

# Annual Report 2011

**ASSA ABLOY**

The global leader in  
door opening solutions



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Cover photograph: Camille Smith

Camille Smith, who works in accounting at ASSA ABLOY Americas, pictured in front of Yale University—one of ASSA ABLOY's customers.

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## Online Annual Report

ASSA ABLOY's online Annual Report has many user-friendly functions. The texts can be read out loud and the financial tables can be expanded and downloaded in Excel. All information in the Annual Report can be found easily by menu navigation or by using the Search function. The online Annual Report is available at: [www.assaabloy.com/annualreport2011](http://www.assaabloy.com/annualreport2011).



Locks and locking systems



Mobile keys



Access control

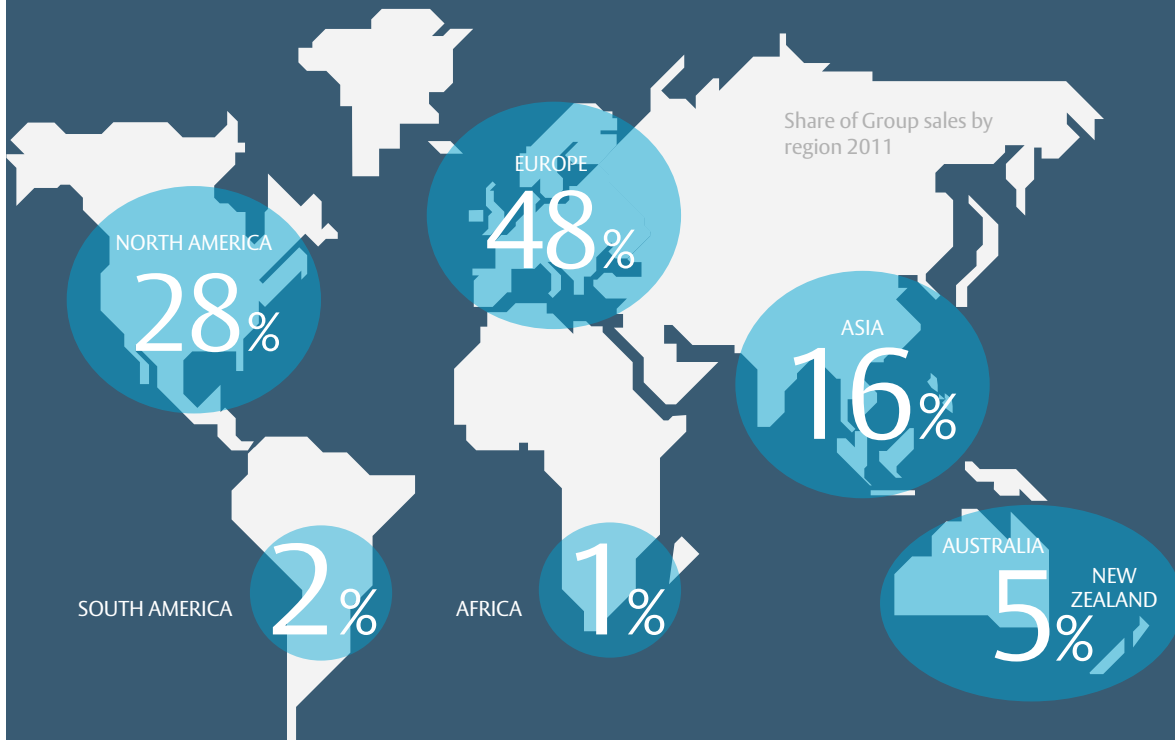


Door closers



# ASSA ABLOY is the global leader dedicated to satisfying end-users and convenience.

ASSA ABLOY is represented on both mature and emerging markets worldwide, with leading positions in much of Europe, North America, Asia, Australia and New Zealand.



Schools and offices



Museums



Homes



Hospitals



Electromechanical locks



Entrance automation



Industrial doors



Digital locks



# Leader in door opening solutions, user needs for security, safety

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.

**42**  
Sales of SEK 42 billion

Since its formation in 1994, ASSA ABLOY has grown from a regional company into an **international group** with around 41,000 employees and sales of around **SEK 42 billion**.

In the fast-growing electromechanical security segment, the Group has a **leading position in areas such as access control, identification technology, entrance automation and hotel security.**

Industry



Arenas



Airports

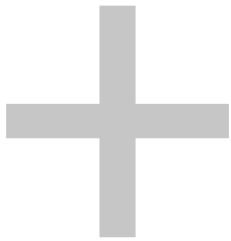


Hotels



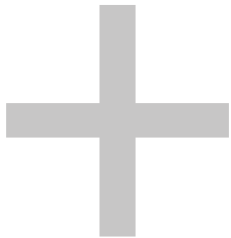
# Creating opportunities for growth and profitability

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



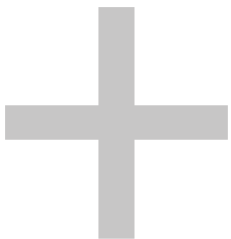
## World-leading market presence

A world-leading market presence is achieved by exploiting the strength of the brand portfolio, increasing growth in the core business and expanding into new markets and segments. ASSA ABLOY has many of the industry's strongest brands. The sales teams on the local markets are united under the ASSA ABLOY master brand to better meet the rising demand for more complete security solutions.



## The Group's product leadership

The Group's product leadership is achieved through the continuous development of products offering enhanced customer value and lower product costs. A key activity for achieving this is the use of common product platforms with fewer components. New products are also being developed in close collaboration with ASSA ABLOY's end-users to enhance customer value.



## Efforts to increase cost-efficiency

Efforts to increase cost-efficiency continue in all areas, including common product platforms with fewer components and common product development. Production combines flexible final assembly close to the customer with the transfer of high-volume standard production to external and internal production units in low-cost countries.



# Increased growth and profitability

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

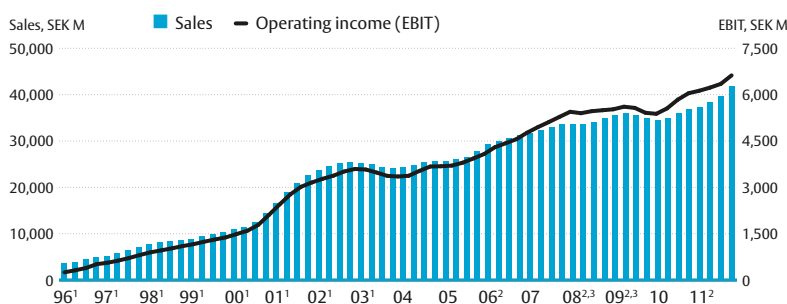
<sup>1</sup> 1996–2003 have not been adjusted for IFRS.

<sup>2</sup> Excluding items affecting comparability.

<sup>3</sup> Reclassification has been made.

ASSA ABLOY ANNUAL REPORT 2011

SALES AND OPERATING INCOME (EBIT)



INCREASE IN SALES

**+1,100%**

INCREASE IN OPERATING INCOME

**+4,100%**

# Statement by the President and CEO

## Winning strategy on a challenging market

2011 was a successful year for the Group despite very challenging market conditions. I am pleased to note that our strategic direction has led to continued profitable growth. Organic growth was a satisfactory 4 percent despite weak demand on mature markets throughout the year. Growth slowed gradually during the year on emerging markets except Asia. Long-term growth is generated by investments in the market organization and new products, and these continued even more intensively during the year. 2011 was also the year the Group made its largest ever structural transaction with the acquisition of Crawford, and the subsequent sales of the divisions that were not a good fit with the business in the long term. A total of 18 companies were acquired during the year, increasing sales by 17 percent. Efforts to increase efficiency continued during the year, and a new restructuring program covering all divisions was launched in late 2011. Strong organic growth, major acquisitions and successful efficiency programs resulted in record sales and earnings and a continued robust financial position.

### Strategic action plans

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

### Market presence

Brand consolidation continued during the year and today a full 80 percent of the Group's products are sold under the ASSA ABLOY brand or the ASSA ABLOY brand combined with the local brand. The remaining 20 percent of products are sold under the global brands Yale, HID, ABLOY and Mul-T-Lock, which complement ASSA ABLOY's market presence and product range. Brand consolidation and rationalization of the product segment mean that wide and total product

programs can be offered to more customers on more markets. This also results in an increased segment focus and lower costs.

ASSA ABLOY not only works with direct customers, particularly distributors, wholesalers and locksmiths, but also with installers, architects and end-customers at all stages to generate increased demand for the Group's products. Specification sales are an important activity in this context, and the number of specification sales representatives in the Group is constantly increasing. Streamlining of the support organization also means that resources can be transferred from pure administration to customer-related tasks.

Emerging markets accounted for 25 percent of Group sales during the year, a threefold increase in just seven years. A continuing increased presence on emerging markets is crucial for sales growth, as these markets will experience much higher growth than mature markets in the foreseeable future.

2011 was an intensive year for acquisitions and a total of 18 acquisitions were completed, with annual sales of SEK 6,800 M, equivalent to 18 percent acquired growth. These

## Important events during the year

- **Sales** increased with 13 percent to SEK 41,786 M (36,823)
- **Operating income** amounted to SEK 6,624 M<sup>1</sup> (6,046)
- **Earnings per share** after full dilution amounted to SEK 12.30<sup>1</sup> (10.89)
- **Operating cash flow** amounted to SEK 6,080 M (6,285)<sup>2</sup>
- **Investments in product development** continued at an accelerated level and a number of **new products were launched**
- **Largest ever structural transaction** through the acquisition of Crawford

<sup>1</sup> Excluding items affecting comparability.

<sup>2</sup> Excluding restructuring payments.



acquisitions complemented the product range, provided new technology and increased the Group's geographical market presence. The acquisition of the Swedish company Crawford, the Group's largest ever structural transaction, accounted for two-thirds of these acquired sales. Other major acquisitions included FlexiForce (Netherlands), Laser-Card (USA), Swesafe (Sweden), Portafeu (France) and Angel Metal (South Korea).

#### Product leadership

The largest driver for organic growth is a continuous flow of innovative new products, with enhanced customer value and lower costs. Successful product development is therefore crucial for the Group's future. ASSA ABLOY's vision is to be the most innovative supplier of total door opening solutions, and investments in R&D have increased annually in recent years. Today the Group employs over 1,200 development engineers, an increase of 32 percent over the past five years.

The Group-wide product development process based on customer needs and the launch of more Group-wide prod-

uct platforms have led to a sharp increase in new products. Sales of products launched in the past three years exceeded 20 percent for the second consecutive year. The target is to reach 25 percent.

Development of Group-wide platforms was successfully carried on by the Group product development function, Shared Technologies, and through collaboration within and between the divisions.

Customers are increasingly demanding more advanced lock and door products, and the technical level is constantly rising. Meanwhile sales of electromechanical door opening solutions are growing considerably faster than those of traditional mechanical products and have risen from 20 percent to 42 percent of Group sales in ten years. The number of installed doors in the market fitted with some form of electromechanical solution is estimated at 3 to 5 percent. This share may very well rise to 20 percent or more in the future, representing a considerable potential for upgrades as well as new sales of these door opening solutions.

Particularly exciting product launches during the year included the wireless networked Aperio cylinder,

Key data	2009	2010	2011	Change
Sales, SEK M	34,963 <sup>1</sup>	36,823	41,786	13%
of which: Organic growth, %	-12	3	4	
Acquired growth, %	3	8	17	
Exchange rate effects, %	9	-6	-8	
Operating income (EBIT), SEK M	5,413 <sup>2</sup>	6,046	6,624 <sup>2</sup>	10%
Operating margin (EBIT), %	15.5 <sup>1,2</sup>	16.4	15.9 <sup>2</sup>	
Income before tax (EBT), SEK M	4,779 <sup>2</sup>	5,366	5,979 <sup>2</sup>	11%
Operating cash flow, SEK M <sup>4</sup>	6,843	6,285	6,080	-3%
Return on capital employed, %	16.2 <sup>2</sup>	18.5	17.4 <sup>2</sup>	
Data per share	2009	2010	2011	Change
Earnings per share after tax and dilution (EPS), SEK/share	9.22 <sup>2</sup>	10.89	12.30 <sup>2</sup>	13%
Equity per share after dilution, SEK/share	54.76	58.64	65.54	
Dividend, SEK/share	3.60	4.00	4.50 <sup>3</sup>	
Number of shares after dilution, thousands	372,931	372,736	371,213	

<sup>1</sup>Reclassification has been made for 2009. <sup>2</sup>Excluding items affecting comparability. <sup>3</sup>As proposed by the Board of Directors.

<sup>4</sup>Excluding restructuring payments.



the innovative Codehandle window and patio door lock, the successful pilot installations using mobile keys and NFC technology, in which the key is received wirelessly by the cell phone, and the Group-wide new door closer product range. Major acquisitions also provided the Group with many new products, including entrance automation products.

### Cost-efficiency

ASSA ABLOY works continuously on improvements to the production structure, product costs and the administrative flow to increase cost-efficiency. Production combines flexible final assembly close to the customer with the transfer of standard production to low-cost countries. Product development focuses on common product platforms with fewer components and an effective product development process. Automated administrative flows, also known as Seamless Flow, and an optimized IT structure are further key activities for increasing cost-efficiency in the Group.

The restructuring programs for the production units have been very successful, resulting in considerable savings and increased efficiency in the Group's production units. A total of 44 units have been closed and a further seven are set to close under the existing programs. A new restructuring program to further improve the efficiency of existing and recently acquired production units in high-cost countries was launched in 2011. This program covers all five divisions and entails the closure of 17 production units and a switch to final assembly in a further number of units, affecting around 2,000 employees in high-cost countries.

In product development, the Group works with common product platforms, fewer components and increased purchases from low-cost countries. The product development process is constantly being improved and Lean-methods are being implemented to further streamline and shorten the development process. During the year, 300 VA/VE analyses were conducted. These target existing product designs and normally lead to a 25 to 40 percent reduction in product cost.

The implementation of Lean-methods continues in the Group's operations. These lead to more efficient production flows, better material cost control, improved decision-making

procedures, shorter development times, and increased cooperation with the marketing and sales organization. The year saw the implementation of over 600 Lean-projects in production units and 150 projects in office administration in the Americas and EMEA divisions, resulting in large savings.

The Group continues its efforts to implement Seamless Flow in administration. This entails a reduction in manual work and an automated 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. A key component is e-commerce with the customers, which has now reached 20 percent, compared with 10 percent three years ago.

The most important activities in IT optimization include a reduction in the number of ERP systems from more than 120 to 6. The number of data centers is to be reduced from 55 to 5 worldwide, while today's more than 80 networks are to be consolidated into just one.

### Development of the divisions

#### EMEA division

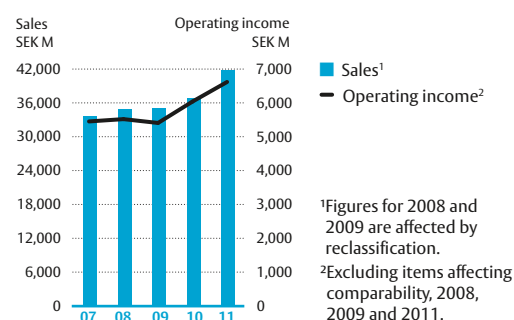
Demand in European markets was weak during the year and strongly impacted by the fiscal problems in many countries and the subsequent budgetary tightening. Organic growth was 0 percent (2). Sales remained unchanged or were slightly positive in the majority of northern and central European markets. Eastern Europe experienced strong sales growth. The southern European markets, particularly Italy and Spain, experienced negative growth. Exports from the southern European companies to North Africa were also negatively impacted by the political unrest in the region.

The wireless networked Aperio cylinder and a brand new Pan-European door closer program were launched during the year. Digital door locks for the residential market were launched on several markets under the Yale brand and were very well received. The division also launched new versions of the innovative electromechanical Cliq Remote cylinder for the commercial market with considerable success.

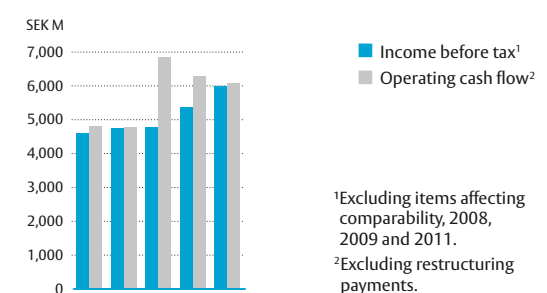
Operating income remained strong due to the restructuring and efficiency measures implemented in recent years.

## PERFORMANCE 2007–2011

### SALES AND OPERATING INCOME



### INCOME BEFORE TAX AND OPERATING CASH FLOW





# » 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

The year saw the acquisition of Swesafe (Sweden), Portafeu (France), Metalind (Croatia) and a number of small distributors in Europe, Latin America and Africa.

## Americas division

Sales increased somewhat in the first half of the year, but the low level of new construction projects particularly in North America resulted in stable sales for the full year. Organic growth was 2 percent (-2). The commercial and institutional segments, which accounts for a large part of the division's sales, showed weak but positive growth, mainly driven by renovations and upgrades. The residential segment, which only accounts for a minor part of the division's sales, experienced good demand during the year due to a number of new product launches. The Latin American markets, apart from Brazil, showed strong growth during the year. The standard of living is constantly rising in these countries, impacting demand positively. In Brazil, however, demand was negatively impacted by the slowing economy, high interest rates and the general downturn particularly in the new construction segment.

Many new electromechanical products and total security solutions for each customer segment were launched.

Marketing initiatives, innovative new products and efficiency measures enabled the division to maintain a strong operating income.

The year saw the acquisition of Electronic Security Devices (USA).

## Asia Pacific division

Sales in China grew strongly during the year, particularly in the security door segment. The growth rate slowed towards the end of the year, mainly caused by the credit restrictions imposed by the Chinese government to avoid overheating in the economy. However, the ongoing programs for publicly subsidized housing projects in inland regions had a positive impact on demand. Sales growth in the South Korean business units was strong during the year, and particularly the export sales of the Group companies iRevo and King grew very strongly. Growth in the rest of Asia was very

strong. On the Indian and Indonesian markets, which have considerable growth potential, sales grow substantially from a small base. In Australia and New Zealand, the market position remained strong, but sales growth was negative during the year, mainly due to a reduction in government stimulus measures. The division reported 9 percent (14) organic growth for the year.

A combination of acquisitions and organic growth has enabled the Group to establish a very strong presence on the Chinese and South Korean markets. In China, sales of security doors in particular have grown very strongly due to the acquisition of Pan Pan. This has led to the establishment of sales channels in new regions in China where growth is expected to be high in the future. In South Korea, acquisitions in recent years have also resulted in strong, market leadership. The Group can now offer a wide product range and total door opening solutions in both these markets. The Group is now establishing itself in a similar way on markets in South and South-east Asia through a combination of acquisitions and organic growth.

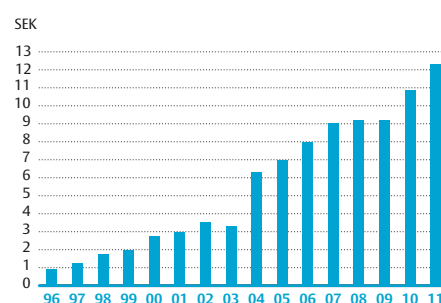
Operating income remained strong despite reduced sales in the profitable markets of Australia and New Zealand and increased sales in emerging markets with lower operating margins.

The year saw the acquisition of Angel Metal (South Korea).

## Global Technologies division

Demand for HID Global's products was strong during the year. New products and active marketing efforts resulted in considerable interest in secure identity solutions in all markets. The traditional product areas in identity and access management showed stable, strong demand. Product development and marketing in recent years in the product area of government ID programs, driving licenses and the like led to a number of major project orders. ASSA ABLOY Hospitality experienced strong full-year growth driven by continued increased demand for renovation and upgrade projects. However, the market for new hotel and cruise ship construction remained at a low level. The division reported 11 percent (10) organic growth for the year.

## DEVELOPMENT OF EARNINGS PER SHARE



[READ MORE ABOUT ASSA ABLOY'S DIVISIONS, PAGE 38–51.](#)



ASSA ABLOY's Executive Team from left: Tzachi Wiesenfeld, Head of EMEA division; Thanasis Molokotos, Head of Americas division; Johan Molin, President and CEO and Head of Global Technologies division; Ulf Södergren, Chief Technology Officer (CTO);

HID Global's acquisition and integration of ActivIdentity (acquired in December 2010) and LaserCard (acquired in January 2011) into its existing operations has provided the unit with a comprehensive set of competencies in secure identity management for government ID programs and a unique technical and knowledge platform for the development of tomorrow's Government ID services.

ASSA ABLOY Hospitality has worked actively to upgrade customers' installed locks from magnetic stripe card locking systems to more secure, flexible and user-friendly locks using radio frequency identification (RFID). Demand for the new contactless RFID hotel locks increased sharply during the year, and more than half a million VingCard RFID locks were installed globally.

The division's operating income showed positive growth but profitability was negatively impacted by the dilutive effect of acquisitions and large project orders.

#### **Entrance Systems division**

New sales of automatic doors showed good growth throughout the year, while service sales continued to grow strongly. Demand increased in the retail, logistics and manufacturing segments, but was more restrained in the health-care segment. Organic growth was 5 percent (-2).

The year saw the major acquisitions of Crawford and FlexiForce. Crawford supplies industrial doors, docking solutions and garage doors, while FlexiForce supplies components for industrial and garage doors. At the end of the year an agreement was signed to acquire Albany Door Systems, which will result in a strong position in high-performance doors. The year also saw minor acquisitions in Canada, Australia and New Zealand, further consolidating the division's world-leading position in entrance automation. The division has grown from SEK 3 billion to over SEK 8 billion in just a few years and now has a strong integrated offering within entrance automation.

Rationalization of the production structure resulted in a good earnings trend.



Jonas Persson, Head of Asia Pacific division; Tim Shea, Head of the ASSA ABLOY Hospitality business unit; Juan Vargues, Head of Entrance Systems division. Denis Hébert, Head of the HID Global business unit; Tomas Eliasson, Chief Financial Officer (CFO).

#### Future development

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

Looking forward into 2012, continued good growth on the emerging markets is expected, but at a lower level than last year. On the mature markets a stable development is expected with an unchanged or slightly positive sales trend. The underlying business cycle continues to be affected by the uncertainty on the financial markets and budget restrictions in many countries, which primarily impacts the market segments that are dependent on public financing.

#### Major efforts by employees

Finally I should like to thank all our employees who contributed to the Group's success 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. Despite fantastic growth during this period, many important markets and product areas remain to be developed. The continued demand for safety and security solutions, as well as population growth and urbanization ensure an underlying structural demand for the Group's products, which will increase over time. Combined with the implemented and planned restructuring measures, this means that we have excellent opportunities for continued growth and good profitability.

Stockholm, 9 February 2012

Johan Molin  
President and CEO



The background of the slide is a photograph of a beach at dusk or dawn. The foreground is filled with dark, wet pebbles of various sizes. In the middle ground, the calm sea meets the shore, with a few dark rocks visible in the distance under a deep blue sky.

## Vision

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

## Financial targets

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

The financial targets are long-term and should be regarded as an average over an economic 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 entrance automation.

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

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

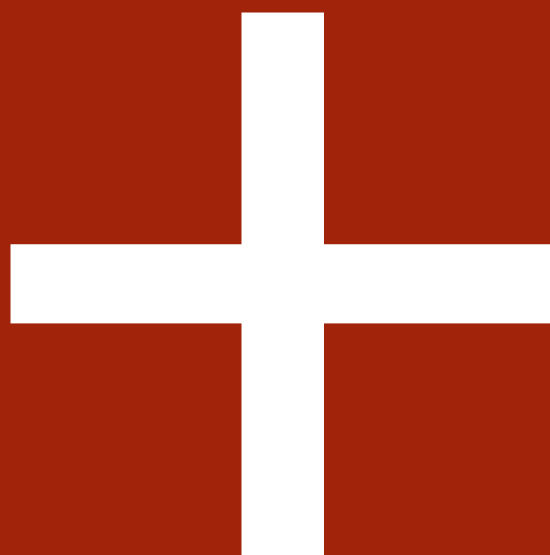






Sustainable door opening solutions from ASSA ABLOY are used throughout 41 Cooper Square, New York City's first LEED Platinum-certified academic building at The Cooper Union for the Advancement of Science and Art.





# 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.

# 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.

### The security market

Today ASSA ABLOY is the global leader in total door opening solutions. As the Group has grown, its product portfolio has expanded and evolved to cover the widely varying needs of airports, schools, hospitals, offices and homes. Growth in the security market is fuelled by several factors. The most salient is the global increase in prosperity and urbanization, which leads to new construction and an increased demand for doors, hardware and access control systems. The general global trend towards increased security places security thinking high on the agenda, driving the development of more advanced solutions and upgrades of existing security systems. Finally, the increasing demand for solutions offering convenience and simplicity in addition to high security may be mentioned.

The total security market consists primarily of security services and electromechanical and mechanical security products. ASSA ABLOY estimates the total security market to be worth over EUR 250 billion. The Group has focused its operations on electromechanical 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 electromechanical security products

The mechanical security product range includes lock cylinders, lock cases, door closers, industrial locks, emergency exit devices and window hardware. ASSA ABLOY is also a major manufacturer of steel security doors and door hardware. Growth in mechanical security products is mainly driven by renovations and replacements of old locks in exist-

ing doors and windows, as well as new construction. The market is growing 1–2 percent above each country's GDP, averaged over an economic cycle, and is relatively stable for ASSA ABLOY. The majority of Group sales are for use in existing buildings and therefore less sensitive to cyclical fluctuations. The large aftermarket, combined with the spread of ASSA ABLOY's sales across a large number of countries with different economic cycles, contributes to stable sales and profitability.

ASSA ABLOY's electromechanical security product range includes electronic cylinders, automatic doors, secure identification and various access control products, some of which use radio frequency identification (RFID). Electromechanical 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 electromechanical security products is estimated to be two to three times higher than for mechanical security products. This is partly due to the fact that today only 3 to 5 percent of all doors have electromechanical locks or access control systems, but this percentage is constantly rising. Electromechanical products account for over 40 percent of Group sales and this percentage is steadily increasing every year.

### Customer segments

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

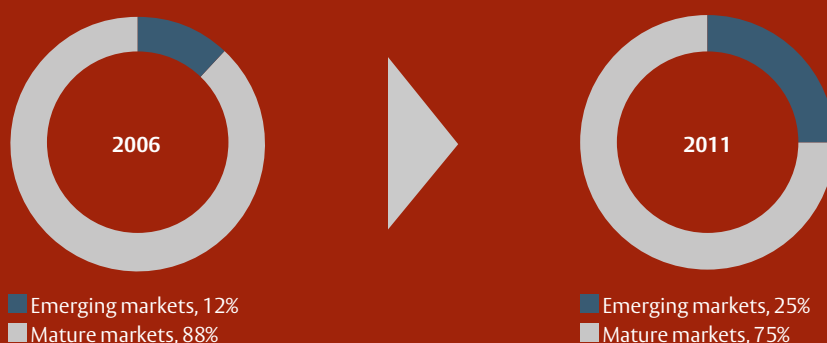
*» Annual growth in the market for electromechanical security products is estimated to be two to three times higher than for mechanical security products «*



# Share of Group sales by region 2011



## INCREASED SALES ON EMERGING MARKETS



# Market presence

## Major customers

### – Institutional and commercial market

This segment consists of institutional and commercial customers such as universities, hospitals, offices, airports and shopping malls, through which a large number of people pass daily. The procurement of these projects is often complex and involves many stakeholders on the customer side, such as property and security managers. ASSA ABLOY's common sales force has developed expertise in understanding the multifaceted needs of end-customers and has contact with many stakeholders in the value chain to develop optimal security solutions for the customer. Distribution and installation are largely handled by installers and locksmiths.

### Small and medium-sized customers

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

### Consumer market

The majority of sales are replacements or upgrades of existing security products. Private customers have a considerable need for advice and installation assistance. ASSA ABLOY

has developed a number of home security concepts to meet consumer needs. In some geographical markets, ASSA ABLOY also works with door and window manufacturers or specialized distribution channels such as DIY stores and locksmiths.

## Distribution channels

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

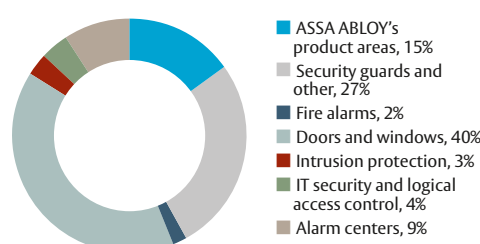
## Differences between markets

North Americans spend more than twice as much on emergency exit devices as Europeans. Conversely, northern Europeans spend three to four times as much on high-security locks for their homes as North Americans. Automatic doors are also much more common in Europe than in the USA. If the demand for both security and evacuation solutions was equally large in Europe and the USA, the total market would roughly double, representing considerable long-term potential for ASSA ABLOY.

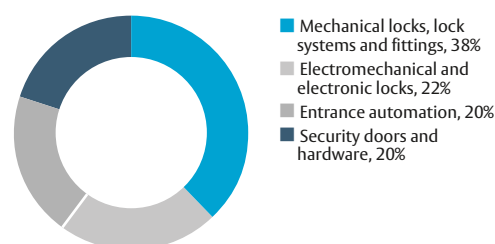
The technological paradigm shift from mechanical to electromechanical locking is considerably larger in the commercial segment than in the private residential segment. However, an increasing number of private individuals want

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

THE TOTAL SECURITY MARKET



ASSA ABLOY'S SALES BY PRODUCT GROUP



electronic locks for their homes, providing a major growth opportunity for ASSA ABLOY. Through its presence in South Korea, the Group is the world's leading producer of residential electronic locks, and a number of products were launched in 2011 on markets in the USA, Australia, the UK and Scandinavia.

Globally, the lock market is still fragmented. However, the market in each country is relatively consolidated, as companies in the industrialized world are generally still family-owned and leaders on their home markets. They are often 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 partly operate 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 have equivalent international market penetration to ASSA ABLOY. The Asian market is still very fragmented; even the largest manufacturers have modest market shares.

*» The majority of Group sales are for use in existing buildings and therefore less sensitive to cyclical fluctuations «*

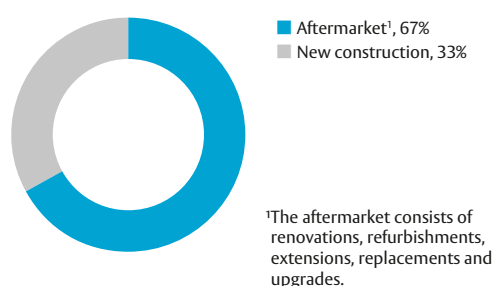
67%

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

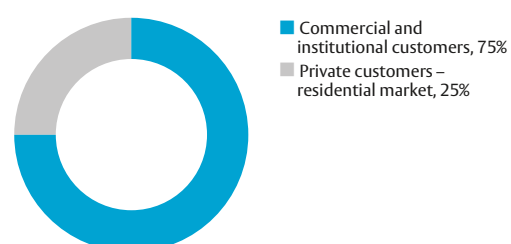
33%

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

#### WHAT DRIVES DEMAND?



#### BREAKDOWN BY CUSTOMER SEGMENT



## INCREASED MARKET PRESENCE

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

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

### **Exploiting the strength of the brand portfolio**

#### **Common sales force**

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

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

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

The master brand is complemented by four global brands, which are all leaders in their respective market

segments. These brands are HID in access control, secure card issuance and identification technology, Yale in the residential market, Mul-T-Lock for locksmiths, and ABLOY in high-security locks. The growing visibility of ASSA ABLOY as the master brand for complete security solutions demonstrates the considerable 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 achieved 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.

#### **Total door opening solutions**

The requirements in different areas vary considerably, since the door opening solution for each door is adapted to the door's location and application, such as whether it is an entrance door, a computer room door or a conference room door. 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 opening frequency, 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.

*» A large aftermarket, combined with global sales across countries with different economic cycles, contributes to stable sales and profitability «*





## ASSA ABLOY'S BRAND STRATEGY

### The ASSA ABLOY master brand

**ASSA ABLOY**

ASSA ABLOY is the Group's master brand under which the sales departments are united.

**80%**

Around 80 percent of products are co-branded with the local brand and the ASSA ABLOY master brand.

### Some product brands

**SARGENT**  
ASSA ABLOY

**IKON**  
ASSA ABLOY

**Corbin  
Russwin**  
ASSA ABLOY

**Ruko**  
ASSA ABLOY

**besam**  
ASSA ABLOY

**TriloVing**  
ASSA ABLOY

**LOCKWOOD**  
ASSA ABLOY

**GULI**  
ASSA ABLOY

**KESO**  
ASSA ABLOY

**VingCard  
Elsafe**  
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.

### Global brands with a unique market position

**HID**

**Yale**

**ABLOY**

**MUL-T-LOCK**

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

## Tracking flowers around the world with ASSA ABLOY

### Customer:

Flora Holland is one of the world's largest flower auction houses, with five auction centers across the Netherlands. The auction house rents stacking carts to customers for the transport of flowers and plants around the world.

### Challenge:

Flora Holland merged with the Aalsmeer Flower Auction in 2009. Since then, there has been a need to develop a single uniform stacking cart system for more than 250,000 carts which are in circulation around the world.

### Solution:

ASSA ABLOY Nederland was called in to develop a prototype for a new lock plate for the stacking carts with a profile cylinder and unique key profile that could be tracked using an RFID tag. The auctioneer ordered 145,000 lock plates in total.

# Market presence

# 75%

of sales are to the institutional and commercial market.

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

# 25%

of sales are to private customers and the residential market.

## DISTRIBUTION CHANNELS FOR THE SECURITY MARKET

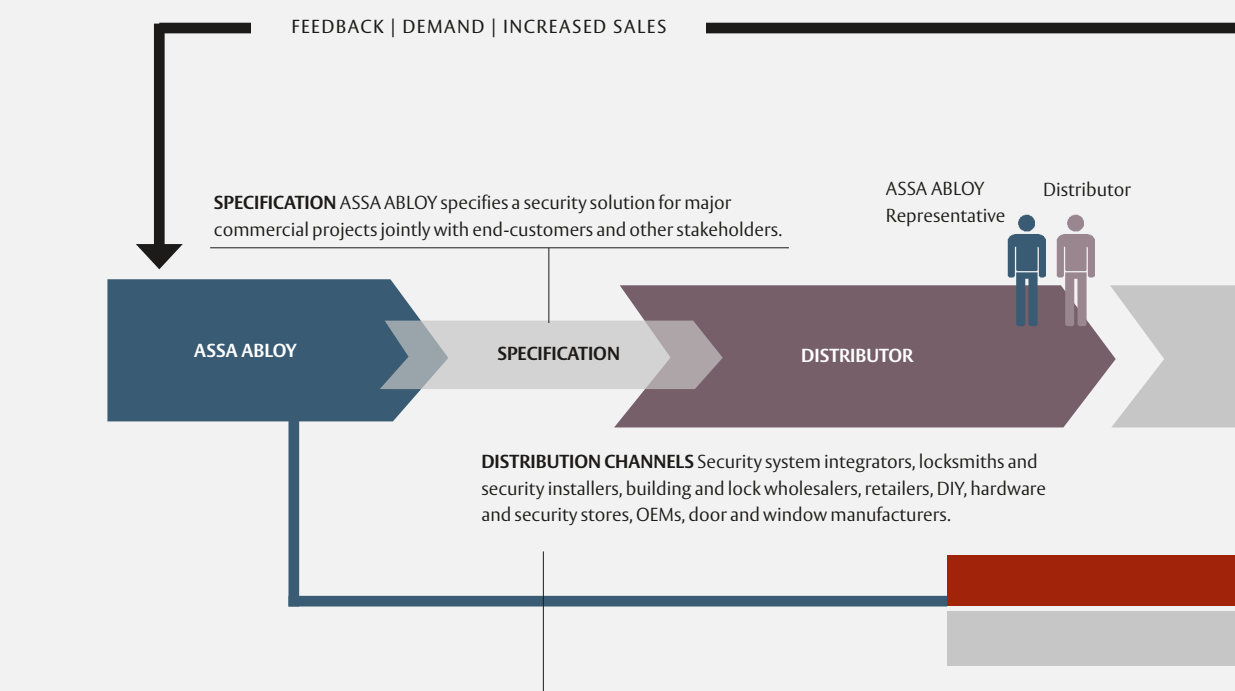
### *Specification of door opening solutions increasingly important*

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, electromechanical 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.

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### Expanding into new markets and segments

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

Geographical expansion is mainly achieved through acquisitions. Establishment on markets with rising populations and developing economies enables the Group to build a strong platform for future growth. Emerging markets in Asia, eastern Europe, the Middle East, Africa and South America accounted for 25 percent of total Group sales in 2011, compared with 12 percent five years ago. The Group's

presence on the OEM market for door and window manufacturers varies between markets, providing considerable potential for increased market penetration.

The global door market is worth around EUR 80 billion and is an area with considerable growth potential. Since 2000, Group sales of security doors have risen from SEK 2 billion to over SEK 8 billion and accounted for 20 percent of total Group sales in 2011.

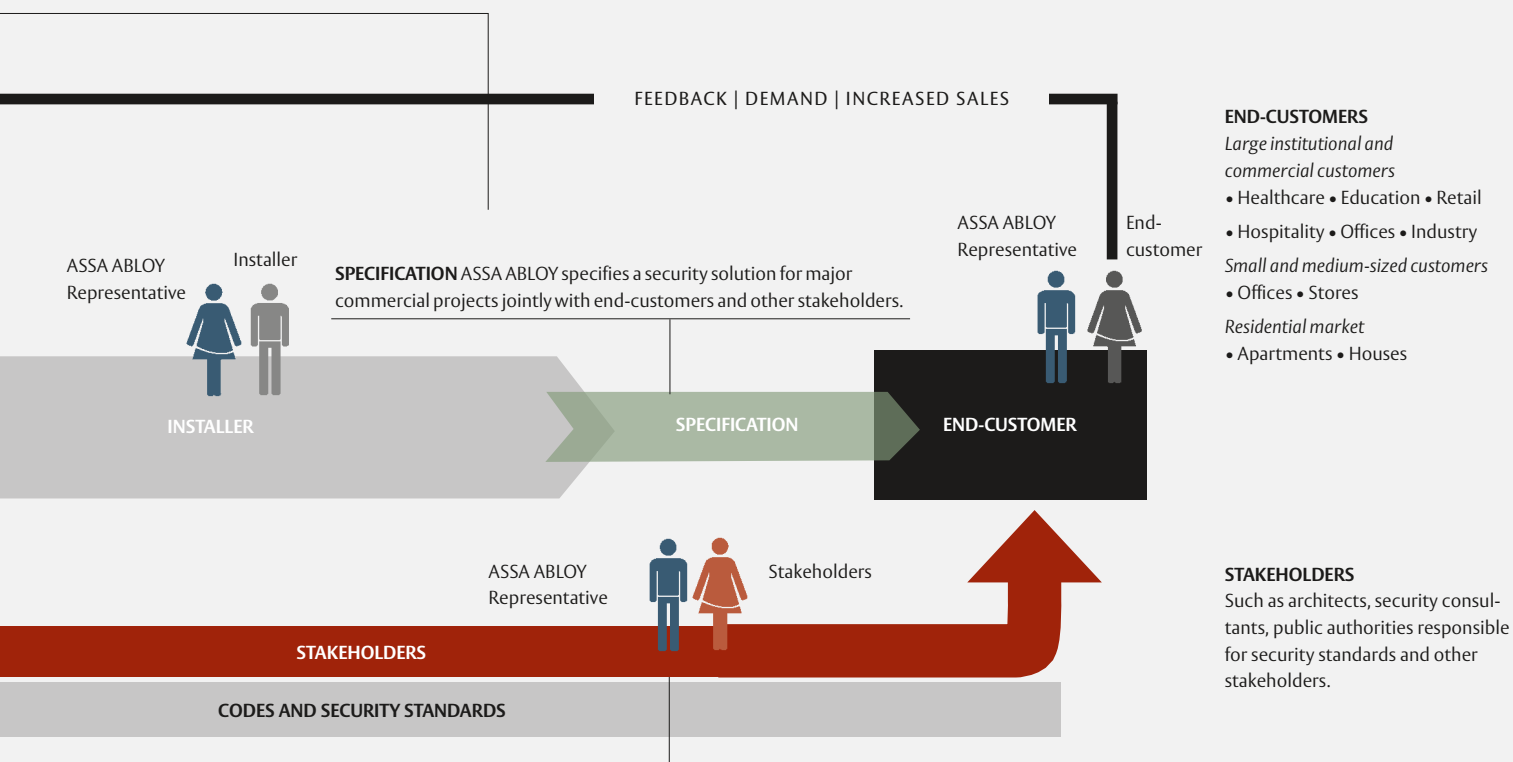
The door automation market is another area with very large growth potential. Traditionally ASSA ABLOY has only been active in door automation for people traffic. Through the recent acquisitions within the Entrance Systems division,

## » 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 «

### Increased focus on distributors

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

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



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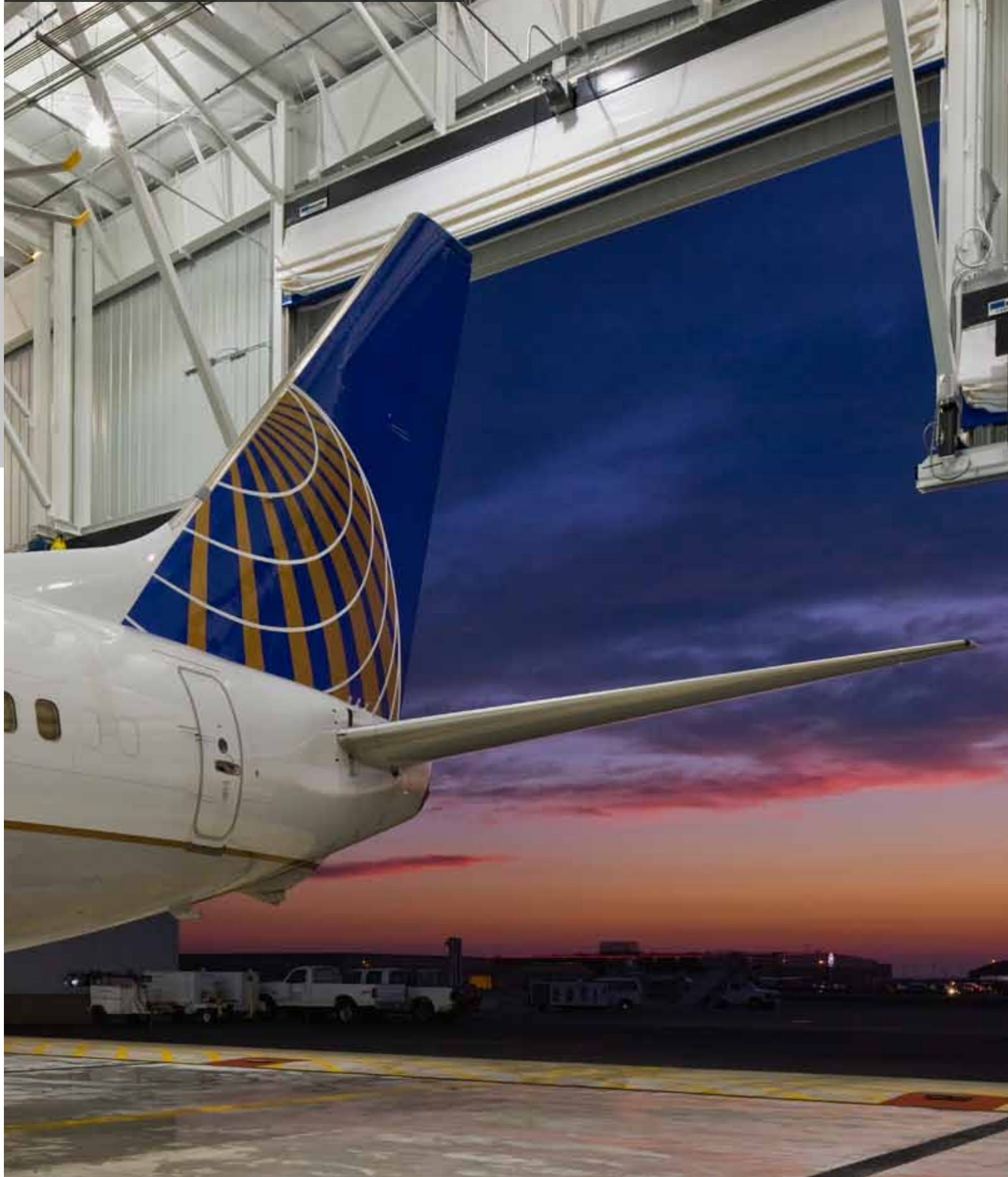
the Group has entered the much larger entrance automation market, which includes industrial doors, systems for loading docks and garage doors. The global entrance automation market is estimated at EUR 15 billion and is still very fragmented.

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

The increased demand for electromechanical products is one of the clearest trends in the security market.

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

With its unique cold weather and energy-saving features, a Megadoor door system was the perfect solution for Continental Airlines' hangar doors at Cleveland Hopkins International Airport.







# 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

A constant flow of innovative new products to the market is the single most important source of organic growth. Successful product development is therefore vital for the Group's future. In 2011 sales of products launched in the past three years exceeded 20 percent of total sales, and the target is 25 percent. ASSA ABLOY's vision is to be the most innovative supplier of total door opening solutions, and investments in R&D have increased substantially in recent years. ASSA ABLOY is creating tomorrow's secure, convenient and flexible security solutions by developing Group-wide technology platforms.

### Product leadership

Successful product development and product leadership are the single most important driver for maintaining the target of 5 percent organic growth per year over an economic cycle. The focus on product leadership has been very consistent and can be seen in the number of product development engineers, which has risen by 32 percent to over 1,200 people in five years. Sales of products launched in the past three years exceeded 20 percent of total sales for the second consecutive year, a sharp increase in just a few years. The target is 25 percent, which is a well-considered level in view of the 10 to 15-year product life cycle.

Product leadership is achieved and maintained through the continuous development of products offering enhanced customer value and lower product costs, often in close collaboration with ASSA ABLOY's end-users and distributors.

The product development process is under constant improvement and renewal. Several customer segments were studied in detail during the year giving rise to interesting new product concepts. ASSA ABLOY Future Lab is an internet forum in which the Group can ask customers questions to obtain information on long-term trends and product initiatives. The implementation of Lean Innovation has shown that development time can be halved and results improved. Using this new approach, the Group has also seen the benefit of continuous parallel technology development. Customers are increasingly demanding more advanced lock

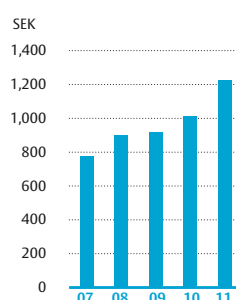
and door products and the technical level is constantly rising, with electromechanical door opening solutions growing considerably faster than traditional mechanical products. Global common product platforms adapted to the local markets have therefore become increasingly important. These platforms are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

### Today's customer base helps 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. Electromechanical products including entrance automation, have risen from 20 percent to 42 percent of Group sales in ten years. This does not mean that sales of mechanical products are falling but that electromechanical products are growing three to four times faster. An increased share of electromechanical products also means an increase in the sales value per door, as well as in the recurring revenue from service and upgrades. The number of installed doors in the market fitted with some form of electromechanical solution is estimated at 3 to 5 percent. This share may very well rise to 20 percent or more in the future,

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

INVESTMENTS IN RESEARCH AND DEVELOPMENT<sup>1</sup>



<sup>1</sup>Reclassification has been made for 2008 and 2009.

representing a very large potential for upgrades as well as new sales of these door opening solutions.

People are assigned access rights to doors or computers. Keys, cards and other ID credentials are assigned codes, and these codes and access rights are managed securely and distributed encrypted. ASSA ABLOY has further consolidated its position in secure identification through acquisitions during the year. Since the acquisition of HID Global ten years ago, ASSA ABLOY has had clear market and product leadership in secure identity solutions, and sales currently total over SEK 4 billion. In North America, products from HID Global are estimated to account for 70 percent of the installed lock base, and the position is also strong on other markets.

#### Security and convenience

Security is not just a question of identification. The mechanical and electromechanical products that prevent intrusion and permit rapid evacuation are just as important to the final solution. A well-specified security solution also takes into account the design of the products and ensures that they facilitate use. The Group's electromechanical products help to meet all these security requirements. The electromechanical segment is growing rapidly and now accounts for 42 percent of Group sales.

#### Substantial strengthening of entrance automation offering

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

It is increasingly important to be able to offer a total entrance automation solution comprising both automatic door opening solutions and industrial doors. The service offering can therefore be expanded to include automatic entrances for pedestrian traffic at the front of a commercial building and for goods deliveries at the rear of the building. A number of acquisitions in 2011 have strengthened the product range with solutions for all entrances and doors in which central control systems can minimize drafts and energy losses in buildings. Entrance Systems division's sales have risen from SEK 3 billion to SEK 8 billion in five years,

and the target is SEK 20 billion by 2015. This means that the Group has gained clear product and market leadership in entrance automation.

#### RFID enhances security and is user-friendly

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

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

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

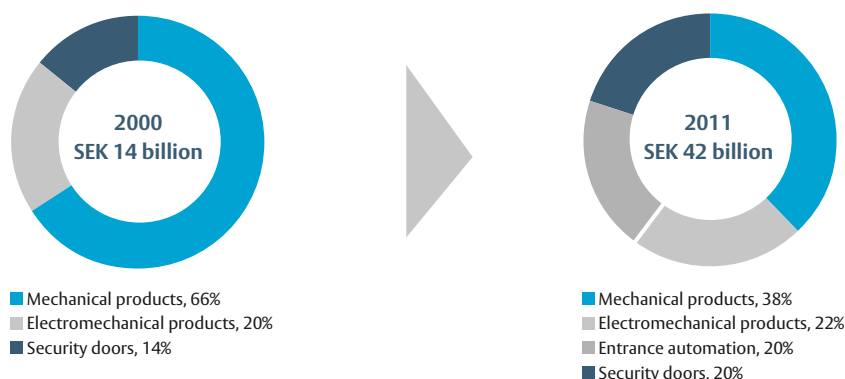
RFID technology is also the basis for the rapid expansion of logical access control, in which computers are provided with ASSA ABLOY's software that prevents start-up if the user fails to present the right access card.

The Secure Identity Object (SIO) product developed in-house during the year has further increased security in access control.

#### Cell phone replaces key

In the hotel segment, VingCard has used RFID and the wireless technology offered by mobile telephony in combination with near field communication (NFC). The hotel guest can use their cell phone 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. In 2011 collaboration in NFC technology at Arizona State University was launched with RIM, which manufactures smartphones under the BlackBerry brand. This received a very positive response from students.

#### CHANGE IN PRODUCT MIX



Project specifications and collaboration with architects to create total security solutions are important for driving increased sales for ASSA ABLOY.



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

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. More than half a million hotel rooms out of ASSA ABLOY Hospitality's installed base of over 7 million rooms have been recently fitted with or upgraded to RFID solutions, and interest in the technology just continues to grow.

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

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

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.

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

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

ASSA ABLOY continues to develop a Group-wide product development process with the aim of halving development time and increasing the number of new products. A clear gateway model with common terminology and interdisciplinary collaboration ensures the quality of the product development process. Product management is a very important factor, and the number of product managers increased sharply during the year.

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

A number of in-depth studies conducted jointly with customers have resulted in the development of many new concepts and products.



# Some ASSA ABLOY products

## Digital door locks for housing in Scandinavia

The smart digital door lock, Yale Doorman, was launched in Scandinavia in 2011. The lock allows users to lock and unlock their homes using electronic key fobs, a PIN code or remote control. The key fob can be easily blocked if lost and a new one registered by the user.

The PIN code allows access at all times without a key. A temporary code can also be communicated by phone to a person who needs to gain access to the home.

The lock is self-locking, making the family more secure at home and confident the door is locked when away from home.

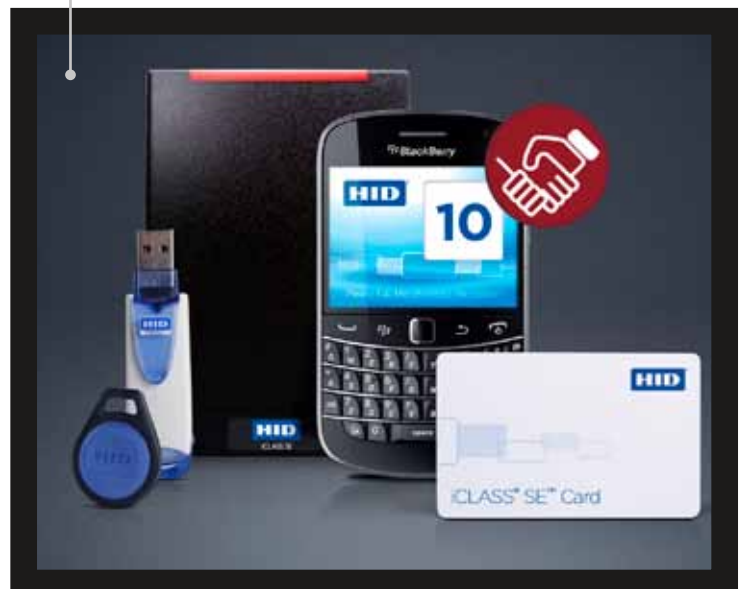
Yale Doorman is user-friendly owing to the simple key setting and registration process, spoken instructions in all the Scandinavian languages and the illuminated keypad.

## Mobile Access Technology Wins SESAME

HID Global's Secure Identity Objects™ (SIO) technology won the 2011 SESAME award for innovation at CARTES. Delivering enhanced security, portability and flexibility, SIO technology operates within HID's Trusted Identity Platform® (TIP™) that enables digital credentials to be securely embedded into a variety of trusted devices, including Near Field Communications (NFC) mobile phones and related devices. To accommodate evolving security challenges, SIO technology also provides users with the ability to dynamically increase security levels updates to efficiently address future changes in requirements as they occur.

## State-of-the-Art Platform Delivers High-Security Access Control Features

HID Global's new EDGE EVO® and VertX EVO™ controller platform for IP access control solutions is an open and scalable platform that provides organizations with the most extensive access device systems. The platform delivers enhanced security features including superior performance and future upgrade options, extending the value of an open architecture access control development platform by protecting an organization's hardware investment for end-user installations. EDGE EVO and VertX EVO include a comprehensive Developer Tool Kit that is equipped with OPIN API for both migration from HID Global's premier EDGE® and VertX® controller technology as well as new development using the latest platform.



# Some ASSA ABLOY products

## Norton SafeZone

Norton's SafeZone door closer/holder is an award winning innovation featuring a built-in motion sensor that detects movement through a doorway.

SafeZone enhances the safety and convenience features of an opening by holding the door open to allow safe passage for slow moving people like the very young, elderly or infirm. It also eases the way for carts, gurneys or other bulky objects that are difficult to navigate through an opening equipped with a standard door closer.

Ideal for use in healthcare facilities, schools and retail stores, SafeZone eliminates unnecessary cycles on openings subjected to heavy traffic of people or equipment by holding the door open as long as needed. This reduces damage caused by equipment hitting the door. SafeZone also reduces the likelihood a door will be propped open, resulting in energy savings and increased security.

## Opening doors with a cell phone

The market for mobile access control is growing strongly. ASSA ABLOY Mobile Keys and NFC-enabled phones now make it possible to unlock doors securely using a cell phone. The mobile key is transmitted to the NFC-enabled phone where it is stored in a secure element. When the user holds the phone in front of a lock or reader access rights and identities are transferred to the lock in a similar way to using an access card. Transmitting mobile keys wirelessly to cell phones has had a major influence on the access control industry. A cell phone can now be used to open doors in homes, hotels, universities and commercial buildings.

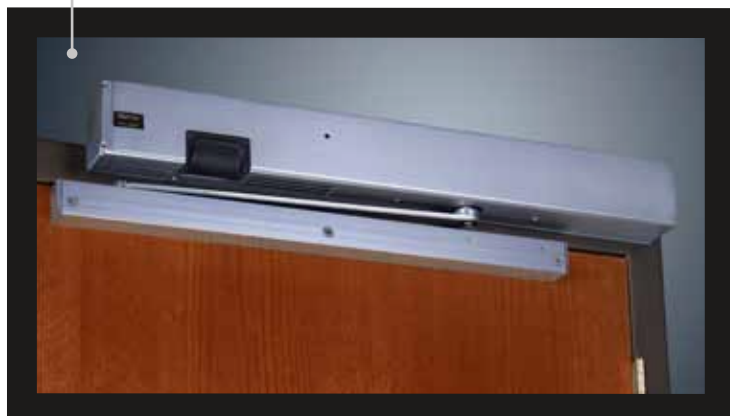
ASSA ABLOY Mobile Keys provide the infrastructure and the technology that allow the transfer of physical keys and access cards to a cell phone.

## Attractive design and customer needs in focus

The Crawford 242FG overhead sectional door is a fully glazed door, designed to be used when there is a need for light, exposure, or vision. Typical applications are show-rooms, fire stations, or other applications where optimal daylight inlet and/or exposure possibilities are desirable.

The panels are fully glazed, which gives the door a modern, attractive and unique appearance.

The Crawford 242FG overhead sectional door is designed to meet all operational and safety requirements in the European Directives and the standards issued by the European Standardization Committee, CEN.



#### Cliq Remote is controlled by mobile phone

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

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

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

The locking system, which was launched in 2010, has attracted great interest and ASSA ABLOY has received a number of large order of the system during 2011.

#### Tight-sealing sliding doors improve energy savings for Besam customers

Besam has launched greener configurations for their existing sliding door profile packages. The TightSeal features extra brushes and rubber bumpers for a more energy-saving seal and the configuration is available for existing as well as new sliding door systems. Benefits include less air leakage and water infiltration, which is especially optimal during non-business hours but also beneficial whenever the door is closed during opening hours.

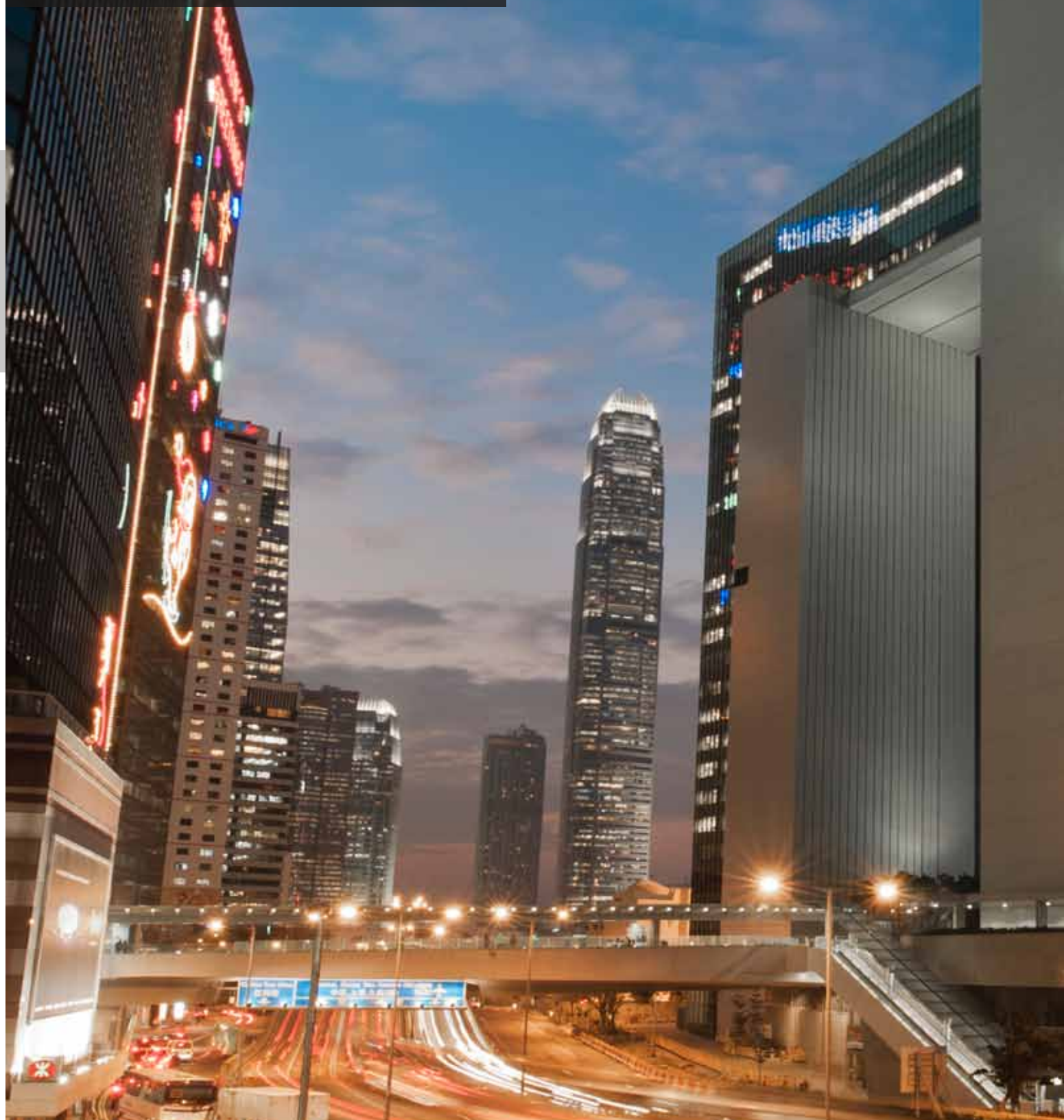
Studies show that reducing air leakage can lead to energy savings of up to 60 percent compared to standard sliding door systems. Depending on the configuration, the very attractive payback time for the customer is between 12 and 24 months. When fitted to the Besam Frame and Slim Thermo, these automatic door systems meet BS EN 12207 (Air Permeability) Class 1 standards for thermal efficiency, an official European regulation that will come in to force in 2013.

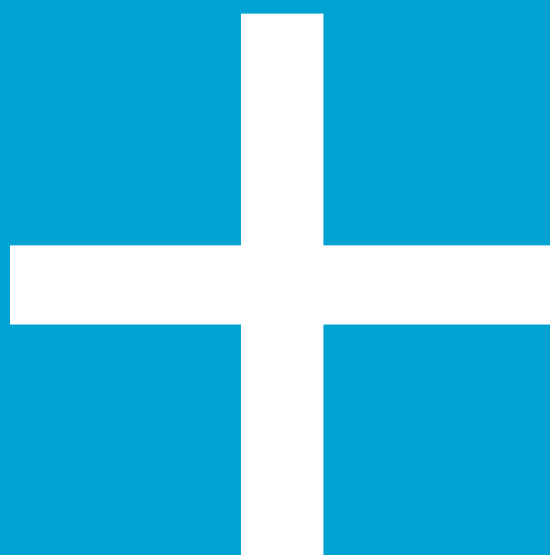




Tamar is the government headquarters in Hong Kong that includes The Central Government Complex and Legislative Council. It is the administrative and executive hub of the Hong Kong government. The building complex also contains an open space for public as recreational facilities.

ASSA ABLOY has supplied a total door- and security solution comprising high security locking and entrance automation while keeping a large degree of flexibility and convenience.





# Cost-efficiency

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

# Cost-efficiency

## Successful restructuring programs

ASSA ABLOY works continuously on improvements to the production structure, product costs and the administrative flow to increase cost-efficiency. Production combines flexible final assembly close to the customer with the transfer of standard production to low-cost countries. Product development focuses on common product platforms with fewer components and an effective product development process. Automated administrative flows, also known as Seamless Flow, and an optimized IT structure are further key activities for increasing cost-efficiency in the Group.

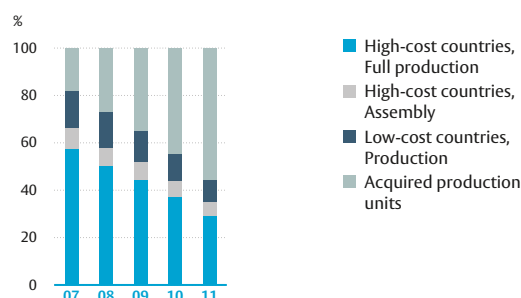
### Successful improvements to production structure

The restructuring programs for the production units have been very successful, resulting in considerable savings and increased efficiency in the Group's production units. At year-end the three restructuring programs launched between 2006 and 2009 had led to the closure of 44 production units, and the closure of a further seven units is planned before the programs are fully implemented. In addition, the majority of the remaining production units in high-cost countries have switched from full production to mainly final assembly and customization. As a result of this restructuring, 5,869 employees have left the Group and a further 457 redundancies are planned.

A new restructuring program to further improve the efficiency of existing and recently acquired production units in high-cost countries was launched in 2011. This program covers all five divisions and entails the closure of 17 production units and a switch to final assembly in a further number of units, affecting around 2,000 employees in high-cost countries.

Standard production has been increasingly transferred to internal and external production units in low-cost countries. Today 48 percent of products are manufactured in low-cost countries, compared with 33 percent five years ago. This is also reflected in the distribution of the Group's staff, as 51 percent of total employees are now located in low-cost countries, compared with 34 percent five years ago. The production process has been improved, while local presence on end-customer markets in both high- and low-cost countries ensures fast delivery and efficient assembly of customized products.

CHANGE IN PRODUCTION STRUCTURE



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

### VA/VE

Value Analysis/Value Engineering (VA/VE) is a methodology involving both product improvements and cost savings. A total of over 300 studies were conducted during the year involving 1,900 employees. Cost savings for a product are normally between 25 and 40 percent in a study. Since the methodology was introduced in 2007, more than SEK 430 M in savings have been identified and implemented.

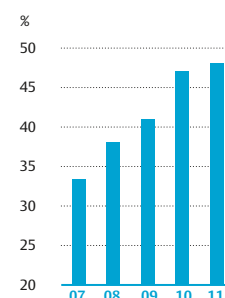
### Implementation of Lean methods

The implementation of Lean methods continues in the Group's operations. These methods lead to more efficient production flows, better material cost control, improved decision-making procedures, shorter development times and increased cooperation with the marketing and sales organization. The year saw the implementation of over 600 Lean projects in production units and 150 projects in office administration in the Americas and EMEA divisions.

### Seamless Flow and IT

Administrative support functions in the Group account for 30 percent of all staff and more than 40 percent of the total personnel cost. This represents around 25 percent of sales. The most important activity for streamlining these functions across the business is automated flows. The implementation of automated flows is known as Seamless Flow, and the goal is to reduce or totally eliminate manual work in all processes. Seamless Flow is a process project in which a coordinated and optimized IT structure is fundamental for implementation.

SHARE OF PRODUCTION IN LOW-COST COUNTRIES

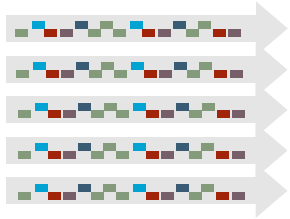


The share of the Group's total purchases of raw materials, components and finished goods from low-cost countries has increased from 33 percent to 48 percent over the past five years.

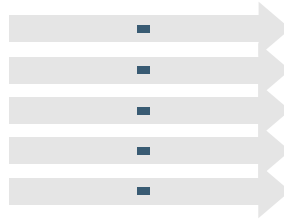


## IT OPTIMIZATION

FROM MORE THAN 120 ERP SYSTEMS



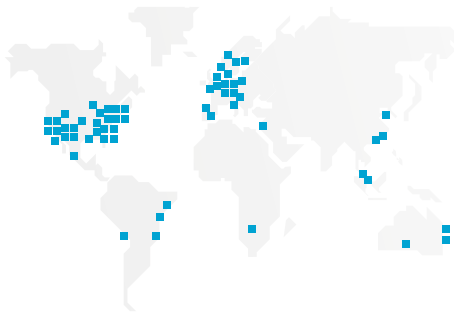
TO 6



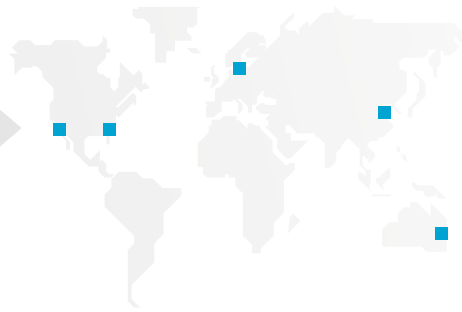
SHARED SERVICE CENTER

COMMON ERP  
PLATFORM

FROM MORE THAN 55 DATA CENTERS

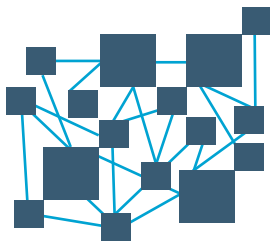


TO 5

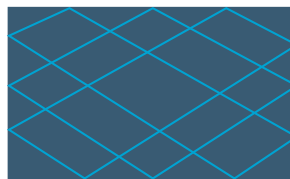


SCALABLE  
IT INFRASTRUCTURE

FROM MORE THAN 80 NETWORKS



TO 1

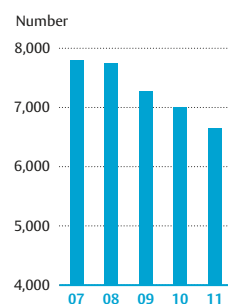


RELIABLE AND  
SECURE IT ENVIRON-  
MENT

On the customer side, this means e-ordering by both large and small customers. On the supplier side, e-purchasing is to be introduced. Manufacturing, product development, logistics and other internal process are to be included in Seamless Flow.

The most important activities in IT optimization include a reduction in the number of ERP systems from more than 120 to 6. The number of data centers is to be reduced from 55 to 5 worldwide, while today's more than 80 networks are to be consolidated into just one.

NUMBER OF SUPPLIERS



Reducing the number of suppliers helps to cut costs and improve quality. By active efforts, ASSA ABLOY has reduced the total number of suppliers by 20 percent over the past five years.

The implementation of Seamless Flow and the coordination and optimization of the IT structure will also enable the efficient coordination of support functions.

### Professional sourcing

In the purchasing area, a comprehensive supply management project for raw materials and components is in progress. This is increasingly important as areas of component supply are outsourced to external suppliers in low-cost countries, while the Group is striving to increasingly exploit economies of scale. Increased outsourcing has resulted in material costs rising from 28 percent to 36 percent of sales in five years. This increase is 85 percent in absolute terms. This makes totally new demands on the purchasing organization, which has moved from simple call off to professional sourcing. The divisions have appointed specialized purchasing managers for each component category. A number of central purchasing centers have been established in the Group to efficiently handle different component categories. Moreover, these activities have resulted in a 20 percent reduction in the number of suppliers over the past five years, despite a 50 percent increase in sales over the same period as a result of organic and acquired growth.



## Security on track on the Beijing metro line with HID Global

- Customer:** The Fangshan line of the Beijing metro is 25 km long with 11 stations and has been operating since December 2010.
- Challenge:** To ensure the metro is running safely, the physical access system needed to prevent unauthorized access and closely manage access to all stations, electrical substations, parking lots and major facilities at metro line sections. It also needed to safeguard equipment and staff at key locations.
- Solution:** HID Global's VertX V1000 controller and partner software offered a centralized, web-based access control system to monitor all stations and site equipment in real-time. Each station control center can now also operate independently using an HID V100 reader interface when communication is lost with the host. HID iCLASS R10 readers were installed at the entry points including office, equipment and mechanical rooms.



# ASSA ABLOY equips state-of-the-art veterinary school

## Customer:

The University of Queensland's School of Veterinary Sciences is a 14,000 square meter teaching complex, spanning five buildings and includes a major research facility, a teaching hospital, laboratories, animal-holding facilities and administrative facilities.

## Challenge:

The veterinary school recently relocated, and the school's new state-of-the-art location needed a range of locking systems that would secure access to the many buildings and facilities in the complex.

## Solution:

ASSA ABLOY Australia was chosen to provide all the locks – a range of mechanical and electronic locks for the veterinary school. The facilities were equipped with Lockwood 3570 and 3580 mechanical and electric mortise locks, 1800 and 4800 series plate furniture, 7,714 door closers and ABLOY Protec keying.





The National Stadium in Warsaw was built for UEFA EURO 2012. Apart from the football stadium, the development includes restaurants, conference facilities and offices as well as a VIP department and a sports museum. Over 2,000 ASSA ABLOY door closers, 950 ABLOY electromechanical locks, 1,800 HID readers, 1,800 ABLOY Protec cylinders and 50 panic exit devices were used to meet the stadium's unique security requirements.







# 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

Today ASSA ABLOY is the global leader in intelligent door opening solutions following 17 years of successful expansion. Since its formation in 1994, the Group has expanded successfully through a combination of organic growth and acquisitions, transforming the company from a traditional lock company into a modern, multinational security company in intelligent door opening solutions.

## » Successful expansion through organic growth and acquisitions «

### Growth from SEK 3 billion to SEK 42 billion in 17 years

Since ASSA ABLOY's formation, Group sales have risen from SEK 3 billion to SEK 42 billion. Today the Group has around 41,000 employees, compared with 4,700 employees in 1994. Operating income (EBIT) excluding items affecting comparability has increased from SEK 156 M in 1994 to SEK 6,624 M in 2011, an increase of over 4,100 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 60 countries and sales worldwide. 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 account for 25 percent of total Group sales, while China accounts for over 9 percent of total sales.

Today more than one in ten lock purchasers worldwide choose 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, with market penetration

mainly in northern and central Europe. Over the past 17 years, market penetration has become global as a result of acquisitions and organic growth. The product offering has gradually widened from traditional lock products to include security doors, entrance automation and secure identity solutions. Launches of innovative new products continued in 2011, particularly in the fast-growing product segments of electromechanical locks, entrance automation, access control and identification technology. Today the original product areas account for 38 percent of Group sales, due to the widening of the product offering and to the much higher growth rate in the new electromechanical product segments.

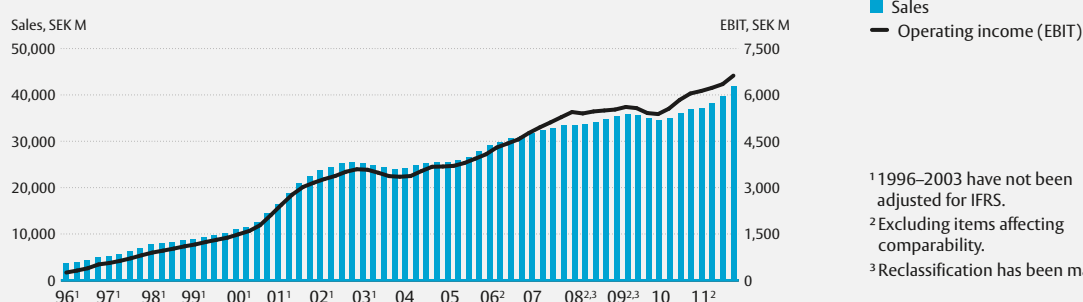
New technology areas and innovative products are the most important driver for organic growth and the Group therefore invests heavily in R&D. Investments in product development have increased by between 10 and 20 percent per year in recent years and today the Group employs over 1,200 development engineers.

ASSA ABLOY has come a long way in 17 years. However, the Group has high targets and expectations for its future development. The demand for secure and safe security solutions is constantly increasing and will offer the Group major opportunities.

# 4,100%

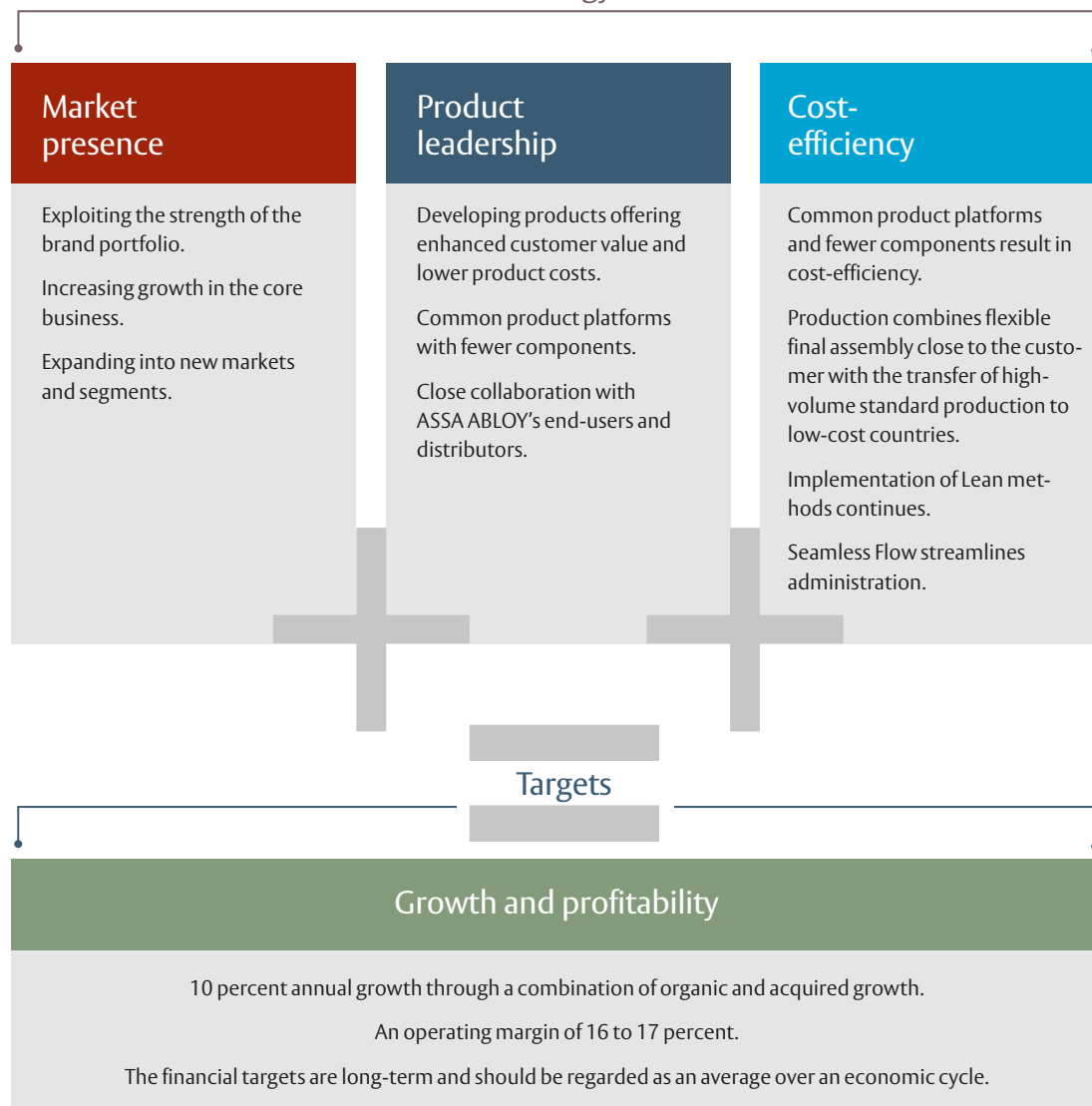
Operating income (EBIT) has increased by over 4,100 percent in 17 years.

SALES AND OPERATING INCOME (EBIT)





## Strategy



## ASSA ABLOY'S DEVELOPMENT AND ACQUISITIONS 2007–2011

### 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, making it easy for customers to upgrade their access control systems. *Other acquisitions:* Beijing Tianming and Shenfei (China), Gardesa and Valli & Valli (Italy), Copiax (Sweden), Cheil (South Korea) and Rockwood (USA).

### 2009 – Strong results despite weak market

Acquisition of the Ditec Group, a leading company in automatic doors, industrial doors, high-performance doors and gate automation. *Other acquisitions:* Portsystem 2000 (Sweden), Maiman (USA) and Cerracol (Colombia).

### 2010 – Acquisitions strengthen customer offering in Asia

Acquisition of Pan Pan, China's largest manufacturer of high-security steel doors, King Door Closers, South Korea's leading manufacturer of door closers, Paddock, the UK's leading manufacturer of multi-point locks, ActivIdentity, a leader in secure identity solutions (USA), Security Metal Products (USA) and LaserCard (USA). *Other acquisitions:* Interest in Agta Record (Switzerland).

### 2011 – Global leader in entrance automation

Acquisition of Crawford and FlexiForce, which strengthen the customer offering in industrial doors, docking solutions and garage doors. An agreement was signed to acquire Albany Door Systems, a global leader in automatic high-performance doors. *Other acquisitions:* Swesafe (Sweden), Portafeu (France), Metalind (Croatia), Electronic Security Devices (USA), and Angel Metal (South Korea).

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

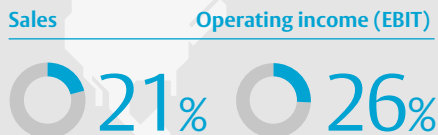
# ASSA ABLOY's

ASSA ABLOY is divided into three regional and two global divisions. The regional divisions manufacture and sell mechanical and electromechanical locks, cylinders and security doors adapted to

## Divisions

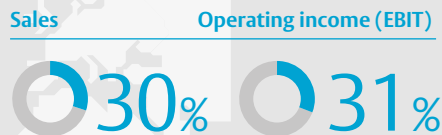
### Americas [page 42](#)

#### SHARE OF GROUP



Americas division manufactures and sells mechanical and electromechanical locks, cylinders, security doors and door frames in North and South America.

### EMEA [page 40](#)



EMEA division manufactures and sells mechanical, electromechanical and electronic locks, cylinders, security doors and fittings in Europe, the Middle East and Africa.

### Asia Pacific [page 44](#)

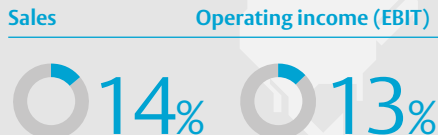


Asia Pacific division manufactures and sells mechanical and electromechanical locks, cylinders, high-security doors and hardware in China, Asia, Australia and New Zealand.

## Division

### Global Technologies [page 46](#)

#### SHARE OF GROUP

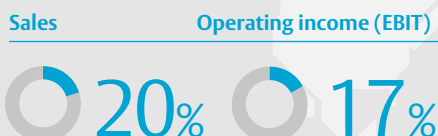


Global Technologies is a global leader in electronic security solutions. The division consists of two business units: HID Global which is a global leader in secure identification and access control solutions, and ASSA ABLOY Hospitality which is a global leader in electronic lock systems and safes for hotels and cruise ships.

## Division

### Entrance Systems [page 50](#)

#### SHARE OF GROUP



Entrance Systems division is a global leader in entrance automation products, components and service. The product range includes automatic swing, sliding and revolving doors, air curtains, gate automation, garage doors, industrial doors, docking solutions and hangar doors. The acquisition of Albany Door Systems greatly strengthens the position within high-performance doors.

# divisions

the local market's standards and security requirements. The global divisions manufacture and sell electronic access control, identification products and entrance automation on the global market.

## Products and brands

The products consist mainly of mechanical and electromechanical locks, cylinders, high-security doors and hardware.

Some of the divisions' largest brands are:

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

**Americas:** Ceco, Corbin Russwin, Curries, Emtek, Medeco, Phillips, SARGENT and La Fonte.

**Asia Pacific:** Baodean, Gateman, Guli, King, Pan Pan, Shenfei, Tianming, Wangli, Yale, Lockwood and Interlock.

### Lock and locking systems



### Electromechanical locks



## Products and brands

HID Global is a global leader in secure identity solutions, primarily in identity and access management, and in contactless identification solutions under the HID brand.

ASSA ABLOY Hospitality is a global leader in electronic lock systems and safes for hotels and cruise ships under the VingCard Elsafe brand.

### Access control



### Mobile keys



## Products and brands

The product range includes automatic swing, sliding and revolving doors, air curtains, gate automation, garage doors, industrial doors, docking solutions and hangar doors. The acquisition of Albany Door Systems greatly strengthens the position within high-performance doors.

The products are sold under the global leading brands of Besam, Crawford, Megadoor, Albany, FlexiForce, Normstahl, Henderson, Ditec and EM.

### Door closers



### Entrance automation





## Product launches and aggressive marketing initiatives consolidated market leadership

The European market was weak during the year and sales were largely unchanged on the previous year. However, EMEA consolidated its market-leading position through innovative product launches and powerful marketing initiatives. New products included the wireless networked Aperio cylinder and a brand new Pan-European door closer program. The year saw the acquisition of Swesafe (Sweden), Portafeu (France), Metalind (Croatia) and a number of small distributors in Europe, Latin America and Africa. The division's profitability remained very strong due to the restructuring and streamlining measures implemented.

### EMEA in brief

The EMEA division manufactures and sells mechanical, electromechanical and electronic locks, cylinders, security doors and fittings in Europe, the Middle East and Africa. EMEA consists of a number of Group companies, which have a good knowledge of their local, often diversified, markets and sell products under some of the industry's most respected brands, such as ABLOY, ASSA, IKON, Mul-T-Lock, TESA, UNION, Yale and Vachette.

### Report on the year

The division's sales for the year totaled SEK 13,030 M (13,036) with an organic growth of 0 percent. Operating income (EBIT) excluding restructuring costs was SEK 2,203 M (2,174), representing an operating margin of 16.9 percent (16.7).

Demand in European markets was weak during the year and strongly impacted by the fiscal problems in many countries and the subsequent budgetary constraints. Sales remained unchanged or slightly positive in the majority of northern and central European markets. Eastern Europe experienced strong sales growth and car lock sales also showed good growth. The southern European markets, particularly Italy and Spain, experienced negative development. Exports from the southern European companies to North Africa were also negatively impacted by the political unrest in the region. Operating income remained strong due to the restructuring and streamlining measures implemented over the past few years.

The year saw the acquisition of Swesafe (Sweden), Portafeu (France), Metalind (Croatia) and a number of small distributors in Europe, Latin America and Africa.

### Market presence

The EMEA division operates in a strongly diversified market with major local differences regarding building regulations, security standards and climate. Consequently there is a major difference between the products in demand and sold in each local market. ASSA ABLOY's regional companies have a good knowledge of local lock standards and long-term relationships with their distributors, making demand stable. In addition, the aftermarket accounts for a significant proportion of sales, since the installed lock base consists of many millions of units that are continually replaced and upgraded.

The division's sales organizations are coordinated under the ASSA ABLOY master brand, and the consolidation of brands and the product offering made considerable progress during the year. Consequently a more complete product program can be offered more simply to more customers, considerably strengthening market presence. One example is the important door closer product range, which was launched during the year in all European markets, reducing the number of brands from over 20 to just one brand, ASSA ABLOY. The door closer launch provides all markets with a wider, standardized range of modern door closers and joint central distribution. At the same time the number of product versions and inventories are considerably reduced. This is a pioneering project that has led to an enhanced customer offering, increased sales and lower costs.

Further, segmentation of the sales force between different customer groups as well as various types of partnership with distributors are key success factors. This results in increasing knowledge of both the customer and the product offering. In central European markets, partnership with the distributors that sell the electromechanical CLIQ cylinder has led to a 25 percent increase in sales per distributor since the program began five years ago.

The focus on the specification of total door opening solutions continued during the year and the division now has 350 employed specification sales representatives to further strengthen collaboration with architects and security consultants. Implemented project specifications rose by more than 5 percent in both number and value. A general trend is also for a constantly increasing value per door in these projects.

Accelerated establishment in emerging markets in EMEA is increasingly important for continued growth. This takes place both organically and through acquisitions. The latest acquisition was the Croatian company Metalind, which in addition to the Croatian market has market penetration in the neighboring Balkan countries.

### Product leadership

Efficient product development with a clear customer focus is the most important activity for creating organic growth. The use of Group-wide product platforms with fewer components is constantly increasing, contributing to enhanced customer value and lower costs. Substantially increased investment in R&D in recent years has resulted in the launch of many new electromechanical products that are both

» Aggressive marketing initiatives to develop and lead the European lock market «

secure and easy to use. These new products include the new wireless networked Aperio cylinder.

Aperio is an electromechanical cylinder that can be connected wirelessly to a network. The product is also designed so that it can easily be integrated with other access control and security systems. Consequently doors fitted with Aperio cylinders can be flexibly connected to, for example, the whole security system of a hospital, an airport, a large office or equivalent without needing to run cables to each door, making the building more secure at a lower cost.

During the year the launch of digital door locks under the Yale brand and new versions of the innovative electro-mechanical Cliq Remote cylinder also continued on several EMEA markets. These digital door locks mainly target the residential market and have been very well received. Cliq Remote chiefly targets commercial customers with many remote installations, such as telecoms companies with a large number of base stations.

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

#### Cost-efficiency

In 2011 the Group launched a new efficiency program for the production structure and one-third of this new program consists of projects in EMEA. As in previous programs, the aim is to improve production efficiency and transfer component production to low-cost countries, while the remaining production plants in western Europe focus on final assembly and product customization. When the program is fully implemented there will be fewer than 30 production and assembly plants in EMEA, of which only a handful will be full production plants, compared with over 60 plants five years ago, of which nearly all were full production plants. This change has resulted in a radical improvement in the division's level of costs. Further positive effects are that structural changes always lead to a review and rationalization of the product programs, improved logistics solutions, a review of the supplier base and improved quality.

The changes in the production structure, which mainly affect the direct production resources, result in an adjustment of the indirect production resources and the number of employees has declined by 33 percent in recent years.

In the purchasing area, the share of purchases in low-cost countries has risen to 37 percent, and the short-term target is 40 percent. In addition, purchases are coordinated in the division's major categories to better exploit economies of scale.

Implementation of the common ERP system has begun and the whole division will be converted by the end of 2014. This common system is the foundation for streamlining the Group's administrative flows referred to as Seamless Flow. Streamlining the administrative flows enables the implementation of electronic order and order management systems for distributors and other customers, shorter lead times, higher quality with the elimination of sources of error, better internal efficiency and an increased service level for customers and distributors.

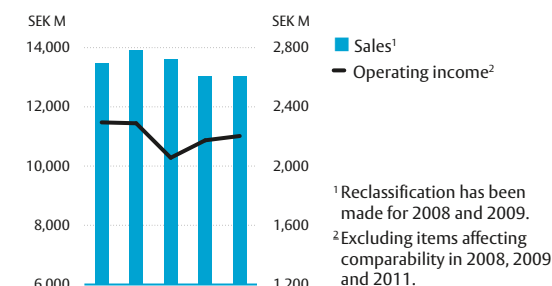
#### KEY FIGURES

SEK M	2010	2011
<b>Income statement</b>		
Sales	13,036	13,030
Organic growth, %	2	0
Operating income (EBIT) <sup>1</sup>	2,174	2,203
Operating margin (EBIT) <sup>1</sup> , %	16.7	16.9
<b>Capital employed</b>		
Capital employed	8,759	8,950
– of which goodwill	5,471	5,564
Return on capital employed <sup>1</sup> , %	21.6	22.0
<b>Cash flow</b>		
Cash flow <sup>2</sup>	2,607	2,142
Average number of employees	9,471	10,071

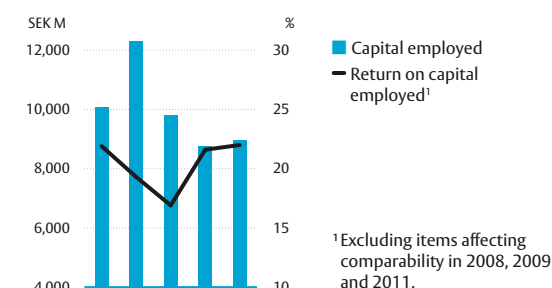
<sup>1</sup> Excluding items affecting comparability of SEK 587 M in 2011.

<sup>2</sup> Excluding restructuring payments.

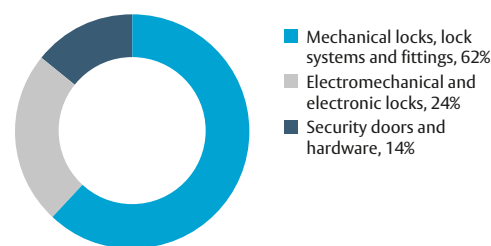
#### SALES AND OPERATING INCOME



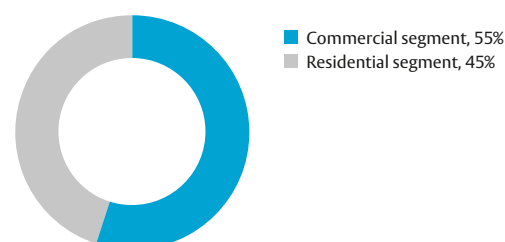
#### CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



#### SALES BY PRODUCT GROUP



#### MARKET SEGMENTS



# Americas

## Increased market presence and innovation in challenging market conditions

Sales increased somewhat in the first half of the year driven by gradual increasing demand in South America and the renovation market. The low level of new construction projects, particularly in North America, resulted in stable sales for the full year. Marketing initiatives continued in the market and included the Mobile Innovation Showrooms and product development. Many new electromechanical products and total opening solutions were launched during the year. Marketing initiatives, the launch of innovative new products and efficiency measures enabled the division to maintain a strong operating income. The year saw the acquisition of the US company Electronic Security Devices.

### Americas in brief

The Americas division manufactures and sells mechanical and electromechanical locks, cylinders, security doors and door frames in North and South America. The majority of the division's sales are in North America where ASSA ABLOY has an extensive sales organization and sells its products through distributors.

The two largest end-user segments are the institutional and commercial segments while the residential segment accounts for only a minor part of sales. Sales in South America and Mexico take place mainly through distributors, wholesalers and DIY stores and are more evenly distributed between the residential and commercial segments in these markets.

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 for the year totaled SEK 8,906 M (9,536) with an organic growth of 2 percent. Operating income (EBIT) amounted to SEK 1,812 M (1,886), representing an operating margin of 20.3 percent (19.8).

New construction in the commercial and institutional segments in the USA and Canada has declined substantially in the past few years as a result of the economic slowdown. However, renovations and upgrades have shown more stable development. The division's sales trend was positive at the beginning of the year due to some recovery in the commercial segment, but slowed towards the end of the year. This mainly affected the principal product areas of mechanical lock products and security doors, while sales of electromechanical products and high-security products experienced strong demand throughout the year.

Activity in the residential market in the USA and Canada was good during the year due to a number of new product launches.

The Latin American markets, apart from Brazil, showed strong growth during the year. The standard of living is constantly rising in these countries, impacting demand positively. In Brazil, however, demand was negatively impacted by the slowing economy, high interest rates and the general downturn particularly in the new construction segment.

The year saw the acquisition of the US company Electronic Security Devices.

### Market presence

In the North American market there is a clear distinction between products for the residential segment and products

for the non-residential segment. The distribution channels are also completely separate. Safety and security requirements are higher in the non-residential segment than in the residential segment, particularly regarding fire and evacuation safety. The division has therefore had a segmented marketing and sales force for a number of years to meet each customer group's specific requirements, combined with experts in a number of areas such as electronic access control.

A number of initiatives were implemented during the year focusing on customer demand for total door opening solutions in electromechanical products, security doors and aesthetic door opening solutions. Growth in these areas in which dedicated sales forces worked closely with customers was strong during the year.

The focus on the various mobile events (Mobile Innovation Showrooms) continued during the year with a sizable increase in attendance versus the previous year. The Mobile Innovation Showroom allows customers to view and learn more about the latest door opening solutions at local venues. Sponsorship of architectural exhibitions was also successful and led to more than 150 new enquiries relating to major specification projects.

The division's specification consultants also work closely with architects and security consultants early in the construction process to ensure compliance with building standards and customer requirements. Such activities strengthen relations with architects and increase the likelihood of orders when the project is procured. The market for some of the major commercial and institutional segments, such as school construction, has declined by between 25 percent and 40 percent over the past two years, while the division's specification sales to the same customer group have risen 3 percent during the same period.

### Product leadership

Product development continued at a high rate during the year in both the electromechanical and mechanical areas. Sales of products launched in the past three years exceeded 20 percent of sales. Aesthetic and climate-smart solutions are also increasing in importance. In addition to product development, much work was invested in the commercialization process, in other words, how new innovations are efficiently brought to market.

Key launches of door and hardware opening solutions in the commercial and institutional segments during the



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

year included the SafeZone intelligent door holder/closer and products based on the Group's Aperio technology. The SafeZone intelligent door holder/closer holds the door open while someone is in the doorway. This is an important function for people with limited mobility who otherwise risk being knocked over by a closing door. Aperio is a technology for wireless networked electronic cylinders. These products were awarded several prestigious prizes for design and function by the design and architecture world.

Launches in the residential segment included the Yale Real Living product range, which is designed to integrate with the networked lock and security systems that are increasingly common in the home.

Four of the Group's door companies, Ceco, CURRIES, Graham and Maiman, were certified by the GREENGUARD Environmental Institute during the year. GREENGUARD certifies products that enhance indoor air quality. ASSA ABLOY was also the first door manufacturer in North America to achieve certification of its Trio-E hinged door to the American UL Environment (Underwriters Laboratories) standard, UL IRS 102.

### Cost-efficiency

Operational excellence is focusing on increased administrative efficiency, efficient production, Lean-methods and coordinated purchasing for the production units. The year saw the implementation of 350 Lean-projects throughout the division. Lean-methods are now not only used in the production process but are being rolled out to all areas. In 2011 nearly one-third of the projects concerned office administration and this proportion is constantly rising.

The implementation of Seamless Flow activities to streamline order management has increased the division's cost-efficiency and e-commerce is fundamental in this process. Fully automated e-commerce now exceeds 15 percent of the division's sales. However, a major part of sales is best suited to semi-automated e-commerce. This applies particularly to large complicated project deliveries in which many products are specially configured. In other areas, such as sales to wholesalers, fully automated e-commerce is more suitable and the share of e-commerce has risen from 10 percent to 50 percent in just a few years. This has taken place through a careful analysis of the sales process and utilization of the existing tools already in place without the need for any major capital expenditure. Apart from continuing to drive e-commerce in sales, it is now also being extended to purchasing operations.

Work is in progress in the IT area to implement a common ERP system. Currently 20 percent of the division is covered by this common system, which will be fully implemented by 2015.

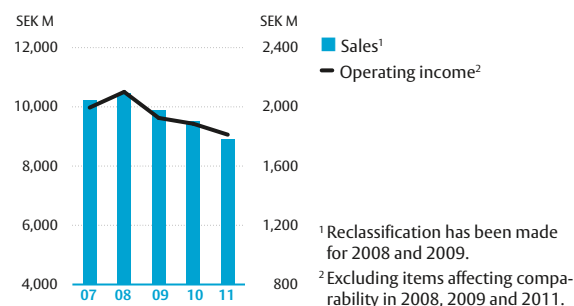
### KEY FIGURES

SEK M	2010	2011
<b>Income statement</b>		
Sales	9,536	8,906
Organic growth, %	-2	2
Operating income (EBIT) <sup>1</sup>	1,886	1,812
Operating margin (EBIT) <sup>1</sup> , %	19.8	20.3
<b>Capital employed</b>		
Capital employed	8,163	8,468
– of which goodwill	6,039	6,041
Return on capital employed <sup>1</sup> , %	21.3	22.8
<b>Cash flow</b>		
Cash flow <sup>2</sup>	2,013	1,731
Average number of employees	6,969	6,658

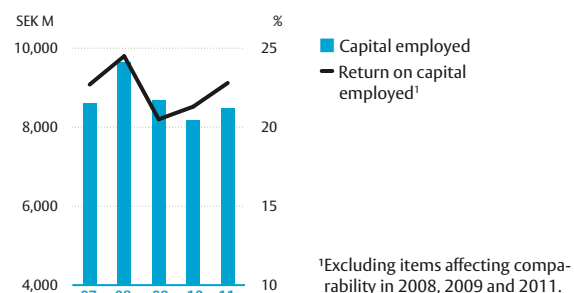
<sup>1</sup> Excluding items affecting comparability of SEK 150 M in 2011.

<sup>2</sup> Excluding restructuring payments.

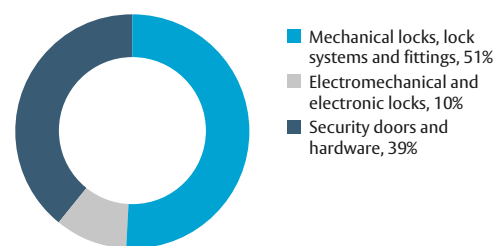
### SALES AND OPERATING INCOME



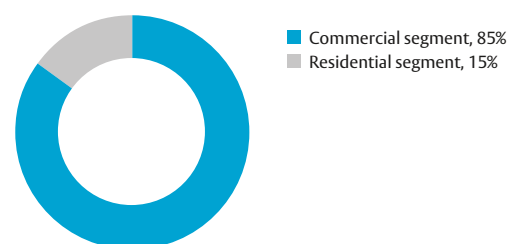
### CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



### SALES BY PRODUCT GROUP



### MARKET SEGMENTS



# Asia Pacific

## Strong sales growth and market leadership in Asia

The division grew throughout the year driven by strong growth in China, where demand particularly for security doors was high. Growth was also strong on the markets in South Korea and South Asia. Efforts to develop the specification and project markets and to expand into new emerging markets, including India, continued intensively. The year saw the acquisition of the South Korean lock company Angel Metal. As a result of organic growth and strategic acquisitions, the Group can now offer a total range of door opening solutions on the Asian markets.

### Asia Pacific in brief

The Asia Pacific division manufactures and sells mechanical and electromechanical locks, digital door locks, high-security doors and hardware. China accounts for 50 percent, Australia and New Zealand for 30 percent, and the other Asian markets, dominated by South Korea, for 20 percent of the division's sales.

In Asia, the division's largest brands are the Chinese brands Baodean, Guli, Pan Pan, Shenfei Liyi, Doormax, Beijing Tianming, Wangli and Longdian, the South Korean brands Gateman, Angel and King and the global brand Yale. In Australia and New Zealand, the largest brands are Lockwood and Interlock.

The Australian and New Zealand markets are mature, with established lock standards. The majority of sales are for renovations and upgrades. The Asian markets do not yet have such established security standards, and the majority of products are sold for new construction. In China, the same types of lock, handle and hardware are often used for both homes and offices. The production units in China also supply ASSA ABLOY's other divisions.

### Report on the year

The division's sales for the year totaled SEK 6,633 M (6,081), with an organic growth of 9 percent. Operating income (EBIT) was SEK 933 M (843), representing an operating margin of 14.1 percent (13.9).

Sales in China continued to grow strongly driven by the underlying urbanization trend, economic growth and increased prosperity. Growth was particularly strong in the security door segment. Towards the end of the year the growth rate slowed caused mainly by the credit restrictions imposed by the Chinese government to avoid overheating in the economy. This had an impact on demand mainly in the residential segment in the coastal regions. However, demand remained strong from institutional customers in healthcare and infrastructure. Many property developers in the coastal regions chose to change direction from housing to commercial projects, which to some extent offset the sales decline in the residential segment. The ongoing programs for publicly subsidized housing projects in the inland regions also had a positive impact on demand and led to a strong increase in Group sales.

The South Korean business units experienced strong sales growth during the year. Export sales by the Group companies iRevo and King grew very strongly, while the domestic market developed more weakly particularly towards the end of the year. iRevo is the market leader in digital door locks

in South Korea and has also successfully established itself in China, Australia, Singapore, the UK and the USA in collaboration with Group companies in these markets. Expansion is set to continue in the coming years.

Growth was very strong in the rest of Asia. On the Indian and Indonesian markets, which have considerable growth potential, sales increased sharply from a small base. The division continued its initiatives to develop the sales organization with focused sales teams and an emphasis on fewer but stronger brands, which has further strengthened the division's product offering.

In Australia and New Zealand, the market position remained strong but sales growth was negative during the year. In Australia, the reduction in government stimulus packages resulted in reduced demand. In New Zealand, demand slowed due to the strong earthquake in the South Island.

The acquisition of the lock company Angel Metal in the second half of the year further strengthened the position on the South Korean market.

### Market presence

The Group has established a very strong presence on the Chinese and South Korean markets through a combination of acquisitions and organic growth. In China, sales of security doors in particular have grown very strongly as a result of the acquisition of Pan Pan. This has led to the establishment of sales channels in new regions in China where growth is expected to be high in the future. In South Korea, acquisitions in recent years have also led to a strong and leading market position. The Group can now offer a wide product range and total door opening solutions on both these markets.

The Group is now establishing itself in a similar way on the markets in South-east and South Asia through a combination of acquisitions and organic growth.

Specification of total door opening solutions is very important for sales growth on all markets. The number of specification sales representatives continues to increase and the strategic collaboration with architects and security consultants is being strengthened.

The local sales organizations are united under the ASSA ABLOY master brand to better meet the demand for total door opening and security solutions.

» Sales in China continued to grow strongly driven by the underlying urbanization trend, economic growth and increased prosperity«

### Product leadership

Innovation, continued product development and a widening of existing product ranges are important factors for the division enhancing an already attractive product range and increasing sales. The year saw the launch of a number of new mechanical lock products for doors and windows in Australia and New Zealand.

The South Korean company King Door Closers launched an innovative new recessed door closer, while the Chinese company Shenfei launched a range of CE marked door closers for the European market. The Chinese companies Pan Pan and Wangli launched a brand new, simpler door range, which has met with great success in the new social housing construction project.

Electromechanical security products are increasing in importance. iRevo successfully launched a number of innovative new types of digital door lock during the year, including a new DIN-compliant lock.

### Cost-efficiency

Most production now takes place in Chinese production units, and continuous efforts are in progress to increase their efficiency. Important areas are projects for semi-automated processes, the implementation of Lean methods and supply management.

The production units in Australia and New Zealand focus on customized solutions and final assembly. A large proportion of the components and standard products for these markets are manufactured in the division's Chinese plants.

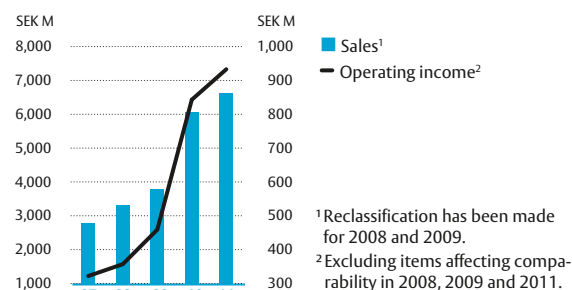
### KEY FIGURES

SEK M	2010	2011
<b>Income statement</b>		
Sales	6,081	6,633
Organic growth, %	14	9
Operating income (EBIT) <sup>1</sup>	843	933
Operating margin (EBIT) <sup>1</sup> , %	13.9	14.1
<b>Capital employed</b>		
Capital employed	4,080	4,278
– of which goodwill	3,202	3,410
Return on capital employed <sup>1</sup> , %	25.1	23.6
<b>Cash flow</b>		
Cash flow <sup>2</sup>	917	912
Average number of employees	15,510	15,784

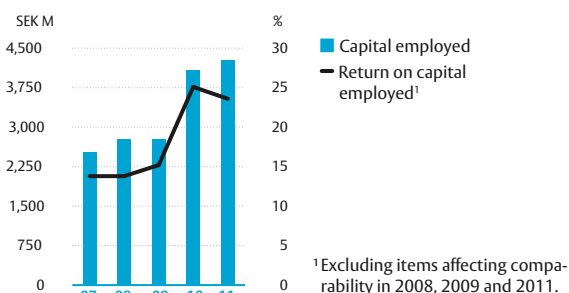
<sup>1</sup> Excluding items affecting comparability of SEK 48 M in 2011.

<sup>2</sup> Excluding restructuring payments.

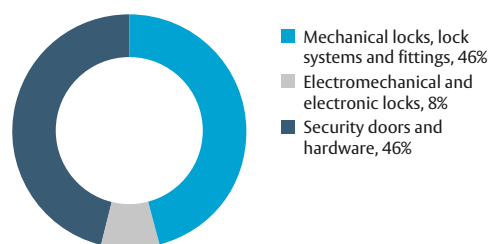
### SALES AND OPERATING INCOME



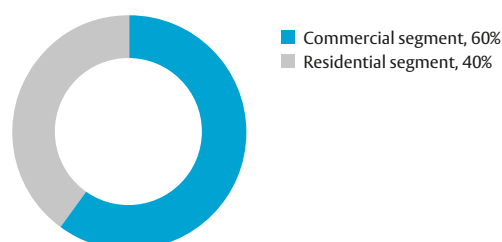
### CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



### SALES BY PRODUCT GROUP



### MARKET SEGMENTS





# Global Technologies

## Strong growth and innovative product launches in HID Global and ASSA ABLOY Hospitality

Demand for upgrading and complementing existing systems was strong in all markets, while the market for new installations remained weak. Sales for the year showed strong growth due to a number of innovative product launches. HID Global launched new products and services in logical and physical access and in contactless identification, which were well received by the market. The year saw the acquisition of the US company LaserCard. New product launches by ASSA ABLOY Hospitality, particularly in RFID locks, further strengthened the market position.

### Global Technologies in brief

Global Technologies has a leading position as a supplier of electronic security solutions worldwide. The division consists of two business units, HID Global and ASSA ABLOY Hospitality, with sales mainly to the commercial segment.

HID Global is a global leader in secure identity solutions, primarily in identity and access management, and in contactless identification technology solutions under the HID brand.

ASSA ABLOY Hospitality is a global leader in electronic lock systems and safes for hotels and cruise ships under the VingCard Elsafe brand.

### Report on the year

The division's sales for the year totaled SEK 5,756 (5,015), with an organic growth of 11 percent. Operating income (EBIT) excluding restructuring costs amounted to SEK 897 M (862), representing an operating margin of 15.6 percent (17.2).

### HID Global in brief

HID Global is a global leader in secure identity solutions for physical and logical access control, identity assurance,

secure card issuance and a variety of technology solutions for contactless identification applications. Identity and access management product lines include contactless smart cards, fixed and mobile readers access controllers, identity tokens, and card management systems. The product range also includes card printing and encoding hardware and software and specialized government ID solutions for identity cards and electronic passports.

### HID Global – main events in 2011

Demand for HID Global's products was strong during the year. New products and active marketing efforts resulted in considerable interest in secure identity solutions in all markets. The traditional product areas in identity and access management showed stable, strong demand.

Product development and marketing in the product area of government ID programs, driving licenses and the like led to a number of major project orders.

The acquisition and the integration of ActivIdentity (acquired in December 2010) and LaserCard (acquired in January 2011) into HID Global's existing operations have provided the unit with a comprehensive set of competen-

### HID Global's product areas

HID Global works with common technology platforms for developing secure identity solutions. Below are some examples of HID Global's product offering in this area of the security market.

**Physical access control**, contactless cards, readers and access controllers

**Secure issuance** card printers, encoders and software

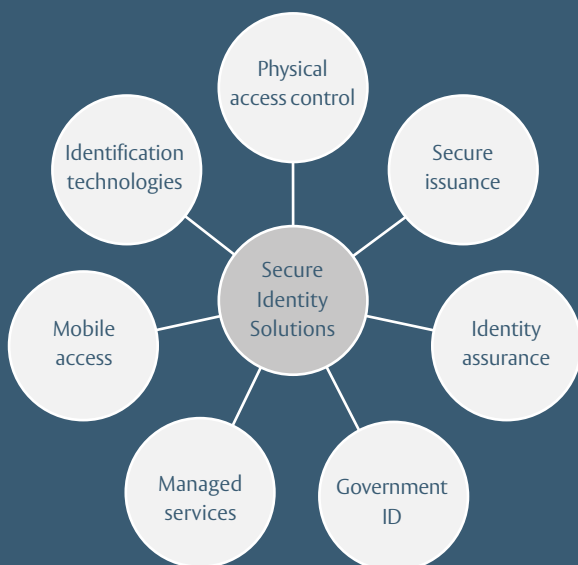
**Identity assurance**, strong authentication and credential management

**Government ID**, highly secure media, ePassports, ID cards and readers

**Managed services**, custom card services and remote issuance of identity data

**Mobile access**, digital keys and reader technology for NFC enabled mobile phones

**Identification technologies**, technology solutions for contactless identification applications



## » Global leader in secure identity and hotel security«

cies in strong authentication, credential management, and highly secure media for government ID programs together with a unique technical and knowledge platform for the development of tomorrow's Government ID services. This has resulted in the formation of two new business segments: Identity Assurance and Government ID Solutions. Identity Assurance has focused on strong authentication and card management and systems for government, financial and commercial customers. Government ID Solutions was formed through the merger of LaserCard with the HID eGovernment business for national ID and passport deployments.

HID Global also created two further business segments during the year: Mobile Access and Managed Services. Mobile Access offers virtual key issuance, and reader technology for NFC (near field communications) enabled mobile phones. Managed Services is a service offering for customized smart cards and remote issuance of secure identity data.

### Market presence

HID Global continued its long-term investment in market presence with considerable success in products, services and solutions for the institutional and commercial market segments. Significant progress has been made in brand strategy and the focus on a customer-segmented sales force.

The consolidation of HID Global's brands has been very successful and resulted in the consolidation of 17 brands into a single brand – HID – in just five years. Some previously well-known brands have been retained as product names under the global HID brand. This reinforces global brand loyalty, while providing a complete product and integrated solutions portfolio offer to all customers.

The well-established market position in the global university market was further strengthened through a pilot mobile key program (Mobile Access) at Arizona State University in collaboration with Research in Motion and Verizon Wireless.

As a result of marketing campaigns targeting government customers and a focused sales force in Government ID Solutions, HID Global has now supplied to 27 countries' ePassport programs and 49 national programs for various types of ID cards and driving licenses. In addition, the five largest contactless ID reader manufacturers use HID Global's components for government projects in 12 countries, including the USA, Canada, France, Germany, Russia and Italy.

### Product leadership

HID Global's product strategy involves creating an eco-system for secure identity management with solutions for all parts of the value chain. The HID's Secure Identity Object (SIO) is a key part of this eco-system. SIO is an in-house developed data structure and encryption scheme, which can be applied to all types of SIO ready identity devices, such as smart cards, cell phones, electromechanical locks and SIM cards.

The year saw the launch of the new iCLASS SE (SIO enabled) product line, a new secure identity management platform for physical access control. In 2011 the product won prizes for best product at the industry's two largest global trade fairs. Strategic alliances were established with Sony and NXP as a part of the development strategy. A number of important patents were also granted during the year.

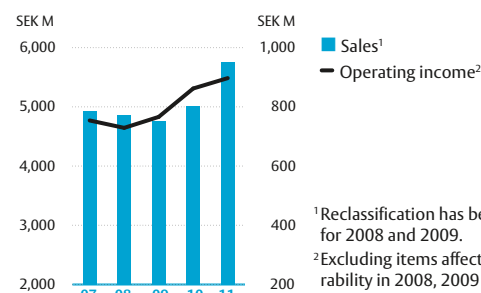
### KEY FIGURES

SEK M	2010	2011
<b>Income statement</b>		
Sales	5,015	5,756
Organic growth, %	10	11
Operating income (EBIT) <sup>1</sup>	862	897
Operating margin (EBIT) <sup>1</sup> , %	17.2	15.6
<b>Capital employed</b>		
Capital employed	5,772	6,449
– of which goodwill	4,265	4,846
Return on capital employed <sup>1</sup> , %	14.7	14.3
<b>Cash flow</b>		
Cash flow <sup>2</sup>	868	933
Average number of employees	2,487	2,819

<sup>1</sup> Excluding items affecting comparability of SEK 87 M in 2011.

<sup>2</sup> Excluding restructuring payments.

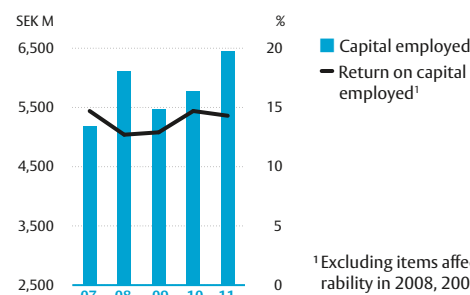
### SALES AND OPERATING INCOME



<sup>1</sup> Reclassification has been made for 2008 and 2009.

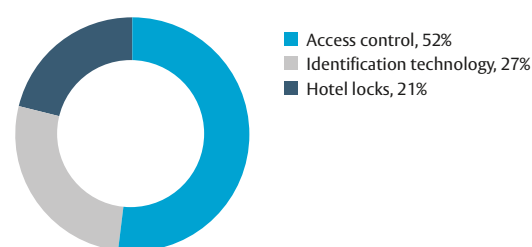
<sup>2</sup> Excluding items affecting comparability in 2008, 2009 and 2011.

### CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED

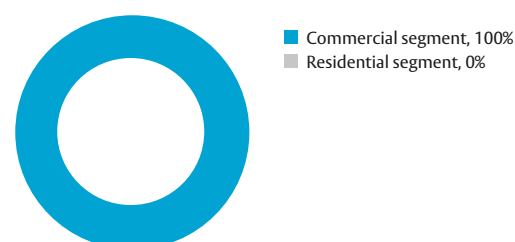


<sup>1</sup> Excluding items affecting comparability in 2008, 2009 and 2011.

### SALES BY PRODUCT GROUP



### MARKET SEGMENTS



Identity Assurance launched a number of new products for US federal agencies' PIV (Personal Identity Verification) cards. PIV is a common standard for identification of federal employees, which is under implementation in the USA.

### **Cost-efficiency**

HID Global continued its efforts to reduce inventories thereby optimizing the management of working capital. Good progress was made in implementing the project across all product areas and geographical regions, and activities will continue in 2012.

Consolidation of inlay production and card lamination to the production unit in Malaysia was completed in 2011 and efforts to increase efficiency continued successfully in the other production plants worldwide.

Major progress was made in the quality assurance area in reducing the cost of poor quality in the operations and improving the delivered quality to customers. This initiative has resulted in an improved Genuine HID "customer experience" as well as lower costs for the business.

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

### **ASSA ABLOY Hospitality in brief**

ASSA ABLOY Hospitality manufactures and sells electronic locking systems, safes, energy management solutions and minibars for hotels and cruise ships under the VingCard Elsafe brand. VingCard Elsafe is the world's best-known brand for hotel locking systems and in-room safes and has products installed in over 7 million hotel rooms in more than 42,000 hotels worldwide.

### **ASSA ABLOY Hospitality – main events in 2011**

ASSA ABLOY Hospitality experienced strong full-year growth driven by continued increased demand for renovation and upgrade projects. However, the market for new hotel and cruise ship construction remained at a low level.

ASSA ABLOY Hospitality has worked actively to upgrade customers' installed locks from magnetic stripe card locking systems to more secure, flexible and user-friendly locks using contactless radio frequency identification (RFID). Demand for the new contactless RFID hotel locks rose sharply in 2011 and more than half a million VingCard RFID locks were installed globally. RFID technology offers increased security and when combined with wireless ZigBee technology the system is constantly online. This provides a very reliable and cost-efficient security system, improving efficiency and reducing maintenance costs for hotels.

The new VISIONLINE by VingCard system is integrated with the hotel's other operating systems to add efficient new housekeeping, security, front desk and maintenance functions. The system improves customer service by enabling the front desk to cancel keys and authorize room changes, extension of stay and access to conference rooms without the guest needing to hand in their key. New integrated technology has been developed within the VISIONLINE system, such as mobile keys that allow guests to use their cell phone as a key, loyalty cards for regular guests that enable guests to avoid check-in and go straight to their hotel room.

VingCard Elsafe has also established itself as an important supplier of energy management solutions for the hotel market through its Orion range launched in 2010. Using sensors to detect guest presence in the room together with information from the door lock when the guest enters and leaves the room, Orion can determine guest presence in the room to optimize air conditioning energy usage while ensuring guest comfort. This results in cost savings for the hotel and a more eco-friendly use of hotel rooms.

### **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 progress to offer integrated security solutions with other ASSA ABLOY companies.

### **Product leadership**

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

Hospitality succeeded in achieving strong growth during the year by offering value-creating customer solutions. One example of this was the development of a loyalty card concept, which enables a number of major global hotel chains to offer their regular guests a RFID loyalty card that can be used as a room key. The booking confirmation and room number are sent to the hotel guest by SMS or email before arrival. The guest can then bypass check-in at the front desk and go straight to their hotel room and enter using their loyalty card.

The many types of RFID readers have been combined into a common electronic platform to reduce cost and streamline production. This new platform, which is suitable for both old and new locks, has moreover provided considerably better performance, such as increased reading range, higher reading speed and better reliability.

### **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.

ASSA ABLOY Hospitality has successfully transferred all production and purchasing from high-cost to low-cost countries, primarily China. It is now investing considerable effort in streamlining production and product development in the new production plant in Shanghai, China. As a result, it has succeeded in further improving efficiency in the value chain, while improving product quality and delivery reliability for customers worldwide.

Hospitality continued to implement the global ERP system, which is scheduled to be fully installed by 2012. This system will improve the efficiency of administrative and global purchasing functions and develop the web-based ordering portal used by business partners network.





## Arizona State puts mobile keys to the test

- Customer:** Arizona State University (ASU) is committed to the use and management of advanced technology, including solutions that optimize security and convenience for students, faculty and staff.
- Challenge:** ASU first adopted iCLASS® technology for its campus ID cards in 2004 as part of a major safety and security initiative. In 2011, ASU wanted to evaluate the benefits of moving its student housing keys onto NFC smartphones.
- Solution:** In the first university pilot of NFC smartphones carrying digital keys for access control, HID Global deployed iCLASS SE readers and HES electric strikes on secured doors to ASU's main residence hall. Students and staff participating in the pilot were given NFC smartphones carrying iCLASS SE® technology. To open door locks, pilot participants presented the smartphones to a door reader, which opened once their identity was authenticated.

# Entrance Systems

## Acquisitions consolidate Entrance Systems' leading position in entrance automation

New sales of automatic doors showed good growth throughout the year, while service sales continued to grow strongly. Demand increased in the retail, logistics and manufacturing segments, but was more restrained in the healthcare segment. Newly acquired Crawford and FlexiForce saw positive growth in industrial door sales. An agreement to acquire Albany Door Systems was signed at the end of the year, which will provide a strong position in high-performance doors. Rationalization of the production structure resulted in a strong earnings trend.

### Entrance Systems in brief

The Entrance Systems division is a global leader in entrance automation products, components and service. The product range includes automatic swing, sliding and revolving doors, air curtains, gate automation, garage doors, industrial doors, docking solutions and hangar doors. The acquisition of Albany Door Systems greatly strengthens the position within high-performance doors.

The products are sold through both a direct and an indirect sales channel. In the former, equipment and a comprehensive service offering are sold direct to end-customers, while in the latter products and components are sold to end-customers through distributors.

The products are sold under the global leading brands of Besam, Crawford, Albany, FlexiForce, Normstahl, Henderson, Ditec and EM.

### Report on the year

The division's sales for the year totaled SEK 8,278 M (4,072) with an organic growth of 5 percent. Operating income (EBIT) excluding restructuring costs was SEK 1,197 M (627), representing an operating margin of 14.5 percent (15.4).

The market recovery began in late 2010 and continued throughout 2011 with stable, strong demand on all markets. Sales of new equipment rose as a result of both product and market initiatives. The retail, logistics and manufacturing segments grew, while growth in the healthcare sector and garage door sales was more restrained. Service sales continued to be a key success factor for achieving profitability and growth.

The year saw the major acquisitions of the Swedish company Crawford and the Dutch company FlexiForce. Crawford supplies industrial doors, docking solutions and garage doors, while FlexiForce supplies components for industrial and garage doors. In October an agreement was signed to acquire the American company Albany Door Systems, which is a leader in automatic high-performance doors. The year also saw acquisitions in Canada, Australia and New Zealand.

The division has established a global leading position in entrance automation through these acquisitions and has grown from SEK 3 billion to over SEK 8 billion in just a few years. It now has a strong integrated offering comprising automatic door solutions for pedestrian traffic, industrial doors, docking solutions, garage doors, gate automation and entrance solutions for industrial, commercial, institutional and private customers, with a strong service offering mainly for the industrial, commercial and institutional segments.

### Market presence

The entrance automation market is in the process of changing from a number of regional markets to a more global market. This makes new demands on global presence and global product platforms for continued growth and profitability. The year's major acquisitions are part of this trend and have further strengthened the division's market presence in Europe, where Crawford and Normstahl have their main operations, as well as on emerging markets thanks to Crawford's favorable market position in the Middle East and China. Megadoor has a strong position in North America and FlexiForce has built up a good presence on several emerging markets. Market presence is also increasing on emerging markets in Africa, Latin America and Asia Pacific. Overall, the division now has sales companies in 30 countries and authorized distributors in 50 countries.

Increased globalization leads to certain customers increasing in size and becoming fully or partly global. The division is therefore working intensively on its Key Account Management concept, in which total door systems and service are sold to selected major customers. The largest opportunities are in the retail, transport, logistics and manufacturing segments.

Entrance Systems is also working continuously to widen the customer offering by selling total automatic door opening solutions for pedestrian traffic and industrial doors including a comprehensive service concept. Regular preventive service is beneficial to customers and ongoing contact with end-customers provides increased opportunities for additional sales. The division's service organization is striving to become more efficient, further automate processes and increase the number of customer visits.

### Product leadership

The division invested heavily in product leadership in 2011. There was an increased focus on product development in the new parts of the division by setting up new product organizations and developing common platforms and modular solutions. Several Value Engineering projects were also started during the year to further increase the division's competitiveness by increasing customer value while reducing product cost.

Products launched by Besam during the year included energy-saving door automation solutions such as Besam TightSeal, and security-enhancing solutions for swing doors

» Entrance automation acquisitions strengthen the customer offering «

in stores such as Flush Bolt. The door closer offering was widened and new software was launched in sliding door automation to increase operational reliability. New functions were also developed for revolving doors, including laser sensors and air curtains for UniTurn.

Crawford launched products including a new low-threshold pass door, new controllers, and a glazed sectional door, Crawford 242 Fully Glazed, intended for use in exhibition halls. It also launched a new loading dock, Crawford Step Autodock, which offers more flexible height adjustment when loading and unloading goods.

FlexiForce launched SafeStep components for low-threshold doors, which target door manufacturers. The same technology is used in SideStep components for side doors and DoubleStep components for double doors.

A new garage door with an extra smooth surface finish, Normstahl Entrematic g60 Satin, was also launched on the market.

Ditec Entrematic developed a new product portfolio for remote control of door automation, new safety sensors and new functions for high-performance doors to increase speed, reliability and aesthetics.

Product customization to conform to local conditions and market requirements on the Asian and North American markets continued during the year, as well as standardization work on new functional and safety standards, which strengthened competitiveness on several key markets.

#### Cost-efficiency

In December a new synergy- and restructuring program was announced. The aim of this program is mainly to streamline the production structure in the newly acquired units, and to achieve revenue and cost synergies with the division's existing units. The program which entails the closure of a number of production plants and the transfer of production between existing plants in both high- and low-cost countries. Meanwhile investments are being made in five final assembly plants in strategic locations in Europe. This is done to increase proximity to customers, generate cost-efficiency in logistics, and increase competitiveness with regard to both product cost and lead times.

An efficient purchasing organization is an important part of these changes. In parallel coordination of common platforms for components is taking place, which is expected to result in cost savings and increased competitiveness.

Central functions have also been streamlined, and synergies are being generated at the local level by starting to consolidate legal entities to streamline administration. Extensive work is also in progress in IT, where the division is implementing common business systems, customer management systems and e-commerce solutions. Measures to increase productivity are also in constant progress in the service organization, and the division began implementing PDAs for service engineers in North America.

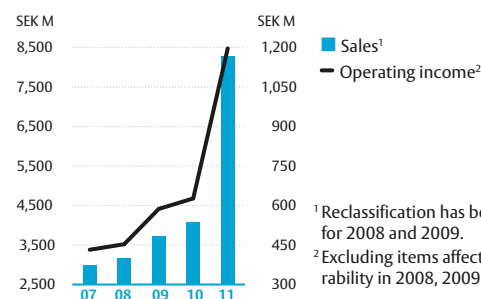
#### KEY FIGURES

SEK M	2010	2011
<b>Income statement</b>		
Sales	4,072	8,278
Organic growth, %	-2	5
Operating income (EBIT) <sup>1</sup>	627	1,197
Operating margin (EBIT) <sup>1</sup> , %	15.4	14.5
<b>Capital employed</b>		
Capital employed	4,365	10,837
– of which goodwill	3,303	7,153
Return on capital employed <sup>1</sup> , %	14.6	12.2
<b>Cash flow</b>		
Cash flow <sup>2</sup>	580	1,243
Average number of employees	2,738	5,605

<sup>1</sup> Excluding items affecting comparability of SEK 423 M in 2011.

<sup>2</sup> Excluding restructuring payments.

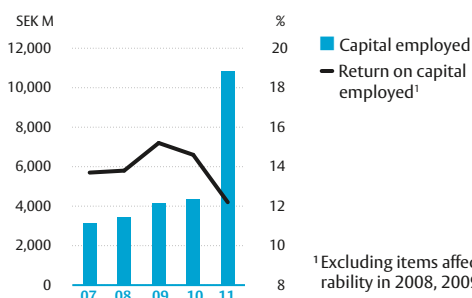
#### SALES AND OPERATING INCOME



<sup>1</sup> Reclassification has been made for 2008 and 2009.

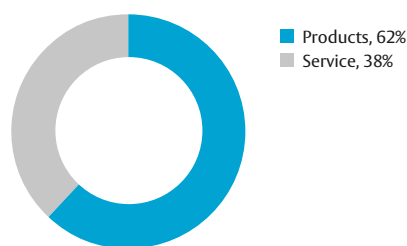
<sup>2</sup> Excluding items affecting comparability in 2008, 2009 and 2011.

#### CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED

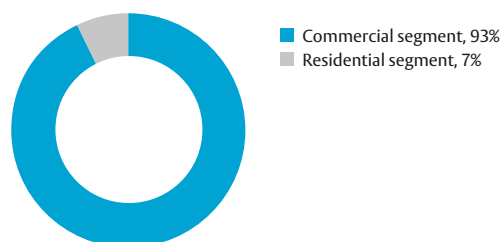


<sup>1</sup> Excluding items affecting comparability in 2008, 2009 and 2011.

#### SALES BY PRODUCT GROUP



#### MARKET SEGMENTS





# Employees

## Employees generate the success

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

### Common knowledge base

A good knowledge of the company in which you work and an understanding of how your own efforts relate and contribute to the overall goals are crucial for motivation and commitment. One activity to achieving this is that all employees complete the web-based interactive induction program 'Entrance to ASSA ABLOY'. This program is available in 15 languages and covers the Group's history, organization, products, strategy and Code of Conduct. A new version of the program was launched in 2011.

### Global employee survey

A global employee survey, first carried out in 2006, is conducted every 18 to 24 months to give employees a chance to express their views on their work, their workplace and the company, thereby encouraging employee participation and commitment. The survey is followed by activities in areas that show the need for change and improvement.

Evaluation and comparison with the results of previous surveys show the impact of the measures taken and the areas that need prioritizing in the ongoing improvement process. The fourth survey will be conducted in spring 2012.

In addition to the overall results for the Group and the divisions, the results are broken down into more than 200 different units, enabling more relevant communication, targeted measures and the involvement of many employees.

### Management training

Every year ASSA ABLOY offers a number of senior managers the opportunity to take part in one of the Group's two development programs: ASSA ABLOY Management Training (MMT) and ASSA ABLOY "Boosting Market Leadership Program". In 2011 57 managers took part.

MMT, which is an internal program, provides participants with an increased knowledge of all areas of ASSA ABLOY's operations, develops their internal network and helps to share best practices and identify new business opportunities. This is of particular importance for ASSA ABLOY in view of its continuing acquisition of new companies, and it is therefore also a tool for successful integration. Since MMT was launched in 1996, 420 managers from 34 countries (including the 2012 program) have taken part. The program comprises three modules over a calendar year and takes place in different global locations where ASSA ABLOY has extensive operations.

## ASSA ABLOY paves the way for women



Agnès Richter, Product Group Manager, ASSA ABLOY France, was one of 20 participants in a June 2011 workshop in Stockholm on the topic of increasing the number of women in senior management positions.

ASSA ABLOY strives to promote more women in the Group. The overall goal is to have women in 30 percent of management positions by 2020.

ASSA ABLOY's HR Director Krister Eriksson believes a better balance between men and women at all levels in the organization will contribute to making ASSA ABLOY an even stronger company, both in terms of performance and as an attractive employer. "It will broaden our perspective on various issues, which will help us make better decisions," Krister says. "Gender diversity should be part of the Group's DNA." Studies show that companies with women in senior management positions perform better. ASSA ABLOY's traditional business and technology has historically attracted mostly men, so it's certainly a challenge to attract and retain women in the Group.

To ensure that ASSA ABLOY reaches the goal of 30 percent women in management positions by 2020, the divisions will increase the effort to achieve a better balance of managerial positions and there will be a systematic follow up of the progress. The ambition is also to increase the proportion of female participants in leadership programs such as IMD, the international business school ASSA ABLOY cooperates with. "Primarily, we want to promote the women already working for the company," says Krister. "I think perhaps women need an extra push and support to apply for jobs internally." It's a matter of changing the company culture. And we can do it.

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

The ASSA ABLOY "Boosting Market Leadership Program" was launched in 2011. This is a new tailor-made program developed in collaboration with IMD in Lausanne, Switzerland, and a continuation of the collaboration that began in 2005 with the ASSA ABLOY Business Leadership Program. The program's main aim is to support the implementation of ASSA ABLOY's strategy. In 2012 about 60 senior managers are expected to take part.

#### Scholarship Program

ASSA ABLOY's Scholarship Program offers employees the opportunity to work for a short period at another Group company in order to share knowledge and experience and learn about other cultures and working practices. This program is open to all employees.

#### Employee development

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

#### Recruitment

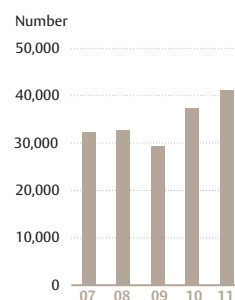
A basic principle of ASSA ABLOY's recruitment policy is to give priority to internal candidates provided they have equal qualifications to external applicants. All job vacancies are advertised on the Group's global intranet to encourage and facilitate internal mobility.

#### Gender equality

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

In order to further drive this agenda a workshop was arranged in Stockholm in June 2011, with participants from all divisions and the Executive Team, to discuss measures and targets. The participants agreed on a target of a total of 30 percent women at levels 2 to 5 in the Group by 2020. It was also decided to increase the focus on this issue in connection with the Talent Management Process. Other measures include prioritizing the underrepresented gender in the recruitment process provided they have equal qualifications and aiming for at least one person from the underrepresented gender among the final candidates.

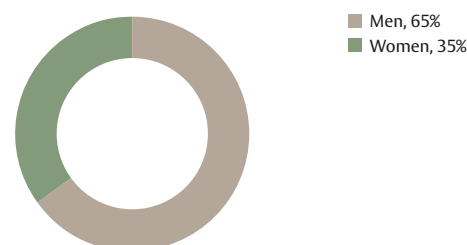
#### AVERAGE NUMBER OF EMPLOYEES



#### NUMBER OF EMPLOYEES BY REGION



#### GENDER DISTRIBUTION



#### Female managers at different levels in the organization

Level	Percentage of females				
	2007	2008	2009	2010	2011
2 – reports to CEO	0	0	0	0	0
3 – reports to level 2	14	11	15	16	15
4 – reports to level 3	19	17	18	18	19
5 – reports to level 4	22	23	20	24	26
Level 2–5	–	–	–	–	24
All employees	39	40	39	37	35

ASSA ABLOY AB head office is not included.  
The decrease is due to the acquisitions of Pan Pan and Crawford.

# Sustainable development

## Climate-smart products increasingly important

Sustainability initiatives are based on a knowledge of the environmental impact of operations, the increasing demand for green products and the intention to be a responsible and attractive company. ASSA ABLOY's sustainability initiatives are integrated throughout the value chain – from sourcing to recycling.

The overall sustainability program is based on the Group's Code of Conduct and an ongoing risk analysis and involves both internal and external stakeholders.

Ongoing improvements in manufacturing processes and new products actively help customers to reduce their energy consumption and environmental impact. Climate-smart products account for an ever-increasing share of sales and include the eco-certified Trio-E hinged door, an electronic lock cylinder with halved energy consumption, and the Orion energy management system from VingCard Elsafe.



The 2011 Sustainability Report will be published in connection with the 2012 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 22 languages. ASSA ABLOY monitors the implementation of the Code of Conduct and deals immediately with any non-compliance.

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

Suppliers are informed of ASSA ABLOY's Code of Conduct and undertake in writing to comply with it in their collaboration with the Group.

### ASSA ABLOY's way of working

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

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

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

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

### Sustainability program

The first sustainability program was launched in 2007 and completed in 2010 with all the targets fulfilled. In 2011 the

Group continued work on the sustainability program with increased targets for Group companies, and the number of Group companies integrated into the sustainability program and reporting to the Group increased by 25 percent. During the year ASSA ABLOY increased the accuracy and the level of detail in internal reporting to increase control and ensure continuous progress in the Group.

New targets for 2015 have been drawn up for all divisions in the Group. These include chemical handling, energy efficiency, health and safety, supplier relations, product development, employee issues and overall control. The program has made it possible to introduce procedures for quality and environmental management and to establish a structure for ongoing improvements in day-to-day operations, providing a stable basis for a sustainable future for the Group.

### Corporate governance

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

### Supplier control

Auditing and improving the supplier base is a continuous task, and supplier selection is based on standardized criteria for both quality and sustainability. Good supplier control and jointly agreed action plans result in increased product quality and sustainable processes.

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

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

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



## SUSTAINABILITY Integrated in each part of the value chain

### CUSTOMERS

ASSA ABLOY's ambition is to supply high-quality products that fulfill customer requirements, have a long life and are manufactured with minimal use of resources and environmental impact during their life cycle.

### INNOVATION

New products are evaluated from a life cycle perspective. Many recently developed products save energy as a result of improved insulation and intelligent control of various door opening solutions.

### SOURCING

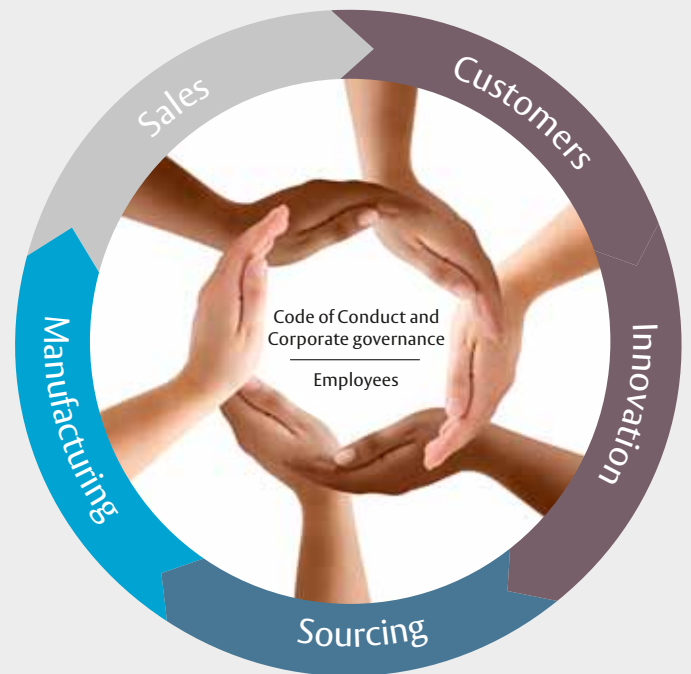
The Group's suppliers in risk areas are evaluated from a sustainability perspective. Suppliers failing to comply with the Group's requirements are encouraged to make improvements or will otherwise be phased out.

### MANUFACTURING

Manufacture of the Group's products should be carried out safely and with the least possible environmental impact. Hazardous processes are gradually being phased out and replaced by eco-friendly alternatives.

### SALES

ASSA ABLOY respects laws and regulations concerning business ethics in the countries in which it operates and requires all partners to act in the same way.



### Supplier selection process

The process has three stages:

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

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

After the audit, the supplier is graded green, yellow or red. Green means the supplier is approved; yellow means the supplier needs to improve within a specific time frame; and red means the supplier is not approved.

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

### Audits performed

In 2011 ASSA ABLOY performed 493 sustainability audits. At year-end, 461 active suppliers had satisfied the minimum standards for quality and sustainability and were classed as reliable. 19 suppliers were blacklisted. On-site sustainability audits have been extended to a wider geographical area. In 2012 suppliers in all low-cost countries will be included in the annual sustainability audit.

All new suppliers in low-cost countries carry out a self-assessment of their sustainability according to a standardized process before they can be considered as potential suppliers to the Group. This is followed by an on-site audit.

Screening will continue, with annual monitoring of previously approved suppliers.

### ASSA ABLOY's supplier database

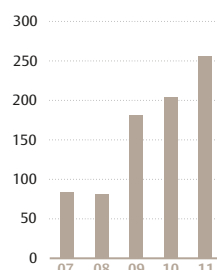
The Group's suppliers are listed, graded and monitored in a supplier database. Both quality and sustainability audit reports are regularly entered in the database. Suppliers are listed with a standardized name, geographical location, type of products and other information so that good suppliers can be used by many Group companies with similar needs.

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

### Sales of climate-smart products increasing

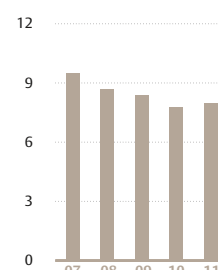
The Group is continuously focusing on energy-efficient products, which account for an ever-increasing share of sales. Demand for sustainable or green products is increasing, and it is important for the Group to develop green products and get them certified and included in databases used by architects for building specification. The increased use of various certifications for sustainable and green construction means that the characteristics of ASSA ABLOY's products are becoming more important.

NUMBER OF REPORTING UNITS



The number of reporting units in the Group has increased from 204 to 256.

ACCIDENTS PER MILLION HOURS WORKED



2011 and 2010 relate to comparable units.

# Sustainable development

ASSA ABLOY has a number of climate-smart products, which combined with increased security help the customer to reduce their energy consumption and create a better quality indoor environment. A detailed understanding of the customer's needs and increased environmental requirements as well as competence development of the Group's employees are important aspects for strengthening market position.

One example is the Orion energy management system from VingCard Elsafe. This intelligent solution uses information from the door lock to control the temperature setting depending on the guest's presence in the room, resulting in lower heating and cooling costs and increased guest comfort. Several installations have shown that, thanks to the system's considerable energy savings, the investment is recouped within two years. Customer installations of the Orion system have been found to reduce energy consumption by around 20–30 percent, and more in some cases. The system, which was launched in late 2010, was awarded a prize for best climate-smart technology, and sales of the system were very strong in 2011.

Another example is that ASSA ABLOY was the first door manufacturer to achieve certification of its hinged door to the American UL Environment (Underwriters Laboratories) standard, UL IRS 102. These standards measure the health and environmental impacts of door manufacture and use. The Trio-E door is the first door to be certified to these sustainability standards on the North American market.

## Product development

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

Group companies use the Group's product innovation process and environmental checklist for all new product development.

The product innovation process has three important elements:

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

The Group has carried out product life cycle analyses to evaluate the stages in which the largest environmental impact occurs. The amount of materials used accounts for a significant part of a product's environmental impact, and this is something ASSA ABLOY has successfully addressed in Value Analysis/Value Engineering (VA/VE) in product development. In the case of electromechanical products, standby power consumption is of major significance for environmental impact. A number of new products have therefore been launched with sharply reduced energy consumption in standby mode.

ASSA ABLOY can reduce its environmental impact and costs through a reduced and efficient use of chemicals, energy and materials in the production process. The Group's environmental checklist provides a structured review of materials selection, design and manufacturing processes to reduce the amount of hazardous materials and ensure that processes are sustainable and efficient. One important area is reducing the amount of packaging materials for different customer groups and delivery formats.

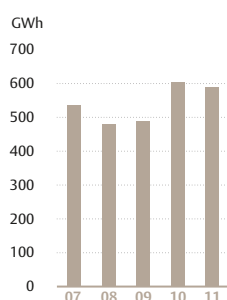
## Manufacturing

### Energy

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

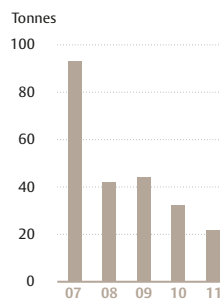
The first stage is to concentrate manufacture in as few plants as possible in order to maintain full capacity, efficient working practices and high quality.

ENERGY USE



2011 and 2010 relate to comparable units.

USE OF CHLORINATED ORGANIC SOLVENTS (PER AND TRI)



2011 and 2010 relate to comparable units.

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

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

#### **Water consumption**

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

Technical improvements in the purification and reuse of water in the production process have reduced water consumption. In 2011 new very eco-friendly purification technology was installed in one of the Group's large production plants in Israel. This technology is based on the purification of waste water using electricity instead of chemicals and results in very high water purification, very little waste and a low operating cost.

#### **Waste management**

The Reduce, Reuse, Recycle principle is applied across the organization by reducing the amount of material in products, designing products that can be upgraded rather than replaced, and enabling recycling of production waste and the products at the end of their life cycle. The Group has refined the monitoring of waste in various types of materials with the aim of better monitoring and reducing the amount of waste.

#### **Hazardous chemicals**

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

#### **Health and safety**

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

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

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

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

#### **Sales and customers**

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

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

#### **A responsible employer**

Factory compliance audits covering areas such as working conditions, human rights, human resources issues, the work environment, workplace culture and skills development are conducted regularly at ASSA ABLOY's factories. These audits are conducted by external auditors in accordance with internationally accepted procedures to obtain an impartial view of the situation at each factory. In 2011 independent audits were conducted at two production plants in China with excellent results.

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

#### **Stakeholders**

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

During the year ASSA ABLOY held round-table discussions and separate meetings with a number of investors. At ASSA ABLOY's annual capital market day in 2011 the Group reported on its sustainability program and investors were given an opportunity to ask questions. Requests from investors have generally concerned making more information externally available about sourcing in low-cost countries, such as procedures for establishing new operations, due diligence procedures, suppliers, sourcing volumes, indicators for and information on supplier audits, and information on non-approved suppliers. Investors have also requested increased transparency with regard to the targets for each monitored area. These meetings have proved valuable and given the Group important feedback on issues such as suppliers, the sustainability agenda and new business opportunities for green products.

# Sustainable development



## Change from brass to stainless steel for increased durability, reduced environmental impact and increased flexibility towards the customer

### Problem:

For high durability and esthetical reasons many components of the locks have been processed with brass material. Brass demands an additional surface treatment process in order to protect the surface. The brass material composes of different hazardous substances and the brass plating process itself demands electricity. The additional surface treatment process gives longer lead times, a more complicated production process and limits the flexibility towards the customers.

### Solution:

ASSA ABLOY VingCard Elsafe has replaced the brass material with stainless steel, a change with several positive outcomes. The application of stainless steel eliminates the entire extra process of surface treatment to five out of nine components. The impact falls through on 90 percent of the total lock volume of which 75 percent of the stainless steel components remain untreated and only 15 percent are coated to match other components still made in brass and regular electroplating.

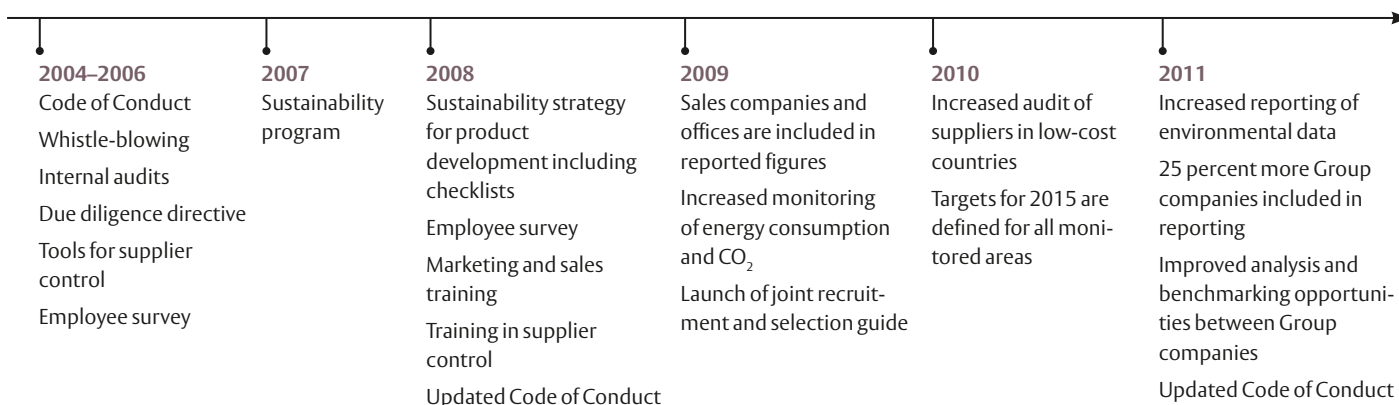
### Result:

A more sustainable product in every sense of the word: reduced input of material, reduced electricity consumption by 70 percent and reduced carbon emissions by 70 percent, higher quality and longer durability. In addition to the environmental benefits of eliminating the use of hazardous substances, the accompanying waste and the electricity consumption – there are several additional upsides.

From a customer perspective the application of stainless steel results in a more sustainable and durable product and makes the delivery process shorter and more flexible to the customer needs.

From an ASSA ABLOY perspective it brings eliminated production processes, reduced resource consumption, reduced costs, shorter lead times within the production process, reduced amount of transportation by more efficient location of suppliers and more secure and high quality deliveries from a smaller amount of suppliers. In summary it creates a more attractive product.

### SUSTAINABLE DEVELOPMENT PROGRAM IN BRIEF







## Crawford UK outfits sustainable logistics warehouse

<b>Customer:</b>	Gazeley Ltd's distribution center in Chatterley Valley, Staffordshire, called Blue Planet, is the first building to achieve an 'Outstanding' design rating from BRE Environmental Assessment Method (BREEAM).
<b>Challenge:</b>	Gazeley Ltd had stringent specification requirements; the majority of materials used in the building are A or A+ rated in BRE Global's Green Guide to Specification.
<b>Solution:</b>	McLaren Construction involved Crawford UK at an early stage of this development as Crawford had demonstrated its ability to meet Gazeley's requirements. Thirty eight dock levelers were required for the 34,000 square meter warehouse and this also involved supplying and installing dock doors, dock levelers, bay shelters traffic lights, dock lights and level access doors.

### Some of the results of the sustainability program

Targets	Results 2008	Results 2009	Results 2010	Results 2011	Trend
<b>Energy consumption</b> – 15 percent reduced consumption 2015 compared with 2010, based on normalized values.	482 GWh	491 GWh	605 GWh	590 GWh <sup>1</sup>	■
<b>Organic solvents</b> – Phase out all use of perchloroethylene and trichloroethylene. <sup>2</sup>	42 tonnes	44 tonnes	32 tonnes	22 tonnes	■
<b>Health and safety</b> 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: 8.7 ILDR: 166	IR: 8.4 ILDR: 150	IR: 7.8 ILDR: 141	IR: 8.0 <sup>3</sup> ILDR: 144 <sup>4</sup>	■ ■
<b>ISO 14001</b> – Compliance at all factories with significant environmental impact. <sup>5</sup>	63	62	69	75	■
<b>Suppliers</b> – Sustainability appraisals – Code of Conduct requirement for all suppliers. Sustainability audits of suppliers in risk category.	100 sustainability audits in China	178 sustainability audits in China	376 sustainability audits in China	493 sustainability audits in Asia	■
<b>Gender equality</b> – Improve current levels of gender equality at senior levels.	Level 2: 0% Level 3: 11% Level 4: 17% Level 5: 23%	Level 2: 0% Level 3: 15% Level 4: 18% Level 5: 20%	Level 2: 0% Level 3: 16% Level 4: 18% Level 5: 24%	Level 2: 0% Level 3: 15% Level 4: 19% Level 5: 26%	■

<sup>1</sup> For comparable units. Total energy consumption amounted to 632 GWh including units acquired during the year and increased reporting.

<sup>2</sup> Plants with totally closed washing processes will be phased out when the machinery is taken out of service. Read more about the updated target in the 2011 Sustainability Report.

<sup>3</sup> For comparable units. The total injury rate (IR) was 8.9 including units acquired during the year and increased reporting.

<sup>4</sup> For comparable units. The total injury lost day rate (ILDR) was 161 including units acquired during the year and increased reporting.

<sup>5</sup> Number of certificates and corresponding certifiable systems for North American units. The change is due to the closure of plants under the restructuring program and to the addition of a number of new plants with certificates.

■ Deterioration ■ Unchanged ■ Improvement

# Report of the Board of Directors and Financial statements

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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 2011. ASSA ABLOY is the global leader in door opening solutions, dedicated to satisfying end-user needs for security, safety and convenience.

## Significant events

### *Sales and income*

Sales for the year totaled SEK 41,786 M (36,823), with organic growth of 4 percent (3) and acquired growth of 17 percent (8). Operating income (EBIT) excluding restructuring costs rose 10 percent to SEK 6,624 M (6,046), equivalent to an operating margin of 15.9 percent (16.4). Income before tax excluding restructuring costs totaled SEK 5,979 M (5,366).

Operating cash flow excluding restructuring payments remained strong and amounted to SEK 6,080 M (6,285). Earnings per share after full dilution excluding restructuring costs were SEK 12.30 (10.89), an increase of 13 percent.

### *Restructuring*

A new restructuring program was launched in 2011 comprising 17 plant and office closures and a switch from full production to final assembly at a further number of production plants. Around 2,000 employees in high-cost countries are affected. On full implementation the annual cost saving is estimated at SEK 430 M. The total cost of the program is SEK 1,420 M gross.

The activities of the previous restructuring programs launched during the period 2006–2009 continued at a high level during the year. At year-end 2011, 5,869 employees had left the Group as a result of the changes in the production structure since the programs began. A total of 44 plant closures have been implemented and a large number of plants in high-cost countries have switched from production to final assembly. Around 20 offices have also closed. The Group's production is increasingly concentrated to its own plants in China, central and eastern Europe and to external suppliers in low-cost countries.

Payments related to the restructuring programs totaled SEK 373 M (465) for the full year. At year-end 2011, the remaining provisions for restructuring measures amounted to SEK 1,665 M (924).

### *Acquisitions and divestments*

In 2011 Cardo's Entrance Solutions division was acquired, a leading supplier of industrial doors, logistics systems, garage doors, customer service and other services. This acquisition represents a strategically important step in the development of ASSA ABLOY's operations in the Entrance Systems division. Overall, this will strengthen ASSA ABLOY's product offering and create a strong entrance automation supplier with a wide range of products, customer service and other services. The acquisition of Cardo is expected to generate considerable synergies through a combination of the companies' respective offerings. The range includes up and over

doors, overhead sectional doors, side sectional doors and the automation for these products. These doors are positioned as exclusive, offering good design, quality and high security. The main brands are Crawford and Normstahl. The acquisition of Cardo is classed as a significant acquisition and the purchase price allocation is presented separately in Note 30.

On 31 January 2011, 100 percent of the share capital was acquired in LaserCard Corporation, a leading provider of secure ID solutions to government and commercial customers worldwide. LaserCard has a unique product portfolio of smart cards, services and product solutions for complex ID systems management, which are used by more than 400 customers in 44 countries.

On 6 April 2011, 100 percent of the share capital was acquired in FlexiForce, a global leader in components for industrial sectional doors and residential garage doors. FlexiForce specializes in the manufacture and distribution of components for overhead sectional doors and has a strong position in product development and marketing as well as a solid customer base.

On 6 April 2011, 100 percent of the share capital was acquired in Swesafe, Sweden's largest locksmith. This acquisition is an important step in the development of the Swedish market in the fast-growing electromechanical segment. These acquisitions were EPS-accretive from the acquisition date.

A total of 18 acquisitions, including minor acquisitions, were consolidated during the year. The total purchase price of these acquisitions on a debt-free basis, excluding disposal groups, was SEK 7,096 M, and preliminary purchase price allocations indicate that goodwill and other intangible assets with an indefinite useful life amount to SEK 5,985 M.

The year saw the disposal of parts of the Cardo Group's operations acquired during the year. The businesses sold, Cardo Flow Solutions and Lorentzen & Wettre, were not considered to be a good fit with ASSA ABLOY's operations in the long term. These disposals gave rise to a capital gain of SEK 404 M after disposal and financing costs.

## Research and development

ASSA ABLOY's expenditure on research and development during the year amounted to SEK 1,202 M (1,015), equivalent to 2.9 percent (2.8) of sales.

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

# Report of the Board of Directors

## **Sustainable development**

Four 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 through the subsidiaries ASSA AB and ASSA OEM AB. These companies operate engineering workshops and associated surface-coating plants, which have an impact on the external environment through emissions to water and air as well as solid waste. Crawford Entrance Solutions also carries on licensable and notifiable activities in Gothenburg and Strömstad.

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

ASSA ABLOY's units worldwide are working purposefully to reduce greenhouse gas emissions. This applies to units on both mature and emerging markets and to both existing and newly acquired companies.

The 2011 Sustainability Report, reporting on the Group's prioritized environmental activities and providing other information on sustainable development, will be published at the time of the Annual General Meeting in April 2012.

## **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 events after the end of the financial year**

The acquisition of Albany Door Systems was completed on 11 January 2012 after approval by the authorities concerned. Albany Door Systems is one of the global leaders in industrial automatic high-performance doors. The company has around 700 employees. Sales for 2012 are expected to total SEK 1,300 M with an operating margin of around 8 percent. Integration began immediately after completion and is estimated to cost SEK 150 M. The acquisition will be EPS-accretive from the start.

A preliminary purchase price allocation for Albany Door Systems cannot be presented at the time of the preparation of these financial statements in view of the short time available after the acquisition date.

## **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.



# Report of the Board of Directors

## Significant risks and risk management

### Risk management

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

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

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

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

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

### Operational risks

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

The table on page 64 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 transactions as well as financial risks with a Group-wide focus.

A financial policy, which is approved by the Board, regulates the allocation of responsibilities and controls of the Group's financing activities. Group Treasury has the main responsibility for financial risks within the framework

#### 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

#### OPERATIONAL RISKS

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

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

#### FINANCIAL RISKS

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

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

# Report of the Board of Directors

## Significant risks and risk management

Operational risks	Risk management	Comments
<b>Legal risks</b>	<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 and anti-bribery legislation have been implemented.</p> <p>Legal risks associated with property and liability issues are continually evaluated together with insurance company representatives.</p>	At year-end 2011 there are considered to be no outstanding legal disputes that may lead to significant costs for the Group.
<b>Acquisition of new businesses</b>	<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 2011 are reported in the Report of the Board of Directors and in Note 30, Business combinations.
<b>Restructuring measures</b>  The Group is implementing specific restructuring programs, which entail some production units changing direction mainly to final assembly while certain units are closed.	<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.
<b>Price fluctuations and availability of raw materials</b>	<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.
<b>Credit losses</b>	<p>Trade receivables are spread across a large number of customers in many markets.</p> <p>Commercial credit risks are managed locally at company level and monitored at division level.</p>	Receivables from each customer are relatively small in relation to total trade receivables. The risk of significant credit losses for the Group is considered to be limited.
<b>Insurance risks</b>	<p>A Group-wide insurance program is in place, mainly relating to property, business interruption and liability risks. This 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 insurance company.</p>	The Group's insurance cover is considered to be generally adequate, providing a reasonable balance between assessed risk exposure and insurance costs.
<b>Risks relating to internal control regarding financial reporting</b>	<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 Report of the Board of Directors, section on Corporate governance.
<b>Risks relating to financial reporting</b>	<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 has been implemented.</p>	<p>See also the section 'Basis of preparation' in Note 1.</p> <p>Further information on risk management relating to financial reporting can be found in the Report of the Board of Directors, section on Corporate governance.</p>

established in the financial policy. A large number of financial instruments are used in this work. Accounting principles, risk management and risk exposure are described in more detail in Notes 1 and 33, as well as Note 24 regarding post-employment employee benefits.

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

#### **Financing risk**

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

#### **Currency risk**

Since ASSA ABLOY sells its products in countries worldwide and has companies in 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 rationalization of production and purchasing. In accordance with financial policy, the Group only hedged a limited part of current currency flows in 2011. As a result, exchange rate fluctuations had a direct impact on business operations.

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

#### **Interest rate risk**

With respect to interest rate risks, interest rate changes have a direct impact on ASSA ABLOY's net interest expense. The net interest expense is also impacted by the size of the Group's net debt and its currency composition. Net debt was SEK 14,207 M (10,564) at year-end 2011 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 16 months (23).

#### **Credit risk**

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

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

#### **Pension obligations**

At year-end 2011, ASSA ABLOY had obligations for pensions and other post-employment benefits of SEK 5,300 M (4,484). The Group manages pension assets valued at SEK 3,115 M (2,854). Pension provisions in the balance sheet amount to SEK 1,173 M (1,078). Changes in the value of assets and liabilities from year to year are due partly to the development of equity and debt capital markets and partly to the actuarial assumptions made. These assumptions include discount rates, as well as anticipated inflation and salary increases.



# Report of the Board of Directors

## Corporate governance

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

The corporate governance of ASSA ABLOY is based on the Swedish Companies Act, the rules and regulations of NASDAQ OMX Stockholm and the Swedish Code of Corporate Governance, as well as other applicable external laws, regulations and recommendations and internal rules and regulations.

This Corporate Governance Report has been prepared as part of ASSA ABLOY's application of the Swedish Code of Corporate Governance. ASSA ABLOY reports no deviations from the Swedish Code of Corporate Governance for 2011.

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.

### Important external rules and regulations

- Swedish Companies Act
- NASDAQ OMX Stockholm Rule Book for Issuers
- Swedish Code of Corporate Governance

### Important internal rules and regulations

- Articles of association
- Board of Directors' rules of procedure
- Financial policy, accounting manual, communications policy, and insider policy
- Internal control procedures
- Code of Conduct and anti-bribery policy



### Shareholders

At year-end ASSA ABLOY had 18,697 shareholders (20,199). The principal shareholders are Investment AB Latour (9.5 percent of the share capital and 29.6 percent of the votes) and Melker Schörling AB (3.9 percent of the share capital and 11.5 percent of the votes). Foreign shareholders accounted for around 64 percent (63) of the share capital and around 44 percent (43) of the votes. The ten largest shareholders accounted for around 38 percent (31) of the share capital and around 58 percent (53) of the votes. For further information on shareholders, see page 121.

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

### Share capital and voting rights

ASSA ABLOY's share capital amounted at year-end to SEK 368,250,378 distributed among 19,175,323 Series A shares and 349,075,055 Series B shares. The total number of votes was 540,828,285. Each Series A share carries ten votes and each Series B share one vote. All shares have a par value of SEK 1.00 and give shareholders equal rights to the company's assets and earnings.

### Repurchase of own shares

Since 2010 the Board of Directors has requested and received a mandate from the Annual General Meeting to buy back and transfer ASSA ABLOY shares. The aim has been to be able to adjust the company's capital structure, thereby contributing to increased shareholder value, to be able to exploit acquisition opportunities by fully or partly financing company acquisitions with its own shares, and to ensure the company's undertakings under long-term incentive programs. The 2011 Annual General Meeting authorized the Board of Directors to repurchase, during the period until the next Annual General Meeting, a maximum number of Series B shares so that after each repurchase ASSA ABLOY holds a maximum 10 percent of the total number of shares in the company.

ASSA ABLOY holds a total of 400,000 (300,000) Series B shares after repurchase to secure the company's undertakings in connection with the company's long-term incentive programs (LTI 2010 and LTI 2011). These shares account for 0.1 percent (0.1) of the share capital and each share has a par value of SEK 1.00. The purchase consideration amounted to SEK 65 M (48).

Of the above shares, 100,000 (300,000) Series B shares were repurchased in 2011. These account for 0.03 percent (0.1) of the share capital and each share has a par value of SEK 1.00. The purchase consideration amounted to SEK 17 M (48).

### 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 63,560 M. The Board of Directors' objective is that, in the long term, the dividend should be equivalent to 33–50 percent of income after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

### 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 who 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. For certain matters, however, the Swedish Companies Act prescribes that a proposal should be supported by a higher majority. Individual shareholders who wish to have an issue raised at the General Meeting can apply to ASSA ABLOY's Board of Directors at a special address published on the company's website well before the Meeting.

The Annual General Meeting should be held within six months of the end of the company's financial year. Matters considered at the Annual General Meeting include among other things: dividend distribution; 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 of Directors; 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.

#### **2011 Annual General Meeting**

The Annual General Meeting in April 2011 was attended by shareholders representing 54.5 percent of the share capital and 69.0 percent of the votes.

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

The Annual General Meeting approved a dividend of SEK 4.00 per share, in accordance with the proposal of the Board of Directors and the CEO. In addition, the Annual General Meeting passed resolutions on fees payable to the Board of Directors, remuneration guidelines for senior management, authorization of the Board of Directors regarding repurchase and transfers of own Series B shares, and the implementation of a long-term incentive program (LTI 2011) for senior management and other key staff in the Group, as well as appointing members of the Nomination Committee prior to the 2012 Annual General Meeting.

#### **Nomination Committee**

The Nomination Committee prior to the 2012 Annual General Meeting comprises Mikael Ekdahl (Melker Schörling AB), Gustaf Douglas (Investment AB Latour), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur Fonder) and Per-Erik Mohlin (SEB Fonder/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 Nomination Committee has the right to appoint another representative of one of the major shareholders to replace such a member. The same applies if a member of the Nomination Committee ceases to be employed by such a shareholder or leaves the Nomination Committee before the 2012 Annual General Meeting for any other reason.

The Nomination Committee has the task of preparing, on behalf of the shareholders, resolutions 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.

Shareholders wishing to submit proposals to the Nomination Committee can do so by emailing: [nominationcommittee@assaabloy.com](mailto:nominationcommittee@assaabloy.com).

Prior to the 2012 Annual General Meeting, the Nomination Committee has made an assessment of whether the current Board of Directors is appropriately composed and fulfills the demands made on the Board of Directors by the company's present situation and future direction. The annual evaluation of the Board of Directors was part of the basis for this assessment. The search for suitable board

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

The Nomination Committee's proposals for changes in the Board of Directors at the 2012 Annual General Meeting were published on 21 December 2011. After over 17 years as a member of the Board of Directors of ASSA ABLOY, including the past six years as Chairman, Gustaf Douglas will leave the Board of Directors at the 2012 Annual General Meeting. The Nomination Committee intends to propose Lars Renström as the new Chairman, Carl Douglas as Vice Chairman and Jan Svensson as a new member of the Board of Directors. The Nomination Committee's other proposals are published at the latest in conjunction with the formal notification of the Annual General Meeting, which is expected to be issued around 21 March 2012.

#### **Board of Directors**

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

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

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

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

# Report of the Board of Directors

## Corporate governance

Board of Directors is evaluated annually, and that new members of the Board of Directors receive appropriate training.

The Board of Directors has at least four scheduled meetings and one statutory meeting per year. 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 of Directors visits one of the Group's businesses, possibly combined with a board meeting. 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 of Directors has a Remuneration Committee and an Audit Committee. The purpose of these Committees is to deepen and streamline the work of the Board of Directors and to prepare matters in these areas. The Committees have no decision-making powers. The members of the Committees are appointed annually by the Board of Directors at the statutory board meeting. Instructions for the Committees are included in the Board of Directors' rules of procedure.

### *The Board of Directors' work in 2011*

During the year the Board of Directors held 12 meetings (five scheduled meetings, one statutory meeting and six extraordinary meetings), including four by telephone and two *per capsulam*. One member was absent at two meetings, two members were absent at two meetings and three members were absent at one meeting. All board members were present at the other meetings. At the scheduled board meetings, the CEO has 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 of Directors. This amount presumes that the matter relates to acquisitions or divestments within the framework of the strategy agreed by the Board of Directors.

More important matters dealt with by the Board of Directors during the year included the completion of the acquisition of Cardo, including the divestments of Cardo Flow Solutions and Lorentzen & Wettre. In addition, the Board of Directors dealt with a further number of acquisitions including Albany Door Systems and FlexiForce. During the year the Board of Directors conducted in-depth reviews of the Group's operations in Entrance Systems and HID Global and visited Crawford and FlexiForce's operations in the Netherlands. The Board of Directors also decided to adopt an updated anti-bribery policy during the year.

### *Remuneration Committee*

During 2011 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 of Directors proposes to the Annual General Meeting for resolution. The Board of Directors' proposal for

guidelines to the 2012 Annual General Meeting is set out on page 75.

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

The Committee held three meetings in 2011, including one by telephone, at which all members were present.

During the year the Remuneration Committee's work included, among other things, preparing a proposal for the remuneration of the Executive Team, evaluating existing incentive programs, and preparing a proposal for a long-term incentive program for 2012. The meetings of the Remuneration Committee are minuted, the minutes are distributed with material for the Board of Directors and a verbal report is given at board meetings.

### *Audit Committee*

During 2011 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 in 2011 at which all members, the company's auditor and representatives of the Executive Team were present. More important matters dealt with by the Audit Committee during the year included internal control, financial statements and valuation matters, tax matters and legal risk areas.

The meetings of the Audit Committee are minuted, the minutes are distributed with material for the Board of Directors and a verbal report is given at board meetings.

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

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

### *Remuneration of the Board of Directors*

The Annual General Meeting passes a resolution on the remuneration to be paid to board members. The 2011 Annual General Meeting passed a resolution on board fees totaling SEK 4,000,000 (excluding remuneration for



committee work), to be allocated between the members as follows: SEK 1,000,000 to the Chairman and SEK 500,000 to each of the other members not employed by the company. As remuneration for committee work, the Chairman of the Audit Committee is to receive SEK 200,000, the Chairman of the Remuneration Committee SEK 100,000, members of the Audit Committee SEK 100,000 and members of the Remuneration Committee SEK 50,000.

The Chairman and other board members have no pension benefits or severance pay agreements. The CEO and employee representatives do not receive board fees. For further information on the remuneration of board members in 2011, see Note 32.

The Board of Directors of ASSA ABLOY meets the requirements for independence, in accordance with the Swedish Code of Corporate Governance.

#### Independence of the Board of Directors

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

#### The Board of Directors' composition and shareholdings

Name	Position	Elected	Born	Remuneration Committee	Audit Committee	Series A shares <sup>1</sup>	Series B shares <sup>1</sup>	Incentive program Series B shares
Gustaf Douglas	Chairman of the Board	1994	1938	Chairman	–	13,865,243	21,300,000	–
Carl Douglas	Board member	2004	1965	–	–	–	–	–
Birgitta Klasén	Board member	2008	1949	–	Member	–	7,000	–
Eva Lindqvist	Board member	2008	1958	–	–	–	1,000	–
Johan Molin	Board member, President and CEO	2006	1959	–	–	–	516,282	215,300
Sven-Christer Nilsson	Board member	2001	1944	Member	–	–	5,000	–
Lars Renström	Board member	2008	1951	–	Member	–	10,000	–
Ulrik Svensson	Board member	2008	1961	–	Chairman	–	3,000	–
Seppo Liimatainen	Board member, employee representative	2003	1950	–	–	–	2,600	–
Mats Persson	Board member, employee representative	1994	1955	–	–	–	–	–
Rune Hjälm	Deputy, employee representative	2005	1964	–	–	–	–	–
Per Edvin Nyström	Deputy, employee representative	1994	1955	–	–	–	7,727	–

<sup>1</sup> Including family and through companies. Shareholdings as of 31 December 2011. This information is updated regularly at [www.assaabloy.com](http://www.assaabloy.com)

# Report of the Board of Directors

## Corporate governance Board of Directors

### Board members elected at the 2011 Annual General Meeting



Gustaf Douglas

#### **Gustaf Douglas**

Chairman of the Board.  
Board member since 1994.  
Born 1938.  
MBA, Harvard Business School 1964.  
Principal shareholder of Investment AB Latour.  
Self-employed since 1980.

**Other appointments:** Board member of Stiftelsen Svenska Dagbladet and the Swedish Moderate Party.

**Shareholdings (including family and through companies):** 13,865,243 Series A shares and 21,300,000 Series B shares through Investment AB Latour.



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 and Swegon AB.

**Shareholdings (including family and through companies):** –



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 at Pharmacia 1996–2001. Prior to that CIO at Telia. Held various posts at IBM 1976–1994.

**Other appointments:** Board member of Acando AB and IFS AB.

**Shareholdings (including family and through companies):** 7,000 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 Telia Sonera AB 2006–2007. Prior to that several senior posts at Telia Sonera AB, including President and Head of Business Operation International Carrier, and various posts in the Ericsson Group 1981–1999.

**Other appointments:** Board member of companies including Tieto Oy, Transmode AB and Episerver AB. Member of the Royal Swedish Academy of Engineering Sciences (IVA).  
**Shareholdings (including family and through companies):** 1,000 Series B shares.

#### **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 senior posts mainly in finance and marketing, later divisional head in the Atlas Copco Group 1983–2001.

**Other appointments:** Chairman of Nobia AB.

**Shareholdings (including family and through companies):** 516,282 Series B shares. Incentive 2007 corresponding, on full conversion, to 215,300 Series B shares.



Johan Molin

#### **Sven-Christer Nilsson**

Board member since 2001.  
Born 1944.

Bachelor of Science.  
President and CEO of Telefonaktiebolaget LM Ericsson 1998–1999, various executive positions mainly in marketing and general management in the Ericsson Group 1982–1997.

**Other appointments:** Chairman of The Swedish National Defence Materiel Administration (FMV). Board member of Sprint Nextel Corporation and CEVA, Inc.

**Shareholdings (including family and through companies):** 5,000 Series B shares.



Sven-Christer Nilsson



Lars Renström



Ulrik Svensson

#### **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**

Board member since 2008.

Born 1961.

Bachelor of Science in Business Administration and Economics.

CEO of Melker Schörling AB. CFO of Swiss International Airlines Ltd. 2003–2006. CFO of Esselte AB 2000–2003 and Controller/CFO of the Stenbeck Group's foreign telecoms ventures 1992–2000.

**Other appointments:** Board member of AarhusKarlshamn AB, Loomis AB, Hexagon AB, Hexpol AB and Flughafen Zürich AG.

**Shareholdings (including family and through companies):** 3,000 Series B shares.

#### *Board members appointed by employee organizations*



Seppo Liimatainen

#### **Seppo Liimatainen**

Board member since 2003.

Born 1950.

Employee representative, Federation of Salaried Employees in Industry and Services.

**Shareholdings:** 2,600 Series B shares.



Mats Persson

#### **Mats Persson**

Board member since 1994.

Born 1955.

Employee representative, Swedish Metal Workers Union.

**Shareholdings:** –



Rune Hjältn

#### **Rune Hjältn**

Deputy board member since 2005.

Born 1964.

Employee representative, Swedish Metal Workers Union. Chairman of EWC, European Works Council in the ASSA ABLOY Group.

**Shareholdings:** –



Per Edvin Nyström

#### **Per Edvin Nyström**

Deputy board member since 1994.

Born 1955.

Employee representative, Swedish Metal Workers Union.

**Shareholdings:** 7,727 B-aktier.

Shareholdings as of 31 December 2011. This information is updated regularly at [www.assaabloy.com](http://www.assaabloy.com)

# Report of the Board of Directors

## Corporate governance 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.  
Head of Global Technologies division.  
*Employed since:* 2005.  
*Shareholdings:* 516,282 Series B shares.  
Incentive 2007 corresponding, on full conversion, to 215,300 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:* 5,802 Series B shares.  
Incentive 2007 corresponding, on full conversion, to 44,000 Series B shares.

#### Jonas Persson

Born 1969.  
Master of Science in Engineering.  
Executive Vice President.  
Head of Asia Pacific division.  
*Employed since:* 2009.  
*Shareholdings:* 10,836 Series B shares.

#### Ulf Södergren

Born 1953.  
Master of Science in Engineering and Bachelor of Science in Business Administration and Economics.  
Executive Vice President.  
Chief Technology Officer (CTO).  
*Employed since:* 2000.  
*Shareholdings:* 4,358 Series B shares.  
Incentive 2007 corresponding, on full conversion, to 60,800 Series B shares.

#### Tzachi Wiesenfeld

Born 1958.  
Bachelor of Science in Industrial Engineering, MBA.  
Head of EMEA division.  
Executive Vice President.  
*Employed since:* 2000.  
*Shareholdings:* 6,611 Series B shares.  
Incentive 2007 corresponding, on full conversion, to 23,400 Series B shares.

#### Tomas Eliasson<sup>1</sup>

Born 1962.  
Bachelor of Science in Business Administration and Economics.  
Executive Vice President.  
Chief Financial Officer (CFO).  
*Employed since:* 2006.  
*Shareholdings:* Incentive 2007 corresponding, on full conversion, to 23,600 Series B shares.

#### Thanasis Molokotos

Born 1958.  
Master of Science in Engineering.  
Executive Vice President.  
Head of Americas division.  
*Employed since:* 1996.  
*Shareholdings:* 32,635 Series B shares.  
Incentive 2007 corresponding, on full conversion, to 25,700 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:* 3,477 Series B shares.  
Incentive 2007 corresponding, on full conversion, to 9,400 Series B shares.

#### Juan Vargues

Born 1959.  
Degree in Mechanical Engineering, MBA.  
Executive Vice President.  
Head of Entrance Systems division.  
*Employed since:* 2002.  
*Shareholdings:* 6,124 Series B shares.  
Incentive 2007 corresponding, on full conversion, to 79,600 Series B shares.

### Changes in the Executive Team

<sup>1</sup> Tomas Eliasson, Executive Vice President and Chief Financial Officer, is leaving ASSA ABLOY on 10 February 2012. He is succeeded by Carolina Dybeck Happe as from 1 March 2012.

Shareholdings as of 31 December 2011. This information is updated regularly at [www.assaabloy.com](http://www.assaabloy.com)



### **The Executive Team and organization**

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

### **Guidelines and policies**

The Group's most important guidelines and policies define the product areas in which the Group should operate and describe the principles for market development, growth, product development, organization, cost-efficiency and staff development. These principles are described in the publication 'Our Road to the Future', which has been provided to all employees in the Group. Other important guidelines and policies concern financial control, communication issues, insider issues, the Group's brands, business ethics and environmental issues. ASSA ABLOY's financial policy and accounting manual provide the framework for financial control and monitoring. The Group's communications policy aims to provide essential information at the right time and in compliance with applicable rules and regulations. ASSA ABLOY has adopted an insider policy to complement applicable Swedish insider legislation. This policy applies to all persons reported to the Swedish Financial Supervisory Authority as holding insider position in ASSA ABLOY AB (including subsidiaries) as well as certain other categories of employees. Brand guidelines aim to protect and develop the major assets that the Group's brands represent.

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

### **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.

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 of financial reporting**

ASSA ABLOY's process for internal control of 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 of Directors' rules of procedure and instructions to the CEO, the Code of Conduct, financial policy, and an annual financial evaluation plan etc. Regular meetings are held with the Audit Committee. The Group has an internal control function whose primary objective is ensuring reliable financial reporting.

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

#### *Risk assessment*

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

#### *Control activities*

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

A global financial internal audit function has been established and carries out annual financial evaluations in accordance with the plan annually adopted by the Audit Committee. The results of the financial evaluations for 2011 are submitted to the Audit Committee and the auditors. Group-wide internal control guidelines are reviewed annually. These guidelines affect various procedures, such as ordering and purchasing (including payments), finalizing accounts and plants, as well as compliance with various relevant policies, legal issues and HR issues.

#### *Information and communication*

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

#### *Review process*

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

All business units report their financial results monthly in accordance with the Group's accounting principles.

This reporting serves as the basis for quarterly reports and a monthly operating review. Operating reviews conform to a structure in which sales, earnings, cash flow, capital employed and other important key figures and trends for the Group are compiled and form the basis for analysis and actions by management and controllers at different levels. Financial reviews take place quarterly at divisional board meetings, monthly in the form of performance reviews and through more informal analysis. Other important Group-wide components of internal control are the annual business planning process and monthly and quarterly forecasts.

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

#### **External audit**

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

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

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

The external audit is carried out in accordance with International Standards on Auditing, ISA, which is considered good auditing practice in Sweden since 2011. 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 in the past three financial years, see Note 3 and the Annual Report for 2010, Note 3.

# Report of the Board of Directors

## Remuneration guidelines for senior management

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

The Board of Directors of ASSA ABLOY proposes that the 2012 Annual General Meeting adopts the following guidelines for the remuneration and other employment conditions of the President and CEO and the other members of the Executive Team. The proposed guidelines below do not involve any material change, compared with the guidelines adopted by the 2011 Annual General Meeting. The basic principle is that remuneration and other employment conditions should be in line with market conditions and competitive. ASSA ABLOY takes into account both global remuneration practice and practice in the home country of each member of the Executive Team. The total remuneration of the Executive Team should consist of basic salary, variable components in the form of annual and long-term variable remuneration, other benefits and pension.

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

### ***Fixed and variable remuneration***

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

In addition, the Executive Team should, within the framework of the Board of Directors' proposal for a long-term incentive program, have the opportunity to receive variable remuneration in the form of shares based on the outcome

in relation to a range determined by the Board for the performance of earnings per share in 2012. This remuneration model also includes the right, when purchasing a share under certain conditions, to receive a free matching share from the company. This remuneration should, if the share price is unchanged, be equivalent to a maximum 75 percent of basic salary (excluding social security expenses).

The cost of variable remuneration for the Executive Team as above, assuming maximum outcome, amounts to a total of around SEK 60 M (excluding social security expenses). This calculation is made on the basis of the current members of the Executive Team.

### ***Other benefits and pension***

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

### ***Notice and severance pay***

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

### ***Deviations from guidelines***

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

# Sales and income

- Organic growth was 4 percent (3), while acquired growth was 17 percent (8).
- Operating income (EBIT) excluding items affecting comparability rose 10 percent to SEK 6,624 M (6,046), equivalent to an operating margin of 15.9 percent (16.4).
- Earnings per share after full dilution excluding items affecting comparability amounted to SEK 12.30 (10.89).

## Sales

The Group's sales rose to SEK 41,786 M (36,823). Exchange rate effects had an impact on sales of SEK -2,309 M (-1,626).

## Change in sales

%	2010	2011
Organic growth	3	4
Acquired growth	8	17
Exchange rate effects	-6	-8
<b>Total</b>	<b>5</b>	<b>13</b>

The total change in sales for 2011 was 13 percent (5). Organic growth was 4 percent (3), while acquired units made a positive contribution of 17 percent (8).

## Sales by product group

Mechanical locks, lock systems and fittings accounted for 38 percent (42) of sales. Electromechanical and electronic locks rose to 42 percent (36) of sales, of which entrance automation accounted for 20 percent (11). Security doors and hardware accounted for 20 percent (22) of sales.

## Cost structure

Total wage costs, including social security expenses and pension expenses, rose to SEK 11,835 M (10,110), equivalent to 28 percent (27) of sales. The average number of employees in the Group rose to 41,070 (37,279).

The Group's material costs rose to SEK 14,655 M (12,553), equivalent to 35 percent (34) of sales.

Other purchasing costs rose to SEK 7,616 M (7,049), equivalent to 18 percent (19) of sales.

Depreciation and amortization of non-current assets amounted to SEK 1,022 M (995), equivalent to 2 percent (3) of sales.

## Operating income

Operating income (EBIT) excluding restructuring costs rose to SEK 6,624 M (6,046) due to efficiency savings and continued growth in operations. The corresponding operating margin was 15.9 percent (16.4). Exchange rate effects amounted to SEK -430 M (-262).

Operating income before depreciation and amortization (EBITDA) excluding restructuring costs rose to SEK 7,646 M (7,041). The corresponding margin was 18.3 percent (19.1).

## Items affecting comparability

Operating income for the year was reduced by restructuring costs of SEK 1,420 M (-), of which impairment of assets, mainly machinery and equipment, amounted to SEK 224 M. The remaining amount mainly related to payments in connection with staff redundancies. Divestment of Cardo Flow Solutions and Lorentzen & Wettre gave rise to a capital gain of SEK 404 M.

## Income before tax

Income before tax excluding restructuring costs totaled SEK 5,979 M (5,366). The exchange rate effect amounted to SEK -399 M (-232). Net financial items amounted to SEK -645 M (-680). This improvement is partly due to lower pension expenses. Profit margin, defined as income before tax in relation to sales, was 14.3 percent (14.6) excluding restructuring costs.

The parent company's income before tax was SEK 2,297 M (954).

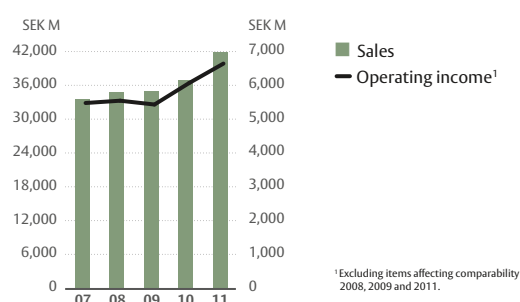
## Tax

The Group's tax expense totaled SEK 1,095 M (1,286), equivalent to an effective tax rate of 24 percent (24). Non-deductible restructuring costs increased the effective tax rate by one percentage point.

## Earnings per share

Earnings per share after full dilution excluding items affecting comparability amounted to SEK 12.30 (10.89).

## SALES AND OPERATING INCOME



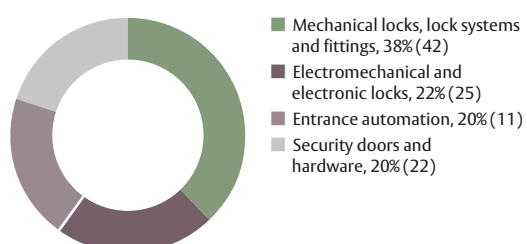


# Consolidated income statement and Statement of comprehensive income

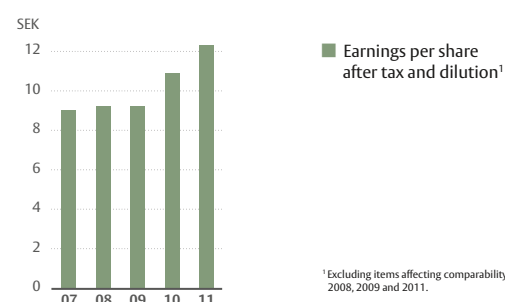
Income statement, SEK M	Note	2010	2011
Sales	2	36,823	41,786
Cost of goods sold		-21,987	-26,829
<b>Gross income</b>		<b>14,836</b>	<b>14,957</b>
Selling expenses		-5,666	-6,408
Administrative expenses	3	-2,039	-2,109
Research and Development costs		-1,015	-1,202
Other operating income and expenses	4	-73	-77
Share of earnings in associates	5	3	43
<b>Operating income</b>	6-9, 32	<b>6,046</b>	<b>5,204</b>
Financial income	10	26	59
Financial expenses	9, 11	-706	-704
<b>Income before tax</b>		<b>5,366</b>	<b>4,559</b>
Tax on income	12	-1,286	-1,095
<b>Net income from continuing operations</b>		<b>4,080</b>	<b>3,465</b>
Net income from discontinued operations		-	404
<b>Net income</b>		<b>4,080</b>	<b>3,869</b>
<b>Net income attributable to:</b>			
Parent company shareholders'		4,050	3,843
Non-controlling interest		30	26
<b>Earnings per share</b>			
before dilution, SEK	13	11.07	10.45
after dilution, SEK	13	10.89	10.33
after dilution excluding items affecting comparability, SEK	13	10.89	12.30

Statement of comprehensive income, SEK M	2010	2011
<b>Net income</b>	<b>4,080</b>	<b>3,869</b>
<b>Other comprehensive income</b>		
Share of other comprehensive income of associates	-	21
Cashflow hedges	-	-30
Net investment hedges	-	-108
Exchange rate differences	-1,249	327
<b>Total comprehensive income</b>	<b>2,831</b>	<b>4,079</b>
<b>Total comprehensive income attributable to:</b>		
- Parent company shareholders'	2,805	4,040
- Non-controlling interest	26	39

SALES BY PRODUCT GROUP, 2011



EARNINGS PER SHARE AFTER TAX AND DILUTION



# Comments by division

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

## EMEA

Sales totaled SEK 13,030 M (13,036), with organic growth of 0 percent (2). Acquired units contributed 5 percent (1) to sales. Operating income excluding restructuring costs amounted to SEK 2,203 M (2,174), with an operating margin (EBIT) of 16.9 percent (16.7). Return on capital employed excluding restructuring costs was 22.0 percent (21.6). Operating cash flow before interest paid amounted to SEK 2,142 M (2,607).

Demand on European markets was weak during the year. The launch of new products and continued efficiency savings resulted in a maintained operating margin and a continued strong cash flow.

## Americas

Sales totaled SEK 8,906 M (9,536), with organic growth of 2 percent (-2). Acquired units contributed 1 percent (2) to sales. Operating income excluding restructuring costs amounted to SEK 1,812 M (1,886), with an operating margin (EBIT) of 20.3 percent (19.8). Return on capital employed excluding restructuring costs was 22.8 percent (21.3). Operating cash flow before interest paid amounted to SEK 1,731 M (2,013).

The commercial segment showed stable demand, driven partly by the renovation market. New electromechanical products were launched during the year. The operating margin remained strong due to continued active marketing and a strong product portfolio.

## Asia Pacific

Sales totaled SEK 6,633 M (6,081), with organic growth of 9 percent (14). Acquired units contributed 4 percent net (43) to sales. Operating income excluding restructuring costs amounted to SEK 933 M (843), with an operating margin (EBIT) of 14.1 percent (13.9). Return on capital employed excluding restructuring costs was 23.6 percent (25.1). Operating cash flow before interest paid amounted to SEK 912 M (917).

Growth in China was strong for the year as a whole, but slowed in the latter part of the year. Demand was robust on the majority of Asian markets, but weaker in Australia. Operating margin and cash flow were maintained at a high level.

## Global Technologies

Sales totaled SEK 5,756 M (5,015), with organic growth of 11 percent (10). Acquired units contributed 13 percent (1) to sales. Operating income excluding restructuring costs amounted to SEK 897 M (862), with an operating margin (EBIT) of 15.6 percent (17.2). Return on capital employed excluding restructuring costs was 14.3 percent (14.7). Operating cash flow before interest paid amounted to SEK 933 M (868).

The division showed strong organic growth for the year. Underlying operating income remained strong, but profitability was negatively impacted by the effects of acquisitions.

## Entrance Systems

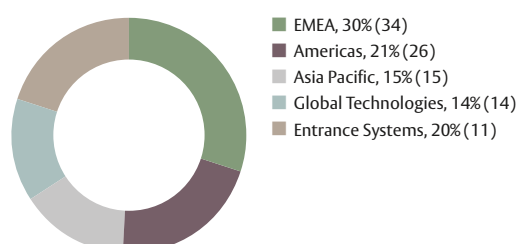
Sales totaled SEK 8,278 M (4,072), with organic growth of 5 percent (-2). Acquired units contributed 110 percent (17) to sales. Operating income excluding restructuring costs amounted to SEK 1,197 M (627), with an operating margin (EBIT) of 14.5 percent (15.4). Return on capital employed excluding restructuring costs was 12.2 percent (14.6). Operating cash flow before interest paid amounted to SEK 1,243 M (580).

New sales of automatic doors were strong during the year. Major acquisitions considerably strengthened the market position. Sales and operating cash flow doubled compared with the previous year.

## Other

The costs of Group-wide functions, such as corporate management, accounting and finance, supply management and Group-wide product development, amounted to SEK 418 M (346). Elimination of sales between the Group's segments and restructuring costs are included in 'Other'.

EXTERNAL SALES, 2011



# Results by division

	EMEA <sup>1</sup>		Americas <sup>2</sup>		Asia Pacific <sup>3</sup>		Global Technologies <sup>4</sup>		Entrance Systems		Other		Total	
SEK M	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Sales, external	12,660	12,762	9,491	8,867	5,698	6,243	4,951	5,688	4,024	8,226	–	–	36,823	41,786
Sales, internal	376	268	45	39	384	391	64	67	48	52	–916 <sup>7</sup>	–817 <sup>7</sup>	–	–
<b>Sales</b>	<b>13,036</b>	<b>13,030</b>	<b>9,536</b>	<b>8,906</b>	<b>6,081</b>	<b>6,633</b>	<b>5,015</b>	<b>5,756</b>	<b>4,072</b>	<b>8,278</b>	<b>–916</b>	<b>–817</b>	<b>36,823</b>	<b>41,786</b>
Organic growth	2%	0%	–2%	2%	14%	9%	10%	11%	–2%	5%	–	–	3%	4%
Share of earnings in associates	3	2	–	–	–	–	–	–	–	41	–	–	3	43
<b>Operating income (EBIT) excluding items affecting comparability</b>	<b>2,174</b>	<b>2,203</b>	<b>1,886</b>	<b>1,812</b>	<b>843</b>	<b>933</b>	<b>862</b>	<b>897</b>	<b>627</b>	<b>1,197</b>	<b>–346</b>	<b>–418</b>	<b>6,046</b>	<b>6,624</b>
Operating margin (EBIT) excluding items affecting comparability	16.7%	16.9%	19.8%	20.3%	13.9%	14.1%	17.2%	15.6%	15.4%	14.5%	–	–	16.4%	15.9%
Items affecting comparability <sup>6</sup>	–	–587	–	–150	–	–48	–	–87	–	–423	–	–125	–	–1,420
<b>Operating income (EBIT)</b>	<b>2,174</b>	<b>1,616</b>	<b>1,886</b>	<b>1,662</b>	<b>843</b>	<b>885</b>	<b>862</b>	<b>810</b>	<b>627</b>	<b>774</b>	<b>–346</b>	<b>–543</b>	<b>6,046</b>	<b>5,204</b>
Operating margin (EBIT)	16.7%	12.4%	19.8%	18.7%	13.9%	13.3%	17.2%	14.1%	15.4%	9.3%	–	–	16.4%	12.5%
Net financial items	–	–	–	–	–	–	–	–	–	–	–	–	–680	–645
Tax on income	–	–	–	–	–	–	–	–	–	–	–	–	1,286	–1,095
<b>Net income</b>													<b>4,080</b>	<b>3,869</b>
Capital employed	8,759	8,950	8,163	8,468	4,080	4,278	5,772	6,449	4,365	10,837	245	–1,041	31,385	37,942
–of which goodwill	5,471	5,564	6,039	6,041	3,202	3,410	4,265	4,846	3,303	7,153	–	–	22,279	27,014
–of which other intangible and tangible assets	2,632	2,590	1,566	1,484	2,306	2,464	1,267	1,258	431	2,237	136	93	8,336	10,126
–of which shares in associates	37	33	–	–	–	–	–	–	–	1,178	–	–	37	1,211
Return on capital employed excluding items affecting comparability	21.6%	22.0%	21.3%	22.8%	25.1%	23.6%	14.7%	14.3%	14.6%	12.2%	–	–	18.5%	17.4%
Operating income (EBIT)	2,174	1,616	1,886	1,662	843	885	862	810	627	774	–346	–543	6,046	5,204
Restructuring costs	–	587	–	150	–	48	–	87	–	423	–	125	–	1,420
Depreciation	417	385	222	182	142	148	145	169	57	126	14	12	995	1,022
Investments in fixed assets	–357	–331	–124	–140	–217	–215	–109	–98	–55	–111	–8	–3	–870	–898
Sales of fixed assets	40	8	10	5	19	10	0	0	8	19	85	10	162	52
Change in working capital	334	–123	19	–128	130	35	–30	–35	–58	12	–33	1	362	–238
<b>Cash flow<sup>5</sup></b>	<b>2,607</b>	<b>2,142</b>	<b>2,013</b>	<b>1,731</b>	<b>917</b>	<b>912</b>	<b>868</b>	<b>933</b>	<b>580</b>	<b>1,243</b>	<b>–288</b>	<b>–398</b>	<b>6,695</b>	<b>6,563</b>
Adjustment for non-cash items	–	–	–	–	–	–	–	–	–	–	45	0	45	0
Paid and received interest	–	–	–	–	–	–	–	–	–	–	–455	–482	–455	–482
<b>Operating cash flow<sup>5</sup></b>													<b>6,285</b>	<b>6,080</b>
Average number of employees	9,471	10,071	6,969	6,658	15,510	15,784	2,487	2,819	2,738	5,605	104	133	37,279	41,070

<sup>1</sup> Europe, Middle East and Africa.

<sup>2</sup> North and South America.

<sup>3</sup> Asia and Pacific.

<sup>4</sup> ASSA ABLOY Hospitality and HID Global.

<sup>5</sup> Excluding restructuring payments.

<sup>6</sup> Items affecting comparability consist of restructuring costs.

<sup>7</sup> Of which eliminations SEK 817 M (916).

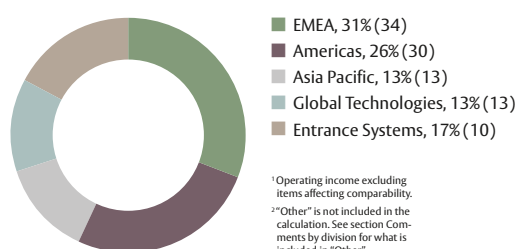
The segments have been determined on the basis of reporting to the CEO, who monitors the overall performance and makes decisions on resource allocation.

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

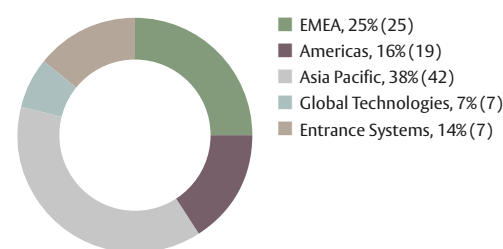
The breakdown of sales is based on customer sales in the respective country. Sales between segments are carried out at arm's length.

For further information on sales, see Note 2.

OPERATING INCOME, 2011<sup>1,2</sup>



AVERAGE NUMBER OF EMPLOYEES, 2011



# Financial position

- Capital employed amounted to SEK 37,942 M (31,385).
- Return on capital employed remained high at 17.4 percent (18.5).
- The net debt/equity ratio was 0.60 (0.51).

SEK M	2010	2011
Capital employed	31,385	37,942
– of which goodwill	22,279	27,014
Net debt	10,564	14,207
Equity	20,821	23,735
– of which non-controlling interests	169	208

## 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 37,942 M (31,385). The return on capital employed excluding items affecting comparability was 17.4 percent (18.5).

Intangible assets amounted to SEK 31,455 M (25,193). The increase is mainly due to the effects of completed acquisitions. During the year, goodwill and other intangible assets with an indefinite useful life have arisen to a preliminary value of SEK 5,985 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 5,684 M (5,422). Capital expenditure on tangible and intangible assets, less sales of tangible and intangible assets, totaled SEK 846 M (708). Depreciation amounted to SEK 1,022 M (995).

Accounts receivables totaled SEK 6,924 M (5,596) and inventories totaled SEK 5,704 M (4,825). The average collection period for accounts receivables was 47 days (51). Material throughput time was 97 days (103). The Group is making systematic efforts to increase capital efficiency.

## Net debt

Net debt amounted to SEK 14,207 M (10,564), of which pension commitments and other post-employment benefits accounted for SEK 1,173 M (1,078).

Net debt was increased by acquisitions and the dividend to shareholders and reduced by the continued strong positive operating cash flow. The net increase is mainly due to increased acquisition activity.

## External financing

The Group's long-term loan financing mainly consists of Private Placement Program in the USA totaling USD 500 M (580), GMTN program of SEK 2,658 M (2,705) and a loan from the European Investment Bank of EUR 110 M (0).

During the year, long-term bilateral financing totaling EUR 110 M was raised from the European Investment Bank. The other changes in long-term loans are mainly due to some of the original long-term loans now having less than one year to maturity and to a new loan of SEK 500 M with a seven-year term raised under the GMTN program.

The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 4,242 M (747) of the Commercial Paper Programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility of EUR 1,100 M (1,100), which was wholly unutilized at year-end. The increase in short-term financing is mainly linked to financing the acquisition of Cardo.

The interest coverage ratio, defined as income before tax plus net interest, divided by net interest, was 8.8 (10.1). Fixed interest terms fell somewhat during the year, with an average term of 16 months (23) at year-end.

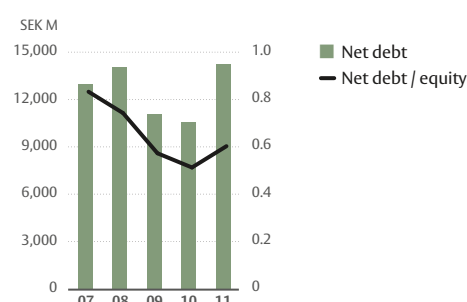
Cash and cash equivalents amounted to SEK 1,665 M (1,302) and are invested in banks with high credit ratings.

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

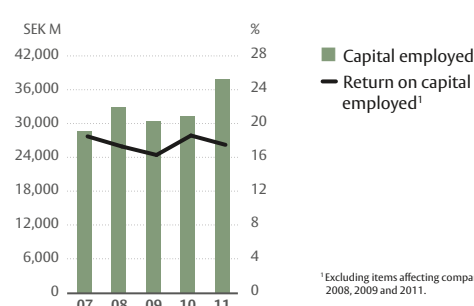
## Equity

The Group's equity totaled SEK 23,735 M (20,821) at year-end. The return on equity was 16.7 percent (19.1). The equity ratio was 42.9 percent (45.9). The debt/equity ratio, defined as net debt divided by equity, was 0.60 (0.51).

## NET DEBT



## CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



<sup>1</sup> Excluding items affecting comparability 2008, 2009 and 2011.



# Consolidated balance sheet

SEK M	Note	2010	2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	25,193	31,455
Tangible assets	15	5,422	5,684
Shares in associates	17	37	1,211
Other long-term financial assets	19	856	164
Deferred tax receivables	18	702	786
<b>Total non-current assets</b>		<b>32,210</b>	<b>39,301</b>
<b>Current assets</b>			
Inventories	20	4,825	5,704
Accounts receivables	21	5,596	6,924
Current tax receivables		311	325
Other short-term receivables		581	620
Prepaid expenses and accrued income		416	551
Derivative financial instruments	33	146	234
Short-term investments	33	2	50
Cash and cash equivalents	33	1,302	1,665
<b>Total current assets</b>		<b>13,179</b>	<b>16,072</b>
<b>TOTAL ASSETS</b>		<b>45,389</b>	<b>55,373</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Parent company's shareholders</i>			
Share capital	23	366	368
Other contributed capital		8,921	9,227
Reserves		-484	-287
Retained earnings		11,849	14,219
		<b>20,652</b>	<b>23,527</b>
Non-controlling interest		169	208
<b>Total equity</b>		<b>20,821</b>	<b>23,735</b>
<b>Non-current liabilities</b>			
Long-term loans	33	7,235	7,422
Convertible debenture loans	33	899	-
Deferred tax liabilities	18	309	497
Pension provisions	24	1,078	1,173
Other long-term provisions	25	1,793	1,315
Other long-term liabilities	33	2,134	2,668
<b>Total non-current liabilities</b>		<b>13,448</b>	<b>13,075</b>
<b>Current liabilities</b>			
Short-term loans	33	2,481	6,531
Convertible debenture loans	33	311	896
Derivative financial instruments	33	72	179
Accounts payables		3,123	3,796
Current tax liabilities		458	330
Short-term provisions	25	771	2,028
Other short-term liabilities	26	1,146	1,642
Accrued expenses and prepaid income	27	2,758	3,161
<b>Total current liabilities</b>		<b>11,120</b>	<b>18,563</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>45,389</b>	<b>55,373</b>

# Cash flow

- Operating cash flow remained very strong and amounted to SEK 6,080 M (6,285).
- Net capital expenditure totaled SEK 846 M (708).

## Operating cash flow

SEK M	2010	2011
Operating income (EBIT)	6,046	5,204
Restructuring costs	–	1,420
Depreciation	995	1,022
Net capital expenditure	–708	–846
Change in working capital	362	–238
Paid and received interest	–455	–482
Non-cash items	45	0
<b>Operating cash flow<sup>1</sup></b>	<b>6,285</b>	<b>6,080</b>
Operating cash flow/ Income before tax	1.17	1.02 <sup>2</sup>

<sup>1</sup> Excluding restructuring payments.

<sup>2</sup> Excluding restructuring costs.

The Group's operating cash flow amounted to SEK 6,080 M (6,285), equivalent to 102 percent (117) of income before tax excluding restructuring costs.

## Net capital expenditure

Direct net capital expenditure on intangible and tangible assets totaled SEK 846 M (708), equivalent to 83 percent (71) of the depreciation on 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	2010	2011
Inventories	–338	–32
Accounts receivables	–118	–249
Accounts payables	406	235
Other working capital	412	–192
<b>Change in working capital</b>	<b>362</b>	<b>–238</b>

The material throughput time was 97 days (103) at year-end. Capital tied up in working capital increased during the year, which had an impact on cash flow of SEK –238 M (362) overall. However, the increased capital tied up in working capital was reduced due to suppliers' increased credit periods.

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

SEK M	2010	2011
Cash flow from operating activities	5,729	5,347
Restructuring payments	465	373
Net capital expenditure	–708	–846
Reversal of tax paid	799	1,206
<b>Operating cash flow</b>	<b>6,285</b>	<b>6,080</b>

## Investments in subsidiaries

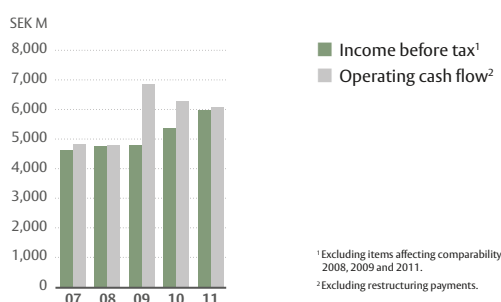
The total purchase price for acquisitions of subsidiaries amounted to SEK 13,600 M (4,898), of which the cash flow effect was SEK –12,297 M (–2,594). Acquired cash totaled SEK 411 M (705).

## Change in net debt

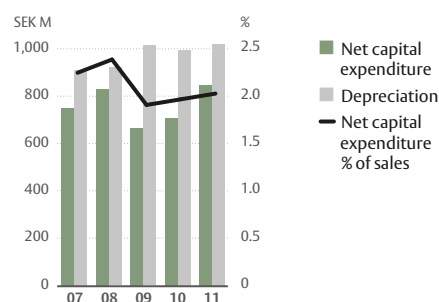
Net debt was mainly affected by the strong positive operating cash flow, the dividend to shareholders and increased acquisitions.

SEK M	2010	2011
Net debt at 1 January	11,048	10,564
Operating cash flow	–6,285	–6,080
Restructuring payments	465	373
Tax paid	799	1,206
Acquisitions/Disposals	3,319	6,511
Dividend	1,317	1,472
Share issue	–	–308
Purchase of treasury shares	48	17
Exchange rate differences and others	–147	452
<b>Net debt at 31 December</b>	<b>10,564</b>	<b>14,207</b>

## INCOME BEFORE TAX AND OPERATING CASH FLOW



## CAPITAL EXPENDITURE



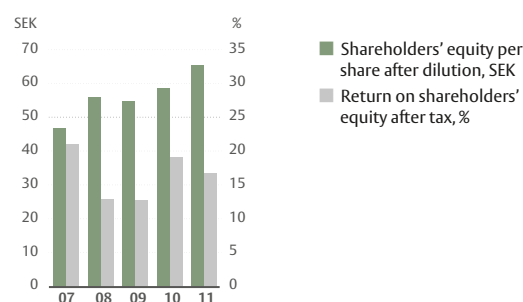
# Consolidated cash flow statement

SEK M	Note	2010	2011
<b>OPERATING ACTIVITIES</b>			
Operating income		6,046	5,204
Depreciation	8	995	1,022
Reversal of restructuring costs		–	1,420
Restructuring payments		–465	–373
Non-cash items	31	45	0
<b>Cash flow before interest and tax</b>		<b>6,621</b>	<b>7,273</b>
Interest paid		–463	–512
Interest received		8	30
Tax paid on income		–799	–1,206
<b>Cash flow before changes in working capital</b>		<b>5,367</b>	<b>5,585</b>
Changes in working capital	31	362	–238
<b>Cash flow from operating activities</b>		<b>5,729</b>	<b>5,347</b>
<b>INVESTING ACTIVITIES</b>			
Investments in tangible and intangible assets	14, 15	–870	–898
Sales of tangible and intangible assets	14, 15	162	52
Investments in subsidiaries	31	–2,594	–12,297
Disposals of subsidiaries	31	–34	6,690
Other investments	31	–691	–904
<b>Cash flow from investing activities</b>		<b>–4,027</b>	<b>–7,357</b>
<b>FINANCING ACTIVITIES</b>			
Dividends		–1,317	–1,472
Long-term loans raised		139	1,512
Long-term loans repaid		–1,000	–646
Share issue		–	308
Purchase of treasury shares		–48	–17
Net cash effect of changes in other borrowings		–371	2,641
<b>Cash flow from financing activities</b>		<b>–2,597</b>	<b>2,326</b>
<b>CASH FLOW</b>		<b>–895</b>	<b>316</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>Cash and cash equivalents at 1 January</b>		<b>2,235</b>	<b>1,302</b>
Cash flow		–895	316
Effect of exchange rate differences		–38	47
<b>Cash and cash equivalents at 31 December</b>	33	<b>1,302</b>	<b>1,665</b>

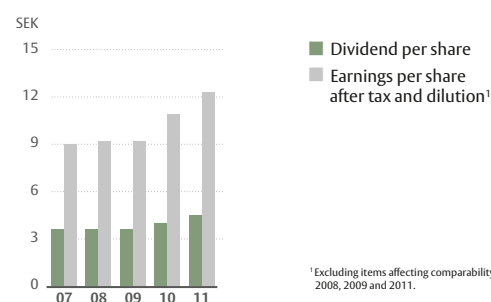
# Changes in consolidated equity

SEK M	Note	Parent company's shareholders					Total
		Share capital	Other contributed capital	Reserves	Retained earnings	Non controlling interest	
<b>Opening balance 1 January 2010</b>	23	366	8,887	760	9,159	162	19,334
Net income					4,050	30	4,080
Other comprehensive income				-1,244		-5	-1,249
<b>Total comprehensive income</b>				<b>-1,244</b>	<b>4,050</b>	<b>26</b>	<b>2,831</b>
Dividend for 2009	23				-1,317		-1,317
Stock purchase plans					6		6
Share issue		0	34				34
Purchase of treasury shares					-48		-48
Change in non-controlling interest						-19	-19
<b>Sum of transactions with parent company shareholders<sup>1</sup></b>		<b>0</b>	<b>34</b>		<b>-1,359</b>	<b>-19</b>	<b>-1,344</b>
<b>Closing balance 31 December 2010</b>	23	<b>366</b>	<b>8,921</b>	<b>-484</b>	<b>11,849</b>	<b>169</b>	<b>20,821</b>
<b>Opening balance 1 January 2011</b>	23	<b>366</b>	<b>8,921</b>	<b>-484</b>	<b>11,849</b>	<b>169</b>	<b>20,821</b>
Net income					3,843	26	3,869
Other comprehensive income				197		13	210
<b>Total comprehensive income</b>				<b>197</b>	<b>3,843</b>	<b>39</b>	<b>4,079</b>
Dividend for 2010	23				-1,472		-1,472
Stock purchase plans					16		16
Share issue		2	306				308
Purchase of treasury shares					-17		-17
<b>Sum of transactions with parent company shareholders<sup>1</sup></b>		<b>2</b>	<b>306</b>		<b>-1,473</b>		<b>-1,165</b>
<b>Closing balance 31 December 2011</b>	23	<b>368</b>	<b>9,227</b>	<b>-287</b>	<b>14,219</b>	<b>208</b>	<b>23,735</b>

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



## DIVIDEND



<sup>1</sup> Excluding items affecting comparability 2008, 2009 and 2011.





## Grand Hyatt San Francisco installs solutions from VingCard Elsafe

**Customer:** The Grand Hyatt San Francisco, which is part of the Hyatt Hotels Corporation hotel chain.

**Challenge:** The spectacular Grand Hyatt San Francisco has recently been totally renovated and needed an ultramodern security system and an efficient energy management solution that could be integrated with the hotel's others systems to achieve maximum efficiency.

**Solution:** VingCard's Signature RFID locks, Elsafe's Infinity electronic safes and the Orion energy management solution were integrated using the VISIONLINE system, providing the hotel with a total security and energy management system.

# Parent company financial statements

## Income statement – Parent company

SEK M	Note	2010	2011
Administrative expenses	3, 6, 8, 9	–612	–662
Research and Development costs	6, 8, 9	–233	–297
Other operating income and expenses	4	1,623	1,808
<b>Operating income</b>	9, 32	<b>778</b>	<b>849</b>
Financial income	10	1,147	2,394
Financial expenses	9, 11	–246	–714
Group contributions		–725	–232
<b>Income before tax</b>		<b>954</b>	<b>2,297</b>
Tax on income	12	3	–29
<b>Net income</b>		<b>957</b>	<b>2,268</b>

## Statement of comprehensive income – Parent company

SEK M	2010	2011
<b>Net income</b>	<b>957</b>	<b>2,268</b>
<b>Other comprehensive income</b>		
Changes in value of financial instruments	–	258
<b>Total comprehensive income</b>	<b>957</b>	<b>2 526</b>

## Balance sheet – Parent company

SEK M	Note	2010	2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	150	109
Tangible assets	15	3	3
Shares in subsidiaries	16	19,686	31,789
Other long-term financial assets	19	776	1,141
<b>Total non-current assets</b>		<b>20,615</b>	<b>33,042</b>
<b>Current assets</b>			
Receivables from subsidiaries		3,476	2,825
Other short-term receivables		58	45
Prepaid expenses and accrued income		25	27
Cash and cash equivalents		0	0
<b>Total current assets</b>		<b>3,559</b>	<b>2,897</b>
<b>TOTAL ASSETS</b>		<b>24,174</b>	<b>35,939</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>	22		
Share capital	23	366	368
Statutory reserve		8,905	8,905
<i>Unrestricted equity</i>			
Premium fund		34	340
Retained earnings		2,709	2,261
Net income		767	2,268
<b>Total equity</b>		<b>12,781</b>	<b>14,142</b>
<b>Provisions</b>			
Other provisions	25	–	76
<b>Total provisions</b>		<b>–</b>	<b>76</b>
<b>Non-current liabilities</b>			
Long-term loans	33	2,702	2,646
Convertible debenture loans	33	899	–
<b>Total non-current liabilities</b>		<b>3,601</b>	<b>2,646</b>
<b>Current liabilities</b>			
Short-term loans	33	300	549
Convertible debenture loans	33	311	896
Accounts payables		20	65
Short-term liabilities to subsidiaries		6,960	17,413
Current tax liabilities		16	–
Other short-term liabilities		6	7
Accrued expenses and prepaid income	27	179	145
<b>Total current liabilities</b>		<b>7,792</b>	<b>19,075</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>24,174</b>	<b>35,939</b>
Assets pledged	29	–	–
Contingent liabilities	28	6,136	10,613

Cash flow statement  
– Parent company

SEK M	Note	2010	2011
<b>OPERATING ACTIVITIES</b>			
Operating income		778	849
Depreciation	8	183	157
<b>Cash flow before interest and tax</b>		<b>961</b>	<b>1,006</b>
Paid and received interest		-145	-558
Dividends received		1,028	2,280
Tax paid and received		9	-1
<b>Cash flow before changes in working capital</b>		<b>1,853</b>	<b>2,727</b>
Changes in working capital		-141	-86
<b>Cash flow from operating activities</b>		<b>1,712</b>	<b>2,641</b>
<b>INVESTING ACTIVITIES</b>			
Investment in tangible and intangible assets		-11	-117
Sales of tangible and intangible assets		0	0
Investments in subsidiaries		-603	-11,825
Other investments		-713	-951
<b>Cash flow from investing activities</b>		<b>-1,327</b>	<b>-12,893</b>
<b>FINANCING ACTIVITIES</b>			
Dividends		-1,317	-1,472
Loan raised		4,415	13,050
Loan repaid		-3,435	-1,617
Share issue		-	308
Purchase of treasury shares		-48	-17
<b>Cash flow from financing activities</b>		<b>-385</b>	<b>10,252</b>
<b>CASH FLOW</b>		<b>0</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>Cash and cash equivalents at 1 January</b>		<b>0</b>	<b>0</b>
Cash flow		0	0
<b>Cash and cash equivalents at 31 December</b>		<b>0</b>	<b>0</b>

Change in equity  
– Parent company

SEK M	Note	Restricted shareholders' equity			Unrestricted shareholders' equity		
		Share capital	Statutory reserve	Fair value reserve	Premium fund	Retained earnings	Total
<b>Opening balance 1 January 2010</b>		<b>366</b>	<b>8,905</b>	<b>-</b>	<b>-</b>	<b>3,878</b>	<b>13,149</b>
Net income						957	957
<b>Total comprehensive income</b>						<b>957</b>	<b>957</b>
Stock purchase plans						6	6
Purchase of treasury shares						-48	-48
Share issue		0			34		34
Dividend for 2009	23					-1,317	-1,317
<b>Sum of transactions with parent company shareholders'</b>		<b>0</b>			<b>34</b>	<b>-1,359</b>	<b>-1,325</b>
<b>Closing balance 31 December 2010</b>	<b>23</b>	<b>366</b>	<b>8,905</b>	<b>-</b>	<b>34</b>	<b>3,476</b>	<b>12,781</b>
<b>Opening balance 1 January 2011</b>		<b>366</b>	<b>8,905</b>	<b>-</b>	<b>34</b>	<b>3,476</b>	<b>12,781</b>
Net income						2,268	2,268
Hedge accounting						-17	-17
Write-up of share in subsidiaries						275	275
<b>Total comprehensive income</b>						<b>2,526</b>	<b>2,526</b>
Stock purchase plans						16	16
Purchase of treasury shares						-17	-17
Share issue		2			306		308
Dividend for 2010	23					-1,472	-1,472
<b>Sum of transactions with parent company shareholders'</b>		<b>2</b>			<b>340</b>	<b>-1,473</b>	<b>-1,165</b>
<b>Closing balance 31 December 2011</b>	<b>23</b>	<b>368</b>	<b>8,905</b>	<b>-</b>	<b>340</b>	<b>4,529</b>	<b>14,142</b>

# Notes

## Note 1 Significant accounting and valuation principles

### The Group

ASSA ABLOY applies International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), the Swedish Annual Accounts Act and standard RFR 1 of the Swedish Financial Reporting Board. The accounting principles are based on IFRS as endorsed by 31 December 2011 and have been applied to all years presented, unless stated otherwise. This Note describes the most significant accounting principles that have been applied in the preparation of the financial statements, which comprise the information appearing on pages 61–118.

### Basis of preparation

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

### Key estimates and assessments for accounting purposes

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

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

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

### New and revised standards applied by the Group

None of the standards and interpretations to be applied for the first time for the financial year beginning 1 January 2011 had a significant impact on the consolidated financial statements.

### New and revised IFRS not yet effective

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

- IAS 19 (Revised) Employee Benefits.
- IFRS 9 Financial instruments.
- IFRS 10 Consolidated financial statements.
- IFRS 12 Disclosures of interests in other entities.
- IFRS 13 Fair value measurement.

The above new and revised standards apply from 1 January 2013, with the exception of IFRS 9 which becomes effective on 1 January 2015. All the standards are still subject to the EU's approval process. Management analyzes the impact of the new and revised standards on the financial statements. The new IFRS 10 and the revised IAS 19 require retroactive application, while the other standards are applied prospectively and consequently have no impact on financial statements prepared before the respective effective date.

The agreed revision of IAS 19 Employee Benefits means that the 'corridor' method is no longer applicable. Instead actuarial gains and losses are to be recognized in other comprehensive income when they arise, and expenses relating to service provided in previous years are to be recognized immediately. In addition, interest expenses and anticipated return on plan assets are replaced by a net interest rate, which is to be equivalent to the discount rate. These changes are being implemented retroactively, which means that comparative information for the financial year 2012 is to be recalculated when preparing the financial statements for 2013. In this recalculation, unrecognized expenses relating to service provided in previous years and unrecognized actuarial losses as at 31 December 2011 are accounted for as an adjustment of opening equity after taking into account tax effects. These items total SEK 1,092 M as at the reporting date. The Group's total pension provision, adjusted for amounts in the 'corridor', consequently totals SEK 2,265 M (see Note 24).

In other respects, none of the new IFRS listed above are considered to have a significant impact on the consolidated financial statements.

### Consolidated financial statements

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

The consolidated financial statements have been prepared in accordance with the purchase method, which means that the cost of shares in subsidiaries was eliminated against their equity at the acquisition date. In this context, equity in subsidiaries is determined on the basis of the fair value of assets, liabilities and contingent liabilities at the acquisition date. Consequently only that part of the equity in subsidiaries that has arisen after the acquisition date is included in consolidated equity. The Group determines on an individual basis for each acquisition whether a non-controlling interest in the acquired company shall be recognized at fair value or at the interest's proportional share of the acquired company's net assets. Any negative difference, negative goodwill, is recognized as revenue immediately after determination.

Additional purchase considerations for acquisitions completed after 1 January 2010 are classified as financial liabilities and revalued through profit or loss in operating income. Substantial additional purchase considerations are discounted to present value. Acquisition-related transaction costs are expensed as incurred. Revaluation of additional purchase considerations for acquisitions completed before 1 January 2010 is recognized as a change in goodwill.



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

#### Non-controlling interests

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

#### Associates

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

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

#### Segment reporting

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

#### Foreign currency translation

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

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

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

Country	Currency	Average rate		Closing rate	
		2010	2011	2010	2011
Argentina	ARS	1.85	1.57	1.72	1.61
Australia	AUD	6.61	6.73	6.93	7.03
Brazil	BRL	4.10	3.88	4.05	3.71
Canada	CAD	6.98	6.57	6.85	6.78
Switzerland	CHF	6.94	7.31	7.20	7.36
Chile	CLP	0.014	0.013	0.015	0.013
China	CNY	1.07	1.01	1.03	1.10
Colombia	COP	0.0038	0.0035	0.0034	0.0036
Czech Republic	CZK	0.38	0.37	0.35	0.35
Denmark	DKK	1.28	1.21	1.21	1.20
Euro zone	EUR	9.57	9.02	8.99	8.96
United Kingdom	GBP	11.14	10.38	10.53	10.68
Hong Kong	HKD	0.93	0.83	0.88	0.89
Hungary	HUF	0.035	0.032	0.032	0.029
Israel	ILS	1.93	1.81	1.91	1.82
Indien	INR	0.158	0.139	0.152	0.130
Kenya	KES	0.091	0.074	0.085	0.081
South Korea	KRW	0.0062	0.0059	0.0060	0.0060
Lithuania	LTL	2.77	2.61	2.60	2.59
Mexico	MXN	0.57	0.52	0.55	0.49
Malaysia	MYR	2.24	2.12	2.21	2.18
Norway	NOK	1.19	1.16	1.15	1.15
New Zealand	NZD	5.19	5.16	5.21	5.35
Poland	PLN	2.38	2.19	2.26	2.04
Romania	RON	2.27	2.13	2.10	2.08
Russia	RUB	0.24	0.22	0.23	0.22
Singapore	SGD	5.29	5.16	5.28	5.33
Thailand	THB	0.23	0.21	0.23	0.22
USA	USD	7.23	6.50	6.84	6.92
South Africa	ZAR	0.98	0.90	1.02	0.85

#### Revenue

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

#### Intra-group sales

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

#### Government grants

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

#### Research and development

Research costs are expensed as they are incurred. Development costs are reported in the balance sheet only to the

extent that they are expected to generate future economic benefits for the Group and provided such benefits can be reliably measured.

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

#### ***Borrowing costs***

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

#### ***Tax on income***

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

#### ***Cash flow statement***

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

#### ***Cash and cash equivalents***

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

#### ***Goodwill and acquisition-related intangible assets***

Goodwill represents the positive difference between the cost of acquisition and the fair value of the Group's share of the acquired company's net identifiable assets at the acquisition date, and is reported at cost less accumulated impairment losses. Goodwill is allocated to cash generating units (CGU) and is tested annually to identify any impairment loss. Cash generating units are subject to systematic annual

impairment testing using a valuation model based on discounted future cash flows. Deferred tax assets based on local tax rates are reported in terms of tax-deductible goodwill (with corresponding reduction of the goodwill value). Such deferred tax assets are expensed as the tax deduction is utilized. Other acquisition-related intangible assets consist chiefly of various types of intellectual property rights, such as brands, technology and customer relationships. Identifiable acquisition-related intellectual property rights are initially recognized at fair value at the acquisition date and subsequently at cost less accumulated amortization and impairment losses. Amortization is on a straight-line basis over the estimated useful life. Acquisition-related intangible assets with an indefinite useful life are tested for impairment annually in the same way as goodwill.

#### ***Other intangible assets***

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

#### ***Tangible assets***

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

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

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

#### ***Leasing***

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

#### ***Impairment***

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

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

When an impairment loss has been established, the value of the asset is reduced to its recoverable amount. The recoverable

erable amount is the higher of the asset's fair value less selling expenses, 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 receivables***

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

#### ***Financial assets***

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

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

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

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

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

#### ***Loan receivables and accounts receivables***

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

#### ***Financial liabilities***

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

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

This category includes derivatives with negative fair value that are not used for hedging, additional purchase consider-

ations and financial liabilities held for trading. Liabilities are measured at fair value on a continuous basis and changes in value are reported in the income statement as a financial item.

#### ***Loan liabilities***

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

#### ***Accounts payables***

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

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

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

#### ***Derivative instruments and hedging***

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

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

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

When the transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's risk management objectives and risk management strategy as regards the hedging. The Group also documents its assessment, both when hedging is entered into and on a regular basis, of whether the derivative instruments used in hedge transactions are effective in counteracting changes in fair value that relate to the hedged items. The fair value of currency derivatives is calculated at net present value based on prevailing forward contract prices on the reporting date, while interest rate swaps are valued using estimates of future discounted cash flows.

#### **Provisions**

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

#### **Employee benefits**

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

#### **Equity-based incentive programs**

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

#### **Long-term incentive program**

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

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

#### **Earnings per share**

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

#### **Dividend**

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

#### **The Parent company**

The Group's Parent company, ASSA ABLOY AB, is responsible for the management of the Group and provides Group-wide functions. The Parent company's revenue consists of intra-group franchise and royalty revenues. The significant balance sheet items consist of shares in subsidiaries, intra-group receivables and liabilities, and external borrowing. The Parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and standard RFR 2 of the Swedish Financial Reporting Board. RFR 2 requires the Parent company, in its annual accounts, to apply all the International Financial Reporting Standards (IFRS) endorsed by the EU in so far as this is possible within the framework of the Annual Accounts



## Note 1 cont.

Act and with regard to the relationship between accounting and taxation. The recommendation states what exceptions from, and additions to, IFRS should be made.

### Revenue

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

### Pension obligations

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

### Dividend

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

### Research and development costs

Research and development costs are expensed as they are incurred.

### Intangible assets

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

### Tangible assets

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

### Leasing

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

### Shares in subsidiaries

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

### Financial instruments

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

### Group contributions

The parent company reports Group contributions in accordance with RFR 2. Group contributions received and paid are recognized as financial income and financial expenses respectively in the income statement. The tax effect of group contributions is recognized in accordance with IAS 12 in the income statement.

## Contingent liabilities

The Parent company has guarantees on behalf of its subsidiaries. Such an obligation is classified as a financial guarantee in accordance with IFRS. For these guarantees, the Parent company applies the allowed exception in RFR 2, reporting these guarantees as a contingent liability.

## Note 2 Sales

### Sales to customer, by country

SEK M	Group	
	2010	2011
USA	9,955	9,772
China	3,182	3,861
France	2,487	2,979
Sweden	1,805	2,652
Germany	1,725	2,192
United Kingdom	1,742	1,977
Australia	1,841	1,793
Netherlands	1,105	1,462
Canada	1,274	1,273
Finland	837	1,068
Norway	774	1,049
Italy	925	903
Denmark	705	852
Spain	885	820
South Korea	694	793
Belgium	457	726
Mexico	678	614
Austria	286	526
Switzerland	417	522
Asia (excluding China, South Korea, Singapore, India and Thailand)	310	468
Czech Republic	352	396
Poland	147	308
South Africa	372	297
Brazil	321	284
New Zealand	278	284
Africa (excluding South Africa)	250	284
United Arab Emirates	127	281
Saudi Arabia	273	277
Romania	85	236
Hong Kong	215	230
India	189	214
Russia	160	199
Israel	211	195
Portugal	203	195
Central America (excluding Mexico)	193	191
Turkey	135	176
Singapore	129	159
Baltic countries	111	154
Colombia	125	136
Chile	105	125
Thailand	100	116
South America (excluding Brazil, Chile and Colombia)	110	114
Middle East (excluding Saudi Arabia, United Arab Emirates and Israel)	103	102
Ireland	70	91
Greece	73	55
Other countries	302	385
<b>Total</b>	<b>36,823</b>	<b>41,786</b>

### Sales by product group

SEK M	Group	
	2010	2011
Mechanical locks, lock systems and fittings	15,591	15,877
Electromechanical locks, access control and identification technology	8,990	9,044
Entrance automation	4,110	8,444
Security doors and hardware	8,132	8,421
<b>Total</b>	<b>36,823</b>	<b>41,786</b>

### Note 3 Auditors' fees

SEK M	Group		Parent company	
	2010	2011	2010	2011
<b>Audit assignment</b>				
PwC	28	30	3	3
Other	6	11	–	–
<b>Audit related services in addition to audit assignment</b>				
PwC	1	1	1	1
Other	–	–	–	–
<b>Tax advice</b>				
PwC	6	8	1	1
Other	2	2	–	–
<b>Other services</b>				
PwC	8	19	1	15
Other	2	3	0	–
<b>Total</b>	<b>53</b>	<b>74</b>	<b>6</b>	<b>20</b>

### Note 4 Other operating income and expenses

SEK M	Group	
	2010	2011
Rent received	12	12
Net income from sales of fixed assets	92	–3
Government grants	9	6
Business-related taxes	–20	–20
Disposal of subsidiaries	–3	0
Transaction expenses acquisitions	–61	–22
Write-down of tangible asset	–144	–37
Insurance compensation, net	66	0
Exchange rate differences	–26	–15
Other, net	2	2
<b>Total</b>	<b>–73</b>	<b>–77</b>

#### Parent company

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

### Note 5 Share of earnings in associates

SEK M	Group	
	2010	2011
Agta Record AG	–	37
Saudi Crawford Doors Factory Ltd	–	4
Låsgruppen Wilhelm Nielsen AS	3	2
Other	–	0
<b>Total</b>	<b>3</b>	<b>43</b>

The share of earnings in Agta Record AG has been estimated on the basis of the associated company's latest available financial report, which is the published Interim Report for the first half of 2011.

### Note 6 Operational leasing agreements

SEK M	Group		Parent company	
	2010	2011	2010	2011
Leasing fees paid during the year	343	463	13	16
<b>Total</b>	<b>343</b>	<b>463</b>	<b>13</b>	<b>16</b>
<b>Nominal value of agreed future leasing fees:</b>				
Due for payment in (2011) 2012	310	423	14	15
Due for payment in (2012) 2013	237	331	15	15
Due for payment in (2013) 2014	177	235	15	15
Due for payment in (2014) 2015	99	177	15	15
Due for payment in (2015) 2016	66	128	16	16
Due for payment in (2016) 2017 or later	99	126	16	16
<b>Total</b>	<b>988</b>	<b>1 420</b>	<b>91</b>	<b>92</b>

### 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 36,548 M (30,707). Below, these same costs are broken down by nature:

SEK M	Group	
	2010	2011
Remuneration of employees (Note 32)	10,110	11,835
Direct material costs	12,553	14,655
Depreciation (Note 8, 14, 15)	995	1,022
Other purchase expenses	7,049	7,616
Restructuring costs	–	1,420
<b>Total</b>	<b>30,707</b>	<b>36,548</b>

### Note 8 Depreciation and amortization

SEK M	Group		Parent company	
	2010	2011	2010	2011
Intangible assets	163	183	182	156
Machinery	442	452	–	–
Equipment	237	228	1	1
Buildings	152	157	–	–
Land improvements	1	2	–	–
<b>Total</b>	<b>995</b>	<b>1 022</b>	<b>183</b>	<b>157</b>

### Note 9 Exchange rate differences in income statement

SEK M	Group		Parent company	
	2010	2011	2010	2011
Exchange rate differences reported in operating income	–26	–15	0	0
Exchange rate differences reported in financial expenses (Note 11)	5	7	94	9
<b>Total</b>	<b>–21</b>	<b>–8</b>	<b>94</b>	<b>9</b>

## Note 10 Financial income

SEK M	Group		Parent company	
	2010	2011	2010	2011
Earnings from participations in subsidiaries	–	–	1,028	2,256
Earnings from participations in associates	–	–	–	24
Intra-group interest income	–	–	119	114
Other financial income	2	23	0	–
External interest income and similar items	24	36	0	0
<b>Total</b>	<b>26</b>	<b>59</b>	<b>1,147</b>	<b>2,394</b>

## Note 11 Financial expenses

SEK M	Group		Parent company	
	2010	2011	2010	2011
Intra-group interest expenses	–	–	–87	–429
Interest expenses, convertible debenture loans	–13	–14	–13	–14
Interest expenses, other liabilities	–519	–562	–164	–226
Interest expenses, interest rate swaps	–50	–8	–	–
Interest expenses, foreign exchange forwards	–38	–41	–	–
Exchange rate differences on financial instruments	5	7	94	9
Fair value adjustments on derivatives, hedge accounting	1	–1	–	–
Fair value adjustments on derivatives, non-hedge accounting	5	–18	–	–
Fair value adjustments on borrowings, hedge accounting	–1	1	–	–
Fair value adjustments on shares and participations	0	–	–44	–22
Other financial expenses	–96	–68	–32	–32
<b>Total</b>	<b>–706</b>	<b>–704</b>	<b>–246</b>	<b>–714</b>

## Note 12 Tax on income

SEK M	Group		Parent company	
	2010	2011	2010	2011
Current tax	–971	–1,048	0	–30
Tax attributable to prior years	–289	–142	3	5
Foreign withholding tax	–	–	–	–4
Deferred tax	–26	95	–	–
<b>Total</b>	<b>–1,286</b>	<b>–1,095</b>	<b>3</b>	<b>–29</b>

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

Percent	Group		Parent company	
	2010	2011	2010	2011
Swedish rate of tax on income	26	26	26	26
Effect of foreign tax rates	4	4	–	–
Non-taxable income/non-deductible expenses, net	–6	–5	–26	–25
Deductible goodwill	–1	0	–	–
Utilized loss carry-forward not recognized in prior period	–3	–2	–	–
Non-deductible restructuring costs	–	1	–	–
Other	4	0	–	–
<b>Effective tax rate in income statement</b>	<b>24</b>	<b>24</b>	<b>0</b>	<b>1</b>

## Note 13 Earnings per share

### Earnings per share before dilution

SEK M	Group	
	2010	2011
Earnings attributable to the Parent company's shareholders	4,050	3,843
Weighted average number of shares issued (thousands)	365,744	367,833
<b>Earnings per share before dilution (SEK per share)</b>	<b>11.07</b>	<b>10.45</b>

### Earnings per share after dilution

SEK M	Group	
	2010	2011
Earnings attributable to the Parent company's shareholders	4,050	3,843
Interest expenses for convertible debenture loans, after tax	10	11
Net profit for calculating earnings per share after dilution	4,060	3,854
Weighted average number of shares issued (thousands)	365,744	367,833
Assumed conversion of convertible debentures (thousands)	7,001	4,680
Stock purchase plan	65	114
Weighted average number of shares for calculations (thousands)	372,810	372,627
<b>Earnings per share after dilution (SEK per share)</b>	<b>10.89</b>	<b>10.33</b>

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

SEK M	Group	
	2010	2011
Earnings attributable to the Parent company's shareholders	4,050	3,843
Interest expenses for convertible debenture loans, after tax	10	11
Items affecting comparability, after tax	–	736 <sup>1</sup>
Net profit for calculating earnings per share after dilution	4,060	4,590
Weighted average number of shares issued (thousands)	365,744	367,833
Assumed conversion of convertible debentures (thousands)	7,001	4,680
Stock purchase plan	65	114
Weighted average number of shares for calculations (thousands)	372,810	372,627
<b>Earnings per share after dilution and excluding items affecting comparability (SEK per share)</b>	<b>10.89</b>	<b>12.30</b>

<sup>1</sup> Items affecting comparability for 2011 consist of restructuring costs and net income from discontinued operations.

## Note 14 Intangible assets

2011, SEK M	Group			Parent company
	Goodwill	Intangible assets	Total	Intangible assets
<b>Opening accumulated acquisition value</b>	<b>22,343</b>	<b>3,789</b>	<b>26,132</b>	<b>945</b>
Purchases	–	112	112	115
Acquisitions of subsidiaries	4,584	1,590	6,174	–
Adjustments for acquisitions in the prior year	–34	–	–34	–
Exchange rate differences	187	30	215	–
<b>Closing accumulated acquisition value</b>	<b>27,080</b>	<b>5,521</b>	<b>32,599</b>	<b>1,060</b>
<b>Opening accumulated amortization/impairment</b>	<b>–64</b>	<b>–875</b>	<b>–939</b>	<b>–795</b>
Impairment	–2	–	–	–
Amortization	–	–183	–183	–156
Exchange rate differences	–	–21	–21	–
<b>Closing accumulated amortization/impairment</b>	<b>–66</b>	<b>–1,079</b>	<b>–1,143</b>	<b>–951</b>
<b>Carrying amount</b>	<b>27,014</b>	<b>4,442</b>	<b>31,455</b>	<b>109</b>

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

Intangible assets consist mainly of brands and licenses. The carrying amount of intangible assets with an indefinite useful life amounts to SEK 3,412 M (1,950).

Useful life has been defined as indefinite where the time period during which an asset is deemed to contribute economic benefits cannot be determined.

Amortization and impairment of intangible assets are mainly recognized as cost of goods sold in the income statement.

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

Goodwill and intangible assets with an indefinite useful life are allocated to the Group's Cash Generating Units (CGUs), which consist of the Group's five divisions.

For each cash-generating unit, the Group annually tests goodwill and intangible assets with an indefinite useful life for impairment, in accordance with the accounting principle described in Note 1. Recoverable amounts for Cash Generating Units have been determined by calculating value in use. These calculations are based on estimated future cash flows,

which in turn are based on financial budgets for a three-year period approved by management. Cash flows beyond the three-year period are extrapolated using estimated growth rates according to the information below.

Material assumptions used to calculate values in use:

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

Management has determined the budgeted operating margin based on previous results and expectations of future market development. A growth rate of 3 percent (3) has been used for all CGUs to extrapolate cash flows beyond the budget period. This growth rate is considered to be a conservative estimate. Further, an average discount rate in local currency after tax has been used in the calculations. The difference in value compared with using a discount rate before tax is not deemed to be material.



**2011**

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

Goodwill and intangible assets with an indefinite useful life were allocated to the Cash Generating Units as summarized in the following table:

SEK M	EMEA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	5,564	6,041	3,410	4,846	7,153	27,014
Intangible assets with indefinite useful life	241	245	1,022	346	1,558	3,412
<b>Total</b>	<b>5,805</b>	<b>6,286</b>	<b>4,432</b>	<b>5,192</b>	<b>8,711</b>	<b>30,426</b>

**2010**

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

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

SEK M	EMEA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	5,471	6,039	3,202	4,265	3,303	22,279
Intangible assets with indefinite useful life	233	233	974	342	168	1,950
<b>Total</b>	<b>5,704</b>	<b>6,272</b>	<b>4,176</b>	<b>4,607</b>	<b>3,471</b>	<b>24,229</b>

**Sensitivity analysis**

A sensitivity analysis has been carried out for each cash-generating unit. The results of this analysis are summarized below.

**2011**

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

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

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

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

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

**2010**

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

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

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

These calculations are hypothetical and should not be viewed as an indication that these 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 an individual Cash Generating Unit.

## Note 15 Tangible assets

	Group					Parent company
	Buildings	Land and land improvements	Machinery	Equipment	Total	Equipment
<b>2011, SEK M</b>						
<b>Opening accumulated acquisition value</b>	<b>3,706</b>	<b>820</b>	<b>6,272</b>	<b>2,244</b>	<b>13,042</b>	<b>17</b>
Purchases	61	7	232	166	467	1
Acquisitions of subsidiaries	338	51	142	69	600	–
Sales/disposals	–23	–1	–210	–167	–401	–
Reclassifications	56	0	148	–21	184	–
Exchange rate differences	–18	–38	44	22	11	–
<b>Closing accumulated acquisition value</b>	<b>4,121</b>	<b>839</b>	<b>6,629</b>	<b>2,314</b>	<b>13,903</b>	<b>18</b>
<b>Opening accumulated depreciation/impairment</b>	<b>–1,728</b>	<b>–139</b>	<b>–4,436</b>	<b>–1,698</b>	<b>–8,002</b>	<b>–14</b>
Sales/disposals	11	0	173	153	337	–
Impairment	–104	0	–99	–9	–212	–
Depreciation	–157	–2	–452	–228	–840	–1
Reclassifications	0	0	–11	12	0	–
Exchange rate differences	–14	–1	–27	–15	–56	–
<b>Closing accumulated depreciation/impairment</b>	<b>–1,992</b>	<b>–142</b>	<b>–4,852</b>	<b>–1,786</b>	<b>–8,773</b>	<b>–15</b>
Construction in progress					555	–
<b>Carrying amount</b>	<b>2,128</b>	<b>697</b>	<b>1,777</b>	<b>528</b>	<b>5,684</b>	<b>3</b>

	Group					Parent company
	Buildings	Land and land improvements	Machinery	Equipment	Total	Equipment
<b>2010, SEK M</b>						
<b>Opening accumulated acquisition value</b>	<b>3,794</b>	<b>829</b>	<b>6,784</b>	<b>2,347</b>	<b>13,754</b>	<b>16</b>
Purchases	72	6	327	178	583	1
Acquisitions of subsidiaries	212	91	179	27	509	–
Sales/disposals	–84	–25	–444	–158	–711	–
Reclassifications	31	5	112	47	195	–
Exchange rate differences	–319	–86	–686	–197	–1,288	–
<b>Closing accumulated acquisition value</b>	<b>3,706</b>	<b>820</b>	<b>6,272</b>	<b>2,244</b>	<b>13,042</b>	<b>17</b>
<b>Opening accumulated depreciation/impairment</b>	<b>–1,816</b>	<b>–30</b>	<b>–4,971</b>	<b>–1,776</b>	<b>–8,594</b>	<b>–13</b>
Sales/disposals	51	0	422	142	615	–
Impairment	–12	–119	–13	–	–144	–
Depreciation	–152	–1	–442	–237	–832	–1
Reclassifications	1	–1	2	–1	1	–
Exchange rate differences	200	12	566	174	952	–
<b>Closing accumulated depreciation/impairment</b>	<b>–1,728</b>	<b>–139</b>	<b>–4,436</b>	<b>–1,698</b>	<b>–8,002</b>	<b>–14</b>
Construction in progress					382	–
<b>Carrying amount</b>	<b>1,978</b>	<b>681</b>	<b>1,836</b>	<b>546</b>	<b>5,422</b>	<b>3</b>

## 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	1,086
ASSA ABLOY Nederland Holding B.V.	52153924, Raamsdonksveer	180	100	771
Pan Pan DOOR Co LTD	210800004058002, Dashiqliao	-	36 <sup>2</sup>	567
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 <sup>1</sup>	0
HID Global Switzerland S.A.	CH-232-0730018-2, Granges	2,500	100	47
ASSA ABLOY Holding GmbH	FN 273601f, A-6175, Kematen	1	100	26
ASSA ABLOY Ltd	2096505, Willenhall	1,330,000	100	3,077
ITG (UK) Ltd	5099094, Haverhill	1	100	1
HID Global Ireland Teoranta	364896, Galway	501,000	100	293
Mul-T-Lock Ltd	520036583, Yavne	13,787,856	90 <sup>1</sup>	901
ASSA ABLOY Holdings (SA) Ltd	1948/030356/06, Roodepoort	100,220	100	184
ASSA ABLOY Inc	039347-83, Oregon	100	100	2,237
Fleming Door Products, Ltd	147126, Ontario	25,846,600	100	0
ABLOY 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 <sup>1</sup>	142
ASSA ABLOY Innovation AB	556192-3201, Stockholm	2,500	100	105
ASSA ABLOY Hospitality AB	556180-7156, Göteborg	1,000	100	14
ASSA ABLOY North America AB	556671-9851, Stockholm	1,000	100	0
WHAIG Limited	EC21330, Bermuda	100,100	100	303
ASSA ABLOY Asia Pacific Ltd	53451, Hong Kong	1,000,000	100	72
Cardo AB	556026-8517, Malmö	27,000,000	100	11,373
ASSA ABLOY Portugal, Unipessoal, Lda (Portugal)	PT500243700, Alfragide	1	100	0
ASSA ABLOY Entrance Systems Italy S.p.A.	IT06698790968, Milano	12,000	100	63
ASSA ABLOY Holding Italia S.p.A.	IT01254420597, Rome	650,000	100	911
<b>Total</b>				<b>31,789</b>

<sup>1</sup> The Group's holdings amount to 100 percent.

<sup>2</sup> The Group's holdings amount to 70 percent.

## Note 17 Shares in associates

2011 Company name	Country of registration	Group		
		Number of shares	% of share capital	Book value, SEK M
Agta Record AG	Switzerland	5,077,964	38	1,171
Talleres Agui S.A	Spain	4,800	40	17
Låsgruppen Wilhelm Nielsen AS	Norway	305	50	15
Saudi Crawford Doors Ltd	Saudi Arabia	800	40	6
Ditec Istanbul Otomatik Gecis Sistemleri Ltd	Turkey	350	35	1
Other				1
<b>Total</b>				<b>1,211</b>

The share of capital in Agta Record AG has been estimated on the basis of the associated company's latest available financial report, which is the published Interim Report for the first half of 2011. For the period January to June, the company's revenue totaled SEK 1,019 M and income after tax was SEK 41 M. The company's assets totaled SEK 2,007 M and total liabilities amounted to SEK 720 M.

2010 Company name	Country of registration	Group		
		Number of shares	% of share capital	Book value, SEK M
Talleres Agui S.A	Spain	4,800	40	17
Låsgruppen Wilhelm Nielsen AS	Norway	305	50	16
Mab Iberica SA	Spain	700	24	0
Other				4
<b>Total</b>				<b>37</b>

## Note 18 Deferred tax

SEK M	Group	
	2010	2011
<b>Deferred tax receivables</b>		
Tax-deductible goodwill	262	235
Pensions	127	115
Tax losses and other tax credits	232	366
Other deferred tax receivables	81	70
Deferred tax receivables	702	786
Deferred tax liabilities	309	497
<b>Deferred tax receivables, net</b>	<b>393</b>	<b>289</b>
<b>Change in deferred tax</b>		
Opening balance	751	393
Acquisitions of subsidiaries, net	-239	-205
Reported in income statement	-26	95
Exchange rate differences	-93	6
<b>Closing balance</b>	<b>393</b>	<b>289</b>

The group has tax losses carried forward and other tax credits of SEK 3,500 M (2,400) for which deferred tax assets have not been recognized, as it is uncertain whether the allowance can be set against taxable income in future taxation.

## Note 19 Other financial assets

SEK M	Group		Parent company	
	2010	2011	2010	2011
Participations in associates in parent company	-	-	-	1,141
Other shares and participations	762	52	750	-
Interest-bearing long-term receivables	62	44	26	-
Other long-term receivables	32	68	-	-
<b>Total</b>	<b>856</b>	<b>164</b>	<b>776</b>	<b>1,141</b>

## Note 20 Inventories

SEK M	Group	
	2010	2011
Materials and supplies	1,417	1,663
Work in progress	1,214	1,459
Finished goods	1,984	2,348
Advances paid	210	234
<b>Total</b>	<b>4,825</b>	<b>5,704</b>

Write-downs of inventory amounted to SEK 43 M (142).

## Note 21 Accounts receivables

SEK M	Group	
	2010	2011
Accounts receivables	6,061	7,461
Provision for bad debts	-465	-537
<b>Total</b>	<b>5,596</b>	<b>6,924</b>
<b>Maturity analysis</b>		
Accounts receivables not due	<b>4,163</b>	<b>5,075</b>
Accounts receivables past due not impaired:		
< 3 months	1,375	1,675
3-12 months	284	371
> 12 months	239	240
	<b>1,898</b>	<b>2,386</b>
Impaired accounts receivables:		
< 3 months	-87	-84
3-12 months	-142	-174
> 12 months	-236	-279
	<b>-465</b>	<b>-537</b>
<b>Total</b>	<b>5,596</b>	<b>6,924</b>

Accounts receivables per currency	2010	2011
EUR	1,747	2,374
USD	1,477	1,675
GBP	270	319
AUD	308	282
CNY	399	545
SEK	248	443
Other currencies	1,147	1,286
<b>Total</b>	<b>5,596</b>	<b>6,924</b>

Current year change in provision for bad debts	2010	2011
Opening balance	392	465
Acquisition and disposals	39	77
Receivables written off	-81	-80
Reversal of unused amounts	-5	-77
Provision for bad debt	148	150
Exchange rate differences	-28	2
<b>Closing balance</b>	<b>465</b>	<b>537</b>

## 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 premium fund, 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 2010	19,175	346,743	365,918	365,918
Share issue	-	259	259	259
<b>Closing balance at 31 December 2010</b>	<b>19,175</b>	<b>347,002</b>	<b>366,177</b>	<b>366,177</b>
Number of votes, thousands	191,753	347,002	538,755	
Opening balance at 1 January 2011	19,175	347,002	366,177	366,177
Share issue	-	2,073	2,073	2,073
<b>Closing balance at 31 December 2011</b>	<b>19,175</b>	<b>349,075</b>	<b>368,250</b>	<b>368,250</b>
Number of votes, thousands	191,753	349,075	540,828	

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

The weighted average number of shares was 367,833 thousand (365,744) during the year. The weighted average number of shares after full conversion of outstanding convertible bonds and the effects of the long-term incentive program was 372,627 thousand (372,810) during the year.

The total number of treasury shares as at 31 December 2011 amounted to 400,000. A total of 100,000 shares were repurchased in 2011.

### Dividend per share

The dividend paid during the financial year totaled SEK 1,472 M (1,317), equivalent to SEK 4.00 (3.60) per share. A dividend for 2011 of SEK 4.50 per share, a total of SEK 1,657 M, will be proposed at the Annual General Meeting on Wednesday, 25 April 2012.



## Note 24 Post-employment employee benefits

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

### Amounts recognized in the income statement

Pension costs, SEK M	2010	2011
Defined benefit pension plan (A)	177	80
Defined contribution pension plan	169	295
Post-employment medical benefit plan (A)	33	27
<b>Total</b>	<b>379</b>	<b>402</b>

### Amounts recognized in the balance sheet

Pension provisions, SEK M	2010	2011
Provisions for defined benefit pension plans (B)	566	652
Provisions for post-employment medical benefits (B)	436	441
Provisions for defined contribution pension plans	76	80
<b>Pension provisions</b>	<b>1,078</b>	<b>1,173</b>
Financial assets	-26	-23
<b>Pension provisions, net</b>	<b>1,052</b>	<b>1,150</b>

### A) Specification of amounts recognized in the income statement

Pension costs, SEK M	Post-employment medical benefits		Defined benefit pension plans		Total	
	2010	2011	2010	2011	2010	2011
Current service cost	6	6	46	48	52	54
Interest on obligation	24	21	218	204	242	225
Expected return on plan assets	-	-	-167	-176	-167	-176
Net actuarial losses (gains), net	-1	0	67	28	66	28
Write-down pension receivables <sup>1</sup>	-	-	15	-15	15	-15
Past service cost	4	0	0	1	4	1
Losses (gains) on curtailments/settlements	-	-	-2	-10	-2	-10
<b>Total</b>	<b>33</b>	<b>27</b>	<b>177</b>	<b>80</b>	<b>210</b>	<b>107</b>
-of which, included in:						
Operating income	10	6	44	39	54	45
Net financial items	23	21	133	41	156	62
<b>Total</b>	<b>33</b>	<b>27</b>	<b>177</b>	<b>80</b>	<b>210</b>	<b>107</b>

<sup>1</sup> In accordance with limitation rule for the valuation of pension plan surplus, IAS 19 paragraph 58.

Actuarial gains/losses arising from changes in the actuarial assumptions for defined-benefit pension plans are recognized to the extent that their accumulated amount exceeds a 'corridor', which is equivalent to 10 percent of the higher of the pension obligation's present value and the fair value of the plan assets. The surplus/deficit outside this 'corridor' is recognized over the expected average remaining service period as from the year after the actuarial gain/loss arose.

Amortization of actuarial gains/losses that arose in 2011 thus begins in 2012 to the extent amortization is applicable under current rules and regulations.

The actual return on plan assets for defined-benefit plans amounted to SEK 32 M (299) in 2011.

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

### B) Specification of amounts recognized in the balance sheet

Specification of defined benefits, SEK M	Post-employment medical benefits		Defined benefit pension plans		Total	
	2010	2011	2010	2011	2010	2011
Present value of funded obligations (C)	-	-	3,305	4,046	3,305	4,046
Fair value of plan assets (D)	-	-	-2,854	-3,115	-2,854	-3,115
<i>Net value of funded plans</i>	-	-	451	931	451	931
Present value of unfunded obligations (C)	438	472	741	782	1,179	1,254
Unrecognized actuarial gains (losses)	-2	-30	-623	-1,033	-625	-1,063
Unrecognized past service cost	0	-1	-3	-28	-3	-29
	<b>436</b>	<b>441</b>	<b>566</b>	<b>652</b>	<b>1,002</b>	<b>1,093</b>
Provisions for defined contribution pension plans					76	80
<b>Total</b>					<b>1,078</b>	<b>1,173</b>

**C) Movement in obligations**

SEK M	Post-employment medical benefits		Defined benefit pension plans		Total	
	2010	2011	2010	2011	2010	2011
<b>Opening obligations</b>	402	438	4,294	4,046	4,696	4,484
Current service cost	6	6	46	48	52	54
Interest on obligation	24	21	218	204	242	225
Actuarial losses (gains)	52	22	-26	327	26	349
Write-down of pension receivables	-	-	15	-15	15	-15
Curtailments / settlements	-	-	-15	20	-15	20
Acquisitions/disposals	-	-	-	329	-	329
Payments	-32	-26	-188	-192	-220	-218
Exchange rate differences	-14	11	-298	61	-312	72
<b>Closing obligation</b>	<b>438</b>	<b>472</b>	<b>4,046</b>	<b>4,828</b>	<b>4,484</b>	<b>5,300</b>

**D) Movement in fair value of plan assets**

SEK M	Defined benefit pension plans	
	2010	2011
<b>Opening fair value of plan assets</b>	2,817	2,854
Expected return on plan assets	167	176
Actuarial gains (losses)	132	-144
Curtailments / settlements	-	-5
Acquisitions/disposals	-	227
Net payments	-61	-94
Exchange rate differences	-201	101
<b>Closing fair value of plan assets (E)</b>	<b>2,854</b>	<b>3,115</b>

**E) Plan assets allocation**

Plan assets	2010	2011
Shares	1,439	1,547
Interest-bearing investments	1,065	1,187
Other assets	350	381
<b>Total</b>	<b>2,854</b>	<b>3,115</b>

**F) Sensitivity analysis on medical benefits**

The effect of a 1 percent change in the assumed medical cost trend rate, SEK M	+1%	-1%
Effect on the aggregate of the current service cost and interest cost	3	-3
Effect on the defined benefit obligation	52	-44

**G) Key actuarial assumptions**

Key actuarial assumptions (weighted average), %	2010	2011
Discount rate	5.1	3.9
Expected return on plan assets <sup>1</sup>	6.3	6.1
Expected future salary increases	2.3	2.4
Expected future pension increases	2.4	1.8
Expected future medical benefit increases	10.0	9.2
Expected inflation	2.7	2.5

As at 31 December	2007	2008	2009	2010	2011
Present value of obligation (+)	4,384	3,963	4,696	4,484	5,300
Fair value of plan assets (-)	-3,177	-2,604	-2,817	-2,854	-3,115
<b>Obligation, net</b>	<b>1,207</b>	<b>1,359</b>	<b>1,879</b>	<b>1,630</b>	<b>2,185</b>

<sup>1</sup> The expected return on plan assets is determined by considering the expected returns available on assets underlying the current investment policy. Plan assets chiefly consist of equity instruments and interest-bearing investments. The expected return reflects risk premiums and indexes of interest-bearing investments on the market.

**Pensions with Alecta**

Commitments for old-age pensions and family pensions for salaried employees in Sweden are guaranteed in part through insurance with Alecta. According to UFR 3 this is a defined benefit plan that covers many employers. For the 2011 financial year the company has not had access to information making it possible to report this plan as a defined benefit plan. Pension plans in accordance with ITP that are guaranteed through insurance with Alecta are therefore reported as defined contribution plans. The year's contribution that are contracted to Alecta amounts to SEK 28 M (14),

of which SEK 6 M (6) relates to the Parent company. Alecta's surplus may be distributed to the policy-holders and/or the persons insured. At the end of 2011 Alecta's surplus expressed as collective consolidation level amounted to 113 percent (146). 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
<b>Opening balance at 1 January 2010</b>	<b>1,577</b>	<b>978</b>	<b>2,555</b>
Provisions for the year	–	944	944
Reclassification	–	286	286
Reversal of non-utilized amounts	–49	–18	–67
Utilized during the year	–465	–517	–982
Exchange rate differences	–139	–33	–172
<b>Closing balance at 31 December 2010</b>	<b>924</b>	<b>1,640</b>	<b>2,564</b>

SEK M	Group		
	Restructuring reserve	Other	Total
<b>Opening balance at 1 January 2011</b>	<b>924</b>	<b>1,640</b>	<b>2,564</b>
Provisions for the year	1,224	403	1,627
Additional purchase price subsidiaries	1	65	66
Reversal of non-utilized amounts	–91	–194	–285
Utilized during the year	–403	–246	–649
Exchange rate differences	10	10	20
<b>Closing balance at 31 December 2011</b>	<b>1,665</b>	<b>1,678</b>	<b>3,343</b>

Group		
	2010	2011
<b>Balance sheet breakdown:</b>		
Other long-term provisions	1,793	1,315
Other short-term provisions	771	2,028
<b>Total</b>	<b>2,564</b>	<b>3,343</b>

The restructuring reserve relates to the ongoing restructuring programs launched in 2008, 2009 and 2011. The closing balance is expected to be chiefly utilized in the next three years and mainly relates to severance payments. The long-term part of the restructuring reserve totaled SEK 717 M. For further information on the restructuring programs, see the Report of the Board of Directors. Other provisions relate to estimated deferred purchase considerations, taxes and legal obligations including future environment-related measures.

### Parent company

Other provisions in the parent company relate to estimated deferred purchase considerations.

## Note 26 Other short-term liabilities

SEK M	Group	
	2010	2011
VAT and excise duty	238	397
Employee withholding tax	65	25
Advances received	261	573
Social security contributions and other taxes	54	81
Short-term deferred considerations	48	134
Other short-term liabilities	480	432
<b>Total</b>	<b>1,146</b>	<b>1,642</b>

## Note 27 Accrued expenses and prepaid income

SEK M	Group		Parent company	
	2010	2011	2010	2011
Personnel-related expenses	1,434	1,630	87	91
Customer-related expenses	411	611	–	–
Prepaid income	68	126	–	–
Accrued interest expenses	85	131	42	40
Other	760	663	50	14
<b>Total</b>	<b>2,758</b>	<b>3,161</b>	<b>179</b>	<b>145</b>

## Note 28 Contingent liabilities

SEK M	Group		Parent company	
	2010	2011	2010	2011
Guarantees	49	74	–	–
Guarantees on behalf of subsidiaries	–	–	6,136	10,613
<b>Total</b>	<b>49</b>	<b>74</b>	<b>6,136</b>	<b>10,613</b>

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	
	2010	2011
<1 year	8	25
>1<2 year	10	10
>2<5 year	13	30
>5 year	18	9
<b>Total</b>	<b>49</b>	<b>74</b>

## Note 29 Assets pledged against liabilities to credit institutes

SEK M	Group		Parent company	
	2010	2011	2010	2011
Real Estate mortgages	225	305	–	–
Other mortgages	45	134	–	–
<b>Total</b>	<b>270</b>	<b>439</b>	<b>–</b>	<b>–</b>

## Note 30 Business combinations

SEK M	2010	2011
Cash paid	2,959	12,599
Paid part prior year	–	555
Unpaid part of purchase prices	1,939	446
<b>Total purchase price</b>	<b>4,898</b>	<b>13,600</b>
Fair value of acquired net assets	–1,910	–2,736
Disposed acquired net assets	–	–6,280
<b>Goodwill</b>	<b>2,988</b>	<b>4,584</b>
<b>Acquired assets and liabilities in accordance with purchase price allocations</b>		
Intangible assets	1,117	1,590
Other tangible assets	620	843
Inventories	437	803
Receivables	504	1,371
Cash and cash equivalents	705	411
Interest-bearing liabilities	–390	–244
Other liabilities	–1,081	–2,038
Non-controlling interest	–2	0
<b>Acquired net assets at fair value</b>	<b>1,910</b>	<b>2,736</b>
Purchase prices settled in cash	2,959	12,599
Cash and cash equivalents in acquired subsidiaries	–705	–411
<b>Change in Group cash and cash equivalents resulting from acquisitions</b>	<b>2,254</b>	<b>12,188</b>
Net sales from times of acquisition	2,142	5,143
EBIT from times of acquisition	323	644
Net income from times of acquisition	195	5,588

The net sales of acquired entities for 2011 totaled SEK 6,601 M (2,880) and net income amounted to SEK 5,676 M (163). Net income includes payment for divested operations acquired during the year. Acquisition-related costs totaled SEK 22 M (61) in 2011 and have been reported as other operating expenses in the income statement.

The acquisition of Cardo is classified as a single material acquisition and the purchase price allocation is therefore presented separately below. Other major acquisitions in 2011 included LaserCard (USA), FlexiForce (Netherlands) and Swesafe (Sweden). The major acquisitions in 2010 were Pan Pan (China), ActivIdentity (USA), Paddock (United Kingdom) and King Door Closers (South Korea).

Preliminary acquisition analyses have been prepared for all acquisitions in 2011. Contingent considerations for acquisitions in 2010 and 2011 are recognized in the balance sheet as other non-current liabilities and other current liabilities respectively, and are discounted in the case of major acquisitions. In 2011 there was no material revaluation of additional purchase considerations in the income statement. See below for further information on contingent considerations for the acquisition of Pan Pan.

## 2011

### LaserCard

On 31 January 2011 the Group acquired 100 percent of the share capital in LaserCard Corporation, a leading provider of secure ID solutions to government and commercial customers worldwide. LaserCard has a unique product portfolio of smart cards, services and product solutions for complex ID systems management, which are used by more than 400 customers in 44 countries. The company's strength lies in its knowledge and management of various types of secure identities and technologies, such as personal identification, border controls, secure government services, and access to buildings. Its product portfolio complements ASSA ABLOY's HID Global business unit. LaserCard is headquartered in California, USA. Intangible assets in the form of brand and customer relationships has been disclosed. Residual goodwill is mainly attributable to synergies and other intangible assets that do not fulfill the criteria for separate recognition.

### FlexiForce

On 6 April 2011 the Group acquired 100 percent of the share capital in FlexiForce, a global leader in components for industrial sectional doors and residential garage doors. FlexiForce specializes in the manufacture and distribution of components for overhead sectional doors and has a strong position in product development and marketing as well as a solid customer base.

FlexiForce adds a new and very important distribution channel for reaching industrial door manufacturers. The company is headquartered in the Netherlands. The purchase price allocation is preliminary.

### Swesafe

On 6 April 2011 the Group acquired 100 percent of the share capital in Swesafe, Sweden's largest locksmith. This acquisition is an important step in the development of the Swedish market in the fast-growing electromechanical segment. Ownership of the largest locksmith in Sweden means that locksmiths and systems integrators will become more project oriented and focused on electronic products and the service offering. In addition, it will provide a further understanding of end-customer needs. Goodwill is mainly attributable to synergies and other intangible assets that do not fulfill the criteria for separate recognition.

### Cardo Entrance Solutions

Cardo's Entrance Solutions division is a leading supplier of industrial doors, logistics systems, garage doors, customer service and other services. The acquisition of Cardo Entrance

Solutions represents a strategically important step in the development of ASSA ABLOY's operations in the Entrance Systems division. Overall, this will strengthen the Group's product offering and create a strong entrance automation supplier with a wide range of products, customer service and other services. The acquisition of Cardo is expected to generate considerable synergies largely through a combination of the companies' respective offerings.

Cardo Entrance Solutions was created in 2010 through the coordination of two previous divisions, Door & Logistic Solutions and Residential Garage Doors. Under the Crawford and Megadoor brands, it offers total industrial door, docking and service solutions for service-intensive customers in transport, logistics and trade. The division also offers standardized and customized garage doors for the consumer market. The range includes up and over doors, overhead sectional doors, side sectional doors and the automation for these products. These doors are positioned as exclusive, offering good design, quality and high security. The main brands are Crawford and Normstahl.

Intangible assets in the form of brand and customer relationships has been disclosed. Residual goodwill is mainly attributable to synergies and other intangible assets that do not fulfill the criteria for separate reporting.

The table below shows the purchase price allocation for Cardo Entrance Solutions as at 18 March 2011, excluding disposal groups held for sale, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. This acquisition analysis is preliminary pending final measurement of the fair value of acquired identifiable intangible assets.

SEK M	2011
Cash paid	11,340
Less: Discontinued operations	-6,280
<b>Total purchase price</b>	<b>5,060</b>
Fair value of acquired net assets	-1,932
<b>Goodwill</b>	<b>3,128</b>
<b>Acquired assets and liabilities in accordance with purchase price allocations</b>	
Intangible assets	1,474
Other tangible assets	555
Inventories	517
Receivables	921
Cash and cash equivalents	176
Interest-bearing liabilities	-111
Other liabilities	-1,600
Non-controlling interest	-
<b>Acquired net assets at fair value</b>	<b>1,932</b>
Purchase prices settled in cash	11,340
Purchase prices discontinued operations	-6,690
Cash and cash equivalents in acquired subsidiaries	-176
<b>Change in Group cash and cash equivalents resulting from acquisitions</b>	<b>4,474</b>
Net sales from times of acquisition	3,709
EBIT from times of acquisition	455
Net income from times of acquisition	5,699

## 2010

### Pan Pan

On 1 January 2010 the Group acquired 70 per cent of Pan Pan, China's largest manufacturer of high security steel doors. Through the acquisition of Pan Pan the ASSA ABLOY Group further strengthen its market leading position in China. Pan Pan manufactures high security doors in the form of fire, anti theft, armored, corrosion proof and standard



high security doors. The company has an extensive well established distribution network across China and complements well ASSA ABLOY's other door companies on the Chinese market. The acquisition is an important step in the strategy of expansion into the fast growing emerging markets. The Company manufactures in six locations in China and is headquartered in Yingkou, north of Beijing. The brand and customer relationships have been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualified for separate recognition. The reciprocal right to buy / sell the remaining 30 percent stake to the counterparty is reported as a deferred consideration, which means that the company results and financial position are consolidated at 100 percent from the date of acquisition. Deferred consideration is discounted to present value and the discounting effects are reported as financial items. The bulk of the purchase price has not been paid and the amount due is dependent on the earnings performance of the Company during the period 2010–2012.

#### King Door Closers

On 1 May 2010 the Group acquired 100 percent of the share capital of King Door Closers, South Korea's leading door closer company. The acquisition is another important step for the Group in its strive to enlarge its presence within the emerging markets. King adds apart from market leadership in South Korea also important export customers mainly in other parts of the Middle east and the Asian region. King has a comprehensive range of basic and certified commercial and residential door closers as well as a complete range of floor springs. King is based in Seoul, South Korea. The brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualified for separate recognition.

#### Paddock

On 1 August 2010 the Group acquired 100 percent of the share capital of Paddock, the UK's leading multipoint lock manufacturer. The strategically important acquisition enhances ASSA ABLOY's leading position in the fast growing multipoint lock segment. The acquisition is part of the strategy to expand the presence in the mature markets by adding complementary lock products to the current portfolio. The company has an extensive distribution network across the UK, which complements well ASSA ABLOY's existing Yale multipoint lock business. The Company is based in Walsall, north of Birmingham. The brand has been separately recognized and remaining goodwill is chiefly related to synergies and other intangible assets not qualified for separate recognition.

#### ActivIdentity

On 17 December 2010 the Group acquired 100 percent of the share capital of ActivIdentity, a global leader in strong authentication and credential management. ActivIdentity is an ideal fit with HID Global, finally enabling a unique solution to convergence between the logical and physical access domains via a single credential. ActivIdentity's market leadership in credential management systems, broad portfolio of complementary strong authentication products and Professional Services capabilities complements ASSA ABLOY's HID Global Business Unit. ActivIdentity is headquartered in California, USA.

#### Disposals of subsidiaries

In 2011 Cardo Flow Solutions and Lorentzen & Wettre, which were part of Cardo Entrance Solutions acquired during the year, were divested. These disposals have been reported in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. In 2010 small businesses were divested in Switzerland and Russia. Cash flow effects and the result from disposals are shown in the table below:

SEK M	Group	
	2010	2011
<b>Disposed net assets</b>		
Fixed assets	–	–
Inventories	–	–
Receivables	–8	–
Cash and cash equivalents	–34	–
Assets in disposal group held for sale	–	–7,539
Liabilities	9	–
Liabilities in disposal group held for sale	–	1,161
<b>Disposed net assets to carrying amount</b>	<b>–33</b>	<b>–6,378</b>
Purchase prices received	–	6,690
Less, cash and cash equivalents in disposed subsidiaries	–34	–
<b>Change in cash and cash equivalents for the Group</b>	<b>–34</b>	<b>6,690</b>
Net income after tax from discontinued operations during the holding period	–	92
Other	31	–
<b>Result from disposals</b>	<b>–3</b>	<b>404</b>

#### Note 31 Cash flow

SEK M	Group	
	2010	2011
<b>Adjustments for non-cash items</b>		
Profit on sales of fixed assets	–84	3
Change of pension obligations	54	40
Other	75	–43
<b>Adjustments for non-cash items</b>	<b>45</b>	<b>0</b>
<b>Change in working capital</b>		
Inventory increase/decrease (–/+)	–338	–32
Accounts receivables increase/decrease (–/+)	–118	–249
Accounts payables increase/decrease (+/–)	406	235
Other working capital increase/decrease (–/+)	412	–192
<b>Change in working capital</b>	<b>362</b>	<b>–238</b>
<b>Investments in subsidiaries</b>		
Total purchase price	–4,898	–13,600
Less, paid part of purchase prices prior year relating to actual year acquisitions	–	555
Less, acquired cash and cash equivalents	705	411
Less, unpaid parts of purchase prices	1,939	446
Plus, paid parts of purchase prices relating to prior years	–340	–109
<b>Investments in subsidiaries</b>	<b>–2,594</b>	<b>–12,297</b>
<b>Disposal of subsidiaries</b>		
Purchase prices received	–	6,690
Less, disposed cash and cash equivalents	–34	–
<b>Disposal of subsidiaries</b>	<b>–34</b>	<b>6,690</b>
<b>Other investments</b>		
Investments in/sales of other shares	–721	–876
Investments in/sales of other financial assets	30	–28
<b>Other investments</b>	<b>–691</b>	<b>–904</b>

## Note 32 Employees

### Salaries, wages, other remuneration and social security costs

SEK M	Group		Parent company	
	2010	2011	2010	2011
Salaries, wages and other remuneration	8,322	9,704	103	115
– which of bonus	46	48	8	8
Social security costs	1,788	2,131	66	59
– of which pensions	379	402	19	21
<b>Total</b>	<b>10,110</b>	<b>11,835</b>	<b>169</b>	<b>174</b>

### Fees to Board members in 2011 (including committee work), SEK thousands

Name and post	Board	Remuneration Committee	Audit Committee	Social security costs	Total
Gustaf Douglas, Chairman	1,000	100	–	112	1,212
Carl Douglas, Member	500	–	–	157	657
Birgitta Klasén, Member	500	–	100	188	788
Eva Lindqvist, Member	500	–	–	157	657
Johan Molin, President and CEO	–	–	–	–	–
Sven-Christer Nilsson, Member	500	50	–	56	606
Lars Renström, Member	500	–	100	189	789
Ulrik Svensson, Member	500	–	200	220	920
Employee representatives (2)	–	–	–	–	–
<b>Total</b>	<b>4,000</b>	<b>150</b>	<b>400</b>	<b>1,079</b>	<b>5,629</b>

### Remuneration and other benefits of the Executive Team in 2011

SEK thousands	Fixed salary	Variable salary	Stockrelated benefits	Other benefits	Pension costs
Johan Molin	11,582	8,250	2,587	117	3,969
Other members of the Executive Team (8)	31,594	15,102	4,880	2,956	9,136
<b>Total remuneration and benefits</b>	<b>43,176</b>	<b>23,352</b>	<b>7,467</b>	<b>3,073</b>	<b>13,105</b>
<b>Total costs<sup>1</sup></b>	<b>51,342</b>	<b>27,405</b>	<b>8,921</b>	<b>3,249</b>	<b>15,736</b>

<sup>1</sup> 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 2010 totaled SEK 74 M and social security costs SEK 43 M, of which SEK 29 M were pension costs.

### Salaries and remuneration for the Board of Directors and the parent company's Executive Team

Salaries and other remuneration for the Board of Directors and the parent company's Executive Team totaled SEK 37 M (37). Social security expenses amounted to SEK 20 M (35), of which SEK 7 M (8) were pension costs.

### Long-term incentive programs

At the 2010 Annual General Meeting, it was decided to launch a long-term incentive program (LTI 2010) for senior executives and other key staff in the Group. The aim of LTI 2010 is to create the prerequisites for retaining and recruiting competent staff for the Group, providing competitive remuneration and uniting the interests of shareholders, senior executives and key staff.

At the 2011 Annual General Meeting, it was decided to launch a further long-term incentive program for senior executives and other key staff in the Group. This new long-term incentive program is called LTI 2011 and has been drawn up with similar terms to LTI 2010.

For each Series B share acquired by the CEO within the framework of LTI 2010 and LTI 2011, the company awards one matching stock option and four performance-based stock options. For each Series B share acquired by other members of the Executive Team, the company awards one matching stock option and three performance-based stock options. For other participants, the company awards one matching stock option and one performance-based stock option. In accordance with the terms of the incentive pro-

grams, employees have acquired a total of 174,632 shares in ASSA ABLOY AB, of which 87,068 shares were acquired in 2011 within the framework of LTI 2011.

Each matching stock option entitles the holder to receive one Series B share, free of charge, in the company after three years, provided that the holder is still employed in the Group when the interim report for Q1 2014 (Q1 2013 for LTI 2010) is published, and has maintained the shares acquired within the framework of the long-term incentive programs. Each performance-based stock option entitles the holder to receive one Series B share, free of charge, in the company three years after allocation, provided that the above conditions have been fulfilled. In addition, the maximum level in a range determined by the Board of Directors for the performance of the company's earnings per share in 2011 must have been fulfilled (earnings per share in 2010 for LTI 2010). This condition has been fulfilled.

Outstanding matching and performance-based stock options for LTI 2011 total 240,595. The total number of outstanding matching and performance-based stock options for LTI 2010 and LTI 2011 amounted to 443,680 on the reporting date.

Fair value is based on the share price on the assignment date. The present value calculation is based on data from an external party. Fair value is adjusted for participants who do not retain their holding of shares for the duration of the program. In the case of performance-based shares, the company assesses the probability of the performance targets being met when calculating the compensation expense.

Note 32 cont.

The fair value of ASSA ABLOY's Series B share on the allotment date of 25 May 2011 was SEK 173.29. The fair value of the Series B share on the allotment date for LTI 2010 of 28 July 2010 was SEK 161.79.

In 2011 the total cost of the Group's long-term incentive programs amounted to SEK 16 M, of which SEK 7 M relates to LTI 2011 and SEK 9 M to LTI 2010. In 2010 the cost of LTI 2010 amounted to SEK 6 M.

#### Other equity-based incentive programs

ASSA ABLOY has issued a number of convertible debentures to employees in the Group, of which one (Incentive 2007) is still active but matures in 2012. These were issued at market

value and therefore do not result in any personnel cost for the Group. For further information on other equity-based incentive programs, see the section on the ASSA ABLOY share (page 122).

#### Notice and severance pay

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

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

	Group					
	2010			2011		
	Total	of which women	of which men	Total	of which women	of which men
China	14,449	5,806	8,644	14,781	6,083	8,698
USA	5,742	1,799	3,943	5,861	1,855	4,006
France	1,882	707	1,175	2,200	703	1,497
Sweden	1,301	465	837	1,857	517	1,340
Germany	1,049	371	679	1,453	475	978
United Kingdom	1,014	339	675	1,319	466	853
Czech Republic	1,035	523	512	1,139	550	586
Mexico	1,110	583	527	1,128	527	601
Finland	873	326	547	955	340	615
Netherlands	511	102	409	949	167	782
South America	925	180	745	910	165	745
Italy	813	181	632	802	202	600
Australia	823	225	598	764	209	555
Spain	593	156	437	733	183	550
South Korea	388	134	254	669	255	414
Norway	470	151	319	550	139	411
Romania	395	191	204	539	227	312
Malaysia	452	287	165	472	260	212
Denmark	348	124	224	448	131	317
Canada	404	96	308	434	104	330
South Africa	424	183	241	418	187	231
Israel	377	108	269	353	102	251
Switzerland	345	129	216	343	112	231
New Zealand	303	112	191	316	108	208
Belgium	181	63	117	306	85	221
Ireland	215	86	129	208	88	120
Austria	112	26	86	190	42	148
Portugal	118	30	88	126	30	96
Hong Kong	104	42	62	121	53	68
Other	523	139	382	729	173	556
<b>Total</b>	<b>37,279</b>	<b>13,664</b>	<b>23,615</b>	<b>41,070</b>	<b>14,538</b>	<b>26,532</b>

	Parent company					
	2010			2011		
	Total	of which women	of which men	Total	of which women	of which men
Sweden	104	27	77	124	26	98
<b>Total</b>	<b>104</b>	<b>27</b>	<b>77</b>	<b>124</b>	<b>26</b>	<b>98</b>

#### Gender-split in senior management

	2010			2011		
	Total	of which women	of which men	Total	of which women	of which men
Board of Directors <sup>1</sup>	8	2	6	8	2	6
Executive Team	9	–	9	9	–	9
–of which Parent company's Executive Team	3	–	3	3	–	3
<b>Total</b>	<b>17</b>	<b>2</b>	<b>15</b>	<b>17</b>	<b>2</b>	<b>15</b>

<sup>1</sup> Excluding employee representatives.

## Note 33 Financial risk management and financial instruments

### Financial risk management

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

### Organization and activities

ASSA ABLOY's financial policy, which is determined by the Board of Directors, provides a framework of guidelines and regulations for the management of financial risks and financial activities.

ASSA ABLOY's financial activities are coordinated centrally and the majority of financial transactions are conducted by the subsidiary ASSA ABLOY Financial Services AB, which is the Group's internal bank. External financial transactions are conducted by Treasury. Treasury achieves significant economies of scale when negotiating borrowing agreements, using interest rate derivatives and managing currency flows.

### Capital structure

The objective of the Group's capital structure is to safeguard its ability to continue as a going concern, and to generate good returns for shareholders and benefit for other stakeholders. Maintaining an optimal capital structure enables the Group to keep capital costs as low as possible. The Group can adjust the capital structure based on the requirements that arise by varying the dividend paid to shareholders, returning

capital to shareholders, issuing new shares or selling assets to reduce debt. The capital requirement is assessed on the basis of factors such as the net debt/equity ratio.

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

### Net debt and equity

SEK M	Group	
	2010	2011
Long-term interest-bearing receivables	-62	-44
Short-term interest-bearing investments incl. positive market values of derivatives	-170	-284
Cash and bank balances	-1,280	-1,665
Pension provisions	1,078	1,173
Long-term interest-bearing liabilities	8,134	7,422
Short-term interest-bearing liabilities incl. negative market values of derivatives	2,864	7,605
<b>Total</b>	<b>10,564</b>	<b>14,207</b>
<b>Equity</b>	<b>20,821</b>	<b>23,735</b>
<b>Net debt/equity ratio, times</b>	<b>0.51</b>	<b>0.60</b>

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

### Maturity profile – financial instruments

SEK M	31 December 2010				31 December 2011			
	<1 year	>1<2 year	>2<5 year	>5 year	<1 year	>1<2 year	>2<5 year	>5 year
Long-term bank loans	-37	-255	-81	-120	-7	-49	-341	-1,070
Long-term capital market loans	-303	-1,382	-3,277	-3,258	-284	-648	-3,804	-2,734
Convertible loans	-324	-905	-	-	-903	-	-	-
Short-term bank loans	-1,133	-	-	-	-1,213	-	-	-
Commercial papers and short-term capital market loans	-1,402	-	-	-	-5,396	-	-	-
Derivatives	-23	37	73	11	20	29	65	-2
<b>Total by period</b>	<b>-3,222</b>	<b>-2,505</b>	<b>-3,285</b>	<b>-3,367</b>	<b>-7,781</b>	<b>-669</b>	<b>-4,080</b>	<b>-3,806</b>
Cash and cash equivalents incl. interest-bearing receivables	1,304	-	-	-	1,949	-	-	-
Long-term interest-bearing receivables	6	47	24	-	44	-	-	-
Additional purchase considerations	-48	-29	-1,932	-	-134	-2,288	-166	-
Accounts receivables	5,596	-	-	-	6,924	-	-	-
Accounts payables	-3,123	-	-	-	-3,796	-	-	-
<b>Net total</b>	<b>513</b>	<b>-2,487</b>	<b>-5,193</b>	<b>-3,367</b>	<b>-2,794</b>	<b>-2,957</b>	<b>-4,246</b>	<b>-3,806</b>
Committed credit facilities	24,330	-	-19,189	-	10,306	-	-9,851	-
Credit facilities maturing < 1 year	-5,142	-	-	-	-455	-	-	-
<b>Adjusted maturity profile<sup>1</sup></b>	<b>19,701</b>	<b>-2,487</b>	<b>-24,382</b>	<b>-3,367</b>	<b>7,057</b>	<b>-2,957</b>	<b>-14,097</b>	<b>-3,806</b>

<sup>1</sup> For maturity structure of guarantees, see Note 28.



## External financing/net debt

Credit lines/facilities	Amount, SEK M	Maturity	Carrying amount, SEK M	Currency	Amount 2010	Amount 2011	Of which Parent company, SEK M
US Private Placement Program	363	Dec 2013	363	USD	52	52	
US Private Placement Program	554	May 2015	622 <sup>1</sup>	USD	80	80	
US Private Placement Program	523	Dec 2016	523	USD	76	76	
US Private Placement Program	346	Apr 2017	346	USD	50	50	
US Private Placement Program	346	May 2017	346	USD	50	50	
US Private Placement Program	844	Dec 2018	844	USD	122	122	
US Private Placement Program	484	May 2020	484	USD	70	70	
Multi-Currency RCF	9,851	Jun 2014	0	EUR	1,100	1,100	
Bank loan EIB	985	Jul 2018 <sup>2</sup>	985	EUR	0	110	
Global MTN Program	13,433	Mar 2014	403	EUR	45	45	403
		Jun 2014	1,343	EUR	150	150	1,343
		Jun 2016	295 <sup>1</sup>	NOK	250	250	295
		Jun 2016	115	NOK	100	100	115
		Jun 2018	500	SEK	0	500	500
Other long-term loans	253		253				
<b>Total long-term loans/facilities</b>	<b>27,982</b>		<b>7,422</b>				<b>2,656</b>
US Private Placement Program	554	May 2012	562 <sup>1</sup>	USD	80	80	
Global MTN Program		Feb 2012	300	SEK	300	300	300
		May 2012	250	SEK	250	250	250
Incentive Program	896	Jun 2012	896	EUR	100	100	896
Global CP Program	6,920		1,518	USD	0	220	
			89	EUR	0	10	
Swedish CP Program	5,000		2,635	SEK	747	2,650	
Other bank loans	806		806				
Overdraft facility	1,098		370				
<b>Total short-term loans/facilities</b>	<b>15,273</b>		<b>7,426</b>				<b>1,446</b>
<b>Total loans/facilities</b>	<b>43,255</b>		<b>14,848</b>				<b>4,102</b>
Cash and bank balances			-1,665				-4
Short-term interest-bearing investments			-50				-23
Long-term interest-bearing investments			-44				
Market value of derivatives			-55				
Pensions			1,173				
<b>Net debt</b>			<b>14,207</b>				<b>4,075</b>

<sup>1</sup> The loans are subject to hedge accounting.

<sup>2</sup> The loan amortizes starting November 2016. In the table the average date of maturity of the loan has been stated.

## Rating

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

However, when the acquisition of Cardo was announced Standard & Poor's placed the rating on negative credit watch. This was removed in April and replaced by negative outlook. Moody's rating remains unchanged since the previous year.

## Financing risk and maturity profile

Financing risk is defined as the risk of being unable to meet payment obligations as a result of inadequate liquidity or difficulties in obtaining external financing. ASSA ABLOY manages financing risk at Group level. Treasury is responsible for external borrowing and external financial investments. ASSA ABLOY strives to have access on every occasion to both short-term and long-term loan facilities. In accordance with financial policy, the available facilities should include a reserve (facilities available but not utilized) equivalent to 10 percent of the Group's total annual sales.

dance with financial policy, the available facilities should include a reserve (facilities available but not utilized) equivalent to 10 percent of the Group's total annual sales.

## Maturity profile

The table 'Maturity profile' on page 108 shows the maturities for ASSA ABLOY's financial instruments including confirmed credit facilities. These maturities are not concentrated to a particular date in the immediate future, particularly taking into account the credit facility of EUR 1,100 M maturing in 2014, which was wholly unutilized at year-end. The bridging facilities raised in connection with the acquisition of Cardo have been repaid in full, partly through revenue from the disposals made and partly by raising new long-term and short-term loans. Moreover, financial assets are also taken into account when assessing the maturity profile. The table shows undiscounted future cash flows relating to the Group's financial instruments at the reporting date, and these amounts are therefore not found in the balance sheet.

**Interest-bearing liabilities**

The Group's long-term financing mainly consists of Private Placement Program in the USA totaling USD 500 M (580), GMTN program of SEK 2,656 M (2,705) and a loan from the European Investment Bank of EUR 110 M (0). During the year, long-term bilateral financing totaling EUR 110 M was raised from the European Investment Bank. The other changes in long-term loans are mainly due to some of the original long-term loans now having less than one year to maturity and to a new loan of SEK 500 M with a seven-year term raised under the GMTN program.

The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 4,242 M (747) of the Commercial Paper Programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility of EUR 1,100 M (1,100), which was wholly unutilized at year-end. The increase in short-term financing is mainly linked to financing the acquisition of Cardo.

At year-end, the average time to maturity, excluding the pension provision, was 31 months (39). Some of the Group's main financing agreements contain a customary so called Change of Control clause. This clause means that lenders have the right in certain circumstances to demand the renegotiation of conditions or to terminate the agreement should control of the company change.

**Convertible debentures**

Incentive 2006 matured in 2011 and the debentures were converted in full. Conversion was managed by an external party and began in 2010. A further 2,073,184 Series B shares were issued in 2011. A total of 2,332,344 Series B shares were issued in connection with Incentive 2006.

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 Series 1, EUR 20.50 for Series 2, EUR 23.00 for Series 3 and EUR 25.40 for Series 4 will add 4,679,610 Series B shares.

The dilutive effect of full conversion amounts to 1.3 percent of share capital and 0.9 percent of the total number of votes. At year-end 2011, Incentive 2007 amounted to EUR 100 M.

**Currency composition**

The currency composition of ASSA ABLOY's borrowing depends on the currency composition of the Group's assets and other liabilities. Currency swaps are used to achieve the desired currency composition. See the table 'Net debt by currency' on page 111.

**Cash and cash equivalents and other interest-bearing receivables**

Short-term interest-bearing investments amounted to SEK 50 M (24) at year-end. In addition, ASSA ABLOY has long-term interest-bearing receivables of SEK 44 M (62) and financial derivatives with a positive market value of SEK 234 M (146) which, in addition to cash and cash equivalents, are included in the definition of net financial debt. Cash and cash equivalents are mainly invested in bank accounts or interest-bearing instruments with high liquidity from issuers with a credit rating of at least A-, according to Standard & Poor's or similar rating agency. The average term for cash and cash equivalents was 1 day (3.3) at year-end 2011.

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

SEK M	Group		Parent company	
	2010	2011	2010	2011
Cash and bank balances	1,280	1,665	0	4
Short-term investments with maturity less than 3 months	22	–	–	–
<b>Cash and cash equivalents</b>	<b>1,302</b>	<b>1,665</b>	<b>0</b>	<b>4</b>
Short-term investments with maturity more than 3 months	2	50	14	23
Long-term interest-bearing receivables	62	44	26	–
Positive market value of derivatives	146	234	–	–
<b>Total</b>	<b>1,512</b>	<b>1,993</b>	<b>40</b>	<b>27</b>

*Net debt by currency*

SEK M	31 December 2010		31 December 2011	
	Net debt excluding currency swaps	Net debt including currency swaps	Net debt excluding currency swaps	Net debt including currency swaps
USD	4,094	4,813	5,937	5,465
EUR	3,603	2,265	4,510	2,399
SEK	2,500	2,594	3,913	5,791
AUD	-10	577	-4	661
NOK	467	221	453	306
KRW	337	337	265	265
CNY	-225	-225	-604	-604
GBP	-83	-314	-121	-424
Other	-119	296	-142	348
<b>Total</b>	<b>10,564</b>	<b>10,564</b>	<b>14,207</b>	<b>14,207</b>

*Interest rate risks in interest-bearing assets*

Treasury manages interest rate risk in interest-bearing assets. Derivative instruments such as interest rate swaps and FRAs (Forward Rate Agreements) may be used to manage interest rate risk. These investments are mostly short-term. The term for the majority of these investments is three months or less. The fixed interest term for these short-term investments was 1 day (1.2) at year-end 2011. A downward change in the yield curve of one percentage point would reduce the Group's interest income by around SEK 8 M (9) and consolidated equity by SEK 6 M (7).

*Interest rate risks in borrowing*

Changes in interest rates have a direct impact 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 income of changes in interest rates on a rolling 12-month basis. The Group strives for a mix of fixed rate and variable rate borrowings and uses interest rate swaps to continuously adjust the fixed interest term. The financial policy stipulates that the average fixed interest term should normally be 24 months. At year-end, the average fixed interest term on gross debt, excluding pension obligations, was around 16 months (23). An upward change in the yield curve of one percentage point would increase the Group's interest expense by around SEK 93 M (58) and reduce consolidated equity by SEK 71 M (44).

*Currency risk*

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

*Transaction exposure*

Currency risk in the form of transaction exposure, or exports and imports of goods respectively, is relatively limited in the Group. The main principle is to allow currency fluctuations to have an impact on the business as quickly as possible. As a result of this strategy, current currency flows are not normally hedged.

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

Currency, SEK M	Currency exposure	
	2010	2011
AUD	400	410
CAD	433	439
CNY	-710	-754
CZK	-144	-203
EUR	836	742
GBP	160	357
NOK	-195	-237
SEK	-802	-756
USD	198	-185

*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 (SEK) in relation to the major currencies, while all other variables remain constant.

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

Currency, SEK M	2010	2011
AUD	39	38
CAD	18	16
CNY	46	53
DKK	11	12
EUR	143	151
GBP	23	18
NOK	32	23
USD	206	201

#### **Translation exposure in the balance sheet**

The impact of translation of equity is limited by the fact that a large part of financing is in local currency.

The capital structure in each country is optimized based on local legislation. As far as possible, gearing per currency should generally aim to be the same as for the Group as a whole to limit the impact of fluctuations in individual currencies. Treasury uses currency derivatives to achieve appropriate financing and to eliminate undesirable currency exposure.

The table 'Net debt by currency' on page 111 shows the use of currency forward contracts in relation to financing in major currencies. These forward contracts are used to neutralize the exposure arising between external debt and internal requirements.

#### **Financial credit risk**

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

ASSA ABLOY's policy is to minimize the potential credit risk relating to surplus cash by using cash flow from subsidiaries to repay the Group's loans. This is primarily achieved through cash pools put in place by Treasury. Around 85 per cent (86) of the Group's sales were settled through cash pools in 2011. However, the Group can in the short term invest surplus cash in banks to match borrowing and cash flow.

Derivative instruments are allocated between banks based on risk levels defined in the financial policy in order to limit counterparty risk. Treasury only enters into derivative contracts with banks that have a good credit rating.

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

#### **Commercial credit risk**

The Group's accounts receivables are distributed across a large number of customers who are spread globally. The concentration of credit risk associated with accounts receivables is therefore limited. The fair value of accounts receivables corresponds to the carrying amount. Credit risks relating to operating activities are managed locally at company level and monitored at division level.

#### **Commodity risk**

The Group is exposed to price risks relating to purchases of certain commodities (primarily metals) used in production. Forward contracts are not used to hedge commodity purchases.

#### **Fair value of financial instruments**

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

The positive and negative fair values in the table 'Outstanding derivative financial instruments' on page 113 show the fair values of outstanding instruments at year-end, based on available fair values, and are the same as the carrying amounts in the balance sheet. The nominal value represents the gross value of the contracts.

For accounting purposes, financial instruments are classified into measurement categories in accordance with IAS 39. The table 'Financial instruments' on page 113 provides an overview of financial assets and liabilities, measurement category, and carrying amount and fair value per item.

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



*Outstanding derivative financial instruments at 31 December*

Instrument, SEK M	31 December 2010			31 December 2011		
	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value	Nominal value
Foreign exchange forwards, funding	41	-62	4,974	106	-126	9,936
Interest rate swaps	105	-10	2,760	112	-37	14,845
Forward Rate Agreements	-	-	-	16	-16	502
<b>Total</b>	<b>146</b>	<b>-72</b>	<b>7,734</b>	<b>234</b>	<b>-179</b>	<b>25,283</b>

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

SEK M	IAS 39 category*	2010		2011	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>					
Other shares and interests	3	762	762	52	52
Other financial assets	1	94	94	112	112
Accounts receivables	1	5,596	5,596	6,924	6,924
Derivative instruments – hedge accounting	5	96	96	95	95
Derivative instruments – held for trading	2	50	50	139	139
<b>Derivative instruments, total</b>		<b>146</b>	<b>146</b>	<b>234</b>	<b>234</b>
Short-term investments	1	2	2	50	50
Cash and cash equivalents	1	1,302	1,302	1,665	1,665
<b>Financial liabilities</b>					
Long-term loans – hedge accounting	2	1,477	1,477	917	917
Long-term loans – not hedge accounting	4	5,758	5,939	6,500	6,907
<b>Long-term loans, total</b>		<b>7,235</b>	<b>7,416</b>	<b>7,422</b>	<b>7,829</b>
Convertible debenture loans	4	1,210	1,210	896	896
Current liabilities – hedge accounting	2	–	–	562	562
Current liabilities – not hedge accounting	4	2,481	2,481	5,969	5,969
Derivative instruments – held for trading	2	72	72	179	179
Accounts payables	4	3,123	3,123	3,796	3,796
Additional purchase considerations	2	1,920	1,920	2,531	2,531

\* Applicable IAS 39 categories:

1 = Loan receivables and other receivables.

2 = Financial instruments at fair value through profit or loss.

3 = Available-for-sale financial assets.

4 = Financial liabilities at amortized cost.

5 = Derivative hedge accounting.

*Financial instruments: measured at fair value*

SEK M	2010				2011			
	Carrying amounts	Quoted prices	Observable data	Non-observable data	Carrying amounts	Quoted prices	Observable data	Non-observable data
<b>Financial assets</b>								
Derivative instruments	50	-	50	-	139	-	139	-
Other shares and interests	762	762	-	-	-	-	-	-
<b>Financial liabilities</b>								
Long-term loans – hedge accounting	1,477	-	1,477	-	917	-	917	-
Short-term loans – hedge accounting	-	-	-	-	562	-	562	-
Derivative instruments	72	-	72	-	179	-	179	-
Deferred considerations <sup>1</sup>	1,920	-	-	1,920	2,531	-	-	2,531

<sup>1</sup> Deferred considerations often depend on the earnings trend of an acquired business over a certain period. Measurement of the additional purchase consideration is based on the management's best judgment. Discounting to present value takes place in the case of major acquisitions.

# Comments on five years in summary

## 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 (South Korea), Aontec (Irish Republic), Power-shield (Northern Ireland), Pemko (North America) and Pyropanel (Australia).

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

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

## 2008

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

## 2009

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

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

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

## 2010

Organic growth was 3 percent, with Asia and South America reporting strong growth and North America showing good and increasing growth. Europe began the year well but growth gradually slowed. Continued investments in the marketing organization and the launch of new products strengthened the Group's market leadership. Acquired growth was 8 percent.

Operating income rose 12 percent and cash flow developed well during the year.

A total of 13 acquisitions were completed during the year, including Pan Pan (China), King Door Closers, South Korea, ActivIdentity (USA) and Paddock (UK). These acquisitions increase annual sales by SEK 2,880 M. An agreement was signed to acquire a majority shareholding in Cardo, a leading Swedish industrial door company.

## 2011

2011 was a successful year for ASSA ABLOY despite challenging market conditions and some slowdown in the second half of the year on mature markets. Organic growth was 4 percent, driven by continued investments in new products and the marketing organization. The year saw high acquisition activity in general, with 18 completed acquisitions, increasing sales by 17 percent. The acquisition of Crawford was the Group's largest ever structural transaction.

The year also saw two major disposals of acquired businesses, which were not considered to be a good fit with ASSA ABLOY in the long term.

A new restructuring program was launched during the year to further increase the Group's cost-efficiency. The previous programs have proved to be very successful, resulting in major savings and further increased efficiency in the production units.

Continued streamlining, a strengthened market position and the launch of innovative new products consolidated ASSA ABLOY's leading position and the Group is well positioned for long-term sustainable growth.

Operating income excluding restructuring costs increased 10 percent and cash flow remained strong. Earnings per share after full dilution excluding items affecting comparability increased 13 percent.

# Five years in summary

Amounts in SEK M unless stated otherwise	2007	2008	2009	2010	2011
<b>Sales and income</b>					
Sales	33,550	34,829 <sup>4</sup>	34,963 <sup>4</sup>	36,823	41,786
Organic growth, %	7	0	-12	3	4
Acquired growth, %	5	4	3	8	17
Operating income before depreciation/amortization (EBITDA)	6,366	6,447 <sup>1</sup>	6,426 <sup>1</sup>	7,041	7,646 <sup>1</sup>
Depreciation	-909	-921	-1,014	-995	-1,022
Operating income (EBIT)	5,458	5,526 <sup>1</sup>	5,413 <sup>1</sup>	6,046	6,624 <sup>1</sup>
Income before tax (EBT)	4,609	3,499	3,740	5,366	4,559
Net income	3,368	2,438	2,659	4,080	3,869
<b>Cash flow</b>					
Cash flow from operating activities	3,871	4,369	5,924	5,729	5,347
Cash flow from investing activities	-2,127	-2,648	-1,835	-4,027	-7,357
Cash flow from financing activities	-1,568	-1,311	-3,741	-2,597	2,326
Cash flow	176	410	348	-895	316
Operating cash flow <sup>3</sup>	4,808	4,769	6,843	6,285	6,080
<b>Capital employed and financing</b>					
Capital employed	28,621	32,850	30,382	31,385	37,942
– of which goodwill	17,270	20,669	20,333	22,279	27,014
– of which other intangible and tangible assets	6,782	7,945	7,541	8,336	10,126
– of which shares in associates	39	38	39	37	1,211
Net debt	12,953	14,013	11,048	10,564	14,207
Non-controlling interest	201	163	162	169	208
Shareholders' equity, excluding non-controlling interest	15,467	18,674	19,172	20,652	23,527
<b>Data per share, SEK</b>					
Earnings per share after tax and before dilution	9.18	6.60	7.18	11.07	10.45
Earnings per share after tax and dilution (EPS)	9.02	9.21 <sup>1</sup>	9.22 <sup>1</sup>	10.89	12.30 <sup>1</sup>
Shareholders' equity per share after dilution	46.76	55.91	54.76	58.64	65.54
Dividend per share	3.60	3.60	3.60	4.00	4.50 <sup>2</sup>
Price of Series B share at year-end	129.75	88.50	137.80	189.50	172.60
<b>Key data</b>					
Operating margin (EBITDA), %	19.0	18.5 <sup>1,4</sup>	18.4 <sup>1,4</sup>	19.1	18.3 <sup>1</sup>
Operating margin (EBIT), %	16.3	15.9 <sup>1,4</sup>	15.5 <sup>1,4</sup>	16.4	15.9 <sup>1</sup>
Profit margin (EBT), %	13.7	10.0	10.7	14.6	10.9
Return on capital employed, %	18.4	13.3	13.1	18.5	13.6
Return on capital employed excluding Items affecting comparability, %	18.4	17.2	16.2	18.5	17.4
Return on shareholders' equity, %	21.0	12.8	12.7	19.1	16.7
Equity ratio, %	41.5	41.9	45.4	45.9	42.9
Net debt/ Equity ratio, times	0.83	0.74	0.57	0.51	0.60
Interest coverage ratio, times	7.4	5.7	7.2	10.1	8.8
Interest on convertible debenture loan net after tax	55.0	81.0	31.9	9.9	10.5
Number of shares, thousands	365,918	365,918	365,918	366,177	368,250
Number of shares after dilution, thousands	380,713	380,713	372,931	372,736	371,213
Average number of employees	32,267	32,723	29,375	37,279	41,070

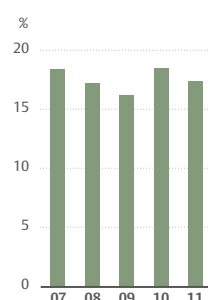
<sup>1</sup> Excluding items affecting comparability in 2008, 2009 and 2011.

<sup>2</sup> For 2011, as proposed by the Board.

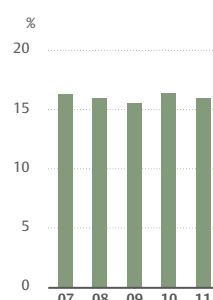
<sup>3</sup> Excluding restructuring payments

<sup>4</sup> Reclassification has been made for 2008 and 2009. Reclassification has not been made for 2007. The Group has made a reclassification that affects direct distribution costs and depreciation on capitalized product development expenditure. The reason is to give a true and fair view of the allocation between direct and indirect costs as well as for product development expenses. In order to maintain comparability, the financial statements for 2008 and 2009 have been adjusted. The reclassification involves the transfer of direct distribution costs from selling expenses and administrative expenses, and where appropriate from sales, to cost of goods sold. In addition, depreciation on product development has been moved from cost of goods sold to selling expenses and administrative expenses. Both these adjustments affect gross income. Operating income is not affected.

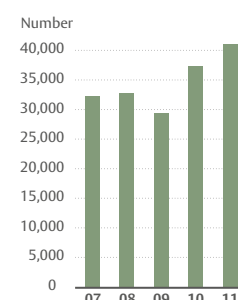
## RETURN ON CAPITAL EMPLOYED<sup>1</sup>



## OPERATING MARGIN (EBIT)<sup>1</sup>



## AVERAGE NUMBER OF EMPLOYEES



<sup>1</sup> Excluding items affecting comparability 2008, 2009 and 2011.

# Quarterly information

THE GROUP IN SUMMARY Amounts in SEK M unless stated otherwise	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Full year 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Full year 2011
Sales	8,345	9,356	9,474	9,648	36,823	8,699	10,502	10,841	11,744	41,786
Organic growth	-3%	2%	6%	6%	3%	6%	5%	2%	4%	4%
<b>Gross income excluding items affecting comparability</b>	<b>3,361</b>	<b>3,761</b>	<b>3,846</b>	<b>3,869</b>	<b>14,836</b>	<b>3,560</b>	<b>4,050</b>	<b>4,208</b>	<b>4,469</b>	<b>16,287</b>
Gross income/ Sales	40.3%	40.2%	40.6%	40.1%	40.3%	40.9%	38.6%	38.8%	38.0%	39.0%
<b>Operating income before depreciation (EBITDA) excluding restructuring costs</b>	<b>1,536</b>	<b>1,780</b>	<b>1,875</b>	<b>1,851</b>	<b>7,041</b>	<b>1,630</b>	<b>1,863</b>	<b>2,002</b>	<b>2,151</b>	<b>7,646</b>
Gross margin (EBITDA)	18.4%	19.0%	19.8%	19.2%	19.1%	18.7%	17.7%	18.5%	18.3%	18.3%
Depreciation	-241	-265	-245	-244	-995	-253	-248	-251	-270	-1,022
<b>Operating income (EBIT) excluding items affecting comparability</b>	<b>1,295</b>	<b>1,515</b>	<b>1,630</b>	<b>1,606</b>	<b>6,046</b>	<b>1,377</b>	<b>1,615</b>	<b>1,751</b>	<b>1,881</b>	<b>6,624</b>
Operating margin (EBIT)	15.5%	16.2%	17.2%	16.6%	16.4%	15.8%	15.4%	16.2%	16.0%	15.9%
Items affecting comparability <sup>1</sup>	-	-	-	-	-	-	-	-	-1,420	-1,420
<b>Operating income (EBIT)</b>	<b>1,295</b>	<b>1,515</b>	<b>1,630</b>	<b>1,606</b>	<b>6,046</b>	<b>1,377</b>	<b>1,615</b>	<b>1,751</b>	<b>461</b>	<b>5,204</b>
Net financial items	-137	-152	-190	-201	-680	-162	-156	-169	-158	-645
<b>Income before tax (EBT)</b>	<b>1,158</b>	<b>1,363</b>	<b>1,440</b>	<b>1,405</b>	<b>5,366</b>	<b>1,215</b>	<b>1,460</b>	<b>1,582</b>	<b>303</b>	<b>4,559</b>
Profit margin (EBT)	13.9%	14.6%	15.2%	14.6%	14.6%	14.0%	13.9%	14.6%	2.6%	10.9%
Tax	-278	-333	-341	-334	-1,286	-268	-321	-348	-158	-1,095
<b>Net income</b>	<b>880</b>	<b>1,031</b>	<b>1,099</b>	<b>1,071</b>	<b>4,080</b>	<b>943</b>	<b>1,156</b>	<b>1,653</b>	<b>118</b>	<b>3,869</b>
<b>Allocation of net income:</b>										
Parent company shareholders'	876	1,019	1,090	1,064	4,050	941	1,143	1,644	114	3,843
Non-controlling interests	4	11	9	7	30	2	13	8	4	26

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Full year 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Full year 2011
<b>OPERATING CASH FLOW</b>										
Operating income (EBIT)	1,295	1,515	1,630	1,606	6,046	1,377	1,615	1,751	461	5,204
Restructuring costs	-	-	-	-	-	-	-	-	1,420	1,420
Depreciation	241	265	245	244	995	253	248	251	270	1,022
Net capital expenditure	-50	-270	-153	-235	-708	-161	-223	-216	-245	-846
Change in working capital	-475	79	167	591	362	-963	-181	-125	1,031	-238
Paid and received interest	-77	-170	-29	-179	-455	-74	-152	-121	-135	-482
Non-cash items	-64	21	30	58	45	16	4	-12	-8	0
<b>Operating cashflow<sup>2</sup></b>	<b>870</b>	<b>1,440</b>	<b>1,890</b>	<b>2,085</b>	<b>6,285</b>	<b>448</b>	<b>1,311</b>	<b>1,528</b>	<b>2,794</b>	<b>6,080</b>
Operating cash flow / Income before tax	0.75	1.06	1.31	1.48	1.17	0.37	0.90	0.97	1.62 <sup>2</sup>	1.02 <sup>3</sup>

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Full year 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Full year 2011
<b>CHANGE IN NET DEBT</b>										
Net debt at start of period	11,048	11,469	12,608	10,864	11,048	10,564	21,586	23,403	16,159	10,564
Operating cash flow	-870	-1,440	-1,890	-2,085	-6,285	-448	-1,311	-1,528	-2,794	-6,080
Restructuring payments	112	182	71	101	465	48	67	75	183	373
Tax paid	261	241	94	203	799	235	363	190	418	1,206
Acquisitions/Disposals	768	373	720	1,458	3,319	11,606	996	-6,415	324	6,511
Dividend	-	1,317	-	-	1,317	-	1,472	-	-	1,472
Purchase of treasury shares	-	48	-	-	48	-	17	-	-	17
Share issue	-	-	-	-	-	-	-	-308	-	-308
Exchange rate differences and other	150	418	-739	23	-147	-419	213	742	-84	452
<b>Net debt at end of period</b>	<b>11,469</b>	<b>12,608</b>	<b>10,864</b>	<b>10,564</b>	<b>10,564</b>	<b>21,586</b>	<b>23,403</b>	<b>16,159</b>	<b>14,207</b>	<b>14,207</b>
Net debt / Equity ratio	0.57	0.62	0.55	0.51	0.51	1.03	1.10	0.69	0.60	0.60

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
<b>NET DEBT</b>								
Long-term interest-bearing receivables	-64	-60	-56	-62	-64	-58	-49	-44
Short-term interest-bearing investments including derivatives	-699	-205	-252	-170	-378	-315	-488	-284
Cash and bank balances	-1,216	-1,271	-1,225	-1,280	-1,298	-1,299	-1,582	-1,665
Pension obligations	1,114	1,150	1,056	1,078	1,179	1,214	1,233	1,173
Long-term interest-bearing liabilities	10,561	10,265	9,481	8,134	7,479	6,582	6,535	7,422
Short-term interest-bearing liabilities including derivatives	1,773	2,729	1,860	2,864	14,668	17,279	10,510	7,605
<b>Total</b>	<b>11,469</b>	<b>12,608</b>	<b>10,864</b>	<b>10,564</b>	<b>21,586</b>	<b>23,403</b>	<b>16,159</b>	<b>14,207</b>



<b>CAPITAL EMPLOYED AND FINANCING</b>	<b>Q1 2010</b>	<b>Q2 2010</b>	<b>Q3 2010</b>	<b>Q4 2010</b>		<b>Q1 2011</b>	<b>Q2 2011</b>	<b>Q3 2011</b>	<b>Q4 2011</b>	
Capital employed	31,523	33,051	30,495	31,385		36,267	38,232	39,667	37,942	
– of which goodwill	22,480	23,659	22,085	22,279		25,343	25,663	27,138	27,014	
– of which other intangible and tangible assets	7,797	8,160	7,450	8,336		8,496	10,129	10,043	10,126	
– of which shares in associates	38	37	37	37		1,111	1,121	1,234	1,211	
Assets and liabilities in disposal groups held for sale	–	–	–	–		6,299	6,379	–	–	
Net debt	11,469	12,608	10,864	10,564		21,586	23,403	16,159	14,207	
Non-controlling interests	167	174	157	169		198	301	201	208	
Shareholders' equity, excluding non-controlling interests	19,887	20,269	19,474	20,652		20,783	20,907	23,308	23,527	

<b>DATA PER SHARE, SEK</b>	<b>Q1 2010</b>	<b>Q2 2010</b>	<b>Q3 2010</b>	<b>Q4 2010</b>	<b>Full year 2010</b>	<b>Q1 2011</b>	<b>Q2 2011</b>	<b>Q3 2011</b>	<b>Q4 2011</b>	<b>Full year 2011</b>
Earnings per share after tax and before dilution	2.39	2.79	2.98	2.91	11.07	2.57	3.08	4.40	0.40	10.45
Earnings per share after tax and dilution	2.36	2.74	2.93	2.86	10.89	2.53	3.07	4.42	0.30	10.33
Earnings per share after tax and dilution excluding Items affecting comparability <sup>1</sup>	2.36	2.74	2.93	2.86	10.89	2.52	3.05	3.30	3.43	12.30
Shareholders' equity per share after dilution	56.94	57.89	55.65	58.65	58.64	58.34	59.35	65.91	65.79	65.54

<b>NUMBER OF SHARES</b>	<b>Mar 2010</b>	<b>Jun 2010</b>	<b>Sep 2010</b>	<b>Dec 2010</b>	<b>Full year 2010</b>	<b>Mar 2011</b>	<b>Jun 2011</b>	<b>Sep 2011</b>	<b>Dec 2011</b>	<b>Full year 2011</b>
Number of shares before dilution, thousands	365,918	365,918	365,918	366,177	366,177	367,732	368,250	368,250	368,250	368,250
Weighted average number of shares after dilution, thousands	372,931	372,882	372,827	372,810	372,810	373,038	373,000	372,946	372,627	372,627

<sup>1</sup> Items affecting comparability consist of restructuring costs and net income from discontinued operations in 2011.

<sup>2</sup> Excluding restructuring payments.

<sup>3</sup> Operating income before tax excluding items affecting comparability.

## 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 detailed information.

### Net capital expenditure

Investments in fixed assets less disposals of fixed assets.

### Depreciation

Depreciation/amortization of tangible and intangible assets.

### Net debt

Interest-bearing liabilities less interest-bearing assets.

### Capital employed

Total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liability.

### Equity ratio

Shareholders' equity as a percentage of total assets.

### Interest coverage ratio

Income before tax plus net interest divided by net interest.

### Return on shareholders' equity

Net income excluding non-controlling interests, plus interest expenses after tax for convertible debenture loans, as a percentage of average shareholders' equity (excluding non-controlling interests) after dilution.

### Return on capital employed

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

### Earnings per share after tax and before dilution

Net income excluding non-controlling interests divided by weighted average number of shares before dilution.

### Earnings per share after tax and dilution

Net income excluding non-controlling interests, plus interest expenses after tax for convertible debenture loans, divided by weighted average number of shares after dilution.

### Shareholders' equity per share after dilution

Equity excluding non-controlling interests, plus convertible debenture loan, divided by number of shares after dilution.

# Proposed distribution of earnings

The following earnings are at the disposal of the Annual General Meeting:

Premium fund: SEK 340 M  
Retained earnings brought forward: SEK 2,261 M  
Net income for the year: SEK 2,268 M  
TOTAL: SEK 4,869 M

The Board of Directors and the President and CEO propose that a dividend of SEK 4.50 per share, a total of SEK 1,657 M, be distributed to shareholders and that the remainder, SEK 3,212 M, be carried forward to the new financial year.  
The dividend amount is calculated on the number of outstanding shares as per 9 February 2012.

Monday, 30 April 2012 has been proposed as the record date for dividends. If the Annual General Meeting confirms this proposal, dividends are expected to be distributed by Euroclear Sweden AB on Monday, 4 May 2012.

The Board of Directors and the President and CEO declare that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and give a true and fair view of the Group's financial position and results. The Parent company's annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent company's financial position and results.

The Report of the Board of Directors for the Group and the Parent company gives a true and fair view of the development of the Group's and the Parent company's business operations, financial position and results, and describes material risks and uncertainties to which the Parent company and the other companies in the Group are exposed.

Stockholm, 9 February 2012

*Gustaf Douglas*  
Chairman of the Board

*Carl Douglas*  
Board member

*Birgitta Klasén*  
Board member

*Eva Lindqvist*  
Board member

*Johan Molin*  
President and CEO

*Sven-Christer Nilsson*  
Board member

*Lars Renström*  
Board member

*Ulrik Svensson*  
Board member

*Seppo Liimatainen*  
Employee representative

*Mats Persson*  
Employee representative

Our audit report was issued on 9 February 2012

PricewaterhouseCoopers AB

*Peter Nyllinge*  
Authorized Public Accountant

# Audit report

**To the annual meeting  
of the shareholders of ASSA ABLOY AB,  
corporate identity number 556059-3575**

## **Report on the annual accounts and consolidated accounts**

We have audited the annual accounts and consolidated accounts of ASSA ABLOY AB for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 61–118.

### *Responsibilities of the Board of Directors and the President and CEO for the annual accounts and consolidated accounts*

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President and CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President and CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual

Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance report has been prepared. The statutory administration report and the corporate governance report are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President and CEO of ASSA ABLOY AB for the year 2011.

### *Responsibilities of the Board of Directors and the President and CEO*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President and CEO are responsible for administration under the Companies Act.

### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President and CEO is liable to the company. We also examined whether any member of the Board of Directors or the President and CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinions*

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Stockholm 9 February 2012

PricewaterhouseCoopers AB

Peter Nyllinge  
Authorized Public Accountant

# The ASSA ABLOY share

## Share price trend in 2011

In 2011 OMX Stockholm fell 17 percent, while ASSA ABLOY's Series B share performed better than the index, falling 9 percent from SEK 189.50 to SEK 172.60. Market capitalization amounted to SEK 63,560 M (69,391) at year-end.

The highest closing price during the year was SEK 194.90 recorded on 11 January, while the lowest closing price was SEK 133.50 recorded on 19 August.

## Listing and trading

ASSA ABLOY's Series B share has been listed on NASDAQ OMX Stockholm, Large Cap since 8 November 1994. Total turnover of the Series B share on all markets amounted to 918 million (910) shares in 2011, a turnover rate of 249 percent (249). Turnover of the Series B share on NASDAQ OMX Stockholm amounted to 391 million (464) shares, equivalent to a turnover rate of 106 percent (127). The average turnover rate remained unchanged at 96 percent (95) on NASDAQ OMX Stockholm and was 101 percent (99) on the Large Cap list.

The implementation of the EU's Markets in Financial Instruments Directive (MiFID) in late 2007 has changed the structure of equity trading in Europe. Now that a share can

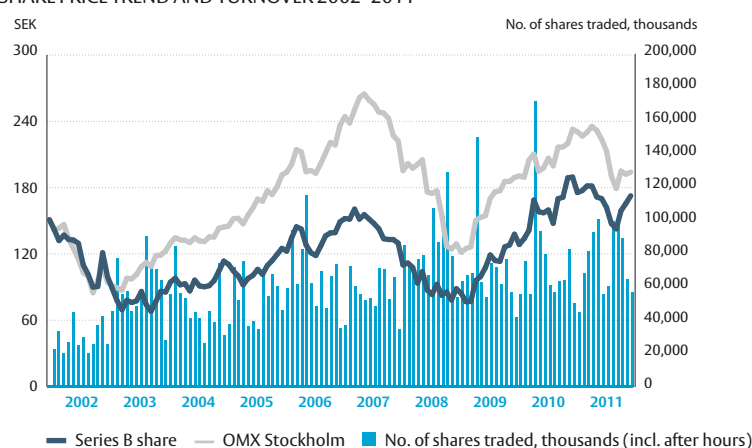
be traded on markets other than the stock exchanges where it is listed, trading has become more fragmented, while the total turnover of many shares has increased. The ASSA ABLOY share is now not only traded on NASDAQ OMX Stockholm, but was traded on more than ten different markets in 2011. Increasingly fragmented trading means that an ever-increasing share of trading in most Swedish shares takes place outside NASDAQ OMX Stockholm. Trading on NASDAQ OMX Stockholm accounted for 43 percent of turnover of the share in 2011, compared with 51 percent in 2010 and 65 percent in 2009.

## Ownership structure

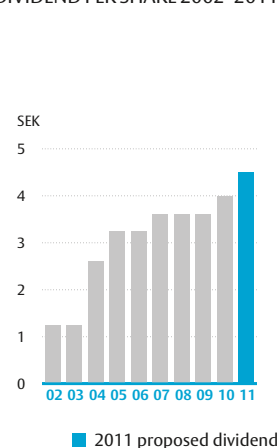
The number of shareholders at year-end was 18,697 (20,199) and the ten largest shareholders accounted for around 38 percent (31) of the share capital and 58 percent (53) of the votes. Shareholders with more than 50,000 shares, a total of 361 shareholders, accounted for 97 percent (95) of the share capital and 97 percent (96) of the votes.

Investors outside Sweden accounted for around 64 (63) percent of the share capital and around 44 percent (43) of the votes, and were mainly in the USA and the United Kingdom.

SHARE PRICE TREND AND TURNOVER 2002–2011



DIVIDEND PER SHARE 2002–2011



## Data per share

SEK/share <sup>1</sup>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Earnings after tax and dilution <sup>2</sup>	3.53	3.31	6.33	6.97	7.99 <sup>3</sup>	9.02	9.21 <sup>3</sup>	9.22 <sup>3</sup>	10.89	12.30 <sup>3</sup>
Dividend	1.25	1.25	2.60	3.25	3.25	3.60	3.60	3.60	4.00	4.50 <sup>4</sup>
Dividend yield, % <sup>5</sup>	1.3	1.5	2.3	2.6	2.2	2.8	4.1	2.6	2.1	2.6
Dividend, % <sup>2,6</sup>	32.2	33.9	42.0	47.6	64.0	40.5	52.3	47.8	37.0	36.6
Share price at year-end	99.50	85.50	113.50	125.00	149.00	129.75	88.50	137.80	189.50	172.60
Highest share price	159.50	110.00	113.50	126.00	151.00	164.00	126.00	142.50	199.20	194.90
Lowest share price	76.50	67.00	84.00	89.25	109.00	124.50	69.75	71.50	126.60	133.50
Equity <sup>2</sup>	35.85	31.23	34.74	42.85	39.13	46.76	55.91	54.76	58.64	65.48
Number of shares, thousands <sup>7</sup>	370,935	370,935	378,718	378,718	376,033	380,713	380,713	372,931	372,736	371,213

<sup>1</sup> Adjustments made for new issues.

<sup>2</sup> 2002–2003 have not been adjusted for IFRS.

<sup>3</sup> Excluding items affecting comparability 2006, 2008, 2009 and 2011.

<sup>4</sup> Proposed dividend.

<sup>5</sup> Dividend as percentage of share price at year-end.

<sup>6</sup> Dividend as percentage of adjusted earnings in line with dividend policy.

<sup>7</sup> After full dilution.



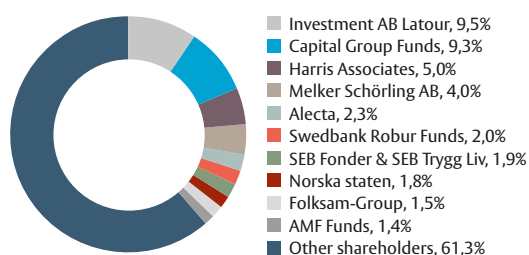
### ASSA ABLOY's ten largest shareholders

Based on the share register at 31 December 2011.

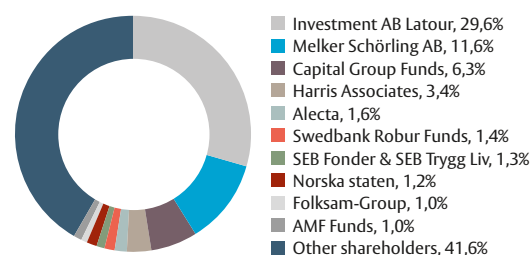
Shareholders	Series A shares	Series B shares	Total number of shares	Share capital, %	Votes, %
Investment AB Latour	13,865,243	21,300,000	35,165,243	9.5	29.6
Melker Schörling AB	5,310,080	9,162,136	14,472,216	4.0	11.6
Capital Group Funds		34,151,600	34,151,600	9.3	6.3
Harris Associates		18,245,322	18,245,322	5.0	3.4
Alecta		8,390,000	8,390,000	2.3	1.6
Swedbank Robur Funds		7,533,035	7,533,035	2.0	1.4
SEB Funds & SEB Trygg Liv		6,928,260	6,928,260	1.9	1.3
Norska staten		6,468,627	6,468,627	1.8	1.2
Folsam-Group		5,359,412	5,359,412	1.5	1.0
AMF Funds		5,265,000	5,265,000	1.4	1.0
Other shareholders		226,271,663	226,271,663	61.3	41.6
<b>Total number</b>	<b>19,175,323</b>	<b>349,075,055</b>	<b>368,250,378</b>	<b>100.0</b>	<b>100.0</b>

Source: SIS Ägarservice AB and Euroclear Sweden AB.

#### OWNERSHIP STRUCTURE (SHARE CAPITAL)



#### OWNERSHIP STRUCTURE (VOTES)



### Share capital

ASSA ABLOY's share capital at 31 December 2011 amounted to SEK 368,250,378, distributed among 19,175,323 Series A shares and 349,075,055 Series B shares. All shares have a par

value of SEK 1.00 and provide the holders with equal rights to the company's assets and earnings. Each Series A share carries ten votes and each Series B share one vote.

Year	Transaction	Series A shares	Series C shares	Series B shares	Share capital, SEK
1989			20,000		2,000,000
1994	Split 100:1			2,000,000	2,000,000
1994	Bonus issue				
1994	Non-cash issue	1,746,005	1,428,550	50,417,555	53,592,110
1996	New share issue	2,095,206	1,714,260	60,501,066	64,310,532
1996	Conversion of Series C shares into Series A shares	3,809,466		60,501,066	64,310,532
1997	New share issue	4,190,412		66,541,706	70,732,118
1998	Converted debentures	4,190,412		66,885,571	71,075,983
1999	Converted debentures before split	4,190,412		67,179,562	71,369,974
1999	Bonus issue				
1999	Split 4:1	16,761,648		268,718,248	285,479,896
1999	New share issue	18,437,812		295,564,487	314,002,299
1999	Converted debentures after split and new issues	18,437,812		295,970,830	314,408,642
2000	Converted debentures	18,437,812		301,598,383	320,036,195
2000	New share issue	19,175,323		313,512,880	332,688,203
2000	Non-cash issue	19,175,323		333,277,912	352,453,235
2001	Converted debentures	19,175,323		334,576,089	353,751,412
2002	New share issue	19,175,323		344,576,089	363,751,412
2002	Converted debentures	19,175,323		346,742,711	365,918,034
2010	Converted debentures	19,175,323		347,001,871	366,177,194
2011	Converted debentures	19,175,323		349,075,055	368,250,378
	Number of shares after dilution	19,175,323		353,560,643	371,212,727

# The ASSA ABLOY share

## Share capital and voting rights

The share capital amounted at year-end to SEK 368,250,378 distributed among a total of 368,250,378 shares, comprising 19,175,323 Series A shares and 349,075,055 Series B shares. All shares have a par value of SEK 1.00 and give shareholders equal rights to the company's assets and earnings. The total number of votes amounts to 540,828,285. Each Series A share carries ten votes and each Series B share one vote.

## Repurchase of own shares

Since 2010 the Board of Directors has requested and received a mandate from the Annual General Meeting to buy back and transfer ASSA ABLOY shares. The aim has been to be able to adjust the company's capital structure, thereby contributing to increased shareholder value, to be able to exploit acquisition opportunities by fully or partly financing company acquisitions with its own shares, and to ensure the company's undertakings under long-term incentive programs. The 2011 Annual General Meeting authorized the Board of Directors to repurchase, during the period until the next Annual General Meeting, a maximum number of Series B shares so that after each repurchase ASSA ABLOY holds a maximum 10 percent of the total number of shares in the company.

ASSA ABLOY holds a total of 400,000 (300,000) Series B shares after repurchase to ensure the company's undertakings in connection with the company's long-term incentive programs (LTI 2010 and LTI 2011). These shares account for 0.1 percent (0.1) of the share capital and each share has a par value of SEK 1.00. The purchase consideration amounted to SEK 65 M (48).

Of the above shares, 100,000 (300,000) Series B shares were repurchased in 2011. These account for 0.03 percent (0.1) of the share capital and each share has a par value of SEK 1.00. The purchase consideration amounted to SEK 17 M (48).

## Dividend and dividend policy

The objective of the dividend policy is that, in the long term, the dividend should be equivalent to 33–50 percent of income after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

The Board of Directors and the CEO propose that a dividend of SEK 4.50 per share (4.00) be paid to shareholders for the 2011 financial year, equivalent to a dividend yield on the Series B share of 2.6 percent (2.1).

## Incentive programs

### Long-term incentive programs

At the 2010 Annual General Meeting, it was decided to launch a long-term incentive program (LTI 2010) for senior executives and other key staff in the Group.

For each Series B share acquired by the CEO within the framework of LTI 2010, the company awards one matching stock option and four performance-based stock options. For each Series B share acquired by other members of the Executive Team, the company awards one matching stock option and three performance-based stock options. For other participants, the company awards one matching stock option and one performance-based stock option.

Each matching stock option entitles the holder to receive one Series B share, free of charge, in the company after three years, provided that the holder is still employed in the Group when the interim report for Q1 2013 is published, and has maintained the shares acquired within the framework of LTI 2010.

Each performance-based stock option entitles the holder to receive one Series B share, free of charge, in the company three years after allotment, provided that the above conditions have been fulfilled. In addition, the maximum level in a range determined by the Board of Directors for the performance of the company's earnings per share in 2010 must have been fulfilled. This condition has been fulfilled.

At the 2011 Annual General Meeting, it was decided to launch a new long-term incentive program (LTI 2011) for senior executives and other key staff in the Group.

For each Series B share acquired by the CEO within the framework of LTI 2011, the company awards one matching stock option and four performance-based stock options. For each Series B share acquired by other members of the Executive Team, the company awards one matching stock option and three performance-based stock options. For other participants, the company awards one matching stock option and one performance-based stock option.

Each matching stock option entitles the holder to receive one Series B share, free of charge, in the company after three years, provided that the holder is still employed in the Group when the interim report for Q1 2014 is published, and has maintained the shares acquired within the framework of LTI 2011.

Each performance-based stock option entitles the holder to receive one Series B share, free of charge, in the company three years after allotment, provided that the above conditions have been fulfilled. In addition, the maximum level in a range determined by the Board of Directors for the performance of the company's earnings per share in 2011 must have been fulfilled. This condition has been fulfilled.

### Other equity-based incentive programs

ASSA ABLOY has issued a number of convertible debentures to employees in the Group.

In 2006 it was decided to launch an incentive program for senior executives and other key staff in the Group, Incentive 2006. Incentive 2006 matured in 2011 and the debentures were converted in full. Conversion was managed by an external party and began in 2010. A further 2,073,184 Series B shares were issued in 2011. A total of 2,332,344 Series B shares were issued in connection with Incentive 2006.

In 2007 it was decided to launch a new incentive program, Incentive 2007. Any conversion of Incentive 2007 can take place in a 30-day period in May and June 2012. Full conversion at a conversion rate of EUR 18.00 for Series 1, EUR 20.50 for Series 2, EUR 23.00 for Series 3 and EUR 25.40 for Series 4 will add 4,679,610 Series B shares.

The dilutive effect of full conversion of Incentive 2007 amounts to 1.3 percent of share capital and 0.9 percent of the total number of votes.

At year-end 2011 Incentive 2007 amounted to EUR 100 M.

Around 1,400 employees in some 15 countries are participating in Incentive 2007.

### Analysts who follow ASSA ABLOY

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Barclays Capital	Allan Smylie	+44 20 7773 4873	allan.smylie@barcap.com
Carnegie	Kenneth Toll Johansson	+46 8 588 68 911	kentol@carnegie.se
Cheuvreux	Andreas Dahl	+46 8 723 51 63	adahl@cheuvreux.com
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Erik Penser Bankaktiebolag	Max Frydén	+46 8 463 84 63	max.fryden@penser.se
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Handelsbanken Capital Markets	Jon Hyltner	+46 8 701 12 75	johy01@handelsbanken.se
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JP Morgan	Nico Dil	+44 20 7325 4292	nico.dil@jpmorgan.com
Morgan Stanley	Guillermo Peigneux	+34 9141 81398	guillermo.peigneux@morganstanley.com
Nordea	Ann-Sofie Nordh	+46 8 534 91 452	ann-sofie.nordh@nordea.com
Nordea	Johan Trocmé	+46 8 5349 13 99	johan.trocme@nordea.com
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UBS	Fredric Stahl	+46 8 493 73 09	fredric.stahl@ubs.com

# Information for shareholders

## Annual General Meeting

The Annual General Meeting of ASSA ABLOY will be held at Moderna Museet (Museum of Modern Art), Skeppsholmen, Stockholm at 15.00 on Wednesday, 25 April 2012. Shareholders wishing to attend the Annual General Meeting should:

- Be registered in the share register kept by Euroclear Sweden AB by Thursday, 19 April 2012.
- Notify ASSA ABLOY AB of their intention to attend by Thursday, 19 April 2012.

## Registration in the share register

In addition to notification of intention to attend, shareholders whose shares are nominee registered must be temporarily registered in their own name in the share register (so called voting right registration) to be able to attend the Annual General Meeting. In order for registration to be completed by Thursday, 19 April 2012, the shareholder should contact his/her bank or nominee well in advance of this date.

## Notification of intention to attend

- Website [www.assaabloy.com](http://www.assaabloy.com)
- Address ASSA ABLOY AB "årsstämman",  
Box 7842, SE-103 98 Stockholm
- Telefon +46 (0) 8 506 485 14

The notification should state:

- Name
- Personal or corporate identity number
- Address and daytime telephone number
- Number of shares
- Any assistants attending

A shareholder who is to be represented by a proxy should submit a completed proxy form with the notification of intention to attend the Annual General Meeting. Proxy forms are available at: [www.assaabloy.com](http://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 2012 Annual General Meeting comprises Mikael Ekdahl (Melker Schörling AB), Gustaf Douglas (Investment AB Latour), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur Fonder) and Per-Erik Mohlin (SEB Fonder/ SEB Trygg Liv). Mikael Ekdahl is Chairman of the Nomination Committee.

## Dividend

Monday, 30 April 2012 has been proposed as the record date for dividends. If the Annual General Meeting approves the proposal, dividends are expected to be distributed by Euroclear Sweden AB on Friday, 4 May 2012.

## Further information

Niklas Ribbing, Head of Investor Relations  
Telephone: +46 (0) 8 506 485 79  
[niklas.ribbing@assaabloy.com](mailto:niklas.ribbing@assaabloy.com)

## Reports can be ordered from ASSA ABLOY AB

- Website [www.assaabloy.com](http://www.assaabloy.com)
- Telephone +46 (0) 8 506 485 00
- Fax +46 (0) 8 506 485 85
- Post ASSA ABLOY AB  
Box 70340  
SE-107 23 Stockholm  
Sweden

## Financial reporting

First quarter: 24 April 2012

Second quarter: 27 July 2012

Third quarter: 29 October 2012

Fourth quarter and Year-end report: February 2013

Annual Report 2012: March 2013

## Online Annual Report

ASSA ABLOY's online Annual Report has many user-friendly functions. The texts can be read out loud and the financial tables can be expanded and downloaded in Excel. All information in the Annual Report can be found easily by menu navigation or by using the Search function.

The online Annual Report is available at:  
[www.assaabloy.com/annualreport2011](http://www.assaabloy.com/annualreport2011)



# Glossary

## Aperio

Aperio is a new technology enabling mechanical locks to be wirelessly connected to an existing access control system. Aperio locks can be installed in new or existing access control systems and opened using the same credentials as for that system.

## ElectroLynx

ElectroLynx is an ASSA ABLOY solution that simplifies the installation of electrical devices in doors. It consists of a wiring system and simple, snap-together connectors that can be used with all electrical products from ASSA ABLOY and installed inside doors if required. This solution means that installers do not need to solder and connect individual wires.

## Gateway process

ASSA ABLOY's product development is based on a structured Gateway process, which means all projects must pass through six different stages from concept to installed product.

## High Definition Printing (HDP)

Fargo HDP (High Definition Printing) is a process used in the production of tamper-resistant and very durable ID cards. HDP produces high-quality images, which are sandwiched between Fargo's HDP film and the card and are destroyed automatically if anyone attempts to tamper with the card.

## Hi-O

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

## Inlay

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

## Lean

Lean production philosophy is about using 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. Striving for continuous improvement is an integral part of Lean philosophy.

## NFC

Near field communication (NFC) is a short-range wireless connectivity standard that uses magnetic field induction to enable communication between devices when they touch or are held in close proximity.

## OEM

An Original Equipment Manufacturer is a company that manufactures the final product for sale on the open market. Usually the OEM does not sell the product direct to the customer but through dealers. The product may consist of the company's own components or a combination of own and purchased components.

## RFID

Radio frequency identification is a technology for reading and storing information remotely using small radio transmitter-receivers and RFID tags. An RFID tag can be small enough to fit into an ordinary retail price tag, or be placed in a glass capsule and injected under a pet's skin for identification purposes. One use of RFID technology is in keycards.

## ZigBee

ZigBee is a standard for wireless control and monitoring of equipment in homes, commercial properties, industry and wherever necessary. The technology is energy-efficient and the wireless platform facilitates retrofitting.



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

[www.assaabloy.com](http://www.assaabloy.com)

**ASSA ABLOY**

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Fax +46 (0) 8 506 485 85

» 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