Long-term interest-bearing receivables | 256 | 244 | 51 | 27 |
| Positive market value derivatives | 277 | 100 | - | - |
| Total | 2,522 | 2,663 | 52 | 27 |

Interest rate risk in cash and cash equivalents

Treasury manages interest rate risk in cash and cash equivalents. Derivative instruments such as interest rate swaps and FRAs (Forward Rate Agreements) may be used to manage interest rate risk. The investments are primarily short-term and the majority of these investments have a maturity of three months or less. The fixed interest term for these short-term investments was 11 days (2.2) at the end of 2009. A downward change of one percentage point in the yield curve would reduce the Group's interest income by around SEK 23 M (20) and the Group's equity by SEK 16 M (15).

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 of changes in interest rates on a rolling 12-month basis. The Group seeks to have a mixture of fixed rate and variable rate debt and uses interest rate swaps when it seems necessary. The Treasury Policy stipulates that the average fixed interest term should normally be 24 months. At year-end, the average fixed interest term on gross debt, excluding pension obligations, was around 26 months (23). An upward change of one percentage point in the yield curve would increase the Group's interest expense by around SEK 75 M (91) and reduce the Group's equity by SEK 54 M (67).

Net debt by currency

| SEK M | 31 Dec 2008 | | 31 Dec 2009 | |
|--------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Net debt excl. currency swaps | Net debt incl. currency swaps | Net debt excl. currency swaps | Net debt incl. currency swaps |
| USD | 4,713 | 5,662 | 4,429 | 4,650 |
| EUR | 4,621 | 4,021 | 3,998 | 3,296 |
| SEK | 4,920 | 2,048 | 2,525 | 2,215 |
| AUD | -94 | 576 | -15 | 676 |
| NOK | 76 | -150 | 530 | 390 |
| KRW | 487 | 487 | 347 | 347 |
| CNY | -473 | -473 | -560 | -560 |
| GBP | 18 | 936 | -35 | -629 |
| Other | -255 | 906 | -172 | 662 |
| Total | 14,013 | 14,013 | 11,048 | 11,048 |

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. The main principle is to allow currency fluctuations to have an impact on the business as quickly as possible. As a result of this strategy, only limited portions of current currency flows are normally hedged.

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

| Currency, SEK M | Currency exposure | |
|-----------------|-------------------|------|
| | 2008 | 2009 |
| AUD | 357 | 286 |
| CAD | 413 | 434 |
| CHF | -218 | -234 |
| EUR | 385 | 185 |
| GBP | 286 | 225 |
| NOK | -220 | -136 |
| SEK | -678 | -602 |
| USD | -329 | -414 |

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 | 2008 | 2009 |
|-----------------|------|------|
| AUD | 21 | 26 |
| CNY | 14 | 22 |
| DKK | 14 | 15 |
| EUR | 145 | 131 |
| GBP | 13 | 14 |
| NOK | 25 | 27 |
| USD | 238 | 227 |

Translation exposure in the balance sheet

The effect arising on translation of equity is limited by the fact that financing is largely carried out in local currency.

The capital structure in each country is optimized based on local legislation. So far as this constraint allows, gearing per currency should reflect the overall gearing for the whole Group to limit the effect of 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 95 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 external debt and internal needs.

Financial credit risk

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

ASSA ABLOY's policy is to minimize the potential credit risk from surplus cash by using cash from subsidiaries to amortize the Group's debt. This objective is achieved primarily by cash pools put in place by Treasury. Around 84 percent (78) of the Group's sales were settled through cash pools in 2009. 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 contracts exclusively with banks that have a good rating.

ISDA agreements (full netting of transactions in case of counterparty default) have been set up in the case of interest rate and currency derivatives.

Commercial credit risk

The Group's accounts receivable are distributed across 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 to 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 values in the table 'Outstanding derivative financial instruments' on page 97 show the fair values of instruments outstanding at year-end, based on available fair values, and are the same as the carrying amounts in the balance sheet. The nominal value represents the gross value of the contract.

For accounting purposes, financial instruments are classified into measurement categories in accordance with IAS 39. The table 'Financial instruments' on page 97 provides an overview of financial assets and liabilities, measurement category, and carrying amount and fair value per item.

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

Note 33 cont.

*Outstanding derivative financial instruments
at 31 December*

| Instrument, SEK M | 31 December 2008 | | | 31 December 2009 | | |
|------------------------------------|---------------------|---------------------|---------------|---------------------|---------------------|---------------|
| | Positive fair value | Negative fair value | Nominal value | Positive fair value | Negative fair value | Nominal value |
| Foreign exchange forwards, funding | 124 | -72 | 4,312 | 5 | -13 | 3,629 |
| Interest rate swaps | 153 | -20 | 2,411 | 95 | -17 | 2,326 |
| Forward Rate Agreements | - | - | - | - | -2 | 1,000 |
| Total | 277 | -92 | 6,723 | 100 | -32 | 6,955 |

*Financial instruments: carrying amounts
and fair values by measurement category*

| SEK M | IAS 39 category* | 2008 | | 2009 | |
|--|------------------|-----------------|--------------|-----------------|--------------|
| | | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | | |
| Other long-term financial assets | 1 | 317 | 317 | 334 | 334 |
| Accounts receivable | 1 | 6,372 | 6,372 | 5,618 | 5,618 |
| Other current receivables | 1 | 479 | 479 | 541 | 541 |
| Derivative instruments – hedge accounting | 5 | 153 | 153 | 95 | 95 |
| Derivative instruments – held for trading | 2 | 124 | 124 | 5 | 5 |
| Derivative instruments, total | | 277 | 277 | 100 | 100 |
| Short-term investments | 1 | 58 | 58 | 84 | 84 |
| Cash and cash equivalents | 1 | 1,931 | 1,931 | 2,235 | 2,235 |
| Financial liabilities | | | | | |
| Long-term loans – hedge accounting | 2 | 1,245 | 1,433 | 1,242 | 1,242 |
| Long-term loans – not hedge accounting | 4 | 5,003 | 5,433 | 8,021 | 8,134 |
| Long-term loans, total | | 6,248 | 6,866 | 9,263 | 9,376 |
| Convertible debenture loans | 4 | 2,614 | 2,614 | 1,429 | 1,429 |
| Other long-term liabilities | 4 | 151 | 151 | 176 | 176 |
| Current liabilities – not hedge accounting | 4 | 6,400 | 6,400 | 1,869 | 1,869 |
| Derivative instruments – held for trading | 2 | 92 | 92 | 32 | 32 |
| Accounts payable | 4 | 2,909 | 2,909 | 2,682 | 2,682 |
| Other current liabilities | 4 | 729 | 729 | 895 | 895 |

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

Financial instruments: measured at fair value

| SEK M | 2008 | | | | 2009 | | | |
|------------------------------------|------------------|---------------|-----------------|---------------------|------------------|---------------|-----------------|---------------------|
| | Carrying amounts | Quoted prices | Observable data | Non-observable data | Carrying amounts | Quoted prices | Observable data | Non-observable data |
| Financial assets | | | | | | | | |
| Derivative instruments | 124 | - | 124 | - | 5 | - | 5 | - |
| Financial liabilities | | | | | | | | |
| Long-term loans – hedge accounting | 1,245 | - | 1,245 | - | 1,242 | - | 1,242 | - |
| Derivative instruments | 92 | - | 92 | - | 32 | - | 32 | - |

Note 34 Income statement – reclassification

Income statement before and after reclassification

| SEK M | 2008 | | | 2009 | | |
|-------------------------------------|-------------------------|------------------|------------------------|-------------------------|------------------|------------------------|
| | Before reclassification | Reclassification | After reclassification | Before reclassification | Reclassification | After reclassification |
| Sales | 34,918 | -89 | 34,829 | 35,049 | -86 | 34,963 |
| Cost of goods sold | -21,532 | -311 | -21,843 | -21,489 | -291 | -21,780 |
| Gross income | 13,386 | -400 | 12,986 | 13,560 | -377 | 13,183 |
| Selling expenses | -6,129 | 411 | -5,718 | -6,242 | 406 | -5,836 |
| Administrative expenses | -2,067 | 0 | -2,067 | -1,915 | 0 | -1,915 |
| Research and Development costs | -890 | -11 | -901 | -891 | -29 | -920 |
| Other operating income and expenses | -43 | 0 | -43 | -150 | 0 | -150 |
| Share of earnings in associates | 12 | 0 | 12 | 12 | 0 | 12 |
| Operating income | 4,269 | 0 | 4,269 | 4,374 | 0 | 4,374 |
| Financial income and expense | -770 | 0 | -770 | -634 | 0 | -634 |
| Income before tax | 3,499 | 0 | 3,499 | 3,740 | 0 | 3,740 |
| Tax on income | -1,061 | 0 | -1,061 | -1,081 | 0 | -1,081 |
| Net income | 2,438 | 0 | 2,438 | 2,659 | 0 | 2,659 |

The Group has made a reclassification that affects direct distribution costs and depreciation on capitalized product development expenditure. The reason is to give a true and fair view of the allocation between direct and indirect costs as well as of product development expenses. In order to maintain comparability, the financial statements for 2008 and 2009 have been adjusted. The reclassification involves the transfer of direct distribution costs from Selling expenses and Administrative expenses, and where appropriate from Sales, to Cost of goods sold. In addition, depreciation on product development has been moved from Cost of goods sold to Selling expenses and Administrative expenses. Both these adjustments affect Gross income. Operating income is not affected.



VingCard secures customer satisfaction at Five-Star hotel in Thailand

The installation of VingCard's contactless electronic door locks Signature RFID at Grand Millennium Sukhumvit Bangkok is geared to meet the sophisticated needs and requirements of business travelers.

The Radio Frequency Identification (RFID) locks allow for contactless guest room entry and are compatible with next-generation NFC cell phones.

"We needed locks with the strength and efficiency to keep up with the demands of the property, and Signature

RFID presented our hotel with the perfect solution," said Mr Tang Kwok Seng, Group Director of Engineering, Millennium & Copthorne International.

"The ability to receive important information from each keycard has not only increased the productivity and efficiency of our staff, but it keeps our guests very happy because the contact less lock is more intuitive to use and enhances the overall guest experience."

Comments on five years in summary

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 closure of a number of production units.

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

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

2007

The year saw strong growth for ASSA ABLOY, combined with continued very satisfactory growth in earnings. All five divisions showed growth, increased profitability and an improved return. ASSA ABLOY's strong performance was based on long-term structural growth in demand in the Group's most important markets in Europe and North America, increasing demand in new markets, and successes

in fast-growing segments such as electromechanical locks, access control, secure smart-card issuance, automatic doors and identification technology. The acquisition rate remained high during the year and major acquisitions included Bao-dean (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 launched 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.

2009

The financial crisis led to a downturn in both the housing and commercial construction markets worldwide, which was unprecedented in the Group's history. ASSA ABLOY was nevertheless able to maintain good profitability and strengthen its market position even under very trying market conditions. Efficient product development with a strong customer focus, a stronger market presence and continued cost cutting contributed substantially to the good performance. Cash flow and working capital utilization showed positive development during the year.

Cost adjustments in the form of staff redundancies and the relocation of components and basic products to low-cost countries continued at a high rate during the year. A third restructuring program was launched toward the end of the year. The new products launched were well received by customers and strengthened ASSA ABLOY's market-leading position in lock and door opening solutions.

Eight acquisitions were made during the year, consolidating the Group's position in industrial and automatic doors and increasing annual sales by around SEK 1,200 M.

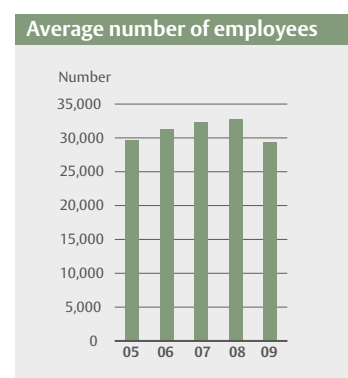
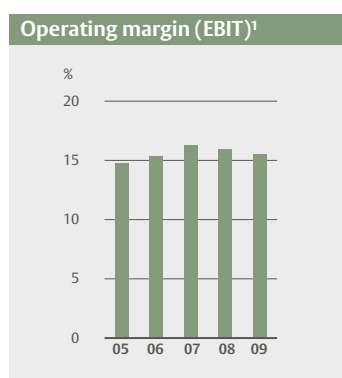
Five years in summary

| Amounts in SEK M unless stated otherwise | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---------|--------------------|---------|---------------------|---------------------|
| Sales and income | | | | | |
| Sales | 27,802 | 31,137 | 33,550 | 34,829 ³ | 34,963 ³ |
| Organic growth, % | 5 | 9 | 7 | 0 | -12 |
| Acquired growth, % | 1 | 3 | 5 | 4 | 3 |
| Operating income before depreciation/amortization (EBITDA) | 4,960 | 5,669 ¹ | 6,366 | 6,447 ¹ | 6,426 ¹ |
| Depreciation | -882 | -898 | -909 | -921 | -1,014 |
| Operating income (EBIT) | 4,078 | 4,771 ¹ | 5,458 | 5,526 ¹ | 5,413 ¹ |
| Income before tax (EBT) | 3,556 | 2,626 | 4,609 | 3,499 | 3,740 |
| Net income | 2,613 | 1,756 | 3,368 | 2,438 | 2,659 |
| Cash flow | | | | | |
| Cash flow from operating activities | 3,153 | 2,968 | 3,871 | 4,369 | 5,924 |
| Cash flow from investing activities | -1,052 | -3,871 | -2,127 | -2,648 | -1,835 |
| Cash flow from financing activities | -2,027 | 1,203 | -1,568 | -1,311 | -3,741 |
| Cash flow | 73 | 300 | 176 | 410 | 348 |
| Operating cash flow | 3,702 | 3,528 | 4,808 | 4,769 | 6,843 |
| Capital employed and financing | | | | | |
| Capital employed | 26,653 | 27,205 | 28,621 | 32,850 | 30,382 |
| – of which, other intangible and tangible assets | 6,064 | 6,263 | 6,782 | 7,945 | 7,541 |
| – of which, shares in associates | 37 | 33 | 39 | 38 | 39 |
| – of which, goodwill | 15,716 | 16,683 | 17,270 | 20,669 | 20,333 |
| Net debt | 12,240 | 13,560 | 12,953 | 14,013 | 11,048 |
| Minority interest | 71 | 60 | 201 | 163 | 162 |
| Shareholders' equity, excluding minority interest | 14,342 | 13,585 | 15,467 | 18,674 | 19,172 |
| Data per share, SEK | | | | | |
| Earnings per share after tax and before dilution | 7.13 | 4.77 | 9.18 | 6.60 | 7.18 |
| Earnings per share after tax and dilution (EPS) | 6.97 | 7.99 ¹ | 9.02 | 9.21 ¹ | 9.22 ¹ |
| Shareholders' equity per share after dilution | 42.85 | 39.13 | 46.76 | 55.91 | 54.76 |
| Dividend per share | 3.25 | 3.25 | 3.60 | 3.60 | 3.60 ² |
| Price of Series B share at year-end | 125.00 | 149.00 | 129.75 | 88.50 | 137.80 |
| Key data | | | | | |
| Operating margin (EBITDA), % | 17.8 | 18.2 ¹ | 19.0 | 18.5 ^{1,3} | 18.4 ^{1,3} |
| Operating margin (EBIT), % | 14.7 | 15.3 ¹ | 16.3 | 15.9 ^{1,3} | 15.5 ^{1,3} |
| Profit margin (EBT), % | 12.8 | 8.4 | 13.7 | 10.0 | 10.7 |
| Return on capital employed, % | 15.9 | 12.1 | 18.4 | 13.3 | 13.1 |
| Return on capital employed excluding items affecting comparability, % | 15.9 | 17.1 | 18.4 | 17.2 | 16.2 |
| Return on shareholders' equity, % | 18.1 | 11.5 | 21.0 | 12.8 | 12.7 |
| Equity ratio, % | 42.8 | 38.4 | 41.5 | 41.9 | 45.4 |
| Net debt / Equity ratio, times | 0.85 | 0.99 | 0.83 | 0.74 | 0.57 |
| Interest coverage ratio, times | 8.2 | 5.1 | 7.4 | 5.7 | 7.2 |
| Interest on convertible debenture loan after tax | 33.1 | 43.6 | 55.0 | 81.0 | 31.9 |
| Number of shares, thousands | 365,918 | 365,918 | 365,918 | 365,918 | 365,918 |
| Number of shares after dilution, thousands | 378,718 | 376,033 | 380,713 | 380,713 | 372,931 |
| Average number of employees | 29,578 | 31,243 | 32,267 | 32,723 | 29,375 |

¹ Excluding items affecting comparability in 2006, 2008 and 2009.

² For 2009, as proposed by the Board.

³ Reclassification has been made for 2008 and 2009. For more information see Note 34. Reclassification has not been made for 2005–2007.



¹ Excluding items affecting comparability 2006, 2008 and 2009.

Quarterly information

| THE GROUP IN SUMMARY | | | | | | | | | | |
|--|---------------|---------------|-------------------|-------------------|-------------------|-------------------|---------------|---------------|-------------------|-------------------|
| (Amounts in SEK M unless stated otherwise) | Q1 | Q2 | Q3 | Q4 | Full year | Q1 | Q2 | Q3 | Q4 | Full year |
| | 2008 | 2008 | 2008 | 2008 | 2008 | 2009 | 2009 | 2009 | 2009 | 2009 |
| Sales ⁴ | 8,181 | 8,503 | 8,701 | 9,444 | 34,829 | 8,859 | 8,899 | 8,405 | 8,799 | 34,963 |
| Organic growth | 0% | 5% | 1% | -4% | 0% | -12% | -14% | -13% | -8% | -12% |
| Gross income excluding items affecting comparability⁴ | 3,287 | 3,447 | 3,491 | 3,792 | 14,017 | 3,550 | 3,502 | 3,370 | 3,603 | 14,025 |
| Gross income/Sales ⁴ | 40.2% | 40.5% | 40.1% | 40.2% | 40.2% | 40.1% | 39.4% | 40.1% | 41.0% | 40.1% |
| Operating income before depreciation (EBITDA) excluding restructuring costs | 1,476 | 1,599 | 1,669 | 1,703 | 6,447 | 1,594 | 1,601 | 1,584 | 1,648 | 6,426 |
| Gross margin (EBITDA) ⁴ | 18.0% | 18.8% | 19.2% | 18.0% | 18.5% | 18.0% | 18.0% | 18.8% | 18.7% | 18.4% |
| Depreciation | -232 | -222 | -234 | -233 | -921 | -266 | -261 | -237 | -249 | -1,014 |
| Operating income (EBIT) excluding items affecting comparability | 1,244 | 1,378 | 1,435 | 1,469 | 5,526 | 1,328 | 1,340 | 1,346 | 1,398 | 5,413 |
| Operating margin (EBIT) ⁴ | 15.2% | 16.2% | 16.5% | 15.6% | 15.9% | 15.0% | 15.1% | 16.0% | 15.9% | 15.5% |
| Items affecting comparability ³ | - | - | -247 | -1,010 | -1,257 | -109 | - | - | -930 | -1,039 |
| Operating income (EBIT) | 1,244 | 1,378 | 1,188 | 460 | 4,269 | 1,219 | 1,340 | 1,346 | 468 | 4,374 |
| Net financial items | -189 | -190 | -207 | -184 | -770 | -205 | -165 | -159 | -106 | -634 |
| Income before tax (EBT) | 1,055 | 1,188 | 980 | 276 | 3,499 | 1,015 | 1,176 | 1,187 | 362 | 3,740 |
| Profit margin (EBT) ⁴ | 12.9% | 13.9% | 11.2% | 2.9% | 10.0% | 11.4% | 13.2% | 14.1% | 4.1% | 10.7% |
| Tax | -283 | -323 | -271 | -184 | -1,061 | -296 | -323 | -300 | -162 | -1,081 |
| Net income | 772 | 865 | 709 | 92 | 2,438 | 718 | 852 | 888 | 200 | 2,659 |
| Allocation of net income | | | | | | | | | | |
| Parent company shareholders | 772 | 857 | 700 | 84 | 2,413 | 716 | 843 | 876 | 192 | 2,626 |
| Minority interests | 0 | 8 | 8 | 9 | 25 | 3 | 9 | 12 | 9 | 32 |
| OPERATING CASH FLOW | | | | | | | | | | |
| Operating income (EBIT) | 1,244 | 1,378 | 1,188 | 460 | 4,269 | 1,219 | 1,340 | 1,346 | 468 | 4,374 |
| Restructuring costs | - | - | 247 | 933 | 1,180 | 109 | - | - | 930 | 1,039 |
| Depreciation | 232 | 222 | 234 | 233 | 921 | 266 | 261 | 237 | 249 | 1,014 |
| Net operating capital expenditure | -164 | -173 | -199 | -293 | -829 | -187 | -186 | -99 | -191 | -664 |
| Change in working capital | -581 | -113 | -111 | 801 | -5 | -316 | 346 | 612 | 818 | 1,460 |
| Paid and received interest | -162 | -206 | -134 | -217 | -718 | -193 | -157 | -38 | -119 | -507 |
| Non-cash items | 14 | -26 | -36 | -1 | -49 | -60 | -20 | 67 | 140 | 127 |
| Operating cash flow¹ | 583 | 1,081 | 1,189 | 1,916 | 4,769 | 838 | 1,584 | 2,125 | 2,296 | 6,843 |
| Operating cash flow/Income before tax | 0.55 | 0.91 | 0.97 ² | 1.49 ² | 1.02 ² | 0.75 ² | 1.35 | 1.79 | 1.78 ² | 1.43 ² |
| CHANGE IN NET DEBT | | | | | | | | | | |
| Net debt at start of period | 12,953 | 12,414 | 13,549 | 14,010 | 12,953 | 14,013 | 14,317 | 14,239 | 12,432 | 14,013 |
| Operating cash flow | -583 | -1,081 | -1,189 | -1,916 | -4,769 | -838 | -1,584 | -2,125 | -2,296 | -6,843 |
| Restructuring payments | 111 | 97 | 126 | 152 | 485 | 144 | 224 | 147 | 161 | 676 |
| Tax paid | 127 | 251 | 81 | 283 | 742 | 298 | 397 | 2 | 210 | 907 |
| Acquisitions/Disposals | 126 | 473 | 717 | 503 | 1,819 | 263 | 66 | 511 | 331 | 1,171 |
| Dividend | - | 1,317 | - | - | 1,317 | - | 1,317 | - | - | 1,317 |
| Exchange rate differences | -320 | 78 | 726 | 981 | 1,466 | 437 | -498 | -341 | 210 | -193 |
| Net debt at end of period | 12,414 | 13,549 | 14,010 | 14,013 | 14,013 | 14,317 | 14,239 | 12,432 | 11,048 | 11,048 |
| Net debt/Equity ratio | 0.79 | 0.87 | 0.80 | 0.74 | 0.74 | 0.71 | 0.74 | 0.67 | 0.57 | 0.57 |
| NET DEBT | | | | | | | | | | |
| Long-term interest-bearing receivables | -102 | -83 | -89 | -256 | - | -269 | -256 | -236 | -244 | - |
| Short-term interest-bearing investments including derivatives | -332 | -191 | -133 | -688 | - | -2,632 | -2,250 | -1,989 | -840 | - |
| Cash and bank balances | -953 | -1,221 | -1,534 | -1,579 | - | -1,280 | -1,800 | -1,303 | -1,579 | - |
| Pension obligations | 1,151 | 1,150 | 1,131 | 1,182 | - | 1,222 | 1,200 | 1,093 | 1,118 | - |
| Long-term interest-bearing liabilities | 7,707 | 7,683 | 7,539 | 7,766 | - | 8,659 | 11,227 | 10,471 | 10,692 | - |
| Short-term interest-bearing liabilities including derivatives | 4,943 | 6,212 | 7,096 | 7,589 | - | 8,617 | 6,117 | 4,395 | 1,901 | - |
| Total | 12,414 | 13,549 | 14,010 | 14,013 | - | 14,317 | 14,239 | 12,432 | 11,048 | - |

| | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | |
|---|------------|------------|------------|------------|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------------|
| CAPITAL EMPLOYED AND FINANCING | | | | | | | | | | |
| Capital employed | 28,116 | 29,045 | 31,538 | 32,850 | | 34,540 | 33,494 | 31,108 | 30,382 | |
| – of which, other intangible and tangible assets | 6,480 | 6,572 | 7,116 | 7,945 | | 8,214 | 7,972 | 7,379 | 7,541 | |
| – of which, shares in associates | 39 | 40 | 43 | 38 | | 55 | 54 | 52 | 39 | |
| – of which, goodwill | 16,508 | 17,068 | 18,851 | 20,669 | | 21,443 | 20,857 | 19,992 | 20,333 | |
| Net debt | 12,414 | 13,549 | 14,010 | 14,013 | | 14,317 | 14,239 | 12,432 | 11,048 | |
| Minority interests | 181 | 188 | 211 | 163 | | 163 | 152 | 149 | 162 | |
| Shareholders' equity, excluding minority interests | 15,521 | 15,308 | 17,317 | 18,674 | | 20,060 | 19,110 | 18,526 | 19,172 | |
| | | | | | Full year 2008 | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | Full year 2009 |
| DATA PER SHARE, SEK | | | | | | | | | | |
| Earnings per share after tax and before dilution | 2.11 | 2.34 | 1.91 | 0.23 | 6.60 | 1.96 | 2.30 | 2.39 | 0.52 | 7.18 |
| Earnings per share after tax and dilution | 2.08 | 2.30 | 1.89 | 0.29 | 6.55 | 1.92 | 2.25 | 2.36 | 0.54 | 7.06 |
| Earnings per share after tax and dilution excluding items affecting comparability | 2.08 | 2.30 | 2.38 | 2.45 | 9.21 | 2.20 | 2.25 | 2.36 | 2.41 | 9.22 |
| Shareholders' equity per share after dilution | 46.64 | 46.13 | 51.61 | 55.91 | 55.91 | 59.55 | 54.28 | 53.47 | 55.29 | 54.76 |
| | | | | | Full year 2008 | Mar 2009 | Jun 2009 | Sep 2009 | Dec 2009 | Full year 2009 |
| NUMBER OF SHARES | | | | | | | | | | |
| 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 | 380,713 | 380,713 | 380,713 | 380,713 | 380,713 | 380,713 | 379,687 | 372,931 | 372,931 | 372,931 |
| Weighted average number of shares after dilution, thousands | 380,713 | 380,713 | 380,713 | 380,713 | 380,713 | 380,713 | 380,197 | 377,748 | 376,534 | 376,534 |

¹ Excluding restructuring payments.

² Income before tax excluding items affecting comparability.

³ Items affecting comparability consist of restructuring costs for 2008 and 2009. For 2008 items affecting comparability also consist of non-recurring costs totaling SEK 77 M.

⁴ Reclassification has been made. For further information see Note 34.

Definitions of key data terms

Organic growth

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

Operating margin (EBITDA)

Operating income before depreciation and amortization as a percentage of sales.

Operating margin (EBIT)

Operating income as a percentage of sales.

Profit margin (EBT)

Income before tax as a percentage of sales.

Operating cash flow

See the table in operating cash flow for information regarding detailed items.

Net capital expenditure

Investments in fixed assets less disposals of fixed assets.

Depreciation

Depreciation/amortization of tangible and intangible 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 1,536 M
Retained earnings brought forward: SEK 2,343 M
TOTAL: SEK 3,879 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 2,562 M, be carried forward to the new financial year.

Tuesday 27 April 2010 has been proposed as the record date for dividends.

If the Annual General Meeting confirms this proposal, dividends are expected to be distributed by Euroclear Sweden AB on Friday 30 April 2010.

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, 11 February 2010

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 11 February 2010

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 2009. (The company's annual accounts are presented on pages 54–104 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, 11 February 2010

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 NASDAQ OMX Stockholm. ASSA ABLOY applies the Swedish Code of Corporate Governance and is considered, at the end of 2009, to be in compliance with all of its provisions.

The Corporate Governance Report describes how corporate governance has been conducted at ASSA ABLOY during the 2009 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 22,014 shareholders. The principal shareholders are Investment AB Latour and Säkl (9.6 percent of the share capital and 29.7 percent of the votes) and Melker Schörling AB (4.0 percent of the share capital and 11.6 percent of the votes). Foreign shareholders accounted for 53 percent of the share capital and 36 percent of the votes. The ten largest shareholders accounted for 37 percent of the share capital and 57 percent of the votes.

Share capital and voting rights

ASSA ABLOY's share capital amounted at year-end 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 listed on the NASDAQ OMX Stockholm Large Cap list. At year-end, ASSA ABLOY's market capitalization amounted to SEK 50,423 M. The Board's objective is that, in the long term, the dividend should be

equivalent to 33–50 percent of earnings after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

General Meeting

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

The Annual General Meeting should be held within six months of the end of the company's financial year. Matters considered at the Annual General Meeting include: 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.

2009 Annual General Meeting

The Annual General Meeting in April 2009 was attended by shareholders representing 55 percent of the company's share capital and 70 percent of the votes.

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

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 appointed members of the Nomination Committee prior to the 2010 Annual General Meeting.

Nomination Committee

The Nomination Committee prior to the 2010 Annual General Meeting comprises Mikael Ekdahl (Melker Schörling AB), Gustaf Douglas (Investment AB Latour and Säkl), Magnus Landare (Alecta), Marianne Nilsson (Swedbank Robur) and Per-Erik Mohlin (SEB Funds/SEB Trygg Liv). Mikael Ekdahl is Chairman of the Nomination Committee. If a shareholder represented by one of the members of the Nomination Committee ceases to be among the major shareholders

in ASSA ABLOY, the Committee has the right to appoint another representative of one of the major shareholders to replace such a member. The same applies if a member of the Nomination Committee ceases to be employed by such a shareholder or leaves the Committee before the 2010 Annual General Meeting for any other reason. During the year the Nomination Committee appointed Magnus Landare to replace Staffan Grefbäck and Per-Erik Mohlin to replace Mats Tunér.

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

Prior to the 2010 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 is carried out throughout the year and proposals for new board members are based in each individual case on a profile of requirements established by the Nomination Committee.

Shareholders who wish to submit proposals to the Nomination Committee can do so by emailing nomination-committee@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 22 March 2010.

Board of Directors

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

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

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

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

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

The Board has a Remuneration Committee and an Audit Committee. The purpose of these Committees is to deepen and streamline the work of the Board and to prepare matters in these areas. The Committees 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 2009

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

More important matters dealt with by the Board during the year included the acquisition of Ditec and Pan Pan. Further, revised policies on insider issues, external information provision and pension financing were adopted. During the year the Board also conducted an in-depth review of EMEA's operations and visited the American operations in New Haven.

Corporate governance report

Remuneration Committee

During 2009 the Remuneration Committee comprised Gustaf Douglas (Chairman) and Sven-Christer Nilsson.

The Remuneration Committee's task is to draw up remuneration guidelines for senior management, which the Board proposes to the Annual General Meeting for resolution. The Board's proposal for guidelines prior to the 2010 Annual General Meeting can be seen on pages 55–56. The Remuneration Committee also addresses matters regarding salaries, bonus, pension, severance pay and incentive programs for the CEO and other senior management.

The Committee held three meetings during the year at which all members were present. The Remuneration Committee has during the year 2009, among other things, prepared the proposal for a long-term incentive programme. The meetings of the Remuneration Committee are minuted; the minutes are sent out with material for the Board and a verbal report is given at board meetings.

Audit Committee

During 2009 the Audit Committee comprised Ulrik Svensson (Chairman), Birgitta Klasén and Lars Renström.

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

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

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

More important matters dealt with by the Audit Committee during the year included drawing up a new policy and new guidelines for management of the funds allocated to meet the Group's pension liability. The Audit Committee also carried out a review of Management Assurance procedures, and prepared a decision on the appointment of auditor prior to the 2010 Annual General Meeting.

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 2009 Annual General Meeting passed a resolution on Board fees totaling SEK 4,050,000 (excluding remuneration for committee work), to be allocated between the members as follows: SEK 900,000 to the Chairman and SEK 450,000 to each of the other members not employed by the company. As remuneration for committee work, the Chairman of the Audit Committee was to receive SEK 200,000, the Chairman of the Remuneration Committee SEK 100,000, members of the Audit Committee SEK 100,000 and members of the Remuneration Committee SEK 50,000.

The Chairman and other board members have no pension benefits or severance payment agreements. The CEO and employee representatives do not receive Board fees. For further information about the remuneration of board members in 2009, see Note 32.

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

Independence of the Board

| Name | Position | Independent of the company and its management | Independent of the company's major shareholders |
|-----------------------|---------------------------------|---|---|
| Gustaf Douglas | Chairman | 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 | Elected | 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 | 21,300,000 | – |
| Carl Douglas | Board member | 2004 | 1965 | – | – | – | – | – |
| Jorma Halonen | Board member | 2008 | 1948 | – | – | – | 1,700 | – |
| Birgitta Klasén | Board member | 2008 | 1949 | – | Member | – | 5,000 | – |
| 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 | – | – | 3,500 | – |
| 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 Hjälms | Deputy, employee representative | 2005 | 1964 | – | – | – | – | – |
| Per Edvin Nyström | Deputy, employee representative | 1994 | 1955 | – | – | – | 7,727 | – |

¹ Including family and through companies.

Board of Directors

Board members elected at the 2009 Annual General Meeting



Gustaf Douglas

Gustaf Douglas

Chairman of the Board
Board member 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 19,000,000 Series B shares through Investment AB Latour, and 7,118,818 Series A shares and 2,300,000 Series B shares through Säkl AB.



Carl Douglas

Carl Douglas

Board member since 2004
Born 1965
Bachelor of Arts
Self-employed

Other appointments: Vice Chairman of Securitas AB. Board member of Investment AB Latour, Niscayah Group AB, Swegon AB and Säkl AB.

Shareholdings (including family and through companies):—



Jorma Halonen

Jorma Halonen

Board member since 2008
Born 1948
Bachelor of Science in Business Administration and 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, TMD Friction and CPS Color. Board member of SEMCON AB, NICDP (Advisory Board to the Saudi Arabian Government), Permira Nordic Advisory Board and Elektrobit.

Shareholdings (including family and through companies): 1,700 Series B shares.



Birgitta Klasén

Birgitta Klasén

Board member since 2008
Born 1949

Master of Science in Engineering
Independent IT consultant (Senior IT Advisor). Chief Information Officer (CIO) and Head of Information Management at EADS (European Aeronautics Defence and Space Company) 2004–2005. CIO and Senior Vice President of Pharmacia 1996–2001 and prior to that, CIO at Telia. Held various posts at IBM 1976–1994.

Other appointments: Board member of Acando AB, BISNODE AB and IFS AB.

Shareholdings (including family and through companies): 5,000 Series B shares.



Eva Lindqvist

Eva Lindqvist

Board member since 2008
Born 1958

Master of Science in Engineering and Bachelor of Science in Business Administration and Economics
Senior Vice President of Mobile Business at TeliaSonera AB 2006–2007. Prior to that several senior posts at TeliaSonera AB, such as President and Head of Business Operation International Carrier, and various posts in the Ericsson Group 1981–1999.

Other appointments: Chairman of 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

Board member since 2006
Born 1959

Bachelor of Science in Business Administration and 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

Board member since 2001
Born 1944

Bachelor of Science, Lund University
President and CEO of Telefonaktiebolaget LM Ericsson 1998–1999, various executive positions mainly in marketing and management in the Ericsson Group 1982–1997.

Other appointments: Chairman of the National Swedish Public Service Broadcasting Foundation and The Swedish National Defence Materiel Administration. Board member of Sprint Nextel Corporation, CEVA, Inc. and Tilgin AB.

Shareholdings (including family and through companies): 3,500 Series B shares.



Johan Molin



Sven-Christer Nilsson



Lars Renström

Lars Renström

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



Ulrik Svensson

Ulrik Svensson

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

Board members appointed by employee organizations



Seppo Liimatainen

Seppo Liimatainen

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



Mats Persson

Mats Persson

Board member since 1994
Born 1955
Employee representative, Swedish Metal Workers Union.
Shareholdings: —



Rune Hjälms

Rune Hjälms

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



Per Edvin Nyström

Per Edvin Nyström

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

The Executive Team

The Executive Team



Johan Molin



Tomas Eliasson



Denis Hébert



Thanasis Molokotos



Jonas Persson



Tim Shea



Ulf Södergren



Juan Vargues



Tzachi Wiesenfeld

Johan Molin

Born 1959
Bachelor of Science in Business Administration and 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.

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 56,200 Series B shares.

Jonas Persson

Born 1969
Master of Science in Engineering
Executive Vice President
Head of Asia Pacific division
Employed since: 2009
Shareholdings: –

Ulf Södergren

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

Tzachi Wiesenfeld

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

Tomas Eliasson

Born 1962
Bachelor of Science in Business Administration and 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
Master of Science in Engineering
Executive Vice President
Head of Americas division
Employed since: 1996
Shareholdings: 25,000 Series B shares. Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 74,300 Series B shares.

Tim Shea

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

Juan Vargues

Born 1959
Degree in Mechanical Engineering, MBA
Executive Vice President
Head of Entrance Systems division
Employed since: 2002
Shareholdings: Incentive 2006 and Incentive 2007 corresponding, on full conversion, to 182,900 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 of Technology and Product Development, and the Director for Market and Business Development. ASSA ABLOY's operations are divided into five divisions, where the fundamental principle is that these divisions should be responsible, as far as possible, for business operations, while various functions at headquarters are responsible for coordination, monitoring, policies and guidelines at an overall level. The Group's structure results in a geographical and strategic spread of responsibility ensuring short decision-making paths. The Group's management philosophy is based on trust and respect for local cultures and conditions.

Guidelines and policies

The Group's most important guidelines and policies define the product areas in which the Group should operate and describe the principles for market development, growth, product development, organization, cost-efficiency and staff development. These principles are described in the publication '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, as well as ensuring compliance with other legal requirements. Brand guidelines aim to protect and develop the major assets that the Group's brands represent.

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

Decentralized organization

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

ASSA ABLOY's operating structure is designed to create maximum transparency, to facilitate financial and operational monitoring, and to promote the flow of information and communication across the Group. The Group consists of five divisions, which are divided into around 30 business units. These consist in turn of a large number of sales and

production units, depending on the structure of the business unit concerned. Apart from monitoring by unit, monitoring of products and markets is also carried out.

Internal control regarding financial reporting

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

Control environment

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

ASSA ABLOY's effective decentralized organizational structure makes a substantial contribution to a good control environment. All units in the Group apply uniform accounting and reporting instructions. Minimum levels for internal control of financial reporting have been established and are monitored annually for all operating companies. The Code of Conduct has been reviewed and updated, and compliance will be systematically monitored in the operations during 2010.

Risk assessment

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

A systematic comprehensive risk assessment of financial reporting has been implemented and is updated regularly.

Control activities

The Group's controller and accounting organization at both central and division level plays a significant role in ensuring reliable financial information. It is responsible for complete, accurate and timely financial reporting. A global financial Management Assurance function has been established and carries out annual financial evaluations in accordance with the plan annually adopted by the Audit Committee.

Corporate governance report

A systematic review of the opinions and observations of the external auditors is carried out annually in accordance with established procedures. Group-wide internal control guidelines are reviewed annually. These guidelines affect various processes, such as orders and purchasing (including payments), procedures for finalizing accounts and facilities, as well as compliance with various relevant policies.

Information and communication

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

Review process

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

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

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

External audit

At the 2006 Annual General Meeting, PricewaterhouseCoopers (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, Säkl, 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 the financial statements for legal entities outside Sweden is carried out in accordance with statutory requirements and other applicable rules in each country. For information about the fees paid to auditors and other assignments carried out in the Group during the last three financial years, see Note 3 and the Annual Report for 2008 page 61, Note 3.



Add e-passports to the list of 'e-ssentials'

An e-passport may look like a traditional printed travel document, but electronics in HID Global's e-passport inlays contain encrypted data that authenticates the document and the identity of the passport holder.

An e-passport, or electronic passport, is essentially the same as a regular passport with the addition of a small, contactless integrated circuit and antenna embedded in the cover or secure page. The chip stores the usual information found on the photo page of the passport, with special security features to protect the digital data.

HID Global's Identification Solutions (IDS) eGovernment business segments is recognized as a driving force in the development of credentials that are more secure, more effi-

cient to use and more interoperable between systems and countries.

The electronics inside e-passports need to be able to withstand the pressures applied, as well as the flexing that occurs with frequent travelers' use. Using proven secure, tamper resistant design and ceFLEX™ material, HID's inlays are highly durable and help the chip and antenna to withstand daily mechanical wear.

Coupled with HID Global's reader technology, e-passports and e-IDs ultimately make travel and identity verification easier. As of today, more than 20 countries are using e-passports enabled by HID technology.

The ASSA ABLOY share

Share price trend in 2009

In 2009 ASSA ABLOY's Series B share rose 56 percent to SEK 137.80 (88.50), equivalent to a market capitalization of SEK 50,423 M (32,383). During the same period, the NASDAQ OMX Stockholm rose 47 percent. The highest closing price of the share was SEK 142.50, recorded on 14 December, and the lowest closing price was SEK 71.50, recorded on 5 March.

Listing and trading

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

Total turnover of the ASSA ABLOY share on NASDAQ OMX Stockholm amounted to 518 million (788) shares, which is equivalent to an average turnover of 2.1 million shares (3.1) per day. The turnover rate of the share was around 149 percent, compared with a turnover rate of 119 percent (152) on the NASDAQ OMX Stockholm and 126 percent (165) on the Large Cap list.

The implementation of the EU Markets in Financial Instruments Directive (MiFID) has changed the structure

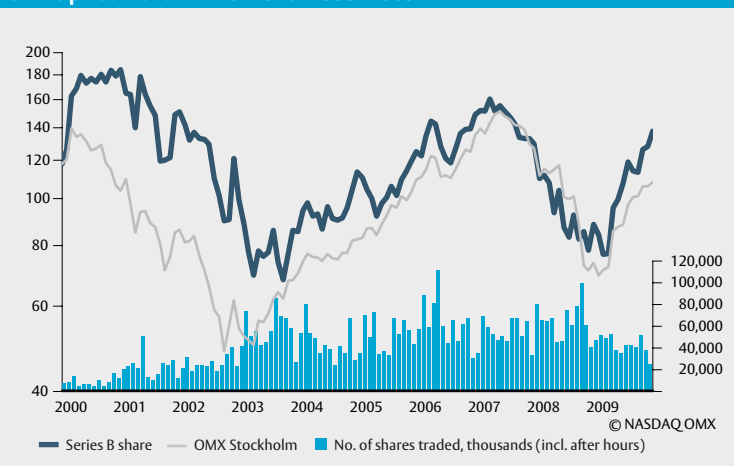
of equity trading in Europe. Now that a share can be traded on markets other than the stock exchange where it is listed, trading has become more fragmented, while the total turnover of many shares has increased.

The ASSA ABLOY share is now not only traded on the NASDAQ OMX Stockholm, but also on several other markets. However, the Stockholm Stock Exchange accounts for the majority of trading, where 70 percent of the shares were traded in 2009.

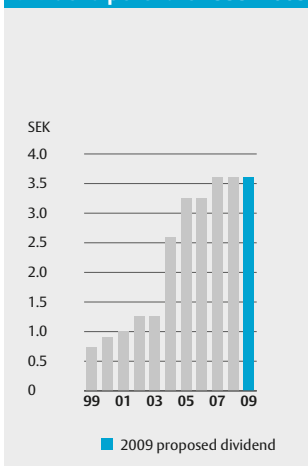
Ownership structure

The number of shareholders at year-end was 22,014 (22,921) and the ten largest shareholders accounted for 37 percent (41) of the share capital and 57 percent (60) of the votes. Shareholders with more than 50,000 shares, a total of 381 shareholders, accounted for 94 percent (93) of the share capital and 96 percent (95) of the votes. Investors outside Sweden accounted for 53 (50) percent of the share capital and 36 percent (34) of the votes, and were mainly in the USA and the UK.

Share price trend and turnover 1999–2009



Dividend per share 1999–2009



Data per share

| SEK/share ¹ | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|--------------------|-------------------|---------|-------------------|---------|---------|-------------------|---------|-------------------|-------------------|
| Earnings after tax and dilution ⁸ | 2.73 | 2.98 ² | 3.53 | 3.31 ² | 6.33 | 6.97 | 7.99 ² | 9.02 | 9.21 ² | 9.22 ² |
| Dividend | 0.90 | 1.00 | 1.25 | 1.25 | 2.60 | 3.25 | 3.25 | 3.60 | 3.60 | 3.60 ⁴ |
| Dividend yield, % ⁵ | 0.5 | 0.7 | 1.3 | 1.5 | 2.3 | 2.6 | 2.2 | 2.8 | 4.1 | 2.6 |
| Dividend, % ^{6, 8} | 30.9 | 30.5 | 32.2 | 33.9 | 42.0 | 47.6 | 64.0 | 40.5 | 52.3 | 47.8 |
| Share price at year-end | 184.50 | 151.00 | 99.50 | 85.50 | 113.50 | 125.00 | 149.00 | 129.75 | 88.50 | 137.80 |
| Highest share price | 206.70 | 186.00 | 159.50 | 110.00 | 113.50 | 126.00 | 151.00 | 164.00 | 126.00 | 142.50 |
| Lowest share price | 110.50 | 94.50 | 76.50 | 67.00 | 84.00 | 89.25 | 109.00 | 124.50 | 69.75 | 71.50 |
| Equity ⁸ | 30.58 ³ | 35.80 | 35.85 | 31.23 | 34.74 | 42.85 | 39.13 | 46.76 | 55.91 | 54.76 |
| Number of shares, thousands ⁷ | 356,712 | 361,730 | 370,935 | 370,935 | 378,718 | 378,718 | 376,033 | 380,713 | 380,713 | 372,931 |

¹ Adjustments made for new issues.

² Excluding restructuring costs 2006 and items affecting comparability 2008 and 2009.

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.

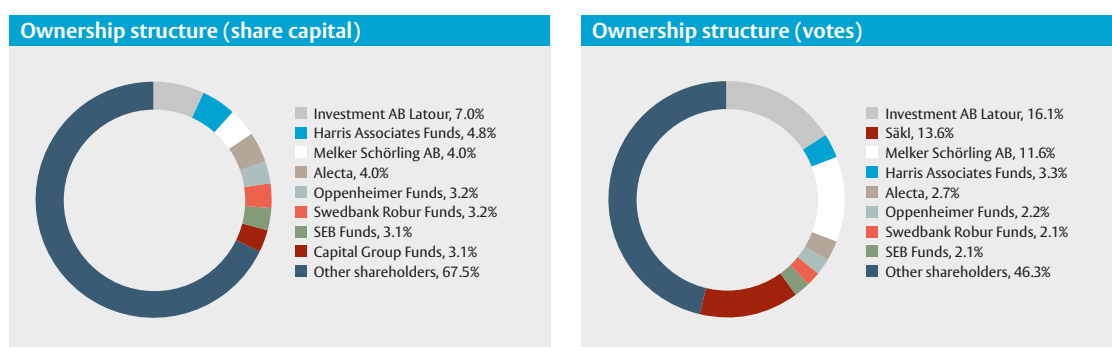
⁸ 1999–2003 have not been adjusted for IFRS.

ASSA ABLOY's ten largest shareholders

Based on the share register at 31 December 2009.

| Shareholders | Series A shares | Series B shares | Total number of shares | Share capital, % | Votes, % |
|-------------------------|-------------------|--------------------|------------------------|------------------|--------------|
| Investment AB Latour | 6,746,425 | 19,000,000 | 25,746,425 | 7.0 | 16.1 |
| Harris Associates Funds | | 17,583,900 | 17,583,900 | 4.8 | 3.3 |
| Melker Schörling AB | 5,310,080 | 9,162,136 | 14,472,216 | 4.0 | 11.6 |
| Alecta | | 14,465,000 | 14,465,000 | 4.0 | 2.7 |
| Oppenheimer Funds | | 11,677,086 | 11,677,086 | 3.2 | 2.2 |
| Swedbank Robur Funds | | 11,543,488 | 11,543,488 | 3.2 | 2.1 |
| SEB Funds | | 11,427,256 | 11,427,256 | 3.1 | 2.1 |
| Capital Group Funds | | 11,180,000 | 11,180,000 | 3.1 | 2.1 |
| Säkl | 7,118,818 | 2,300,000 | 9,418,818 | 2.6 | 13.6 |
| AMF Insurance & Funds | | 8,523,783 | 8,523,783 | 2.3 | 1.6 |
| Other shareholders | | 229,880,062 | 229,880,062 | 62.7 | 42.6 |
| Total number | 19,175,323 | 346,742,711 | 365,918,034 | 100.0 | 100.0 |

Source: SIS Ägarservice AB and Euroclear Sweden AB.



Share capital

ASSA ABLOY's share capital at 31 December 2009 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 give the shareholders equal rights to the company's assets and earnings. Each Series A share carries 10 votes and each Series B share one vote.

| Year | Transaction | Series A shares | Series C shares | Series B shares | Share capital, SEK |
|------|--|-----------------|-----------------|-----------------|--------------------|
| 1989 | | | 20,000 | | 2,000,000 |
| 1994 | Split 100:1 | | | 2,000,000 | 2,000,000 |
| 1994 | Bonus issue | | | | |
| 1994 | Non-cash issue | 1,746,005 | 1,428,550 | 50,417,555 | 53,592,110 |
| 1996 | New share issue | 2,095,206 | 1,714,260 | 60,501,066 | 64,310,532 |
| 1996 | Conversion of Series C shares into Series A shares | 3,809,466 | | 60,501,066 | 64,310,532 |
| 1997 | New share issue | 4,190,412 | | 66,541,706 | 70,732,118 |
| 1998 | Converted debentures | 4,190,412 | | 66,885,571 | 71,075,983 |
| 1999 | Converted debentures before split | 4,190,412 | | 67,179,562 | 71,369,974 |
| 1999 | Bonus issue | | | | |
| 1999 | Split 4:1 | 16,761,648 | | 268,718,248 | 285,479,896 |
| 1999 | New share issue | 18,437,812 | | 295,564,487 | 314,002,299 |
| 1999 | Converted debentures after split and new issues | 18,437,812 | | 295,970,830 | 314,408,642 |
| 2000 | Converted debentures | 18,437,812 | | 301,598,383 | 320,036,195 |
| 2000 | New share issue | 19,175,323 | | 313,512,880 | 332,688,203 |
| 2000 | Non-cash issue | 19,175,323 | | 333,277,912 | 352,453,235 |
| 2001 | Converted debentures | 19,175,323 | | 334,576,089 | 353,751,412 |
| 2002 | New share issue | 19,175,323 | | 344,576,089 | 363,751,412 |
| 2002 | Converted debentures | 19,175,323 | | 346,742,711 | 365,918,034 |
| | Number of shares after dilution | 19,175,323 | | 353,754,671 | 372,929,994 |

The ASSA ABLOY share

Share capital and voting rights

Share capital at year-end amounted to SEK 365,918,034 distributed among a total 365,918,034 shares, comprising 19,175,323 Series A shares and 346,742,711 Series B shares. All shares have a par value of SEK 1.00 and give the shareholders equal rights to the company's assets and earnings. The total number of voting rights amounts to 538,495,941; each Series A share carries ten votes and each Series B share one vote.

Dividend and dividend policy

The objective of the dividend policy is that, in the long term, the dividend should be equivalent to 33–50 percent of earnings after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

The Board of Directors and the CEO propose that a dividend of 3.60 SEK per share (3.60), a maximum total amount of SEK 1,317 M, be paid to shareholders for the 2009 financial year, equivalent to a dividend yield on Series B shares of 2.6 percent (4.1).

Incentive programs

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

In 2004, a convertible debenture amounting to EUR 100 M was issued. This program expired in June 2009 and

no conversion took place. 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. On 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. On 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 2006 and 2007 would create an additional 7,011,960 shares, which would have a dilutive effect of 1.9 percent on the share capital and 1.3 percent on the total number of votes.

Around 2,000 employees in some 15 countries are participating in the current incentive programs.

Analysts who follow ASSA ABLOY

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Antibacterial door handles break down harmful bacteria

In collaboration with Polygiene, ASSA has developed a door handle that effectively breaks down bacteria. It features Addion, an antibacterial surface coating with a wear-resistant metallic surface, which breaks down bacteria significantly faster than other surface coatings such as nickel, chrome, brass and stainless steel.

The past ten years have seen a dramatic rise in bacteria that cannot be treated with regular antibiotics. Studies show that multiresistant bacteria are primarily spread via hands and contact surfaces.¹

That's why ASSA and Polygiene (of the Perstorp Group) developed an antibacterial surface coating with enough wear resistance that it can be used in environments with large flows of people, and environments in which bacteria are spread extensively.

Another environment where it is desirable to reduce the spread of bacteria is in schools and childcare. Working actively with this can cut down on sick leave, which will benefit society as a whole. The St. Petri School in Malmö, Sweden, has already chosen Addion handles.

'When we totally renovated the school, we discussed several handle solutions,' says superintendent Per-Åke Brodin at the St. Petri School in Malmö. 'We opted for ASSA's antibacterial door handles. We replaced all handles in the school, and that reduced the spread of infection in the flu season, keeping our sick-leave figures low.'

Addion's antibacterial properties combined with its superb wear resistance contribute to long-lasting protection against the spread of bacteria.

¹Importance of the environment in methicillin-resistant *Staphylococcus aureus* acquisition: the case for the hospital cleaning. Dr Stephanie J Dancer MD. The Lancet Infectious Diseases 2008;8:101-113.

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, 22 April 2010. Shareholders wishing to attend the Annual General Meeting should:

- Be registered in the share register kept by Euroclear Sweden AB by Friday, 16 April 2010.
- Notify ASSA ABLOY AB of their intention to attend by Friday, 16 April 2010 at 16.00.

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, 16 April 2010, 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

- Website www.assaabloy.com
- Address 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 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 together with the notification of intention to attend the Annual General Meeting. Forms for proxies are available at www.assaabloy.com.

Nomination Committee

The Nomination Committee has the task of preparing decisions on the election of the Chairman and other members of the Board of Directors, the appointment of the auditor, the election of the Chairman of the Annual General Meeting, and fees and associated matters. The Nomination Committee prior to the 2010 Annual General Meeting comprises Mikael Ekdahl (Melker Schörling AB), Gustaf Douglas (Investment AB Latour and Säkl), Magnus Landare (Alecta), Per-Erik Mohlin (SEB Funds/SEB Trygg Liv) and Marianne Nilsson (Swedbank Robur). Mikael Ekdahl is Chairman of the Nomination Committee.

Dividend

Tuesday, 27 April 2010 is proposed as the record date for dividends. If the Annual General Meeting approves the proposal of the Board of Directors, dividends are expected to be distributed by Euroclear Sweden AB on Friday, 30 April 2010.

Further information

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Financial reporting

First quarter: 21 April 2010

Second quarter: 28 July 2010

Third quarter: 27 October 2010

Fourth quarter and Year-end Report: February 2011

Annual Report 2010: March 2011

Annual Report online

ASSA ABLOY's Annual Report online has many user-friendly features. You can get texts to read aloud to you, and financial tables can be expanded and downloaded in Excel. All information in the Report can be found easily through the navigation menu or by using the search function.

The Annual Report is available online at:

www.assaabloy.com/annualreport2009



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.

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

ASSA ABLOY

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

– Johan Molin, President and CEO