

Annual Report 2014

ASSA ABLOY

The global leader in
door opening solutions



Contents

Report on operations		Financial statements	
The ASSA ABLOY Group		Sales and income	78
Statement by the President and CEO	2	Consolidated income statement and Statement of comprehensive income	79
Vision, financial targets and strategy	8	Comments by division	80
Market presence	10	Results by division	81
Product leadership	22	Financial position	82
Cost-efficiency	30	Consolidated balance sheet	83
Growth and profitability	36	Cash flow	84
		Consolidated cash flow statement	85
Divisions		Changes in consolidated equity	86
ASSA ABLOY's divisions	40	Parent company financial statements	88
EMEA division	42	Notes	90
Americas division	44	Comments on five years in summary	116
Asia Pacific division	46	Five years in summary	117
Global Technologies division	48	Quarterly information	118
Entrance Systems division	52	Definitions of key ratios	119
		Proposed distribution of earnings	120
CSR		Auditor's report	121
Sustainable development	54		
Report of the Board of Directors		Shareholder information	
Report of the Board of Directors	62	The ASSA ABLOY share	122
Significant risks and risk management	65	Information for shareholders	125
Corporate governance	68		
Board of Directors	72		
Executive Team	74		
Remuneration guidelines for senior management	77		



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



Seamless security for new university

■ **CUSTOMER:** The new Florida Polytechnic University opened for classes in August 2014. The 15,000 square-meter Innovation, Science and Technology Building is the first facility on campus, housing offices for the faculty and university administration, along with classrooms and a library.

■ **CHALLENGE:** School officials wanted to create a safe learning environment anchored by a doorway security system that would seamlessly blend with the overall architectural motif and operate with the designated building control software.

■ **SOLUTION:** After examining the available access control systems on the market, Florida Polytechnic University chose the Harmony Integrated Wiegand lockset from ASSA ABLOY Group brand Sargent, along with doors and hardware from Corbin

Russwin, Curries, Graham, McKinney, Pemko, Rixson, Rockwood and Securitron.

The stylish Harmony locks feature an open architecture platform that enables them to integrate with the school's access control system software provider S2. This feature enables school personnel to monitor doors in real time and instantly change access control privileges.

In addition, Harmony locks combine all standard access control components – the card reader, door position switch and request-to-exit sensor – into a single device, instead of installing numerous separate components around the door opening. This integrated approach creates a streamlined aesthetic that blends flawlessly into any environment. Installation of the locksets was further simplified by the use of ElectroLynx quick connect hinges from McKinney and Securitron power supplies.

ASSA ABLOY is the global leader in door opening solutions

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

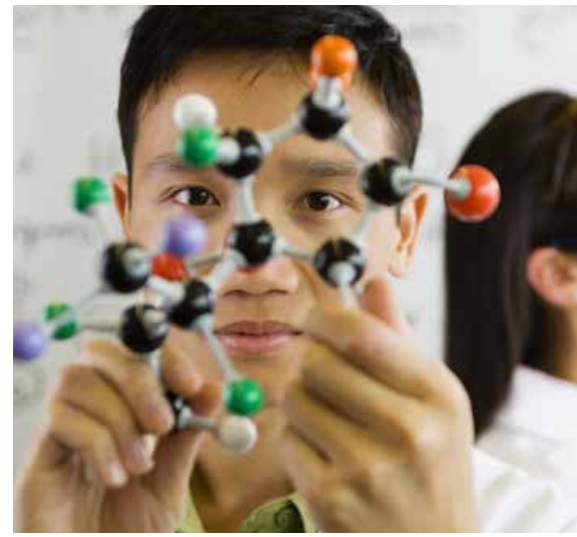
ASSA ABLOY offers a complete range of door opening solutions.

Since its formation in 1994, ASSA ABLOY has grown from a regional company into an international Group with around 44,000 employees and sales of close to SEK 57 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.

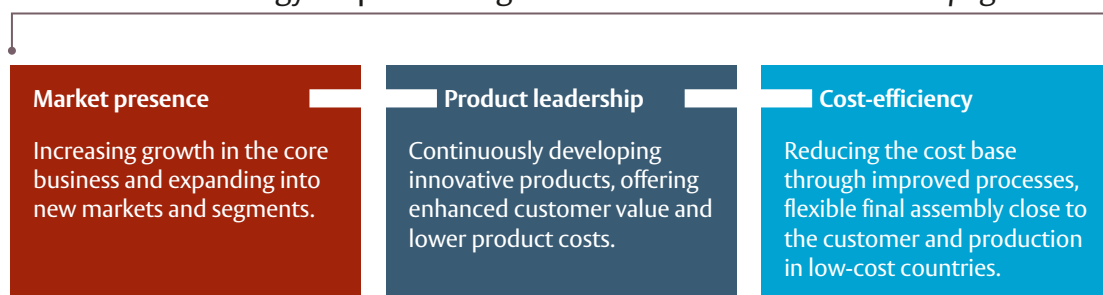
ASSA ABLOY's product offering satisfies end-user needs for security, safety and convenience.





ASSA ABLOY's strategy for profitable growth.

Read more on pages 10–39.

ASSA ABLOY
FINANCIALS IN BRIEF 2014

17% Sales increased by 17 percent to SEK 56,843 M (48,481).

SEK 17.38 Earnings per share after full dilution increased to SEK 17.38 (14.84).

SEK 9,257 M Operating income amounted to SEK 9,257 M (7,923).

SEK 8,238 M Operating cash flow amounted to SEK 8,238 M (6,803).

Investments in product development continued at an accelerated rate and a number of new products were launched.

Share of Group sales by region 2014

EUROPE	41%
AFRICA	1%
NORTH AMERICA	36%
SOUTH AMERICA	2%
ASIA	16%
OCEANIA	4%

Key data	2012	2013	2014	Change
Sales, SEK M	46,619	48,481	56,843	17%
of which: Organic growth, %	2	2	3	
of which: Acquired growth, %	9	4	9	
of which: Exchange rate effects, %	1	-2	5	
Operating income (EBIT), SEK M	7,501	7,923 ¹	9,257	17%
Operating margin (EBIT), %	16.1	16.3 ¹	16.3	
Income before tax (EBT), SEK M	6,784	7,381 ¹	8,698	18%
Operating cash flow, SEK M ²	7,044	6,803	8,238	21%
Return on capital employed, %	18.1	17.1 ¹	16.9	

Data per share	2012	2013	2014	Change
Earnings per share after tax and dilution (EPS), SEK/share	13.97	14.84 ¹	17.38	17%
Equity per share after dilution, SEK/share	69.86	77.83	97.49	25%
Dividend, SEK/share	5.10	5.70	6.50 ³	14%
Weighted average number of shares after dilution, thousands	369,592	370,259	370,259	

¹ Excluding items affecting comparability.² Excluding restructuring payments.³ As proposed by the Board of Directors.

High innovation rate creates value in a weak market

2014 was a record year for ASSA ABLOY. Sales increased 17 percent to SEK 56,843 M with 3 percent organic growth. Operating income increased by 17 percent to SEK 9,257 M. The Group could look back on its first 20 years, with sales growth of 1,500 percent and an increase in operating income of 5,800 percent, an exceptional achievement in modern Swedish industrial history. With successful strategies for increased market presence, product leadership and cost-efficiency, the Group is well positioned for continued long-term profitable growth driven by the major economic trends of our times: urbanization, rapid technological development and increased security requirements.

During the year ASSA ABLOY celebrated 20 years and the Group's 44,000 employees in 70 countries have every reason to be proud. We have grown from sales of SEK 3.5 billion to nearly SEK 57 billion, with a global leading position in our industry, and operating income (EBIT) of over SEK 9 billion.

With hindsight, my reflection is that it has been a competitive advantage to be a young business in a traditional industry. Consistent strategies for market presence, innovative product leadership and high cost-efficiency have stimulated us to more rapid learning and decision-making, creating global leadership in a very short time. But at the same time it requires long-term and committed owners, good management teams and not least competent employees. And the right control of processes that not only confronts but also drives change, which is decisive now that ASSA ABLOY is entering a dynamic and challenging development phase in the coming years.

I shall return to this strategy theme. But first may I provide a slightly more detailed review of our divisions over the past year.

The divisions

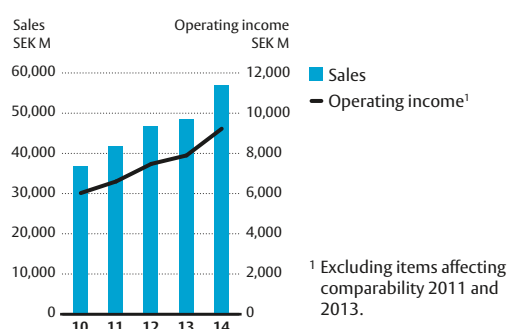
EMEA division. Recent years have seen a divided economic and demand situation in Europe. In 2014 demand was strong in Germany, northern Europe and emerging

markets in eastern Europe and Africa, and good in Finland and the UK. In southern Europe, demand remained negative in large countries such as France and Italy, while beginning to turn upward from low levels in Spain. Despite the overall fairly sluggish market development, EMEA had a good year with 3 percent organic growth. The high investment levels of recent years in innovation, product development and market presence are now giving good results. Products launched in the past three years have rapidly increased their share of annual sales to 29 percent. The proportion of staff in direct sales activities has increased considerably, as has the number of specifiers, resulting in an increase of large advanced specification projects. The division's High Impact Products (HIP) continued to be successful, with the launch of another four products increasing the total to 10, which are sold in large volumes in all markets. The Group's latest program for rationalization of the production structure continues according to plan, with significant efficiency gains as a result of fewer plants and offices, increased automation and sustainability. The rate of automation of administrative flows, Seamless Flow, also increased during the year. Other cost-reduction activities contributed positively to stable margin growth.

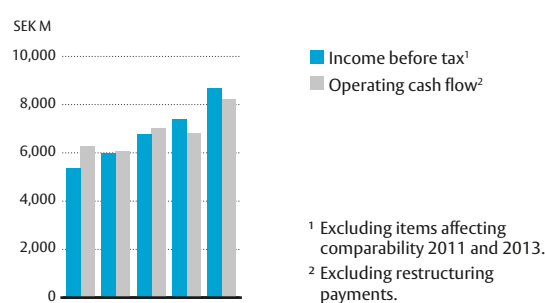
Americas division. The division performed strongly during the year with good organic growth of 4 percent. Despite a slow start following a severe winter in North

DEVELOPMENT KEY FIGURES

SALES AND OPERATING INCOME



INCOME BEFORE TAX AND OPERATING CASH FLOW





America, growth was good in the USA where the important commercial and institutional market improved in the second half of the year, following several years of weak development, while the residential market continued to expand at a good rate for the fourth consecutive year. Sales growth was good in Latin American markets, despite subdued demand in large countries such as Mexico and Brazil. A clear, forward-looking trend is the increasing demand for advanced electronic door opening solutions in both the consumer segment for smart homes and from commercial and institutional customers looking for highly efficient and sustainable total door opening and access control solutions. The trend towards more and more wireless and mobile technologies is striking. ASSA ABLOY has a very competitive range of electronic and electromechanical products and solutions following several years of significant investments in product development. These accounted for 28 percent of total sales during the year. Following several years of rationalization, the division has a well-dimensioned production structure, which is now being further streamlined. Major investments are being made in further automation and more robots, intensified Lean initiatives and increased activity to reduce administrative costs through Seamless Flow. This further strengthened already good margin development.

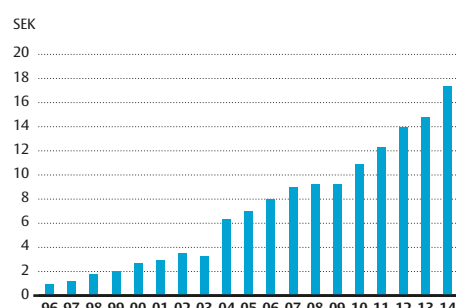
Asia Pacific division. ASSA ABLOY is by far the largest player in the Asian markets for door opening solutions, where well over half the global population lives. This leadership was strengthened further during the year. The previous high growth rate in China slowed, turning negative at the end of the year. Despite a weaker market, ASSA ABLOY won several large project orders, including the total delivery for China's highest building and for a large housing project in a new green city, the division's largest ever order. Australia, New Zealand and Southeast Asia also grew at a good rate, as well as marketing investments in populous emerging markets such as Vietnam, the Philippines and Indonesia. Pakistan was added as a new market. The Indian business performed well with increased distribution networks and new product launches. The first Indian acquisition strengthened the position in the lock segment. In China, one of the country's largest security lock producers was acquired, as well as the country's leading digital door lock company. The Group's hi-tech profile was further enhanced, when new

products increased to 35 percent of total sales. The trend towards increased sustainability is clear especially in the Chinese market, and the Group has a number of green products in the launch phase in the coming years. A large share of the Group's employees are located at the division's units in China, which are now being consolidated and streamlined. Cost savings also include outsourcing and professionalization of sourcing, as well as efficiencies through various Lean methods to further strengthen weakly positive margin growth.

Global Technologies division. The division launched several key products in interesting growth areas such as mobile keys, biometrics and secure identification, creating platforms for future growth. HID Global's focus on emerging markets resulted in substantial growth in Latin America and Africa and good growth in North America and northern Europe, while southern Europe remained weak. ASSA ABLOY Hospitality had another year of good growth with high renovation and upgrade demand and strong interest in technically advanced solutions. Growth was strong for secure identity solutions for institutional customers and biometric solutions, positive for identity and access management, but negative for major project orders. The year's acquisition of Lumidigm in biometric identification rapidly showed its value. The division received a major contract to supply a keyless access control system, in which hotel guests can use their smartphones as keys, from the global hotel group Starwood Hotels & Resorts. Demand was strong for a number of new products and solutions, including mobile access and identity solutions and new access control technology. This is the result of several years of investments in product development, which has increased the share of new products to nearly 40 percent of total sales. The program to restructure and consolidate the production structure proceeded at a high rate, which combined with other efficiency programs increased an already good margin.

Entrance Systems division. The division's sales increased with 4 percent organic growth. Growth was particularly strong on the U.S. market, while Europe remained weak. Demand in China was high but slowed during the year, while Australia and emerging markets in Southeast Asia and eastern Europe grew at a good rate. Sales of automatic, overhead sectional and high-performance doors and logistics solutions to industrial customers rose. The residential segment was weaker particularly in Europe, which showed negative growth. Following several years of high growth and a large number of acquisitions, the division devoted the year to consolidation, internal efficiency initiatives and continued investments in a high innovation rate. The year saw several important product launches, which increased the share of new products to over 25 percent of total sales. New product generations of sliding, swing, revolving, overhead sectional and high-performance doors were launched on newly developed product platforms. Efforts to increase cost-efficiency focused on relocating manufacturing from high-cost to low-cost countries in a smaller number of large factories for common basic

DEVELOPMENT OF EARNINGS PER SHARE¹⁾



Earnings per share has increased by 1,800 percent since 1996.

¹⁾ Excluding items affecting comparability.

Statement by the President and CEO

components on global, modular platforms. Outsourcing and professional sourcing reduced the number of subcontractors. Development and streamlining of the division's processes continued at an undiminished rate.

A stable foundation

ASSA ABLOY has grown very rapidly over 20 years into the global market leader. The Group's employees have shown a constant ability to see and interpret the major drivers in urbanization, the increasing rate of technology shift to electromechanical solutions, changes in applications and codes, and the rising demand for increasingly sustainable solutions. These are trends rooted in the

+ Market presence

global growth in prosperity, driving good, very long-term demand for the Group's products and solutions.

ASSA ABLOY has a stable foundation, with the world's largest base of lock and door installations providing a significant, growing aftermarket, which accounts for two-thirds of total sales. The commercial and institutional segment, with its higher profitability, accounts for 75 percent of sales. Since 2006 market positioning has also focused on emerging markets. Sales in these markets have risen fourfold in eight years from a 10 percent share of total sales to 25 percent today. At the same time a very deliberate focus on innovation and product development has increased the share of products launched in the past three years, with ever-better margins, from 16 percent in 2010 to around 30 percent in 2014. Market positioning is supported by an active acquisition strategy, which has contributed around 5 percent per year. The Group has made over 120 acquisitions since 2006.

In this light, I am convinced that ASSA ABLOY has excellent prospects of maintaining good profitable growth and successfully addressing the challenges posed by globalization and rapid technological development. Our consistent, well-tried strategies are a guide in this task.

Strengthening market presence

ASSA ABLOY's leading market presence is based on the industry's largest and most valuable brand portfolio, the large installed lock base, a strong position in all distribution channels, and the competence of the Group's marketing and sales staff in their day-to-day relationships with customers. This creates high barriers to market entry.

Security is increasingly becoming an integrated concept in which technological development is driving new smart electronic and effective solutions in whole systems, increasing complexity. The continued focus on specifiers has been one of this year's successful prioritized marketing activities. We now have over 500 specifiers, with a substantial focus in Asia. These act as advisers in an environment of rapid technical and regulatory changes. They have a key role in the trend for selling solutions and functions rather than components and are supported by a number of tools developed by the Group for drawings and configurations in the design process, which together with e-commerce solutions make it easy to do business with ASSA ABLOY. We see a growing value factor in this consultancy role, which drives demand and strengthens our grip on the end-customer market. We are continuing to increase the number of specifiers in our global expansion. We also see an increased importance for the aftermarket, with good margins, in the wake of technological development with opportunities for increased sales of digital keys and licenses for functions, upgrades and service.

+ Product leadership

The focus on emerging markets continues. We have long been the market leader in China, which now accounts for about one-tenth of Group sales. During the year we enjoyed the good results of our marketing investments in Southeast Asia, South America, Africa and eastern Europe, with double-digit growth figures.

Brand strength is increasing with a constant flow of new, attractive products, which strengthen the differentiation of our global brands and support the ASSA ABLOY master brand. The latter is now combined with local specialist brands in 70 percent of Group sales. Digital door

ASSA ABLOY's DEVELOPMENT 1994-2014

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

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

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

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

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

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

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

2002 New opportunities in door automation The Group acquires Besam (Sweden), a company with door automation products. ASSA ABLOY comes second in the Volvo Ocean Race.



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

lock sales, including the Yale brand, rose sharply during the year with good prospects of becoming a new major demand trend.

Innovation for product leadership

Innovation is the single most important driver of organic growth. Over the past nine years, investments in product development have increased by nearly 160 percent and the number of development engineers has risen sharply, particularly employees with electronics expertise. The ambition is to double the innovation rate, radically reduce the costs of each new product, and for products launched in the past three years to account for 25 percent of total sales. This target has been achieved in all divisions and is nearing 30 percent at group level. As a

result, ASSA ABLOY has established a high, stable delivery rate for new products for the future, providing customers with increased value at lower cost.

Product development processes are constantly being improved. Significant resources are invested in understanding customer needs and behaviors. Cost and functional benefits for the customer are created through many small steps at the Group's more than 80 product development centers. Lean methods are also applied in innovation processes to increase cost-efficiency.

Demand for electromechanical and electronic products and solutions is increasing sharply. Since 2004 Group sales of electromechanical products have risen by SEK 22 billion. Their share has increased from 27 to 50 percent of total sales. New electromechanical products

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

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

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

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

2012 cont.

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

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

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

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

Statement by the President and CEO

generally have higher margins, and significant profitability potential is anticipated from increasing aftermarket sales of service and continuous upgrades.

ASSA ABLOY has developed a number of unique platform families for hi-tech door and entrance environments. One example is Seos, a complete ecosystem for the use of digital keys on smartphones and other mobile devices. Another is wireless Aperio technology, which is now being launched globally and enables cost-efficient connection of many doors in an existing access control system. In an increasingly digital world, the Group is developing standardized software, combinations of hardware and software for the functions customers want in their door opening solutions. Selling functionality, software, licenses and virtual keys opens up a large aftermarket.

An increasingly important driver is the growing demand for sustainable solutions. The Group works with EPDs (Environmental Product Declarations), which have become a prerequisite for market competitiveness. The Group's sustainability initiatives are integrated into all development processes from the concept stage to recycling of worn-out products, and are based on an estimate of life cycle costs and a reduction in energy consumption and other climate impact, as well as economies in materials consumption, packaging and transportation solutions.

Increased cost-efficiency

ASSA ABLOY's program to radically reduce break-even costs through increased efficiency in all production and process stages continues to deliver good results. For several years the Group has had stable margin growth in line with the EBIT margin target of 16–17 percent over

a business cycle. Despite margin dilution from many acquisitions, we have maintained our margin target due to good cost-efficiency. Rationalization of the production structure is a basis for cost-efficiency initiatives. This is a constantly recurring task, which reflects the Group's active acquisition strategy with over 120 acquisitions since 2006. The direction is concentrating assembly to factories close to customers in high-cost countries, relocating production of strategic components to our own production in low-cost countries, and increasing the share of sourcing.

As a result of the latest ongoing program, the Group will have closed around 80 factories, converted some 90 plants to assembly and closed 47 office units. The programs result in a staff reduction of nearly 9,000 persons. Resources and costs have consequently been transferred to a low-cost environment with more efficient and more sustainable production processes. At the same time sourcing has increased sharply and has been concentrated to fewer and more competent partners.

Process and product development are the focus of cost-efficiency efforts, with Lean methods in all stages and VA/VE analyses to avoid materials waste. The number of components and materials consumption can often be reduced by 20 to 40 percent in new designs. A significant focus is now on Seamless Flow. This involves strong streamlining and automation of the Group's administrative flows, which account for 45 percent of total personnel costs. These flows often concern paper-based and digital information such as orders, invoices, production control and payments. ASSA ABLOY is working on standardization, automation and real-time processing of these information flows, offering significant potential for economies. Integration and consolidation of the Group's different IT environments are an important step in this

+ Cost-efficiency

CONT. ASSA ABLOY'S DEVELOPMENT 1994–2014

2012 Increased offering of total lock and security solutions

ASSA ABLOY launches Seos, the world's first commercial ecosystem for digital keys.

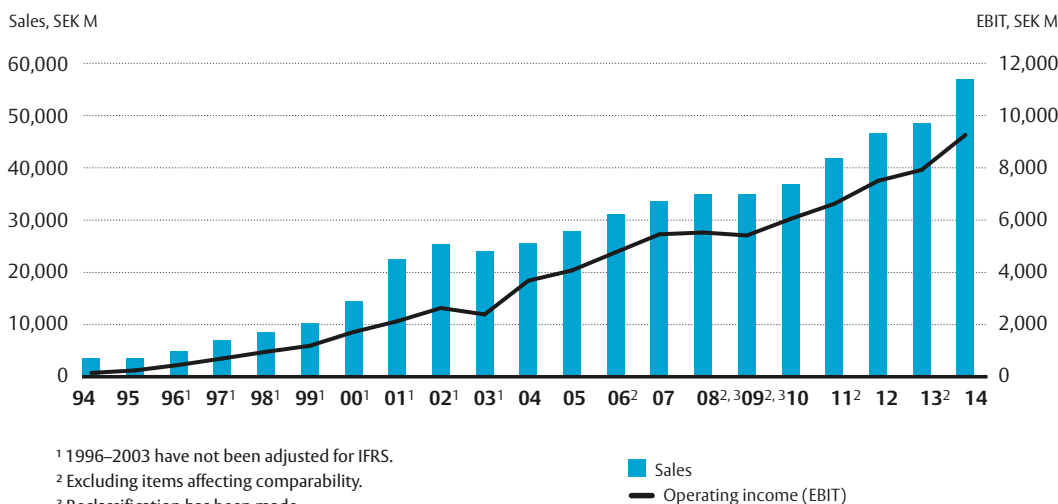
2013 Focus on innovation

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

2014 20th anniversary

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

Increased growth and profitability





task. Finally, we have also further developed our should cost methodology, which involves detailed analyses of what our purchases should cost.

Responsibility and speed

These strategies are the tools with which the management team manages our strictly decentralized divisions. Important guiding themes are own responsibility and speed. Operational responsibility should be close to customers, the market and sales, as well as close to product development and production. A strong trend in the Group's development is the gradual relocation of more and more resources closer to the market where they create customer value. Speed in implementation is an important tool in competition. Fast and early follow-up of processes and rapid problem solving are part of our corporate culture. We are constantly striving for simplification and concentration on what is important for delivering customer value, efficiency and low costs.

Outlook

My judgment is that the global economic trend is moving sideways, with America showing a positive trend while Europe and emerging markets are stagnating. This is despite significant financial stimuli in the form of record-low interest rates and substantial liquidity injections via the central banking system. However, the U.S. economy expanded considerably during the year and now shows good growth levels in a longer perspective. But Europe remains a disappointment with its slow growth, which is moreover strongly divided. Northern Europe shows good growth, while southern Europe,

which has shown low growth for several years, is hardly growing at all. Emerging markets offer good long-term demand even though we can see a weakening in China and parts of South America in the short term. In the longer term, emerging markets in Asia, South America and Africa have very good prospects.

Global uncertainty remains high with significant risks regarding the balance between liabilities and assets in various regions and countries between the public, private and household sectors, which may restrain the global economic recovery.

However, ASSA ABLOY's strategies have proved able to manage macroeconomic challenges during the crisis years since 2008, while maintaining profitable growth. The course is clear with a shift in emphasis in market presence to fast-growing countries and a relocation of costs from high-cost to low-cost countries. In addition, our product leadership positions us as a winner in the increasingly rapid technological development. We are in an industry with basically stable and good long-term growth. With many thanks to all our employees for their excellent efforts during the year, I want to express my strong confidence in ASSA ABLOY's future as the global leading, most innovative and efficient supplier of door opening solutions.

Stockholm, 4 February 2015

Johan Molin
President and CEO

INCREASE IN SALES 1994-2014

+1,500%

INCREASE IN OPERATING INCOME 1994-2014

+5,800%

Value creation strategy

Vision

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



Strategy and targets

Long-term and as an average over a business cycle

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

16–17% operating margin

Strategy for growth and profitability

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

Market presence

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

page 10–21

Product leadership

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

page 22–29

Cost-efficiency

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

page 30–35

Employees

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

Values

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

Sustainability

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

1

ASSA ABLOY's strategy

Market presence



#1

Global leader
in door opening solutions



x4

25 percent of sales are on
emerging markets, a
fourfold increase in eight
years



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



50%

Electromechanical solutions account for 50 percent of sales



Increased market presence for profitable growth

Global drivers



Three customer needs



Living. Another billion people are estimated to have migrated to cities by 2025, where more than 60 percent of the global population will then live, equivalent to around 4.8 billion people, compared with 3.9 billion today. New and upgraded housing with good security is a high-priority welfare factor and residential investment is forecast to grow faster than global GDP.



Working. Most new jobs are being created in the cities especially in the service sector. The strong growth in sectors such as education, healthcare, and public and private administration requires significant investment in new buildings. A substantial increase in the number of buildings in the 600 largest cities is expected to take place by 2025. The need for secure, flexible solutions for entry and exit is increasing rapidly.



Shopping. The global middle class is forecast to have increased from one to two billion by 2030. A rapid increase in consumer demand is driving new construction, expansions and upgrades of shopping centers, malls, and convenience stores. Together with an increased flow of goods, this requires major investments and smart, energy-efficient door opening and access control solutions.

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

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

These market strategies have been successful through a combination of organic and acquired growth focused on profitable, expanding markets and segments.

Market segmentation

75%

Institutional and commercial market – share of sales.



Institutional and commercial market – complex, demanding projects

The largest, most demanding and dynamic customer segment is institutional and commercial customers. These include corporate workplaces, universities, hospitals, government agencies, airports and shopping malls, buildings with high security requirements where a large number of people and goods enter and exit daily. The segment accounts for around 75 percent of sales and offers a higher profitability potential. Procurement is in the form of large, complex projects, involving many people on the customer side, such as property and security managers. Demand for total electromechanical and advanced door opening and access control solutions is strong. ASSA ABLOY's common sales force has expertise in understanding the multifaceted needs of end-customers and has contact with many stakeholders in the value chain to develop optimal solutions for the customer. Distribution and installation are largely handled by installers and locksmiths.

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

Consumer market – replacement and upgrade with advice and installation

The majority of sales are replacements or upgrades of existing security products. However, consumer demand for electromechanical and digital locks is growing very rapidly.

Private customers have a considerable need for advice and installation assistance. ASSA ABLOY supports its distribution partners in this work. In some geographical markets, the Group also cooperates with door and window manufacturers or specialist distribution channels such as DIY stores and locksmiths.

25%

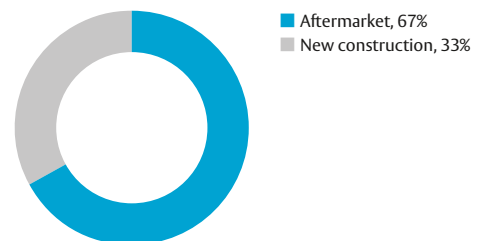
Private customers and residential market – share of sales.

Aftermarket

Stability, profitability and potential

Due to its unique global market penetration and the world's largest installed base of door opening solutions, two-thirds of ASSA ABLOY's sales are to the aftermarket, which is more stable than new construction. The aftermarket is increasing in importance as the electronics content of our products increases. It consists of renovations, refurbishments, extensions, replacements and upgrades. Digital and mobile door opening and access control technologies offer major future potential. ASSA ABLOY's software platforms for flexible solutions enable customers to constantly upgrade their security with more and new functions, such as advanced digital, virtual keys. This results in increased customer sales of licenses and subscriptions for ID credentials and upgrades as technology and customers' security needs develop.

STABILITY IN THE AFTERMARKET



The aftermarket consists of renovations, refurbishments, extensions, replacements and upgrades.

■ Distribution

Distribution is a key factor for ASSA ABLOY's market presence, which is undergoing rapid change in the light of technological development and increased customer demand for total door opening and access control solutions. Depending on customer needs, the product and solution, and national and local requirements and standards, the Group reaches its end-customers through a variety of distribution channels at various stages in the supply chain. The number of customer-facing staff has increased substantially over a number of years. ASSA ABLOY has a competitive edge thanks to its well-developed cooperation with distribution players due to its specialist advisers, the specifiers. The aim is to increase knowledge and demand by offering competence as early as possible in the planning and specification of door opening solutions.

Distributors – a close partner

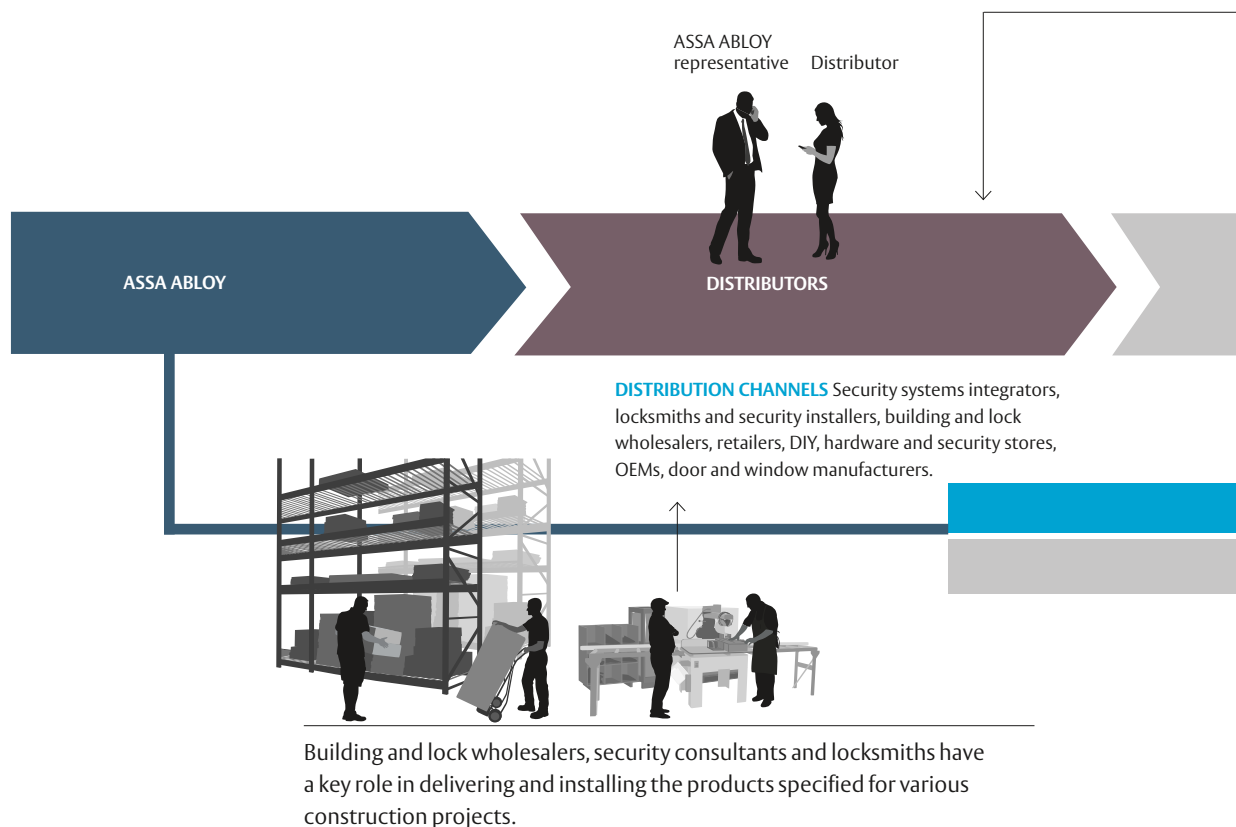
ASSA ABLOY is increasingly becoming a supplier of integrated concepts for total door environments to end-customers. This takes place in close collaboration with its distribution channels, which creates good customer relations, market demand and entry barriers for competitors. Distributors also have a key role in providing service and support after installation.

The distributor's role may vary between different customer segments. In the commercial segment, dis-

tributors in some markets act as consultants and project managers to create good security solutions. They have a good knowledge of customer needs and ensure that the products comply with local regulations.

Electromechanical security products mainly reach the end-user through security installers and specialist distributors. These products are also sold through security systems integrators, who offer a total solution for the installation of perimeter protection, access control and increasingly also computer security.

Distribution channels for the security market



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

Specification of door opening solutions – competence increasingly important

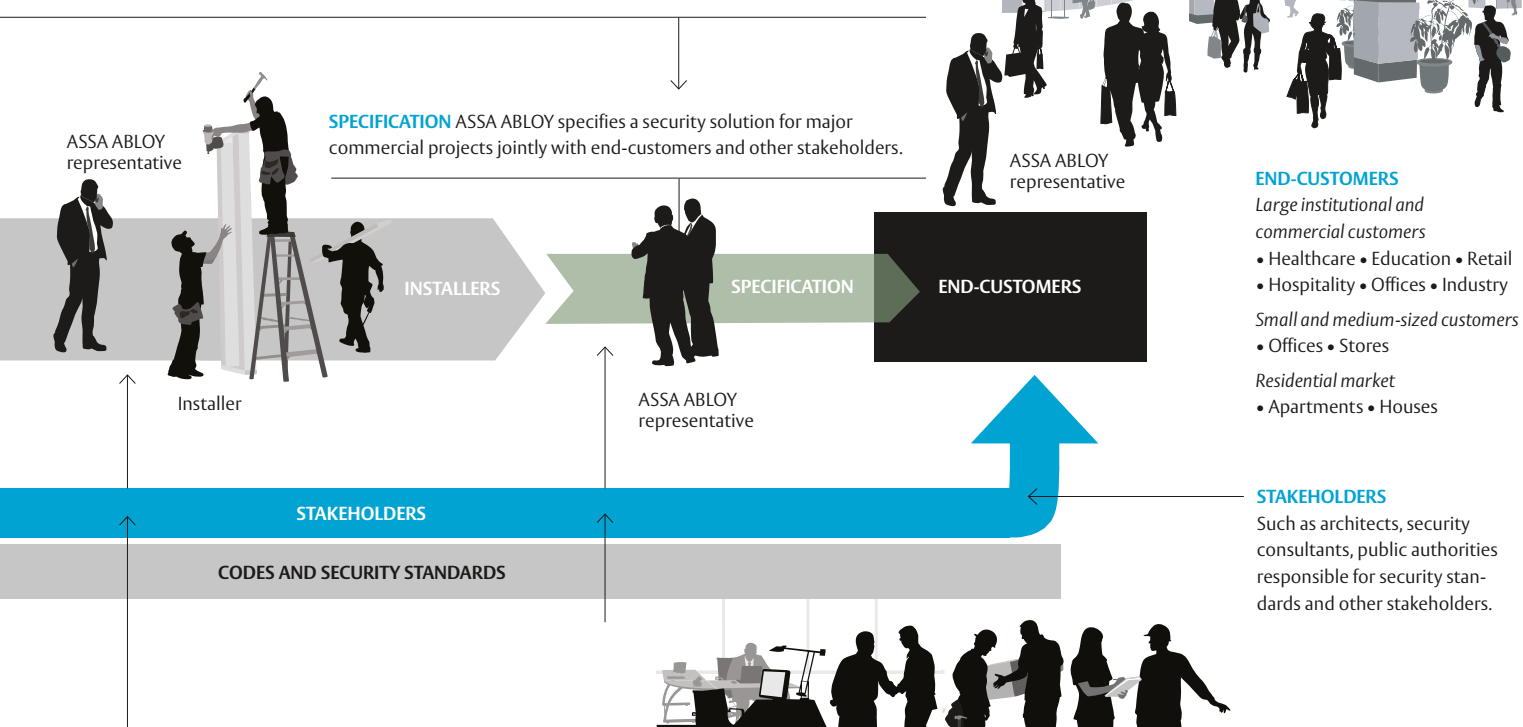
Rapid technological development, the growing number of requirements and standards, especially in the area of sustainability, are constantly increasing complexity for developers and other end-customers. The trend is from component order to prefabricated door openings and advanced total door opening solutions. This is also increasing the competence required by distributors. A central role in marketing is therefore played by the Group's specifiers, who have increased to around 500 in a few years and continue to increase rapidly, especially in emerging markets. Specification teams work as specialist advisers to customers, to specify products and choice of total, well-functioning and economic security solutions. They also collaborate with other key groups early in the order chain, such as building consultants, architects, security consultants and building standards agencies, to introduce new, innovative security solutions and to create demand with their business-driving compe-

tence. They have access to the market's most advanced technology for product configuration and 3D modelling (BIM), which facilitates the work of architects and building consultants. Distributors have constant access to the Group's e-commerce and telephone support.

Building and lock wholesalers, security consultants and locksmiths have a key role in delivering the products specified for different construction projects. Many door and window manufacturers install lockcases and hardware in their products before delivering them to customers.

ASSA ABLOY also shares competence with locksmiths, a key distributor of mechanical and electromechanical security products in many markets. They buy direct from ASSA ABLOY or through wholesalers and provide advice, delivery, installation and service. Some locksmiths have an increased focus on electronics, while IT integrators are increasingly offering physical security solutions.

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



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 lockcases and hardware in their products before delivering them to customers.

■ Markets

The global market for door opening solutions is growing more rapidly than global GDP. ASSA ABLOY is the industry's most global player and is represented in more than 70 countries, with sales worldwide. The Group has been focusing for several years on increased market presence in emerging markets, which have a considerably higher growth rate than mature markets. Their share of sales has increased from 10 to 25 percent in eight years. ASSA ABLOY's global expansion takes place through organic growth and acquisitions.

Major differences and globalization – advantage for ASSA ABLOY

The difference in demand between continents and countries is significant due to different climates, regulations, standards and development level. As the most global player with a regional and local presence on all major markets, this gives ASSA ABLOY competitive advantages. The same applies to the globalization trend, which means a more similar safety approach, especially among global companies with installations in many countries, which seek large-scale smart and cost-efficient corporate solutions.

The mature markets of North America, Europe and Australia account for three-quarters of ASSA ABLOY's sales, with demand growth around or just over GDP growth. Demand is now shifting rapidly from mechanical to electromechanical solutions with higher value content. The mature markets' share of the Group's total sales will fall in favor of emerging markets, which have considerably faster growth. Demand for mechanical locks is higher in these countries than in mature markets, but the rapid spread of technology and the increase in prosperity result in very high growth figures for electromechanical solutions. The major global shift towards more electromechanical products is mainly driven by the commercial segment, but sharply increased demand has also been seen in the consumer market over the past two years.

Among emerging markets, China remains an important expansion area. As a result of organic growth and more than ten acquisitions, ASSA ABLOY's sales in China have risen from SEK 457 M in 2006 to SEK 5,151 M. Today the Group is the country's largest manufacturer and supplier of lock solutions. The profitable aftermarket for maintenance and upgrades already accounts for around

one-third of sales, a share that is expected to increase in the future. Africa has high growth and considerable potential. The Group is concentrating its market presence to the 40 largest cities, which account for 90 percent of the continent's GDP. Eastern Europe is also an interesting market in the longer term. The Group has a large part of its production in the region and has recently formed a regional door group. Sales have doubled to nearly SEK 2,500 M since 2006.

Acquisitions are an important part of the strategy to increase market presence. The ambition is 5 percent acquired growth per year. Since 2006 the Group has made over 120 acquisitions, with a focus on expanding in emerging markets, upgrading technology and complementing existing operations.

Fragmented competition – continued consolidation

The global door opening solutions market remains fragmented, particularly in emerging markets, despite ongoing consolidation over the past 10 years, in which ASSA ABLOY is a driving force. It is still quite common for companies in Europe, for example, to be family owned and have a good position in their respective domestic markets. They are often well established and have strong ties with local distributors. In emerging markets, established lock standards and brands are less common and markets are even more fragmented, such as in Asia where the largest manufacturers have a limited market share.

ASSA ABLOY is the global market leader and has five main competitors, which wholly or partly operate in its segments: Allegion (USA), Stanley Black & Decker (USA), Dorma (Germany), Kaba (Switzerland) and Hörmann (Germany).

SALES BY PRODUCT GROUP



- Mechanical locks, lock systems and fittings, 30%
- Entrance automation, 27%
- Electromechanical and electronic locks, 23%
- Security doors and hardware, 20%

Mechanical locks, lock systems and fittings are still the largest, and growing, sub-market in door opening solutions. Growth is, however, considerably higher in electromechanical products and entrance automation. ASSA ABLOY is the global product and market leader in all major product segments.

Growth in Group sales by region 2014

EUROPE

+6%

AFRICA

+17%

NORTH AMERICA

+26%

SOUTH AMERICA

+21%

ASIA

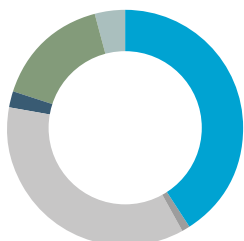
+3%

OCEANIA

+7%

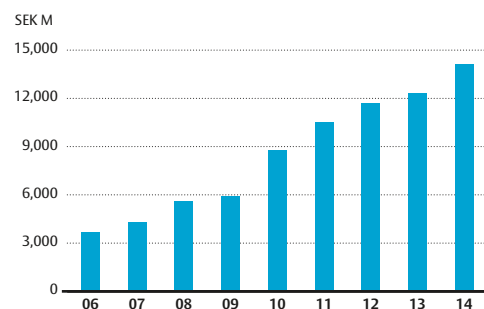
Geographical expansion is mainly achieved through acquisitions of leading local companies with well-known brands, in order to build a strong platform on emerging markets in Asia, eastern Europe, the Middle East, Africa and South America. Emerging markets have increased their share of Group sales from 10 percent eight years ago to 25 percent in 2014.

SALES BY REGION



- Europe, 41%
- Africa, 1%
- North America, 36%
- South America, 2%
- Asia, 16%
- Oceania, 4%

SALES ON EMERGING MARKETS¹



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

Market presence

■ Market strategies

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

Increasing growth in the core business by segmentation

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

One important initiative is the focus on increased customer relevance through market segmentation. Sales teams are focusing on different customer segments to gain the industry's best understanding of customer needs, build relationships and generate demand, thereby becoming the end-user's door opening solutions expert. Segmentation aims at total door opening

solutions customized to the doors' applications, security and convenience aspects, special requirements for compliance with standards and regulations, and the need for integration into new or existing security systems and IT networks.

This focus includes investments in employees with a clear, direct demand-generating responsibility. In ASSA ABLOY Door Security Solutions, the leading sales organization for the USA and Canada, for example, the share of customer-facing staff has risen from 35 percent in 2004 to 58 percent. In the EMEA division, the share has risen from 42 percent to more than 50 percent. The share is also rising in the other divisions. The number of specifiers is increasing each year and has now reached around 500. This is an ongoing trend.

Guest experience enhanced at Starwood Hotels & Resorts Worldwide, Inc. with Mobile Access Solution

■ **CUSTOMER:** Starwood Hotels & Resorts Worldwide, Inc. based in the US, is one of the world's largest hospitality companies. It owns, manages or franchises over 1,200 properties worldwide.

■ **CHALLENGE:** Starwood wanted to introduce an entry system using the broadest possible range of smartphones and smart devices as a key for guests to access their hotel rooms.

■ **SOLUTION:** Starwood installed ASSA ABLOY Mobile Access enabled locks from ASSA ABLOY Hospitality and, in partnership with ASSA ABLOY, designed functionality for seamless customer interaction.

ASSA ABLOY Mobile Access uses standard mobile device technologies to create a solution that is universally accessible, easy to deploy, and simple to manage. It can be used with iOS and Android-based smartphones and other smart devices and has been showcased working the Apple Watch.

Starwood Preferred Guest (SPG) members with Bluetooth Smart-enabled smartphones who have opted-in to the service receive a guest room Seos Mobile ID with their room number via the SPG app before arriving at the hotel – allowing them to proceed straight to their room, where available, and gain access by presenting the smartphone to the reader on the hotel room door.

Starwood is rapidly rolling out this system and is targeting 30,000 doors in 150 hotels in 2015.



70%

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

ASSA ABLOY's brand strategy

The ASSA ABLOY master brand

ASSA ABLOY

Examples of product brands

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



Global brands with a unique market position



Examples of non-endorsed product brands



Exploiting the strength of the brand portfolio and the sales force

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

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

The ASSA ABLOY master brand is complemented by global brands, which are all leaders in their respective market segments: HID in access control, secure card

issuance and identification technology, Yale in the residential market, Mul-T-Lock for locksmiths, and ABLOY in high-security locks. These brands account for around 18 percent of Group sales.

The Group also has non-endorsed product brands, such as Entrematic, FlexiForce and JPM. These brands represent leading expertise in specialty products and service, with a unique market positioning that is important to exploit.

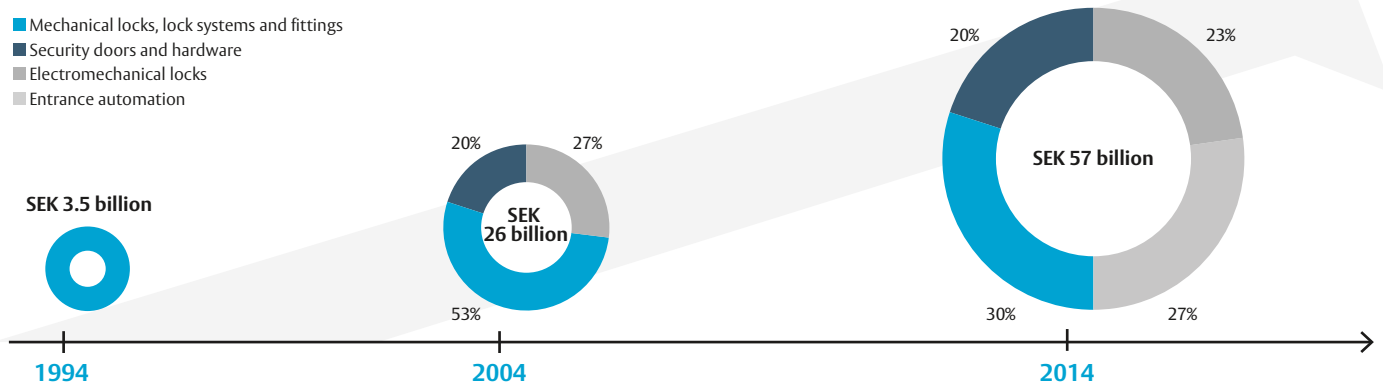
In order to compete effectively on a global market, the sales force operates as an integrated organization and represents the ASSA ABLOY master brand. They create solutions for the customer using various products manufactured under established local brands. Consequently, customers can be offered total door opening solutions, while recognizing well-known local brands.

During the year a specialist brand organization was established with the task of strengthening brand and design development. The organization is driving the development of the ASSA ABLOY master brand and is intended to systematize product design, brand identity and IP protection.

Emerging trends in the security market

Demand in the global market for door opening solutions is undergoing a technology shift, with an increase in electromechanical products. ASSA ABLOY is leading this trend and electromechanical products and access control solutions now account for 50 percent of sales, compared with 27 percent in 2004. Demand for mechanical products is continuing to increase, but their share of total Group sales is falling. Entrance automation is also growing very rapidly and the Group now has a global market-leading position.

EMERGING TRENDS: ELECTROMECHANICAL LOCKS, SECURITY DOORS AND ENTRANCE AUTOMATION



Growing market segments

Electromechanical products

The increased demand for electromechanical products is a clear trend, with customers looking for total security solutions and flexible door environments with convenient digital and mobile technology. In emerging markets, more and more people are skipping the traditional mechanical stage in favor of electromechanical solutions. Increased technical standardization is driving integration of various components in the security solution. ASSA ABLOY's products aim at open standards to facilitate integration with the customer's other security and administrative systems. The Group's strength in digital and mobile technology is creating interesting new growth areas.

Security doors

Security doors are a relatively new segment for ASSA ABLOY, which has expanded strongly through

acquisitions into a leader on several markets, such as China. The Group has a complete global range of products and services for most environments with exceptional security requirements, with a high innovation and product development rate.

Entrance automation

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



New Beijing landmark secured by ASSA ABLOY

■ **CUSTOMER:** Funded by leading steel-making company POSCO, the Beijing POSCO Center is designed to be an iconic commercial structure in a new business district in Beijing. It consists of two towers of 31 and 26 floors and houses offices, meeting facilities, shops and restaurants.

■ **CHALLENGE:** As a landmark commercial building, the Beijing POSCO Center has high standards in terms of functionality and aesthetics. All fire doors and interior doors should fit the usage of designated areas, while being soundproof, airtight and pleasing to the eye. In addition, the sizes of glass partitions need to be tailored to different office areas, and should have appearances to match the environment. All the doors and partitions should reflect the POSCO building's status as a modern multi-functional business center.

■ **SOLUTION:** ASSA ABLOY Fire Doors in China formed a special project team with members from R&D, sales and specification departments to look into the needs of the customer.

The team improved the soundproof and heat-resistance performance of existing fire doors, and used environmentally-sound raw materials and green manufacturing processes.

To determine the most suitable sizes and locations of glass partitions, ASSA ABLOY conducted site visits and took measurements to make sure they fit different office areas. Steel interior doors were specified for high quality and durability. Folding-and-lifting shutters were specified for shops and other commercial premises.

2

ASSA ABLOY's strategy

Product leadership



No. 1

The most innovative
supplier of total
door opening solutions



50%

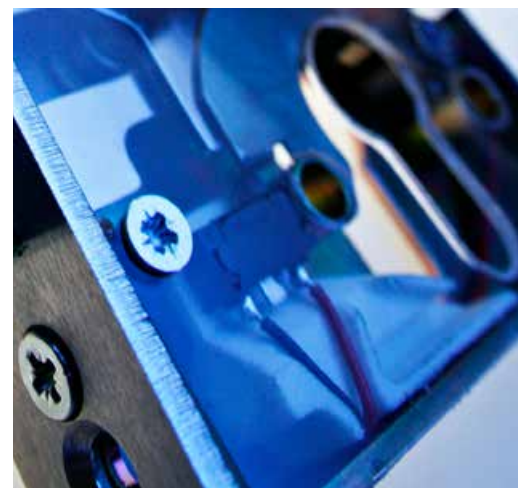
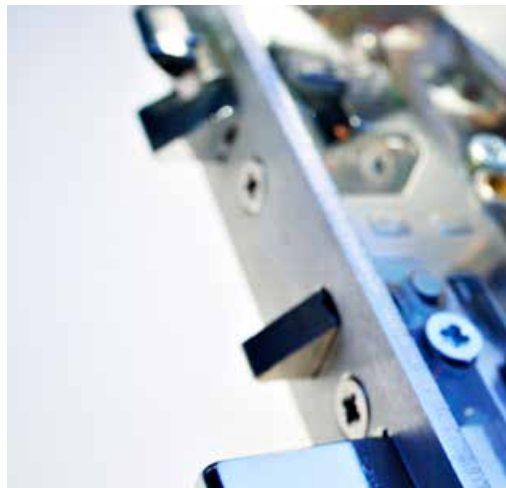
Electromechanical products
and entrance automation have
increased from 27 percent to
50 percent of total sales in
10 years



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

30%

Products launched in the past three years account for 30 percent of total sales



Continuing focus on innovation increases value of new products

ASSA ABLOY's vision is to be the most innovative supplier of total door opening solutions in order to deliver trouble-free, secure and well-designed security solutions that provide real added value to customers. A constant flow of new, innovative and sustainable products to the market is the single most important driver for the Group's target of 5 percent organic growth.

■ Product leadership

The Group is well established as the global product leader. R&D investment has increased by 160 percent since 2005, reaching a new record level in 2014. The share of products launched in the past three years has accelerated from 16 percent in 2010 to 30 percent of Group sales in 2014. The group-wide structured innovation process is under constant development with the ambition of doubling the innovation rate.

The overall objective is to meet or exceed customer expectations. Each new product should considerably increase customer value. Identifying and defining customer value as early as possible increases value creation in the development process.

The focus on product leadership has been consistent. The number of product development engineers has increased by more than 70 percent to over 1,400 employees in eight years, of whom a growing share have

an electronics focus. Sales of products launched in the past three years have increased to 30 percent, exceeding the Group's target of 25 percent. This is a well-considered target in view of the Group's average product life cycle of 10 to 15 years. ASSA ABLOY's innovation strength has been noted for the second consecutive year by the U.S. business magazine Forbes, which ranked the company as one of the world's 100 most innovative companies.

The strategy for product leadership is based on four points:

1

Developing and exploiting the advantages of a group-wide, structured innovation process.

3

Developing and using common technology platforms and common technologies.

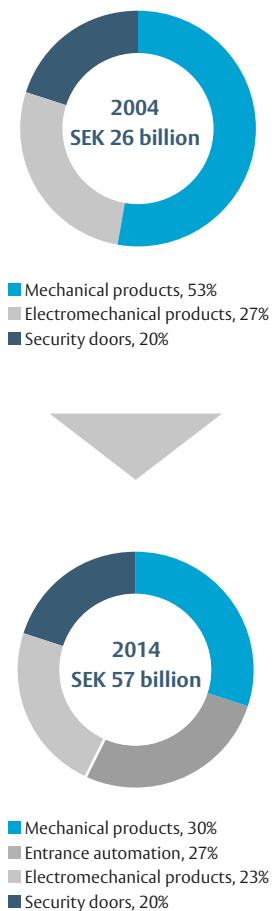
2

Applying Lean technologies in product development based on product management and customer insight.

4

Continuing to expand the number of R&D competence centers close to customers.

CHANGE IN PRODUCT MIX



Since 2004 electro-mechanical products, including entrance automation, have increased from 27 percent to 50 percent of Group sales.

Total door opening solutions are ASSA ABLOY's strength

ASSA ABLOY's strength is the wide variety of traditional and new products with which a large number of different door environments can be created and constantly developed. The company can meet requirements for products that function in various climates, different types of buildings, and plants with varied safety and security requirements, without affecting quality, design or cost. Secure door and entrance environments are increasingly being developed into total concepts for buildings in interaction with IT development and sustainability requirements, making demands on suppliers to develop new, secure and convenient solutions.

Entrance automation is an area making rapid technological progress within Entrance Systems division, which has market and product leadership. The division develops sensors and electronics that ensure a convenient, energy-saving door environment in stores, hotels and hospitals. It is increasingly important to be able to offer a total solution comprising automatic door opening solutions, industrial doors and high-performance doors.

The service offering can then also be expanded to include all automatic entrances for pedestrian traffic at the front of a commercial building and for goods deliveries at the rear of the building, with central control systems monitoring the building's energy efficiency and security.

Future security solutions

The main driver for innovation and product development is the development of digital technologies and fast-growing demand for electromechanical products and solutions. Since 2004 these have increased from 27 percent to 50 percent of ASSA ABLOY's sales, equivalent to SEK 22 billion growth. Mechanical products continue to increase, but electromechanical products are growing considerably faster. A larger 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 fitted with some form of electromechanical solution is estimated at around 5 percent and is forecast to reach 20 percent or more in the future, representing a strongly expanding market for upgrades and new sales.

Another important driver is the demand for sustainable solutions. Investments in sustainable buildings are increasing worldwide, with increased demand for energy savings and the choice of renewable or recycled materials. Demand for Environmental Product Declarations (EPD) has shown a marked increase and is already a prerequisite for taking part in much of the market. As a result, the product's environmental impact has to be documented for the whole chain from materials choice, manufacturing processes and transportation to use and recycling.

ASSA ABLOY's sustainability program is integrated into the development process from the concept stage

to recycling of worn-out products. Specifications for the development of new products and customer solutions may be based on life cycle costs and a reduction in energy consumption in buildings, as well as concrete savings in materials consumption, packaging and transport solutions.

Internal process development is intensive with the ambition of increasing the share of new products, halving the development time and considerably reducing the costs of each new product. ASSA ABLOY can standardize materials, reduce the number of components and constantly improve quality by developing common technology platforms and modular systems.

Future technology

Much indicates that cell phones and wearables will be the main key and identity carriers of the future. The Group's latest technology platform, Seos, enables the creation and distribution of secure digital identities to these mobile units. Its goal is to create an ecosystem for securely managing the digital identities of products from different manufacturers (card readers, digital locks, desk readers, printers etc.) and protecting the identity's integrity. Seos opens up new business opportunities for supporting customer management of different mobile units and access to computers and other workplace equipment, developing new applications, and creating new recurring revenue streams.

Central to future access control systems is the capacity to create digital identities, which are represented in mechanical systems by holding a key that fits a lock. ASSA ABLOY has a broad offering for secure identity management and access authentication, with various layers of security and control. Customers subscribe to these solutions, which are offered by the Group through cloud services, making high demands on correct security management.

The trend is towards doors and entrances becoming sufficiently intelligent to securely identify people approaching, automatically open and allow access without further action. Access may also be allowed following a simple gesture with a cell phone, biometric scanning of a forefinger, or rapid presentation of an ID card. ASSA ABLOY's innovation and technical expertise are leading this trend.

Modular systems

A strategy for adopting a modular approach to development work is an important complement to implementing Lean principles in the innovation process. A modular design provides opportunities for reusing a design and substituting parts of a product or solution without needing to redevelop the whole. For a group with ASSA ABLOY's wide product portfolio, it is especially important to benefit from synergies in the development process even between products that have little in common at first sight.

Product leadership

■ Innovation management – for effective innovation

ASSA ABLOY's common innovation process and organization are driven by enhanced customer value, sustainability and lower product costs, based on insight into customer needs and behaviors. The Group aims for a cost-efficient innovation process, which eliminates unnecessary waste, such as waste of time.

The product innovation target is that new products should account for at least 25 percent and contribute to higher margins. Innovation efficiency is to be doubled through a combination of more efficient processes and higher product value.

Objectives

- Creating significant customer value
- Developing more cost-efficient solutions
- Developing products with minimal environmental impact that help our customers make their buildings more energy efficient
- Developing products with an attractive, functional design

Value creating products

Value creating products aim to create as much customer value as possible, while addressing the cost side in the form of more efficient designs, better materials and component choices, better process choices etc.

The strategy is to create cost and functional benefits for the customer. All new projects aim to solve an identified customer need and are based on insight into underlying customer needs and requirements.

Sustainability at the innovation stage

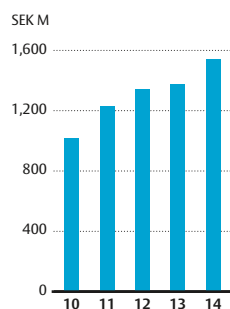
Sustainability is a prerequisite for successful sales and innovation today. ASSA ABLOY's products play an important role in customers' energy efficiencies, since the building's various openings can account for up to 20 percent of energy consumption. Today around half of all U.S. buildings already have an energy rating, which affects the prices developers and landlords can charge tenants. Sustainability is therefore one of the most important parameters in the innovation process.

The goal is not only to focus on functions that increase energy efficiency on entry and exit and temperature control, but also to reduce energy consumption in the operation of doors and industrial doors.

A common design language

During the year ASSA ABLOY established a function for development of industrial design and a common design language. In markets with competent competition and professional customers, the importance of smart, attractive and functional design is vital. ASSA ABLOY has a long, successful history of acquisitions and integration of people, products and brands, and there is considerable reason for creating a common identity not only to bring together the different parts, but also to facilitate matters for customers. A common design center is the next step in the development, to create an even clearer expression of ASSA ABLOY's basic values and the physical experience of products with common guidelines for design, location of brand names, colors and visuals.

INVESTMENTS IN RESEARCH AND DEVELOPMENT



■ Innovation management – our method

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

Product management focuses on drawing up long-term guidelines for each product group based on an understanding of social trends, technology development and customer needs, as well as our competence and technology portfolio. With the aid of portfolio management, a balanced mix of initiatives is then selected for implementation, based on the resources available. The projects are planned and run on Lean principles with cross-functional participation and visual management. Similarly, all innovation operations are run visually with regular interaction between all decision-makers and those needing information and decisions. This results in high transparency, quality and momentum (pulse) in the innovation process.

Customer insight

To maintain a leading position in innovation ASSA ABLOY needs a deep understanding of customers and their expressed but also their long-term, non-expressed needs. Broad monitoring and collection of market data and surveys of different customer segments are therefore conducted on an ongoing basis. The Group attaches great importance to ethnographic and market surveys in order to understand non-expressed needs. Many

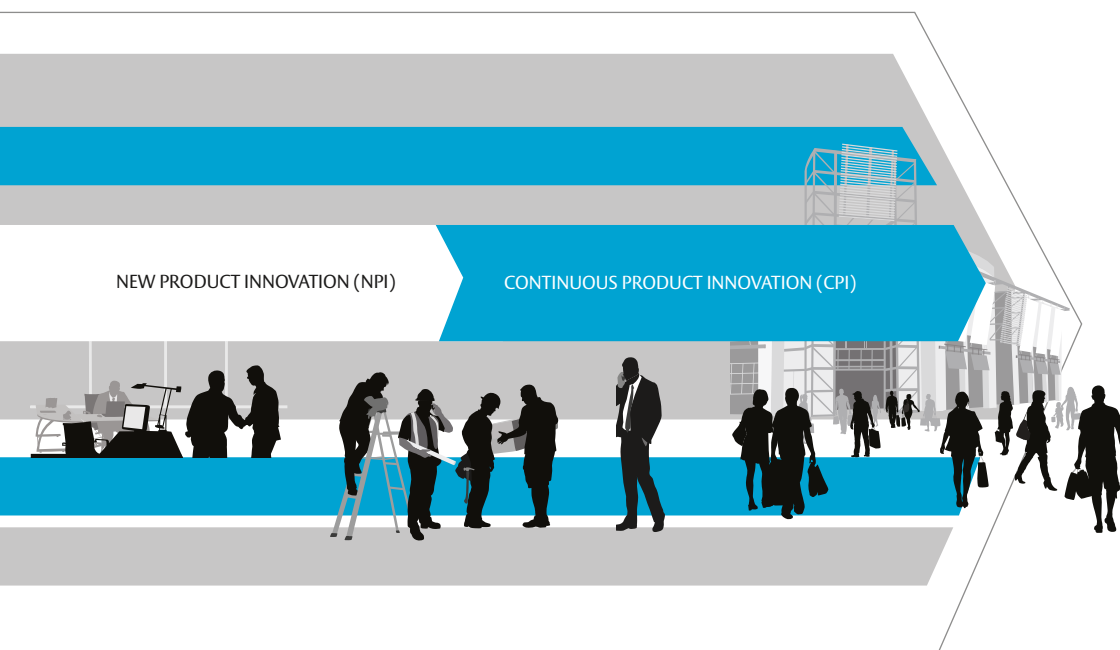
employees take part each year in special programs to systematize customer insight collection. This knowledge is used for both generating product concepts and planning for the future.

Product and portfolio management

Product management is a critical component of ASSA ABLOY's innovation system. Product managers ensure that each product group has a vision-based, long-term plan founded on input from the market as well as technology development, customer understanding and insight into the particular product's strengths. These plans form the basis for the portfolio balancing that must then take place across all product groups within each unit. This preliminary work is critical for the efficient functioning of the rest of the innovation process.

Product development

Product development is divided into three categories: pre product innovation, new product innovation and continuous product innovation. All project types are run on Lean principles, focusing on results, cross-functional teams, and visual planning and management.



Innovation management – our method

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

Product leadership

Pulse the system

To achieve momentum and effectiveness in the whole innovation process, visual systems and a pulse method based on Lean principles are used. All key functions involved in the innovation process meet regularly each week in the pulse room where all operations are visually presented. The need for decisions is reviewed and escalated to the level necessary to move on. This may concern resource allocation, functionality prioritization etc. As a result, no problems remain unaddressed longer than a week before receiving the management attention necessary. This results in very high participation and effectiveness in the innovation process.



Total door opening solutions are ASSA ABLOY's strength



Electric strike



Access control reader



Electronic handle



Magnetic lock



Electromechanical cylinders



Automatic door controller



Electromechanical lock



Emergency exit device



Hinge



Complementary products

New innovations drive growth

ASSA ABLOY is leading development in fast-growing electromechanical and entrance automation technologies for sustainable door opening solutions. New products and solutions that create cost and quality benefits for the customer drive growth.



The core of the new, fully electronic **eCLIQ** locking system is its unique, innovative locking cylinder technology. eCLIQ enables keys to be programmed so that they can only be used at certain times. All data and communications are protected by encryption algorithms and the keys can be updated online.



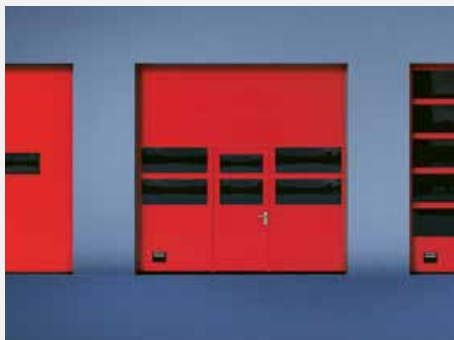
The new panic exit device, **ePED**, enables integration of electrically controlled emergency exit technology into the door system using ASSA ABLOY's Hi-O technology. This means that security functions such as electronic locking can easily be added.



Yale Real Living is a complete electromechanical outer door lock without any mechanical keys. It can be used as a standalone solution, with a PIN code or be integrated into existing home automation systems.



Aperio technology allows mechanical locks to be wirelessly connected to new or existing access control systems. The same card can be used for all doors without the need for cabling or alterations to doors.



Crawford OH1042 is a robust, flexible overhead sectional door with optimized design and life. Ideal for warehouses and logistics centers, it can be used in all types of environments due to its extra strong panels, which are Class 3 certified for wind load and air and water permeability.

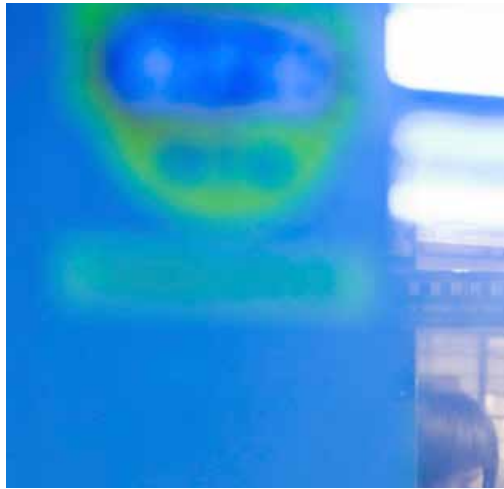


Pan Pan's latest security door with an opening in the center of the door panel. The innovative aluminum opening enhances the door's appearance, while increasing air flow from the outside, efficiently reducing the indoor temperature and saving energy.

3

ASSA ABLOY's strategy

Cost-efficiency



Price management for price leadership



Production restructuring program providing significant results

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



-27%

Number of suppliers
reduced by 27 percent
since 2006



Successful efficiency programs

ASSA ABLOY is striving to radically reduce the breakeven point through a number of Group programs to increase cost-efficiency. These cover the global production structure, professional sourcing, Lean production methods, constant product cost review, and Seamless Flow, i.e. streamlining and automation of administrative flows. These programs contribute significant cost reductions each year, to achieve the operating margin target of 16–17 percent and are a condition for the Group being a price leader and contributing to sustainable development.

■ Production structure

ASSA ABLOY is continuously streamlining and simplifying the production structure and implementing rationalization programs with the aim of closing factories and offices and switching to assembly. Meanwhile productivity is increasing considerably, with reduced environmental impact.

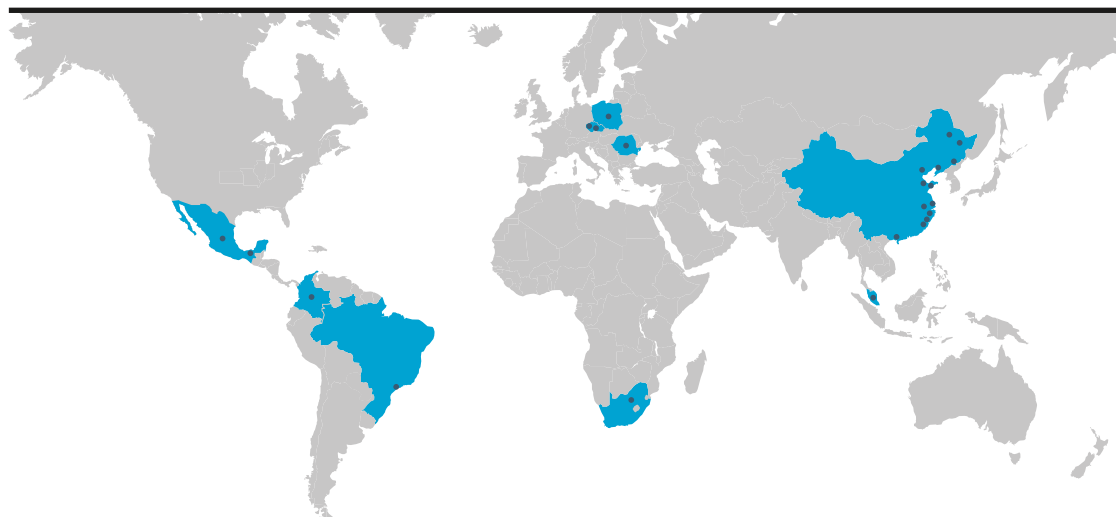
The restructuring programs reflect the Group's active global acquisition strategy. Since 2006 ASSA ABLOY has made over 120 acquisitions and implemented a number of programs to rationalize operations and raise productivity. The production structure has switched from manufacturing everything itself to concentrating efficient assembly plants close to customers, transferring production to low-cost countries, and sourcing more non-critical components.

The restructuring programs have been very successful, resulting in considerable savings and increased efficiency in the production units. Since 2006, 61 production units have been closed, 74 have been converted into assembly plants and 29 office units have been closed. 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, 9,000 employees have left the Group. In the Europe-dominated EMEA division, for

example, the number of employees in direct production has fallen from 7,700 to 4,700 in eight years, and in indirect production from 3,100 to 1,850, as the number of factories has fallen from 70 to 40. Meanwhile sales have risen from SEK 12,509 M to SEK 14,753 M. The programs are operated across all divisions.

Rationalization of the production structure has resulted in the transfer of an increasing share of standard production to internal and external production units in low-cost countries. Today 45 percent of the total number of employees are located in low-cost countries, compared with 36 percent eight years ago. Production processes and sustainable development have been improved through investment in modern, efficient production equipment, while local presence on end-customer markets in both high- and low-cost countries has been strengthened to ensure fast delivery and efficient assembly of customized products.

PLANTS IN LOW-COST COUNTRIES



■ Professional sourcing

Professional sourcing is an increasingly important strategic activity for reducing costs. The Group has substantially increased sourcing of components and more standardized products as part of production rationalization. The number of suppliers has been reduced by 27 percent since 2006. The ambition is to have an increasingly limited number of large, high-quality suppliers, mainly in low-cost countries, as strategic partners. Collaboration is based on low cost, high quality and delivery accuracy. Compliance with the Group's Code of Conduct is a condition, while sustainability initiatives with suppliers are under continuous development.

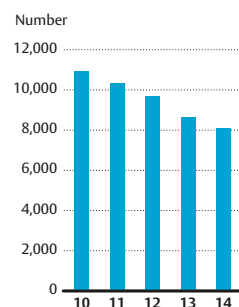
As ASSA ABLOY evolves from a Group with its own full production into a customer- and market-oriented problem solver, with mainly product assembly close to the customer, the importance of sourcing from suppliers is increasing. The latter are increasingly integrated into the Group's processes from product development to transportation and delivery, with ASSA ABLOY contributing competence transfer and production and quality expertise. As a result, material costs are rising as a share of sales, making sourcing one of the most important processes. Fewer, more competent suppliers are a condition for the demands made, and the number of suppliers has been reduced from nearly 12,000 in 2007 to just over 8,000 in 2014, with the target of halving this number in the next few years.

This development is driven by a focused purchasing organization, which has moved from call off to strategic sourcing. Suppliers are categorized and segmented

according to the strategic role they will play. Today the divisions have specialist purchasing managers for each component category. Focused purchasing in the Divisions efficiently manage different component categories. Suppliers are audited in accordance with certification programs and by our own inspectors to monitor processes, quality, environment and ethical guidelines.

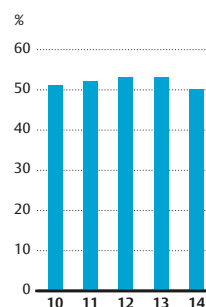
ASSA ABLOY has also developed its own competence in what components should really cost, a should cost model, which provides strength and knowledge when conducting cost reduction negotiations. Should cost analysis entails a breakdown of the value chain and a careful analysis of each cost component. Internal benchmarking is then used to compare key factors driving costs and to provide insight into price formation in the market and by suppliers. Since the start the Group has trained around 200 employees in this methodology.

NUMBER OF SUPPLIERS



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

SHARE OF TOTAL PURCHASES IN LOW-COST COUNTRIES



Raw materials, components and finished goods from low-cost countries account for 50 percent of the Group's total purchases.

■ Process development

ASSA ABLOY applies and develops a number of methods and processes to increase cost-efficiency. The overall Lean methodology includes all processes and results in increased customer value using less resources at all stages. Value Analysis and Value Engineering (VA/VE) involve in-depth analyses of products and production processes to identify cost savings in existing and new products. A significant focus is now on Seamless Flow. This involves streamlining and automation of the Group's administrative flows, which account for 45 percent of the Group's total personnel costs.

Today all ASSA ABLOY's major workplaces have well-functioning Lean programs and organization for both production and administrative processes. Ongoing improvements result in more efficient production flows, better material cost control, improved decision-making procedures, shorter development times, and increased collaboration with the marketing and sales organization. In 2014 the Group implemented more Lean projects than in any previous year.

Value Analysis (VA) is a structured process for optimizing cost and customer value in existing products. The same applies to Value Engineering (VE), which is part of the product development process. VA/VE is carried out by focused, cross-functional teams, with more than 3,500 employees receiving training in these methods in recent years. Cost savings may amount to 10–40 percent for individual products, and around 200 projects were implemented in 2014. Since the methodology was introduced in 2007, the Group has made savings of nearly SEK 1 billion through VA/VE.

ASSA ABLOY aims to reallocate indirect personnel costs towards investments in innovation and sales. Administrative support functions account for around 45 percent of total personnel costs. The most important activity for streamlining these functions across the business is automated and standardized flows, known as Seamless Flow.

The process of consolidating the number of IT systems into an integrated and optimized IT infrastructure is fundamental. The most important activities in IT optimization include a reduction in the number of ERP systems, data centers and networks. E-commerce is being developed to facilitate and streamline contact with the Group's customers and suppliers. A global Product Data Management (PDM) system is being introduced to describe and transfer data on the Group's products.

Implementation of an integrated and optimized IT infrastructure facilitates seamless flows and enables more efficient coordination of support functions.

Seamless Flow – automation of administrative flows

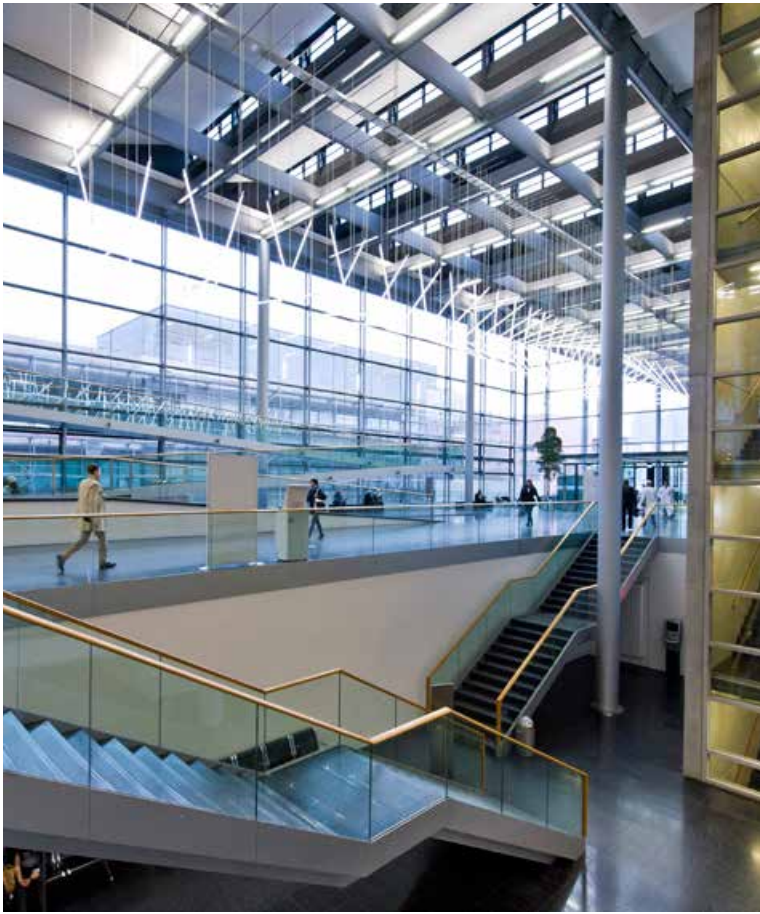
Seamless Flow concerns automation of all the information intended to control the value-creating processes from the customer's order to completed delivery and payment. Today these processes involve a very large number of paper-based or digital information flows, with a considerable potential for rationalization. ASSA ABLOY's Seamless Flow program aims to radically accelerate value creation by standardizing flows and processes, which are managed automatically, in real time and with improved quality. The program is striving towards an advanced vision of the future in which customers place their orders on an e-commerce site or are connected to ASSA ABLOY's ERP system, with its modules for handling orders and inventories, ledgers, production planning, project planning, resource planning, sourcing, time recording etc. The information can then flow automatically on to the inventory function and the purchasing organization with information on what should be sourced

from whom and when, to the production process, which receives an automatic instruction on what should be produced, how, where and when, and on to transportation and delivery. Another example is a global product database (PDM), which has been implemented to standardize the Group's product descriptions.

This vision includes manufacturing using intelligent machinery and robots with reading capacity and sensors for processing and movement of materials. Order management, invoices and payments, recording of revenue and costs, and more advanced bookkeeping will then be handled automatically.

Sales processes, marketing activities, customer relationships, innovation and product development, and salaries and human resources can also receive very cost-efficient support from automated information flows. Today many of these flows are still handled by slow, manual paper management, with risks of errors, manual correc-

tions and delays. The basis for efficient Seamless Flow is ASSA ABLOY's long-term program to create a common, structured IT environment based on a global infrastructure of servers, IT networks, systems and integrated data centers, as well as the Group's 25,000 PCs, telephony systems, mobile networks, e-mail functions and intranets. Today ASSA ABLOY has some 70 e-commerce sites and websites, which are affected by the Seamless Flow program, as well as a large number of different digital technical systems for drawings and designs of products and solutions. Moreover, over 100 business systems, HR systems and digital business applications are affected. The implementation of Seamless Flow and the integration and optimization of the IT infrastructure will enable more efficient coordination of an increasing number of support functions. By extension, this means that the Group releases resources that can be moved up the value chain closer to the customer to enhance customer value.



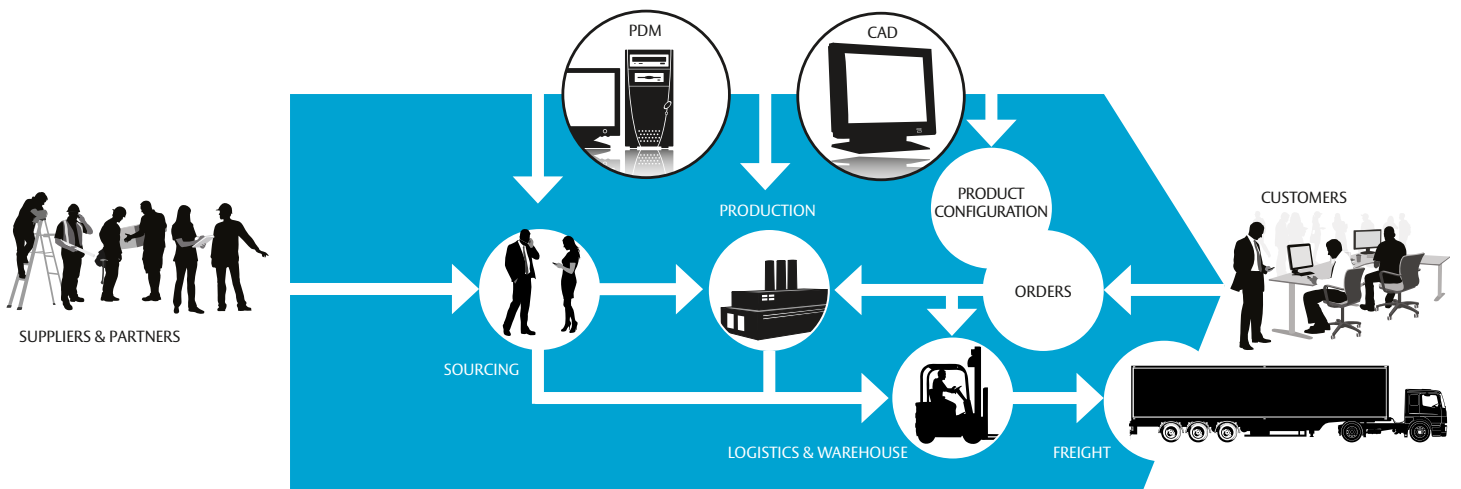
eCLIQ is the clear choice for German hospital

■ **CUSTOMER:** With its 32 clinics and 20 research institutes, University Hospital Frankfurt is the largest hospital in Hesse, Germany. More than 4,500 employees treat around 270,000 patients per year. Extensive new construction, expansion, and renovation in multi-phase construction stages have been in progress since 2001.

■ **CHALLENGE:** HOST GmbH Hospital Service and Technology and its staff of 150 employees are responsible for all technologies in the University Hospital. When it comes to security technology, HOST relies on the expertise of ASSA ABLOY. A CLIQ locking system has already provided several years of faultless operation. Therefore, it was an obvious choice for HOST to install CLIQ in a recently completed new building.

■ **SOLUTION:** Thanks to the high level of modularity and simple operation, the decision was quickly made to install an eCLIQ locking system. This system comprises 1,100 cylinders with an equal number of keys, and a specific web system. There are also five wall-mounted programmers, four of which are provided with anti-vandalism protection.

Facility management experts at HOST are so impressed with the new eCLIQ system that various buildings will be equipped with eCLIQ in the final construction stage of the large hospital project.



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

4

ASSA ABLOY's strategy

Growth and profitability

1994

A world map is displayed across the middle section of the page, divided into a 3x3 grid. The map is primarily in shades of blue and white. A small red dot is placed on the map, specifically over the country of Sweden, indicating the company's location in 1994. The year '1994' is written in white text above the map.

1,500%

Sales growth since 1994

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



2014

5,800%

Increase in operating income
since 1994

8,300%

Earnings per share
has increased in 20 years

20 years of rapid growth and increased profitability

Over the past 20 years ASSA ABLOY has grown from a regional lock company on the European periphery into by far the largest global supplier of door opening solutions. Simple, clear and consistent strategies have driven rapid growth, with good profitability and financial stability. Value creation has been very successful. High growth is surpassed by an even better earnings trend, which has created significant value for shareholders and other stakeholders.

ASSA ABLOY counts its origin from 8 November 1994 when the recently merged Scandinavian lock companies – Abloy (Finland) and ASSA (Sweden) – were listed on the Stockholm Stock Exchange. The merger had its background in the crises that hit both the Finnish and Swedish economies in the early 1990s. With a stronger capital base, a broader ownership and a new management, new strategies were drawn up for rapid international growth. Under the clear, long-term and committed ownership of the Swedish industrialist families, Douglas and Schörling, three CEO's have over the past 20 years built up by far the largest global player in total door opening solutions.

Group sales have risen 1,500 percent from just over SEK 3 billion to SEK 57 billion in 20 years. From a mainly Scandinavian player with 4,700 employees, today the Group has operations in 70 countries and 44,000 employees. The strategic focus is long-term value creation expressed in two overall targets, which since 2006 have been 10 percent annual growth, half organic and half acquired growth, and an operating margin of 16–17 percent. Since the start in 1994 ASSA ABLOY has grown by 1,500 percent, while operating income has increased by 5,800 percent.

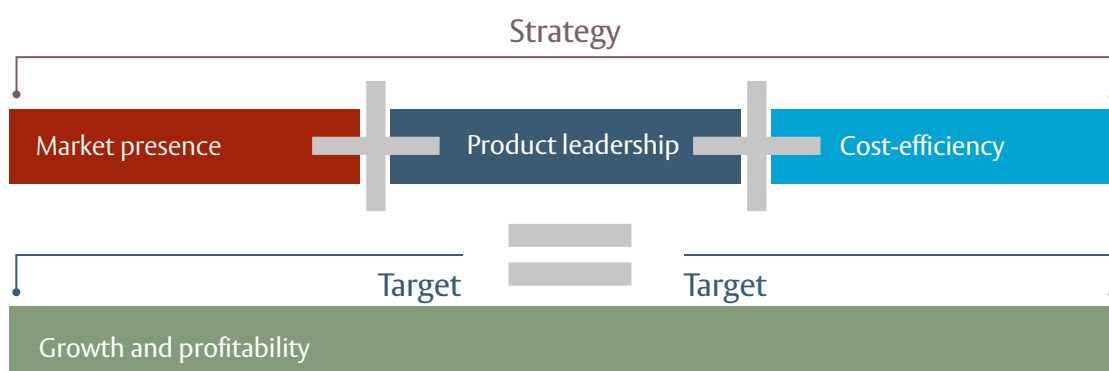
Market leadership and growth

The first strategic dimension, market leadership, has been achieved in several stages. Up to 2005 the Group was internationalized through acquisitions mainly on mature markets in Europe and the USA, with integration and development of a common culture. ASSA ABLOY was

the main consolidating force in a strongly fragmented industry. A new growth phase began in 2006, with the focus on expansion in emerging markets in Asia, eastern Europe, South America, the Middle East and Africa. Around 120 acquisitions and major investments in marketing led to global leadership. A new growth area arose through rapid growth in entrance automation in the Entrance Systems division.

Product leadership and innovation

With its product leadership strategy combined with acquisitions of technically leading companies, ASSA ABLOY has become the industry's global technological leader. The first 10 years were dominated by investments in the development of mechanical door opening solutions. Since 2005 investments, R&D and innovation have increased at a high rate each year, with development of competence and processes to achieve considerably faster product development. The ambition has been to double the innovation rate, with the target that products launched in the past three years should account for 25 percent of the Group's total sales. The share has accelerated from 16 percent in 2010 to 30 percent 2014. One explanation is the investments in new electronic and digital technologies in the electro-mechanical product segment. These products, including entrance automation, have increased their share of the Group's total sales from 27 percent to 50 percent in 10 years.



Cost-efficiency and sustainability

The cost-efficiency strategy has been emphasized increasingly strongly in the Group's development following the first decade's development of market leadership. It goes hand in hand with sustainability programs based on economic resource utilization across the whole value chain – from product development to recycling. The production and factory structure are undergoing constant streamlining. The number of factories and offices has been radically reduced, as the Group focuses on fewer assembly units close to customers and increased sourcing of components. Process development is intensive to achieve cost reductions in all stages. Lean methods are operated across all units, with professional teams and ongoing projects. VA/VE methods are used to constantly cut costs in existing products and

product development. Recent years have seen a major investment in Seamless Flow, i.e. automation of administrative processes, which account for nearly 45 percent of the Group's total personnel costs.

Acquisitions

Acquisitions are an important part of ASSA ABLOY's strategy. Since 2006 ASSA ABLOY has acquired over 120 companies, achieving its ambition of 5 percent acquired growth per year. In 2014 the Group made 20 acquisitions, which are expected to contribute around SEK 2,600 M to annual sales. The acquisition strategy aims to strengthen geographical market coverage, complement the product range and add new technologies in expansive areas.

ACQUISITION STRATEGY AND PROCESS



ASSA ABLOY'S DEVELOPMENT AND ACQUISITIONS 2010–2014

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 Entrance Solutions and FlexiForce, which strengthen the customer offering in industrial doors, docking solutions and garage doors.

Other acquisitions: Swesafe (Sweden), Portafeu (France), Metalind (Croatia), Electronic Security Devices (USA), and Angel Metal (South Korea).

2012 – Acquisitions strengthen Entrance Systems range

The acquisition of Albany Door Systems, a global leader in high performance doors, is completed. ASSA ABLOY also acquires 4Front (USA), a leader in docking systems, Securistyle Group Holdings Limited and Traka (UK), Frameworks Manufacturing (USA), and Helton (Canada), which manufactures overhead door hardware. In China, the Group acquires the hardware manufacturer Shandong Guoqiang.

Other acquisitions: Dynaco (Belgium) and Shantou Longhu Sanhe Metal Holdings (China).

2013 – Continued expansion in USA

Acquisition of Ameristar, a manufacturer of perimeter protection and gates for industrial and high-security purposes, and the fire and security door manufacturer Mercor SA (Poland). ASSA ABLOY also signs an agreement to acquire Amarr, the third largest player in the North American sectional door market.

Other acquisitions: Xinmao and Huasheng (China).

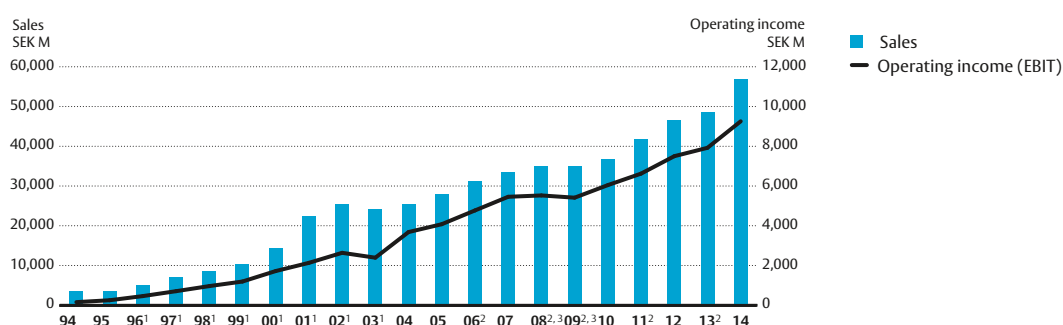
2014 – 20 years as innovative global leader

Acquisition of ENOX (India); Jiawei, one of the leading suppliers of security locks in China; IdenTrust (USA), a leading supplier of digital authentication solutions; Lumidigm (USA), a leading manufacturer of biometric readers based on patented multispectral imaging technology; and Turvaykköset, the second largest locksmith in Finland.

Other acquisitions: Silvana, one of Brazil's leading lock companies, and Metalika, the leading fire door company in Brazil. ODIS Limitada, a leading supplier of locks, padlocks and steel doors in Chile. Agreement to acquire Digi Electronic Lock, the leading digital door lock manufacturer in China.

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

SALES AND OPERATING INCOME (EBIT)



¹ 1996–2003 have not been adjusted for IFRS.

² Excluding items affecting comparability.

³ Reclassification has been made.

ASSA ABLOY's divisions

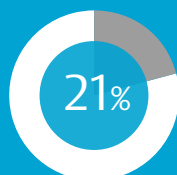
ASSA ABLOY is divided into three regional and two global divisions.

Regional divisions

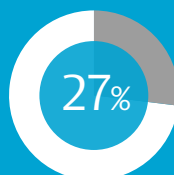
The regional divisions manufacture and sell mechanical and electromechanical locks, digital door locks, cylinders and security doors adapted to the local market's standards and security requirements.



Share of sales



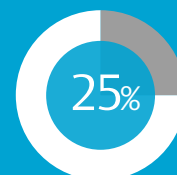
Share of operating income



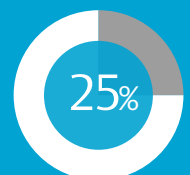
Read about the division's operations and performance on pages 44–45



Share of sales



Share of operating income



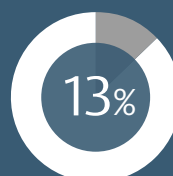
Read about the division's operations and performance on pages 42–43

Global divisions

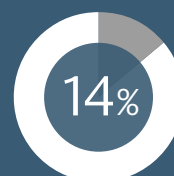
The global divisions manufacture and sell electronic access control, identification products and entrance automation on the global market.

Global Technologies

Share of sales



Share of operating income

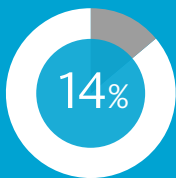


Read about the division's operations and performance on pages 48–50

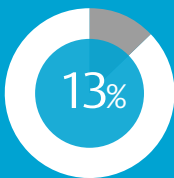


Asia Pacific

Share of sales



Share of operating income



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

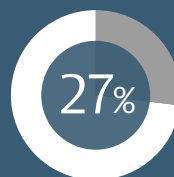
25%

ASSA ABLOY is represented on both mature and emerging markets worldwide. Emerging markets have increased their share of Group sales from 10 percent eight years ago to 25 percent in 2014.

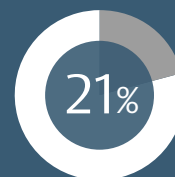


Entrance Systems

Share of sales



Share of operating income



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

Good results in a challenging market

The recovery in demand in western Europe continued at an uneven rate during the year. Growth was strong in northern Europe, Africa and eastern Europe, showed an upturn in Spain and was negative in France and Italy. The high investment in product development in recent years has strengthened competitiveness, with new products accounting for 29 percent of annual sales. Investments in increased market presence and intensive work on rationalization and efficiency programs contributed to a continued good result.

Report on the year

- Sales: SEK 14,753 M (13,165) with 3 percent organic growth.
- Operating income (EBIT) excluding restructuring costs: SEK 2,432 M (2,197).
- Operating margin: 16.5 percent (16.7).

Market development

The demand growth rate showed clear differences between the division's various geographical markets. Demand was strong in Scandinavia, Germany and emerging markets in eastern Europe and Africa, and was good in Finland and the UK. Demand showed an upturn from low levels in the Spanish and Israeli markets, while remaining negative in the Benelux countries, France and Italy. The demand trend in recent years away from component sales and towards an increasing number of major projects for total door opening solutions strengthened. During the year sales of digital door locks to the residential market under the Yale brand saw major successes. Marketing investments in recent years in eastern Europe, the Middle East, Turkey and Africa have resulted in significant sales increases. The share of sales to emerging markets is now 19 percent. Demand for electromechanical products was particularly strong.

Market presence

EMEA's market presence is based on a good knowledge of local building and lock standards and long-term relationships with distributors. The division's markets are very diverse, with major differences in product demand. The aftermarket accounts for a significant proportion of sales, providing stable demand. ASSA ABLOY has the largest installed lock base compared with its competitors.

The division's significant investments in strengthened market presence and sales capacity are generating increasingly good results. The proportion of staff in direct sales activities has increased considerably, while sales support has been streamlined. In 2014 the sales force increased by another 100 people and a majority of marketing staff are now employed in customer-facing roles. The ambition is to achieve a ratio of one employee in indirect sales support to two employees in direct sales.

Investments in specification sales, with a high consultancy and advanced technology content, strengthen the trend towards an increased share of large projects supplying advanced door opening solutions in sectors such as offices, hospitals, schools and universities. The division now has 250 consultants in these areas. Contacts with key partners, such as architects and security experts, are continuously strengthened with an EMEA Building Information Modelling (BIM) platform launched for these specialists in 2014.

EMEA's leading residential and consumer products brand, Yale, continued its strong growth in both mature and emerging markets due to product innovation, development of the professional sales channels and increased marketing support.

Several large security projects continued and were delivered to global and European telecom operators, hospitals and government agencies. Deliveries included software for electronic door opening solutions and identification systems based on ASSA ABLOY technology such as Aperio and CLIQ Remote.

Africa is expected to have major growth potential, with a high urbanization rate and increased living standards. The division is making a significant, long-term investment in the fastest growing sub-Saharan markets,

FACTS ON EMEA

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

Markets: EMEA is the leader in its product areas in Europe, the Middle East and Africa. The commercial segment accounts for around 60 percent of sales and the residential segment for 40 percent. EMEA comprises a large number of group companies

with a good knowledge of their local and in many respects diverse markets. Products are sold primarily through a number of distribution channels, but also directly to end-users.

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

Acquisitions 2014: Turvaykköset (Finland).



resulting in high sales growth. By 2015 EMEA will have its own presence in 40 of the 50 largest cities, which are expected to account for 90 percent of Africa's GDP in the coming years.

The year saw the acquisition of Turvaykköset, the second largest locksmith in Finland. The acquisition is a strategic step into an important distribution channel in the Nordic region, which strengthens a more project-oriented offering in hi-tech solutions and advanced service concepts.

Product leadership

In recent years EMEA has sharply increased investments in innovation and product development, strengthening organic growth and contributing to cost reductions. Products launched in the past three years accounted for 29 percent of total sales, which is more than a twofold increase in four years. Over 200 new products are in the pipeline for the coming years. The high product development rate meets the sharply increasing demand for electromechanical products. These increased their share of total sales from 26 percent to 28 percent during the year. The trend indicates a continuing strong increase in electromechanical products in the coming years.

The division's High Impact products (HIP) continued to be successful, with the number increasing to a total of 10 following the launch of four new products. The aim is to develop products that can be sold in large volumes in all EMEA's market areas. Particular importance is placed on a high technical standard and modern design. Marketing is coordinated across the whole division with special competence teams that cooperate closely with local sales teams. The year saw the launch of Watchlock, a 'smart' lock with integrated GPS and a communication module; Traka electronic key cabinets with RFID technology; and One System, a broad range of locks specially developed for central European markets. Demand continued to increase sharply for High Impact products such as Aperio, an electronic cylinder that can be wirelessly connected to networks; CLIQ Remote, an innovative electromechanical cylinder system; Smartair, an access control system; DDL, residential digital door locks; Code Handle, a digital door and window handle; and the innovative ASSA ABLOY door closer product line.

Cost-efficiency

The division continued implementation of the Group's latest program for rationalization of the production structure with the consolidation of production plants and offices into fewer units and investments in more efficient machinery and automation. Since 2006 these programs have reduced the number of plants from 70 to 40, and the number of employees in direct production from 7,700 to 4,700. During the year the automation of administrative flows, Seamless Flow, accelerated.

An important part of intensive cost-reduction efforts during the year was a continued increase in the focus on sourcing. The division now has seven category managers at central level responsible for sourcing materials such as steel and electronics, as well as services such as transportation, communications, and care and maintenance of plants and offices. The centrally coordinated share of sourcing reached 80 percent during the year, with the remainder managed at regional or local level. The share of purchases in low-cost countries exceeded the short-term target of 40 percent and will continue to increase in the coming years. The division has reduced the number of suppliers from 5,250 to 3,100 in 10 years, with several also collaborating in product development. At the same time pricing and payment terms have improved considerably.

Supply management and product development aim for major cost savings through a sustainable approach to materials consumption, logistics and packaging, where VA/VE methods in innovation processes generate positive results. The ambition to have fewer components, more common product platforms and less complexity has reduced the number of products by around 35 percent in four years. Efforts to develop and adapt the product offering to EPD (Environmental Product Declaration) standards, so-called green products, continued successfully during the year.



EMEA's market presence is based on good knowledge of local building and lock standards and long-term relationship with distributors.

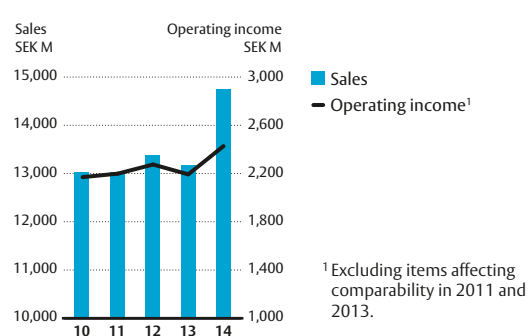
KEY FIGURES

SEKM	2013	2014
Income statement		
Sales	13,165	14,753
Organic growth, %	-1	3
Operating income (EBIT) ¹	2,197	2,432
Operating margin (EBIT) ¹ , %	16.7	16.5
Capital employed		
Capital employed	10,499	12,299
- of which goodwill	6,395	7,247
Return on capital employed ¹ , %	20.7	21.0
Cash flow		
Cash flow ²	2,084	2,288
Average number of employees	10,089	10,678

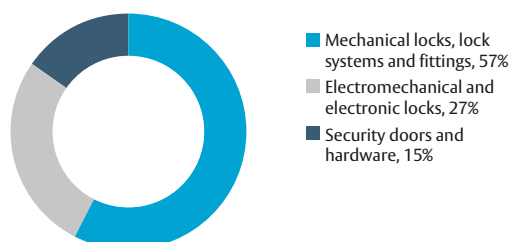
¹ Excluding items affecting comparability of SEK 300 M in 2013.

² Excluding restructuring payments.

SALES AND OPERATING INCOME



SALES BY PRODUCT GROUP



Increased marketing initiatives strengthen sales and earnings

Sales rose during the year, with 4 percent organic growth. Due to substantial investments in innovation in recent years, the division has a leading position in the very fast-growing markets for wireless electronic door opening solutions. Demand on the important commercial and institutional market improved during the second half of the year, following several years of weak growth. The U.S. residential market continued to show high demand. Sales growth was also positive in Latin American markets, where several important acquisitions were made during the year. Continuing rationalization and efficiency programs contributed to an increase in operating income and an improvement in the operating margin.

Report on the year

- Sales: SEK 12,156 M (10,121) with 4 percent organic growth.
- Operating income (EBIT) excluding restructuring costs: SEK 2,613 M (2,140).
- Operating margin: 21.5 percent (21.1).

Market development

Sales growth in the U.S. was positive during the year, despite a weak start in the wake of a hard winter. The recovery in the residential segment in the U.S. continued for the fourth consecutive year, with good sales growth. ASSA ABLOY's important commercial and institutional market accelerated in both the industrial and office segments, which will positively impact demand next year. Demand continues to grow for advanced electronic solutions for smart homes, and for institutional and commercial customers looking for efficient, energy-saving total door opening solutions. Sales of digital door locks are rising very rapidly in both North America and South America. The trend toward more wireless and mobile lock solutions and increased sustainability through energy savings promises to be a growing area and an important feature of future demand growth. The division has a very competitive offering of new products due to a high innovation rate. Sales in Latin America increased, despite the ongoing residential crisis in Mexico and more subdued demand in Brazil.

Market presence

For several years, a main trend in strengthening market presence has been the focus on segmentation of solutions and specification, initiatives to strengthen brand identity, and new product offerings in the electro-mechanical segment in all the division's markets. A key role is played by the division's specifiers and specialist teams, who collaborate with the leading architectural firms, integrators and end-customers. They provide training and introduce new products and solutions in their role as the end-customer's door opening solutions experts. ASSA ABLOY has continuously developed new advanced BIM (Building Information Modeling) solutions for architects, which provide support for project cost savings, sustainability and design. In the U.S., customer-facing staff has doubled in 10 years and now accounts for over 60 percent of marketing and sales staff. Additional training, including online programs, has contributed to increased growth and market presence.

The Yale brand's positioning in the smart home market, with a number of innovative wireless digital lock products, has been a major success, with fast-accelerating sales over the past two years. The division has established itself as a lock provider to major suppliers of smart home solutions, including AT&T. Today green buildings account for a growing proportion of new construction in the non-residential sector. ASSA ABLOY has the broadest offering of sustainable solutions in the U.S. and Canadian markets. The division is one of the few in the industry



FACTS ON AMERICAS

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

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

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

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

Acquisitions 2014: Metalika and Silvana (Brazil), and ODIS (Chile).

able to supply certified door opening solutions that comply with the fast-developing regulations and standards for energy efficiency, sound control and emissions.

ASSA ABLOY owns many of the industry's leading brands in North America. Brand segmentation and specialization are far advanced. Today all brands are combined with the ASSA ABLOY master brand, signifying total door opening solutions, an increasingly important message in line with demand growth.

Expansion in Latin American markets is a priority. Sales of electro-mechanical products are growing rapidly in these markets. During the year, Latin American electromechanical sales grew 28 percent.

The acquisition of Metalika and Silvana strengthened ASSA ABLOY's position in the large Brazilian market, with market-leading fire doors and doors and frames. The acquisition of ODIS in Chile doubles ASSA ABLOY's market presence in the country, with a leading brand in locks, padlocks and steel doors.

Product leadership

Market leadership is based on a constant flow of new technologies, products and solutions that meet customer demand. The division has increased investments in innovation and product development by nearly 200 percent since 2008, with products launched in the past three years accounting to 27 percent of total sales in 2014. Today about 190 new products are in the pipeline. At the 2014 ASIS trade show, the division launched 75 new products, several of which won industry awards for innovation in the strongly expanding wireless and mobile solutions segment. The division has the market's broadest offering in this segment today, and is developing RFID communications solutions in collaboration with ASSA ABLOY's business unit, HID. Sustainability and energy efficiency are other important demand trends. A new platform for electromechanical locks offers a number of products with the potential for significant energy savings. ASSA ABLOY's Securitron brand has received GreenCircle certification for its EcoPower solution, which achieves energy savings of over 99 percent compared with linear and switching power supplies. Similarly, Sargent and Corbin Russwin brands have received Green Circle Certification for their EcoFlex mortise locks which achieve 96 percent energy savings compared with traditional solenoid mortise locks.

Cost-efficiency

Americas division's production structure has been undergoing major rationalization since 2008, resulting in significant cost reductions. Today production plants are an efficient size and operate at good capacity. Efficiency programs continued during the year with investments in a new generation of manufacturing robots, increased automation and further implementation of Lean methods, which are also used to streamline administrative processes. A large number of products have been updated and processes simplified using VA/VE methods. The implementation of Seamless Flow activities continued to generate good results. More efficient supply management and increased outsourcing to low-cost countries is a priority. The number of suppliers has been reduced by 28 percent in five years. More professional sourcing and consolidation to fewer, larger suppliers have helped double cost savings since 2008.



Americas division has a number of mobile exhibitions on education, health, aesthetics, access control, locksmith solutions and a general exhibition, all of which present and demonstrate total door opening solutions close to the customer.

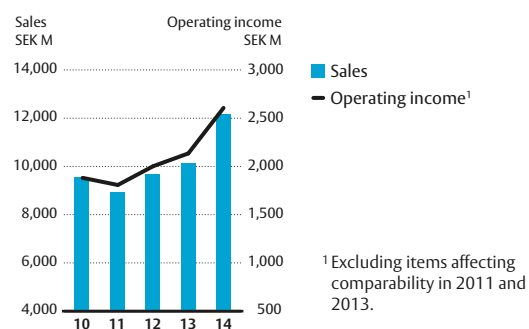
KEY FIGURES

SEK M	2013	2014
Income statement		
Sales	10,121	12,156
Organic growth, %	6	4
Operating income (EBIT) ¹	2,140	2,613
Operating margin (EBIT) ¹ , %	21.1	21.5
Capital employed		
Capital employed	10,475	12,909
– of which goodwill	7,319	9,000
Return on capital employed ¹ , %	22.7	23.1
Cash flow		
Cash flow ²	1,983	2,637
Average number of employees	6,726	7,193

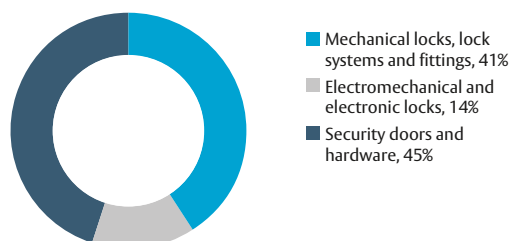
¹ Excluding items affecting comparability of SEK 18 M in 2013.

² Excluding restructuring payments.

SALES AND OPERATING INCOME



SALES BY PRODUCT GROUP



Continuing expansion with increased sales and earnings

Market expansion continued, with 12 percent sales growth. The high growth rate in China slowed, turning negative at the end of the year. The Australian market recovered strongly following a long downturn. South Korea continued to show good growth and demand increased strongly on Southeast Asian markets including India. The division continued to invest in increased market presence, with strategic acquisitions in India and China.

Report on the year

- Sales: SEK 8,336 M (7,420) with 1 percent organic growth.
- Operating income (EBIT) excluding restructuring costs: SEK 1,187 M (1,032).
- Operating margin: 14.2 percent (13.9).

Market development

The previous high growth rate in China slowed, turning negative at the end of the year. Despite a weaker market, the division won several large project orders for infrastructure expansion. ASSA ABLOY is responsible for total delivery of door opening solutions for China's highest building, with a height of 660 meters and a construction start in 2015, as well as hardware for 1.5 million windows for a housing project in a new green city, the division's largest ever order. The underlying growth factors in China, with its strong urbanization, industrialization and large demand for better housing, indicate continued increasing prosperity and good long-term growth in demand for the division's products.

Marketing and sales investments continued at a high level in Southeast Asian populous countries such as Vietnam, Indonesia and the Philippines with high growth potential. Pakistan was a new market during the year. The Indian market developed well with increased distribution networks and new product launches. The division won a large project order in the Indian oil sector based on a CLIQ solution.

Demand increased strongly in Australia following several years of weak growth, despite a continued downturn in the large mining sector. New Zealand saw strong growth during the year. The South Korean market in which the division has a high market share continued to grow. Export sales by the Group companies iRevo and King to countries in the region and other Group companies increased strongly, while there was high domestic demand for advanced digital locks, a segment in which the South Korean Group companies are global leaders.

Market presence

Market presence in China is gradually being strengthened through expanding marketing investments and acquisitions. ASSA ABLOY is the market leader, but faces tough competition from a very large number of small local companies. Consolidation is in progress in the wake of cost inflation and increased investment requirements in many areas, benefiting a global player like ASSA ABLOY. Demand for fire doors and digital locks is increasing rapidly, while growth in residential security doors has slowed. The division continued to make major investments in sales staff for specification of door opening solutions and in the training of distributors.

Expansion on the very large Indian market continues at a high rate. Market presence was strengthened during the year by expanding into new cities and expanding reach by 500 retail sales outlets. In addition, with the acquisition of ENOX, the division now have access to an additional 1,300 new retail outlets. The build-up



FACTS ON ASIA PACIFIC

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

Markets: China accounts for 50 percent of sales, South Korea and the rest of Asia for 20 percent, Australia and New Zealand for 20 percent, and exports to the rest of the world for 10 percent. The Asian countries are emerging markets without established security standards. New construction accounts for around three-quarters of sales. In China, the same types of lock, handle and hardware are often used in both homes and workplaces. The production units in China also supply ASSA ABLOY's

other divisions. Australia and New Zealand are mature markets with established lock standards. Renovations and upgrades account for the majority of sales.

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

Acquisitions 2014: Jiawei (China), Enox (India), Unilock (South Korea), and Digi Electronic Lock (China).

of specification teams continues with staff training and has resulted in a rapidly increasing number of contacts and orders from major commercial and institutional customers.

Investments in market presence continued at a high rate in the fast-growing and populous markets in Indonesia, Vietnam and the Philippines, and were complemented by a newly established representative office in Pakistan during the year.

The year saw the acquisition of Jiawei, one of China's largest security lock producers. The company had sales of SEK 500 M and 920 employees. The acquisition increases the division's distribution capacity and strengthens its presence in relation to important door manufacturers and on the growing aftermarket. Digi Electronic Lock, the leading Chinese digital door lock manufacturer, was acquired at the end of the year. The company's Keylock brand is the leader in digital door locks in China, with an extensive product range in the low to mid segments, providing a good complement to the division's premium products.

ASSA ABLOY also took its first major step in the fast-growing Indian market through its acquisition of ENOX, a lock and lock component company with sales of SEK 130 M, 220 employees and headquarters in Mumbai.

Product leadership

The regional demand trend for electromechanical and electronic solutions is strong. Digital lock sales are rising by double-digit percentages each year in China and Southeast Asia. The number of digital door lock distributors is also increasing sharply. ASSA ABLOY has clear product leadership with a hi-tech profile, and products launched in the past three years rose to 35 percent of total sales during the year. Investments in product development continue to increase and there are now 15 development centers with nearly 300 development engineers. Another growth trend is the increasing demand for sustainable or green products, and the division will strengthen its product leadership with a number of product launches in the coming years. China's program for green cities and housing is creating strong demand. The division has strengthened its own sustainability competence with a new organization and centralized responsibility for the whole region. A sustainability board monitors developments on the division's markets. The division's own sustainability initiatives have focused on water consumption and carbon emissions, resulting in good improvements during the year.

Cost-efficiency

The division's Chinese production plants, which employ around 9,000 people, account for a large share of the Group's production and employees. The number of production staff has been reduced by 35 percent over the past three years. The division continues to streamline the production structure with factory consolidation, process outsourcing and a focus on increased professionalization of sourcing. The year saw the continued expansion of organization and management to increase purchase categorization. At the same time the division is investing in increasingly automated production and more efficient flows. The focus on Lean methods and processes was strengthened during the year by a new Lean manager and staff training. These efficiency measures are necessary to meet increased cost pressure particularly from wage rises in China, but also to reduce the division's sensitivity to cyclical fluctuations, thereby improving margin development.



Market presence in China is gradually being strengthened through expanding marketing investments and acquisitions.

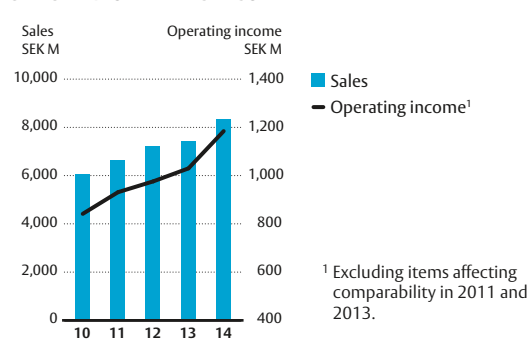
KEY FIGURES

SEK M	2013	2014
Income statement		
Sales	7,420	8,336
Organic growth, %	4	1
Operating income (EBIT) ¹	1,032	1,187
Operating margin (EBIT) ¹ , %	13.9	14.2
Capital employed		
Capital employed	7,436	9,810
– of which goodwill	4,311	7,931
Return on capital employed ¹ , %	16.3	14.2
Cash flow		
Cash flow ²	932	931
Average number of employees	14,243	13,439

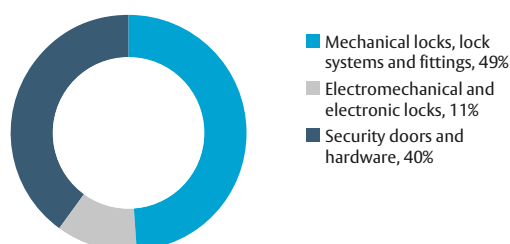
¹ Excluding items affecting comparability of SEK 183 M in 2013.

² Excluding restructuring payments.

SALES AND OPERATING INCOME



SALES BY PRODUCT GROUP



Key product launches create growth and profitability

The division launched several key products in interesting growth areas such as mobile keys, biometrics and secure identification, creating platforms for future growth. Sales were strong for HID's secure identity solutions for institutional customers and biometric solutions, positive for identity and access management, but negative for project orders. With strong sales growth in Hospitality, together with efficiencies and a cost focus, the division's good earnings and margin trend once again improved.

Report on the year

- Sales: SEK 7,207 M (6,472) with 1 percent organic growth.
- Operating income (EBIT) excluding restructuring costs: SEK 1,368 M (1,184), a 16 percent increase.
- Operating margin: (EBIT): 19.0 percent (18.3).

Global Technologies division consists of two business units: HID Global and ASSA ABLOY Hospitality.

HID GLOBAL

Market development

Sales continued to increase sharply in emerging markets such as China, Africa and Latin America and accelerated strongly in North America in the second half of the year after a sluggish start in the first half of the year. The European market was divided, with relatively strong demand in northern Europe, while southern Europe was considerably weaker. Following a very strong year for major project orders, demand fell back sharply in 2014. Demand from institutional customers in mature markets remains restrained in the light of ongoing budget restrictions, while secure identity sales to governments and institutional customers in Africa, Latin America and parts of Europe were strong. HID Global's solutions are now found in a large number of national programs for various types of ID cards, passports, driving licenses and vehicle registration. In addition, HID Global reader technology is used by the world's five largest electronic document reader suppliers in the government market.

HID Global's investments in emerging markets are clearly yielding positive results, with many institutional customers investing in advanced hi-tech secure identity

solutions, including biometric solutions. At the same time HID Global is experiencing strong demand for a number of new products and solutions, as a result of innovative product launches in areas such as mobile access and identity solutions, more efficient card printers, and new technology in access solutions combining physical access control with logical access control and other integrated solutions.

Market presence

HID Global has a strong global position in an increasingly global market for identity and access management. The latter is undergoing very rapid development due to advances particularly in communications technology, where digital mobile solutions are experiencing strong demand. HID Global is investing for the long term in a complete range of secure identity solutions. The emphasis is on unique offerings, a scalable ecosystem of security solutions, and a global partnering program.

For several years the market positioning strategy has prioritized significant investments in emerging markets and a sharp increase in the innovation rate. This year's acquisition of the U.S. company Lumidigm, active in biometric identification, has rapidly shown its value, not least in emerging markets where many national ID programs are now focusing on fingerprint identification, often to complement various code systems.

The acquisition of the U.S. company IdenTrust has helped strengthen the business offering with world-leading technology in digital authentication solutions for financial institutions, companies, healthcare and government agencies requiring the highest security level. The strategy also includes stronger segmentation, with sales teams that have contact with partners in the

FACTS ON GLOBAL TECHNOLOGIES

Offering: HID Global is a global leader in secure identity solutions, primarily in identity and access management, and in contactless identification technology solutions.

ASSA ABLOY Hospitality is a global leader in electronic lock systems and safes for hotels and cruise ships.

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

Brands: HID Global and VingCard.

Acquisitions 2014: Lumidigm and IdenTrust.



sales channels and end-users, and act as close advisers in designing security solutions.

Product leadership

HID Global has a very high investment rate in new products and solutions in the light of rapid technical developments particularly in communications technology. New products account for nearly 40 percent of annual sales. Development takes place at six Centers of Excellence with category responsibility in three continents and with intensive collaboration with other parts of the Group. HID Global develops complete ecosystems for customer segments such as manufacturing companies, the financial sector, government agencies, healthcare and educational institutions, with solutions for all parts of the value chain.

Working with open standards is an important principle, which facilitates the development of new solutions for upgrades of many different systems and adaptation to new technology and new applications. The business unit is an important development partner to many major players in the global IT industry and is actively involved in standards development.

HID Global is a market leader in fast-growing mobile access control technology. The hub is the Group's Seos technology, which is the world's first commercial ecosystem for digital identities on various platforms. During the year the business unit took a further step forward by utilizing Bluetooth Smart, which makes it possible to open a door from a distance combined with a patented gesture technology, 'Twist and Go'. A light twist with the cell phone opens an internal or external door. The solution was awarded a prize by a jury comprising both end-users and technology experts in the leading industry organization ASIS and has met with considerable interest, with deliveries to several customers in Europe and the USA during the year.

Facilities for personalizing identity and access solutions are an increasingly strong sales argument. HID Global has launched a number of new functions that facilitate customers in creating their own Seos-based solutions for smart cards or cell phones. Other new products and solutions launched during the year included a new, inexpensive card printer in the Fargo range designed for rapid, simple installation and production of various types of ID cards, loyalty cards, charge cards, and membership cards.

Cost-efficiency

HID Global's implementation of the Group's latest program for restructuring and consolidation of the production structure is in line with budget and ahead of schedule. The closure of five production and distribution plants will be implemented in the first quarter of 2015. The North American production center is now located in a newly built plant in Austin, Texas, and headquarters were also relocated there from Irvine, California during the year. The total security solution for the building and all input products and sub-solutions, ranging from internal and external doors and hinges to identity and access management, were supplied by ASSA ABLOY, a total of around 3,000 products. The plant has received several awards for sustainability performance, most recently LEED Platinum

Certification from the U.S. Green Building Council. The transition from four production units to a single integrated process in one plant has resulted in significant resource and cost savings. Sustainability initiatives continue to yield positive results, with lower energy, water and materials consumption as well as efficiencies, simplifications and savings due to Lean Production, Seamless Flow and VA/VE programs. Continuous sustainability audits of key suppliers now cover nearly 100 percent of the annual materials flow. The new production plant in Malaysia, which mainly supplies the fast-growing Asian markets, was certified to ISO 14001 and now produces 15 million units per month due to high automation.

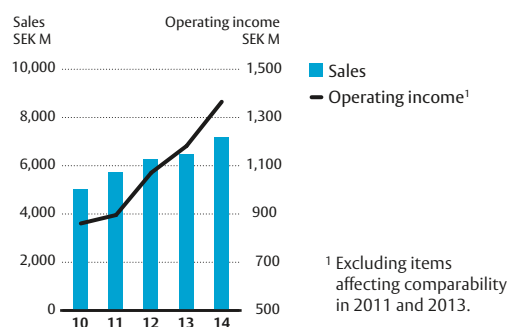
KEY FIGURES

SEK M	2013	2014
Income statement		
Sales	6,472	7,207
Organic growth, %	6	1
Operating income (EBIT) ¹	1,184	1,368
Operating margin (EBIT) ¹ , %	18.3	19.0
Capital employed		
Capital employed	6,114	8,239
– of which goodwill	4,511	5,984
Return on capital employed ¹ , %	19.7	19.6
Cash flow		
Cash flow ²	870	1,282
Average number of employees	3,136	3,331

¹ Excluding items affecting comparability of SEK 38 M in 2013.

² Excluding restructuring payments.

SALES AND OPERATING INCOME



SALES BY PRODUCT GROUP



HID GLOBAL

HID Global supplies solutions for secure identity creation and management to companies, healthcare, educational and financial institutions as well as government and state institutions. HID Global's open technology platforms provide significant customer benefits.

PRODUCT AND SERVICE OFFERING

Physical access control: Smart cards, card readers, visitor management, identity management, and HID's mobile access control solutions.

Secure issuance: Card printers, printer accessories and software.

Identity assurance: Smart cards, readers and software for credential management and digital certificates.

Biometrics: Multispectral imaging technology for fingerprint identification.

Government ID: Cards, eID cards, card printers, readers, software and professional services for government-issued credentials.

Mobil access control, Seos: Digital keys and reader technology for NFC and Bluetooth smartphones.

Identification technologies: RFID tags, readers and Trusted Tag services.

ASSA ABLOY HOSPITALITY

Report on the year

ASSA ABLOY Hospitality's sales growth continued in 2014, with improvements in profit and operating margins from a good level. Demand was high in the renovation and upgrade market, with considerable interest in more advanced technical solutions. Customer behavior is a clear example of the rapid market trend towards increasingly advanced electromechanical technology. For several years ASSA ABLOY Hospitality's marketing initiatives have focused on promoting the replacement or upgrade of installed lock systems based on magnetic stripe cards, where online wireless technologies are gaining ground.

The new construction market has been more subdued globally, but the rate of increase in the number of new hotel rooms rose during the year, as well as the number of construction starts.

The North American market showed good growth, which accelerated in the second half of the year. Europe, the Middle East and Africa continued to show a more mixed trend, with good growth in the Middle East and the United Kingdom. Emerging markets in Latin America showed good sales growth overall. The important Chinese market remained strong, while Australia and New Zealand weakened, partly due to the fall in room demand.

RFID (Radio Frequency Identification) locks increased during the year to nearly 90 percent of total deliveries. ASSA ABLOY Hospitality is the industry's global market leader. The technology provides an enhanced customer experience and improved security. Mobile access control solutions launched during the year further strengthen user-friendliness.

Market presence

Global market presence has gradually strengthened in recent years, with a presence and customers in all important markets. Sales have risen rapidly in new emerging markets due to targeted marketing initiatives. Market presence in China strengthened further during the year. South America is a key emerging market, with increased sales. Global market presence is considerably strengthened by the Group's innovation capacity in electromechanics, with rapidly increasing demand for electronic and mobile solutions. Consequently, the process of building ASSA ABLOY Hospitality as an overall brand is now also being accelerated, linking it to the Group's world-leading technical competence, while VingCard will be a product brand for locks and Elsafe a product brand for in-room safes.

Product leadership

The Group's common product development is an increasingly important competitive factor in keeping pace with customer demand for convenient hi-tech solutions.

ASSA ABLOY Hospitality's contract with Starwood Hotels & Resorts Worldwide, Inc. for a keyless access control system would not have been possible without collaboration with HID and the Group's mobile access development unit, ASSA ABLOY Mobile Keys. The system shell is based on the Group's Seos technology. ASSA ABLOY's mobile access solution is the world's first commercial ecosystem for digital keys on smartphones. The guest can check in and receive their electronic key using their cell phone. On arrival the guest can gain access to their hotel room with their cell phone.

ASSA ABLOY Hospitality develops technology roadmaps for several large global hotel chains and has regular technology meetings with major customers, strengthening customer relationships and knowledge sharing. Convenience and design are increasingly important dimensions in the offering. Recently developed Essence is the world's first 'invisible' door lock, with all components embedded in the door, creating totally new opportunities for design-conscious hotels. Essence is well positioned for increased activity in the new construction segment.

Another design-focused product is Allure, a hi-tech premium product – 'no lock on the door' – giving hotel designers extreme aesthetic flexibility in a luxury environment with wireless installation. Last year's launch of Orion for premium hotels was complemented this year by a simpler model for budget hotels. Sensors that can detect guest presence in the room and information from the door lock when the guest enters and exits the room allow Orion to efficiently manage energy consumption. The technology can contribute to energy cost savings of up to 20–30 percent.

Cost-efficiency

The relocation in recent years of component production was completed during the year. ASSA ABLOY Hospitality now has no component production in high-cost countries. The next stage is developing operations into a highly efficient, global logistics organization to exploit a continuing large potential for cost reductions. ASSA ABLOY Hospitality has 15 Seamless Flow teams working to streamline all the information flows affecting customers, suppliers, its own production and administration. All business units now use the same business management system, AX ERP, facilitating joint measures to reduce costs. External sourcing has increased sharply in recent years, helping to reduce costs, with the support of VA/VE methods and the application of 'should cost' methods. This work takes place in parallel with sustainability initiatives, and sub-contractors are supported and systematically audited for quality, flow, efficiency, social conditions and environmental projects in a lifecycle perspective.

ASSA ABLOY HOSPITALITY

ASSA ABLOY Hospitality manufactures and sells electronic lock systems, safes, energy management systems and minibars for hotels and cruise ships under the VingCard Elsafe brand. It is the world's best-known brand for lock systems and

in-room safes, with products installed in over seven million hotel rooms in more than 42,000 hotels worldwide.

Smartphones open doors at Vanderbilt University

■ **CUSTOMER:** Vanderbilt University, Nashville, US, has earned many distinctions, including Princeton Review's top ranking for colleges with the happiest students.

■ **CHALLENGE:** Administrators at Vanderbilt University wanted to understand and assess the value of mobile credentials in the university environment, and experience the process of issuing, managing and revoking mobile IDs to smartphones.

The university was interested in the benefits of HID Mobile Access, but also needed to be sure that the solution was easy to use and manage. Plus, while administrators wanted an innovative alternative to existing access cards, it was also important that the solution supported legacy cards and new smart card technology as well as the new mobile IDs.

■ **SOLUTION:** The HID Mobile Access solution that Vanderbilt piloted supports Bluetooth Smart and includes Mobile IDs, Mobile Apps, mobile-enabled iCLASS SE readers powered by Seos, and the HID Secure Identity Services portal for provisioning and revoking Mobile IDs to a variety of Apple and Android mobile devices.

Mobile-enabled iCLASS SE readers were deployed at 16 entry points, and the university was also able to use existing iCLASS smart cards with them. Pilot participants were able to open doors with a "tap" to the reader, or use their Bluetooth connection and HID Global's patented "Twist and Go" gesture technology to open doors as well as gates from a distance.



Collaboration for complete solution for new Parkland Hospital



■ **CUSTOMER:** Parkland Memorial Hospital, Dallas, US, was built in 1954. It needed a brand new facility to bring it up to modern standards.

■ **CHALLENGE:** The customer wanted the new 17-floor facility's doors and opening solutions to provide a modern, upscale feel. They also required solutions that would serve the unique requirements of the hospital environment: easy-cleaning doors that contribute to the sterile environment; key systems with long patent lives to eliminate duplication of keys; and secure areas for infants. The project parameters were immense – 9,000 openings, including up to 600 exit device openings and 1,200 card readers.

■ **SOLUTION:** ASSA ABLOY collaborated with two architectural firms, HDR and Corgan, and distributor partner Performance Door & Hardware.

Because of the internal collaboration, they were able to ensure that the doors (automatic, hollow, metal and thermal fused), hardware and other solutions worked together. By having a single point of contact working through all the manufacturers, it was easy to solve issues and offer one voice.

Working across divisions, ASSA ABLOY was able to offer a complete suite of products that met Parkland's requirements for design aesthetics, durability, sterility and security.

Market focus and product development strengthen growth

Organic growth was 4 percent with particularly strong growth on the U.S. market, while Europe remained weak but with signs of an incipient upturn on several markets. Australia and emerging markets in eastern Europe and Southeast Asia showed good sales growth. Demand slowed from a high level in China. Global industrial demand was strong for overhead sectional doors and high-performance doors with increased sales in Europe and North America, while the European residential segment showed negative growth. Following several years of high growth and a large number of acquisitions, 2014 saw a focus on consolidation, internal efficiency initiatives and a continued high innovation rate.

Report on the year

- Sales: SEK 15,409 M (12,237) with 4 percent organic growth.
- Operating income (EBIT) excluding restructuring costs: SEK 2,054 M (1,733).
- Operating margin: 13.3 percent (14.2).

Market development

The U.S. market developed strongly during the year, with very good sales growth in the residential, commercial, industrial and institutional markets. Market investments increased, with new construction and upgrades and rising demand for automatic, industrial and high-performance doors and loading dock solutions. Europe saw weakly increasing demand in industrial segments from a low level, while the residential market continued to show negative growth. Europe remains divided with strong growth in eastern Europe except Russia, a growing market in German-speaking countries, the UK and Scandinavia, and stable but continued weak demand in southern Europe. The Chinese market slowed slightly following several years of strong growth. Southeast Asia continued to grow strongly, while growth accelerated in Australia following a few weak years.

Nearly one-third of the division's sales are generated by the comprehensive service offering, with its high, regular sales that increased during the year. The division also services competitors' products and successfully

launched a new service concept, which provides significant cost savings for customers through preventive and improvement measures.

Market presence

The division has grown very strongly over the past few years, mainly through acquisitions. Sales have more than tripled since 2010. As a result, ASSA ABLOY has achieved a world-leading market position in entrance automation. The division is now geographically and technologically positioned for continued rapid global growth. Work continued during the year to integrate the acquisitions and consolidate the organization and the brand structure, to achieve a more market-oriented differentiation and specialization of the customer offering based on three marketing channels.

In the direct channel, total solutions for major customer segments such as retail, healthcare, manufacturing, distribution, logistics, transportation and mining are marketed under the ASSA ABLOY brand. Close cooperation with architects and technical consultants drives demand. A number of new, key product launches met with good demand in all business areas, resulting in increased market shares. A common, enhanced concept for the important service business was also launched. This is mainly aimed at upgrading and modernizing existing equipment to optimize performance and energy efficiency.

FACTS ON ENTRANCE SYSTEMS

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

Markets: Entrance Systems is a global leader with sales worldwide. It has sales companies in over 30 countries and distributors in 90 countries. Service operations account for nearly one-third of sales. The products are sold through three channels. In the direct channel, new equipment and comprehensive service

are sold direct to end-customers under the ASSA ABLOY brand. The indirect channel caters mainly to large and medium-sized distributors under the Entrematic brand. FlexiForce sells components and hardware for overhead sectional doors in the industrial and residential segments.

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

Acquisitions 2014: A number of smaller acquisitions were made during the year to strengthen market presence.



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

The third channel, indirect sales, targets local distributors and installers under the Entrematic brand. Entrematic has a complete offering in of sectional doors, loading dock solutions, high performance doors and entrance automation. Following the acquisition of Amarr (USA) in 2013, the division now has a very effective, broad offering for the important U.S. market. Marketing activities focus on product and customer segmentation, and an emphasis on Entrematic's complete offering to enhance customer value. Prioritized areas are innovative product development, high delivery reliability and an efficient sales process in which e-commerce is set to increase.

Strengthening presence in emerging markets, with the ambition of achieving a 25 percent share of the division's total sales, is an important task for the next three years. Investments in an expanded range of modern door opening solutions increased during the year, in order to raise the organic growth rate in these key markets.

Product leadership

The new product development organization established in recent years in the various business areas has substantially streamlined and increased the rate of new product development. The 2014 launch rate resulted in the division now exceeding the Group target for products launched in the past three years to account for 25 percent of sales. During the year the division launched several new product generations of sliding, swing, revolving, overhead sectional and high-performance doors on newly developed product platforms. These platforms provide great flexibility for differentiating the product range using modular solutions, with increased functionality and at a much more rapid rate. New product platform launches also result in less complexity and shorter lead times, reducing costs. Expertise is being developed through the build-up of technology centers in western Europe and the establishment of R&D capacity in eastern Europe and China.

Cost-efficiency

Following several years of high growth and a large number of acquisitions, consolidation of the production structure remained the focus of cost-efficiency initiatives. The division is relocating manufacturing from high-cost to low-cost countries, where production is concentrated in a small number of large factories for common basic components on global, modular platforms. Customized final assembly close to the customer takes place in high-cost countries to achieve more flexible and efficient regional distribution. During the year factory consolidation began in China and a new assembly plant was established in Turkey. Relocation of production capacity from the Netherlands to Hungary and from Spain to Romania also began. Development and streamlining of the division's processes continued at an undiminished rate. Coordinated sourcing continues to reduce the number of suppliers and increase efficiency. The application of Lean and Seamless Flow processes is spreading and intensifying, making increasing contributions to cost savings, as are VA/VE methods in product development in close cooperation with the production organization. Sustainability initiatives continued to reduce raw materials and energy consumption.



ASSA ABLOY Entrance Systems sliding doors provide convenient and aesthetic solutions.

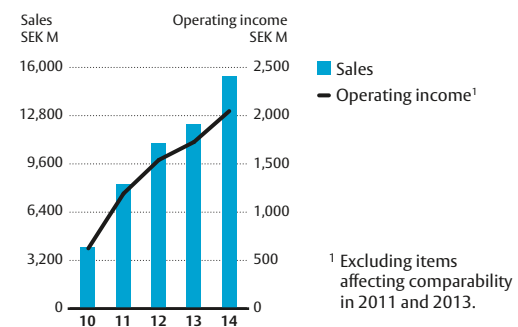
KEY FIGURES

SEK M	2013	2014
Income statement		
Sales	12,237	15,409
Organic growth, %	0	4
Operating income (EBIT) ¹	1,733	2,054
Operating margin (EBIT) ¹ , %	14.2	13.3
Capital employed		
Capital employed	14,592	16,245
– of which goodwill	9,282	9,615
Return on capital employed ¹ , %	12.1	13.1
Cash flow		
Cash flow ²	1,792	2,007
Average number of employees	8,191	9,420

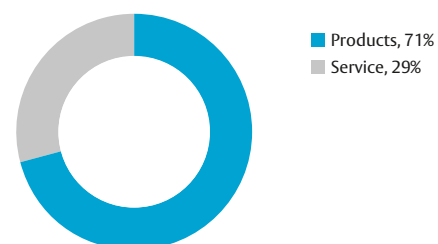
¹ Excluding items affecting comparability of SEK 313 M in 2013.

² Excluding restructuring payments.

SALES AND OPERATING INCOME



SALES BY PRODUCT GROUP



Demand for sustainable products and solutions is a commercial driver

The Group's strategies for growth and profitability underlie ASSA ABLOY's sustainability priorities and initiatives across the whole value chain – from product development to recycling. The Group's business opportunities linked to the demand for products and solutions with sustainability performance are growing every year.



The 2014 Sustainability Report, reporting on the Group's prioritized environmental activities and providing other information on sustainable development, is available on the company's website: www.assaabloy.com

Creating products and solutions with higher sustainability performance that help customers reduce resource consumption, and reducing the Group's own resource consumption through efficient production are very strong drivers for ASSA ABLOY. Sustainability initiatives support the Group's overall objectives. Managing and reducing business risks and managing business opportunities are part of meeting customer expectations. This includes focusing on product leadership, expanding in the market and creating value for the Group and customers.

Sustainability control

ASSA ABLOY's Group-wide Code of Conduct establishes the principles that the Group has defined for its employees, suppliers and external stakeholders. It is an important support in the Group's decentralized organization where important decisions are made close to the local market.

The Code is based on international guidelines and conventions and is available in 22 languages. All employees are included and undertake to comply with the Code

of Conduct. The Code of Conduct is a compulsory part of the induction of new employees. A new employee shall be introduced to its content within three months and then training should be repeated every three years. Whistle-blowing procedures are in place to enable all employees to report suspected infringements. Reported cases are investigated by a special committee headed by the Group's HR director. The procedure is described in detail in the Code of Conduct and on the Group's intranet.

Suppliers are informed of the Code of Conduct and and suppliers of direct material in low cost countries undertake in writing to comply with it in their collaboration with the Group. ASSA ABLOY monitors compliance with the Code of Conduct through internal audits and supplier audits. Action is taken in case of non-compliance with the Code.

Since 2011 the Group has had a Group-wide anti-corruption program including an anti-corruption policy and a number of activities that are implemented continuously, including risk analysis, employee training, and

¹ The historical numbers have been adjusted with proforma data.

² For comparable units. Total energy consumption amounted to 732 GWh including units acquired during the year and increased reporting.

³ For comparable units. Total consumption amounted to 1.7 tons including units acquired during the year and increased reporting.

⁴ For comparable units. The total injury rate (IR) was 6.4 including units acquired during the year and increased reporting.

⁵ For comparable units. The total injury lost day rate (ILDR) was 137 including units acquired during the year and increased reporting.

⁶ For comparable units. Number of certificates and corresponding certifiable systems for North American units amounted to 111. 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. Sales companies with ISO 14001 certification are included in reporting from 2012.

⁷ The definition of management positions has been revised during 2014. 2012 and 2013 have been restated to be comparable with 2014.

SOME OF THE RESULTS OF THE SUSTAINABILITY PROGRAM

Target	Results 2010	Results 2011	Results 2012	Results 2013	Results 2014	Trend
Energy consumption¹ – 15 percent reduction in consumption in 2015 compared with 2010, based on normalized values.	603 GWh	627 GWh	691 GWh	691 GWh	652 GWh ²	■
Organic solvents – Phase out all use of perchloroethylene and trichloroethylene.	32 tons	22 tons	20 tons	14 tons	1.7 tons ³	■
Health and safety⁷ 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: 7.6 ILDR: 157	IR: 9.2 ILDR: 182	IR: 9.1 ⁴ ILDR: 187 ⁵	IR: 7.2 ⁴ ILDR: 164 ⁵	6.6 ⁴ 142 ⁵	■ ■
ISO 14001 – Compliance at all factories with significant environmental impact.	69	75	100 ⁶	101 ⁶	108 ⁶	■
Suppliers – Sustainability appraisals – Code of Conduct requirement for all suppliers. Sustainability audits of suppliers in risk category.	376 sustainability audits in China	493 sustainability audits in Asia	795 sustainability audits in Asia	885 sustainability audits in Asia	812 sustainability audits in LCC	■
Gender equality⁷ – Improve current levels of gender equality at senior levels.	Level 2: 0% Level 3: 16% Level 4: 18% Level 5: 24%	Level 2: 0% Level 3: 15% Level 4: 19% Level 5: 26%	Level 2: 18% Level 3: 16% Level 4: 18% Level 5: 23%	Level 2: 27% Level 3: 12% Level 4: 19% Level 5: 24%	Level 2: 27% Level 3: 16% Level 4: 17% Level 5: 24%	■

internal control. In 2014 the focus was on implementing a third-party due diligence process for distributors within each division on markets where corruption is perceived to be higher. Further, the Group continued to conduct specific anti-corruption compliance testing at selected operating companies.

ASSA ABLOY's way of working

The Board of Directors has the overall responsibility, while the Executive Team is responsible for operational management of relevant sustainability issues and the Group's strategies.

The divisions and Group companies are responsible for compliance with the Code of Conduct and other policies, and providing feedback to headquarters. Appointed staff at divisional and company level monitor the availability and implementation of environmental guidelines, programs and tools. HR functions at Group and divisional level monitor the management of social and business ethical issues.

ASSA ABLOY provides information, guidelines and tools to support the Group companies in their daily work on relevant sustainability issues. A Group-wide database for reporting and monitoring sustainability initiatives collects good practice from Group companies. This database is a knowledge bank for everyone working in the area.

In 2013 ASSA ABLOY implemented a new Group-wide reporting system, which has simplified the integration of new companies and improved the quality of information. This has in turn facilitated monitoring, control and knowledge transfer.

A target-based activity

ASSA ABLOY's current sustainability targets are for the period 2010–2015. These targets include the Group's most important sustainability issues: water consump-

tion, chemicals management, energy efficiency, emissions of green house gases, sustainability performance in the supply chain, health and safety, employee issues, and overall sustainability control.

The Group has been successful in integrating acquired companies, which have to operate in accordance with the Group's targets. In 2014, 331 (327) companies were included in Group reporting, an increase of 1 (12) percent on 2013.

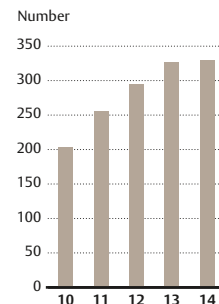
ASSA ABLOY has gradually increased the accuracy and the level of detail of internal reporting to increase control and ensure continuous progress with the Group's sustainability initiatives. Internal reporting takes place every six months.

ASSA ABLOY's customer offering

Contributing solutions that create customer value is crucial for retaining a strong market position, while having efficient processes is crucial for maintaining profitable growth.

Demand for products and solutions with a sustainability profile is increasing. Customers are turning

REPORTING UNITS 2014



The number of reporting units in the Group has increased to 331 (327).

SUSTAINABILITY INITIATIVES ARE INTEGRATED ACROSS THE VALUE CHAIN



Employees | Code of Conduct | Corporate Governance

INNOVATION

New products are evaluated using life cycle assessment (LCA) and the result forms the basis of the next development stage. The aim is to improve product performance and reduce resource consumption in manufacturing and transportation. Many new products save energy for customers through more efficient functions and intelligent control of various door opening solutions with advanced electromechanical technology.

SOURCING

The Group's suppliers in low-cost countries are audited from a sustainability perspective. Suppliers failing to comply with the Group's requirements have to make improvements or will otherwise be phased out.

MANUFACTURING

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

MARKET PRESENCE

ASSA ABLOY respects the laws and regulations concerning sustainability aspects and business ethics in the countries in which it operates, and requires all partners to do likewise.

CUSTOMERS

ASSA ABLOY should supply high-quality products that fulfill customer needs, have a long service life and are manufactured with minimal resource consumption and environmental impact over their life cycle.

Sustainable development

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

The application of certifications strengthens ASSA ABLOY's sustainability initiatives. Increased use of various certifications for sustainable and green construction has driven development and made these products more attractive.

At the end of 2014 ASSA ABLOY had developed Environmental Product Declarations (EPD) for all strategic product groups and more than 100 products will have achieved certification by the beginning of 2015. The Group has a clear ambition to grow the number of certified products.

Progress towards more sustainable products and solutions

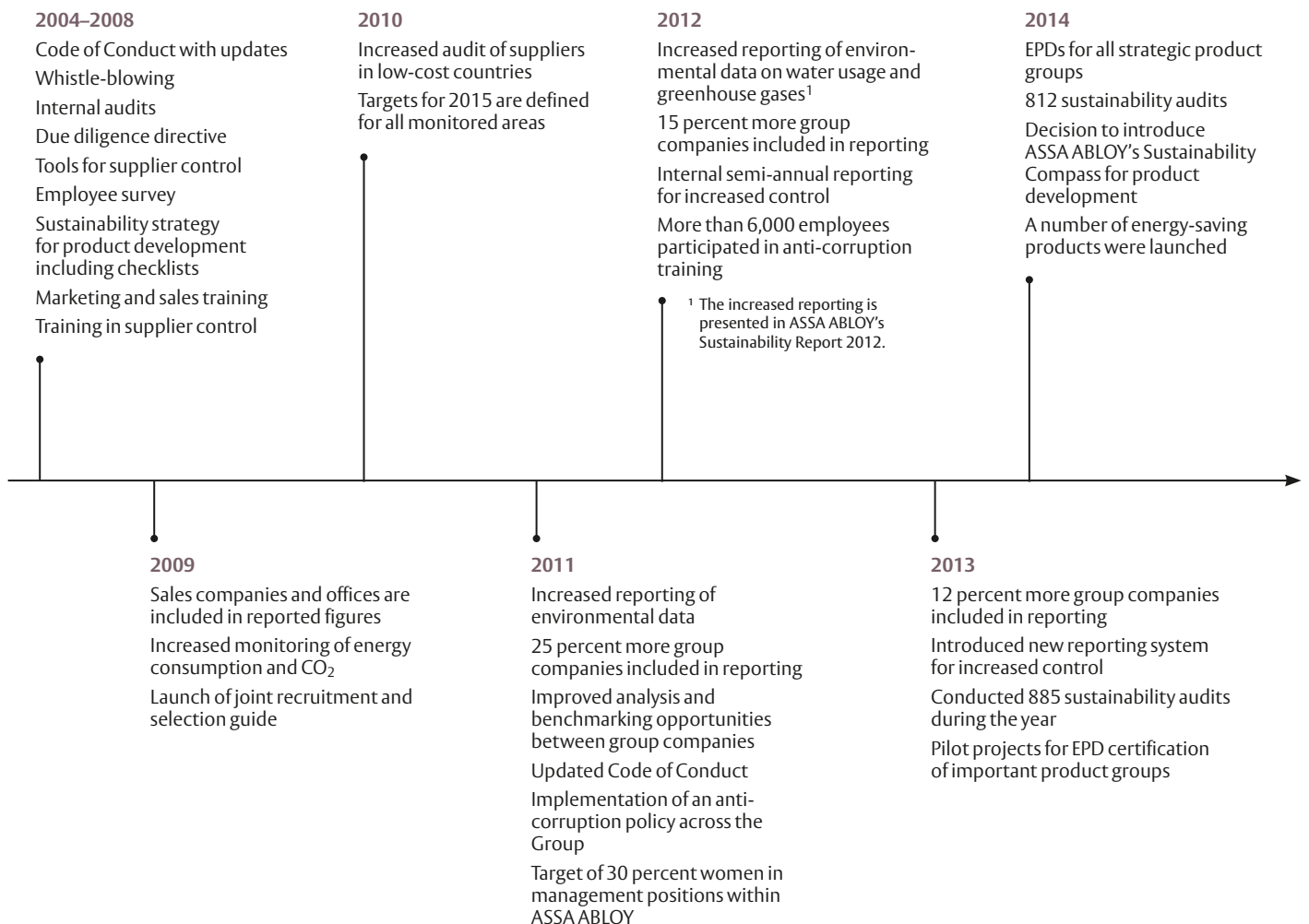
ASSA ABLOY has world-class product development. This requires a good knowledge of customer needs today and tomorrow, as well as knowledge of the product's total value chain. ASSA ABLOY takes account of relevant

sustainability parameters throughout the development process, which is common to the Group.

Product life cycle assessments and value analysis/ value engineering (VA/VE) provide ASSA ABLOY with knowledge that enables modification and development of products, with more efficient use of materials and reduced power consumption. Lower energy consumption is increasingly relevant as digital and electromechanical products and solutions are growing as a share of the Group's business. Product life cycle assessments have also provided ASSA ABLOY with knowledge of where the greatest environmental impact occurs. This is important knowledge when prioritizing resources.

ASSA ABLOY can reduce its total environmental impact and costs through a reduced and efficient use of water, chemicals, energy and materials in the production process. The Group's checklist provides a structured review of materials selection, design and manufacturing processes to make processes sustainable and efficient. Moreover, initiatives to reduce the amount of packaging materials for different customer groups and forms of delivery are important for more resource-efficient operations, including fuel consumption in transportation, particularly as transportation needs grow in pace with the Group's expansion.

SUSTAINABLE DEVELOPMENT PROGRAM IN BRIEF



Initiatives at Medeco produce dramatic savings



■ **CHALLENGE:** ASSA ABLOY's Group company Medeco's plating and finishing department was using about 12,000 gallons of water per day, rising to as much as 15,000 gallons per day based on the number of shifts and production needs. Water supplier costs were high and Medeco was identified as a "large" producer of wastewater by the state of Virginia. The company had to find a way to reduce wastewater and water usage.

■ **SOLUTION :** Plating and finishing manager Leslie Samuel has taken a practical approach to sustainability improvements and has reduced water

usage and cut costs. By capping overflow tanks, turning the water lines off during non-working hours, and optimizing the plating line's performance so fewer shifts were required, water usage has dramatically reduced from 12,000 gallons per day to just 1,000 gallons.

■ **RESULT:** A common sense approach has led Medeco to reduce the water used in its plating line by 93 percent. The initiatives have not only reduced water costs but also electricity, which together have reduced the operating costs of the plating line by 58 percent over the past two years.



Energy efficient doors for Australian cold store

■ **CUSTOMER:** Oxford Cold Storage provides temperature-controlled warehouse facilities for food manufacturers and importers. The company occupies a 450m x 510m site in Laverton North, Australia. The facility handles and stores frozen and chilled products at temperatures ranging from -27 °C to 18 °C.

■ **CHALLENGE:** With a sharp increase in electricity costs due to the introduction of carbon tax, Oxford was challenged to design and construct a facility that would increase capacity but at the same time minimize increases in power consumption – therefore meeting the targets set for an efficient and sustainable facility.

The main challenge in a cold store is to prevent the infiltration of warm and humid outside air and the leakage of refrigerated air. The facility has

more than 800 truck movements daily. The trucks are loaded and unloaded through 90 dock levelers leading into refrigerated loading docks.

■ **SOLUTION:** ASSA ABLOY Entrance Systems worked closely with Oxford to identify the best door solutions to meet the performance and sustainability needs of the new cold store extension.

The cold store extension has Albany RR300 Clean doors to all freezer openings, meeting the needs for a one-door solution in an extreme environment. Crawford sectional doors were used on all dock entries along with stepdocks, meeting the requirement for a well-sealed and insulated loading/unloading station.

Sustainable development

Development of supplier relations

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

ASSA ABLOY's suppliers are required to comply with its Code of Conduct. Quality and sustainability audits are carried out before new suppliers are approved. Suppliers deemed to be in a risk category are prioritized for audit.

The audit program is constantly being upgraded and third-party audit was introduced in 2014, while geographical coverage was increased. Supplier audits are based on the Code of Conduct. Areas monitored include wages, overtime, noise levels, protective equipment, chemicals management, accident reporting, environmental management systems, and health and safety training.

Any supplier failing to comply with these requirements is requested to make necessary improvements in accordance with an action plan. The contract is terminated unless this plan is complied with.

Supplier selection process

The process has three stages:

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

The supplier is evaluated and graded using a color coding system. Green means the supplier is approved. Yellow, orange and purple mean that the supplier is underperforming to various extents and needs to improve within a specific time frame, while red means the supplier is not approved.

A red, purple, orange or yellow rating can be upgraded, if the supplier improves in line with an action plan. If no action is taken, the supplier is immediately classed as red. Suppliers rated red are put on new business hold. If not improved within agreed period of time, all purchasing is stopped. ASSA ABLOY monitors approved suppliers. Sustainability audit results override quality audit results with respect to non-compliance. This means that a supplier rejected for poor management of relevant sustainability issues is either stopped immediately or must wait for approval until the deficiencies have been addressed.

Audits conducted

In 2014 ASSA ABLOY conducted 812 (885) sustainability audits. At year-end, 1,053 (994) active suppliers had satisfied the minimum requirements for quality and relevant sustainability issues. This correspond to an audited spend in excess of 95 percent in Asian low-cost countries. 43 (31) suppliers were blacklisted.

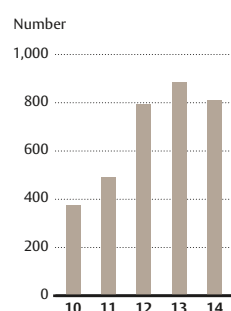
ASSA ABLOY's supplier database

Over 95 (95) percent of the Group's supplier costs in low-cost countries are included in ASSA ABLOY's database.

Suppliers are listed, graded and monitored in the supplier database. Audit reports on both quality and relevant sustainability issues are regularly entered into the database. Information on green-rated suppliers is entered to enable delivery to several group companies.

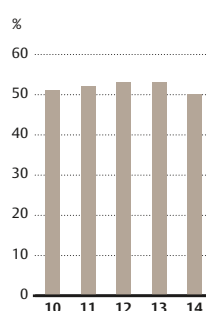
The database also lists non-approved and blacklisted suppliers to ensure that they are not used again.

SUSTAINABILITY AUDITS OF SUPPLIERS IN LOW-COST COUNTRIES



In 2014 ASSA ABLOY conducted 812 (885) sustainability audits.

SHARE OF TOTAL PURCHASES IN LOW-COST COUNTRIES



The share of the Group's total purchases of raw materials, components and finished goods from low-cost countries has risen to 50 percent.

More efficient production

Energy and carbon emissions

ASSA ABLOY is striving to reduce energy consumption and carbon emissions. The Group is working in several areas to reduce energy consumption. By concentrating manufacturing the Group can maintain full capacity utilization, effective working practices and processes, and high quality. Automation and smarter flows are central for achieving more efficient production.

Cooperation with innovation, product design and product development leads to a use of materials and processes with less environmental impact. In addition to energy consumption, materials selection for the product itself and the production process are important for the ability to reduce carbon emissions.

Water consumption

Efforts to improve water use efficiency have focused on plants with surface treatment processes, which account for the bulk of consumption. Technical improvements in the purification and reuse of water in the production process have reduced water consumption. Increased reporting has been an important tool for better monitoring and clearer priorities.

Waste management

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

Hazardous chemicals

ASSA ABLOY works constantly to reduce the use of hazardous substances in the production process and find substitutes for them. Most production plants have successfully phased out chlorinated organic solvents.

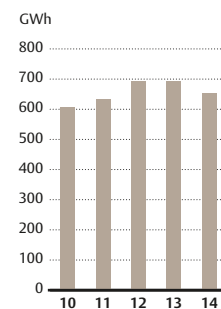
Health and safety

ASSA ABLOY should offer a safe working environment and has a zero vision for accidents at work. The goal is to create a culture in which each individual contributes to and has a safe workplace and good health. In 2014 the Group's positive trend continued and the number of accidents fell.

ASSA ABLOY has defined targets intended to lead to a safer working environment. More stringent safety procedures have been implemented in all units and reporting has been refined.

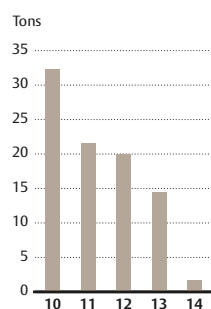
Health and safety audits are included in the internal audits, and risk assessment is carried out routinely. Accident reporting and analysis are used to identify preventive measures.

ENERGY USE



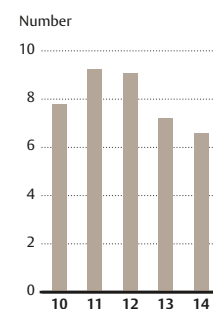
2014 represents development for comparable units from 2013.

USE OF CHLORINATED ORGANIC SOLVENTS (PER AND TRI)



2014 represents development for comparable units from 2013.

INJURIES PER MILLION HOURS WORKED



2014 represents development for comparable units from 2013.

Sustainable development

Employees generate success

ASSA ABLOY should be an attractive company to work for. The Group has great confidence in its employees. Each employee has responsibility for their professional development. It is important that all employees feel that they contribute. ASSA ABLOY is investing globally and locally to offer stimulating assignments with clear responsibility, good development opportunities, and a positive, engaging work situation.

Career and common goals

Motivated, competent employees are key prerequisites for an innovative and profitable company. It is up to the individual to take responsibility for their career. A basic principle of ASSA ABLOY's recruitment policy is to give priority to internal candidates provided they have equal qualifications to external applicants. Competition for talent is intensifying and the Group needs to secure competence to support the digitization of both products and production. All job vacancies are advertised on the Group's global intranet to encourage and facilitate internal mobility. Recruitment takes place locally in the majority of cases.

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

Gender equality and diversity

ASSA ABLOY's ambition is to achieve a better gender balance at all levels in the organization. In 2011 the Group set a target of 30 percent women in management positions at levels 2 to 5 by 2020. In 2014 the share was 22 (22) percent. The Group's gender equality policy serves as guidance. The trend in the share of women at management level is monitored 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.

ASSA ABLOY's global presence, many company acquisitions and local recruitment create diversity. The Group's Code of Conduct states that gender, religion, age, physical disability, sexual orientation, nationality, political opinion or social and ethnic origin must not be the basis for negative discrimination.

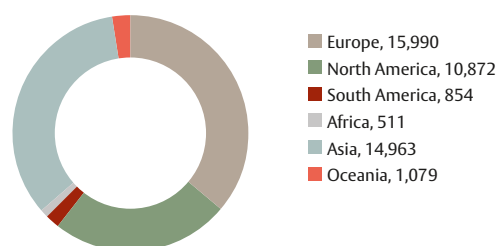
Growing with care

ASSA ABLOY is an acquisition-intensive Group, and it is important to monitor how new units are operating in relation to ASSA ABLOY's Code of Conduct and policies. Third-party social audits are therefore conducted. These audits cover areas such as working conditions, human rights, work environment, workplace culture and skills development. Where warranted the audits lead to improvement measures. In 2014 audits were conducted at production plants in China and Romania.

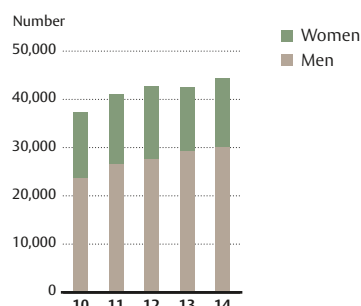
ASSA ABLOY's Employee Survey

ASSA ABLOY's Employee Survey was carried out in 2014. In a decentralized organization, it is an effective tool for obtaining information on employees' opinion of the Group. Areas covered by the survey include: employees' views on their work situation, how they perceive ASSA ABLOY as an employer, how they experience health and safety in the workplace, whether they consider they have equal opportunities, and whether a career appraisal has been conducted. The response rate for 2014 was 89 percent. The survey showed a better result

NUMBER OF EMPLOYEES BY REGION



AVERAGE NUMBER OF EMPLOYEES



WOMEN AT DIFFERENT LEVELS OF THE ORGANIZATION

Level	Share of women, %				
	2010	2011	2012 ¹	2013 ¹	2014
2 – reports to CEO	0	0	18	27	27
3 – reports to level 2	16	15	16	12	16
4 – reports to level 3	18	19	18	19	17
5 – reports to level 4	24	26	23	24	24
Level 2–5	–	24	22	22	22
All employees	37	35	35	31	31

¹ The definition of management positions has been revised during 2014. 2012 and 2013 have been restated to be comparable with 2014.

for several questions, compared with 2012. The results are broken down into over 301 (275) units to enable concrete action plans with relevance for employees.

Leadership and management training

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

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

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

Over 300 of ASSA ABLOY's senior managers from more than 30 countries have taken part in IMD programs since 2005, when ASSA ABLOY began collaboration with the world-leading Swiss business school IMD in Lausanne. The Boosting Market Leadership Program has been offered since 2011, with around 30 participants per program. This is a tailor-made program developed in collaboration with IMD. Its main aim is to support the implementation of ASSA ABLOY's strategies, with a

focus on problem solving, implementation and activities based on an analysis of various case studies.

Employee development

Annual performance reviews are important for monitoring and planning employee development. They provide a platform for professional development with ongoing feedback. ASSA ABLOY considers that a well-functioning internal labor market and rotation across geographical boundaries and disciplines are key components for employee development. They also contribute to knowledge, experience and values being shared across the Group. ASSA ABLOY will launch two new development initiatives in 2015, targeting all employees. The Group also supports short-term assignments and projects where an exchange competence opportunity exists.

External dialogue on sustainability

Shareholders, investors, analysts, customers, suppliers, employees, local communities, NGOs and the media are particularly important stakeholders in ASSA ABLOY's sustainability initiatives. The Group's policy of openness means that it listens to these stakeholders and takes on board their views.

Since 2005 ASSA ABLOY has held an annual roundtable discussion with investors on ASSA ABLOY's management of relevant sustainability issues. This is a valuable forum for an open discussion. In 2014 requests were made for more externally available information on suppliers in low-cost countries and consideration of sustainability aspects in the acquisition process, and anti-corruption. Interest in how ASSA ABLOY manages sustainability aspects in the innovation process has increased over the years. The commercial value has become both clearer and more relevant.

Romanian site looks to develop local skills

■ **CHALLENGE:** As a major employer in the area, ASSA ABLOY Entrance Systems in Hunedoara, Romania, is looking for ways to be a responsible and approachable member of the community by recruiting employees from the locality.

■ **SOLUTION:** Recruiting talented young people from the local community is being facilitated thanks to an apprentice program.

Fifteen teenagers from a local high school have begun apprenticeships as welders at the Hunedoara manufacturing plant. The three-year program teaches students a marketable trade that will make them highly employable in a variety of manufacturing environments when they complete the program.

■ **RESULT:** Firstly, students received a guided tour of the factory and an explanation of how products are manufactured, as well as information on workplace health and safety rules that must be followed when they are on site each week. Upon completion of their apprenticeships in three years' time, the local students will be certified welders with experience working in a multi-national company and the potential to be hired as employees of ASSA ABLOY Entrance Systems in Hunedoara.



Report of the Board of Directors and Financial statements

Contents

Report of the Board of Directors	63	Notes	
Significant risks and risk management	65	1 Significant accounting and valuation principles	90
Corporate governance	68	2 Sales	96
<i>Board of Directors</i>	72	3 Auditors' fees	96
<i>Executive Team</i>	74	4 Other operating income and expenses	96
Remuneration guidelines for senior management	77	5 Share of earnings in associates	96
Sales and income	78	6 Operating leases	96
Consolidated income statement and Statement of comprehensive income	79	7 Expenses by nature	97
Comments by division	80	8 Depreciation and amortization	97
Results by division	81	9 Exchange differences in the income statement	97
Financial position	82	10 Financial income	97
Consolidated balance sheet	83	11 Financial expenses	97
Cash flow	84	12 Tax on income	97
Consolidated cash flow statement	85	13 Earnings per share	97
Changes in consolidated equity	86	14 Intangible assets	98
Parent company financial statements	88	15 Tangible assets	100
		16 Shares in subsidiaries	101
		17 Investments in associates	101
		18 Deferred tax	102
		19 Other financial assets	102
		20 Inventories	102
		21 Trade receivables	102
		22 Parent company's equity	102
		23 Share capital, number of shares and dividend per share	102
		24 Post-employment employee benefits	103
		25 Other provisions	105
		26 Other current liabilities	105
		27 Accrued expenses and deferred income	105
		28 Contingent liabilities	105
		29 Assets pledged against liabilities to credit institutions	105
		30 Business combinations	106
		31 Assets of disposal group classified as held for sale and discontinued operations	107
		32 Cash flow	107
		33 Employees	108
		34 Financial risk management and financial instruments	110
		Comments on five years in summary	116
		Five years in summary	117
		Quarterly information	118
		Definitions of key ratios	119
		Proposed distribution of earnings	120
		Auditor's report	121

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 to 31 December 2014. 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 56,843 M (48,481), with organic growth of 3 percent (2) and acquired growth of 9 percent (4). The exchange rate impact on sales was 5 percent (-2).

Operating income (EBIT) excluding restructuring costs rose 17 percent to SEK 9,257 M (7,923), equivalent to an operating margin of 16.3 percent (16.3). Net financial items were SEK -559 M (-542). Income before tax excluding restructuring costs totaled SEK 8,698 M (7,381).

Operating cash flow excluding restructuring payments remained strong and amounted to SEK 8,238 M (6,803), an increase of 21 percent. Earnings per share after full dilution excluding restructuring costs amounted to SEK 17.38 (14.84), an increase of 17 percent.

Restructuring

The activity level in the restructuring programs launched in previous years remained high during the year. At year-end 2014, 9,414 employees had left the Group as a result of the changes in the production structure since the programs began, of which 1,056 employees left during the year. A total of 64 production plant closures have been implemented, of which seven closures during the year. A large number of plants in high-cost countries have switched from production to final assembly. A total of 36 offices have also closed during the equivalent period, of which eight closures during the year. The Group's production is increasingly concentrated in its own plants in China, central and eastern Europe and to external suppliers in low-cost countries.

Payments related to the restructuring programs totaled SEK 453 M (647) for the full year. At year-end 2014, the remaining provisions for restructuring measures amounted to SEK 941 M (1,369).

Acquisitions and divestments

On 10 February 2014, 100 percent of Lumidigm (USA) was acquired, a leading player in the fast-growing biometric segment. The acquisition significantly advances the Group's position in biometrics and will create further growth opportunities for ASSA ABLOY. The company is headquartered in Albuquerque, New Mexico.

On 1 December 2014, 95 percent of the share capital in Jiawei (China) was acquired, one of China's leading security lock suppliers. The company broadens ASSA ABLOY's presence in the OEM channel to door manufacturers and provides complementary access to the growing security lock and cylinder aftermarket in China. Jiawei is another important step in the strategy of increasing market presence in China and on other emerging markets. The company is headquartered in Jinhua, Zhejiang province, eastern China.

On 29 December 2014, 51 percent of the share capital in Digi Electronic Lock was acquired, the leading Chinese digital door lock manufacturer. Keylock is the leading digital door lock brand in China, with an extensive product range in the low to mid segments, providing a good complement to ASSA ABLOY's premium products. Digi Electronic Lock is a very good addition to the current offering in the fast-growing digital door lock segment. The company is headquartered in Guangzhou, southern China.

The year also saw continued acquisitions on emerging markets, including ENOX (India) and Metalika and Silvana (Brazil). These acquisitions increase ASSA ABLOY's presence on the Indian and Brazilian markets.

A total of 20 acquired businesses, including minor acquisitions, were consolidated during the year. The total purchase price of these acquisitions was SEK 4,669 M, and acquisition analyses indicate that goodwill and other intangible assets with an indefinite useful life amount to SEK 4,151 M.

In December 2014, ASSA ABLOY signed an agreement to acquire ODIS (Chile). The acquisition forms part of the general strategy of strengthening the Group's market presence on emerging markets worldwide.

Research and development

ASSA ABLOY's expenditure on research and development during the year totaled SEK 1,545 M (1,390), equivalent to 2.7 percent (2.9) 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. The subsidiaries ASSA AB and ASSA OEM AB are actively addressing environmental issues and are certified in accordance with ISO 14001. Crawford Entrance Solutions also carries on licensable and notifiable activities in Gothenburg and Strömstad.

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 2014 Sustainability Report, reporting on the Group's prioritized environmental activities and providing other information on sustainable development, is available on the company's website: www.assaabloy.com.

Transactions with related parties

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

Significant events after the financial year-end

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

Outlook

Long-term outlook

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

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

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 and brand positioning. 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 naturally 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.

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

Operational risks

Operational risks comprise risks directly attributable to business operations, with a potential impact on the Group's financial position and performance. They include legal and environmental risks, acquisition of new businesses, restructuring measures, availability and price fluctuations of raw materials, and customer dependence etc. 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 67 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 of Directors, regulates the allocation of responsibilities and

STRATEGIC RISKS

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

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

OPERATIONAL RISKS

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

- Legal and environmental 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

control of the Group's financing activities. Group Treasury has the main responsibility for financial risks within the framework established in the financial policy. A large number of financial instruments are used in this work. Accounting principles, risk management and risk exposure are described in more detail in Notes 1 and 34, 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 borrowing and a high credit rating. The risk is further reduced by substantial unutilized confirmed credit facilities.

Currency risk

Since ASSA ABLOY sells its products in countries worldwide and has companies in a large number of countries, the Group is exposed to the effects of exchange rate fluctuations. These fluctuations affect Group earnings when the income statements of foreign subsidiaries are translated to Swedish kronor (translation exposure), and when products are exported and sold in countries outside the country of production (transaction exposure). Translation exposure is primarily related to earnings in USD and EUR. This type of exposure is not hedged. Currency risk in the form of transaction exposure, i.e. the relative values of exports and imports of goods, is relatively limited in the Group, even though it is expected to increase over time due to rationalization of production and sourcing. In accordance with financial policy, the Group only hedged a very limited part of current currency flows in 2014. As a result, exchange rate fluctuations had a direct impact on business operations.

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

Interest rate risk

With respect to interest rate risks, interest rate changes have a direct impact on ASSA ABLOY's net interest expense. The net interest expense is also impacted by the size of the Group's net debt and its currency composition. Net debt was SEK 22,327 M (19,595) at year-end 2014. Debt 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 variable-rate and fixed-rate loans, various interest rate derivatives are used to adjust interest rate sensitivity.

Credit risk

Credit risk arises in ordinary business 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 2014, ASSA ABLOY had obligations for pensions and other post-employment benefits of SEK 7,049 M (5,440). The Group manages pension assets valued at SEK 4,103 M (3,425). Provisions in the balance sheet for defined benefit and defined contribution pension plans and post-employment healthcare benefits totaled SEK 2,946 M (2,015). Changes in the value of assets and liabilities from year to year are due partly to the development of equity and debt capital markets and partly to the actuarial assumptions made. Significant remeasurement of obligations and plan assets is recognized on a current basis in the balance sheet and in other comprehensive income. The assumptions made include discount rates, as well as anticipated inflation and salary increases.

Operational risks	Risk management	Comments
Legal risks	<p>The Group continuously monitors anticipated and implemented changes in legislation in the countries in which it operates.</p> <p>A group-wide legal policy has been implemented, specifying the legal framework in which business operations may be conducted.</p> <p>Ongoing and potential disputes and other legal matters are reported regularly to the Group's central legal function.</p> <p>Guidelines and policies on compliance with current competition, export control and anti-corruption legislation have been implemented. Legal risks associated with property and liability issues are continually evaluated.</p>	At year-end 2014 there are considered to be no outstanding legal disputes that may lead to significant costs for the Group.
Environmental risks	Ongoing and potential environmental risks are regularly monitored in the operations. External expertise is brought in for environmental assessments when necessary.	Prioritized environmental activities and other information on sustainable development are reported in the Group's Sustainability Report.
Acquisition of new businesses	<p>Acquisitions are carried out by a number of people with considerable acquisition experience and with the support of, for example, legal and financial consultants.</p> <p>Acquisitions are carried out according to a uniform and predefined group-wide process. This consists of four documented phases: strategy, evaluation, implementation and integration.</p>	The Group's acquisitions in 2014 are reported in the Report of the Board of Directors and in Note 30, Business combinations.
Restructuring measures	<p>The restructuring programs are carried on as a series of projects with stipulated activities and schedules.</p> <p>The various projects in the respective restructuring program are systematically monitored on a regular basis.</p>	The scope, costs and savings of the restructuring programs are presented in more detail in the Report of the Board of Directors.
Price fluctuations and availability of raw materials	<p>Raw materials are purchased and handled primarily at division and business unit level.</p> <p>Regional committees coordinate these activities with the help of senior coordinators for selected material components.</p>	For further information about procurement of materials, see Note 7, Expenses by nature.
Credit losses	<p>Trade receivables are spread across a large number of customers in many markets. No individual customer in the Group accounts for more than 10 percent of sales.</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.
Insurance risks	<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.
Risks relating to internal control of financial reporting	<p>The organization is considered to be relatively transparent, with a clear allocation of responsibilities.</p> <p>Instructions about the allocation of responsibilities, authorization and other internal control procedures are laid down in an internal control manual. Compliance with internal control is evaluated annually for all operating companies.</p>	Internal control and other related issues are reported in more detail in the Report of the Board of Directors, section on Corporate governance.
Risks relating to financial reporting	<p>A well-established Controller organization at both division and Group level analyzes and monitors financial reporting quality.</p> <p>An annual internal audit of financial reporting is performed for selected group companies on a rotating basis.</p>	See also the section 'Basis of preparation' in Note 1. Further information on risk management relating to financial reporting can be found in the Report of the Board of Directors, section on Corporate governance.

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 Stockholm.

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

This Corporate Governance Report has been prepared as part of ASSA ABLOY's application of the Swedish Code of Corporate Governance. The report is audited by ASSA ABLOY's auditor. ASSA ABLOY reports no deviations from the Swedish Code of Corporate Governance for 2014.

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

1 Shareholders

At year-end, ASSA ABLOY had 17,720 shareholders (17,199). The principal shareholders are Investment AB Latour (9.5 percent of the share capital and 29.5 percent of the votes) and Melker Schörling AB (3.9 percent of the share capital and 11.5 percent of the votes). Foreign shareholders accounted for around 65 percent (67) of the share capital and around 44 percent (46) of the votes. The ten largest shareholders accounted for around 35 percent (37) of the share capital and 56 percent (57) of the votes. For further information on shareholders, see page 123.

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

Share capital and voting rights

ASSA ABLOY's share capital amounted at year-end to SEK 370,858,778 distributed among 19,175,323 Series A shares and 351,683,455 Series B shares. The total number of votes was 543,436,685. 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, among other things, been to secure the company's undertakings in connection with its long-term incentive programs (LTI). The 2014 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 600,000 (600,000) Series B shares after repurchase. These shares account for around 0.2 percent (0.2) of the share capital and each share has a par value of SEK 1.00. The purchase consideration amounted to SEK 103 M (103). No shares were repurchased in 2014.

Share and dividend policy

ASSA ABLOY's Series B share is listed on the Nasdaq Stockholm Large Cap list. At year-end ASSA ABLOY's market capitalization amounted to SEK 153,832 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.

Important external rules and regulations

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

Important internal rules and regulations

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

Corporate governance structure



2 General Meeting

Shareholders' rights to decide on the affairs of ASSA ABLOY are exercised at the General Meeting. Shareholders who are registered in the share register on the record date and have duly notified their intention to attend are entitled to take part in the General Meeting, either in person or by proxy. Resolutions at the General Meeting are normally passed by simple majority. For certain matters, however, the Swedish Companies Act prescribes that a proposal should be supported by a higher majority. Individual shareholders who wish to 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 members of the Board of Directors 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.

2014 Annual General Meeting

The Annual General Meeting in May 2014 was attended by shareholders representing 60.4 percent of the share capital and 73.0 percent of the votes.

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

The 2014 Annual General Meeting approved a dividend of SEK 5.70 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 2014) for senior management and other key staff in the Group, as well as appointing members of the Nomination Committee prior to the 2015 Annual General Meeting.

3 Nomination Committee

The Nomination Committee prior to the 2015 Annual General Meeting comprises Gustaf Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur fonder) and Anders Oscarsson (AMF and AMF fonder). Gustaf Douglas is Chairman of the Nomination Committee. If a shareholder represented by one of the members of the Nomination

Committee ceases to be among the major shareholders in ASSA ABLOY, the Committee has the right to appoint another representative of one of the major shareholders to replace such a member. The same applies if a member of the Nomination Committee ceases to be employed by such a shareholder or leaves the Nomination Committee before the 2015 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, the Vice Chairman and other members of the Board of Directors, the appointment of the auditor, the election of the Chairman of the Annual General Meeting, the appointment of the Nomination Committee prior to the Annual General Meeting, and fees and associated matters.

Prior to the 2015 Annual General Meeting, the Nomination Committee 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.

Shareholders wishing to submit proposals to the Nomination Committee can do so by e-mailing: nominationcommittee@assaabloy.com.

The Nomination Committee's proposals for the 2015 Annual General Meeting are published at the latest in conjunction with the formal notification of the Annual General Meeting, which is expected to be issued around 1 April 2015.

4 Board of Directors

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

Report of the Board of Directors

Corporate governance

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 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 is sent to all members of the Board of Directors.

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

Board of Directors' composition

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

Board of Directors' work in 2014

During the year the Board of Directors held nine meetings (five scheduled meetings, one statutory meeting and three extraordinary meetings). One board member was absent at two meetings. All board members were present at the other meetings. At the scheduled board meetings, the CEO

reported on the Group's performance and financial position, including the outlook for the coming quarters. Investments, acquisitions and divestments were also discussed. 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 comprised a number of acquisitions, including Jiawei, Digi Electronic Lock and Silvana. During the year, the Board conducted in-depth reviews of the Group's operations in Americas division and Global Technologies division's HID Global business unit, and visited Asia Pacific division's operations in Seoul, South Korea.

5 Remuneration Committee

During 2014 the Remuneration Committee comprised Lars Renström (Chairman), Jan Svensson 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 prior to the 2015 Annual General Meeting is set out on page 77.

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

The Committee held one meeting in 2014 at which all members were present.

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 2015. The meetings of the Committee are minuted and a verbal report is given at board meetings.

6 Audit Committee

During 2014 the Audit Committee comprised Ulrik Svensson (Chairman), Birgitta Klasén and Jan Svensson.

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 2014 at which all members, the company's auditor and representatives of senior management were present. More important matters dealt with by the Audit Committee during the year included internal control, financial statements and valuation matters, tax matters, insurance and risk management matters, and legal risk areas. The meetings of the Committee are minuted and a verbal report is given at board meetings.

Remuneration of the Board of Directors

The Annual General Meeting passes a resolution on the remuneration to be paid to board members. The 2014 Annual General Meeting passed a resolution on board fees totaling SEK 4,850,000 (excluding remuneration for committee work), to be allocated between the members as follows: SEK 1,600,000 to the Chairman, SEK 750,000 to the Vice Chairman, and SEK 500,000 to each of the other members elected by the Annual General Meeting and not employed by the company. As remuneration for committee

work, the Chairman of the Audit Committee is to receive SEK 250,000, the Chairman of the Remuneration Committee SEK 100,000, members of the Audit Committee (except the Chairman) SEK 125,000, and members of the Remuneration Committee (except the Chairman) 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 2014, see Note 33.

Independence of the Board of Directors

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

Name	Position	Independent of the company and its management	Independent of the company's major shareholders
Lars Renström	Chairman	Yes	Yes
Carl Douglas	Vice Chairman	Yes	No
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
Jan Svensson	Board member	Yes	No
Ulrik Svensson	Board member	Yes	No

The Board of Directors' composition and shareholdings

Name	Position	Elected	Born	Remuneration Committee	Audit Committee	Series A shares ¹	Series B shares ¹
Lars Renström	Chairman	2008	1951	Chairman	–	–	10,000
Carl Douglas	Vice Chairman	2004	1965	–	–	13,865,243	21,300,000
Birgitta Klasén	Board member	2008	1949	–	Member	–	7,000
Eva Lindqvist	Board member	2008	1958	–	–	–	2,300
Johan Molin	Board member, President and CEO	2006	1959	–	–	–	575,581
Sven-Christer Nilsson	Board member	2001	1944	Member	–	–	5,000
Jan Svensson	Board member	2012	1956	Member	Member	–	2,000
Ulrik Svensson	Board member	2008	1961	–	Chairman	–	3,000
Kurt Hellström	Board member, employee representative	2013	1957	–	–	–	–
Mats Persson	Board member, employee representative	1994	1955	–	–	–	–
Rune Hjälm	Deputy, employee representative	2005	1964	–	–	–	–
Seppo Liimatainen	Deputy, employee representative	2013	1950	–	–	–	2,600

¹ Including related parties and through companies. Shareholdings as at 31 December 2014. This information is updated regularly at www.assaabloy.com.

Report of the Board of Directors

Corporate governance Board of Directors

Board members elected by the 2014 Annual General Meeting



Lars Renström

Lars Renström

Chairman.

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 Tetra Laval Group.

Shareholdings (including related parties and through companies): 10,000 Series B shares.



Carl Douglas

Carl Douglas

Vice Chairman.

Board member since 2004.

Born 1965.

Bachelor of Arts and D. Litt (h.c.) (Doctor of Letters). Self-employed.

Other appointments: Vice Chairman of Securitas AB. Board member of Investment AB Latour and Swegon AB.

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



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, Avanza AB and IFS AB.

Shareholdings (including related parties 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 TeliaSonera AB 2006–2007. Prior to that, several senior posts at TeliaSonera 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, Sweco AB and Bodycote plc. Member of the Royal Swedish Academy of Engineering Sciences (IVA).

Shareholdings (including related parties and through companies): 2,300 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 positions mainly in finance and marketing, later divisional head in the Atlas Copco Group 1983–2001.

Other appointments: Chairman of Nobia AB.

Shareholdings (including related parties and through companies): 575,581 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 Defence Materiel Administration (FMV). Board member of CEVA, Inc.

Shareholdings (including related parties and through companies): 5,000 Series B shares.



Sven-Christer Nilsson

Shareholdings as at 31 December 2014. This information is updated regularly at www.assaabloy.com.



Ulrik Svensson

Ulrik Svensson

Board member since 2008.
Born 1961.
Bachelor of Science in Business Administration and Economics.
CEO of Melker Schörling AB since 2006. CFO of Swiss International Airlines Ltd. 2003–2006. CFO of Esselte AB 2000–2003, and Controller/CFO of the Stenbeck Group’s foreign telecoms ventures 1992–2000.
Other appointments: Board member of AAK AB, Loomis AB, Hexagon AB, Hexpol AB, Flughafen Zurich AG and Absolent Group AB.
Shareholdings (including related parties and through companies): 3,000 Series B shares.



Jan Svensson

Jan Svensson

Board member since 2012.
Born 1956.
Mechanical Engineer and Bachelor of Science in Business Administration and Economics.
President and CEO of Investment AB Latour since 2003.
Other appointments: Chairman of AB Fagerhult, Nederman Holding AB and Oxeon AB. Board member of Loomis AB, Investment AB Latour and Tomra Systems ASA.
Shareholdings (including related parties and through companies): 2,000 Series B shares.

Board members appointed by employee organizations



Kurt Hellström

Kurt Hellström

Board member since 2013.
Born 1957.
Employee representative, Federation of Salaried Employees in Industry and Services (PTK).
Shareholdings (including related parties and through companies):–



Mats Persson

Mats Persson

Board member since 1994.
Born 1955.
Employee representative, Swedish Metal Workers Union.
Shareholdings (including related parties and through companies):–



Rune Hjälml

Rune Hjälml

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



Seppo Liimatainen

Seppo Liimatainen

Deputy board member since 2013.
Born 1950.
Employee representative, Federation of Salaried Employees in Industry and Services (PTK).
Shareholdings (including related parties and through companies): 2,600 Series B shares

Shareholdings as at 31 December 2014. This information is updated regularly at www.assaabloy.com.

Report of the Board of Directors

Corporate governance Executive Team

Executive Team



Johan Molin



Tzachi Wiesenfeld



Carolina Dybeck Happe



Thanasis Molokotos



Denis Hébert



Tim Shea



Magnus Kagevik



Juan Vargues



Ulf Södergren

Johan Molin

President and CEO.
Head of Global Technologies division.
Born 1959.
Bachelor of Science in Business Administration and Economics.
Employed since: 2005.
Other appointments: Chairman of Nobia AB.
Shareholdings (including related parties and through companies): 575,581 Series B shares.

Carolina Dybeck Happe

Executive Vice President.
Chief Financial Officer (CFO).
Born 1972.
Master Degree in Finance.
Employed since: 2012.
Shareholdings: 9,349 Series B shares.

Denis Hébert

Executive Vice President.
Head of Global Technologies business unit HID Global.
Born 1956.
Bachelor of Commerce, MBA.
Employed since: 2002.
Shareholdings: 37,667 Series B shares.

Magnus Kagevik

Executive Vice President.
Head of Asia Pacific division.
Born 1967.
Master of Science in Mechanical Engineering.
Employed since: 2007.
Shareholdings: 9,978 Series B shares.

Ulf Södergren

Executive Vice President.
Chief Technology Officer (CTO).
Born 1953.
Master of Science in Engineering and Bachelor of Science in Business Administration and Economics.
Employed since: 2000.
Shareholdings: 24,358 Series B shares.

Tzachi Wiesenfeld

Executive Vice President.
Head of EMEA division.
Born 1958.
Bachelor of Science in Industrial Engineering, MBA.
Employed since: 2000.
Shareholdings: 10,100 Series B shares.

Thanasis Molokotos

Executive Vice President.
Head of Americas division.
Born 1958.
Master of Science in Engineering.
Employed since: 1996.
Shareholdings: 35,153 Series B shares.

Tim Shea

Executive Vice President.
Head of Global Technologies business unit ASSA ABLOY Hospitality.
Born 1959.
Degree in Mechanical Engineering, MBA.
Employed since: 2004.
Shareholdings: 11,749 Series B shares.

Juan Vargues

Executive Vice President.
Head of Entrance Systems division.
Born 1959.
Degree in Mechanical Engineering, MBA.
Employed since: 2002.
Shareholdings: 41,886 Series B shares.

Organization

7 CEO and Executive Team

The Executive Team consists of the CEO, the heads of the Group's divisions, the Chief Financial Officer and the Chief Technology Officer. For a presentation of the CEO and the other members of the Executive Team, see page 74.

8 Divisions – decentralized organization

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

ASSA ABLOY's operating structure is designed to create maximum transparency, to facilitate financial and operational monitoring, and to promote the flow of information and communication across the Group. The five divisions are divided into around 40 business units. These consist in turn of a large number of sales and production units, depending on the structure of the business unit concerned. Apart from monitoring by unit, monitoring of products and markets is also carried out.

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 trading issues, the Group's brands, business ethics, export control, and environmental issues. ASSA ABLOY's financial policy and accounting manual provide the framework for financial control and monitoring. The Group's communication policy aims to ensure essential information is provided at the right time and in compliance with applicable rules and regulations. ASSA ABLOY has adopted an insider trading policy to complement applicable Swedish insider trading legislation. This policy applies to all persons reported to the Swedish Financial Supervisory Authority as holding an insider position in ASSA ABLOY AB (including subsidiaries) as well as certain other categories of employees. Brand guidelines aim

to protect and develop the major assets that the Group's brands represent.

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

9 Auditor

At the 2014 Annual General Meeting, PricewaterhouseCoopers (PwC) was re-appointed as the company's external auditor up to the end of the 2015 Annual General Meeting. In connection with the 2014 Annual General Meeting, PwC informed that the authorized public accountant Bo Karlsson would remain the auditor in charge. In addition to ASSA ABLOY, Bo Karlsson, born 1966, is also responsible for auditing SKF and Fagerhult.

PwC has been the Group's auditor since its formation in 1994. PwC submits the audit report for ASSA ABLOY AB, the Group and a large majority of the subsidiaries worldwide. The audit of ASSA ABLOY AB also includes the administration by the Board of Directors and the CEO. The auditor in charge attends all Audit Committee meetings as well as the February board meeting, at which he reports his observations and recommendations concerning the Group audit for the year.

The external audit is conducted in accordance with International Standards in Auditing (ISA), which has been good auditing practice in Sweden since 2011. The audit of the financial statements for legal entities outside Sweden is conducted in accordance with statutory requirements and other applicable rules in each country. For information about the fees paid to auditors and other assignments carried out in the Group in the past three financial years, see Note 3 and the Annual Report for 2013, Note 3.

Internal control – 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 inspired by the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Control environment

The Board of Directors is responsible for effective internal control and has therefore established fundamental documents of significance for financial reporting. These documents include, among other things, the Board of Directors' rules of procedure and instructions to the CEO, the Code of Conduct, financial policy, and an annual financial evaluation plan. Regular meetings are held with the Audit Committee. The Group has an internal audit function whose primary objective is ensuring reliable financial reporting. ASSA ABLOY's effective decentralized organizational structure makes a substantial contribution to a good control environment.

All units in the Group apply uniform accounting and reporting instructions. 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. In 2014 separate compliance testing of the Group's anti-corruption policy was performed at four operating companies. The results of the financial evaluations and the compliance evaluation of the anti-corruption policy are submitted to the Audit Committee and the auditors.

Group-wide internal control guidelines are reviewed annually. These guidelines concern various processes such as ordering, sourcing, financial statements, plant management, compliance with various policies, legal matters and HR matters.

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 legal and operating review. Operating reviews conform to a structure in which sales, earnings, cash flow, capital employed and other important key figures and trends for the Group are compiled, and form the basis for analysis and actions by management and controllers at different levels.

Financial reviews take place quarterly at divisional board meetings, monthly in the form of performance reviews and through more informal analysis. Other important Group-wide components of internal control are the annual business planning process and monthly and quarterly forecasts. The Group-wide internal control guidelines 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.

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 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 2014 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 33.

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 be able 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 costs).

In addition, the Executive Team should, within the framework of the Board of Directors' proposal for a long-term incentive program, be able to receive variable remuneration in the form of shares, based on the outcome in relation to a range determined by the Board for the performance of the company's earnings per share in 2015. This remunera-

tion model also includes the right, when purchasing shares under certain conditions, to receive free matching shares from the company. This remuneration should, if the share price is unchanged (considering items affecting comparability), be equivalent to a maximum of 75 percent of the basic salary (excluding social security costs).

The annual cost of variable remuneration for the Executive Team as above, assuming maximum outcome, totals around SEK 57 M (excluding social security costs and financing cost). This calculation is made on the basis of the current members of the Executive Team.

Other benefits and pension

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

Notice and severance pay

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

Deviation from guidelines

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

Sales and income

- Organic growth was 3 percent (2), while acquired growth was 9 percent (4).
- Operating income (EBIT) excluding items affecting comparability increased by 17 percent to SEK 9,257 M (7,923), equivalent to an operating margin of 16.3 percent (16.3).
- Earnings per share after full dilution, excluding items affecting comparability, increased by 17 percent to SEK 17.38 (14.84).

Sales

The Group's sales totaled SEK 56,843 M (48,481). Exchange rate effects had an impact on sales of SEK 2,138 M (-1,156).

Change in sales

%	2013	2014
Organic growth	2	3
Acquired growth	4	9
Exchange rate effects	-2	5
Total	4	17

The total change in sales for 2014 was 17 percent (4). Organic growth was 3 percent (2) and acquired units made a positive contribution of 9 percent (4).

Sales by product group

Mechanical locks, lock systems and fittings accounted for 30 percent (33) of total sales. Electromechanical and electronic locks rose to 50 percent (49) of sales, of which entrance automation accounted for 27 percentage points (25). Security doors and hardware accounted for 20 percent (18) of sales.

Cost structure

Total wage costs, including social security expenses and pension expenses, amounted to SEK 16,026 M (13,759), equivalent to 28 percent (28) of sales. The average number of employees was 44,269 (42,556).

The Group's material costs amounted to SEK 20,763 M (16,977), equivalent to 37 percent (35) of sales.

Other purchasing costs totaled SEK 9,866 M (9,789), equivalent to 17 percent (20) of sales.

Depreciation and amortization of non-current assets amounted to SEK 1,163 M (993), equivalent to 2 percent (2) of sales.

Operating income

Operating income (EBIT) excluding restructuring costs rose to SEK 9,257 M (7,923), due to efficiency savings and continued growth in operations. The corresponding operating margin was 16.3 percent (16.3). Exchange rate effects amounted to SEK 349 M (-261).

Operating income before depreciation and amortization (EBITDA) excluding restructuring costs totaled SEK 10,419 M (8,917). The corresponding margin was 18.3 percent (18.4).

Items affecting comparability

No items affecting comparability were included in operating income in 2014. In 2013 operating income for the year was reduced by restructuring costs of SEK 1,000 M mainly related to impairment of assets and costs in connection with staff cuts and cancellation of lease agreements.

Income before tax

Income before tax excluding restructuring costs totaled SEK 8,698 M (7,381). The exchange rate effect amounted to SEK 326 M (-247). Net financial items amounted to SEK -559 M (-542) and was kept on roughly the same level as last year in spite of an increase in net debt during the year. The profit margin, defined as income before tax in relation to sales, was 15.3 percent (15.2) excluding restructuring costs.

The parent company's income before tax was SEK 5,553 M (2,896).

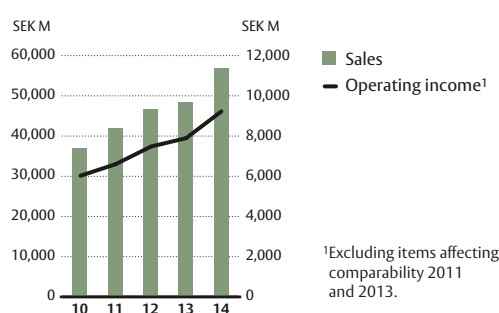
Tax

The Group's tax expense totaled SEK 2,261 M (1,595), equivalent to an effective tax rate of 26 percent (25).

Earnings per share

Earnings per share after full dilution, excluding items affecting comparability, amounted to SEK 17.38 (14.84), an increase of 17 percent.

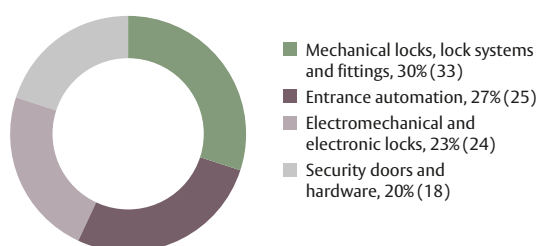
SALES AND OPERATING INCOME



Consolidated income statement and Statement of comprehensive income

Income statement, SEK M	Note	2013	2014
Sales	2	48,481	56,843
Cost of goods sold		-30,082	-34,921
Gross income		18,399	21,922
Selling expenses		-7,575	-8,684
Administrative expenses	3	-2,470	-2,668
Research and development costs		-1,390	-1,545
Other operating income and expenses	4	-133	100
Share of earnings in associates	5	94	132
Operating income	6-9, 33	6,924	9,257
Financial income	10	28	28
Financial expenses	9, 11	-571	-587
Income before tax		6,381	8,698
Tax on income	12	-1,595	-2,261
Net income from continuing operations		4,786	6,436
Net income of disposal group classified as held for sale and discontinued operations	31	-11	-
Net income		4,775	6,436
Net income attributable to:			
Parent company's shareholders		4,772	6,436
Non-controlling interest		2	0
Earnings per share			
before dilution, SEK	13	12.89	17.38
after dilution, SEK	13	12.89	17.38
after dilution and excluding items affecting comparability, SEK	13	14.84	17.38
Statement of comprehensive income, SEK M		2013	2014
Net income		4,775	6,436
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gain/loss on post-employment benefit obligations		361	-695
Deferred tax from actuarial gain/loss on post-employment benefit obligations		-136	152
Total		225	-543
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of associates		-18	105
Cashflow hedges		9	-3
Net investment hedges		0	-374
Exchange rate differences		143	3,810
Total		134	3,539
Total comprehensive income		5,133	9,433
Total comprehensive income attributable to:			
- Parent company's shareholders		5,129	9,432
- Non-controlling interest		4	0

SALES BY PRODUCT GROUP, 2014



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 entrance automation products and service.

EMEA

Sales totaled SEK 14,753 M (13,165), with organic growth of 3 percent (-1). Acquired units contributed 5 percent (1) to sales. Operating income excluding restructuring costs amounted to SEK 2,432 M (2,197), with an operating margin (EBIT) of 16.5 percent (16.7). Return on capital employed excluding restructuring costs was 21.0 percent (20.7). Operating cash flow before interest paid was SEK 2,288 M (2,084).

Growth in western Europe was stable but unevenly distributed between the different markets during the year. A high share of new products, strengthened market presence and continued cost-efficiency contributed to EMEA's continuing good operating margin.

Americas

Sales totaled SEK 12,156 M (10,121), with organic growth of 4 percent (6). Acquired units contributed 10 percent (2) to sales. Operating income excluding restructuring costs amounted to SEK 2,613 M (2,140), with an operating margin (EBIT) of 21.5 percent (21.1). Return on capital employed excluding restructuring costs was 23.1 percent (22.7). Operating cash flow before interest paid was SEK 2,637 M (1,983).

Demand strengthened in the latter part of the year in the commercial and institutional market in the USA. Growth remained good due to continued investments in innovation and product development in the majority of product lines. Profitability remained good due to continued expansion of market presence and continuous rationalizations.

Asia Pacific

Sales totaled SEK 8,336 M (7,420), with organic growth of 1 percent (4). Acquired units contributed 6 percent net (2) to sales. Operating income excluding restructuring costs amounted to SEK 1,187 M (1,032), with an operating margin (EBIT) of 14.2 percent (13.9). Return on capital employed excluding restructuring costs was 14.2 percent (16.3). Operating cash flow before interest paid was SEK 931 M (932).

The high growth rate in China slowed during the year, while demand in Australia recovered following a period of weaker growth. Investments on emerging markets continued during the year, with strategic acquisitions in both China and India. Operating margin and cash flow were maintained at a good level.

Global Technologies

Sales totaled SEK 7,207 M (6,472), with organic growth of 1 percent (6). Acquired units contributed 4 percent (0) to sales. Operating income excluding restructuring costs amounted to SEK 1,368 M (1,184), with an operating margin (EBIT) of 19.0 percent (18.3). Return on capital employed excluding restructuring costs was 19.6 percent (19.7). Operating cash flow before interest paid was SEK 1,282 M (870).

Sales on emerging markets were good and gradually improved during the year in North America for HID Global business unit. Growth was strong for ASSA ABLOY Hospitality, driven by new advanced technological solutions. The operating margin increased and return on capital employed remained at a good level.

Entrance Systems

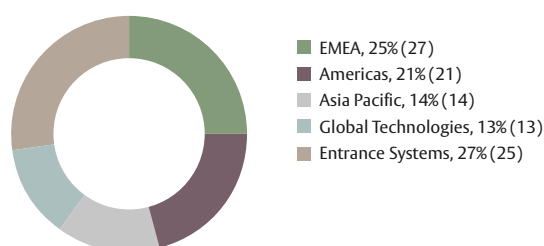
Sales totaled SEK 15,409 M (12,237), with organic growth of 4 percent (0). Acquired units contributed 17 percent (14) to sales. Operating income excluding restructuring costs amounted to SEK 2,054 M (1,733), with an operating margin (EBIT) of 13.3 percent (14.2). Return on capital employed excluding restructuring costs was 13.1 percent (12.1). Operating cash flow before interest paid was SEK 2,007 M (1,792).

Demand was strong on the North American market but more subdued in Europe during the year. A high innovation rate with new product development and continued integration of previous years' acquisitions characterized operations during the year. Sales and operating cash flow increased substantially compared with the previous year, while the operating margin remained healthy.

Other

The costs of group-wide functions, such as corporate management, accounting and finance, supply management and group-wide product development, totaled SEK 398 M (363). Elimination of sales between the Group's segments and restructuring costs are included in 'Other'.

EXTERNAL SALES, 2014



Results by division

SEK M	EMEA ¹		Americas ²		Asia Pacific ³		Global Technologies ⁴		Entrance Systems		Other		Total	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Sales, external	12,957	14,519	10,074	12,096	6,879	7,755	6,406	7,147	12,166	15,325	0	0	48,481	56,843
Sales, internal	209	233	48	60	542	581	65	59	71	84	-935 ⁷	-1,017 ⁷	-	-
Sales	13,165	14,753	10,121	12,156	7,420	8,336	6,472	7,207	12,237	15,409	-935	-1,017	48,481	56,843
Organic growth	-1%	3%	6%	4%	4%	1%	6%	1%	0%	4%	-	-	2%	3%
Share of earnings in associates	1	-	-	-	19	23	-	-	74	109	-	-	94	132
Operating income (EBIT) excluding items affecting comparability	2,197	2,432	2,140	2,613	1,032	1,187	1,184	1,368	1,733	2,054	-363	-398	7,923	9,257
Operating margin (EBIT) excluding items affecting comparability	16.7%	16.5%	21.1%	21.5%	13.9%	14.2%	18.3%	19.0%	14.2%	13.3%	-	-	16.3%	16.3%
Items affecting comparability ⁶	-300	-	-18	-	-183	-	-38	-	-313	-	-149	-	-1,000	-
Operating income (EBIT)	1,897	2,432	2,121	2,613	850	1,187	1,146	1,368	1,420	2,054	-512	-398	6,924	9,257
Operating margin (EBIT)	14.4%	16.5%	21.0%	21.5%	11.4%	14.2%	17.7%	19.0%	11.6%	13.3%	-	-	14.2%	16.3%
Net financial items	-	-	-	-	-	-	-	-	-	-	-	-	-542	-559
Tax on income	-	-	-	-	-	-	-	-	-	-	-	-	-1,595	-2,261
Net income from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-11	-
Net income													4,775	6,436
Capital employed	10,499	12,299	10,475	12,909	7,436	9,810	6,114	8,239	14,592	16,245	-708	-1,077	48,408	58,425
-of which goodwill	6,395	7,247	7,319	9,000	4,311	7,931	4,511	5,984	9,282	9,615	-	-	31,817	39,778
-of which other intangible and tangible assets	2,703	3,051	2,384	2,982	2,481	3,137	1,338	1,711	3,850	4,021	97	87	12,854	14,990
-of which shares in associates	8	9	-	-	371	414	-	-	1,296	1,438	-	-	1,675	1,861
Return on capital employed excluding items affecting comparability	20.7%	21.0%	22.7%	23.1%	16.3%	14.2%	19.7%	19.6%	12.1%	13.1%	-	-	17.1%	16.9%
Operating income (EBIT)	1,897	2,432	2,121	2,613	850	1,187	1,146	1,368	1,420	2,054	-512	-398	6,924	9,257
Restructuring costs	300	-	18	-	183	-	38	-	313	-	149	-	1,000	-
Depreciation and amortization	328	351	179	237	157	183	159	182	168	212	2	-2	993	1,163
Investments in tangible and intangible assets	-376	-444	-192	-247	-224	-280	-376	-205	-138	-153	-2	-12	-1,308	-1,341
Sales of tangible and intangible assets	39	47	11	4	24	6	1	1	31	12	-	1	105	69
Change in working capital	-104	-98	-154	31	-57	-164	-98	-63	-2	-118	-82	109	-497	-303
Cash flow⁵	2,084	2,288	1,983	2,637	932	931	870	1,282	1,792	2,007	-445	-302	7,218	8,845
Non-cash items	-	-	-	-	-	-	-	-	-	-	17	-150	17	-150
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-431	-457	-431	-457
Operating cash flow⁵													6,803	8,238
Average number of employees	10,089	10,678	6,726	7,193	14,243	13,439	3,136	3,331	8,191	9,420	171	208	42,556	44,269

¹ Europe, Middle East and Africa.

² North and South America.

³ Asia, Australia and New Zealand.

⁴ ASSA ABLOY Hospitality and HID Global.

⁵ Excluding restructuring payments.

⁶ Items affecting comparability consist of restructuring costs.

⁷ Of which eliminations SEK -1,017 M (-935).

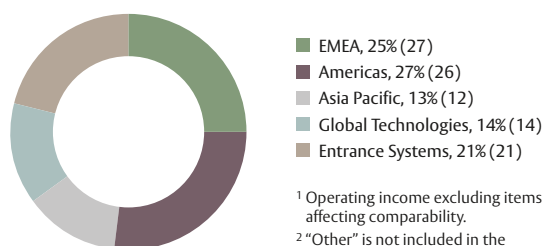
The segments have been determined on the basis of reporting to the CEO, who monitors the overall performance and makes decisions on resource allocation.

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.

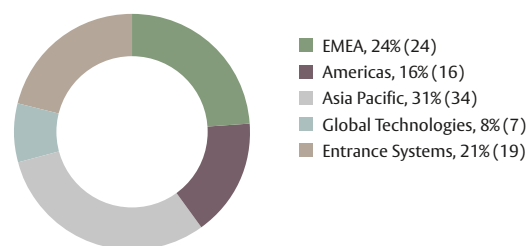
OPERATING INCOME, 2014^{1,2}



¹ Operating income excluding items affecting comparability.

² "Other" is not included in the calculation. See section Comments by division for what is included in "Other".

AVERAGE NUMBER OF EMPLOYEES, 2014



Financial position

- Capital employed amounted to SEK 58,425 M (48,408).
- Return on capital employed remained high at 16.9 percent (17.1).
- The net debt/equity ratio was 0.62 (0.68).

SEK M	2013	2014
Capital employed	48,408	58,425
–of which goodwill	31,817	39,778
Net debt	19,595	22,327
Equity	28,813	36,098
–of which non-controlling interests	0	2

Capital employed

Capital employed in the Group, defined as total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liabilities, amounted to SEK 58,425 M (48,408). The return on capital employed excluding items affecting comparability was 16.9 percent (17.1).

Intangible assets amounted to SEK 47,056 M (38,280). 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 4,071 M as a result of completed acquisitions and adjustments of acquisitions made in previous years. A valuation model, based on discounted future cash flows, is used for impairment testing of goodwill and other intangible assets with an indefinite useful life.

Tangible assets amounted to SEK 7,712 M (6,390). Capital expenditure on tangible and intangible assets, less sales of tangible and intangible assets, totaled SEK 1,271 M (1,202). Depreciation and amortization amounted to SEK 1,163 M (993).

Trade receivables amounted to SEK 10,595 M (8,531) and inventories totaled SEK 7,845 M (6,498). The average collection period for trade receivables was 53 days (53). Material throughput time was 91 days (93). The Group is making systematic efforts to increase capital efficiency.

Net debt

Net debt amounted to SEK 22,327 M (19,595), of which pension commitments and other post-employment benefits accounted for SEK 2,946 M (2,015).

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 high acquisition activity, deferred considerations paid for acquisitions completed in previous years and exchange rate differences.

External financing

The Group's long-term loan financing mainly consists of a Private Placement Program in the USA totaling USD 618 M (698), a GMTN program of SEK 8,857 M (8,506), a loan from the European Investment Bank of EUR 110 M (110), and a loan from the Nordic Investment Bank of EUR 110 M (110). During the year, a total of seven issues were made under the GMTN program for a total amount of around SEK 1,900 M. During the year a bilateral bank loan of EUR 90 M was raised. Total financing also increased due to exchange rate fluctuations, particularly USD and EUR. 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.

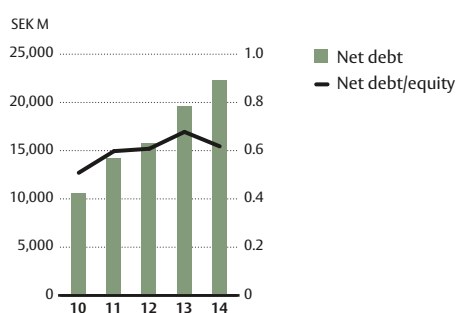
The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 1,287 M (1,580) of the Commercial Paper Programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility of EUR 900 M (900), which was wholly unutilized at year-end. The reduction in short-term financing is mainly linked to the increase in long-term capital market issues implemented to extend the Group's maturity structure. The interest coverage ratio, defined as income before tax plus net interest, divided by net interest, was 17.4 (13.5). Fixed interest terms fell somewhat during the year, with an average term of 17 months (21) at year-end.

Cash and cash equivalents amounted to SEK 667 M (362) and are invested in banks with high credit ratings. Some of the Group's main financing agreements contain a customary Change of Control clause. This clause means that lenders have the right in certain circumstances to demand the renegotiation of conditions or to terminate the agreements should control of the company change.

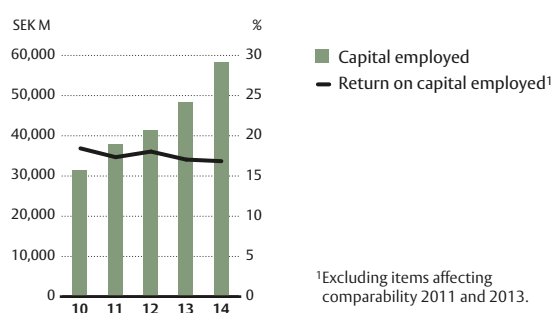
Equity

The Group's equity totaled SEK 36,098 M (28,813) at year-end. The return on equity was 19.8 percent (17.5). The equity ratio was 45.1 percent (43.8). The debt/equity ratio, defined as net debt divided by equity, was 0.62 (0.68).

NET DEBT



CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



¹Excluding items affecting comparability 2011 and 2013.

Consolidated balance sheet

SEK M	Note	2013	2014
ASSETS			
Non-current assets			
Intangible assets	14	38,280	47,056
Tangible assets	15	6,390	7,712
Investments in associates	17	1,675	1,861
Other financial assets	19	86	76
Deferred tax assets	18	1,677	1,555
Total non-current assets		48,109	58,260
Current assets			
Inventories	20	6,498	7,845
Trade receivables	21	8,531	10,595
Current tax receivables		352	506
Other current receivables		869	1,120
Prepaid expenses and accrued income		699	831
Derivative financial instruments	34	139	159
Short-term investments	34	204	14
Cash and cash equivalents	34	362	667
Total current assets		17,654	21,738
TOTAL ASSETS		65,763	79,998
EQUITY AND LIABILITIES			
Equity			
<i>Parent company's shareholders</i>			
Share capital	23	371	371
Other contributed capital		9,675	9,675
Reserves		-1,041	2,498
Retained earnings		19,808	23,553
		28,812	36,096
Non-controlling interest		0	2
Total equity		28,813	36,098
Non-current liabilities			
Long-term loans	34	13,329	15,362
Deferred tax liabilities	18	1,416	1,462
Pension provisions	24	2,015	2,946
Other non-current provisions	25	2,373	2,428
Other non-current liabilities	34	976	2,320
Total non-current liabilities		20,109	24,517
Current liabilities			
Short-term loans	34	4,875	4,636
Derivative financial instruments	34	107	251
Trade payables		4,393	5,699
Current tax liabilities		1,276	930
Current provisions	25	856	525
Other current liabilities	26	1,754	3,060
Accrued expenses and deferred income	27	3,580	4,282
Total current liabilities		16,842	19,383
TOTAL EQUITY AND LIABILITIES		65,763	79,998

Cash flow

- Operating cash flow remained strong and amounted to SEK 8,238 M (6,803).
- Net capital expenditure totaled SEK 1,271 M (1,202).

Operating cash flow

SEK M	2013	2014
Operating income (EBIT)	6,924	9,257
Restructuring costs	1,000	–
Depreciation and amortization	993	1,163
Net capital expenditure	–1,202	–1,271
Change in working capital	–497	–303
Interest paid and received	–431	–457
Non-cash items	17	–150
Operating cash flow¹	6,803	8,238
Operating cash flow/ Income before tax	0.92 ²	0.95

¹ Excluding restructuring payments.

² Excluding restructuring costs.

The Group's operating cash flow amounted to SEK 8,238 M (6,803), equivalent to 95 percent (92) of income before tax excluding restructuring costs.

Net capital expenditure

Net capital expenditure on intangible assets and tangible assets totaled SEK 1,271 M (1,202), equivalent to 109 percent (121) of amortization and depreciation on intangible and tangible assets. Net investments for the full year were at a comparable level to last year, due to continued major construction investments and increasing investments in information technology.

Change in working capital

SEK M	2013	2014
Inventories	–166	–261
Trade receivables	–520	–695
Trade payables	333	582
Other working capital	–143	71
Change in working capital	–497	–303

The material throughput time was 91 days (93) at year-end. Capital tied up in working capital increased somewhat during the year, which had an impact on cash flow of SEK –303 M (–497) overall.

Relationship between cash flow from operating activities and operating cash flow

SEK M	2013	2014
Cash flow from operating activities	6,224	6,679
Restructuring payments	647	453
Net capital expenditure	–1,202	–1,271
Reversal of tax paid	1,134	2,376
Operating cash flow	6,803	8,238

Investments in subsidiaries

The total purchase price of investments in subsidiaries amounted to SEK 4,627 M (4,643), of which the cash flow effect was SEK –2,454 M (–4,783). Acquired cash and cash equivalents totaled SEK 204 M (53).

Change in net debt

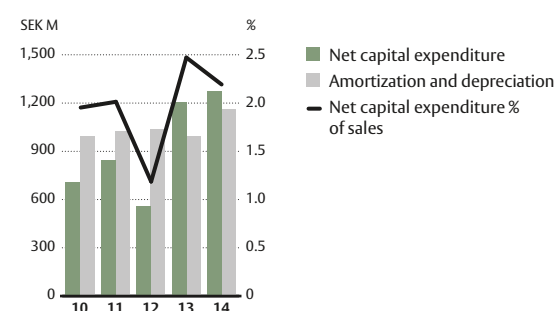
Net debt was mainly affected by the strong positive operating cash flow, the dividend to shareholders, acquisitions and exchange rate differences.

SEK M	2013	2014
Net debt at 1 January	15,805	19,595
Operating cash flow	–6,803	–8,238
Restructuring payments	647	453
Tax paid	1,134	2,376
Acquisitions/Disposals	6,784	2,454
Dividend	2,007	2,110
Actuarial gain/loss on post-employment benefit obligations	–361	695
Exchange rate differences and others	382	2,880
Net debt at 31 December	19,595	22,327

INCOME BEFORE TAX AND OPERATING CASH FLOW



CAPITAL EXPENDITURE



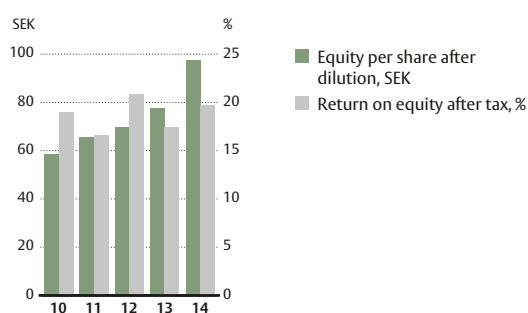
Consolidated cash flow statement

SEK M	Note	2013	2014
OPERATING ACTIVITIES			
Operating income		6,924	9,257
Depreciation and amortization	8	993	1,163
Reversal of restructuring costs		1,000	–
Restructuring payments		–647	–453
Other non-cash items	32	17	–150
Cash flow before interest and tax		8,286	9,816
Interest paid		–443	–477
Interest received		12	20
Tax paid on income		–1,134	–2,376
Cash flow before changes in working capital		6,721	6,983
Changes in working capital	32	–497	–303
Cash flow from operating activities		6,224	6,679
INVESTING ACTIVITIES			
Investments in tangible and intangible assets	14, 15	–1,308	–1,341
Sales of tangible and intangible assets	14, 15	105	69
Investments in subsidiaries	32	–4,783	–2,454
Investments in associates		–131	–1
Disposals of subsidiaries	32	85	201
Other investments	32	1	0
Cash flow from investing activities		–6,030	–3,524
FINANCING ACTIVITIES			
Dividends		–2,007	–2,110
Long-term loans raised		4,000	2,757
Long-term loans repaid		–353	–2,131
Purchase of shares in subsidiaries from non-controlling interest		–2,155	–
Stock purchase plans		–52	–75
Net cash effect of changes in other borrowings		–164	–1,349
Cash flow from financing activities		–731	–2,908
CASH FLOW		–537	247
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		907	362
Cash flow		–537	247
Effect of exchange rate differences		–9	58
Cash and cash equivalents at 31 December	34	362	667

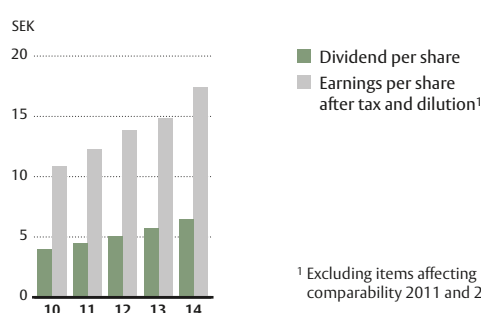
Changes in consolidated equity

SEK M	Note	Parent company's shareholders					Non-controlling interest	Total
		Share capital	Other contributed capital	Reserves	Retained earnings			
Opening balance 1 January 2013		371	9,675	-1,173	16,946	183	26,001	
Net income					4,772	2	4,775	
Other comprehensive income				132	225	2	359	
Total comprehensive income				132	4,997	4	5,133	
Dividend for 2012	23				-1,888	-155	-2,044	
Stock purchase plans					-18	-	-18	
Total contributions by and distributions to parent company's shareholders					-1,906	-155	-2,062	
Change in non-controlling interest					-229	-32	-260	
Total transactions with parent company's shareholders					-2,135	-187	-2,322	
Closing balance 31 December 2013	23	371	9,675	-1,041	19,808	0	28,813	
Opening balance 1 January 2014		371	9,675	-1,041	19,808	0	28,813	
Net income					6,436	0	6,436	
Other comprehensive income				3,539	-543	0	2,996	
Total comprehensive income				3,539	5,894	0	9,433	
Dividend for 2013	23				-2,110	-	-2,110	
Stock purchase plans					-38	-	-38	
Total contributions by and distributions to parent company's shareholders					-2,149	-	-2,149	
Change in non-controlling interest					-	2	2	
Total transactions with parent company's shareholders					-2,149	2	-2,147	
Closing balance 31 December 2014	23	371	9,675	2,498	23,553	2	36,098	

EQUITY PER SHARE AFTER DILUTION AND RETURN ON EQUITY AFTER TAX



DIVIDEND



¹ Excluding items affecting comparability 2011 and 2013.

Modern door systems for Hertz

■ **CUSTOMER:** The Hertz Corporation provides vehicle rental across the world. Hertz prides itself in providing a fast and easy, high-quality customer experience.

■ **CHALLENGE:** Hertz was looking for a way to streamline and effectively manage its doors – from facility entrances, maintenance bays, Gold Plus Rewards booths, as well as doors at its corporate facilities. It was seeking a partner who could effectively install and maintain its door systems throughout North America.

Due to the nature of the car and equipment rental industries, a great variety of entrance equipment and types of locations utilize various entrance systems. Locations include airports, neighborhoods, corporate and maintenance facilities. Each of these can have a combination of pedestrian, sectional, and high-performance doors. Hertz needed one provider to support all of their entrance system needs for their wide range of locations, products and services.



■ **SOLUTION:** ASSA ABLOY Entrance Systems worked with the Hertz Property and Facilities leadership team to build a program to service selected locations across the United States.

It was determined that a number of locations were in need of new doors to provide better security and efficiency. ASSA ABLOY Entrance Systems was able to replace high-performance doors along with a number of sectional doors at locations across the US.

Hertz also wanted to improve security access at two corporate facilities in Oklahoma City. This project incorporated a variety of doors that included revolving doors (Besam RD4A), sliding doors (Besam SL500) along with swing operators (Besam SW200i).



Sustainability prominent feature of new business school building

■ **CUSTOMER:** The Darla Moore School of Business at the University of South Carolina is a thriving site of academic excellence with approximately 4,000 undergraduate and 800 graduate students. Established in 1919, the school recently expanded its focus to include sustainable enterprise and development—attributes that are also featured prominently in the school's new academic building that was designed to LEED Platinum standards by Rafael Vinoly Architects and opened in 2014.

■ **CHALLENGE:** The 251,891 square-foot building was designed to accommodate a free flow of students and staff, thus creating a sense of community and openness that encourages personal interaction. A challenge to achieving this design goal was presented by the number of closed in spaces: the building has more than 400 door openings for various spaces which includes 35 classrooms, 40 meeting rooms, 136 staff offices, a lecture hall,

café, electronic trading room and areas for group study. Each opening has its own security, safety and sustainability needs.

■ **SOLUTION:** The vast number of openings and diversity of applications required a broad range of solutions offered by ASSA ABLOY Group brands Adams Rite, Curries, HES, McKinney, Norton, Pemko, Rixson, Rockwood, Sargent and Securitron. These products—including doors, frames, hinges, locks, exit devices, door closers, overhead stops, pivots, wall magnets, floor closers, weather stripping and flat goods—come together to create complete openings that add to the facility's design motif, while providing reliable electronic access control and contributing towards the recycled content goals of the building materials. Designed with technical support from the U.S. Dept. of Energy to identify energy efficiency opportunities, exterior openings were selected for their energy efficient contribution in the building.

Parent company financial statements

	SEK M	Note	2013	2014
Income statement				
– Parent company				
Administrative expenses		3, 6, 8, 9	-997	-1,129
Research and development costs		6, 8, 9	-438	-658
Other operating income and expenses		4	2,261	3,085
Operating income		9, 33	826	1,298
Financial income		10	2,418	5,265
Financial expenses		9, 11	-704	-1,649
Income before appropriations and tax			2,540	4,914
Appropriations – Group contributions			356	639
Tax on income		12	-165	-352
Net income			2,731	5,201
Statement of comprehensive income				
– Parent company				
Net income			2,731	5,201
Other comprehensive income				
Changes in value of financial instruments			33	374
Total comprehensive income			2,764	5,575
Balance sheet				
– Parent company				
ASSETS				
Non-current assets				
Intangible assets		14	1,486	1,062
Tangible assets		15	3	2
Shares in subsidiaries		16	29,673	33,001
Other financial assets		19	1,619	1,620
Total non-current assets			32,781	35,684
Current assets				
Receivables from subsidiaries			5,628	7,518
Other current receivables			25	17
Prepaid expenses and accrued income			42	26
Cash and cash equivalents			0	0
Total current assets			5,695	7,561
TOTAL ASSETS			38,476	43,245
EQUITY AND LIABILITIES				
Equity		22		
<i>Restricted equity</i>				
Share capital		23	371	371
Revaluation reserve			275	275
Statutory reserve			8,905	8,905
Fair value reserve			101	-273
<i>Non-restricted equity</i>				
Share premium reserve			787	787
Retained earnings incl. Net income for the year			6,926	9,979
Total equity			17,365	20,044
Provisions				
Other provisions		25	9	0
Total provisions			9	0
Non-current liabilities				
Long-term loans		34	5,973	7,659
Total non-current liabilities			5,973	7,659
Current liabilities				
Short-term loans		34	2,049	1,518
Trade payables			40	52
Current liabilities to subsidiaries			12,658	13,637
Current tax liabilities			153	81
Other current liabilities			4	4
Accrued expenses and deferred income		27	225	251
Total current liabilities			15,129	15,542
TOTAL EQUITY AND LIABILITIES			38,476	43,245
Assets pledged		29	-	-
Contingent liabilities		28	9,088	9,789

Cash flow statement
– Parent company

SEK M	Note	2013	2014
OPERATING ACTIVITIES			
Operating income		826	1,298
Depreciation and amortization	8	428	436
Cash flow before interest and tax		1,255	1,735
Interest paid and received		-399	-386
Dividends received		1,831	5,229
Tax paid and received		13	-420
Cash flow before changes in working capital		2,700	6,157
Changes in working capital		-404	-2,219
Cash flow from operating activities		2,296	3,937
INVESTING ACTIVITIES			
Investments in tangible and intangible assets		-894	-11
Investments in subsidiaries		208	-4,541
Other investments		-130	-1
Cash flow from investing activities		-816	-4,553
FINANCING ACTIVITIES			
Dividends		-1,888	-2,110
Loans raised		4,797	3,442
Loans repaid		-4,393	-716
Cash flow from financing activities		-1,484	616
CASH FLOW		-4	0
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		4	0
Cash flow		-4	0
Cash and cash equivalents at 31 December		0	0

Change in equity
– Parent company

SEK M	Restricted equity				Non-restricted equity		
	Share capital	Revaluation reserve	Statutory reserve	Fair value reserve	Share premium reserve	Retained earnings	Total
Opening balance 1 January 2013	371	-	8,905	-	788	6,443	16,507
Net income						2,731	2,731
Hedge accounting				33			33
Total comprehensive income				33		2,731	2,764
Reclassification		275		67	-1	-341	-
Dividend for 2012						-1,888	-1,888
Stock purchase plans						-18	-18
Total transactions with parent company's shareholders		275		67	-1	-2,247	-1,906
Closing balance 31 December 2013	371	275	8,905	101	787	6,926	17,365
Opening balance 1 January 2014	371	275	8,905	101	787	6,926	17,365
Net income						5,201	5,201
Hedge accounting				-374			-374
Total comprehensive income				-374		5,201	4,828
Dividend for 2013						-2,110	-2,110
Stock purchase plans						-38	-38
Total transactions with parent company's shareholders						-2,149	-2,149
Closing balance 31 December 2014	371	275	8,905	-273	787	9,979	20,044

Notes

Note 1 Significant accounting and valuation principles

The Group

ASSA ABLOY applies International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 1 Supplementary Accounting Rules for Corporate Groups. The accounting principles are based on IFRS as endorsed by 31 December 2014 and have been applied to all years presented, unless stated otherwise. This Note describes the most significant accounting principles that have been applied in the preparation of the financial statements, which comprise the information provided on pages 63–120.

Basis of preparation

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

Key estimates and assessments for accounting purposes

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

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

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

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

New and revised standards applied by the Group

None of the standards and interpretations to be applied for the first time for the financial year beginning 1 January 2014 had a significant impact on the consolidated financial statements.

New and revised IFRS not yet effective

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

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

Of the above new standards, IFRS 9 is to be applied from the financial year beginning 1 January 2018, while IFRS 15 takes effect on 1 January 2017. Earlier application is allowed for both standards. IFRS 9 is not considered to have a significant impact on the consolidated financial statements. The Group has not yet evaluated the effects of the implementation of IFRS 15.

Consolidated financial statements

The consolidated financial statements include ASSA ABLOY AB (the Parent company) and all companies over which the Group has control. The Group controls an entity when the group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Companies acquired during the year are included in the consolidated financial statements with effect from the date when a controlling interest arose. Companies divested during the year are included in the consolidated financial statements up to the date when a controlling interest ceased.

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

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

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

Non-controlling interests

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

Associates

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

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

Segment reporting

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

Foreign currency translation

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

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

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

Country	Currency	Average rate		Closing rate	
		2013	2014	2013	2014
Argentina	ARS	1.20	0.85	1.00	0.92
Australia	AUD	6.29	6.19	5.77	6.39
Brazil	BRL	3.03	2.94	2.79	2.90
Canada	CAD	6.32	6.24	6.09	6.73
Switzerland	CHF	7.06	7.51	7.32	7.92
Chile	CLP	0.013	0.012	0.012	0.013
China	CNY	1.06	1.12	1.08	1.26
Colombia	COP	0.0035	0.0034	0.0034	0.0033
Czech Republic	CZK	0.33	0.33	0.33	0.34
Denmark	DKK	1.16	1.22	1.20	1.28

Country	Currency	Average rate		Closing rate	
		2013	2014	2013	2014
Euro zone	EUR	8.67	9.12	8.97	9.53
United Kingdom	GBP	10.23	11.34	10.75	12.16
Hong Kong	HKD	0.84	0.89	0.84	1.01
Hungary	HUF	0.029	0.030	0.030	0.030
Israel	ILS	1.81	1.92	1.87	2.00
India	INR	0.11	0.11	0.105	0.123
Kenya	KES	0.076	0.078	0.076	0.086
South Korea	KRW	0.0060	0.0066	0.0062	0.0071
Lithuania	LTL	2.51	2.64	2.60	2.76
Mexico	MXN	0.51	0.52	0.50	0.53
Malaysia	MYR	2.06	2.10	1.98	2.24
Norway	NOK	1.11	1.09	1.06	1.05
New Zealand	NZD	5.33	5.69	5.31	6.12
Poland	PLN	2.06	2.18	2.16	2.22
Romania	RON	1.97	2.06	2.01	2.13
Russia	RUB	0.20	0.18	0.20	0.14
Singapore	SGD	5.21	5.43	5.14	5.91
Thailand	THB	0.21	0.21	0.20	0.24
Turkey	TRY	3.41	3.16	3.05	3.38
USA	USD	6.52	6.90	6.52	7.83
South Africa	ZAR	0.68	0.64	0.62	0.67

Revenue

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

Intra-group sales

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

Government grants

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

Research and development

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

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

Borrowing costs

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

Tax on income

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

Cash flow statement

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

Cash and cash equivalents

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

Goodwill and acquisition-related intangible assets

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

initially recognized at fair value at the acquisition date and subsequently at cost less accumulated amortization and impairment losses. Amortization is on a straight-line basis over the estimated useful life. Acquisition-related intangible assets with an indefinite useful life are tested for impairment annually in the same way as goodwill.

Other intangible assets

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

Tangible assets

Tangible assets are recognized at cost less accumulated depreciation and impairment losses. Cost includes expenditure directly attributable to acquisition of the asset. Subsequent expenditure is capitalized if it is probable that economic benefits associated with the asset will flow to the Group, and if the cost can be reliably measured. Expenditure on repairs and maintenance is expensed as incurred. Depreciable amount is the cost of an asset less its estimated residual value. Land is not depreciated. For other assets, cost is depreciated over the estimated useful life, which for the Group results in the following average depreciation periods:

- Buildings 25–50 years.
- Land improvements 10–25 years.
- Machinery 7–10 years.
- Equipment 3–6 years.

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

Leasing

The Group's leasing is chiefly operating leasing. The lease payments are expensed on a straight-line basis over the term of the lease and are recognized as operating expenses.

Impairment

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

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

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

Inventories

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

Trade receivables

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

Financial assets

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

Financial assets at fair value through the income statement

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

Available-for-sale financial assets

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

Loans and receivables

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

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

Financial liabilities

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

Financial liabilities at fair value through the income statement

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

Loan liabilities

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

Trade payables

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

Recognition and measurement of financial assets and liabilities

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

Derivative instruments and hedging

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

The Group designates derivatives as follows:

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

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

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

For information on the fair value of derivative instruments, see Note 34, 'Financial risk management and financial instruments'. Derivatives at fair value, with a maturity of more than 12 months, are classified as non-current interest-bearing liabilities or receivables. Other derivatives are classified as current interest-bearing liabilities and investments respectively.

Fair value hedges

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

Cash flow hedges

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

Net investment hedges

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

Provisions

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

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

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

Employee benefits

The Group operates both defined contribution and defined benefit pension plans. Comprehensive defined benefit plans are found chiefly in the USA, the UK and Germany. Post-employment medical benefits are also provided, mainly in

the USA, and are reported in the same way as defined benefit pension plans. Calculations relating to the Group's defined benefit plans are performed by independent actuaries and are based on a number of actuarial assumptions such as discount rate, future inflation and salary increases. Obligations are valued on the reporting date at their discounted value. For funded plans, obligations are reduced by the fair value of the plan assets. Actuarial gains and losses resulting from experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income during the period they arise. The pension expense for defined benefit plans is spread over the employee's service period. The Group's payments relating to defined contribution pension plans are recognized as an expense in the period to which they relate, based on the services performed by the employee. Swedish group companies apply UFR 4, which means that tax on pension costs is calculated on the difference between pension expense determined in accordance with IAS 19 and pension expense determined in accordance with the regulations applicable in the legal entity.

Equity-based incentive programs

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. As the long-term incentive programs mainly are equity settled, an amount equivalent to the personnel cost in the balance sheet is recognized as equity in retained earnings. The personnel cost is also recognized 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 is expected in the form of shares. For the long-term incentive program, personnel costs during the vesting period are recognized based on the shares' fair value on the allotment date, that is, when the company and the employees entered into an agreement on the terms and conditions for the program. The long-term incentive program comprises two parts: a matching part where the employee receives one share for every share the latter invests during the term of the program, and a performance-based part where the outcome is based on the company's financial results (EPS target) during the period. The program requires that the employee continues to invest in the long-term incentive program and that the latter remains employed in the ASSA ABLOY Group.

Fair value is based on the share price on the allotment date; a reduction in fair value relating to the anticipated dividend has not been made as the participants are compensated for this. The employees pay a price equivalent to the share price on the investment date. The vesting terms are not stock market based and affect the number of shares that ASSA ABLOY will give to the employee when matching. If an employee stops investing in the program, all remaining personnel costs are immediately recognized in the income statement. Personnel costs for shares relating to the performance-based program are calculated on each accounting date based on an assessment of the probability

of the performance targets being achieved. The costs are calculated based on the number of shares that ASSA ABLOY expects to need to settle at the end of the vesting period. When matching shares, social security contributions must be paid in some countries to the value of the employee's benefit. This value is based on fair value on each accounting date and recognized as a provision for social security contributions.

Earnings per share

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

Dividend

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

The Parent company

The Group's Parent company, ASSA ABLOY AB, is responsible for group management and provides group-wide functions. The Parent company's revenue consists of intra-group franchise and royalty revenues. The significant balance sheet items consist of shares in subsidiaries, intra-group receivables and liabilities, and external borrowing. The Parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's RFR 2 Accounting for Legal Entities. RFR 2 requires the Parent company, in its annual accounts, to apply all the International Financial Reporting Standards (IFRS) endorsed by the EU in so far as this is possible within the framework of the Annual Accounts Act and with regard to the relationship between accounting and taxation. The recommendation states which exceptions from and additions to IFRS should be made.

Revenue

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

Pension obligations

The Parent company's pension obligations are accounted for in accordance with FAR RedR 4 and are covered by taking out insurance with an insurance company.

Dividend

Dividend revenue is recognized when the right to receive payment is considered certain.

Research and development costs

Research and development costs are expensed as incurred.

Intangible assets

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

Tangible assets

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

Leasing

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

Shares in subsidiaries

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

Financial instruments

Derivative instruments are recognized at fair value. Changes in the value of derivatives are recognized in profit or loss, with the exception of exchange rate changes relating to monetary items that form part of the company's net investment in a foreign operation, which are recognized in the fair value reserve.

Group contributions

The Parent company recognizes group contributions in accordance with the revised RFR 2. Group contributions received and paid are recognized under appropriations in the income statement. Figures for the comparative year have been adjusted correspondingly. The tax effect of group contributions is recognized in accordance with IAS 12 in the income statement.

Contingent liabilities

The Parent company has guarantees on behalf of its subsidiaries. Such an obligation is classified as a financial guarantee in accordance with IFRS. For these guarantees, the Parent company applies the alternative rule in RFR 2, reporting these guarantees as a contingent liability.

Note 2 Sales

Customer sales by country

SEK M	Group	
	2013	2014
USA	12,962	17,589
China	4,806	5,151
Sweden	3,074	3,233
France	2,973	3,164
Germany	2,470	2,768
United Kingdom	2,324	2,621
Canada	1,793	2,005
Australia	1,717	1,798
Netherlands	1,458	1,546
Norway	1,291	1,520
South Korea	931	1,127
Finland	1,070	1,096
Denmark	912	978
Belgium	851	941
Mexico	728	874
Italy	699	707
Spain	669	705
Austria	555	576
Poland	322	559
Switzerland	508	547
Czech Republic	384	524
Brazil	290	442
New Zealand	357	406
United Arab Emirates	333	394
Saudi Arabia	342	387
South Africa	270	297
India	235	257
Russia	261	255
Turkey	201	253
Singapore	182	244
Hong Kong	244	218
Israel	207	206
Colombia	177	193
Portugal	147	184
Thailand	173	166
Slovakia	119	163
Chile	147	157
Ireland	138	138
Malaysia	132	130
Estonia	97	126
Philippines	106	123
Japan	128	122
Indonesia	102	122
Romania	99	107
Hungary	100	101
Angola	0	97
Croatia	92	80
Kenya	73	78
Taiwan	51	65
Latvia	40	55
Vietnam	39	52
Macao	29	52
Egypt	48	50
Lithuania	45	50
Other countries	980	1,044
Total	48,481	56,843

Sales by product group

SEK M	Group	
	2013	2014
Mechanical locks, lock systems and fittings	16,034	16,960
Entrance automation	12,077	15,465
Electromechanical and electronic locks	11,602	13,297
Security doors and hardware	8,768	11,121
Total	48,481	56,843

Note 3 Auditors' fees

SEK M	Group		Parent company	
	2013	2014	2013	2014
Audit assignment				
PwC	38	36	5	3
Other	10	11	-	-
Audit-related services in addition to audit assignment				
PwC	1	1	-	-
Tax advice				
PwC	8	11	1	3
Other	3	2	1	-
Other services				
PwC	13	20	6	8
Other	4	1	0	-
Total	76	82	13	14

Note 4 Other operating income and expenses

SEK M	Group	
	2013	2014
Rental income	11	9
Business-related taxes	13	18
Transaction expenses from acquisitions	-56	-33
Exchange rate differences	-17	19
Other, net	-84	87
Total	-133	100

Parent company

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

Note 5 Share of earnings in associates

SEK M	Group	
	2013	2014
Agta Record AG	68	102
Goal Co., Ltd	19	23
Saudi Crawford Doors Factory Ltd	6	5
Låsgruppen Wilhelm Nielsen AS	1	2
Other	0	0
Total	94	132

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 2014.

Note 6 Operating leases

SEK M	Group		Parent company	
	2013	2014	2013	2014
Lease payments during the year	547	725	15	15
Total	547	725	15	15
Nominal value of agreed future lease payments:				
Due for payment in:				
(2014) 2015	535	641	15	14
(2015) 2016	414	510	16	14
(2016) 2017	311	403	16	15
(2017) 2018	227	267	16	15
(2018) 2019	178	185	17	15
(2019) 2020 or later	234	194	17	15
Total	1,899	2,201	97	88

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

Note 7 Expenses by nature

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

SEK M	Group		Parent company	
	2013	2014	2013	2014
Remuneration of employees (Note 33)	13,759	16,026		
Direct material costs	16,977	20,763		
Depreciation and amortization (Note 8, 14, 15)	993	1,163		
Other purchase expenses	9,789	9,866		
Total	41,518	47,818		

Note 8 Depreciation and amortization

SEK M	Group		Parent company	
	2013	2014	2013	2014
Intangible assets	224	288	427	435
Machinery	410	445	-	-
Equipment	197	237	1	1
Buildings	158	187	-	-
Land improvements	3	6	-	-
Total	993	1,163	428	436

Note 9 Exchange differences in the income statement

SEK M	Group		Parent company	
	2013	2014	2013	2014
Exchange differences recognized in operating income	-17	19	0	26
Exchange differences recognized in financial expenses (Note 11)	-4	9	-5	5
Total	-21	29	-5	31

Note 10 Financial income

SEK M	Group		Parent company	
	2013	2014	2013	2014
Earnings from investments in subsidiaries	-	-	2,109	5,130
Earnings from investments in associates	-	-	28	36
Intra-group interest income	-	-	281	98
Other financial income	10	8	-	-
External interest income and similar items	18	19	0	0
Total	28	28	2,418	5,265

Note 11 Financial expenses

SEK M	Group		Parent company	
	2013	2014	2013	2014
Intra-group interest expenses	-	-	-508	-319
Interest expenses, other liabilities	-580	-305	-170	-155
Interest expenses, interest rate swaps	16	9	-	-
Interest expenses, foreign exchange forwards	-34	-42	-	-
Exchange rate differences on financial instruments	-4	9	-5	5
Fair value adjustments on derivatives, non-hedge accounting	67	-212	-	-
Fair value adjustments on shares and interests	-	-	-	-1,150
Other financial expenses	-36	-46	-21	-30
Total	-571	-587	-704	-1,649

Note 12 Tax on income

SEK M	Group		Parent company	
	2013	2014	2013	2014
Current tax	-1,863	-2,008	-178	-344
Tax attributable to prior years	178	68	13	-
Foreign Coupon Tax	-	-	-	-7
Deferred tax	90	-322	-	-
Total	-1,595	-2,261	-165	-352

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

Percent	Group		Parent company	
	2013	2014	2013	2014
Swedish rate of tax on income	22	22	22	22
Effect of foreign tax rates	7	8	-	-
Non-taxable income/non-deductible expenses, net	-3	-3	-16	-16
Deductible goodwill	0	0	-	-
Utilized loss carry-forward not recognized in prior period	-1	-1	-	-
Non-deductible restructuring costs	0	-	-	-
Other	0	0	-	-
Effective tax rate in income statement	25	26	6	6

Note 13 Earnings per share

Earnings per share before dilution

SEK M	Group	
	2013	2014
Earnings attributable to the Parent company's shareholders	4,772	6,436
Weighted average number of shares issued (thousands)	370,259	370,259
Earnings per share before dilution (SEK per share)	12.89	17.38
<i>of which from continuing operations</i>	12.89	17.38
<i>of which from discontinued operations</i>	-	-

Earnings per share after dilution

SEK M	Group	
	2013	2014
Earnings attributable to the Parent company's shareholders	4,772	6,436
Net profit	4,772	6,436
Weighted average number of shares issued (thousands)	370,259	370,259
Earnings per share after dilution (SEK per share)	12.89	17.38
<i>of which from continuing operations</i>	12.89	17.38
<i>of which from discontinued operations</i>	-	-

Earnings per share after dilution and excluding items affecting comparability

SEK M	Group	
	2013	2014
Earnings attributable to the Parent company's shareholders	4,772	6,436
Items affecting comparability, after tax ¹	721	-
Net profit	5,493	6,436
Weighted average number of shares issued (thousands)	370,259	370,259
Earnings per share after dilution and excluding items affecting comparability (SEK per share)	14.84	17.38
<i>of which from continuing operations</i>	14.84	17.38
<i>of which from discontinued operations</i>	-	-

¹Items affecting comparability consist of restructuring costs.

Note 14 Intangible assets

2014, SEK M	Group				Parent company
	Goodwill	Brands	Other intangible assets	Total	Intangible assets
Opening accumulated acquisition cost	31,876	4,909	3,429	40,214	3,114
Purchases	–	1	177	178	10
Acquisitions of subsidiaries	4,013	59	98	4,169	–
Sales, disposals and adjustments	–	2	54	56	–
Reclassifications	–	–4	42	39	–
Exchange rate differences	3,953	530	438	4,920	–
Closing accumulated acquisition cost	39,842	5,497	4,238	49,577	3,125
Opening accumulated amortization/impairment	–59	–24	–1,851	–1,934	–1,627
Sales, disposals and adjustments	–	–2	–57	–59	–
Reclassifications	–	–	–9	–9	–
Reversal of impairment	–	–	2	2	–
Amortization	–	–3	–285	–288	–435
Exchange rate differences	–5	–4	–224	–233	–
Closing accumulated amortization/impairment	–63	–33	–2,424	–2,520	–2,063
Carrying amount	39,778	5,464	1,814	47,056	1,062

2013, SEK M	Group				Parent company
	Goodwill	Brands	Other intangible assets	Total	Intangible assets
Opening accumulated acquisition cost	28,998	4,156	3,020	36,174	2,123
Purchases	–	1	151	152	991
Acquisitions of subsidiaries	2,684	751	163	3,598	–
Sales, disposals and adjustments	–	–	–75	–75	–
Reclassifications	–	–62	117	55	–
Exchange rate differences	194	63	54	311	–
Closing accumulated acquisition cost	31,876	4,909	3,429	40,214	3,114
Opening accumulated amortization/impairment	–66	–59	–1,627	–1,752	–1,200
Sales, disposals and adjustments	–	–	74	74	–
Reclassifications	–	41	–50	–9	–
Amortization	–	–6	–219	–224	–427
Exchange rate differences	7	–1	–30	–24	–
Closing accumulated amortization/impairment	–59	–24	–1,851	–1,934	–1,627
Carrying amount	31,817	4,885	1,578	38,280	1,486

Other intangible assets consist mainly of customer relations and technology. The carrying amount of intangible assets with an indefinite useful life, excluding goodwill, amounts to SEK 5,419 M (4,840) and relates to brands.

Useful life has been defined as indefinite where the time period, during which an asset is deemed to contribute economic benefits, cannot be determined.

Amortization and impairment of intangible assets are mainly recognized as cost of goods sold in the income statement.

Impairment testing of goodwill and intangible assets with indefinite useful life

Goodwill and intangible assets with an indefinite useful life are allocated to the Group's Cash Generating Units (CGUs), which consist of the Group's five divisions.

For each cash-generating unit, the Group annually tests goodwill and intangible assets with an indefinite useful life for impairment, in accordance with the accounting principle described in Note 1. Recoverable amounts for Cash Generating Units have been determined by calculating value in use. These calculations are based on estimated future cash flows,

which in turn are based on financial budgets for a three-year period approved by management. Cash flows beyond the three-year period are extrapolated using estimated growth rates according to the information below.

Material assumptions used to calculate values in use:

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

Management has determined the budgeted operating margin based on previous results and expectations of future market development. A growth rate of 3 percent (3) has been used for all CGUs to extrapolate cash flows beyond the budget period. This growth rate is considered to be a conservative estimate. Further, an average discount rate in local currency after tax has been used in the calculations. The difference in value compared with using a discount rate before tax is not deemed to be material. The discount rate has been determined by calculating the weighted average cost of capital (WACC) for each division.

2014

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

Goodwill and intangible assets with an indefinite useful life were allocated to the Cash Generating Units as summarized in the following table:

2014, SEK M	EMEA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	7,247	9,000	7,931	5,984	9,615	39,778
Intangible assets with indefinite useful life	220	701	1,333	488	2,677	5,419
Total	7,467	9,701	9,264	6,473	12,292	45,197

2013

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

Goodwill and intangible assets with an indefinite useful life were allocated to the Cash Generating Units as summarized in the following table:

2013, SEK M	EMEA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	6,395	7,319	4,311	4,511	9,282	31,817
Intangible assets with indefinite useful life	205	586	1,153	350	2,547	4,840
Total	6,599	7,905	5,463	4,862	11,828	36,657

Sensitivity analysis

A sensitivity analysis has been carried out for each cash-generating unit. The results of this analysis are summarized below.

2014

If the estimated operating margin after the end of the budget period had been one percentage point lower than the management's estimate, the total recoverable amount would be 6 percent lower (EMEA 6 percent, Americas 4 percent, Asia Pacific 6 percent, Global Technologies 5 percent, and Entrance Systems 7 percent).

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

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

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

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

2013

If the estimated operating margin after the end of the budget period had been one percentage point lower than the management's estimate, the total recoverable amount would be 6 percent lower (EMEA 6 percent, Americas 4 percent, Asia Pacific 7 percent, Global Technologies 5 percent, and Entrance Systems 7 percent).

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

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

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

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

Note 15 Tangible assets

2014, SEK M	Group					Parent company	
	Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Equipment
Opening accumulated acquisition cost	4,239	959	6,581	2,329	927	15,034	20
Purchases	69	26	224	186	657	1,163	-
Acquisitions of subsidiaries	76	85	87	42	-1	289	-
Sales and disposals	-148	-14	-194	-200	-17	-573	-1
Reclassifications	378	46	230	72	-769	-43	-
Exchange rate differences	596	108	1,111	404	106	2,325	-
Closing accumulated acquisition cost	5,210	1,210	8,039	2,833	903	18,195	19
Opening accumulated depreciation and impairment	-1,963	-198	-4,742	-1,741	-	-8,644	-17
Sales and disposals	140	7	182	194	-	524	1
Impairment	-8	-	-6	-1	-	-15	-
Depreciation	-187	-6	-445	-237	-	-875	-1
Reclassifications	5	-5	4	6	-	9	-
Exchange rate differences	-272	-9	-869	-332	-	-1,483	-
Closing accumulated depreciation and impairment	-2,286	-211	-5,877	-2,110	-	-10,484	-17
Carrying amount	2,924	999	2,163	723	903	7,712	2

2013, SEK M	Group					Parent company	
	Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Equipment
Opening accumulated acquisition cost	4,045	870	6,300	2,226	490	13,931	19
Purchases	59	2	180	163	751	1,156	1
Acquisitions of subsidiaries	282	11	205	57	23	579	-
Sales and disposals	-234	-40	-329	-166	-3	-772	-
Reclassifications	18	120	101	48	-339	-52	-
Exchange rate differences	69	-4	124	1	4	193	-
Closing accumulated acquisition cost	4,239	959	6,581	2,329	927	15,034	20
Opening accumulated depreciation and impairment	-1,952	-145	-4,534	-1,697	-	-8,328	-16
Sales and disposals	200	1	308	140	-	648	-
Impairment	-28	-	-27	0	-	-55	-
Depreciation	-158	-3	-410	-197	-	-769	-1
Reclassifications	35	-48	4	21	-	12	-
Exchange rate differences	-60	-2	-83	-9	-	-154	-
Closing accumulated depreciation and impairment	-1,963	-198	-4,742	-1,741	-	-8,644	-17
Carrying amount	2,276	761	1,839	588	927	6,390	3

Note 16 Shares in subsidiaries

Company name	Corporate identity number, Registered office	Parent company		
		Number of shares	Share of equity, %	Carrying amount, SEK M
ASSA Sverige AB	556061-8455, Eskilstuna	70	100	197
Timelox AB	556214-7735, Landskrona	15,000	100	22
ASSA ABLOY Entrance Systems AB	556204-8511, Landskrona	1,000	100	181
ASSA ABLOY Kredit AB	556047-9148, Stockholm	400	100	6,036
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	12
ASSA ABLOY Asia Holding AB	556602-4500, Stockholm	1,000	100	189
ASSA ABLOY OY	1094741-7, Joensuu	800,000	100	4,257
ASSA ABLOY Norge A/S	979207476, Moss	150,000	100	538
ASSA ABLOY Danmark A/S	CVR 10050316, Herlev	60,500	100	376
ASSA ABLOY Deutschland GmbH	HR B 66227, Berlin	1	100	1,086
ASSA ABLOY Nederland Holding B.V.	52153924, Raamsdonksveer	180	100	771
Pan Pan DOOR Co LTD	210800004058002, Dashiqiao	-	66 ¹	2,228
ASSA ABLOY France SAS	412140907, R.C.S. Versailles	15,184,271	100	1,964
Interlock Holding AG	CH-020.3.913.588-8, Zürich	211,000	98 ¹	0
HID Global Switzerland S.A.	CH-232-0730018-2, Granges	2,500	100	47
ASSA ABLOY Holding GmbH	FN 273601f, A-6175, Kematen	1	100	109
ASSA ABLOY Ltd	2096505, Willenhall	1,330,000	100	3,077
HID Global Ireland Teoranta	364896, Galway	501,000	100	293
Mul-T-Lock Ltd	520036583, Yavne	13,787,856	90 ¹	901
ASSA ABLOY Holdings (SA) Ltd	1948/030356/06, Roodepoort	100,220	100	184
ASSA ABLOY Inc	039347-83, Oregon	100	100	2,237
Fleming Door Products, Ltd	147126, Ontario	25,846,600	100	0
ABLOY Canada Inc.	104722749 RC0002, Vaughn, Ontario	1	100	13
AAC Acquisition Inc.	002098175, Ontario	1	100	17
ASSA ABLOY Australia Pacific Pty Ltd	ACN 095354582, Oakleigh, Victoria	48,190,000	100	242
Grupo Industrial Phillips, S.A de C.V.	GIP980312169, Mexico	27,036,635	100	765
Cerraduras de Colombia S.A.	Public Deed 2798, Bogota	2,201,670	71 ¹	142
WHAIG Limited	EC21330, Bermuda	100,100	100	303
ASSA ABLOY Asia Pacific Ltd	53451, Hong Kong	1,000,000	100	72
Cardo AB	556026-8517, Malmö	27,000,000	100	5,093
ASSA ABLOY Portugal, Unipessoal, Lda (Portugal)	PT500243700, Alfragide	1	100	0
ASSA ABLOY Mobile Services AB	556909-5929, Stockholm	50,000	100	5
ASSA ABLOY Holding Italia S.p.A.	IT01254420597, Rome	650,000	100	974
HID SA (Argentina)	CUIT 30-61783980-2, Buenos Aires	2,400	2 ¹	0
Actividentity Europe S.A. (France)	FR21341213411, Nanterre	1,000,000	100	82
Dynaco US Inc	2979272, Illinois	850	100	309
Total				33,001

¹ The Group's holdings amount to 100 percent.

Note 17 Investments in associates

2014 Company name	Country of registration	Group		
		Number of shares	Share of equity, %	Carrying amount, SEK M
Agta Record AG	Switzerland	5,166,945	39	1,419
Goal Co., Ltd	Japan	2,778,790	46	414
SARA Loading Bay Ltd	United Kingdom	4,990	50	14
Talleres Agui S.A.	Spain	4,800	40	8
Saudi Crawford Doors Ltd	Saudi Arabia	800	40	5
Other				1
Total				1,861

The share of equity in Agta Record AG has been estimated on the basis of the associated company's latest available financial report, which is the published Interim Report for the first half of 2014. For the period January to June, the company's revenue totaled SEK 1,227 M (1,061) and income after tax was SEK 76 M (72). The company's assets totaled SEK 2,482 M (2,160) and total liabilities amounted to SEK 831 M (708).

2013 Company name	Country of registration	Group		
		Number of shares	Share of equity, %	Carrying amount, SEK M
Agta Record AG	Switzerland	5,166,945	39	1,277
Goal Co., Ltd	Japan	2,778,790	46	371
SARA Loading Bay Ltd	United Kingdom	4,999	50	14
Talleres Agui S.A.	Spain	4,800	40	8
Saudi Crawford Doors Ltd	Saudi Arabia	800	40	5
Other				0
Total				1,675

Note 18 Deferred tax

SEK M	Group	
	2013	2014
Deferred tax assets		
Tangible and intangible assets	404	236
Pensions	409	536
Tax losses and other tax credits	360	297
Other deferred tax assets	504	486
Deferred tax assets	1,677	1,555
Deferred tax liabilities		
Tangible and intangible assets	1,350	1,411
Other deferred tax liabilities	66	51
Deferred tax liabilities	1,416	1,462
Deferred tax assets, net	262	93
Change in deferred tax		
Opening balance	493	262
Acquisitions of subsidiaries, net	-145	67
Recognized in income statement	90	-322
Deferred tax from actuarial gain/loss on post-employment benefit obligations	-136	152
Exchange rate differences	-41	-66
Closing balance	262	93

The Group has tax loss carry forwards and other tax credits of SEK 1,554 M (1,800) for which deferred tax assets have not been recognized, as it is uncertain whether they can be offset against taxable income in future taxation.

Note 19 Other financial assets

SEK M	Group		Parent company	
	2013	2014	2013	2014
Investments in associates in parent company	-	-	1,619	1,620
Other shares and interests	4	5	-	-
Interest-bearing non-current receivables	27	28	-	-
Other non-current receivables	55	43	-	-
Total	86	76	1,619	1,620

Note 20 Inventories

SEK M	Group	
	2013	2014
Materials and supplies	1,913	2,266
Work in progress	1,542	1,767
Finished goods	2,806	3,453
Advances paid	236	359
Total	6,498	7,845

Impairment of inventories amounted to SEK 172 M (166).

Note 21 Trade receivables

SEK M	Group	
	2013	2014
Trade receivables	9,073	11,215
Provision for bad debts	-541	-620
Total	8,531	10,595
Maturity analysis		
Trade receivables not due	6,021	7,675
Trade receivables due not impaired:		
< 3 months	2,199	2,475
3-12 months	479	596
> 12 months	375	470
	3,052	3,540
Impaired trade receivables:		
< 3 months	-70	-81
3-12 months	-127	-109
> 12 months	-345	-430
	-541	-620
Total	8,531	10,595

Trade receivables per currency	2013	2014
EUR	2,410	2,534
USD	2,430	3,266
CNY	920	1,533
SEK	476	457
GBP	440	466
CAD	287	311
AUD	262	297
Other currencies	1,307	1,731
Total	8,531	10,595

Current year change in provision for bad debts	2013	2014
Opening balance	570	541
Acquisitions and disposals	18	19
Receivables written off	-105	-105
Reversal of unused amounts	-61	-31
Provision for bad debts	110	132
Exchange rate differences	10	63
Closing balance	541	620

Note 22 Parent company's equity

The Parent company's equity is split between restricted and non-restricted equity. Restricted equity consists of share capital and the statutory reserve. The statutory reserve contains premiums (amounts received from share issues that exceed the nominal value of the shares) relating to shares issued up to 2005.

Non-restricted equity consists of share premium reserves, retained earnings and net income for the year.

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

	Number of shares (thousands)			Share capital, SEK K
	Series A	Series B	Total	
Opening balance at 1 January 2013	19,175	351,684	370,859	370,859
Closing balance at 31 December 2013	19,175	351,684	370,859	370,859
Number of votes, thousands	191,753	351,684	543,437	
Opening balance at 1 January 2014	19,175	351,684	370,859	370,859
Closing balance at 31 December 2014	19,175	351,684	370,859	370,859
Number of votes, thousands	191,753	351,684	543,437	

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 370,259 (370,259) during the year. None of the Group's outstanding long-term incentive programs are expected to result in significant dilution in the future.

The total number of treasury shares as at 31 December 2014 amounted to 600,000. No shares have been repurchased during the year.

Dividend per share

The dividend paid during the financial year totaled SEK 2,110 M (1,888), equivalent to SEK 5.70 (5.10) per share. A dividend for 2014 of SEK 6.50 per share, a total of SEK 2,407 M, will be proposed at the Annual General Meeting on Thursday, 7 May 2015.

Note 24 Post-employment employee benefits

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

The defined benefit plans in the USA and the UK are secured by assets in pension funds, while the plans in Germany are chiefly unfunded. In the USA, there are also unfunded plans for post-employment medical benefits.

The operations of pension funds are regulated by national regulations and practice. The responsibility for monitoring the pension plans and their assets rests mainly with the boards of the pension funds, but can also rest more directly with the company. The Group has an overall policy for the limits within which asset allocation should be made. Each pension fund adjusts its local asset allocation according to the nature of the local pension obligation, particularly the remaining term and the breakdown between active members and pensioners. The Group has not changed the processes used for managing these risks compared with previous periods.

The investments are well diversified so that depreciation of an individual investment should not have any material impact on the plan assets. The majority of assets are invested in shares as the Group considers that shares produce the best long-term return at an acceptable risk level. The total allocation to shares should not, however, exceed 60 percent of total assets. Fixed income assets are invested in a combination of ordinary government bonds and corporate bonds but also in inflation-indexed bonds. The average term of these is normally somewhat shorter than the term of the underlying liability. Bonds should not account for less than 30 percent of assets. A small proportion of assets is also invested in real estate and alternative investments, mainly hedge funds.

As at 31 December 2014, shares accounted for 46 percent (49) and fixed income securities for 34 percent (31) of plan assets, while other assets accounted for 20 percent (20). The actual return on plan assets in 2014 was SEK 384 M (333).

Amounts recognized in the income statement

Pension costs, SEK M	2013	2014
Defined contribution pension plans	371	428
Defined benefit pension plans	136	86
Post-employment medical benefit plans	27	24
Total	534	538
<i>of which, included in:</i>		
Operating income	449	455
Net financial items	85	84

Amounts recognized in the balance sheet

Pension provisions, SEK M	2013	2014
Provisions for defined benefit pension plans	1,567	2,311
Provisions for post-employment medical benefits	389	554
Provisions for defined contribution pension plans	60	81
Pension provisions	2,015	2,946

Pensions with Alecta

Commitments for old-age pensions and family pensions for salaried employees in Sweden are secured in part through insurance with Alecta. According to UFR 3, this is a defined benefit plan that covers many employers. For the 2014 financial year, the company has not had access to information making it possible to report this plan as a defined benefit plan. Pension plans in accordance with ITP secured through insurance with Alecta are therefore reported as defined contribution plans. The year's pension contributions that are contracted to Alecta total SEK 27 M (25), of which SEK 10 M (9) relates to the Parent company. Pension contributions are expected to remain largely unchanged in 2015.

Alecta's surplus can be distributed to policyholders and/or the insured. As at 31 December 2014, Alecta's surplus expressed as the collective consolidation level amounted preliminarily to 144 percent (153 percent as at 30 September 2013). The collective consolidation level consists of the market value of Alecta's assets as a percentage of its insurance commitments calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 percent. If the consolidation level deviates from this range, measures in the form of an adjustment of the premium level should be taken to return to the normal range.

Specification of defined benefit pension plans, post-employment medical benefits and plan assets by country

	United Kingdom		Germany		USA		Other countries		Total	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Specification of defined benefits, SEK M										
Present value of funded obligations	2,072	2,689	80	142	1,536	1,976	356	469	4,044	5,275
Fair value of plan assets	-1,874	-2,351	-23	-24	-1,323	-1,453	-205	-275	-3,425	-4,103
<i>Net value of funded plans</i>	199	339	56	118	213	522	151	194	619	1,172
Present value of unfunded obligations	0	-	554	688	-	-	394	464	948	1,152
Present value of unfunded medical benefits	-	-	-	-	385	549	4	4	389	554
Net value of defined benefit pension plans	199	339	610	805	598	1,071	549	662	1,956	2,877
Provisions for defined contribution pension plans	0	-	-	-	-	-	60	68	60	68
Total	199	339	610	805	598	1,071	608	730	2,015	2,946

Movement in obligations

2014, SEK M	Post-employment medical benefits	Defined benefit pension plans	Plan assets	Total
Opening balance at 1 January 2014	389	4,992	-3,425	1,956
Acquisitions/disposals	-	0	-	0
Reclassifications	-	63	-55	8
<i>Recognized in the income statement:</i>				
Current service cost	5	59	-	64
Past service cost	-	0	-	0
Impairment/reversal of pension receivables	-	-194	157	-38
Interest expense/income	19	220	-156	84
Total recognized in the income statement	24	85	1	110
<i>Recognized in other comprehensive income:</i>				
Return on plan assets, excluding amounts included above	-	-	-228	-228
Gain/loss from change in demographic assumptions	-	134	-	134
Gain/loss from change in financial assumptions	80	719	-	799
Experience-based gains/losses	-	-10	-	-10
Remeasurement of net pension obligations	80	843	-228	695
Exchange rate differences	88	674	-515	247
Total recognized in other comprehensive income	168	1,517	-743	942
<i>Contributions and payments:</i>				
Employer contributions	-	-	-59	-59
Employee contributions	0	0	0	0
Payments	-27	-231	178	-81
Total payments	-27	-231	119	-139
Closing balance at 31 December 2014	554	6,427	-4,103	2,877

2013, SEK M	Post-employment medical benefits	Defined benefit pension plans	Plan assets	Total
Opening balance at 1 January 2013	417	5,021	-3,193	2,245
Acquisitions/disposals	-	1	-	1
<i>Recognized in the income statement:</i>				
Current service cost	5	62	-	67
Past service cost	1	6	-	6
Impairment/reversal of pension receivables	5	0	-	5
Curtailements	-	0	-	0
Interest expense/income	16	198	-129	85
Total recognized in the income statement	27	265	-129	163
<i>Recognized in other comprehensive income:</i>				
Return on plan assets, excluding amounts included above	-	-	-198	-198
Gain/loss from change in demographic assumptions	-	9	-	9
Gain/loss from change in financial assumptions	-30	-92	-	-123
Experience-based gains/losses	-	-49	-	-49
Remeasurement of net pension obligations	-30	-133	-198	-361
Exchange rate differences	0	72	-34	38
Total recognized in other comprehensive income	-30	-61	-231	-323
<i>Contributions and payments:</i>				
Employer contributions	-	-	-35	-35
Employee contributions	0	-5	-	-5
Payments	-25	-228	163	-91
Total payments	-25	-233	128	-130
Closing balance at 31 December 2013	389	4,992	-3,425	1,956

Plan assets allocation

Plan assets	2013	2014
Publicly traded shares	1,678	1,901
Government bonds	384	599
Corporate bonds	460	605
Inflation-linked bonds	227	188
Property	239	281
Cash and cash equivalents	0	24
Alternative investments	238	280
Other assets	197	226
Total	3,425	4,103

Key actuarial assumptions

Key actuarial assumptions (weighted average),%	United Kingdom		Germany		USA	
	2013	2014	2013	2014	2013	2014
Discount rate	4.4	3.5	3.5	1.8	4.8	4.0
Expected annual salary increases	n/a	n/a	2.8	2.3	n/a	n/a
Expected annual pension increases	2.3	2.0	1.8	1.8	2.0	2.0
Expected annual medical benefit increases	n/a	n/a	n/a	n/a	7.3	7.2
Expected annual inflation	2.3	2.0	1.8	1.8	3.0	3.0

Sensitivity analysis of defined benefit obligations and post-employment medical benefits

The effect on defined benefit obligations and post-employment medical benefits of a 1 percent change in some actuarial assumptions, change in percent	+1.0%	-1.0%
Discount rate	-15.2%	15.5%
Expected annual medical benefit increases	14.3%	-11.8%

Note 25 other provisions

SEK M	Group		
	Restructuring reserve	Other	Total
Opening balance at 1 January 2013	1,068	2,007	3,075
Provisions for the year	914	282	1,196
Reclassifications	24	-24	-
Reversal of non-utilized amounts	-12	-291	-303
Payments	-647	-108	-756
Exchange rate differences	22	-6	17
Closing balance at 31 December 2013	1,369	1,860	3,229

SEK M	Group		
	Restructuring reserve	Other	Total
Opening balance at 1 January 2014	1,369	1,860	3,229
Provisions for the year	-	224	224
Reversal of non-utilized amounts	-	-37	-37
Payments	-453	-53	-507
Utilized during the year, without cash flow impact	-40	-	-40
Exchange rate differences	65	18	83
Closing balance at 31 December 2014	941	2,012	2,952

Balance sheet breakdown:	Group	
	2013	2014
Other non-current provisions	2,373	2,428
Other current provisions	856	525
Total	3,229	2,952

The restructuring reserve relates to the ongoing restructuring programs launched in 2008, 2009, 2011 and 2013. The closing balance is expected to be chiefly utilized in the next three years and mainly relates to severance payments. The non-current part of the restructuring reserve totaled SEK 471 M. For further information on the restructuring programs, see the Report of the Board of Directors. Other provisions relate to taxes and legal obligations including future environment-related measures.

Note 26 other current liabilities

SEK M	Group	
	2013	2014
VAT and excise duties	446	545
Employee withholding tax	93	88
Advances received	398	528
Social security contributions and other taxes	69	61
Deferred considerations	273	1,313
Other current liabilities	475	526
Total	1,754	3,060

Note 27 Accrued expenses and deferred income

SEK M	Group		Parent company	
	2013	2014	2013	2014
Personnel-related expenses	1,868	2,255	140	162
Customer-related expenses	639	753	-	-
Deferred income	263	303	-	-
Accrued interest expenses	100	102	57	53
Other	710	868	28	36
Total	3,580	4,282	225	251

Note 28 Contingent liabilities

SEK M	Group		Parent company	
	2013	2014	2013	2014
Guarantees	89	99	-	-
Guarantees on behalf of subsidiaries	-	-	9,088	9,789
Total	89	99	9,088	9,789

In addition to the guarantees shown in the table above, the Group has a large number of minor bank guarantees for performance of obligations in operating activities. No material liabilities are expected as a result of these guarantees.

Maturity profile – guarantees, SEK M	Group	
	2013	2014
<1 year	45	50
>1<2 years	3	16
>2<5 years	33	28
>5 years	8	5
Total	89	99

Note 29 Assets pledged against liabilities to credit institutions

SEK M	Group		Parent company	
	2013	2014	2013	2014
Real estate mortgages	44	19	-	-
Other mortgages	30	87	-	-
Total	74	106	-	-

Note 30 Business combinations

SEK M	2013	2014
Purchase prices		
Cash paid for acquisitions during the year	3,991	2,478
Holdbacks and deferred consideration for acquisitions during the year	607	2,191
Adjustment of purchase prices for acquisitions in prior years	0	-42
Fair value of investments in associates held before the business combination	45	-
Total	4,643	4,627
Acquired assets and liabilities at fair value		
Intangible assets	914	156
Tangible assets	579	289
Deferred tax assets	23	-4
Other financial assets	18	-11
Inventories	464	266
Current receivables and investments	499	324
Cash and cash equivalents	53	204
Non-controlling interest	-	-2
Deferred tax liabilities	-168	71
Pension provisions	-1	0
Other non-current liabilities	-111	-47
Current liabilities	-311	-627
Total	1,959	619
Acquired negative goodwill - recognized as other operating income	-	6
Goodwill	2,684	4,013
Cash paid for acquisitions during the year	3,991	2,478
Cash and cash equivalents in acquired subsidiaries	-53	-204
Paid deferred considerations for acquisitions in previous years	845	180
Change in cash and cash equivalents due to acquisitions	4,783	2,454
Net sales from acquisition date	517	1,097
EBIT from acquisition date	46	173
Net income from acquisition date	24	156

The table above includes fair value adjustments of acquired net assets from acquisitions made in previous years.

Acquisition analyses have been prepared for all acquisitions in 2014. The net sales of acquired units for 2014 totaled SEK 2,373 M (3,702) and net income amounted to SEK 306 M (261). Acquisition-related costs for 2014 totaled SEK 33 M (56) and have been reported as other operating expenses in the income statement.

See below for an account of some acquisitions completed in 2014 and 2013.

2014

Lumidigm

On 10 February 2014, 100 percent of Lumidigm (USA) was acquired, a leading player in the fast-growing biometric segment. The acquisition significantly advances the Group's position in biometrics and will create further growth opportunities for ASSA ABLOY. The company is headquartered in Albuquerque, New Mexico.

Intangible assets in the form of the brand and technology have been disclosed in the purchase price allocation. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

Digi Electronic Lock

On 29 December 2014 the Group acquired 51 per cent of the share capital of Digi Electronic Lock, the leading digital door lock manufacturer in China. In connection to the acquisition, an agreement was signed on future acquisition of outstanding interests, and the company is therefore consolidated 100 percent from the acquisition date.

Keylock is the leading brand in China for digital door locks with a comprehensive product range for the mid to low segments which complements ASSA ABLOY's current premium products. Digi Electronic Lock is a great addition to the current offering within the rapidly growing digital door locks segment. Digi Electronic Lock is headquartered in Guangzhou, southern China.

The purchase price allocation is preliminary in terms of valuation of separately acquired intangible assets.

Jiawei

On 1 December 2014 the Group acquired 95 per cent of the share capital of Jiawei in China, one of the leading suppliers of security locks in China. In connection to the acquisition, an agreement was signed on future acquisition of outstanding interests, and the company is therefore consolidated 100 percent from the acquisition date.

Jiawei broadens ASSA ABLOY's presence in the OEM channel for door manufacturers and gives important complementary access to the growing replacement market for security locks and cylinders in China. Jiawei constitutes another important step in the strategy to grow market presence in China and other emerging markets. Jiawei is headquartered in Jinhua, Zhejiang province, eastern China.

The purchase price allocation is preliminary in terms of valuation of separately acquired intangible assets.

Other acquisitions

Other notable acquisitions during the year comprised the Brazilian companies Metalika and Silvana, ENOX (India) and Huasheng and Xinmao (China).

2013

Ameristar

On 2 November 2013 the Group acquired the assets of Ameristar, the leading US manufacturer of perimeter security solutions. Ameristar offers a comprehensive product range of industrial and high security fencing and gates, complementing the ASSA ABLOY offering of security solutions in the American market. Ameristar brings new valuable competencies to the Group as well as providing an excellent fit with the Group's broad array of security and safety solutions. Ameristar is headquartered in Tulsa, Oklahoma. Intangible assets in the form of the brand and patents have been disclosed. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

Amarr

On 25 November 2013 the Group acquired 100 per cent of the share capital of Amarr (USA), the third largest player in the North American sectional door market, with a very strong and attractive market position. Amarr is another important building block for the ASSA ABLOY Group in building global leadership within Entrance Automation. Amarr's size, product offering and market position give a strong footprint within sectional doors in North America. Amarr is headquartered in Winston-Salem, North Carolina. Intangible assets in the form of brand have been disclosed. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

Other acquisitions

Other notable acquisitions during the year comprised Monterings-service AS Norport (Norway) och Mercor (Poland, Czech Republic and Slovakia).

Note 31 Assets of disposal group classified as held for sale and discontinued operations

SEK M	Group	
	2013	2014
Assets of disposal group classified as held for sale		
Intangible assets	–	–
Tangible assets	–	–
Deferred tax assets	–	–
Inventories	–	–
Trade receivables	–	–
Cash and cash equivalents	–	–
Total	–	–
Liabilities of disposal group classified as held for sale		
Provisions	–	–
Trade payables	–	–
Current tax liabilities	–	–
Other current liabilities	–	–
Accrued expenses and deferred income	–	–
Total	–	–
Net income of disposal group classified as held for sale		
Sales	–	–
Costs	–	–
Income before tax	–	–
Tax on income	–	–
Impairment of assets of disposal group classified as held for sale	–	–
Net income of disposal group classified as held for sale	–11	–
Net income of disposal group classified as held for sale	–11	–
Cash flow from disposal group classified as held for sale		
Cash flow from operating activities	–	–
Cash flow from investing activities	85	201
Cash flow from financing activities	–	–
Cash flow from disposal group classified as held for sale	85	201

Assets of disposal group classified as held for sale

In 2012 an agreement was signed to sell the Group's 70 per cent interest in the Chinese company Wangli Security Products Ltd. and the business was recognized in the balance sheet as *Assets of disposal group classified as held for sale*. In 2013 the sale was completed, resulting in a capital loss of SEK 11 M. On completion the Group received a first part payment of SEK 85 M of the purchase price. In 2014 the final payment of SEK 201 M was received.

Note 32 Cash flow

SEK M	Group	
	2013	2014
Adjustments for non-cash items		
Profit on sales of non-current assets	–24	–40
Change in pension provision	73	63
Share of earnings in associates	–94	–132
Dividend from associates	34	41
Other	27	–82
Adjustments for non-cash items	17	–150
Change in working capital		
Inventories increase/decrease (–/+)	–166	–261
Trade receivables increase/decrease (–/+)	–520	–695
Trade payables increase/decrease (+/–)	333	582
Other working capital increase/decrease (–/+)	–143	71
Change in working capital	–497	–303
Investments in subsidiaries		
Total purchase price	–4,643	–4,627
Adjustment of purchase prices for acquisitions in prior years	–	–42
Fair value of investments in associates held before the business combination	45	–
Less, acquired cash and cash equivalents	53	204
Less, unpaid parts of purchase prices	607	2,191
Paid purchase prices relating to acquisitions in prior years	–845	–180
Investments in subsidiaries	–4,783	–2,454
Disposal of subsidiaries		
Purchase prices received, net	85	201
Less, disposed cash and cash equivalents	–	–
Disposal of subsidiaries	–85	201
Other investments		
Investments in and sales of other shares and interests	4	0
Investments in and sales of other non-current receivables	–3	–
Other investments	1	0

Note 33 Employees

Salaries, wages, other remuneration and social security costs

SEK M	Group		Parent company	
	2013	2014	2013	2014
Salaries, wages and other remuneration	11,395	12,544	147	146
Social security costs	2,363	3,483	94	86
– of which pensions	449	428	25	24
Total	13,759	16,026	241	232

Fees to Board members in 2014 (including committee work), SEK thousand

Name and post	Board	Remuneration Committee	Audit Committee	Total
Lars Renström, Chairman	1,600	100	–	1,700
Carl Douglas, Vice Chairman	750	–	–	750
Birgitta Klasén, Member	500	–	125	625
Eva Lindqvist, Member	500	–	–	500
Johan Molin, President and CEO	–	–	–	–
Sven-Christer Nilsson, Member	500	50	–	550
Ulrik Svensson, Member	500	–	250	750
Jan Svensson, Member	500	50	125	675
Employee representatives (4)	–	–	–	–
Total	4,850	200	500	5,550

Total fees to Board members amounted to SEK 5.2 M in 2013.

Remuneration and other benefits of the Executive Team in 2014, SEK thousands

Name	Fixed salary	Variable salary	Stock-related benefits	Other benefits	Pension costs
Johan Molin, President and CEO	14,646	10,541	7,080	120	6,028
Other members of the Executive Team (8)	37,150	17,086	13,606	3,737	9,213
Total remuneration and benefits	51,796	27,627	20,686	3,857	15,241

Total remuneration and other benefits of the Executive Team amounted to SEK 113 M in 2013.

Salaries and remuneration for the Board of Directors and the parent company's Executive Team

Salaries and remuneration for the Board of Directors and the parent company's Executive Team totaled SEK 51 M (48). Social security costs amounted to SEK 39 M (46), of which 30 SEK M (37) were pension costs and tax on 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, 2012, 2013 and 2014 Annual General Meetings, it was decided to implement further long-term incentive programs for senior executives and other key staff in the Group. The new long-term incentive programs, named LTI 2011, LTI 2012, LTI 2013 and LTI 2014, have been drawn up with similar terms to LTI 2010.

For each Series B share acquired by the CEO within the framework of LTI 2012, LTI 2013 and LTI 2014, the company awards one matching stock option and four performance-based stock options. For each Series B share acquired by other members of the Executive Team, the company awards one matching stock option and three performance-based stock options. For other participants, the company awards one matching stock option and one performance-based stock option. In accordance with the terms of the incentive programs, employees have acquired a total of 210,375 shares in ASSA ABLOY AB, of which 54,419 shares were acquired in 2014 within the framework of LTI 2014.

Each matching stock option entitles the holder to receive one free Series B share in the company after three years, provided that the holder, with certain exceptions, is still employed in the Group when the interim report for Q1 2015, 2016 and 2017 for the respective program is published, and has retained the shares acquired within the framework of the long-term incentive programs. Each performance-based stock option entitles the holder to receive one free Series B share in the company three years after allotment, provided that the above conditions have been fulfilled. In addition, the maximum level in a range determined by the Board of Directors for the performance of the company's earnings per share must have been fulfilled. The performance-based condition for each respective year has been fulfilled for all three programs.

Outstanding matching and performance-based stock options for LTI 2014 total 158,188. The total number of outstanding matching and performance-based stock options for LTI 2012, LTI 2013 and LTI 2014 amounted to 573,714 on the reporting date of 31 December 2014.

Fair value is based on the share price on the allotment date. The present value calculation is based on data from an external party. Fair value is adjusted for participants who do not retain their holding of shares for the duration of the program. In the case of performance-based shares, the company assesses the probability of the performance targets being met when calculating the compensation expense.

The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2014 of 21 May 2014 was SEK 338.57. The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2013 of 21 May 2013 was SEK 272.33. The equivalent value on the allotment date for LTI 2012 of 22 May 2012 was SEK 187.77.

Note 33 cont.

The total cost of the Group's four long-term incentive programs excluding social security costs amounted to SEK 37 M (34) in 2014. In April 2014 a redemption of LTI 2011 took place and 219,350 shares (204,611) at a total market value of SEK 75 M (52) were transferred to the participants of the program. The payment for the transferred shares was recognized in equity.

Other equity-based incentive programs

ASSA ABLOY has previously issued a number of convertible debentures to employees in the Group. At year-end 2014,

there were no outstanding convertible debentures issued to employees in the Group.

Notice and severance pay

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

Average number of employees per country, broken down by gender

	Group					
	2013			2014		
	Total	of which women	of which men	Total	of which women	of which men
China	13,475	4,360	9,115	12,596	5,138	7,458
USA	6,851	2,047	4,804	8,662	2,370	6,293
France	2,143	651	1,492	2,060	638	1,422
Sweden	2,073	562	1,511	2,039	500	1,539
United Kingdom	1,553	502	1,051	1,594	526	1,068
Germany	1,597	476	1,120	1,589	477	1,113
Mexico	1,375	473	902	1,353	437	917
Czech Republic	1,172	565	607	1,352	559	793
Netherlands	1,009	169	840	1,027	193	834
Finland	890	300	590	937	312	625
Canada	826	202	624	856	185	671
Romania	816	300	516	845	310	535
Australia	764	209	556	758	210	548
Norway	594	129	465	714	137	577
South Korea	660	234	426	703	223	480
Malaysia	658	420	238	654	371	283
Spain	580	137	443	563	134	429
Italy	617	154	463	553	140	413
Poland	175	29	147	514	107	407
Belgium	477	118	360	455	110	345
Denmark	448	117	331	447	114	333
Brazil	382	107	275	429	117	312
South Africa	365	162	203	378	161	217
Israel	389	116	273	337	104	233
New Zealand	293	92	201	321	90	230
Switzerland	305	82	223	320	88	232
Colombia	259	52	207	225	51	174
Austria	200	38	162	195	38	157
Ireland	197	66	131	180	61	119
India	109	10	99	180	16	164
Chile	174	52	122	175	55	120
Hong Kong	134	56	78	148	60	88
Other	996	205	789	1,110	214	896
Total	42,556	13,192	29,364	44,269	14,244	30,025

	Parent company					
	2013			2014		
	Total	of which women	of which men	Total	of which women	of which men
Sweden	136	27	109	161	36	125
Total	136	27	109	161	36	125

Gender distribution of Board of Directors and Executive Team

	2013			2014		
	Total	of which women	of which men	Total	of which women	of which men
Board of Directors ¹	8	2	6	8	2	6
Executive Team	9	1	8	9	1	8
–of which Parent company's Executive Team	3	1	2	3	1	2
Total	17	3	14	17	3	14

¹ Excluding employee representatives.

Note 34 Financial risk management and financial instruments

Financial risk management

ASSA ABLOY is exposed to a variety of financial risks due to its international business operations. Financial risk management for ASSA ABLOY's units has been implemented in accordance with the Group's financial policy. The principles for financial risk management are described below.

Organization and activities

ASSA ABLOY's financial policy, which is determined by the Board of Directors, provides a framework of guidelines and regulations for the management of financial risks and financial activities.

ASSA ABLOY's financial activities are coordinated centrally and the majority of financial transactions are conducted by the subsidiary ASSA ABLOY Financial Services AB, which is the Group's internal bank. External financial transactions are conducted by Treasury. Treasury achieves significant economies of scale when negotiating borrowing agreements, using interest rate derivatives and managing currency flows.

Capital structure

The objective of the Group's capital structure is to safeguard its ability to continue as a going concern, and to generate good returns for shareholders and benefits for other stakeholders. Maintaining an optimal capital structure enables the Group to keep capital costs as low as possible. The Group can adjust the capital structure based on the requirements that arise by varying the dividend paid to shareholders, returning

capital to shareholders, issuing new shares or selling assets to reduce debt. The capital requirement is assessed on the basis of factors such as the net debt/equity ratio.

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

Net debt and equity

SEK M	Group	
	2013	2014
Non-current interest-bearing receivables	-27	-28
Short-term interest-bearing investments incl. positive market values of derivatives	-343	-202
Cash and bank balances	-362	-638
Pension provisions	2,015	2,946
Non-current interest-bearing liabilities	13,329	15,362
Current interest-bearing liabilities incl. negative market values of derivatives	4,983	4,887
Total	19,595	22,327
Equity	28,813	36,098
Net debt/equity ratio	0.68	0.62

Another important variable in the assessment of the Group's capital structure is the credit rating assigned by credit rating agencies to the Group's debt. It is essential to maintain a solid credit rating in order to have access to both long-term and short-term financing from the capital markets when needed. ASSA ABLOY maintains both long-term and short-term credit ratings from Standard & Poor's and a short-term rating from Moody's.

Maturity profile – financial instruments¹

SEK M ²	31 December 2013				31 December 2014			
	<1 year	>1<2 years	>2<5 years	>5 years	<1 year	>1<2 years	>2<5 years	>5 years
Long-term bank loans	-20	-320	-600	-1,511	-279	-209	-1,596	-1,336
Long-term capital market loans	-2,408	-2,307	-5,858	-4,305	-2,500	-2,207	-5,736	-5,527
Short-term bank loans	-1,254	-	-	-	-997	-	-	-
Commercial papers and short-term capital market loans	-3,662	-	-	-	-1,286	-	-	-
Derivatives (outflow)	-8,737	-579	-598	-54	-9,176	-35	-602	-41
Total by period	-16,080	-3,206	-7,056	-5,870	-14,240	-2,451	-7,934	-6,904
Cash and cash equivalents incl. interest-bearing receivables	704	-	-	-	841	-	-	-
Non-current interest-bearing receivables	27	-	-	-	28	-	-	-
Derivatives (inflow)	8,962	600	667	154	9,058	70	638	131
Deferred considerations	-273	-284	-380	-	-1,313	-843	-1,084	-
Trade receivables	8,531	-	-	-	10,595	-	-	-
Trade payables	-4,393	-	-	-	-5,699	-	-	-
Net total	-2,522	-2,890	-6,769	-5,716	-729	-3,224	-8,380	-6,773
Confirmed credit facilities	8,074	-	-8,074	-	8,575	-	-8,575	-
Credit facilities maturing < 1 year	-548	-	-	-	-598	-	-	-
Adjusted maturity profile¹	5,004	-2,890	-14,843	-5,716	7,248	-3,224	-16,955	-6,773

¹ For maturity structure of guarantees, see Note 28.

² The amounts in the table are undiscounted and include future known interest payments. The exact amounts are therefore not found in the balance sheet.

External financing/net debt

Credit lines/facilities	Amount, SEK M	Maturity	Carrying amount, SEK M	Currency	Amount 2013	Amount 2014	Of which Parent company, SEK M
US Private Placement Program	591	Dec 2016	591	USD	76	76	
US Private Placement Program	392	Apr 2017	392	USD	50	50	
US Private Placement Program	392	May 2017	392	USD	50	50	
US Private Placement Program	955	Dec 2018	955	USD	122	122	
US Private Placement Program	196	Aug 2019	196	USD	25	25	
US Private Placement Program	548	May 2020	548	USD	70	70	
US Private Placement Program	392	Aug 2022	414 ¹	USD	50	50	
US Private Placement Program	782	Aug 2022	782	USD	100	100	
US Private Placement Program	586	Aug 2024	586	USD	75	75	
Multi-Currency RCF	8,575	Jun 2019	0	EUR	900	900	
Bank loan NIB	523	Dec 2019	523	EUR	55	55	
	523	Dec 2021	523	EUR	55	55	
Bank loan EIB	1,048	Jul 2018 ²	1,048	EUR	110	110	
Global MTN Program	14,292	Jun 2016	274 ¹	NOK	250	250	274
		Jun 2016	105	NOK	100	100	105
		Aug 2016	250	SEK	250	250	250
		Nov 2016	286	EUR	30	30	286
		Nov 2016	381	EUR	40	40	381
		May 2017	500	SEK	500	500	500
		Sep 2017	792	CHF	100	100	792
		Mar 2018	476	EUR		50	476
		Jun 2018	500	SEK	500	500	500
		Sep 2018	78	USD		10	78
		Oct 2018	285	EUR	30	30	286
		Aug 2019	391	USD		50	391
		Sep 2019	157	USD		20	157
		Feb 2020	476	EUR	50	50	476
		Nov 2020	354 ¹	EUR	35	35	
		Dec 2020	300 ¹	EUR	30	30	300
		Feb 2021	391	USD		50	391
		Oct 2021	142	EUR		15	142
		Mar 2022	476	EUR		50	476
		Nov 2023	207 ¹	USD	25	25	
		Mar 2025	321 ¹	EUR	30	30	321
		Feb 2027	285	EUR	30	30	285
Other long-term loans	985		985				837
Total long-term loans/facilities	30,780		15,362				
US Private Placement Program	627	May 2015	637 ¹	USD	80	80	
Global MTN Program		Jan 2015	286	EUR	30	30	286
		Jul 2015	286	EUR	30	30	286
		Aug 2015	250	SEK	250	250	250
		Oct 2015	500	SEK	500	500	500
		Oct 2015	196	JPY	3,000	3,000	196
Global CP Program	7,834		196	USD	25	25	
			391	EUR	69	41	
Swedish CP Program	5,000		700	SEK	800	700	
Other bank loans	406		406				
Overdraft facility	1,702		789				
Total short-term loans/facilities	15,571		4,637				
Total loans/facilities	46,357		19,999				
Cash and bank balances			-638				
Short-term interest-bearing investments			-43				
Long-term interest-bearing investments			-27				
Market value of derivatives			92				
Pensions			2,945				
Net debt			22,327				

¹ The loans are subject to hedge accounting.

² The loan amortizes starting November 2016. In the table the average date of maturity of the loan has been stated.

Rating

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

The Group's credit rating remained unchanged during the year.

Financing risk and maturity profile

Financing risk is defined as the risk of being unable to meet payment obligations as a result of inadequate liquidity or difficulties in obtaining external financing. ASSA ABLOY manages financing risk at Group level. Treasury is responsible for external borrowings and external investments. ASSA ABLOY strives to have access on every occasion to both short-term and long-term loan facilities. In accordance with financial

policy, the available loan facilities, including available cash and cash equivalents, should include a reserve (facilities available but not utilized) equivalent to 10 percent of the Group's total annual sales.

Maturity profile

The table 'Maturity profile' on page 110 shows the maturities for ASSA ABLOY's financial instruments, including confirmed credit facilities. The maturities are not concentrated to a particular date in the immediate future. The Group's Multi-Currency Revolving Credit Facility was extended by one year during 2014 in line with an extension option in the original agreement. Originally this facility matured in June 2018, but has now extended to June 2019. This credit facility was wholly unutilized at year-end. Moreover, existing financial assets are also taken into account. The table shows undiscounted cash flows relating to the Group's financial instruments at the reporting date, and these amounts are therefore not found in the balance sheet.

Interest-bearing liabilities

The Group's long-term loan financing mainly consists of a Private Placement Program in the USA totaling USD 698 M, of which USD 618 M (698) is long-term, a GMTN program of SEK 8,857 M (8,506), of which SEK 7,339 M (6,457) is long-term, a loan from the European Investment Bank of EUR 110 M (110), and a loan from the Nordic Investment Bank of EUR 110 M (110). During the year, seven new issues were made under the GMTN program for a total amount of around SEK 1,900 M. A bilateral bank loan of 90 MEUR with an average duration of 6 years was also raised during the year. Other changes in long-term loans are mainly due to some of the originally long-term loans now having less than one year to maturity. The size of the loans has also been affected by currency fluctuations, in particular the strengthening of the USD and EUR against the SEK. In total SEK 2,757 M was raised in new long term loans while SEK 2,131 M of originally long term loans were repaid during the year.

The Group's short term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 1,287 M (1,580) of the Commercial Paper Programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility of EUR 900 M (900). The reduction in short-term

financing is mainly linked to the increase in long-term capital market issues implemented to extend the Group's maturity profile. At year-end the average time to maturity for the Group's interest-bearing liabilities, excluding the pension provision, was 46 months (45).

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

Currency composition

The currency composition of ASSA ABLOY's borrowing depends on the currency composition of the Group's assets and other liabilities. Currency swaps are used to achieve the desired currency composition. See the table 'Net debt by currency' below.

Cash and cash equivalents and other interest-bearing receivables

Short-term interest-bearing investments totaled SEK 14 M (204) at year-end. In addition, ASSA ABLOY has non-current interest-bearing receivables of SEK 28 M (27) and financial derivatives with a positive market value of SEK 159 M (138) which, in addition to cash and cash equivalents, are included in the definition of net financial debt. Cash and cash equivalents are mainly invested in bank accounts or interest-bearing instruments with high liquidity from issuers with a credit rating of at least A-, according to Standard & Poor's or similar rating agency. The average term for cash and cash equivalents was 1 day (1) at year-end 2014.

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

SEK M	Group		Parent company	
	2013	2014	2013	2014
Cash and bank balances	362	638	-	-
Short-term investments with maturity less than 3 months	-	29	-	-
Cash and cash equivalents	362	667	-	-
Short-term investments with maturity more than 3 months	204	14	-	-
Long-term interest-bearing receivables	27	28	-	-
Positive market value of derivatives	138	159	-	-
Total	731	868	-	-

Net debt by currency

SEK M	31 December 2013		31 December 2014	
	Net debt excluding currency swaps	Net debt including currency swaps	Net debt excluding currency swaps	Net debt including currency swaps
USD	5,894	10,370	8,117	12,009
EUR	8,551	5,165	8,998	6,099
SEK	4,008	2,238	3,282	1,171
AUD	27	608	21	682
NOK	463	75	462	506
CNY	-285	-678	-302	395
CZK	25	343	12	367
DKK	34	195	21	258
Other	812	220	1,716	840
Total	19,595	19,595	22,327	22,327

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) at year-end 2014. A downward change in the yield curve of one percentage point would reduce the Group's interest income by around SEK 0 M (1) and consolidated equity by SEK 0 M (1).

Interest rate risks in borrowing

Changes in interest rates have a direct impact on ASSA ABLOY's net interest expense. Treasury is responsible for identifying and managing the Group's interest rate exposure. Treasury analyzes the Group's interest rate exposure and calculates the impact on income of changes in interest rates on a rolling 12-month basis. The Group strives for a mix of fixed rate and variable rate borrowings, and uses interest rate swaps to adjust the fixed interest term. The financial policy stipulates that the average fixed interest term should normally be 24 months. At year-end, the average fixed interest term on gross debt, excluding pension liabilities, was around 17 months (21). An upward change in the yield curve of one percentage point would increase the Group's interest expense by around SEK 110 M (102) and reduce consolidated equity by SEK 81 M (76).

Currency risk

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

Transaction exposure

Currency risk in the form of transaction exposure, or exports and imports of goods respectively, is relatively limited in the Group, even though it can be significant for individual business units. The main principle is to allow currency fluctuations to have an impact on the business as quickly as possible. As a result of this strategy, current currency flows are not normally hedged.

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

Currency, SEK M	Currency exposure	
	2013	2014
AUD	370	135
CAD	535	411
CNY	-1,069	-1,058
DKK	266	249
EUR	702	1,321
GBP	591	82
RON	-256	-260
SEK	-2,413	-1,538
USD	1,101	224

Translation exposure in income

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

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

Currency, SEK M	2013	2014
AUD	36	36
CAD	18	14
CNY	52	77
EUR	167	147
GBP	9	20
HKD	21	39
KRW	12	14
USD	233	341

Translation exposure in the balance sheet

The impact of translation of equity is limited by the fact that a large part of financing is in local currency.

The capital structure in each country is optimized based on local legislation. Whenever possible, according to local conditions, gearing per currency should generally aim to be the same as for the Group as a whole to limit the impact of fluctuations in individual currencies. Treasury uses currency derivatives and loans to achieve appropriate financing and to eliminate undesirable currency exposure.

The table 'Net debt by currency' on page 112 shows the use of forward exchange contracts in relation to financing in major currencies. Forward exchange contracts are used to neutralize the exposure arising between external debt and internal requirements.

Financial credit risk

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

ASSA ABLOY's policy is to minimize the potential credit risk relating to surplus cash by using cash flow from subsidiaries to repay the Group's loans. This is primarily achieved through cash pools put in place by Treasury. Around 88 percent (87) of the Group's sales were settled through cash pools in 2014. However, the Group can in the short term invest surplus cash in banks to match borrowing and cash flow.

Derivative instruments are allocated between banks based on risk levels defined in the financial policy, in order to limit counterparty risk. Treasury only enters into derivative contracts with banks that have a good credit rating.

ISDA agreements (full netting of transactions in case of counterparty default) have been entered into with respect to interest rate and currency derivatives. The table on page 114 shows the impact of this netting.

Commercial credit risk

The Group's trade receivables are distributed across a large number of customers who are spread globally. No single customer accounts for more than 1 percent of the Group's sales. The concentration of credit risk associated with trade receivables is therefore limited. The fair value of trade receivables is equivalent to the carrying amount. Credit risks relating to operating activities are managed locally at company level and monitored at division level.

Commodity risk

The Group is exposed to price risks relating to purchases of certain commodities (primarily metals) used in production. Forward contracts are not used to hedge commodity purchases.

Fair value of financial instruments

Derivative financial instruments such as forward exchange contracts and forward rate agreements are used to the extent necessary. The use of derivative instruments is limited to reducing exposure to financial risks.

The positive and negative fair values in the table 'Outstanding derivative financial instruments' on page 114 show the fair values of outstanding instruments at year-end, based on available fair values, and are the same as the carrying amounts in the balance sheet. The nominal value is equivalent to the gross value of the contracts.

For accounting purposes, financial instruments are classified into measurement categories in accordance with IAS 39. The table 'Financial instruments' on page 114 provides an overview of financial assets and liabilities, measurement category, and carrying amount and fair value per item.

Disclosures of offsetting of financial assets and liabilities

SEK M	2013					2014				
	Gross amount	Amounts netted in the balance sheet	Net amounts in the balance sheet	Amount covered by netting agreement but not offset	Net amount	Gross amount	Amounts netted in the balance sheet	Net amounts in the balance sheet	Amount covered by netting agreement but not offset	Net amount
Financial assets	139	–	139	65	74	159	–	159	104	55
Financial liabilities	107	–	107	60	47	251	–	251	104	147

Netted financial assets and financial liabilities only consist of derivative instruments.

Outstanding derivative financial instruments at 31 December

Instrument, SEK M	31 December 2013			31 December 2014		
	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value	Nominal value
Foreign exchange forwards, funding	77	–13	13,174	23	–117	6,571
Interest rate swaps ¹	62	–50	7,018	136	–35	3,817
Cross currency swaps	0	–45	1,319	–	–99	1,045
Total	139	–108	21,511	159	–251	11,433

¹ For interest rate swaps, only one leg is included in nominal value.

Financial instruments: carrying amounts and fair values by measurement category

SEK M	IAS 39 category*	2013		2014	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Other shares and interests	3	4	4	5	5
Other financial assets	1	1,675	1,675	1,861	1,861
Trade receivables	1	8,531	8,531	10,595	10,595
Derivative instruments – hedge accounting	5	62	62	136	136
Derivative instruments – held for trading	2	77	77	23	23
Short-term investments	1	204	204	14	14
Cash and cash equivalents	1	362	362	667	667
Financial liabilities					
Long-term loans – hedge accounting	4	2,161	2,161	1,870	1,870
Long-term loans – not hedge accounting	4	11,168	11,330	13,492	13,834
Long-term loans, total		13,329	13,491	15,362	15,704
Short-term loans – hedge accounting	4	–	–	637	637
Short-term loans – not hedge accounting	4	4,875	4,875	4,000	4,000
Derivative instruments – hedge accounting	5	50	50	35	35
Derivative instruments – held for trading	2	58	58	216	216
Trade payables	4	4,393	4,393	5,699	5,699
Deferred considerations	2	937	937	3,239	3,239

* Applicable IAS 39 categories:

¹ = Loans and receivables.

² = Financial instruments at fair value through profit or loss.

³ = Available-for-sale financial assets.

⁴ = Financial liabilities at amortized cost.

⁵ = Derivative hedge accounting.

The fair value of long-term borrowing is based on observable data by discounting cash flows to market rate, while the fair value of current receivables and current liabilities is considered to correspond to the carrying amount.

Financial instruments: measured at fair value

SEK M	2013				2014			
	Carrying amounts	Quoted prices	Observable data	Non-observable data	Carrying amounts	Quoted prices	Observable data	Non-observable data
Financial assets								
Derivative instruments	139	–	139	–	159	–	159	–
Financial liabilities								
Derivative instruments	108	–	108	–	251	–	251	–
Deferred considerations ¹	937	–	–	937	3,239	–	–	3,239

¹ Deferred considerations often depend on the earnings trend of an acquired business over a certain period. Measurement of the deferred consideration is based on the management's best judgment. Discounting to present value takes place in the case of significant amounts.



Entrance solutions from ASSA ABLOY in Canadian innovation center

CUSTOMER: MaRS is an innovation center for medical research and development. Since they first opened in 2005, they have built on a rich legacy to create one of world's largest innovation hubs, a 1.5-million-square-foot complex located in the heart of Canada's largest research cluster in downtown Toronto.

CHALLENGE: MaRS & B&H Architects were challenged to design and construct a LEED Canada-CS Gold Certified, state of the art technology 20 story facility that would house multiple tenants focused on work & learning, health and energy.

SOLUTION: ASSA ABLOY collaborated with B&H Architects and Trillium Architectural Hardware to identify the best solutions to meet the everyday sustainability, clean room and accessibility needs of the various tenants. ASSA ABLOY Entrance Systems provided a range of pedestrian automatic door solutions as part of a sustainable state-of-the-art construction for MaRS Phase 2. Architectural hardware, electromechanical and access control hardware solutions were provided by Group brands Sargent, McKinney, HES, Securitron and Medeco.

Comments on five years in summary

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.

2012

Organic growth was 2 percent, despite the continued weak market conditions globally. The share of sales on emerging markets continued to increase to over 25 percent of total sales. The major investments in product development in recent years have been fruitful. This can be seen from the share of products launched in the past three years, which has increased considerably and currently accounts for around 25 percent of total sales.

Operating income excluding items affecting comparability increased by 13 percent during the year and operating cash flow remained very strong. Earnings per share after full dilution, excluding items affecting comparability, increased by 13 percent, compared with 2011.

A total of 13 acquisitions were completed during the year, which mainly strengthened the position in entrance automation for high-performance doors and docking

systems. These acquisitions increase annual sales by a total of around SEK 4,500 M and provide important products and technology.

Activities in the ongoing restructuring programs remained at a high level during the year. More than 6,700 employees have left the Group, as a result of these activities since the programs began in 2006.

In summary, it may be stated that ASSA ABLOY continued gradually to expand and consolidate its leading market position during the year, and showed good earnings capacity under the prevailing economic circumstances.

2013

Demand remained weak in Europe but leveled off during the year, combined with a continuing recovery in the USA and strong sales growth in emerging markets. Continued substantial investment in innovative new products further consolidated market leadership, with products launched in the past three years accounting for a record 27 percent of sales.

Operating income, excluding items affecting comparability, increased by 6 percent compared with 2012, and cash flow showed a positive trend. Earnings per share after full dilution, excluding items affecting comparability, increased 6 percent.

A total of 10 acquisitions were consolidated during the year, which mainly strengthened the position in entrance automation for overhead sectional doors and in high-security fencing and gates for the North American market. These acquisitions increase annual sales by a total of around SEK 3,700 M and provide important products and technology.

A new restructuring program was launched during the year for the purpose of continuing to increase the cost-efficiency of all divisions. Some 30 production plants and offices are set to close with an estimated payback period of just over three years. At year-end 2013, more than 8,500 employees had left the Group as a result of restructuring activities since the programs began in 2006.

2014

ASSA ABLOY continued to grow rapidly during the year, with total sales growth of 17 percent. Demand was strong in the USA, while growth in Europe was more unevenly distributed between the different regions. Emerging markets showed a slowdown, partly due to a credit crunch.

The Group's continued focus on market presence and innovation during the year took the form of a strengthened sales force and the launch of many new products. Integration of acquisitions made and continued efficiencies contributed to maintaining good earning capacity.

Operating income, excluding items affecting comparability, increased by 17 percent compared with 2013, and cash flow remained strong. Earnings per share after full dilution, excluding items affecting comparability, increased by 17 percent.

A total of 20 acquisitions were consolidated during the year, which both strengthened the market position in key emerging markets such as China, India and Brazil, and complemented the customer offering in fast-growing new segments such as biometrics.

Five years in summary

Amounts in SEK M unless stated otherwise	2010	2011	2012	2013	2014
Sales and income					
Sales	36,823	41,786	46,619	48,481	56,843
Organic growth, %	3	4	2	2	3
Acquired growth, %	8	17	9	4	9
Operating income before depreciation/amortization (EBITDA)	7,041	7,646 ¹	8,536	8,917 ¹	10,419
Depreciation and amortization	-995	-1,022	-1,034	-993	-1,163
Operating income (EBIT)	6,046	6,624 ¹	7,501	7,923 ¹	9,257
Income before tax (EBT)	5,366	4,559	6,784 ⁴	6,381	8,698
Net income	4,080	3,869	5,172 ⁴	4,775	6,436
Cash flow					
Cash flow from operating activities	5,729	5,347	5,990	6,224	6,679
Cash flow from investing activities	-4,027	-7,357	-4,738	-6,030	-3,524
Cash flow from financing activities	-2,597	2,326	-1,564	-731	-2,908
Cash flow	-895	316	-312	-537	247
Operating cash flow ³	6,285	6,080	7,044	6,803	8,238
Capital employed and financing					
Capital employed	31,385	37,942	41,422 ⁴	48,408	58,425
– of which goodwill	22,279	27,014	28,932	31,817	39,778
– of which other intangible and tangible assets	8,336	10,126	11,093	12,854	14,990
– of which investments in associates	37	1,211	1,519	1,675	1,861
Assets and liabilities of disposal group classified as held for sale	–	–	385	–	–
Net debt	10,564	14,207	15,805 ⁴	19,595	22,327
Non-controlling interest	169	208	183	0	2
Shareholders' equity, excluding non-controlling interest	20,652	23,527	25,819 ⁴	28,812	36,096
Data per share, SEK					
Earnings per share after tax and before dilution	11.07	10.45	13.97 ⁴	12.89	17.38
Earnings per share after tax and dilution (EPS)	10.89	12.30 ¹	13.97 ⁴	14.84 ¹	17.38
Shareholders' equity per share after dilution	58.64	65.54	69.86 ⁴	77.83	97.49
Dividend per share	4.00	4.50	5.10	5.70	6.50 ²
Price of Series B share at year-end	189.50	172.60	242.90	339.80	414.80
Key ratios					
Operating margin (EBITDA), %	19.1	18.3 ¹	18.3	18.4 ¹	18.3
Operating margin (EBIT), %	16.4	15.9 ¹	16.1	16.3 ¹	16.3
Profit margin (EBT), %	14.6	10.9	14.6 ⁴	13.2	15.3
Return on capital employed, %	18.5	13.6	18.1 ⁴	14.9	16.9
Return on capital employed excluding items affecting comparability, %	18.5	17.4	18.1 ⁴	17.1	16.9
Return on shareholders' equity, %	19.1	16.7	20.9 ⁴	17.5	19.8
Equity ratio, %	45.9	42.9	43.2 ⁴	43.8	45.1
Net debt/equity ratio, times	0.51	0.60	0.61 ⁴	0.68	0.62
Interest coverage ratio, times	10.1	8.8	11.1 ⁴	13.5	17.4
Interest on convertible debentures net after tax	9.9	10.5	3.9	–	–
Number of shares, thousands	366,177	368,250	370,859	370,859	370,859
Number of shares after dilution, thousands	372,736	371,213	370,859	370,859	370,859
Average number of employees	37,279	41,070	42,762	42,556	44,269

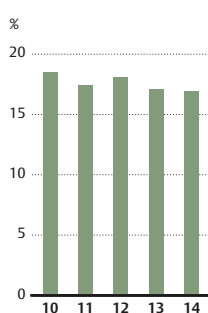
¹ Excluding items affecting comparability in 2011 and 2013.

² Dividend proposed by the Board of Directors.

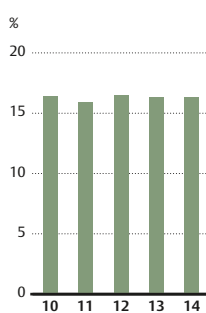
³ Excluding restructuring payments.

⁴ 2012 has been adjusted due to a change in accounting principles for defined benefit pension plans.

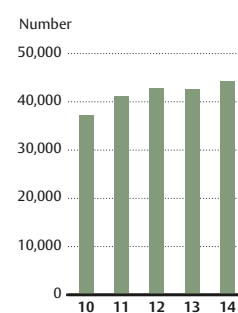
RETURN ON CAPITAL EMPLOYED¹



OPERATING MARGIN (EBIT)¹



AVERAGE NUMBER OF EMPLOYEES



¹ Excluding items affecting comparability 2011 and 2013.

Quarterly information

THE GROUP IN SUMMARY Amounts in SEK M unless stated otherwise	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Full year 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Full year 2014
Sales	10,868	12,239	12,131	13,242	48,481	12,305	13,964	14,727	15,847	56,843
Organic growth	-1%	3%	3%	4%	2%	4%	2%	4%	3%	3%
Gross income excluding items affecting comparability	4,358	4,786	4,839	5,176	19,159	4,791	5,368	5,689	6,074	21,922
Gross income/ Sales	40.1%	39.1%	39.9%	39.1%	39.5%	38.9%	38.4%	38.6%	38.3%	38.6%
Operating income before depreciation (EBITDA) excluding items affecting comparability	1,911	2,226	2,339	2,440	8,917	2,135	2,504	2,791	2,990	10,419
Operating margin (EBITDA)	17.6%	18.2%	19.3%	18.4%	18.4%	17.3%	17.9%	19.0%	18.9%	18.3%
Depreciation and amortization	-250	-256	-249	-238	-993	-278	-285	-292	-309	-1,163
Operating income (EBIT) excluding items affecting comparability	1,662	1,970	2,090	2,202	7,923	1,857	2,219	2,499	2,681	9,257
Operating margin (EBIT)	15.3%	16.1%	17.2%	16.6%	16.3%	15.1%	15.9%	17.0%	16.9%	16.3%
Items affecting comparability ¹	-	-	-	-1,000	-1,000	-	-	-	-	-
Operating income (EBIT)	1,662	1,970	2,090	1,202	6,924	1,857	2,219	2,499	2,681	9,257
Net financial items	-129	-138	-124	-152	-542	-148	-146	-136	-129	-559
Income before tax (EBT)	1,533	1,832	1,966	1,050	6,381	1,709	2,073	2,364	2,552	8,698
Profit margin (EBT)	14.1%	15.0%	16.2%	7.9%	13.2%	13.9%	14.8%	16.0%	16.1%	15.3%
Tax	-383	-458	-492	-262	-1,595	-444	-539	-614	-664	-2,261
Net income of disposal group classified as held for sale and discontinued operations	-11	-	-	-	-11	-	-	-	-	-
Net income	1,138	1,374	1,474	788	4,775	1,264	1,534	1,749	1,889	6,436
Allocation of net income:										
Parent company shareholders	1,138	1,372	1,474	788	4,772	1,264	1,534	1,749	1,889	6,436
Non-controlling interests	1	2	0	0	2	0	0	0	0	0

OPERATING CASH FLOW	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Full year 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Full year 2014
Operating income (EBIT)	1,662	1,970	2,090	1,202	6,924	1,857	2,219	2,499	2,681	9,257
Restructuring costs	-	-	-	1,000	1,000	-	-	-	-	-
Depreciation and amortization	250	256	249	238	993	278	285	292	309	1,163
Net capital expenditure	-228	-233	-280	-461	-1,202	-266	-272	-388	-345	-1,271
Change in working capital	-1,110	-234	232	615	-497	-1,268	-6	-93	1,064	-303
Interest paid and received	-73	-165	-53	-139	-431	-52	-201	-101	-103	-457
Non-cash items	-2	-6	-63	86	17	8	-61	39	-136	-150
Operating cashflow²	498	1,589	2,175	2,541	6,803	557	1,963	2,249	3,469	8,238
Operating cash flow / Income before tax	0.33	0.87	1.11	1.24 ³	0.92 ³	0.33	0.95	0.95	1.36	0.95

CHANGE IN NET DEBT	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Full year 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Full year 2014
Net debt at start of period	15,805	15,364	16,628	17,356	15,805	19,595	21,375	23,072	22,348	19,595
Operating cash flow	-498	-1,589	-2,175	-2,541	-6,803	-557	-1,963	-2,249	-3,469	-8,238
Restructuring payments	190	109	118	230	647	87	140	107	119	453
Tax paid	357	353	154	271	1,134	1,005	409	437	525	2,376
Acquisitions/Disposals	-104	385	2,545	3,957	6,784	952	180	109	1,213	2,454
Dividend	-	1,888	89	29	2,007	-	2,110	-	-	2,110
Actuarial gain/loss on post-employment benefit obligations	-300	-148	80	7	-361	97	71	73	455	695
Exchange rate differences and other	-86	265	-83	286	382	195	750	799	1,136	2,880
Net debt at end of period	15,364	16,628	17,356	19,595	19,595	21,375	23,072	22,348	22,327	22,327
Net debt / equity ratio	0.57	0.62	0.63	0.68	0.68	0.72	0.76	0.68	0.62	0.62

NET DEBT	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Non-current interest-bearing receivables	-29	-24	-27	-27	-26	-28	-30	-28
Current interest-bearing investments including derivatives	-375	-384	-339	-342	-148	-153	-247	-174
Cash and cash equivalents	-870	-940	-619	-362	-498	-615	-809	-667
Pension provisions	1,972	1,908	1,941	2,015	2,110	2,242	2,400	2,946
Other non-current interest-bearing liabilities	12,265	11,262	11,045	13,329	14,627	14,209	14,272	15,362
Current interest-bearing liabilities including derivatives	2,401	4,806	5,356	4,983	5,311	7,415	6,762	4,887
Total	15,364	16,628	17,356	19,595	21,375	23,072	22,348	22,327

CAPITAL EMPLOYED AND FINANCING	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Capital employed	42,170	43,433	44,884	48,408	51,141	53,282	55,359	58,425
– of which goodwill	28,742	29,446	28,841	31,817	32,930	34,052	35,423	39,778
– of which other intangible and tangible assets	10,937	11,302	11,094	12,854	12,941	13,383	14,055	14,990
– of which investments in associates	1,466	1,532	1,613	1,675	1,696	1,805	1,790	1,861
Net debt	15,364	16,628	17,356	19,595	21,375	23,072	22,348	22,327
Non-controlling interests	68	0	0	0	0	0	0	2
Shareholders' equity, excluding non-controlling interests	26,738	26,805	27,527	28,812	29,766	30,210	33,010	36,096

DATA PER SHARE, SEK	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Full year 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Full year 2014
Earnings per share after tax and before dilution	3.07	3.71	3.98	2.13	12.89	3.41	4.14	4.72	5.10	17.38
Earnings per share after tax and dilution	3.07	3.71	3.98	2.13	12.89	3.41	4.14	4.72	5.10	17.38
Earnings per share after tax and dilution excluding items affecting comparability ¹	3.07	3.71	3.98	4.08	14.84	3.41	4.14	4.72	5.10	17.38
Shareholders' equity per share after dilution	72.21	72.39	74.35	77.83	77.83	80.39	81.59	89.15	97.49	97.49

NUMBER OF SHARES	Mar 2013	Jun 2013	Sep 2013	Dec 2013	Full year 2013	Mar 2014	Jun 2014	Sep 2014	Dec 2014	Full year 2014
Number of shares before dilution, thousands	370,859	370,859	370,859	370,859	370,859	370,859	370,859	370,859	370,859	370,859
Weighted average number of shares after dilution, thousands	370,259	370,259	370,259	370,259	370,259	370,259	370,259	370,259	370,259	370,259

¹ Items affecting comparability consist of restructuring costs.

² Excluding restructuring payments.

³ Operating income before tax excluding items affecting comparability.

Definitions of key ratios

Organic growth

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

Operating margin (EBITDA)

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

Operating margin (EBIT)

Operating income as a percentage of sales.

Profit margin (EBT)

Income before tax as a percentage of sales.

Operating cash flow

See the table on operating cash flow for detailed information.

Net capital expenditure

Investments in tangible and intangible assets less disposals of tangible and intangible assets.

Depreciation

Depreciation/amortization of intangible and tangible assets.

Net debt

Interest-bearing liabilities less interest-bearing assets.

Capital employed

Total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liability.

Equity ratio

Shareholders' equity as a percentage of total assets.

Interest coverage ratio

Income before tax plus net interest divided by net interest.

Return on shareholders' equity

Net income excluding non-controlling interests as a percentage of average shareholders' equity (excluding non-controlling interests) after any potential dilution.

Return on capital employed

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

Earnings per share after tax and before dilution

Net income excluding non-controlling interests divided by weighted average number of shares before dilution.

Earnings per share after tax and dilution

Net income excluding non-controlling interests divided by weighted average number of shares after any potential dilution.

Shareholders' equity per share after dilution

Equity excluding non-controlling interests divided by number of shares after any potential dilution.

Proposed distribution of earnings

The following earnings are at the disposal of the Annual General Meeting:

Share premium reserve: SEK 787 M
Retained earnings brought forward: SEK 4,777 M
Net income for the year: SEK 5,201 M
TOTAL: SEK 10,766 M

The Board of Directors and the President and CEO propose that a dividend of SEK 6.50 per share, a total of SEK 2,407 M, be distributed to shareholders and that the remainder, SEK 8,359 M, be carried forward to the new financial year. The dividend amount is calculated on the number of outstanding shares as per 4 February 2015.

No dividend is payable on ASSA ABLOY AB's holding of treasury shares, the exact number of which is determined on the record date for payment of dividend. ASSA ABLOY AB held 600,000 treasury shares as at 4 February 2015.

Monday, 11 May 2015 has been proposed as the record date for dividends. If the Annual General Meeting approves this proposal, dividends are expected to be distributed by Euroclear Sweden AB on Friday, 15 May 2015.

The Board of Directors and the President and CEO declare that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and give a true and fair view of the Group's financial position and results. The Parent company's annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent company's financial position and results.

The Report of the Board of Directors for the Group and the Parent company gives a true and fair view of the development of the Group's and the Parent company's business operations, financial position and results, and describes material risks and uncertainties to which the Parent company and the other companies in the Group are exposed.

Stockholm, 4 February 2015

Lars Renström
Chairman of the Board

Carl Douglas
Vice Chairman of the Board

Birgitta Klasén
Board member

Eva Lindqvist
Board member

Johan Molin
President and CEO

Sven-Christer Nilsson
Board member

Jan Svensson
Board member

Ulrik Svensson
Board member

Seppo Liimatainen
Employee representative

Mats Persson
Employee representative

Our audit report was issued on 4 February 2015

PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Linda Corneliussen
Authorized Public Accountant

Auditor's report

**To the annual meeting
of the shareholders of ASSA ABLOY AB,
corporate identity number 556059-3575**

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of ASSA ABLOY AB for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 63–120.

Responsibilities of the Board of Directors and the President and CEO for the annual accounts and consolidated accounts

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and the 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 opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual

Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President and CEO of ASSA ABLOY AB for the year 2014.

Responsibilities of the Board of Directors and the President and CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President and CEO are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President and CEO is liable to the company. We also examined whether any member of the Board of Directors or the President and CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Stockholm, 4 February 2015

PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Linda Corneliusson
Authorized Public Accountant

The ASSA ABLOY share

Share price trend in 2014

In 2014 Nasdaq Stockholm showed a positive trend, and closed up 11.9 percent following a strong end to the year. ASSA ABLOY's Series B share rose 22.1 percent from SEK 339.80 to SEK 414.80. The highest closing price during the year was SEK 417.50 recorded on 29 December, while the lowest closing price was SEK 316.90 recorded on 13 March.

At year-end, market capitalization amounted to SEK 153,832 M (125,814), calculated on both Series A and Series B shares.

Listing and trading

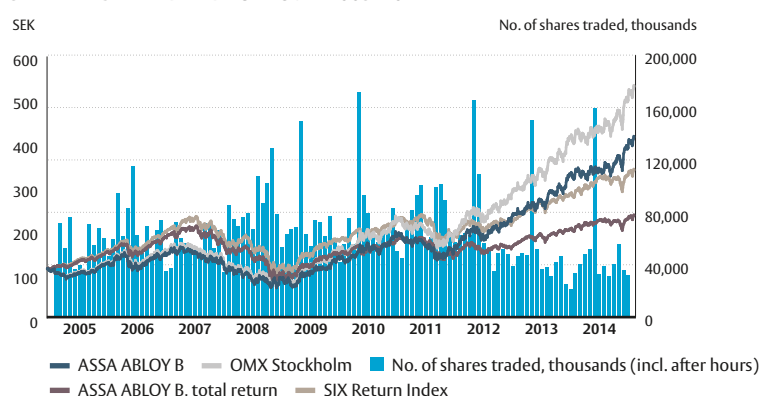
ASSA ABLOY's Series B share has been listed on Nasdaq Stockholm, Large Cap since 8 November 1994. Total turnover of the Series B share on all markets amounted to 596 million shares (585) in 2014, equivalent to a turnover rate of 161 percent (158). Turnover of the Series B share on Nasdaq Stockholm amounted to 207 million shares (202),

equivalent to a turnover rate of 56 percent (55). The average turnover rate was 66 percent (67) on Nasdaq Stockholm, and to 67 percent (68) on the Large Cap list.

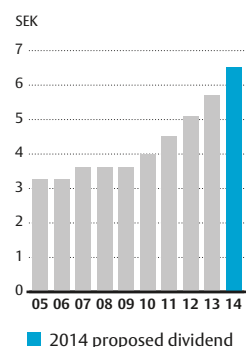
The implementation of the EU's Markets in Financial Instruments Directive (MiFID) in late 2007 has totally changed the structure of equity trading in Europe. Share trading now takes place on both regulated markets and other trading platforms, and has thus become more fragmented. Consequently, an ever-increasing proportion of trading in shares in Swedish companies now takes place on markets other than Nasdaq Stockholm.

In 2014 the ASSA ABLOY share was traded on more than 10 different markets, with trading on Nasdaq Stockholm accounting for only around 35 percent of share turnover, compared with 65 percent in 2009. The diagram below shows the trend and distribution of trading in ASSA ABLOY's Series B share on various markets over the past five years.

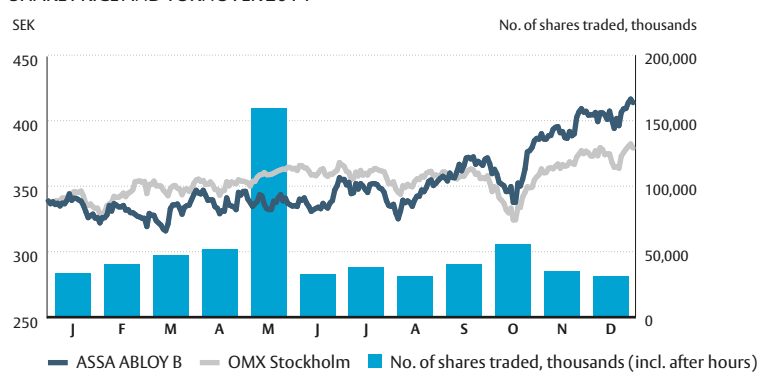
SHARE PRICE TREND AND TURNOVER 2005–2014



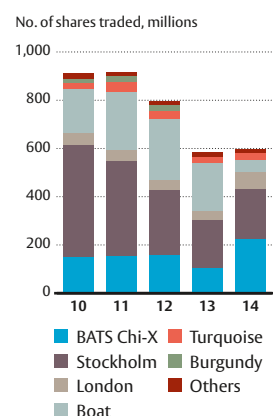
DIVIDEND PER SHARE 2005–2014



SHARE PRICE AND TURNOVER 2014



MARKETS FOR THE SHARE



Data per share

SEK/share ¹	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Earnings after tax and dilution	6.97	7.99 ²	9.02	9.21 ²	9.22 ²	10.89	12.30 ²	13.97	14.84 ²	17.38
Dividend	3.25	3.25	3.60	3.60	3.60	4.00	4.50	5.10	5.70	6.50 ³
Dividend yield, % ⁴	2.6	2.2	2.8	4.1	2.6	2.1	2.6	2.1	1.7	1.6
Dividend, % ⁵	47.6	64.0	40.5	52.3	47.8	37.0	36.6	36.5	38.4	37.4
Share price at year-end	125.00	149.00	129.75	88.50	137.80	189.50	172.60	242.90	339.80	414.80
Highest share price	126.00	151.00	164.00	126.00	142.50	199.20	194.90	244.80	342.20	417.50
Lowest share price	89.25	109.00	124.50	69.75	71.50	126.60	133.50	171.70	238.00	316.90
Equity	42.85	39.13	46.76	55.91	54.76	58.64	65.54	69.86	77.83	97.49
Number of shares, thousands ⁶	378,718	376,033	380,713	380,713	372,931	372,736	371,213	370,859	370,859	370,859

¹ Adjustments made for new issues.

² Excluding items affecting comparability 2006, 2008, 2009, 2011 and 2013.

³ Dividend proposed by the Board of Directors.

⁴ Dividend as percentage of share price at year-end.

⁵ Dividend as percentage of earnings per share after tax and dilution, excluding items affecting comparability.

⁶ After full dilution.

Ownership structure

The number of shareholders at year-end was 17,720 (17,199) and the ten largest shareholders accounted for around 35 percent (37) of the share capital and 56 percent (57) of the votes. Shareholders with more than 50,000

shares, a total of 412 shareholders, accounted for 95 percent (96) of the share capital and 97 percent (97) of the votes.

Investors outside Sweden accounted for around 65 percent (67) of the share capital and around 44 percent (46) of the votes, and were mainly in the USA and the United Kingdom.

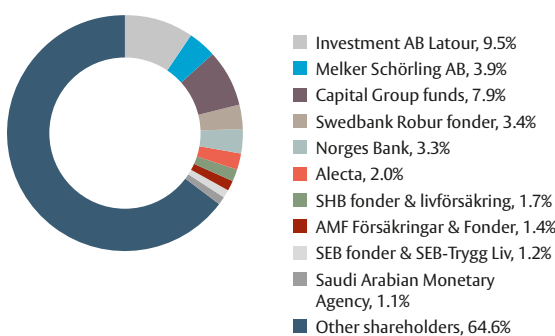
ASSA ABLOY's ten largest shareholders

Based on the share register at 30 December 2014.

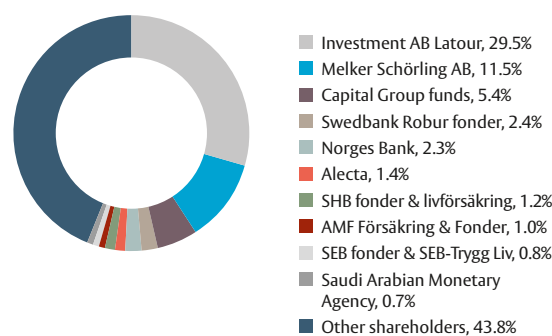
Shareholders	Series A shares	Series B shares	Total number of shares	Share capital, %	Votes, %
Investment AB Latour	13,865,243	21,300,000	35,165,243	9.50	29.50
Melker Schörling AB	5,310,080	9,222,136	14,532,216	3.90	11.50
Capital Group funds		29,408,393	29,408,393	7.90	5.40
Swedbank Robur fonder		12,790,158	12,790,158	3.40	2.40
Norges Bank		12,232,222	12,232,222	3.30	2.30
Alecta		7,349,000	7,349,000	2.00	1.40
SHB fonder & livförsäkring		6,337,803	6,337,803	1.70	1.20
AMF Försäkring & Fonder		5,179,818	5,179,818	1.40	1.00
SEB fonder & SEB Trygg Liv		4,447,071	4,447,071	1.20	0.80
Saudi Arabian Monetary Agency		4,000,371	4,000,371	1.10	0.70
Other shareholders		239,416,483	239,416,483	64.60	43.80
Total number	19,175,323	351,683,455	370,858,778	100.00	100.00

Source: SIS Ägarservice AB and Euroclear Sweden AB.

OWNERSHIP STRUCTURE (SHARE CAPITAL)



OWNERSHIP STRUCTURE (VOTES)



Share capital and voting rights

The share capital amounted to SEK 370,858,778 at year-end, distributed among a total of 370,858,778 shares, comprising 19,175,323 Series A shares and 351,683,455 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 543,436,685. Each Series A share carries ten votes and each Series B share one vote.

Repurchase of own shares

Since 2010 the Board of Directors has requested and received a mandate from the Annual General Meeting to repurchase and transfer ASSA ABLOY shares. The aim has been to be able to, among other things, secure the company's obligations in connection with the company's long-term incentive programs (LTI). The 2014 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 600,000 (600,000) Series B shares after repurchase. These shares account for 0.2 percent (0.2) of the share capital and each share has a par

value of SEK 1.00. The purchase consideration amounted to SEK 103 M.

No shares were repurchased in 2014.

Dividend and dividend policy

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

The Board of Directors and the President and CEO propose that a dividend of SEK 6.50 per share (5.70) be paid to shareholders for the 2014 financial year, equivalent to a dividend yield on the Series B share of 1.6 percent (1.7).

In 2014 the total return on the ASSA ABLOY share, defined as market price movement plus reinvested dividends, was 24 percent, compared with the total return SIX Return Index, which was up 16 percent. Over the 10-year period 2005–2014, the total return on the share was 367 percent, compared with a 199 percent rise in the SIX Return Index and a 108 percent rise in OMX Stockholm.

The ASSA ABLOY share

Changes in share capital

Year	Transaction	Series A shares	Series C shares	Series B shares	Share capital, SEK
1989			20,000		2,000,000
1994	Split 100:1			2,000,000	2,000,000
1994	Bonus issue				
1994	Non-cash issue	1,746,005	1,428,550	50,417,555	53,592,110
1996	New share issue	2,095,206	1,714,260	60,501,066	64,310,532
1996	Conversion of Series C shares into Series A shares	3,809,466		60,501,066	64,310,532
1997	New share issue	4,190,412		66,541,706	70,732,118
1998	Converted debentures	4,190,412		66,885,571	71,075,983
1999	Converted debentures before split	4,190,412		67,179,562	71,369,974
1999	Bonus issue				
1999	Split 4:1	16,761,648		268,718,248	285,479,896
1999	New share issue	18,437,812		295,564,487	314,002,299
1999	Converted debentures after split and new share issues	18,437,812		295,970,830	314,408,642
2000	Converted debentures	18,437,812		301,598,383	320,036,195
2000	New share issue	19,175,323		313,512,880	332,688,203
2000	Non-cash issue	19,175,323		333,277,912	352,453,235
2001	Converted debentures	19,175,323		334,576,089	353,751,412
2002	New share issue	19,175,323		344,576,089	363,751,412
2002	Converted debentures	19,175,323		346,742,711	365,918,034
2010	Converted debentures	19,175,323		347,001,871	366,177,194
2011	Converted debentures	19,175,323		349,075,055	368,250,378
2012	Converted debentures	19,175,323		351,683,455	370,858,778

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Information for shareholders

Annual General Meeting

The Annual General Meeting of ASSA ABLOY AB will be held at Moderna Museet (Museum of Modern Art), Skeppsholmen, Stockholm at 15.00 on Thursday, 7 May 2015. Shareholders wishing to attend the Annual General Meeting should:

- Be recorded in the share register kept by Euroclear Sweden AB by Thursday, 30 April 2015.
- Notify ASSA ABLOY AB of their intention to attend no later than Thursday, 30 April 2015.

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 this registration to be completed by Thursday, 30 April 2015, the shareholder should contact his/her bank or nominee well in advance of this date.

Notification of intention to attend

- Website www.assaabloy.com
- Address ASSA ABLOY AB, Annual General Meeting
Box 7842, SE-103 98 Stockholm, Sweden
- Telephone +46 (0)8 506 485 14

The 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 the proxy in connection with the notification of intention to attend the Annual General Meeting and must present the proxy in original at the latest at the Annual General Meeting. Proxy forms are available at: www.assaabloy.com.

Nomination Committee

The Nomination Committee has the task of preparing resolutions on the election of the Chairman, the Vice Chairman and other members of the Board of Directors, the appointment of the auditor, the election of the Chairman of the Annual General Meeting, and fees and associated matters.

The Nomination Committee prior to the 2015 Annual General Meeting comprises Gustaf Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur fonder) and Anders Oscarsson (AMF and AMF fonder). Gustaf Douglas is Chairman of the Nomination Committee.

Dividend

Monday, 11 May 2015 has been proposed as the record date for dividend. If the Annual General Meeting approves the proposal, dividend are expected to be distributed by Euroclear Sweden AB on Friday, 15 May 2015.

Further information

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Financial reporting

First quarter: 28 April 2015
Second quarter: 17 July 2015
Third quarter: 20 October 2015
Fourth quarter and Year-end report: February 2016
Annual Report 2015: March 2016


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

www.assaabloy.com

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» Future shareholder value is based on organic and acquired growth and a continuing process of rationalization and synergies across the Group «

Johan Molin, President and CEO