

Annual Report 2013

ASSA ABLOY

The global leader in
door opening solutions



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Digital door locks for the residential market (DDL) provide increased security and convenience for the user. ASSA ABLOY offers many exciting new electromechanical security products for both the commercial and the residential markets.



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

Locks and lock systems



Mobile keys



Access control



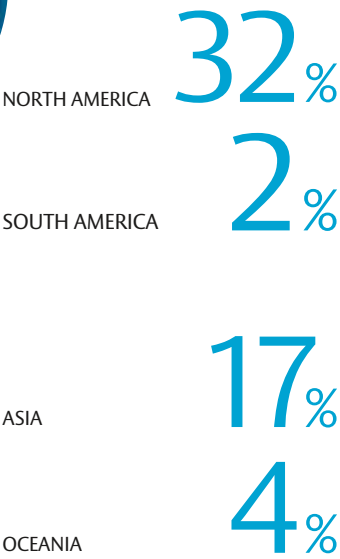
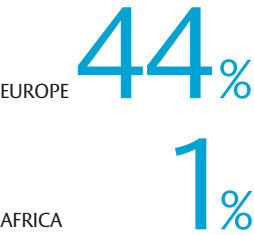
Door closers



ASSA ABLOY is the global leader

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

Share of Group sales by region 2013



ASSA ABLOY’s product offering satisfies end-



Schools and offices



Museums



Homes



Hospitals

Electromechanical locks



Entrance automation



Industrial doors



Digital locks



der in door opening solutions

ASSA ABLOY offers a complete range of door opening solutions.

48

SEK 48 billion
in sales

Since its formation in 1994, ASSA ABLOY has grown from a regional company into an international group with around 43,000 employees and sales of over SEK 48 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.

user needs for security, safety and convenience.



Industry



Arenas



Railway stations and airports



Hotels

ASSA ABLOY's strategy for profitable growth.

Read more on pages 10–39.

Market presence

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

Product leadership

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

Cost-efficiency

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

4%

Sales increased by 4 percent to SEK 48,481 M (46,619).

SEK 14.84

Earnings per share after full dilution increased to SEK 14.84 (SEK 13.97).

SEK 7,923 M

Operating income amounted to SEK 7,923 M (7,501).

SEK 6,803 M

Operating cash flow amounted to SEK 6,803 M (7,044).

Investments

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

Key data	2011	2012	2013	Change
Sales, SEK M	41,786	46,619	48,481	4%
of which: Organic growth, %	4	2	2	
of which: Acquired growth, %	17	9	4	
of which: Exchange rate effects, %	-8	1	-2	
Operating income (EBIT), SEK M	6,624 ¹	7,501	7,923 ¹	6%
Operating margin (EBIT), %	15.9 ¹	16.1	16.3 ¹	
Income before tax (EBT), SEK M	5,979 ¹	6,784	7,381 ¹	9%
Operating cash flow, SEK M ³	6,080	7,044	6,803	-3%
Return on capital employed, %	17.4 ¹	18.1	17.1 ¹	
Data per share	2011	2012	2013	Change
Earnings per share after tax and dilution (EPS), SEK/share	12.30 ¹	13.97	14.84 ¹	6%
Equity per share after dilution, SEK/share	65.54	69.86	77.83	11%
Dividend, SEK/share	4.50	5.10	5.70 ²	12%
Weighted average number of shares after dilution, thousands	371,213	369,592	370,259	

¹ Excluding items affecting comparability.

² As proposed by the Board of Directors.

³ Excluding restructuring payments.

High innovation rate creates value in a weak market

ASSA ABLOY had another good year in 2013. Sales rose 4 percent to SEK 48,481 M with 2 percent organic growth. Operating income increased by 6 percent to SEK 7,923 M and the margin strengthened further to 16.3 percent. The Group can now look back on several years of growth, rising profits and good cash flow in one of the deepest economic crises for many decades. This shows that ASSA ABLOY has employees and strategies that create value even in weak market conditions. We have created a sound basis for continued success through constantly increased market presence, a high innovation and product development rate and cost-efficiency across all processes.

2013 was another challenging year in which the global economy remained weak in many countries affected by sovereign debt problems. In these circumstances, we at ASSA ABLOY have every reason to be pleased with the Group's performance. We had strong growth, we increased our earnings and we strengthened our financial stability. The theme of my Statement is how to proceed on this path and continue creating value for our stakeholders.

But first may I provide a slightly more detailed review of the past year for our divisions.

The divisions

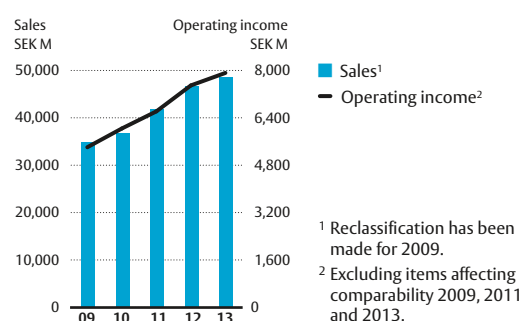
EMEA division. In the mature markets of western Europe, the picture was varied. Scandinavia and the UK showed good growth while Germany was stable. The weak trend in France, Spain, the Netherlands, Italy and Finland continued during the year. Demand was strong in the emerging markets of eastern Europe and Africa, where the Group has made major marketing investments in recent years. The focus on specification sales resulted in an increased number of large project orders for offices, hospitals and the education sector, as well as major security projects with several European telecoms operators.

The division increased the share of products launched in the past three years to 30 percent of total sales. This meets substantially increased demand for electromechanical products. The multiannual program for rationalization of the plant structure and cost-efficiency continued to yield good results and contributed to stable margin growth in a challenging market.

Americas division. Sales of mechanical and electro-mechanical locks and cylinders showed healthy growth during the year. Demand in the residential segment was strong in the USA for the third consecutive year. While the new construction market bottomed out during the year, with a 34 percent decline since the peak in 2009, the division has weathered the downturn considerably better and saw a more rapid upturn this year. The explanation includes a strong offering of new electromechanical products and services with improved performance, as well as strong demand for renovations and upgrades. We experienced a similar demand scenario in Latin America with healthy growth. Market presence has been strengthened by focusing on activities that drive end-customer demand. Cost-efficiency has been a priority, our programs have delivered and an already good margin could be further improved. The year saw a major acquisition

DEVELOPMENT KEY FIGURES

SALES AND OPERATING INCOME



INCOME BEFORE TAX AND OPERATING CASH FLOW





of Ameristar, the leading US manufacturer of perimeter security consisting of high-security fencing and gates.

Asia Pacific division. ASSA ABLOY is a clear market leader in Asia and sales rose on the important Chinese market, despite continued subdued demand. Growth was high in South Korea, due to good export demand for digital door locks, as well as in Southeast Asia. Investments in market presence continued at a high rate, where populous and fast-growing countries such as Vietnam, Indonesia and the Philippines are now interesting markets. Product leadership is an important factor for market development in Asia where customers rapidly adopt hi-tech security products such as digital door locks and access control systems. Several new products were successfully launched in India. A large proportion of the Group's employees are located in China, and investments in automation, Lean processes and an increased share of purchases and outsourcing reduced the number of employees and contributed to an improved margin.

Global Technologies division. Demand for HID Global products was strong in all customer segments and product areas, except the institutional segment, which was affected by budget restrictions in many countries. The positive trend in upgrading and complementing the product range continued, and we saw a sharp increase in major project orders. Hospitality had another good growth year, with strong growth in renovations and upgrades and positive growth in the USA, Latin America, Asia and the Pacific. Demand from the cruise ship market increased substantially. Good organic growth and cost-efficiency further improved the division's margins.

Entrance Systems division. Demand remained weak in Europe, particularly in southern Europe, but with signs of a leveling off towards the end of the year. The American markets and Asia grew at a good rate. The Pacific region returned to positive growth towards the end of the year. Sales of automatic doors, industrial doors, high-perfor-

mance doors and docking systems were stable. Organizational development took an important step forward with brand launches for the three distribution channels. The comprehensive business development program of acquisitions, market positioning and reorganization continued successfully, as well as new product development and cost-saving programs. Operating income increased and the operating margin was stable. The year saw a major acquisition of Amarr, the third largest player in the North American market for overhead sectional doors with a very strong and attractive market position.

A good business to be in

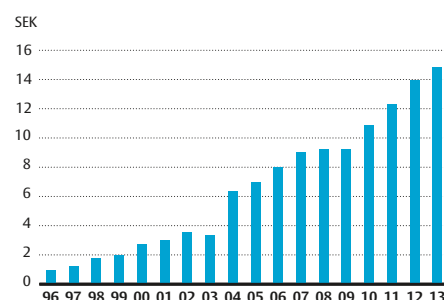
Door opening solutions are a good business to be in. These are products and services that are strongly associated with the global welfare trend. Urbanization, higher security requirements and technological development give us three very dynamic and important human need areas in which to operate: homes, workplaces and retail outlets.

Over the past 20 years, ASSA ABLOY has grown to become the global leader in an attractive sector, which is growing faster than global GDP. We have the leading brands, easily the largest installed base and are the market leader in all major regions and countries including the USA and China. The aftermarket accounts for 67 percent of sales, providing greater stability, with a main emphasis on commercial and institutional customers, 75 percent, resulting in higher profitability.

Since 2004, ASSA ABLOY has nearly doubled its sales. Operating income (EBIT) has increased by 115 percent and earnings per share by over 130 percent. We have created value for our stakeholders with good growth in the Group's total value and an increase in equity per share of over 180 percent.

It is my belief that the explanation is found in our clear strategies for market presence, product leadership and cost-efficiency.

DEVELOPMENT OF EARNINGS PER SHARE¹⁾



Earnings per share has increased by 1,500 percent since 1996.

¹⁾ Excluding items affecting comparability.

Increased market presence

Our marketing strategy aims to strengthen market presence by increasing customer value. It is an advantage to be big and global, not only with respect to volumes and

+ Market presence

potential for long runs and low costs. Operating in many different social, cultural and economic environments also strengthens our collective business expertise. During the lengthy financial crisis, ASSA ABLOY has invested significant resources to increase market presence in the fastest growing markets and especially in one of the world's potentially largest markets, China.

We can anticipate changes in demand behavior in fast-growing markets in Asia, South America and Africa by utilizing our knowledge and experience of mature markets. Many members of a growing middle class in these countries are now moving straight from simple mechanical locks to electromechanical door opening solutions. Since the crisis began in 2009, sales in emerging markets have doubled to SEK 12 billion or 26 percent of total sales. Being the industry's number one in China is a good position for future growth.

In mature markets, we drive demand through ever-broader and deeper cooperation with distribution. This comprises a large number of players, such as architects, security consultants, wholesalers, retailers and locksmiths, who influence and advise end-customers. ASSA ABLOY cooperates closely with these players to market new, innovative solutions and increase their competence. This is called specification, and the number of specifiers has increased strongly within the Group. They contribute to raising the standards of end-customers' requirement specifications, thereby creating increased demand for the Group's products.

Innovative products create growth

A continuous flow of innovative products, with enhanced customer value at lower cost, creates product leadership, which is the foundation for organic growth. ASSA ABLOY is a product-driven company. Our innovation and product development provide increased value for our customers and their customers, that is, the peo-

ple and goods that should quickly and safely enter and exit the buildings where they live, work and shop.

Over the past four years, we have substantially boosted the share of products launched in the past three years. This focus has helped to offset subdued demand in many mature markets. We have increased the share from 16 percent to 27 percent, in other words, we have exceeded our own target of 25 percent. This applies especially to electromechanical products where we are now setting the standard for future demand, with a focus on electronic and mobile solutions, entrance automation and security doors. We are increasing product value in the mechanical product area through VA/VE methods. More about this and our product development process can be found on pages 22–29.

Today sustainability is integrated across the whole value chain from concept to recycling. The number of eco- and energy-rated buildings is growing very rapidly based on increasingly international standards. ASSA ABLOY's innovative products and solutions are today in the forefront of sustainability development, and we are a partner and influence national and international standards. Sustainability is part of all stages in our own processes, to reduce resource waste and environmental impact.

+ Product leadership

Cost-efficiency across all processes

The third main strategy is cost-efficiency, which has been crucial to the Group's good, stable margins during the difficult years. While organic demand and growth have been low and provided little support on the revenue side, cost pressure has remained high. We also have to take into account that our acquisitions, at least in the early years, have a lower margin than our average.

ASSA ABLOY implements many measures and programs to reduce costs, and thus, by extension, to support our price leadership in the market. During the year, for example, we intensified work on 'should-cost' estimates for our purchases. This is described in more detail on pages 30–35 under Cost-efficiency.

In view of the margin dilution of acquisitions and the major investments in expansion in emerging markets, we have seen a strong margin improvement in EMEA,



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

Americas and Global Technologies. These divisions have improved margins significantly since 2006 to good, stable levels even during the financial crisis.

Consistent strategy implementation

Strategy implementation in the organization takes place with clarity, responsibility and speed.

+ Cost-efficiency

We are clear about what we want to achieve by constantly returning to the target for our strategies and being consistent in our communica-

tions. Responsibility should be simply and clearly formulated. Clarity also includes striving for simplification. It is about focusing on what is essential for target fulfilment. The quest for simplification drives people to seek new or different solutions to complicated problems.

Decentralized responsibility is ASSA ABLOY's leading organizational principle. Operational responsibility in the organization should be close to customers, development, production and sales. Local and regional profit centers are responsible for corporate goals.

Speed is crucial to staying ahead. At ASSA ABLOY this is expressed in the requirement for rapid follow-up. Analysis and measures to resolve deviations and problems are prioritized. A key cultural issue is to immediately addressing the many matters that continuously appear. Employees should not have to wait long for a response from managers or others. It is ultimately about respect for other people, their time and employeeship in the Group.

Well prepared for profitable growth

This overview shows that we are in line with our corporate goals and have successfully worked our way through a weak global economy. We have gained better market positions through active market investments and acquisitions, we have a more competitive product offering through investment in innovation and product development, and we have a better cost position due to intensive streamlining. As a result, we are well prepared to continue our profitable growth.

In 2013 we saw a continued recovery in growth in the USA, weak but stable growth in Europe and continued good growth in most emerging markets, though not as strong as before the crisis.

However, there are considerable uncertainties and significant risks of setbacks. The fundamental problems of the financial and debt crises have not been solved, with respect to the balance between liabilities and assets in various regions and countries, and between the public, private and household sectors. The budget situation and interest rates make it difficult for politicians to pursue an aggressive stimulus policy, and the banking sector still has significant structural weaknesses in many countries. In addition, there are challenging social tensions triggered by austerity policies.

My assessment is that the global economy is slowly improving, but remains affected by the austerity measures that many countries are implementing. We are therefore committed to the strategy of reducing our dependence on mature markets and expanding strongly in emerging markets, which are expected to maintain good growth. We will also prioritize investments in new products, particularly in the growth area of electromechanics, and have a high tempo in our efficiency programs.

Finally, I should like to thank all our employees for their excellent efforts during a demanding year. We are





in an exciting industry with good growth. People's need for security and door opening solutions is increasing in pace with the general welfare trend. Our homes, work places and retail outlets will constantly be in dynamic development, with new construction and renovation worldwide. We are well prepared to address our challenges – continuing to be the global leading, most innovative and efficient supplier of door opening solutions.

Stockholm, 7 February 2014

Johan Molin
Johan Molin
President and CEO



Increased growth and profitability

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.

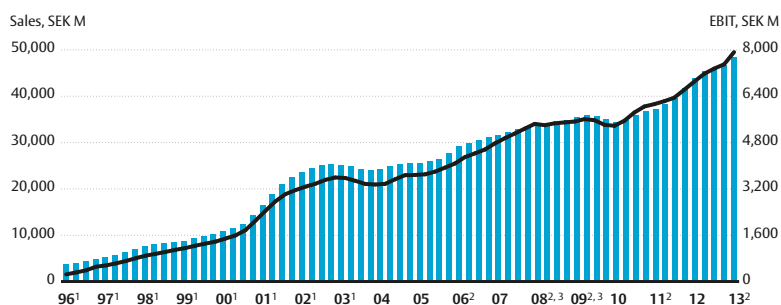
INCREASE IN SALES 1994–2013

+1,300%

INCREASE IN OPERATING INCOME
1994–2013

+5,000%

SALES AND OPERATING INCOME (EBIT)



¹ 1996–2003 have not been adjusted for IFRS.

² Excluding items affecting comparability.

³ Reclassification has been made.

Value creation strategy

Vision

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



Strategy and targets

Long-term and as an average over an economic 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.

pages 10–21

Product leadership

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

pages 22–29

Cost-efficiency

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

pages 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.

Market presence



- + **Global leader in door opening solutions**
- + **25 percent of sales are on emerging markets, a threefold increase in seven years**



A world-leading market presence is achieved by increasing customer value and expanding into new markets and segments through start-ups and acquisitions. Customer value is supported by an 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.

- + The industry's **leading brands**
- + Electromechanical solutions account for **49 percent of sales**



Market expansion for profitable growth

Global drivers



Three customer needs



Living. Around 5 billion people are estimated to live in cities by 2030, compared with 3.5 billion today. New and upgraded housing with good security is a high-priority welfare factor and residential investment is expected 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 as well as upgrades and renovations. 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 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.

75%

Institutional and commercial market – share of sales.

Market segmentation

Institutional and commercial market – complex, demanding projects

The most demanding and dynamic customer segment is institutional and commercial customers, which account for around 75 percent of sales and offer a higher profitability potential. These include universities, hospitals, offices, airports and shopping malls used by a large number of people daily. The driver for electromechanical and advanced solutions is strong. The procurement of these projects is often complex and involves many stakeholders on the customer side, such as property and security managers. ASSA ABLOY's common sales force has developed expertise in understanding the multifaceted needs of end-customers and has contact with many stakeholders in the value chain to develop optimal solutions for the customer. Distribution and installation are largely handled by installers and locksmiths.

For small and medium-sized customers, ASSA ABLOY offers a complete product and service offering. This segment consists of institutional, commercial and residential customers, who generally need professional advice and installation, which is primarily met by specialist distributors and installers, such as locksmiths. ASSA ABLOY is actively working to train distributors and to develop more standardized solutions for small and medium-sized businesses, such as stores and offices.

25%

Private customers and residential market – share of sales.

Consumer market – replacement and upgrade with advice and installation

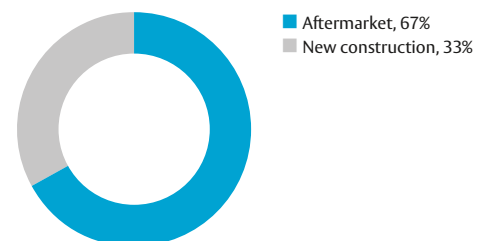
The majority of sales are replacements or upgrades of existing security products. However, an increasing number of private individuals want electromechanical locks, providing major growth potential for ASSA ABLOY. Private customers have a considerable need for advice and installation assistance. The Group has therefore developed a number of home security concepts to meet consumer needs. In some geographical markets, ASSA ABLOY also cooperates with door and window manufacturers or specialist distribution channels such as DIY stores and locksmiths.

Aftermarket

Stability and profitability

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, and the trend is upwards. The aftermarket consists of renovations, refurbishments, extensions, replacements and upgrades. Demand in the aftermarket is more stable than in new construction, which means that ASSA ABLOY's sales and profitability are less sensitive to cyclical fluctuations. The Group's strategies also prioritize commercial and institutional customers with a higher demand for electronic products and complex solutions, and therefore higher profitability.

STABILITY IN THE AFTERMARKET



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

■ Distribution

ASSA ABLOY reaches its end-customers through a variety of distribution channels at various stages in the supply chain depending on customer needs, the product and solution, and national and local requirements and standards. The Group has a competitive edge due to its well-developed cooperation with all distribution players and has sharply increased the proportion of staff involved with distribution over the past five years. The aim is to increase knowledge and demand by offering competence as early as possible in the planning and specification of door opening solutions.

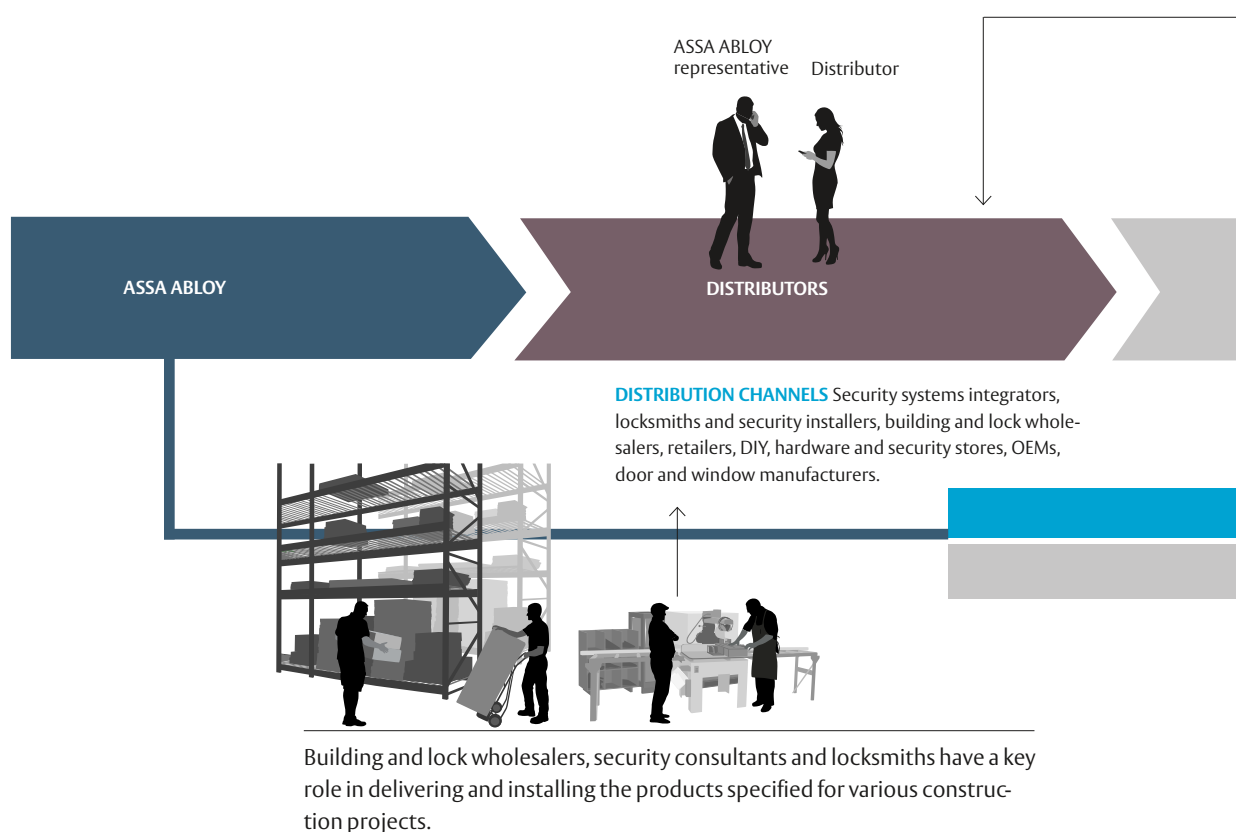
Distributors – a close partner

ASSA ABLOY works closely with its distribution channels to offer end-customers the right products, correct installation, and consequently a well-functioning security solution. This collaboration 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



Specification of door opening solutions – competence increasingly important

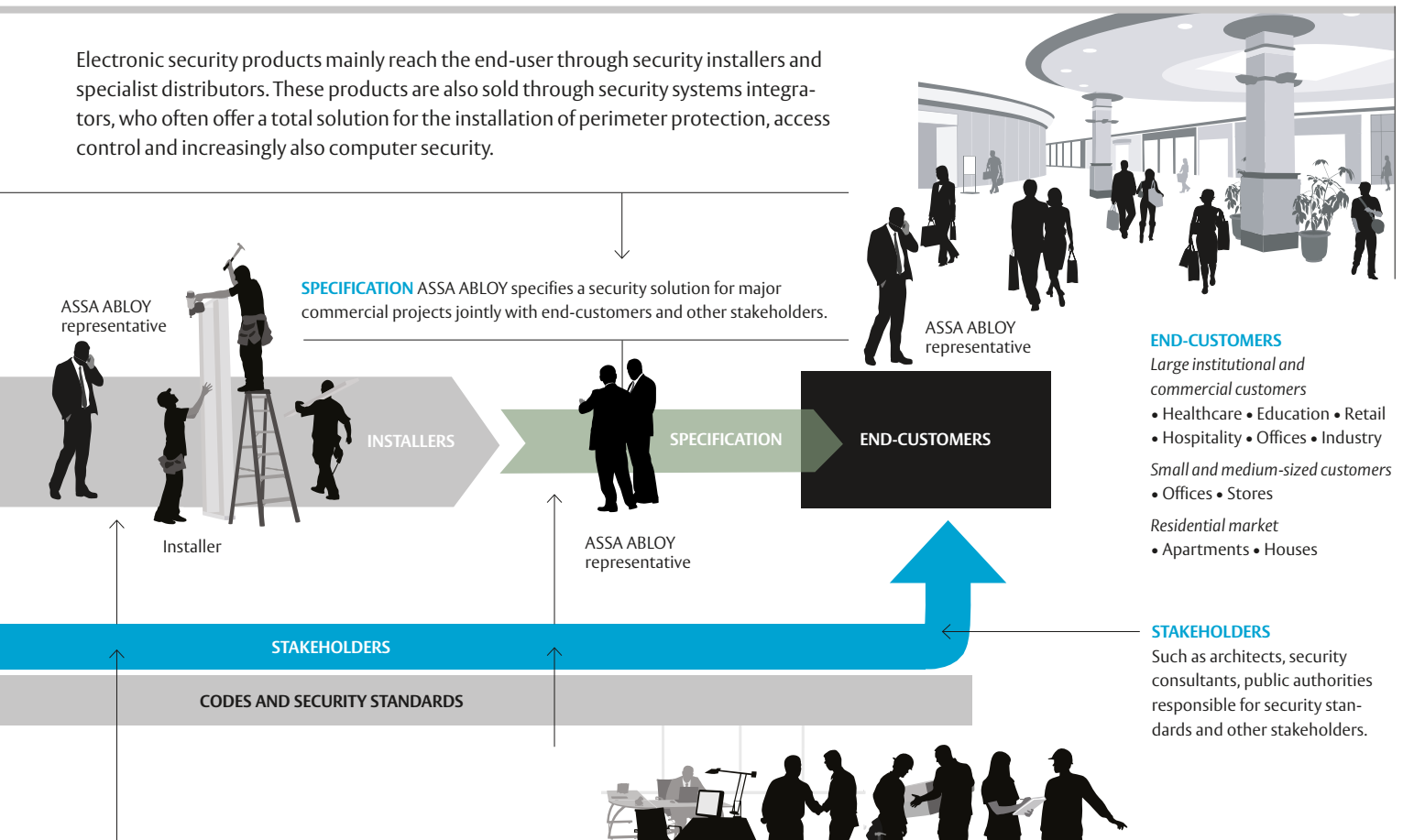
In order to market innovative new solutions, ASSA ABLOY collaborates with architects, security consultants and major end-users to specify appropriate products and to achieve a well-functioning security solution. Building and lock wholesalers, security consultants and locksmiths have a key role in supplying the products specified for various construction projects. Many door and window manufacturers install lockcases and hardware in their products before delivering them to customers.

The trend towards more complex security solutions is increasing the competence required by distributors. To support the customer in their choice of security solution, ASSA ABLOY has substantially increased the proportion of skilled staff working in special specification teams that offer total security solutions to major customers. These specification teams also collaborate with other

key groups early on in the order chain, such as building consultants, architects and building standards agencies, to create demand for innovative competence. The service offering includes telephone support, technical drawings, product configuration, and e-commerce.

ASSA ABLOY 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 largely fragmented. ASSA ABLOY is the industry's most global player and is represented in more than 70 countries, with sales worldwide. The mature markets of North America, Europe, and Australia, where the market is more consolidated, account for three-quarters of ASSA ABLOY's sales. In the emerging markets of Asia, the Middle East, Russia, South America and Africa, growth is higher and markets more fragmented.

Major differences and globalization – advantage for ASSA ABLOY

The difference in demand between continents and countries is significant due to different regulations, standards and requirements. As the most globally established player with regional and local presence, this gives ASSA ABLOY competitive advantages. But the globalization trend also means a more similar safety approach, especially among global companies with installations in many countries, which seek large-scale smart and cost-effective corporate solutions. This also benefits global ASSA ABLOY.

Over the next 10 years emerging markets are expected to have higher growth than mature markets. These markets are demanding mechanical products but increasingly also electromechanical products. The Group's share of sales to emerging markets has increased from 10 to 25 percent in eight years. ASSA ABLOY is also the global leader in electromechanical and digital door locks.

Electromechanical solutions are considerably more common in the commercial segment than in the residential segment. An increasing number of individuals want electronic locks for their homes, providing major growth potential for ASSA ABLOY.

China has been and will be an important emerging market for the foreseeable future. As a result of organic

and acquired growth, ASSA ABLOY's sales in China have increased from SEK 429 M to SEK 4,806 M in eight years. Today the Group is the country's largest manufacturer and supplier of locking solutions. The profitable after-market for maintenance and upgrades already accounts for 30 percent of sales, a share that is expected to increase in the future.

Fragmented competition – continued consolidation

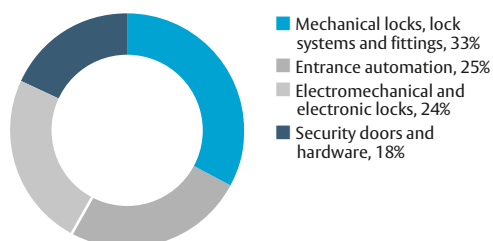
The global door opening solutions market remains fragmented, despite ongoing consolidation over the past 10 years. However, the market in each country is relatively consolidated in mature markets. Companies in Europe, for example, are generally still family-owned and have a good position in their respective domestic markets. They are often well established and have strong ties with local distributors. In emerging markets, however, established lock standards and brands are less common and markets are more fragmented.

ASSA ABLOY is the global market leader and has five main competitors, which partly operate in its segments: Allegion (USA), Stanley Black & Decker (USA), Dorma (Germany), Kaba (Switzerland) and Hörmann (Germany). The Asian market is still very fragmented and the largest manufacturers have a limited market share.

Asia, the Middle East, eastern Europe, South America and Africa are emerging markets with higher growth than mature markets.

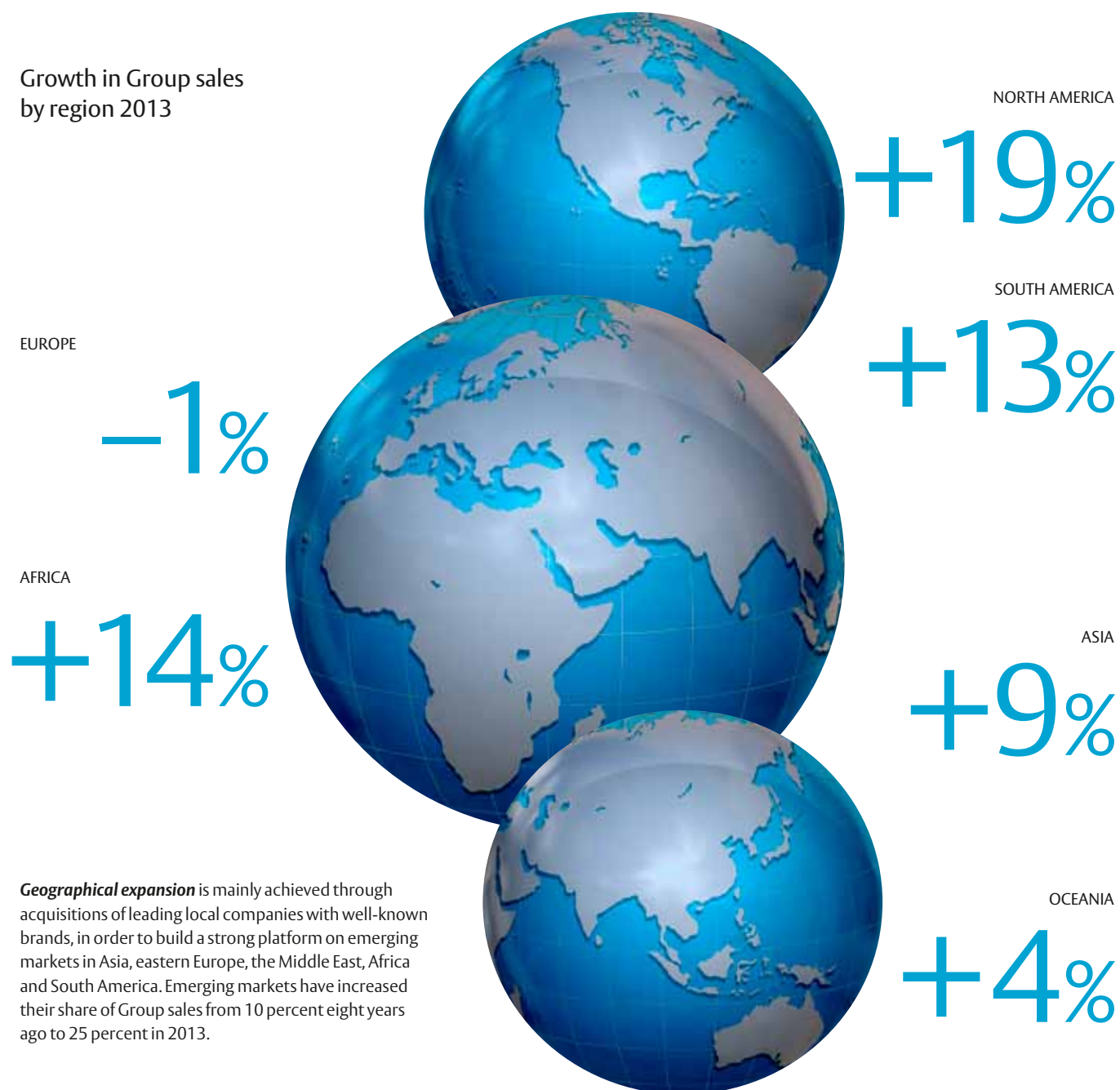


SALES BY PRODUCT GROUP



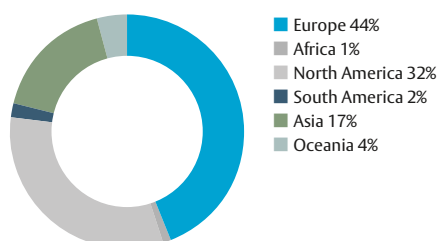
Mechanical locks, lock systems and fittings are still the largest, and growing, sub-market in door opening solutions. Growth is, however, considerably higher in electromechanical products and entrance automation. ASSA ABLOY is the global product and market leader in all major product segments.

Growth in Group sales by region 2013

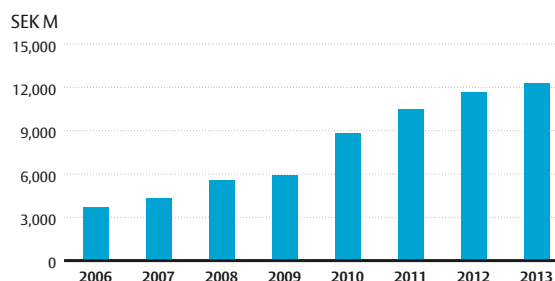


Geographical expansion is mainly achieved through acquisitions of leading local companies with well-known brands, in order to build a strong platform on emerging markets in Asia, eastern Europe, the Middle East, Africa and South America. Emerging markets have increased their share of Group sales from 10 percent eight years ago to 25 percent in 2013.

SALES BY REGION



SALES ON EMERGING MARKETS¹



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

■ Market strategies

ASSA ABLOY's world-leading market presence is a strategic cornerstone in the Group for 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. In order to increase its market presence, ASSA ABLOY will exploit the strength of its brand portfolio, increase growth in the core business by segmentation, and expand into new markets and product lines.

Increasing growth in the core business by segmentation

Over the past seven years ASSA ABLOY has made a significant 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 and 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 solution expert. Segmentation aims at total door opening solu-

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

This focus includes investments in employees with a clear, direct demand-generating responsibility. In the Americas division, for example, the share of customer-facing staff has risen from 35 percent in 2004 to 56 percent. In the EMEA division, the share has risen from 42 percent to 50 percent. This trend is ongoing.

Secure and attractive entrances

Customer:

The Mall of Istanbul is planned to be a mixed-use development with retail, residential, office and hotel space, as well as a large entertainment area.

Challenge:

The customer needed safe and convenient pedestrian entrances to handle a high flow of people and meet the demanding design requirements for this new mall, which is one of the most prestigious in Istanbul. A key challenge to solve was disabled and trolley access to the mall.

Solution:

Pedestrian door solutions from ASSA ABLOY Entrance Systems, consisting of 4 Besam Uniturn revolving doors, 2 RD3 revolving doors and 76 Besam Slim automatic sliding door systems, all meeting the demanding security and aesthetic requirements.



75%

Around 75 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 grown as a result of its many acquisitions and today the brand portfolio consists of leading brands. In order to exploit this valuable brand asset while benefiting from the Group's size, ASSA ABLOY's logo-type is combined with the individual product brands. The latter are well known and rooted in local 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 competence in total door opening solutions. Around 75 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 resi-

dential market, Mul-T-Lock for locksmiths, and ABLOY in high-security locks. The Group also has non-endorsed product brands, such as Entrematic, Flexiforce and Helton. These brands represent leading expertise in specialty products and service, with a unique market positioning that is important to exploit.

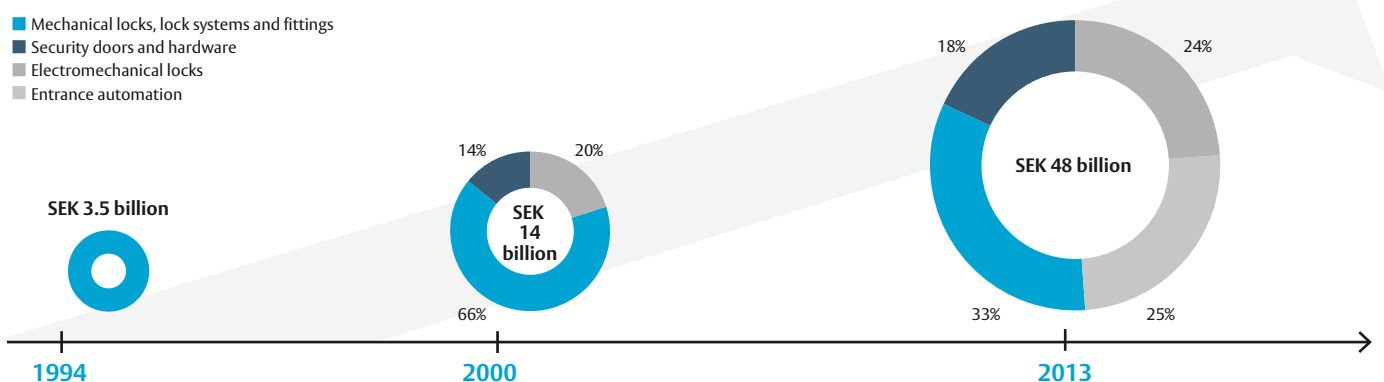
In order to compete effectively on a global market, the sales force operates as an integrated organization and represents the ASSA ABLOY master brand. They create solutions for the customer using various products manufactured under established local brands. Consequently, customers can be offered total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

A dedicated organization is planned to be put in place in Luxembourg in order to accelerate the building of the ASSA ABLOY Master Brand.

■ Emerging trends in the security market

Demand for electromechanical door opening solutions is increasing rapidly worldwide and the growth rate is higher than for traditional mechanical solutions. In many emerging markets demand is “leaping” over mechanical solutions, with users moving straight from the simple mechanical locks of rural areas to electromechanical locks. ASSA ABLOY is the global leader in electromechanical solutions, entrance automation and security doors thanks to investments in product development and complementary acquisitions.

EMERGING TRENDS: ELECTROMECHANICAL, SECURITY DOORS AND ENTRANCE AUTOMATION



Growing market segments

Electromechanical products

The increased demand for electromechanical products is a clear trend. 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 specific technologies is creating interesting new growth areas, such as Bluetooth and NFC, which enable hotel locks to be opened with a cell phone.

Security doors

Security doors are a relatively new segment for ASSA ABLOY, which has grown rapidly through acquisitions into a global leader. Demand is growing rapidly, driven by stricter regulations and requirements and increased security needs to protect lives, goods and

equipment, which is concentrated in larger and more sophisticated facilities. The offering is often combined to provide entrance automation solutions. ASSA ABLOY has a complete global range of products and service for most environments with exceptional security requirements.

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 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 and a comprehensive service concept.



Harvard Business School's Tata Hall Reflects Technology and Sustainability



Customer: Demand for Harvard Business School executive programs continues to rise and the construction of Tata Hall, a new facility named for alumnus Ratan N. Tata, Chairman of the Tata Group, which enriches the learning experience of executive students and also reflects its state-of-the-art practices in the areas of technology and sustainability, helps Harvard meet its executive education program demands.

Challenge: Harvard was challenged to design and construct a sustainable, technology-rich facility that would house roughly 180 bedrooms, two-tiered classrooms, living group rooms and informal gathering spaces, in its seven story facility. This facility needed to provide functional security for new executive program attendees each week while also contributing to its sustainability goals.

Solution: ASSA ABLOY collaborated with William Rawn and Associates (architect) and Harvard to identify the best solutions to meet the everyday sustainability needs and the access control required for various groups of students monthly. The arc-shaped, glass and brick building contains CECO sustainable openings with Sargent decorative hardware, Pemko thresholds and weatherstripping meeting its need for Sound Transmission Control (STC) on classrooms and large meeting rooms. Integrated Wiegand Harmony locks from Sargent provide the card access control on bedrooms and are part of a complete door opening solution with Graham wood doors. Harvard business school also uses HID Global iCLASS access control cards and readers.

Product leadership



- + The most innovative supplier of total door opening solutions
- + Products launched in the past three years **exceeded 27 percent of total sales**



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.

- + Electromechanical products and entrance automation **have increased from 24 percent to 49 percent of sales in 10 years**
- + **Clear leadership in secure identity solutions and entrance automation**

High development rate accelerates share of new products

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. Successful product development is therefore vital for the Group's competitiveness and future. Since 2005, ASSA ABLOY has increased R&D investment by 130 percent. The share of products launched in the past three years has accelerated from 16 percent in 2010 to more than 27 percent of Group sales in 2013.

■ Product leadership

ASSA ABLOY's vision is to be the most innovative supplier of total door opening solutions. The Group is well established as the global product leader. R&D investment has increased substantially in the past five years, reaching a new record level in 2013. The group-wide, structured innovation process was further developed towards the target of doubling the innovation rate.

The focus on product leadership has been very consistent. The number of product development engineers has increased by more than 70 percent to nearly 14,000 in eight years, many with an electronics focus. Sales of products launched in the past three years have increased to more than 27 percent, exceeding the Group's target of 25 percent. This is a well-considered level in view of the 10 to 15-year product life cycle. During the year the U.S. business magazine Forbes ranked ASSA ABLOY as one of the world's 100 most innovative companies.

Future security solutions

ASSA ABLOY has the world's largest installed base of locks and lock systems, and its products are well adapted to comply with local and regional standards. The Group builds on this installed lock base to develop tomorrow's solutions. A strong driver is the robust demand for electromechanical solutions. Traditional mechanical identification, such as metal keys, is being supplemented or replaced by electronic codes.

Mechanical products continue to increase, but electromechanical products are growing considerably faster. Electromechanical products including entrance automation have increased from 24 to 49 percent of Group

sales in 10 years. An increased share of electromechanical products also means an increase in the sales value per door, as well as in the recurring revenue from service and upgrades. The share of installed doors in the market fitted with some form of electromechanical solution is estimated at 3 to 5 percent. This share may well reach 20 percent or more in the future, representing a very large potential for upgrades and new sales of these door opening solutions.

Another strong driver is the demand for sustainable solutions, not least driven by increasing demand for Environmental Product Declarations (EPD). Sustainability is integrated into the Group's development processes 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, a reduction in energy consumption in buildings and other climate impact, as well as concrete savings in materials consumption, packaging and transport solutions. The Group has a forum for sustainability issues in future products, which collects and passes on expertise in this field.

Internal process development is intensive to achieve the targets of halving the development time and increasing the share of new products. The Group has 80 development units whose employees regularly undergo specialized training programs and participate in projects, which aim to increase knowledge sharing, networking and build-up of knowledge banks to accelerate development processes. The introduction of Lean Innovation and other efficiency measures shows that development time can be halved, while results are improved. With this new approach, the Group has been able to carry out continuous parallel technology development in many projects in various locations.



High-performance doors from Entrance Systems.



Mechanical products

The basic technical solution is simple: a lockcase in a wall or a door contains a bolt, which is advanced or retracted by a key. The **pin-tumbler lock** was invented by Linus Yale. It consists of an outer casing and a plug with drilled channels in which spring-loaded pins are lifted to the right height with the correct key that opens the lock. The **wafer-tumbler lock** contains circular wafers with holes for the key. The correct key turns the wafers to the right position and the lock can be opened or closed in combined action with a side bar. **Lever tumbler locks** have a number of locking levers built into the lockcase. The correct key lifts the levers and frees the bolt to open or close.



Electromechanical products

Demand for electromechanical products is increasing every year, while the demands on the lock and evacuation functions are constantly rising. Safety and security are combined with convenience to suit different environments. Functionality is different at different times of day and on different days of the week, requiring digital control and electromechanical function. Access control and identity management in real time place new demands on both identity documents and lock and evacuation products. Today a host of new technologies are used that enable smart cards, tags or cell phones to identify and authenticate the person seeking access. Biometric solutions that scan fingerprints, recognize faces or scan the iris are also on the rise and require electromechanics to function.

CHANGE IN PRODUCT MIX



- Mechanical products, 66%
- Electromechanical products, 20%
- Security doors, 14%



- Mechanical products, 33%
- Entrance automation, 25%
- Electromechanical products, 24%
- Security doors, 18%

Since 2000, electro-mechanical products including entrance automation have increased from 20 to 49 percent of Group sales.

Entrance automation

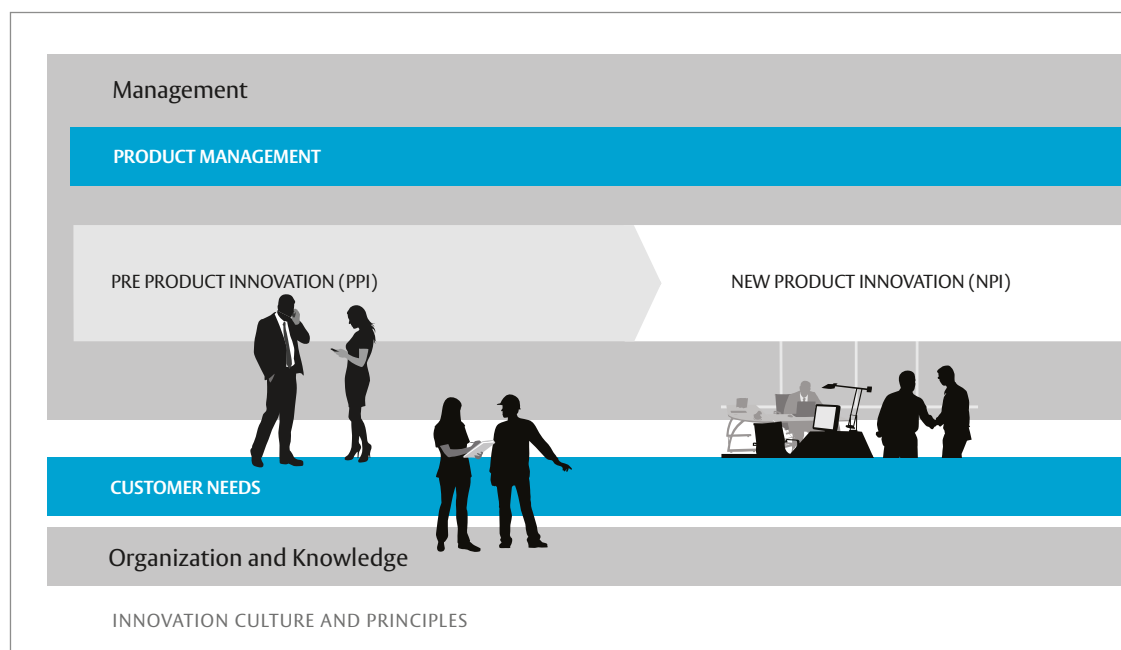
Entrance automation is a fast-growing business within ASSA ABLOY. The technology is usually described as automatic as it is based on sensors, electronics and electric motors that open and close doors without direct user involvement. Applications include entrances to

institutions, organizations and companies, which are used by many people daily. The technology has developed into central control and monitoring systems for whole building complexes for enhanced security, convenience and a better environment.



Rapid and innovative product development process

The innovation strategy aims to create cost and functional benefits for the customer through constant small steps. All new projects are driven by customer needs. The Group-wide innovation process is based on ASSA ABLOY's global presence and strengthens local operations. The strategy has three objectives: new products should account for at least 25 percent of sales, new products should contribute to higher margins, and innovation efficiency should be doubled through a combination of more efficient processes and higher product value.



Product development

An innovation process driven by enhanced customer value, sustainability and lower product costs forms the basis for ASSA ABLOY's product leadership. Innovation often takes place in close cooperation with end-users and distributors.

Customers are increasingly demanding more advanced lock and door products. Customer needs are changing rapidly with regard to functional integration, design, compliance with regulations and standards in other countries, openness to other systems, and simplicity in installation, operation and maintenance. A strong driver is the accelerating demand for electromechanical door opening solutions, which are growing considerably faster than traditional mechanical products.

In these circumstances, ASSA ABLOY is constantly developing its own innovation process, which is based on three common foundations.

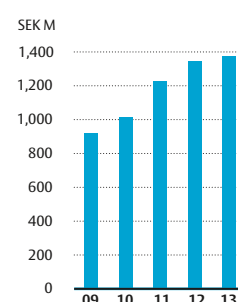
- A Group-wide organization for innovation with common processes and tools for knowledge flow, planning, resource management and development in close cooperation with customers at over 80 different product development centers, to increase the flow of new products.
- Collaboration across the Group for better resource utilization through group-wide development and product platforms. These are becoming increasingly important for cost-efficient product development and high flexibility in adapting to local markets and rapid technological development.
- Continued development of competence in electromechanics to further enhance product leadership in the fast-growing segment of electromechanical door opening solutions using new wireless technologies. Today only 3–5 percent of all doors have some form of electromechanical solution.

Customer needs are integrated into the Group's innovation processes as a result of systematic collaboration in many dimensions. The Group conducts ongoing studies of various customer segments, giving rise to new product concepts. Future Lab is an internet forum in which ASSA ABLOY can ask customers questions about requirements, trends and product initiatives.

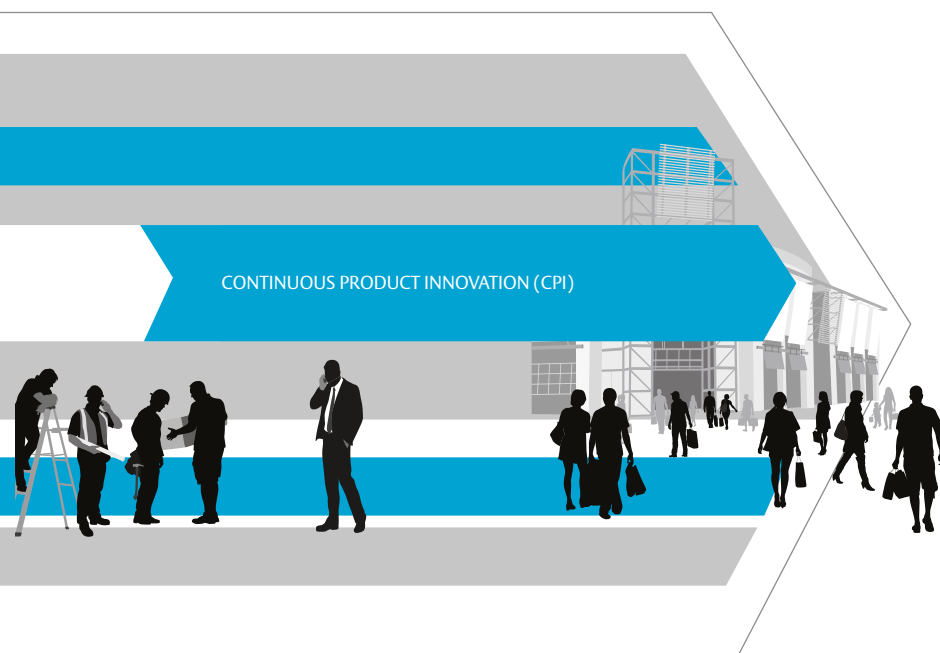
Substantial strengthening of entrance automation offering

ASSA ABLOY is a global leader in entrance automation through its Entrance Systems division. The division's annual sales have risen from SEK 3 billion to nearly SEK 12 billion in five years. As a result, the Group has gained clear product and market leadership in entrance automation.

INVESTMENTS IN RESEARCH AND DEVELOPMENT¹



¹ Reclassification has been made for 2009.



A constant cycle of renewal

Product leadership is a strategic responsibility for the division managements. The number of product managers has increased significantly in recent years. The product board has a central role in coordinating all parties involved, product development, marketing, sourcing, production and quality, as well as securing customer needs and technological advances. Considerable resources are invested in understanding customer needs and requirements and integrating them into the initial development stage with requirement specifications and studies of new concepts. This is followed by a development process of product specifications, product and process design, leading to production planning, marketing and launch. The product's life among customers is documented and followed up with suggestions and ideas for further development, making ASSA ABLOY's innovation process into a constant cycle of renewal and development.

Entrance automation uses sensors and electronics that ensure a convenient and energy-saving door environment in, for example, stores, hotels and hospitals. It is increasingly important to be able to offer a total entrance automation solution comprising automatic door opening solutions, industrial doors and high-performance doors. The service offering can therefore 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. A number of acquisitions in recent years have strengthened the product range with solutions for all entrances and doors in which central control systems can minimize draughts and energy losses in buildings.

RFID enhances security and is more user-friendly

Since the acquisition of HID Global 13 years ago, ASSA ABLOY has had clear market and product leadership in secure identity solutions. Products and services include keys, keycards and other identity carriers that are encoded, giving access to doors and computers. The codes and the electronic keys are managed securely and distributed encrypted.

In North America, HID Global products are estimated to account for a high proportion of the installed base in access control. The position is also strong on other markets. Acquisitions during the year have further strengthened ASSA ABLOY's position in this area.

Radio frequency identification (RFID) and wireless communication allow the Group to create new security applications, while offering services that are user-friendly. RFID technology is also the basis for the rapid expansion of logical access control, in which computers

are provided with ASSA ABLOY's software that prevents start-up if the user fails to present the right access card.

This technology has allowed HID Global to become the global leader in ePassport programs and national programs for various types of ID cards and driving licenses, including the very advanced US Green Card (a permit allowing a foreign national to live and work permanently in the USA). The product portfolio also includes a range of very high capacity ID printers, Fargo. The year 2012 saw the launch of a new model, which is particularly suitable for major ID card programs in the public sector, universities and large companies.

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

Cell phone replaces key

VingCard uses RFID and the wireless technology offered by mobile telephony. The hotel guest can use their cell phone to book and pay online. The cell phone serves as a code carrier, and guests can also use their cell phone to unlock the door of their hotel room by holding the phone close to the lock. More than half a million hotel rooms out of ASSA ABLOY Hospitality's installed base of over 7 million rooms have been recently fitted with or upgraded to RFID solutions, and interest in the technology continues to grow.

Product leadership

The year 2012 saw the launch of Seos, the world's first commercial ecosystem for issuing and managing digital keys on cell phones. Seos provides the customer with a complete system in which cell phones replace ordinary keys and keycards for opening doors in homes, workplaces, hotels, offices, hospitals, universities, and industrial and other commercial buildings. Access control can be centrally managed and security staff can, for example, send temporary digital keys to visitors and service staff. Seos digital keys can be protected by a PIN.

Total door opening solutions are ASSA ABLOY's strength

ASSA ABLOY's strength is the variety of traditional and new products that can be combined to create a large number of different door environments. It has products

for different climates, different types of buildings, and plants with varied security and safety requirements. By combining hundreds of thousands of different components to meet the needs of consumers, architects and installers, the Group creates products with the right quality, design and price, which are suitable for both new and existing buildings.

In recent years a number of products have been launched with the aim of reducing energy consumption in buildings. By using doors with improved insulation together with new sealing products, loss of heat to a cooler environment can be reduced, while cooling energy consumption in hot climates can be cut. In addition, the use of recycled materials in doors further reduces the environmental impact.



Magnetic lock



Electronic strike plate



Access control



Handle



Electromechanical cylinders



Automatic door closer



Electronic lockcase



Emergency exit device



Electronic hardware

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.



GATEMAN A100-FH is the first push-pull digital door lock (DDL) developed by iRevo for the residential market. The push-pull bar is the widest in the domestic DDL market, users can operate it with a light touch; even with one finger. And the curved keypad makes entering a PIN-code or card touching simple. Most of all, the exclusive push-pull mortise helps users make a swift exit in emergencies through its anti-panic feature.



Lockwood's Elevation is an electric window control system designed to open and close the window with the touch of a button. The system is easily controlled via a touch screen keypad or by being integrated with building control systems.

The Lockwood Elevation touch screen display is an elegant touch pad designed to control up to 30 Elevation window actuators. The touch pad can be programmed to open windows individually or groups of windows programmed from a pre-defined list.



The ASSA ABLOY Safety Door Closer is the world's first door closer with an integrated escape route locking system. It offers a simple solution for retrofitting fire doors and smoke protection doors with an integrated escape route locking system.



HID Global's award-winning iCLASS SE® Platform sets the standard for adaptable, interoperable and secure access control. The platform's readers, credentials and encoding tools simplify how identities are created, used and managed, across a broad range of applications. The platform is powered by Seos, providing compatibility with microprocessor-based credentials including cards, smartphones and other mobile devices.

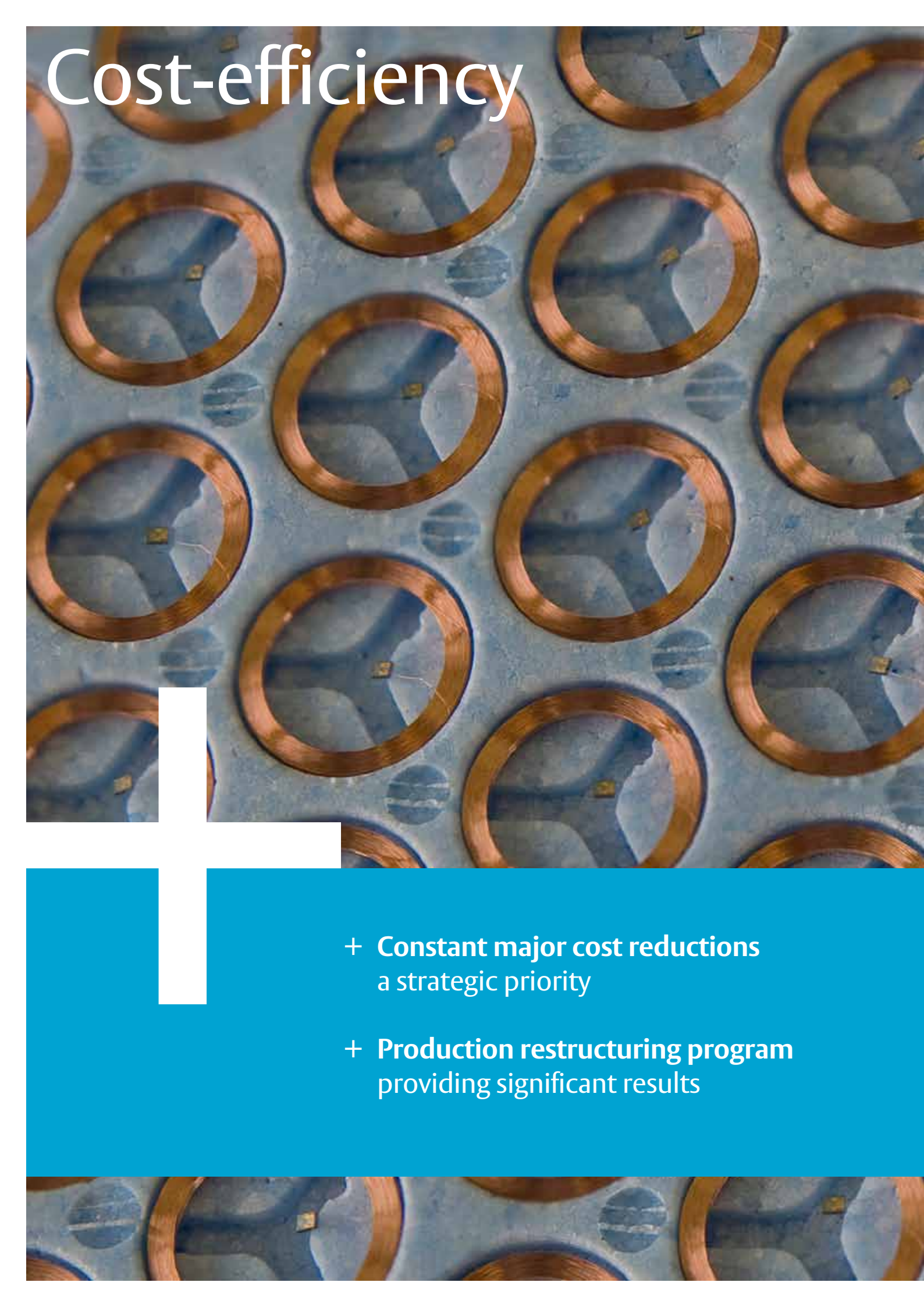


The KS100 server cabinet lock with Aperio® technology brings real-time access control in a single-card system to individual server cabinet doors. It uses local wireless communication between the lock and Aperio hub to connect to an access control system, greatly improving the monitoring and security level of each server cabinet. This convenient system uses existing ID badges so there are no keys to control or replace and no codes to secure or remember.

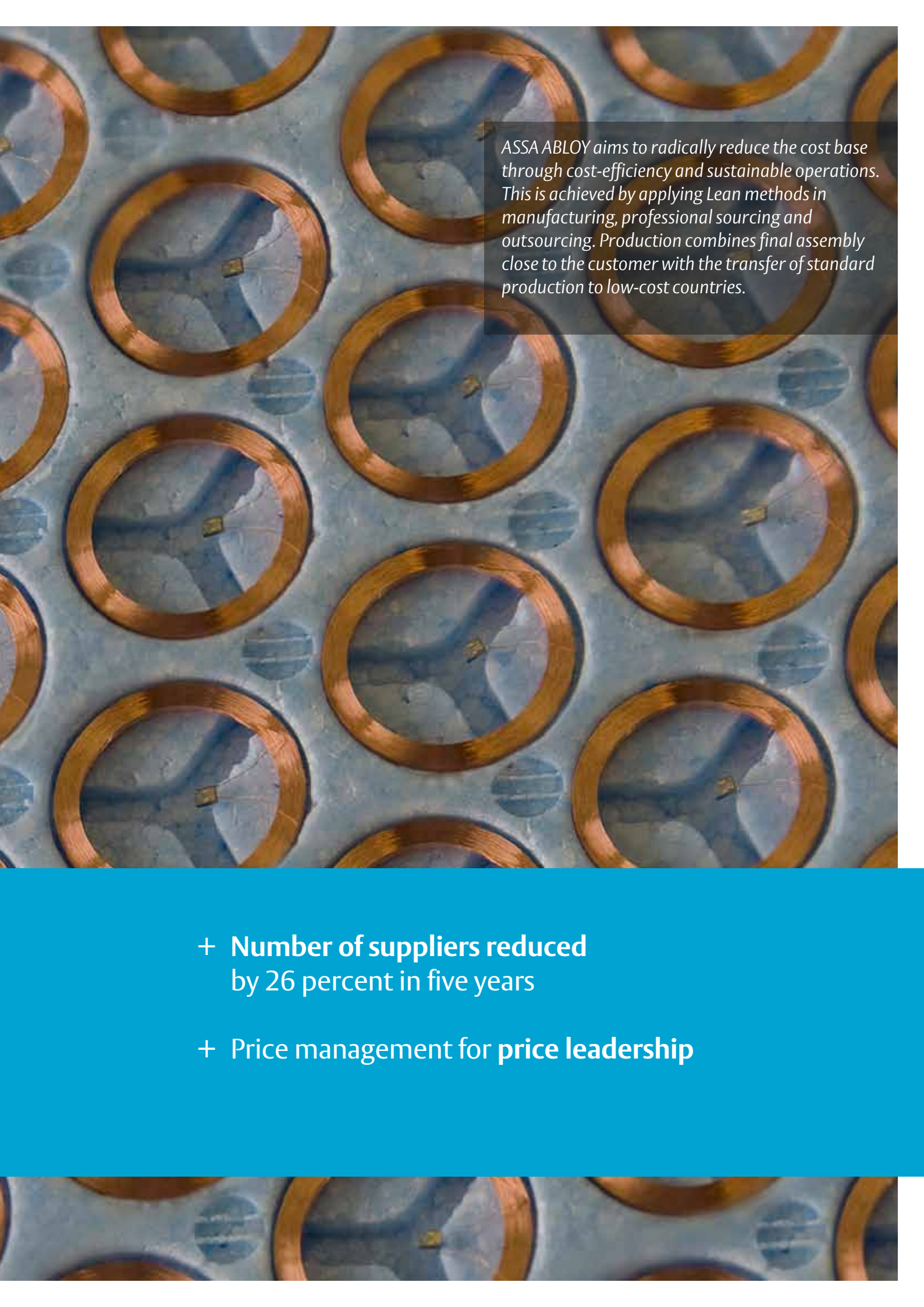


The new Crawford 1042 overhead sectional door, developed for warehouses, logistics centres, industries and all kinds of commercial premises. Built on common component platforms in a modular way, it boasts a whole range of improvements and innovations. It is robust, flexible and efficiently sealed which means it will keep its good looks and provide energy efficiency benefits throughout its life.

Cost-efficiency



- + **Constant major cost reductions**
a strategic priority
- + **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.

- + **Number of suppliers reduced**
by 26 percent in five years
- + **Price management for price leadership**

New restructuring program for continued streamlining

ASSA ABLOY is striving to radically reduce the breakeven point through restructuring programs, cost-efficiency and improved processes, to achieve the operating margin target of 16–17 percent. A new three-year program for the production structure was launched in 2013. It follows a series of programs that are estimated to have reduced costs by around SEK 2 billion annually since 2006. Lean programs, outsourcing, automated flows and active price management are further increasing cost-efficiency, which is a condition for ASSA ABLOY being a price leader and contributing to sustainable development.

■ Production structure

ASSA ABLOY is working continuously to streamline and simplify the production structure. A new restructuring program was launched in 2013, which is motivated by 26 new acquisitions since the last restructuring program began. Around 30 units are to be closed, including 10 factories. The cost of the program is SEK 1 billion with a payback period of just over three years.

The restructuring programs reflect an active global acquisition strategy. ASSA ABLOY is moving from manufacturing everything itself to concentrating efficient assembly plants in high-cost countries, 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. The five programs since 2006 have led to the closure of 56 production units and another 12 units are being closed down. 68 factories have been converted into assembly plants, with another seven left to convert. Meanwhile, 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 customiza-

tion. In connection with this restructuring, around 7,500 employees will have left the Group.

As a result, standard production has been increasingly transferred to internal and external production units in low-cost countries. Today 53 percent of products are manufactured in low-cost countries, compared with 44 percent five years ago. This is also reflected in the distribution of the Group's staff, with 47 percent of total employees now located in low-cost countries, compared with 38 percent five 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.



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

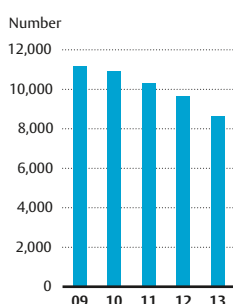
■ Professional sourcing

A sharp increase in the sourcing of raw materials and more standardized products is an important element in production rationalization. The ambition is to have an increasingly limited number of high-quality suppliers, mainly in low-cost countries. These become strategic partners based on delivery contracts, category management and development, quality and sustainability guidelines.

Increased outsourcing to fewer qualified suppliers has resulted in material costs rising from 32 to 35 percent of sales in five years. This makes totally new demands on the purchasing organization, which has moved from simple call off to professional sourcing. Today the divisions have specialist purchasing managers for each

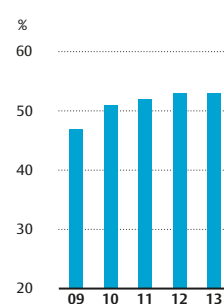
component category. Central purchasing centers in the Group efficiently manage different component categories. These activities have resulted in a 26 percent reduction in the number of suppliers over the past five years, despite a significant increase in sales over the same period as a result of organic and acquired growth.

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



The share of the Group's total purchases of raw materials, components and finished goods from low-cost countries has risen to 53 percent over the past five years.



Cost-efficiency increases with a larger share of purchases from a smaller number of high-quality suppliers, based on delivery contracts and development, quality and sustainability guidelines.

■ Process development

ASSA ABLOY applies a number of tested methods to increase cost-efficiency. Lean methods include all processes and result 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 avoid materials waste. Seamless Flow optimizes the Group's flows through IT standardization and integration of information dissemination.

Today all ASSA ABLOY's major workplaces have well-functioning Lean programs and organization for both production and administration. Implementation is ongoing. The results show 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 2013 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. Cost savings may amount to 20–40 percent for individual products.

In 2013, 181 studies were conducted and a total of more than 3,500 employees have received training in these methods in recent years. Since the methodology was introduced in 2007, the Group has made savings of more than SEK 780 M through VA/VE.

ASSA ABLOY aims to maximize resources for innovation, product development, production and sales. Administrative support functions account for 30 percent of all staff and more than 40 percent of the total personnel cost. 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. Product Data Management (PDM) is being introduced to describe the Group's products digitally.

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

During the year ASSA ABLOY intensified the work on 'should-cost' estimates for purchases i.e. knowledge about what the services and products purchased by the Group 'should cost'. This methodology is likely to result in significant potential for cost reductions. 'Should cost' involves an analysis of additional evidence on value chain structure and content, key factors driving costs, insight into price formation in the market and at suppliers. Since the start the Group has educated about 200 employees in this methodology.

Energy-efficient healing environment

Customer: Castle Rock Adventist Hospital is part of the Centura Health system. A full service, 50 bed hospital located in a suburb of Denver called Castle Rock, Colorado. The services offered are Level III Trauma Center, emergency services, comprehensive imaging center, ICU, Birthplace and a full complement of surgical services. The ER and imaging center have been open since September, 2011 while the hospital opened on August 1, 2013.

Challenge: Patient healing, regulatory requirements, building aesthetics and amenities, cost-efficiency, and a staff-friendly workplace are among many considerations addressed by today's healthcare organizations as they strive to create healing environments using evidence-based design.

Solution: ASSA ABLOY Door Security Solutions met the hospital's needs with a product portfolio for this facility's approximately 750 architectural door openings. Aesthetically pleasing hardware including electromechanical access control is delivered by Sargent H1 Harmony Integrated Wiegand locks with integral door position switch, card reader, and request-to-exit sensor in a single device. Sargent 80 Series exit devices secure egress doors, while Sargent 8200 Series mortise locks secure all other openings, including patient room doors equipped with Sargent push/pull trim and MicroShield antimicrobial finish. Graham wood doors and Curries metal doors and frames are used throughout, along with McKinney hinges and Rixson pivots and floor closers. Exterior doors keep the cold Rocky Mountain weather at bay with Curries Trio-E energy efficient openings. Employee utility room access is facilitated by Norton SafeZone door operators. A Medeco X4 high security key system puts the finishing touch on a facility utilizing total door opening solutions from ASSA ABLOY.

Meeting high security requirements in Munich

Customer: Stadtwerke München GmbH (SWM) is the largest municipal company in Germany. With over 7,500 employees, SWM supplies the regional capital of Munich and the surrounding area with public services such as electricity, gas, water, district heating and cooling.

Via its subsidiaries SWM also provides telecommunications services and operates the public passenger transport network in Munich.

Challenge: SWM is responsible for several thousand properties. These include buildings, shafts and transformer stations, some of which are over 100 years old. Its responsibility also covers installations using new and old locking systems, different organizational set-ups including employee shift work and on-call services, the widely different environmental conditions in district heating systems, damp and high dust exposure in the underground spaces and temperature deviations in power stations.

Due to the requirement by the Federal Ministry of the Interior for the protection of critical infrastructures, a standardized and sustainable locking and access solution was urgently needed.

Solution: The VERSO CLIQ system from ASSA ABLOY met the system requirements and also offered the essential software enhancements to meet SWM's demands. The tailor-made VERSO CLIQ became a special solution offering a quantum leap forward in terms of functionality, security and application.

Its benefits include on-key programmable access rights, authorization of up to 20,000 locking cylinders per key, the possibility of up to 1,500 freely programmable groups per key, multi-client capability with decentralized allocation of rights and new procedures for a clear and comprehensible allocation of access rights.

As of November 2013, 14,000 cylinders, 3,000 keys and 50 authorization terminals had been installed. The total project comprises 40,000–50,000 cylinders.



Growth and profitability



+ Sales growth from SEK 3 billion to SEK 48 billion in 19 years

+ Total sales growth of 1,300 percent 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.

- + **Operating income (EBIT), excluding items affecting comparability, has increased by over 5,000 percent from SEK 156 M to SEK 7,923 M since 1994**
- + **Earnings per share has increased by 7,200 percent to SEK 14.84 since 1994**

Global leadership with value-creating strategies

Value-creating strategies for all the Group's stakeholders have enabled ASSA ABLOY to become by far the largest global supplier of door opening solutions since its formation in 1994. Organic growth and acquisitions, market-leading technological development and cost-efficiency have transformed the company from a traditional, regional lock company into a modern, multinational security company in innovative door opening solutions.

Demand for safety and security is constantly increasing worldwide. Today more than one in ten lock purchasers worldwide chooses a lock from ASSA ABLOY, which has the world's largest installed base of locks and lock systems.

Since ASSA ABLOY's formation in 1994, Group sales have risen from SEK 3 billion to SEK 48 billion and the number of employees from 4,700 to around 43,000. Operating income (EBIT) excluding items affecting comparability has increased from SEK 156 M in 1994 to SEK 7,923 M in 2013, an increase of over 5,000 percent.

ASSA ABLOY was founded when Securitas (Sweden) and Metra (Finland) merged their north European lock businesses. The first growth phase began with a strategy of organic and acquired growth and rapid international expansion.

Growth and market leadership

The second growth phase took off in 2005, with a priority to expand in emerging markets in Asia, eastern Europe, the Middle East, Africa and South America. Value creation was strengthened by a strategic focus on product leadership to accelerate organic growth and cost-efficiency to promote resource efficiency in all dimensions and sustainable development.

Today global market leadership involves company operations in more than 70 countries and worldwide sales. The Group's leading brands are a significant asset. Emerging markets are strategic priorities for future growth. Sales on these markets are growing rapidly and account for 25 percent of total Group sales, a fourfold increase in eight years. China accounts for around 10 percent of total sales, more than a tenfold increase since 2006.

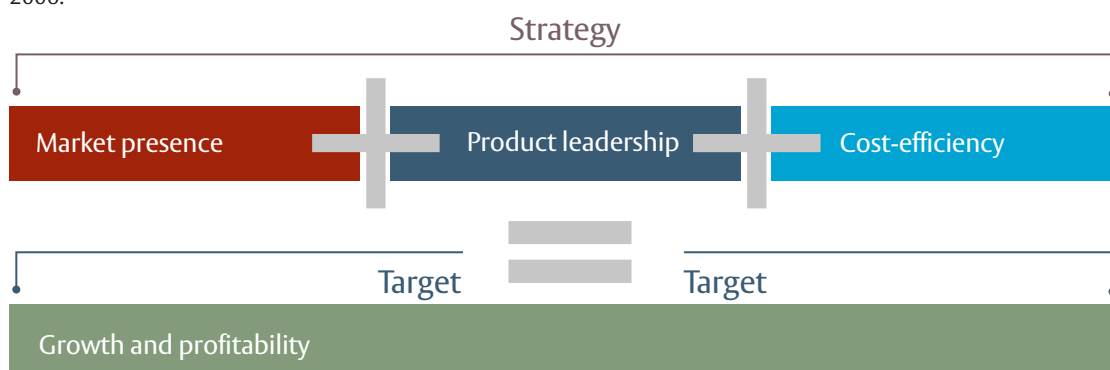
Product leadership

ASSA ABLOY has become the industry's global technology leader as a result of its product leadership strategy combined with acquisitions. The offering has expanded to include security doors, entrance automation and secure identity solutions. The Group is successively increasing R&D investment. New technology areas and innovative products are the most important sources of organic growth and raise the entry barriers for competitors.

Investments in product development have increased by over 10 percent per year in recent years, and products launched in the past three years account for more than a quarter of sales. Electromechanical products have increased to 49 percent of Group sales, and the growth rate remains high.

Cost-efficiency

The third strategic pillar is reducing resource consumption, whether capital, human or physical resources, and thereby working for increased value creation and sustainable development. The strategies for cost-efficiency in all dimensions drive a number of different group-wide programs to streamline capital management, products, the production structure, cost reductions in production processes, sourcing and administration, as well as activities to reduce environmental impact. These programs are prerequisites for good profitability and stable finances. As a result, ASSA ABLOY contributes to long-term sustainable operations, which create value for customers, employees and shareholders, combined with social sustainable development.



Since 2006, ASSA ABLOY has acquired 110 companies, fulfilling its ambition of 5 percent acquired growth per year. In 2013, ASSA ABLOY made 12 acquisitions, which added SEK 4,200 M in annual sales, a 9 percent increase. The Group has a focused acquisition strategy in three areas: **Increasing geographical market presence** • **Complementing the product range** • **Adding new technologies in key areas**

ACQUISITION STRATEGY AND PROCESS



ASSA ABLOY'S DEVELOPMENT AND ACQUISITIONS 2009–2013

2009 – Strong results despite weak market

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

2010 – Acquisitions strengthen customer offering in Asia

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

2011 – Global leader in entrance automation

Acquisition of Crawford 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

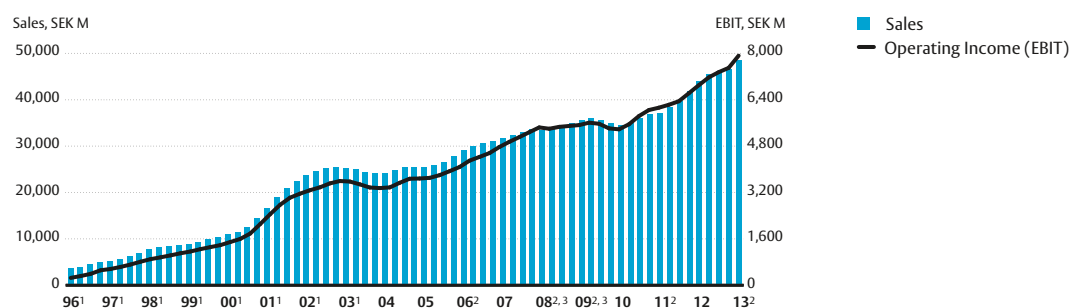
The acquisition of Albany Door Systems, a global leader in high-performance doors, is completed. ASSA ABLOY also acquires 4Front (USA), a leader in docking systems, Securistyle Group Holdings Limited and Traka (UK), Frameworks Manufacturing (USA), and Helton (Canada), which manufactures overhead door 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 (USA), a manufacturer of perimeter protection and gates for industrial and high-security purposes, and the fire and security door manufacturer Mercor SA (Poland). ASSA ABLOY also signs an agreement to acquire Amarr, the third largest player in the North American sectional door market.
Other acquisitions: Xinmao and Huasheng (China).

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.

5,000%

Operating income (EBIT) has increased by over 5,000 percent in 19 years.

ASSA ABLOY's divisions

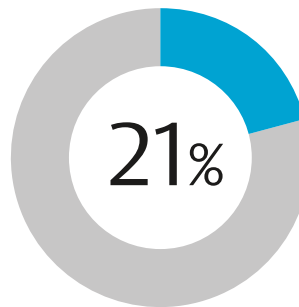
ASSA ABLOY is divided into three regional and two global divisions.



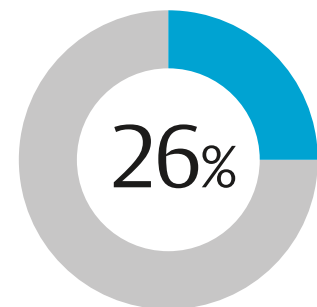
Regional divisions

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



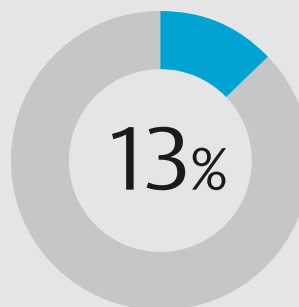
Read about the division's operations and performance on pages 44–45

Global divisions

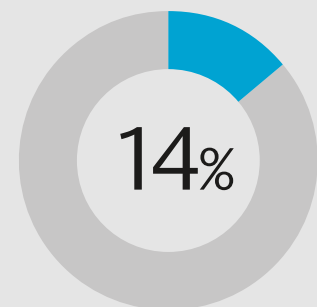
The global divisions manufacture and sell electronic access control, identification products and entrance automation on the global market.

Global Technologies

Share of sales



Share of operating income



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

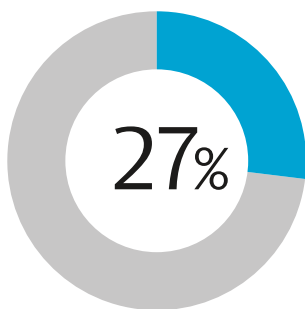


EMEA

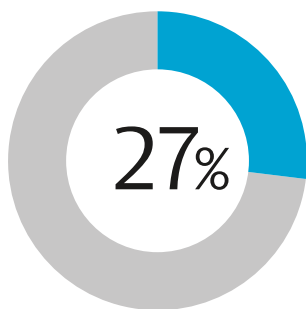


Asia Pacific

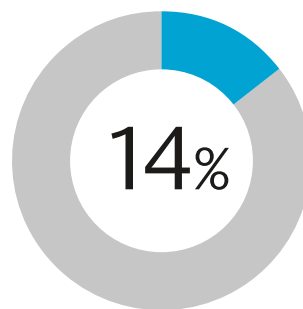
Share of sales



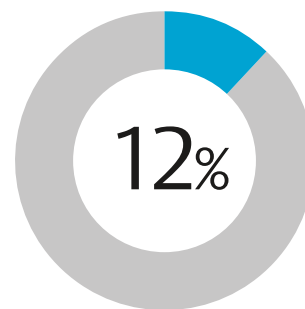
Share of operating income



Share of sales



Share of operating income

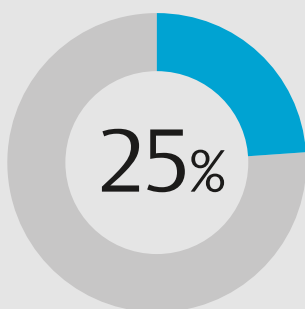


Read about the division's operations and performance on pages 42–43

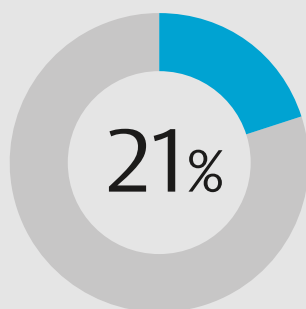
Read about the division's operations and performance on pages 46–47

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

In western Europe, several years of weak demand showed signs of bottoming out during the second half of the year. Demand remained strong in emerging markets in eastern Europe, the Middle East and Africa. The division continued its product development at a high rate and products launched in the past three years now account for 30 percent of 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 13,165 M (13,382) with -1 percent organic growth.
- Operating income (EBIT) excluding restructuring costs: SEK 2,197 M (2,279).
- Operating margin: 16.7 percent (17.0).

Market development

The mature markets in western Europe again showed a varied picture, with strong growth in Scandinavia, stable growth in Germany and signs of a recovery in the UK and Italy. Continued recession reduced demand in France, the Netherlands and Spain, but with some signs of bottoming out in the second half of the year. The share of major projects showed a good increase. Marketing investments in recent years in eastern Europe, the Middle East, Turkey and Africa have resulted in significant sales increases and continued market share successes. The share of sales to emerging markets is now 17 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 a major difference 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.

During the year a significant increase was noted in the share of large projects supplying advanced door opening solutions in sectors such as offices, hospitals, schools

and universities. This was the result of the focus in recent years on specification sales of total door opening solutions with a high technological content. The division now has 230 specification sales representatives. Contacts with key partners, such as architects and security experts, are continuously strengthened. During the year more than 12,000 projects were specified, comprising over 1.4 million doors. Sales capacity also increased due to efforts to reallocate resources from administration to sales through staff education and training. Today a majority of the sales staff are engaged in direct sales.

Several large security projects were launched with global and European telecoms operators and public authorities. Deliveries also include software for electronic door opening solutions based on ASSA ABLOY technology such as Aperio and Cliq Remote. The software is customized for integration in customers' IT systems.

The sales organizations are coordinated under the ASSA ABLOY master brand. Brand consolidation continued with some 10 ongoing projects. Market presence with complete product programs is consequently even clearer.

In Africa, sales rose during the year. The African continent is expected to have major growth potential, with a high urbanization rate and increased living standard. EMEA is positioning its presence in the 50 largest cities, which are expected to account for 90 percent of Africa's GDP by 2015.

The division's most important acquisition during the year was the Polish company Mercor SA. The company is a leading manufacturer of security and fire doors in eastern Europe, with a strong position in its domestic mar-

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 2013: Mercor SA (Poland).



kets of Poland, the Czech Republic and Slovakia. Mercor has annual sales of around SEK 370 M with good profitability. Based in Gdansk, it has 550 employees at plants in Poland, the Czech Republic and Slovakia.

Product leadership

Efficient product development is the most important activity for creating organic growth. Increased investments in recent years in innovation and product development have yielded good results. The division increased the share of products launched in the past three years to 30 percent of total sales, which is more than a doubling in three years. Nearly 250 new products are in the pipeline for the coming years. The strong product development meets the sharply increasing demand for electromechanical products. These increased their share of total sales from 24 percent to 26 percent during the year. The trend indicates a continuing strong increase in electromechanical products in the coming years.

The division benefits greatly from the Group's development of common product platforms. Additional platforms were launched during the year, facilitating significant quality improvements, fewer components and faster production, which provides enhanced customer value at lower costs.

The division's High Impact products (HIP) continued to be successful, with high growth figures. Particular importance is placed on a high technical standard and modern design for these products. Marketing is coordinated across the whole division with special competence teams that cooperate closely with local sales teams.

The success of the new door closer range under the ASSA ABLOY brand continued, an example of a High Impact product launched in 2011. Demand is also increasing sharply for the other five High Impact products: Aperio, an electromechanical 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; and Code Handle, a digital door and window handle.

Cost-efficiency

The division's production structure has changed substantially over the past few years, with consolidation of cylinder and lock production in two large, efficient production units in the Czech Republic and Romania. Their competitiveness strengthened further during the year as a result of a major investment program in new machinery and automation. Productivity and flexibility will increase considerably, while costs and environmental impact are reduced. These production plants are complemented by units for final assembly and customization with a high service level and rapid distribution, located close to customers in the major markets in western Europe. The total number of production plants has halved since 2005.

Rationalization of the fragmented product range also continued, to reduce complexity and to focus on higher-margin products. The number of products has been reduced by around 30 percent since 2010 and will continue to decline in the coming years.

Several important steps were taken in supply management during the year. 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. Implementation of VA/VE methods continued to yield positive results. Product development aims for major cost savings through a sustainable approach to materials consumption, logistics and packaging. Sustainability initiatives were intensified through several program activities across the whole division, especially the introduction of better measuring methods. Every year all the regions suggest a number of different sustainability projects with a strong economy profile in areas such as energy, water, packaging, harmful materials and recycling. The response was very positive during the year.



The number of specification sales representatives has increased sharply.

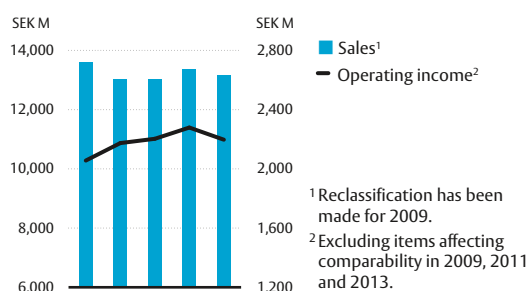
KEY FIGURES

SEK M	2012	2013
Income statement		
Sales	13,382	13,165
Organic growth, %	1	-1
Operating income(EBIT) ¹	2,279	2,197
Operating margin (EBIT) ¹ , %	17.0	16.7
Capital employed		
Capital employed	9,217	10,499
– of which goodwill	5,846	6,395
Return on capital employed ¹ , %	22.6	20.7
Cash flow		
Cash flow ²	2,241	2,084
Average number of employees	10,260	10,089

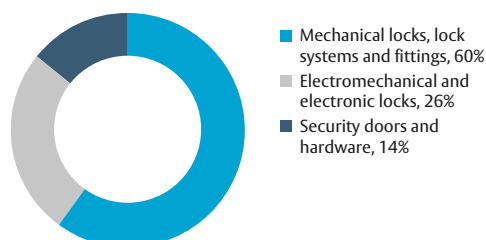
¹ Excluding items affecting comparability of SEK 300 M in 2013.

² Excluding restructuring payments.

SALES AND OPERATING INCOME



SALES BY PRODUCT GROUP



Increased marketing initiatives strengthen sales and earnings

The division's sales showed strong growth during the year in mechanical and electro-mechanical locks and cylinders, the residential sector in the USA, and in South America. Growth increased in the security door and high-security product segments, while it declined slightly in Canada and Mexico. Investments in innovation and product development resulted in a large offering of new products and solutions and a strengthened market position. Continued rationalization and efficiency programs contributed to an increase in operating income and an improvement in the operating margin.

Report on the year

- Sales: SEK 10,121 M (9,671) with 6 percent organic growth.
- Operating income (EBIT) excluding restructuring costs: SEK 2,140 M (2,007).
- Operating margin: 21.1 percent (20.8).

Market development

The positive recovery in demand following the 2009–2010 crisis continued for the third consecutive year at an accelerated rate in the USA and in the residential segment. The recession in the overall USA construction market appears to have bottomed out during the year, following a 39 percent decline from its peak in 2009. The division's sales decline was lower during the same period, with a more rapid recovery rate than underlying demand. The explanations are strong efforts in product development, sales of new products with improved performance at a higher price, as well as increased levels of building renovation and upgrades in the market. The trend towards more electromechanical solutions was strong and the division received several important orders for major projects with total door opening solutions.

Sales growth in Central and South America continued and market position was strengthened due to the launch of a number of new products and solutions, as well as establishment of new distribution centers.

Market presence

Investments in market presence have increased by 70 percent since 2008. The focus is on activities that drive end-customer demand. In the USA, customer-facing sales staff have doubled and now account for over 60 percent of marketing and sales staff in less than ten years. The number of specifiers and specialist representatives has increased sharply. They collaborate with the leading architectural firms and provide training and the introductions to new products and solutions in their role as the end-customer's door opening solution expert. Additional training, including online and offline programs, has contributed to growth.

The development of products, solutions and improved cooperation with distribution, have enabled the division to increase sales in the commercial construction segment. This segment grew by over 10 percent per year, while growth in the institutional segment was limited by budget restrictions. Sales in the aftermarket have grown by over 10 percent in recent years and continued to increase during this year.

Expansion in Latin American markets is a priority. Sales have increased by double digits annually. The division has expanded its presence with two major regional distribution centers, one in Peru and the other in a free-trade zone in Colombia, resulting in faster deliveries to the region.

ASSA ABLOY has the majority of the industry's leading brands in North America. The main emphasis is on an overall message that ASSA ABLOY is the leading provider of total door opening solutions. This message is supported by the division's six mobile exhibitions for educa-

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: USA, Canada, Mexico, Central America and South America. The majority of sales are in the USA and Canada where ASSA ABLOY has an extensive sales organization and sells its products through distributors.

Institutional and commercial customers are the largest customer segments. The non-residential business accounts for 85 percent of sales, while the 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 commercial and residential segments.

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

Acquisitions 2013: Ameristar (USA).



tion, health, aesthetics, access control, locksmith solutions and a general exhibition, all of which present and demonstrate door opening solutions in close proximity to customers.

An increasingly important growth initiative is the focus on sustainable solutions. Today green buildings account for a growing proportion of all new non-residential construction in the USA. ASSA ABLOY has the broadest offering and is one of the few in the industry able to supply certified door opening solutions that comply with the market's constantly developing regulations and standards for energy efficiency, sound control and carbon dioxide emissions. Demand for this offering grew as demonstrated by several large projects were implemented during the year.

In line with the focus on electronic solutions, the division has developed wireless solutions to meet the fast-growing demand in home automation. Other niche initiatives are solutions for behavioral disorder treatment centers, parking meters, gaming machines and vending machines, primarily in the USA and Canada.

With the acquisition of Ameristar, the leading US manufacturer of high-security industrial fencing and gates, ASSA ABLOY establishes a new strategic platform in a segment with strong growth. The acquisition is a good fit with the Group's security solutions offering, with both manufacturing and sales synergies. Ameristar had sales of around USD 169 M in 2013 and has 650 employees.

Product leadership

Market leadership is based on a constant flow of new technologies, products and solutions that meet customer demand. With increased investment in product development of 160 percent since 2008, there are now 220 new products in various development phases for launch in the coming years. In the past three years, 280 new products have been launched, which resulted in new products account for 24 percent of total sales. The focus is on electromechanical and electronic products and solutions that support the various needs and access control systems required in end-customers' buildings. Around 30 leading suppliers of Electronic Access Control (EAC) systems have integrated the divisions' locks into their solutions. Many of these leverage RFID technology from HID. Today the division has the largest offering of wireless solutions for the residential, commercial and institutional markets. Yale Real Living digital door locks are marketed in nearly 2,000 AT&T stores in the USA for the fast-growing home automation market. Other new and successful solutions are the Aperio Wireless Cabinet Lock for cabinets requiring access control, such as pharmaceutical cupboards in healthcare, and the Wi-Fi Campus Lock for universities. Many electromechanical solutions are compatible with ASSA ABLOY's Seos ecosystem for digital keys.

Cost-efficiency

Americas division's production structure has been undergoing major rationalization since 2008, resulting in cost reductions close to USD 270 M. The number of production plants has been reduced by 40 percent, inclusive of 15 acquisitions, since 2005. A total of 16 production plants have been consolidated and a number of centers of excellence for development and manufacturing have been created. Implementation of Lean projects continued at an undiminished rate not only in production but also in administration, where more than one-third of the projects are being implemented. A large number of products have been updated and processes simplified using VA/VE methods in product development. The implementation of Seamless Flow activities continued to yield good results.

More efficient supply management and increased outsourcing to low-cost countries has helped double cost savings since 2008.



Mobile Innovation Showrooms bring door opening solutions to architects, end-users, integrators and other customers.

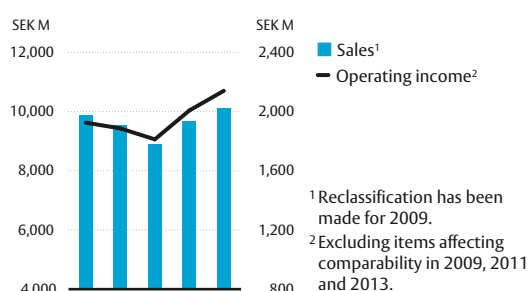
KEY FIGURES

SEK M	2012	2013
Income statement		
Sales	9,671	10,121
Organic growth, %	4	6
Operating income(EBIT) ¹	2,007	2,140
Operating margin (EBIT) ¹ , %	20.8	21.1
Capital employed		
Capital employed	8,301	10,475
– of which goodwill	5,913	7,319
Return on capital employed ¹ , %	23.6	22.7
Cash flow		
Cash flow ²	1,797	1,983
Average number of employees	6,620	6,726

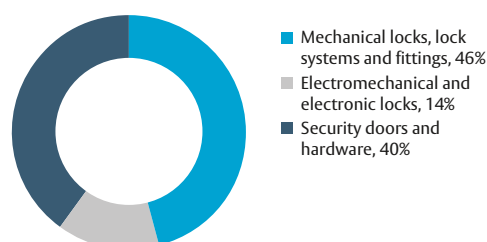
¹ Excluding items affecting comparability of SEK 18 M in 2013.

² Excluding restructuring payments.

SALES AND OPERATING INCOME



SALES BY PRODUCT GROUP



Continued expansion and rapid growth in digital lock solutions

The division's sales increased on the important Chinese market, though at a lower rate than previously. The market in China showed strong growth in fire doors, a positive trend for traditional lock products, and a weak trend for security doors. Growth was high in South Korea, due to good export demand for digital door locks (DDL), and on South-east Asian markets. New Zealand experienced strong growth, while Australia showed a stable trend. Demand for digital lock solutions continued to increase rapidly in Asia where the Group is a market leader.

Report on the year

- Sales: SEK 7,420 M (7,224) with 4 percent organic growth.
- Operating income (EBIT) excluding restructuring costs: SEK 1,032 M (978).
- Operating margin: 13.9 percent (13.5).

Market development

The growth rate in China continued at a good level with large regional differences. The trend was strong for fire doors, positive for traditional lock products and weak for security doors. The underlying growth factors in the country – the urbanization trend, industrialization, new construction and increasing prosperity – are intact. However, the credit restrictions imposed by the Chinese government in late 2011 to avoid overheating in the economy have resulted in a lower investment rate particularly in the residential sector and in the well-developed coastal regions. More than 90 percent of Chinese production is sold on the domestic market and less than 10 percent is exported to other regions. The export sector also showed a more subdued trend.

ASSA ABLOY has a clearly leading position on the advanced South Korean market. The domestic market remained weak, while the considerable export sales of the group companies iRevo and King continued to increase at a high rate. Demand for digital door locks is significant in South Korea and is growing rapidly across the region. iRevo is the market leader and collaborates with great success with other group companies to adapt and export digital door locks to residential

markets across the region and to the EMEA and Americas divisions.

Growth continued to increase at a high rate in India, while it was somewhat more subdued in Southeast Asia. Sales also rose in Vietnam and Indonesia, where the division is now building up a broad market presence.

The good market position was further consolidated in Australia. Demand, which has been weak since 2011 due to a low level of new construction and fewer government stimulus measures, improved somewhat. In New Zealand, growth was strong during the year.

Market presence

ASSA ABLOY has a market-leading position on the major emerging market of China, although the market share remains small. There is tough competition from a very large number of small local firms. However, business failure among the smaller competitors has accelerated in the wake of lower growth and higher cost inflation. Expansion potential is strengthened by the consolidation trend. The need for security is increasing sharply in pace with urbanization, prosperity and new housing. Demand for fire doors and digital locks is increasing rapidly, while growth in residential security doors has slowed somewhat. The division continued to make major investments in sales staff for specification of door opening solutions and in the training of distributors. To increase the security standards in China, the division is working actively with the government and authorities to develop products and set new industrial standards for locks and fire doors.



FACTS ON ASIA PACIFIC

Offering: Mechanical and electromechanical locks, digital door locks, high-security 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 divi-

sions. 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), Doormax, Beijing Tianming, Guoqiang, Sahne and Longdian. In South Korea: Gateman, Angel and King and the global Yale brand. In Australia and New Zealand, the largest brands are Lockwood and Interlock.

Acquisitions 2013: Xinmao and Huasheng (China).



China remains an important emerging market for ASSA ABLOY.

Market presence in China was strengthened by the acquisition of two regional leading manufacturers of fire and security doors, Xinmao and Huasheng in northeastern and eastern China respectively. Xinmao has sales of nearly SEK 190 M and 360 employees, while Huasheng has sales of SEK 210 M and 460 employees. The two companies complement the Group's offering both geographically and commercially.

Investments in market presence continued at a high rate in the fast-growing and populous markets in India, Indonesia, Vietnam and the Philippines. The newly established subsidiaries in Indonesia and Vietnam contributed to continued strong sales growth. Industrialization, urbanization and rising prosperity provide significant growth potential.

Product leadership

The Group's product leadership is an important factor for market penetration in Asia. Product development resources continued to be strengthened at a high rate and now include nearly 300 development engineers. The trend is driven by fast-growing regional demand for hi-tech products in digitization and access control. Sales of digital locks rose 80 percent in China and Southeast Asia and the number of digital door lock distributors has increased sharply with major successes in the residential market.

The investment in India was strengthened by the development of several unique products for this major market, contributing to the division's high share of products launched in the past three years, which continued to increase to 34 percent.

Sustainability initiatives were further strengthened by a new organization and a centralized responsibility for the whole region with a sustainability board, which monitors developments on the division's markets. Water consumption and carbon emissions have been the focus and good improvements were made during the year.

Cost-efficiency

The division's Chinese production units account for a large share of the Group's production and employees. The division had around 12,600 employees in China.

The number of employees continued to fall by around 1,800 people, excluding acquisitions, compared with 2012 despite increased production. This is primarily the result of increased automation, intensified implementation of Lean processes, and an increased share of purchases and outsourcing. 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 growth. Systematic efforts to increase the share of coordinated purchases are increasing rapidly and yielded positive results.

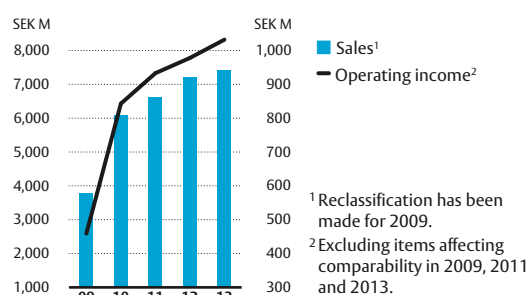
KEY FIGURES

SEK M	2012	2013
Income statement		
Sales	7,224	7,420
Organic growth, %	3	4
Operating income (EBIT) ¹	978	1,032
Operating margin (EBIT) ¹ , %	13.5	13.9
Capital employed		
Capital employed	5,168	7,436
– of which goodwill	4,326	4,311
Return on capital employed ¹ , %	20.7	16.3
Cash flow		
Cash flow ²	1,348	932
Average number of employees	15,284	14,243

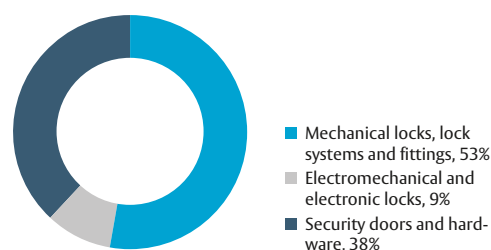
¹ Excluding items affecting comparability of SEK 183 M in 2013.

² Excluding restructuring payments.

SALES AND OPERATING INCOME



SALES BY PRODUCT GROUP



Continued good growth and stronger margins

Sales continued to increase with strong organic growth of 6 percent. Demand was strong in all markets for HID Global's secure identity solutions, with a sharp increase in project orders. The similarly strong sales growth in Hospitality, together with streamlining and a cost focus, once again improved the division's good earnings and margin trend.

Report on the year

- Sales: SEK 6,472 M (6,262) with 6 percent organic growth.
- Operating income (EBIT) excluding restructuring costs: SEK 1,184 M (1,073), a 10 percent increase.
- Operating margin (EBIT): 18.3 percent (17.1).

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

HID GLOBAL

Market development

Demand was strong in all product areas, customer segments and geographical markets, except the public sector market, which was squeezed by budget restrictions in many countries. The strong demand in recent years for upgrading and complementing existing systems continued and was supplemented by a significant increase in major project orders and investments in new technological solutions. Growth was particularly strong in markets such as China, Indonesia, Russia and Latin America, a result of focused marketing of new products and services in recent years. The division made a strong contribution to the Group's other core operations in electromechanical door opening solutions, with high growth in physical access control.

Demand for secure identity solutions is increasing in all markets. HID Global consolidated its market-leading position through several innovative launches in mobile access and identity solutions, more efficient card printers, and new technology in converged access solutions combining physical with logical access control and other integrated solutions.

Market presence

HID Global is making a long-term investment in its world-leading market presence, with considerable success in the institutional and commercial markets.

The brand position strengthened in several key markets through unique customer offerings and a global partner program. The prioritized focus on emerging markets continued with significant training initiatives. Mobile solutions are attracting considerable interest in many countries, which are moving straight to wireless communication technologies.

In the USA, the U.S. Citizenship and Immigration Services selected HID Global as a supplier of Green Cards for permanent residence in the country. In 2013, HID Global produced and supplied around two million Green Cards.

Brand consolidation continued; 17 brands have been consolidated into a single HID Global brand in five years. All product lines have thus gained increased distribution worldwide, strengthening brand loyalty, while a complete product portfolio can be offered to all customers. The focus on market segmentation continued and resulted in deeper customer dialogue and a stronger customer offering across all product lines. The development of specification expertise continues with investments in special teams for professional services and development in cooperation with end-customers. The focused sales effort in Government ID Solutions resulted in several major orders and HID Global's solutions are now found in many national programs for various types of ID cards, passports, driving licenses and vehicle registration, including 39 ePassport programs and 50 national ID/eID programs. Additionally, HID Global reader technology is used by the world's five largest electronic document reader suppliers in the government market.

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.



Product leadership

The global product strategy is to gain a large share of the fast-growing electronic identity and access control market and to develop electronic door opening solutions in collaboration with other Group operations. 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 division is an important development partner to many major players in the global IT industry and is actively involved in standards development.

Several new products and solutions were launched during the year. The new FARGO C50 is a compact card printer mainly for small and medium-sized retail companies and customers in emerging markets. It is very user-friendly with all the functions available in a few minutes for the production of ID cards, loyalty cards, charge cards and membership cards.

Mobile Access also achieved a market breakthrough in 2013. Mobile Access, which is powered by Seos, is the world's first commercial ecosystem for delivering digital keys to cell phones. The Seos credential technology, which won the Asia SESAMES Award as one of the industry's most innovative technological solutions, enables doors to be opened by holding the cell phone in front of the lock. Private individuals and security staff can send temporary digital keys to visitors via their cell phone. This year saw the launch of several new initiatives that facilitate customers in creating their own Seos based solutions on smart cards or cell phones.

Cost-efficiency

For several years the division has been executing structural projects across all product and market areas to increase efficiency and reduce costs. The process of consolidating production and distribution plants in the USA has been successfully implemented, with the closure of five facilities and the construction of a new facility in Austin, Texas well underway. The new HID Global North American operations center will also accommodate the division's headquarters, which is relocating from Irvine, California in 2014. A new production plant in Malaysia, which is mainly intended to supply the fast-growing Asian markets, was opened during the year. These structural measures are expected to result in significant productivity gains and cost reductions in the future.

The division continued to implement the Group's Lean Production, Seamless Flow and VA/VE programs during the year. A large number of processes have been simplified and accelerated, resulting in significant efficiencies and savings.

Continuous sustainability audits of important suppliers now cover 98 percent of the annual materials flow. Sustainability is an important factor in the development of new products and solutions in manufacturing and distribution processes.



HID Global's new production unit and headquarters in Austin, Texas, USA.

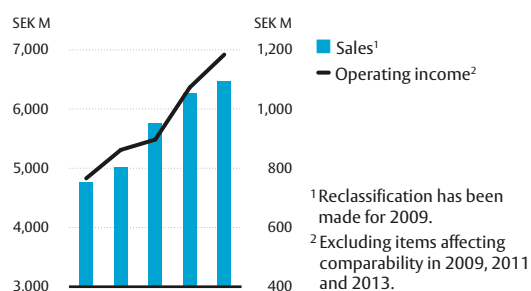
KEY FIGURES

SEK M	2012	2013
Income statement		
Sales	6,262	6,472
Organic growth, %	6	6
Operating income (EBIT) ¹	1,073	1,184
Operating margin (EBIT) ¹ , %	17.1	18.3
Capital employed		
Capital employed	5,717	6,114
– of which goodwill	4,524	4,511
Return on capital employed ¹ , %	17.3	19.7
Cash flow		
Cash flow ²	1,140	870
Average number of employees	3,029	3,136

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 commercial companies, healthcare, educational and financial institutions as well as government and state institutions. HID Global's open technology platforms provide significant benefits.

PRODUCT AND SERVICE OFFERING

Physical access control: smart cards, card readers, visitor management and networked access control units.

Secure issuance: card printers, printer accessories and software.

Identity assurance: smart cards, readers and credential management software.

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

Mobile access control, Seos: digital keys and reader technology for NFC and bluetooth enabled smart phones.

Contactless identification: RFID tags, readers and embedded solutions for identification.

ASSA ABLOY HOSPITALITY

Report on the year

ASSA ABLOY Hospitality experienced strong growth during the year, mainly due to increased demand for renovation and upgrade projects. The American market continued to show a positive trend. Europe, the Middle East and Africa showed a more mixed trend with a positive ending of the year.

Sales growth was strong in the important Chinese market, the rest of Asia, Australia and New Zealand. Marketing initiatives in South America in recent years resulted in good sales growth. Demand from the cruise ship market increased substantially following weak new construction in recent years. Continued stable demand for service and maintenance helped to strengthen both operating income and operating margin.

ASSA ABLOY Hospitality's customers are a clear example of the rapid market trend towards increasingly advanced electromechanical technology. In recent years marketing initiatives have focused on promoting the replacement or upgrade of installed lock systems based on magnetic-stripe cards.

ASSA ABLOY Hospitality has established itself as a global market leader in RFID (Radio Frequency Identification) technology and online wireless technologies. These provide hotels and hotel guests with considerably more secure, flexible and user-friendly locks and opportunities for mobile solutions and major energy savings. Today nearly three-quarters of sales are RFID-based systems and more than a million VingCard RFID locks have now been installed globally. The new online wireless VISIONLINE system has attracted considerable interest. It is integrated with the hotel's other operating systems to add efficient new housekeeping, security, front desk and maintenance functions. This allows the front desk to cancel keys, authorize room changes, extend the stay without reprogramming each individual key, and give access to conference rooms without the guest needing to hand in or exchange their key.

Market presence

Global market presence has gradually strengthened in recent years, with deliveries worldwide. Sales have increased rapidly in new emerging markets due to targeted marketing initiatives. Market presence in China strengthened further during the year. South America is a focus region for initiatives to increase market shares. Considerable successes resulted in very high growth in 2013, which is expected to continue in the next few years.

Product leadership

The product development rate remained high during the year. VingCard Elsafe launched Essence, the world's first 'invisible' door lock, creating totally new opportunities for design-conscious hotels. All components are embedded in the door and use RFID and wireless technologies. Essence sales got off to a successful start, positioning Hospitality for increased activity in the new construction segment.

Another design-focused launch was Allure, a hi-tech premium product – 'no lock on the door' – giving hotel designers extreme aesthetic flexibility in a luxury environment. The development of Seos, the world's first commercial ecosystem for digital keys in smartphones continued with new functions. Seos leads the way in mobile developments in the hotel market. The guest can check in and receive their electronic key using their cell phone. On arrival the guest can enter their hotel room using their cell phone.

VingCard Elsafe has also established itself as an important supplier of energy management systems for the hotel market through its Orion range. Sensors that can detect guest presence in the room and information from the door lock when the guest enters and leaves the room allow Orion to efficiently manage energy consumption. The technology can contribute to energy cost savings of up to 20-30 percent. The product range was upgraded in 2013 with several new functions that strengthen cost-efficiency and integration with the hotel's other control systems. The market potential is very good in the renovation segment.

Cost-efficiency

ASSA ABLOY Hospitality has now completed its successful relocation of all component production to high-quality suppliers in low-cost countries, mainly China. The implementation of a global business management system, AX ERP, was completed in spring 2013. It has supported a number of Seamless Flow initiatives, which have led to significant efficiency improvements and cost reductions. The potential for increasing efficiency remains considerable. VA/VE methods with a life cycle perspective have contributed to considerable materials savings in production. The results of customer and other external sustainability audits of the division's plants have been positive.

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.

Flexible access control ideal for on-demand offices

Customer: Performance Buildings provides technology for on-demand offices. It has a partnership with Munich-based Design Offices to design and implement high-end technology offerings for tenants of shared office workspaces that utilize office space as and when required.

Challenge: Performance Buildings and Design Offices needed a secure access control system that was easy to use and delivered cost benefits.

They needed interoperable, secure, convenient and future-proof access control technology for office spaces and a cost efficient IP-based solution that could be easily integrated and installed. The system needed to support the on-demand functionality, with an open application programming interface (API) that allows for a wide choice of custom configurations.

Solution: HID Global was selected because it was the only company with the ability to support the cutting-edge IT architecture and provide the flexibility that the customer required.

The core solution was HID Global's EdgeReader® ERP40, an IP-based card reader that meets the demands of open architecture, IP-centric environments.

In addition, HID Global's multiCLASS SE® reader provides tenants with flexibility in using a range of access control card technologies, such as contactless proximity cards and smart cards, or even NFC smartphones. Office visitors can also access office workspaces via Performance Buildings' touch screen enabled by HID Global's EdgeReader.

Performance Buildings reported that it had seen a return on investment within six months of deployment in Munich and improved efficiencies thereafter.



VISIONLINE suits combined hotel and office building



Customer: The Waldorf Astoria Hotel Berlin was the first Waldorf Astoria to open in Europe. It was built close to the famous Kurfürstendamm (Ku'damm) shopping street in the former western part of Berlin. The impressive building is called 'Zoofenster,' which means 'window onto the zoo' because it is situated next to Berlin Zoo. The building is 118 meters high and has 33 floors. The hotel uses the first 15 floors and has 242 luxury rooms.

Challenge: To provide a secure solution for the hotel floors and the independent office floors also located in the 'Zoofenster' building with one software solution. Two different purposes, hotel guest rooms and offices, needed to be implemented in a single lock control management system.

Solution: The hotel uses VISIONLINE by VingCard with convenient interfaces to its property management system. This ensures a silent and smooth operation which is absolutely mandatory for a luxury hotel like the Waldorf Astoria. The office floors are rented out by the owner of the building to different companies such as law firms, and VISIONLINE by VingCard manages this commercial environment with its high security requirements. VISIONLINE by VingCard was the perfect match here. Its large range of features and options give maximum flexibility to fulfill the different customers' requirements. The ability to combine online and offline parts in a cost-efficient wireless online network, avoiding hard-wire cabling, was another reason the customer chose a solution from ASSA ABLOY Hospitality.

High business development rate for continued global expansion

Demand remained weak in Europe, particularly in southern Europe, but with signs of a leveling off towards the end of the year. The American markets and Asia grew at a good rate. Australia and New Zealand returned to positive growth towards the end of the year. Sales of automatic doors, industrial doors and docking systems were stable, but sales of high-performance doors declined in Europe. The comprehensive business development program of acquisitions, market positioning and reorganization continued successfully, as well as new product development and cost-saving programs. Operating income increased and the operating margin was stable.

Report on the year

- Sales: SEK 12,237 M (10,979) with 0 percent organic growth.
- Operating income (EBIT) excluding restructuring costs: SEK 1,733 M (1,546).
- Operating margin (EBIT): 14.2 percent (14.1).

Market development

Sales were slightly negative in western Europe, but the picture was varied. Demand showed slightly positive growth in Germany, Austria, Switzerland and the Nordic countries, but remained negative in the crisis-hit countries in southern Europe. However, there were signs of a leveling off towards the end of the year. Sales increased sharply in North America and Asia and to a lesser extent in Australia and New Zealand.

The US residential market was the strongest segment during the year, while the global industrial segment saw somewhat more subdued performance in Pedestrian Door Solutions, Industrial Doors & Docking Solutions and High Performance Door Solutions. The health-care and transport sectors continued to be negatively impacted by fiscal restrictions and fewer investments in major public projects, which reduced demand for automatic doors. Development was stable in the retail sector.

Nearly 35 percent of the division's sales are generated by the comprehensive service offering, with its high, regular sales. Demand strengthened during the year, helping to offset new sales, which are more cyclical.

Market presence

The organization of the three marketing channels was further developed during the year. In the direct channel, total solutions for major customer segments such as retail, healthcare, manufacturing, distribution and logistics, transportation and mining are marketed under the ASSA ABLOY brand. Close cooperation with architects and other specifiers drives demand. A common and much enhanced concept for the important service business was also launched, mainly aimed at upgrading and modernizing existing equipment.

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

Indirect sales were combined under the Entrematic brand, which was launched in January 2013. Entrematic has a complete offering in four business areas: Sectional Doors & Docking Americas, Sectional Doors & Docking EMEA, High Performance Doors and Entrance Automation. The indirect channel caters to local distributors and installers. As a result of product and customer segmentation, Entrematic can provide enhanced customer value with innovative products, high delivery reliability and an efficient sales process in which e-commerce is set to increase.

The division has grown very strongly in recent years mainly through acquisitions. Sales have tripled since 2010. As a result, ASSA ABLOY has achieved a

FACTS ON ENTRANCE SYSTEMS

Offering: Entrance automation products, components and service. The product range includes automatic swing, sliding and revolving doors, gate automation, hardware, 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 35 percent of sales. The products are sold through three channels. In the direct channel, new equipment and comprehensive ser-

vice 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, Megadoor, Albany, FlexiForce, Kelley, Serco, Normstahl, Dynaco, Ditec, EM and Amarr.

Acquisitions 2013: Amarr (USA) and a number of smaller acquisitions in Norway, Canada and Australia.



world-leading position in entrance automation. The year was marked by continuing intensive integration activities. The division now has a number of geographically and technologically well-positioned platforms for continued rapid global growth.

Strengthening presence in emerging markets is a priority task for the next three years, with the ambition of increasing the share to 25 percent of the division's total sales. The strategy aims at organic growth with a substantially increased range of modern door opening solutions as well as acquisitions.

With the acquisition of Amarr, ASSA ABLOY gained a leading position in the American market for overhead sectional doors. The company is the third largest in its segment in the USA, with sales of USD 330 M and 1,200 employees, and is also established in Canada and Mexico. Amarr has 77 door centers in North America and provides an additional platform for continued rapid expansion in the American markets.

Product leadership

Increasing investments in product development is a priority in order to strengthen the division's organic growth. The new product development organization established in recent years in the various business areas has considerably streamlined new product development. Expertise is spread through the development of technology centers in western Europe and the establishment of R&D capacity in eastern Europe and China. Common product platforms and modular solutions reduce the complexity and lead times associated with new product development, while opportunities for cost-efficient product differentiation increase.

The year saw the launch of a new generation of Besam sliding and swing doors based on a global platform. A new generation of industrial doors also based on a new modular global platform was launched under the Crawford brand during the year. The high launch rate is set to continue in 2014.

Cost-efficiency

Consolidation of the plant structure, with a large share of manufacturing in low-cost countries, is an important prerequisite for increased cost-efficiency. The production of common basic components on global and modular platforms will soon be concentrated in a substantially reduced number of plants. An intensive investment program is in progress to establish customized final assembly across Europe for more flexible and efficient regional distribution. Complementary programs are coordinating supply management and have reduced the number of suppliers to major partners that can collaborate in product development processes. Special initiatives based on Lean and Seamless Flow processes have started in administration. Many functions will be coordinated locally to increase efficiency. A reduction in the number of IT-based systems to a few common systems within 3–5 years is a major project that will cover all areas in the division.

Environmental considerations and energy efficiency are strong sales arguments. VA/VE methods in the product development phase reduce energy and raw material consumption in the production process, reducing product cost and increasing customer value.

The division has also begun the development of new service concepts, complementing the already existing reactive and preventive offerings with improvement service. The aim is to offer customers modernization solutions for the division's own door opening solutions and those of its competitors. This involves extensive upgrades of old installations with a range of new products and services that have already been launched and many more products currently under development. This type of major renovation and modernization requirement is expected to increase in the coming years.



Docking solution from Entrance Systems.

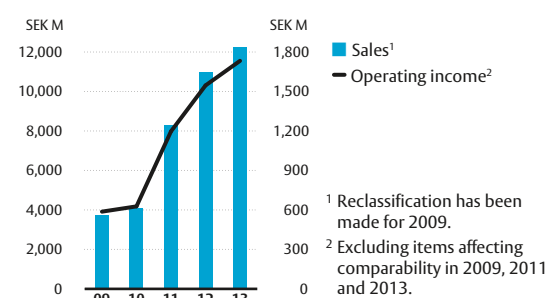
KEY FIGURES

SEK M	2012	2013
Income statement		
Sales	10,979	12,237
Organic growth, %	-2	0
Operating income (EBIT) ¹	1,546	1,733
Operating margin (EBIT) ¹ , %	14.1	14.2
Capital employed		
Capital employed	13,189	14,592
– of which goodwill	8,323	9,282
Return on capital employed ¹ , %	12.3	12.1
Cash flow		
Cash flow ²	1,648	1,792
Average number of employees	7,429	8,191

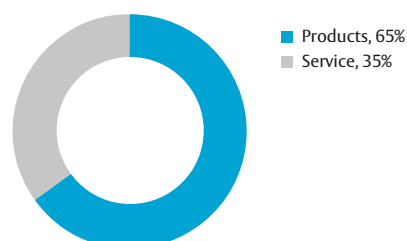
¹ Excluding items affecting comparability of SEK 313 M in 2013.

² Excluding restructuring payments.

SALES AND OPERATING INCOME



SALES BY PRODUCT GROUP



Increasing demand for products with a sustainability profile

The Group's strategy for growth and profitability underlies ASSA ABLOY's sustainability priorities and initiatives. ASSA ABLOY is working on relevant sustainability issues across the value chain – from product development to recycling. The Group's business opportunities linked to the demand for products with sustainability performance are growing every year.

The drivers for ASSA ABLOY's sustainability initiatives are to create innovative products and solutions with higher sustainability performance that help customers to reduce resource consumption, while efficient production also reduces the company's own resource consumption. By managing and reducing business risks and managing opportunities, ASSA ABLOY will meet customer expectations, focus on product leadership, expand in the market and create value. Sustainability initiatives support the Group's overall objectives.

Sustainability control

ASSA ABLOY's group-wide Code of Conduct provides the basis for everyone's behavior. It is an important support in the Group's decentralized organization where employees make important decisions daily close to the local market.

The Code of Conduct establishes the principles that ASSA ABLOY has defined for the Group's employees, suppliers and other stakeholders. It is based on international standards and is available in 22 languages.

The Code includes all employees. It forms an important part of the induction of new employees, and it is every employee's responsibility to comply with the Code and related policies. 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.

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

ASSA ABLOY monitors and follows up compliance with the Code through internal audits and supplier audits. Action is taken in case of non-compliance with the Code.

For a number of years, the Code has been supplemented by a separate anti-corruption policy. During the year, selected units were audited for compliance with this anti-corruption policy.

¹ For comparable units. Total energy consumption amounted to 691 GWh including units acquired during the year and increased reporting.

² For comparable units. Total consumption amounted to 14.4 tonnes including units acquired during the year and increased reporting.

³ For comparable units. The total injury rate (IR) was 7.2 percent including units acquired during the year and increased reporting.

⁴ For comparable units. The total injury lost day rate (ILDR) was 164 including units acquired during the year and increased reporting.

⁵ For comparable units. Number of certificates and corresponding certifiable systems for North American units amounted to 101. 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.

⁶ The historical numbers have been adjusted with proforma data.

SOME OF THE RESULTS OF THE SUSTAINABILITY PROGRAM						
Target	Results 2009	Results 2010	Results 2011	Results 2012	Results 2013	Trend
Energy consumption⁶ – 15 percent reduction in consumption in 2015 compared with 2010, based on normalized values.	491 GWh	603 GWh	627 GWh ¹	691 GWh	676 GWh	■
Organic solvents – Phase out all use of perchloroethylene and trichloroethylene.	44 tonnes	32 tonnes	22 tonnes	20 tonnes ²	14 tonnes ²	■
Health and safety⁶ Zero vision and targets for improvement: – IR, injury rate = number of injuries per million hours worked. – ILDR, injury lost day rate = number of days lost due to injuries per million hours worked.	IR: 8.4 ILDR: 150	IR: 7.6 ILDR: 157	IR: 9.2 ILDR: 182	IR: 9.1 ³ ILDR: 187 ⁴	IR: 7.2 ³ ILDR: 163 ⁴	■ ■
ISO 14001 – Compliance at all factories with significant environmental impact.	62	69	75	100 ⁵	101 ⁵	■
Suppliers – Sustainability appraisals – Code of Conduct requirement for all suppliers. Sustainability audits of suppliers in risk category.	178 sustainability audits in China	376 sustainability audits in China	493 sustainability audits in Asia	795 sustainability audits in Asia	885 sustainability audits in Asia	■
Gender equality – Improve current levels of gender equality at senior levels.	Level 2: 0% Level 3: 15% Level 4: 18% Level 5: 20%	Level 2: 0% Level 3: 16% Level 4: 18% Level 5: 24%	Level 2: 0% Level 3: 15% Level 4: 19% Level 5: 26%	Level 2: 18% Level 3: 16% Level 4: 18% Level 5: 23%	Level 2: 22% Level 3: 13% Level 4: 19% Level 5: 24%	■

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 providing feedback to headquarters.

Appointed staff at divisional and company level are responsible for the availability and implementation of environmental guidelines, programs and tools. HR functions at Group and divisional level are responsible for the same in the management of social and business ethical issues.

ASSA ABLOY provides information, guidelines and tools to support the group companies in their work on relevant sustainability issues. There is a group-wide database for reporting and monitoring of sustainability initiatives and of good practice from group companies. This database is a knowledge bank that everyone can access.

During the year ASSA ABLOY implemented a new group-wide reporting system, which is intended to simplify the integration of new companies and improve the quality of data, as well as facilitating monitoring and knowledge transfer.

A target-based activity

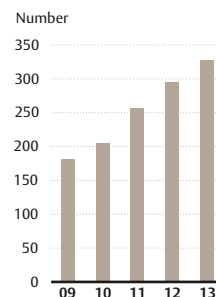
ASSA ABLOY is working to achieve the sustainability targets set for the period 2010–2015. These targets include

the Group's most important sustainability issues: water consumption, chemicals management, energy efficiency, health and safety, employee issues, supplier relations, and the overall control of sustainability initiatives.

ASSA ABLOY has been successful in integrating acquired companies, which have to operate in accordance with the Group's targets. In 2013, 327 companies were included in Group reporting, an increase of 12 percent (15) on 2012.

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. Since 2012 internal reporting has taken place every six months.

REPORTING UNITS 2013



The number of reporting units in the Group has increased to 327 (293).

SUSTAINABILITY INITIATIVES ARE INTEGRATED ACROSS THE VALUE CHAIN



INNOVATION

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

SOURCING

The Group's suppliers in risk areas are evaluated from a sustainability perspective. Suppliers failing to comply with the Group's requirements are requested 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 governing business ethics in the countries in which it operates, and requires all partners to act in the same way.

CUSTOMERS

ASSA ABLOY's ambition is to 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

ASSA ABLOY's customer offering

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

Development of energy-efficient products is a central part of ASSA ABLOY's product development. Products that reduce the user's energy consumption and total operating costs account for an ever-increasing share of Group sales. Understanding and satisfying customer needs is crucial for retaining a strong market position.

It is important for ASSA ABLOY that energy-saving products are certified and included in the databases used by architects for building specification. The increased use of various certifications for sustainable and green construction has driven development and made these products more attractive.

ASSA ABLOY has decided to increase information on product sustainability performance through the introduction of environmental product declarations (EPD). In 2013, pilot projects were conducted on a number of ASSA ABLOY's product groups. As a result, as from 2014 the Group's most important product groups will carry EPDs, based on life cycle assessment. Efforts to include the remaining and future product lines will continue.

ASSA ABLOY has a number of products, which combined with increased security help the customer to reduce energy consumption and create a better quality indoor environment.

Progress towards more sustainable products

ASSA ABLOY's ambition is to have world-class product development. This requires a good knowledge of customer needs today and tomorrow, as well as knowledge of the product's value chain. Group companies use the Group's product innovation process and environmental checklist for all new product development.

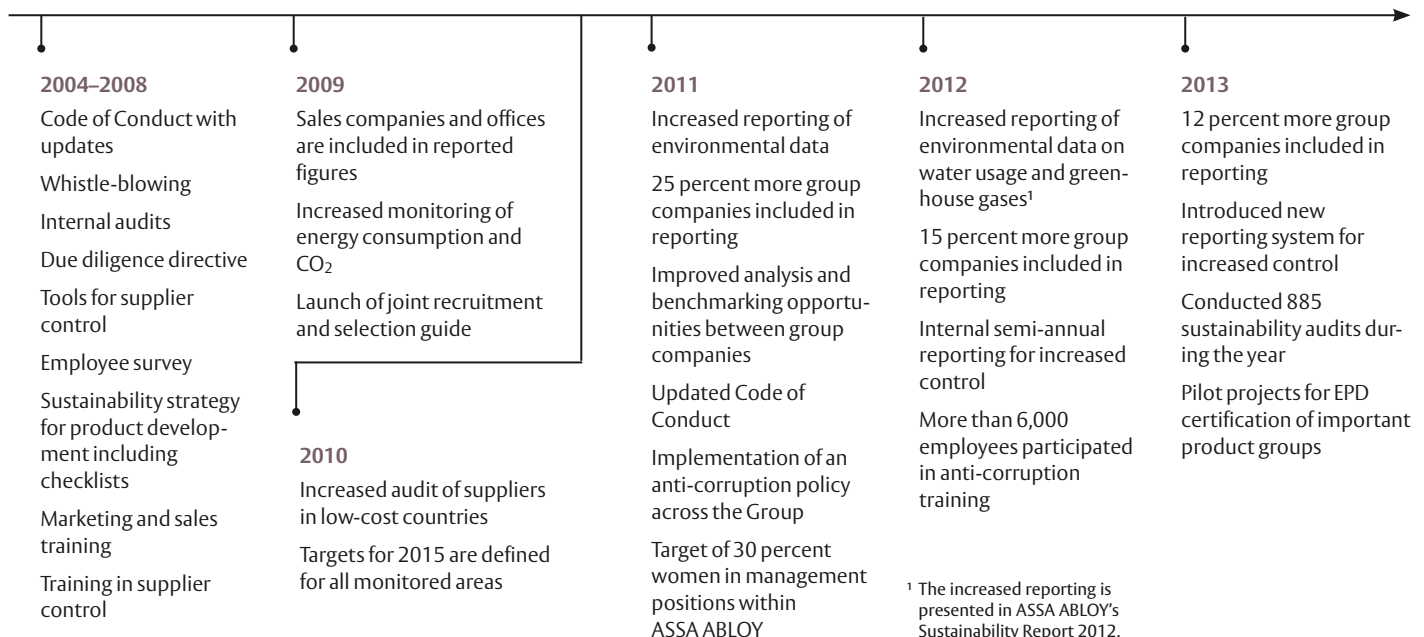
The product innovation process has several important stages including:

- Product management – refers to the strategic aspects of the product.
- Involving customers in product development – Voice of the Customer ensures that ASSA ABLOY develops products that the customers want.
- Efficient delivery of innovation projects – ensures that projects are structured and efficient.

Product life cycle assessments have provided ASSA ABLOY with knowledge of where the greatest environmental impact occurs. The amount of materials used accounts for a significant part of a product's environmental impact, and this is something the Group has successfully addressed using Value Analysis/Value Engineering (VA/VE) in product development. In the case of electromechanical products, standby power consumption has a relatively large environmental impact. Based on this knowledge, ASSA ABLOY has launched a number of products with considerably reduced energy consumption in standby mode.

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

SUSTAINABLE DEVELOPMENT PROGRAM IN BRIEF



HID builds new headquarters and operations center

Challenge: During 2012, HID Global began designing its new Headquarters and Genuine HID Operations Center in Austin, Texas. The goal was to substantially exceed standard practice in energy, economic and environmental performance. There would be a commitment to the employee experience, and a showcase for ASSA ABLOY's portfolio of green products. Water usage and waste management would be state-of-the-art, and the building would support growth without a corresponding increase in energy consumption.

Solution: The site selection was based on multiple criteria including proximity to retail amenities and public transportation. To avoid adding to landfills, all concrete and asphalt on the site was reused in the construction process. Water conservation, including waste and irrigation management, was a major focus, with new low-flow fixtures installed reducing potable water consumption an average of 55 percent. There was a significant investment in lighting capabilities including LED bulbs, automated motion detection shutoff, daylight standby sensors and dimmers throughout the facility.

Result: HID Global recycled 86,200 kilograms of metal and 44,600 kilograms of concrete, and re-purposed 12,200 cubic metres of asphalt. Water usage was cut 55 percent, saving 142,000 litres monthly. The ratio of emissions to sales volume is expected to improve by 20 percent using all LED lighting, with a two-year payback. HID Global expects a 30 percent overall energy cost reduction in the future from a reduced North American footprint, Energy Star efficient appliances, LED lighting, and building monitoring systems. Facility design is devoted to minimizing environmental impact with the goal of leadership in energy and environmental design (LEED) certification.



Demineralization solution reduces water consumption



Challenge: ASSA ABLOY Romania had three plating lines consuming up to 72,000 cubic meters of water per year. Two new plating lines were needed for production, which would have further increased water consumption. The price of water has increased by 96 percent in Romania in the last four years, resulting in significant production cost increases year on year.

Solution: After reviewing numerous water re-circulation solutions the most suitable technology was identified: a demineralization solution using ion exchange resins. Implementing this system meant that ASSA ABLOY Romania could re-circulate up to 90 percent of the water consumed, making it possible to install the two new plating lines. The waste water from the system can potentially be used as onsite greywater for WC flushing which would increase the re-circulation rate to 95 percent.

Result: ASSA ABLOY Romania has massively reduced the water consumption of the facility, while also saving EUR 50,000 per annum. The solution has a favorable payback period of 1.5 years; meaning the system makes sense economically and environmentally.

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 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 system used to monitor suppliers' compliance with the Code of Conduct includes factors such as 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 implement necessary improvements in accordance with an action plan. The contract is terminated if action is not taken.

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 of green, yellow, orange, purple or red. Green means the supplier is approved. Yellow, orange and

purple mean the supplier is underperforming to various extent 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. All purchases from the supplier are then stopped until a green grade has been achieved. ASSA ABLOY monitors approved suppliers.

Audits conducted

In 2013 ASSA ABLOY conducted 885 (795) sustainability audits. At year-end, 1,046 (806) active suppliers had satisfied the minimum standards for quality and relevant sustainability issues, while 31 (10) suppliers were blacklisted. Sustainability audits have been gradually extended to cover a larger geographical area. Since 2012 suppliers in all low-cost countries have been included.

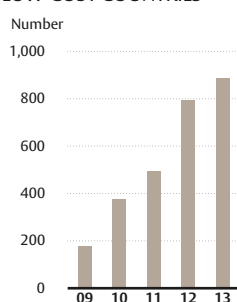
ASSA ABLOY's supplier database

Suppliers representing around 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, in order that they can supply several group companies with similar needs.

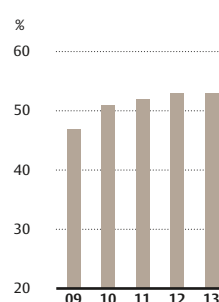
The database also lists non-approved and blacklisted suppliers to ensure that they are not used again. Sustainability audit results override quality audit results with respect to non-compliance. This means that a supplier rejected for poor management of relevant sustainability issues is either stopped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

SUSTAINABILITY AUDITS OF SUPPLIERS IN LOW-COST COUNTRIES



In 2013 ASSA ABLOY conducted 885 (795) 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 53 percent in the past five years.

More efficient production

Energy and carbon emissions

ASSA ABLOY is striving to reduce energy consumption and associated carbon emissions. The Group is working within several areas to reduce the energy consumption.

One important area is to concentrate manufacturing in as few plants as possible, in order to maintain full utilization, efficient working practices and high quality.

An innovative product design makes it possible to chose material and processes with less environmental impact.

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.

Waste management

The Reduce, Reuse, Recycle principle is applied across the organization. This principle means that ASSA ABLOY works systematically to reduce the amount of materials in products, 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. The Group has refined its monitoring of waste in various types of materials with the aim of better monitoring and reducing 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.

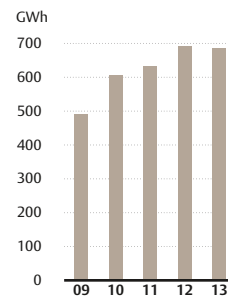
Health and safety

ASSA ABLOY should offer a safe working environment and has a zero vision for accidents at work. The goal is to create a culture where each individual contributes to a safe workplace and good health. In 2013, the Group reversed the negative trend and the number of accidents fell.

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

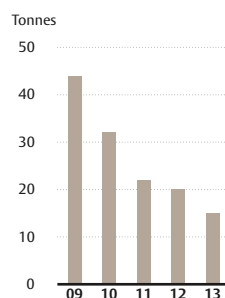
Health and safety audits are included in the internal audits, and risk assessment is carried out routinely. Incident reporting and analysis are used to identify preventive measures.

ENERGY USE



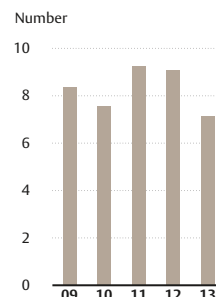
2013 represents development for comparable units from 2012.

USE OF CHLORINATED ORGANIC SOLVENTS (PER AND TRI)



2013 represents development for comparable units from 2012.

INJURIES PER MILLION HOURS WORKED



2013 represents development for comparable units from 2012.

Sustainable development

Employees generate success

ASSA ABLOY's vision and ambition is to be an attractive company to work for. Each individual has responsibility for his/her professional development. It is important that all employees feel that they contribute. Competition for talent is intensifying and ASSA ABLOY is investing globally and locally to offer stimulating assignments with clear responsibility, good development opportunities, and a positive, engaging work situation.

Recruitment and competence supply

ASSA ABLOY has great confidence in its employees. 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. 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.

Common knowledge base

A good knowledge of the company and an understanding of how your own efforts contribute to the overall goals are crucial for motivation and commitment. In order to create a consensus on what ASSA ABLOY's business is and how the goals are to be achieved, all employees undergo an interactive training program "Entrance to ASSA ABLOY". A new version of the program was launched in 2013 and it is now available in 15 languages. Topics include the Group's history, organization, products, strategy and Code of Conduct.

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 2013, the proportion was 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 is also working to increase diversity. The Group's Code of Conduct states that employees should be given the same conditions regardless of gender, religion, age, physical disability, sexual orientation, nationality, political opinion or social and ethnic origin.

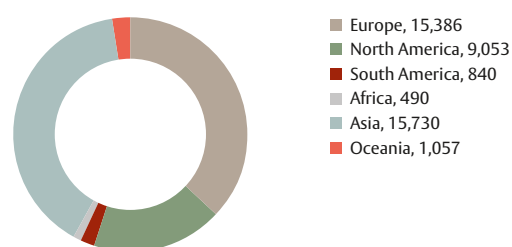
Growing with care

ASSA ABLOY is an acquisition-intensive Group, and it is important to monitor how new units are operating in relation to the Group's Code of Conduct and policies. Third party social audits in accordance with internationally accepted methods have been conducted for several years for this purpose. These audits cover areas such as working conditions, human rights, the work environment, workplace culture and skills development. Where warranted the audits lead to measures for improvement. During the year audits were conducted at one production plant in the Czech Republic and one in Colombia.

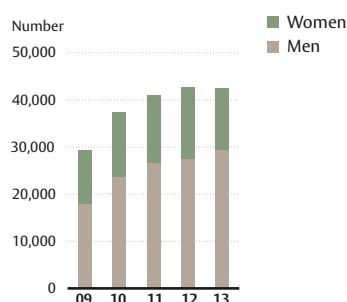
ASSA ABLOY Employee Survey

The ASSA ABLOY Employee Survey is an efficient means of finding out what employees think about their work situation, how they perceive ASSA ABLOY as an employer, how they perceive health and safety in their workplace, and whether they consider they are given

NUMBER OF EMPLOYEES BY REGION



AVERAGE NUMBER OF EMPLOYEES



WOMEN AT DIFFERENT LEVELS OF THE ORGANIZATION

Level	Share of women, %				
	2009	2010	2011	2012	2013
2 – reports to CEO	0	0	0	18	22
3 – reports to level 2	15	16	15	16	13
4 – reports to level 3	18	18	19	18	19
5 – reports to level 4	20	24	26	23	24
Level 2–5	–	–	24	22	22
All employees	39	37	35	35	31

For 2012 and 2013, the definition has been revised to include only managerial and specialist positions. This has had a negative impact on levels 4 and 5.

equal opportunities. The survey is carried out every 18–24 months. The results are broken down into over 275 workplaces to enable concrete action plans relevant to employees. The most recent survey took place in March 2012 and almost 28,000 employees responded. The 2012 results show a slight improvement in all areas compared to the previous survey (2010). A new survey will be conducted in February 2014.

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 skills needed to meet future requirements are 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'.

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.

More than 300 of ASSA ABLOY's senior managers from 32 countries have taken part in IMD programs since 2005, when ASSA ABLOY began collaboration with the world-leading Swiss business school IMD in Lausanne. A new program was launched in 2011, 'Boosting Market Leadership', with around 30 participants per program. This is tailor-made and developed in collaboration with

IMD. The program's main aim is to support the implementation of ASSA ABLOY's strategies. It focuses on problem solving, implementation and activities based on an analysis of various case studies.

Employee development

Employee development includes annual performance reviews with all employees. Based on these, all employees receive an opportunity for continued professional development with ongoing feedback on their performance. Employee development also includes an internal labor market, where the aim is to increase mobility, so that knowledge, experience and values are shared across the Group. For instance, ASSA ABLOY's Scholarship Program offers employees the opportunity to work for a short period at another group company. This program is open to all employees.

External dialogue on sustainability

ASSA ABLOY's stakeholders in sustainability issues are shareholders, investors, analysts, customers, suppliers, employees, local communities, NGOs and the media. The Group's policy of openness means that ASSA ABLOY listens to these stakeholders and take on board their views.

During the year ASSA ABLOY held a roundtable discussion with investors on ASSA ABLOY's management of sustainability issues. Roundtable discussions have been held annually since 2005. Requests from investors have generally concerned more externally available information on suppliers in low-cost countries, procedures for start-ups, the acquisition process, and increased transparency with regard to the targets for each monitored area. Moreover, interest in how ASSA ABLOY manages the sustainability aspects of the innovation process has increased over the years. These meetings are valuable and provide the Group with important feedback.

Program pilots a path to leadership and commercialization



ASSA ABLOY Americas Leadership Development Program brought 35 emerging leaders together with the goal of turning good management into great leadership. The six-day employee development workshop at the Babson College Executive Education Center featured curriculum that emphasized the three mainstays of our strategy: Product Leadership, Customer Intimacy and Operational Excellence.

Participants examined real-world case studies in classes led by Babson professors and ASSA ABLOY leaders, and then worked on team projects every evening. On the final day each of the six teams proposed an original, polished business idea.

The quality of those final projects was a reflection of both the success of the program and the level of talent of the participants.

"In a word, they were excellent," said Jack Dwyer, VP human resources and administration who helped create the program. "We were in awe of the presentations and the ideas the teams developed. All six of these ideas were worthy of implementation."

The emerging leaders left with enthusiasm, insight and solid skills to apply to the next chapter of their careers.

Report of the Board of Directors and Financial statements

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Report of the Board of Directors

The Annual Report of ASSA ABLOY AB (publ.), corporate identity number 556059-3575, contains the consolidated financial statements for the financial year 1 January to 31 December 2013. 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 48,481 M (46,619), with organic growth of 2 percent (2) and acquired growth of 4 percent (9). Operating income (EBIT) excluding restructuring costs rose 6 percent to SEK 7,923 M (7,501), equivalent to an operating margin of 16.3 percent (16.1). Income before tax excluding restructuring costs totaled SEK 7,381 M (6,784).

Operating cash flow excluding restructuring payments remained strong and amounted to SEK 6,803 M (7,044). Earnings per share after full dilution excluding restructuring costs amounted to SEK 14.84 (13.97), an increase of 6 percent.

Restructuring

In 2013 a new restructuring program was launched comprising the closure of some 30 production plants and offices as well as outsourcing. All divisions are included in this program and around 2,400 employees net are affected by the program. The total cost of the program is SEK 1,000 M before tax and this was expensed in full in 2013. The payback period is estimated at just over three years.

The activity level in the restructuring programs launched in previous years remained high during the year. At year-end 2013, 8,358 employees had left the Group as a result of the changes in the production structure since the programs began, of which 1,593 employees left during the year. A total of 57 production plant closures have been implemented and a large number of plants in high-cost countries have switched from production to final assembly. A total of 28 offices have also closed during the equivalent period. 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 647 M (498) for the full year. At year-end 2013, the remaining provisions for restructuring measures amounted to SEK 1,369 M (1,068).

Acquisitions and divestments

On 2 November 2013, the assets were acquired in Ameristar (USA), the leading US manufacturer of perimeter security consisting of high-security fencing and gates. The company,

with annual sales of around SEK 1,200 M, offers a complete product range in high-security fencing and gates for industrial use, complementing ASSA ABLOY's security solutions offering for the American market. Ameristar provides the Group with valuable new competencies and is a perfect fit with its broad range of door opening solutions. The company is headquartered in Tulsa, Oklahoma, USA.

On 25 November 2013, 100 percent of the share capital was acquired in Amarr (USA), the third largest player in the North American market for overhead sectional doors, with a very strong and attractive market position. Annual sales total around SEK 2,100 M. Amarr is another important building block for ASSA ABLOY in building global leadership in entrance automation. Its size, product offering and market position provide a strong base in North America in overhead sectional doors. The company is headquartered in Winston-Salem, North Carolina, USA.

On 16 December 2013, 100 percent of Mercor's fire door business in Poland, the Czech Republic and Slovakia was acquired, with annual sales of around SEK 370 M. The company is a leading manufacturer of security and fire doors in eastern Europe, with a strong position in its domestic markets of Poland, the Czech Republic and Slovakia. The acquisition is part of the strategy of offering total door opening solutions to ASSA ABLOY's customers and consolidating the market position in eastern Europe.

A total of 10 acquisitions, including minor acquisitions, were consolidated during the year. The total purchase price of these acquisitions was SEK 4,643 M, and acquisition analyses indicate that goodwill and other intangible assets with an indefinite useful life amount to SEK 3,360 M.

In February 2013, the Group's 70-percent interest in Wangli Security Products Ltd (China) was divested. The business was not considered to be a good fit with ASSA ABLOY's operations in the long term. The business was recognized as an asset of a disposal group held for sale. Sales and operating income have not been recognized on a current basis. The capital loss totaled SEK 11 M.

In October 2013, ASSA ABLOY signed an agreement to acquire two leading manufacturers of fire and security doors in China, Xinmao and Huasheng. The acquisitions require the approval of the public authorities concerned and are expected to be completed in Q1 2014.

Report of the Board of Directors

Research and development

ASSA ABLOY's expenditure on research and development during the year totaled SEK 1,390 M (1,344), equivalent to 2.9 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.

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 2013 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 be strong. The operating margin (EBIT) and operating cash flow are expected to develop favorably.

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 propor-

tion 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 etc. 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, 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.

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

A financial policy, which is approved by the Board, regulates the allocation of responsibilities and control of the Group's financing activities. Group Treasury has the main responsibility for financial risks within the framework established in the financial policy. A large number of financial instruments are used in this work. Accounting principles, risk management and risk exposure are described in more detail in Notes 1 and 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 purchasing. In accordance with financial policy, the Group only hedged a very limited part of current currency flows in 2013. 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 19,595 M (15,805) at year-end 2013. 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 2013, ASSA ABLOY had obligations for pensions and other post-employment benefits of SEK 5,381 M (5,437). The Group manages pension assets valued at SEK 3,425 M (3,193). Provisions in the balance sheet for defined benefit and defined contribution pension plans and post-employment medical benefits totaled SEK 2,015 M (2,297). 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 revaluations of obligations and plan assets are 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	The Group continuously monitors anticipated and implemented changes in legislation in the countries in which it operates. A group-wide legal policy has been implemented, specifying the legal framework in which business operations may be conducted. Ongoing and potential disputes and other legal matters are reported regularly to the Group's central legal function. 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.	At year-end 2013 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	Acquisitions are carried out by a number of people with considerable acquisition experience and with the support of, for example, legal and financial consultants. Acquisitions are carried out according to a uniform and predefined group-wide process. This consists of four documented phases: strategy, evaluation, implementation and integration.	The Group's acquisitions in 2013 are reported in the Report of the Board of Directors and in Note 30, Business combinations.
Restructuring measures The Group is implementing specific restructuring programs, which entail some production units changing direction mainly to final assembly while certain units are closed.	The restructuring programs are carried on as a series of projects with stipulated activities and schedules. The various projects within the respective restructuring program are systematically monitored on a regular basis.	The scope, costs and savings of the restructuring programs are presented in more detail in the Report of the Board of Directors.
Price fluctuations and availability of raw materials	Raw materials are purchased and handled primarily at division and business unit level. Regional committees coordinate these activities with the help of senior coordinators for selected material components.	For further information about procurement of materials, see Note 7, Expenses by nature.
Credit losses	Trade receivables are spread across a large number of customers in many markets. No individual customer in the Group accounts for more than 10 percent of sales. Commercial credit risks are managed locally at company level and monitored at division level.	Receivables from each customer are relatively small in relation to total trade receivables. The risk of significant credit losses for the Group is considered to be limited.
Insurance risks	A group-wide insurance program is in place, mainly relating to property, business interruption and liability risks. This program covers all business units. The Group's exposure to the risk areas listed above is regulated by means of its own captive insurance company.	The Group's insurance cover is considered to be generally adequate, providing a reasonable balance between assessed risk exposure and insurance costs.
Risks relating to internal control of financial reporting	The organization is considered to be relatively transparent, with a clear allocation of responsibilities. 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.	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	A well-established Controller organization at both division and Group level analyzes and monitors financial reporting quality. An annual internal audit of financial reporting is performed for selected group companies on a rotating basis.	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 OMX Stockholm.

The Group's corporate governance is based on the Swedish Companies Act, the NASDAQ OMX 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. ASSA ABLOY reports no deviations from the Swedish Code of Corporate Governance for 2013.

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

Important external rules and regulations

- Swedish Companies Act
- NASDAQ OMX Stockholm Rule Book for Issuers
- Swedish Code of Corporate Governance (www.bolagsstyrning.se)

Important internal rules and regulations

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



Shareholders

At year-end ASSA ABLOY had 17,199 shareholders (17,591). The principle 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). Further, Capital Group Fonder accounted for 10.7 percent of the share capital and 7.3 percent of the votes. Foreign shareholders accounted for around 67 percent (68) of the share capital and around 46 percent (46) of the votes. The ten largest shareholders accounted for around 37 percent (38) of the share capital and 57 percent (58) 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 repurchase and transfer ASSA ABLOY shares. The aim has been to be able to adapt the company's capital structure thereby contributing to increased shareholder value, to be able to exploit acquisition opportunities by fully or partly financing company acquisitions with its own shares, and to secure the company's long-term incentive programs (LTI). The 2013 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 to secure the company's undertakings in connection with its long-term incentive programs (LTI). 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 2013.

Share and dividend policy

ASSA ABLOY's Series B share is listed on the NASDAQ OMX Stockholm Large Cap list. At year-end ASSA ABLOY's market capitalization amounted to SEK 125,814 M. The Board of Directors' objective is that, in the long term, the dividend should be equivalent to 33–50 percent of income after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

General Meeting

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

The Annual General Meeting should be held within six months of the end of the company's financial year. Matters considered at the Annual General Meeting include, among other things: dividend distribution; adoption of the income statement and balance sheet; discharge of the Board of Directors and the CEO from liability; election of board members and Chairman of the Board of Directors; appointment of the Nomination Committee and auditors; determination of remuneration guidelines for senior management and fees for the Board of Directors and auditors. An Extraordinary

General Meeting may be held if the Board of Directors considers this necessary or if ASSA ABLOY's auditors or shareholders holding at least 10 percent of the shares so request.

2013 Annual General Meeting

The Annual General Meeting in April 2013 was attended by shareholders representing 60.2 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 and Carl Douglas as Vice Chairman.

The 2013 Annual General Meeting approved a dividend of SEK 5.10 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 2013) for senior management and other key staff in the Group, as well as appointing members of the Nomination Committee prior to the 2014 Annual General Meeting.

Nomination Committee

The Nomination Committee prior to the 2014 Annual General Meeting comprises Gustaf Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur fonder) and Johan Strandberg (SEB fonder/SEB Trygg Liv). 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 2014 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 2014 Annual General Meeting, the Nomination Committee has made an assessment of whether the current Board of Directors is appropriately composed and fulfills the demands made on the Board of Directors by the company's present situation and future direction. The annual evaluation of the Board of Directors was part of the basis for this assessment. The search for suitable board members is carried on throughout the year and proposals for new board members are based in each individual case on a profile of requirements established by the Nomination Committee.

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

The Nomination Committee's proposals for the 2014 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 2 April 2014.

Board of Directors

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

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

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

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

Report of the Board of Directors

Corporate governance

an approved agenda. Prior to each meeting, a draft agenda including documentation is sent to all board members.

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

Board of Directors' work in 2013

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 three 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 included, among other things, ASSA ABLOY's brand strategy and product development. The Board of Directors also dealt with the new restructuring program during the year. In addition, the Board of Directors dealt with a number of acquisitions including Ameristar, Amarr and Mercor. During the year, the Board of Directors conducted an in-depth review of the Group's operations in Asia Pacific and visited EMEA's operations in Bucharest, Romania.

Remuneration Committee

During 2013 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 2014 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 two meetings in 2013, one of which was by phone. One member was absent at one of the meetings. All members were present at the other meeting.

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 2014. The meetings of the Committee are minuted, the minutes are distributed with material for the Board of Directors and a verbal report is given at board meetings.

Audit Committee

During 2013 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 2013 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, the minutes are distributed with material for the Board of Directors and a verbal report is given at board meetings.

ASSA ABLOY's Board of Directors

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

Remuneration of the Board of Directors

The Annual General Meeting passes a resolution on the remuneration to be paid to board members. The 2013 Annual General Meeting passed a resolution that board fees should remain unchanged in relation to the previous year at a total amount of SEK 4,600,000 (excluding remuneration for committee work), to be allocated between the members as follows: SEK 1,350,000 to the Chairman, SEK 750,000 to the Vice Chairman and SEK 500,000 to each of the other members appointed 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 200,000, the Chairman of the Remuneration Committee SEK 100,000, members of the Audit Committee (except the Chairman) SEK 100,000, 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 2013, see Note 33.

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

Independence of the Board of Directors

Name	Position	Independent of the company and its management	Independent of the company's major shareholders
Lars Renström	Chairman	Yes	Yes
Carl Douglas	Vice Chairman	Yes	No
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	–	–	–	533,542
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 2013. 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 2013 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.

BA (Bachelor of Arts).

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 of Telia. Held various posts at IBM 1976–1994.

Other appointments: Board member of Acando 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 Episerver AB. 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): 533,542 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



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 AarhusKarlshamn AB, Loomis AB, Hexagon AB, Hexpol AB and Flughafen Zürich AG.

Shareholdings (including related parties and through companies): 3,000 Series B shares.

Jan Svensson

Board member since 2012.

Born 1956.

Degree in Mechanical Engineering 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.



Jan Svensson

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 2013. 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

Born 1959.
Bachelor of Science in Business Administration and Economics.
President and Chief Executive Officer (CEO).
Head of Global Technologies division.
Employed since: 2005.
Shareholdings: 533,542 Series B shares.

Tzachi Wiesenfeld

Born 1958.
Bachelor of Science in Industrial Engineering, MBA.
Executive Vice President.
Head of EMEA division.
Employed since: 2000.
Shareholdings: 11,321 Series B shares.

Carolina Dybeck Happe

Born 1972.
Bachelor of Science in Business Administration and Economics.
Executive Vice President and Chief Financial Officer (CFO).
Employed since: 2012.
Shareholdings: 7,719 Series B shares.

Thanasis Molokotos

Born 1958.
Master of Science in Engineering.
Executive Vice President.
Head of Americas division.
Employed since: 1996.
Shareholdings: 36,785 Series B shares.

Denis Hébert

Born 1956.
Bachelor of Science in Business Administration and Economics, MBA.
Executive Vice President.
Head of Global Technologies business unit HID Global.
Employed since: 2002.
Shareholdings: 22,730 Series B shares.

Tim Shea

Born 1959.
Master of Science in Engineering, MBA.
Executive Vice President.
Head of Global Technologies business unit ASSA ABLOY Hospitality.
Employed since: 2004.
Shareholdings: 8,647 Series B shares.

Magnus Kagevik

Born 1967.
Master of Science in Mechanical Engineering.
Executive Vice President.
Head of Asia Pacific division.
Employed since: 2007.
Shareholdings: 5,749 Series B shares.

Juan Vargues

Born 1959.
Degree in Mechanical Engineering, MBA.
Executive Vice President.
Head of Entrance Systems division.
Employed since: 2002.
Shareholdings: 24,149 Series B shares.

Ulf Södergren

Born 1953.
Master of Science in Engineering and Bachelor of Science in Business Administration and Economics.
Executive Vice President.
Chief Technology Officer (CTO).
Employed since: 2000.
Shareholdings: 12,377 Series B shares.

Changes in the Executive Team

Jonas Persson, Executive Vice President and Head of Asia Pacific division during the period 2009–2013, left ASSA ABLOY on 31 December 2013. He is succeeded by Magnus Kagevik as from 1 January 2014.

Shareholdings as at 31 December 2013. This information is updated regularly at www.assaabloy.com.

Executive Team and organization

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

Guidelines and policies

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

Decentralized organization

ASSA ABLOY's operations are decentralized. Decentralization is a deliberate strategic choice based on the industry's local nature and a conviction of the benefits of a divisional control model.

ASSA ABLOY's operating structure is designed to create maximum transparency, to facilitate financial and operational monitoring, and to promote the flow of information and communication across the Group. The Group consists of five divisions, which are divided into around 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.

Internal control of financial reporting

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

Control environment

The Board of Directors is responsible for effective internal control and has therefore established fundamental documents of significance for financial reporting. These documents include, 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 for accounting, financial statements, 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 2013 separate compliance testing of the Group's anti-corruption policy was performed in 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 affect various procedures, such as order, purchase, financial statements, plant management, compliance with various policies, legal issues and HR issues.

Information and communication

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

Review process

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

All business units report their financial results monthly in accordance with the Group's accounting principles. This reporting serves as the basis for quarterly reports and a

monthly 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.

External audit

At the 2010 Annual General Meeting, PricewaterhouseCoopers (PwC) were appointed as the company's external auditors for a four-year period up to the end of the 2014 Annual General Meeting. PwC have been the Group's auditors since its formation in 1994. In connection with the 2013 Annual General Meeting, the authorized public accountant Bo Karlsson became the auditor in charge, replacing the authorized public accountant Peter Nyllinge. In addition to ASSA ABLOY, Bo Karlsson, born 1966, is responsible for auditing SKF and Fagerhult.

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

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

The external audit is 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 2012, Note 3.

Report of the Board of Directors

Remuneration guidelines for senior management

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

The Board of Directors of ASSA ABLOY proposes that the 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 2013 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 of Directors for the perfor-

mance of earnings per share during 2014. This remuneration model also includes the right, when purchasing a share under certain conditions, to receive a free matching share from the company. This remuneration should, if the share price is unchanged, be equivalent to a maximum 75 percent of the basic salary (excluding social security costs).

The cost of variable remuneration for the Executive Team as above, assuming maximum outcome, totals around SEK 54 M (excluding social security costs). This calculation is made on the basis of the current members of the Executive Team.

Other benefits and pension

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

Notice and severance pay

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

Deviation from guidelines

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

Sales and income

- Organic growth was 2 percent (2), while acquired growth was 4 percent (9).
- Operating income (EBIT) excluding items affecting comparability increased by 6 percent to SEK 7,923 M (7,501), equivalent to an operating margin of 16.3 percent (16.1).
- Earnings per share after full dilution, excluding items affecting comparability, increased by 6 percent to SEK 14.84 (13.97).

Sales

The Group's sales totaled SEK 48,481 M (46,619). Exchange rate effects had an impact on sales of SEK -1,156 M (290).

Change in sales

%	2012	2013
Organic growth	2	2
Acquired growth	9	4
Exchange rate effects	1	-2
Total	12	4

The total change in sales for 2013 was 4 percent (12). Organic growth was 2 percent (2) and acquired units made a positive contribution of 4 percent (9).

Sales by product group

Mechanical locks, lock systems and fittings accounted for 33 percent (36) of total sales. Electromechanical and electronic locks rose to 49 percent (46) of sales, of which entrance automation accounted for 25 percentage points (24). Security doors and hardware accounted for 18 percent (18) of sales.

Cost structure

Total wage costs, including social security expenses and pension expenses, amounted to SEK 13,759 M (12,705), equivalent to 28 percent (27) of sales. The average number of employees was 42,556 (42,762).

The Group's material costs amounted to SEK 16,977 M (16,111), equivalent to 35 percent (35) of sales.

Other purchasing costs totaled SEK 9,789 M (9,256), equivalent to 20 percent (20) of sales.

Depreciation and amortization of non-current assets amounted to SEK 993 M (1,034), equivalent to 2 percent (2) of sales.

Operating income

Operating income (EBIT) excluding restructuring costs rose to SEK 7,923 M (7,501), due to efficiency savings and continued growth in operations. The corresponding operating margin was 16.3 percent (16.1). Exchange rate effects amounted to SEK -261 M (37).

Operating income before depreciation and amortization (EBITDA) excluding restructuring costs totaled SEK 8,917 M (8,536). The corresponding margin was 18.4 percent (18.3).

Items affecting comparability

Operating income for the year was reduced by restructuring costs of SEK 1,000 M (-), of which impairment of non-current assets and inventories totaled SEK 85 M. The remainder mainly relates to costs in connection with staff cuts and cancellation of lease agreements.

Income before tax

Income before tax excluding restructuring costs totaled SEK 7,381 M (6,784). The exchange rate effect amounted to SEK -247 M (28). Net financial items amounted to SEK -542 M (-717). The improvement in net financial items is mainly due to lower interest expenses and lower expenses for discounted deferred considerations. The profit margin, defined as income before tax in relation to sales, was 15.2 percent (14.6) excluding restructuring costs.

The parent company's income before tax was SEK 2,896 M (3,507).

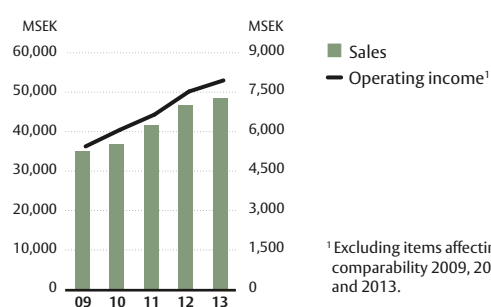
Tax

The Group's tax expense totaled SEK 1,595 M (1,623), equivalent to an effective tax rate of 25 percent (24).

Earnings per share

Earnings per share after full dilution, excluding items affecting comparability, amounted to SEK 14.84 (13.97), an increase of 6 percent.

SALES AND OPERATING INCOME

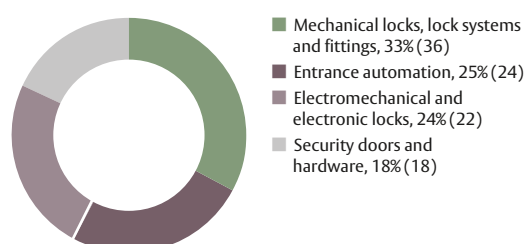


Consolidated income statement and Statement of comprehensive income

Income statement, SEK M	Note	2012 Restated	2013
Sales	2	46,619	48,481
Cost of goods sold		-28,190	-30,082
Gross income		18,429	18,399
Selling expenses		-7,162	-7,575
Administrative expenses	3	-2,410	-2,470
Research and development costs		-1,344	-1,390
Other operating income and expenses	4	-82	-133
Share of earnings in associates	5	70	94
Operating income	6-9, 33	7,501	6,924
Financial income ¹	10	32	28
Financial expenses ¹	9, 11	-749	-571
Income before tax¹		6,784	6,381
Tax on income ¹	12	-1,623	-1,595
Net income from continuing operations¹		5,161	4,786
Net income of disposal group classified as held for sale and discontinued operations	31	11	-11
Net income¹		5,172	4,775
Net income attributable to:			
Parent company's shareholders ¹		5,158	4,772
Non-controlling interest		14	2
Earnings per share			
before dilution, SEK ¹	13	13.97	12.89
after dilution, SEK ¹	13	13.97	12.89
after dilution and excluding items affecting comparability, SEK ¹	13	13.97	14.84
Statement of comprehensive income, SEK M		2012	2013
Net income¹		5,172	4,775
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gain/loss on post-employment benefit obligations, net after tax ¹		-34	225
Total¹		-34	225
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of associates		-96	-18
Cashflow hedges		-1	9
Net investment hedges		181	0
Exchange rate differences		-978	143
Total		-893	134
Total comprehensive income¹		4,245	5,133
Total comprehensive income attributable to:			
- Parent company's shareholders ¹		4,238	5,129
- Non-controlling interest		6	4

¹ The amounts for 2012 has been adjusted due to a change in accounting principles for defined benefit pension plans.

SALES BY PRODUCT GROUP, 2013



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 13,165 M (13,382), with organic growth of -1 percent (1). Acquired units contributed 1 percent (4) to sales. Operating income excluding restructuring costs amounted to SEK 2,197 M (2,279), with an operating margin (EBIT) of 16.7 percent (17.0). Return on capital employed excluding restructuring costs was 20.7 percent (22.6). Operating cash flow before interest paid was SEK 2,084 M (2,241).

Demand in western Europe remained weak, but showed signs of leveling off in the latter part of the year. Increased market presence, continued cost-efficiency and new products contributed to a continued good operating margin.

Americas

Sales totaled SEK 10,121 M (9,671), with organic growth of 6 percent (4). Acquired units contributed 2 percent (1) to sales. Operating income excluding restructuring costs amounted to SEK 2,140 M (2,007), with an operating margin (EBIT) of 21.1 percent (20.8). Return on capital employed excluding restructuring costs was 22.7 percent (23.6). Operating cash flow before interest paid was SEK 1,983 M (1,797).

Growth remained good in the majority of the division's product areas, particularly electromechanical products. Profitability was strong due to continued expansion of market presence and an innovative product program.

Asia Pacific

Sales totaled SEK 7,420 M (7,224), with organic growth of 4 percent (3). Acquired units contributed 2 percent net (1) to sales. Operating income excluding restructuring costs amounted to SEK 1,032 M (978), with an operating margin (EBIT) of 13.9 percent (13.5). Return on capital employed excluding restructuring costs was 16.3 percent (20.7). Operating cash flow before interest paid was SEK 932 M (1,348).

Sales increased in China and South Korea during the year, but demand was more subdued on Southeast Asian markets and stable in Australia. Operating margin and cash flow were maintained at a good level.

Global Technologies

Sales totaled SEK 6,472 M (6,262), with organic growth of 6 percent (6). Acquired units contributed 0 percent (1) to sales. Operating income excluding restructuring costs amounted to SEK 1,184 M (1,073), with an operating margin (EBIT) of 18.3 percent (17.1). Return on capital employed excluding restructuring costs was 19.7 percent (17.3). Operating cash flow before interest paid was SEK 870 M (1,140).

The division showed continued strong organic growth during the year for both business units, HID Global and ASSA ABLOY Hospitality, driven by new products and services. Operating margin and return on capital employed increased substantially.

Entrance Systems

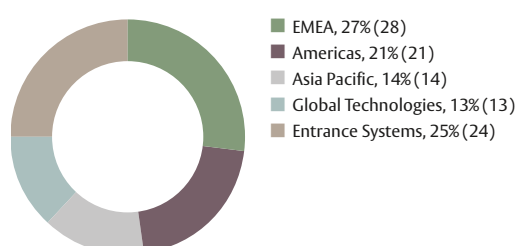
Sales totaled SEK 12,237 M (10,979), with organic growth of 0 percent (-2). Acquired units contributed 14 percent (37) to sales. Operating income excluding restructuring costs amounted to SEK 1,733 M (1,546), with an operating margin (EBIT) of 14.2 percent (14.1). Return on capital employed excluding restructuring costs was 12.1 percent (12.3). Operating cash flow before interest paid was SEK 1,792 M (1,648).

The market position continued to strengthen considerably, partly due to acquisitions and new product development. 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 363 M (382). Elimination of sales between the Group's segments and restructuring costs are included in 'Other'.

EXTERNAL SALES, 2013



Results by division

	EMEA ¹		Americas ²		Asia Pacific ³		Global Technologies ⁴		Entrance Systems		Other		Total	
SEK M	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Sales, external	13,177	12,957	9,623	10,074	6,705	6,879	6,191	6,406	10,923	12,166	–	–	46,619	48,481
Sales, internal	204	209	48	48	518	542	71	65	57	71	–898 ⁷	–935 ⁷	–	–
Sales	13,382	13,165	9,671	10,121	7,224	7,420	6,262	6,472	10,979	12,237	–898	–935	46,619	48,481
Organic growth	1%	–1%	4%	6%	3%	4%	6%	6%	–2%	0%	–	–	2%	2%
Share of earnings in associates	–6	1	–	–	5	19	–	–	71	74	–	–	70	94
Operating income (EBIT) excluding items affecting comparability	2,279	2,197	2,007	2,140	978	1,032	1,073	1,184	1,546	1,733	–382	–363	7,501	7,923
Operating margin (EBIT) excluding items affecting comparability	17.0%	16.7%	20.8%	21.1%	13.5%	13.9%	17.1%	18.3%	14.1%	14.2%	–	–	16.1%	16.3%
Items affecting comparability ⁶	–	–300	–	–18	–	–183	–	–38	–	–313	–	–149	–	–1,000
Operating income (EBIT)	2,279	1,897	2,007	2,121	978	850	1,073	1,146	1,546	1,420	–382	–512	7,501	6,924
Operating margin (EBIT)	17.0%	14.4%	20.8%	21.0%	13.5%	11.4%	17.1%	17.7%	14.1%	11.6%	–	–	16.1%	14.2%
Net financial items ⁸													–717	–542
Tax on income ⁸													–1,623	–1,595
Net income from discontinued operations													11	–11
Net income⁸													5,161	4,786
Capital employed ⁸	9,217	10,499	8,301	10,475	5,168	7,436	5,717	6,114	13,189	14,592	–169	–708	41,422	48,408
–of which goodwill	5,846	6,395	5,913	7,319	4,326	4,311	4,524	4,511	8,323	9,282	–	–	28,932	31,817
–of which other intangible and tangible assets	2,556	2,703	1,442	2,384	2,488	2,481	1,133	1,338	3,377	3,850	97	97	11,093	12,854
–of which shares in associates	22	8	–	–	315	371	–	–	1,182	1,296	–	–	1,519	1,675
Return on capital employed excluding items affecting comparability ⁸	22.6%	20.7%	23.6%	22.7%	20.7%	16.3%	17.3%	19.7%	12.3%	12.1%	–	–	18.1%	17.1%
Operating income (EBIT)	2,279	1,897	2,007	2,121	978	850	1,073	1,146	1,546	1,420	–382	–512	7,501	6,924
Restructuring costs	–	300	–	18	–	183	–	38	–	313	–	149	–	1,000
Depreciation and amortization	353	328	176	179	162	157	172	159	164	168	6	2	1,034	993
Investments in tangible and intangible assets	–441	–376	–211	–192	–203	–224	–112	–376	–113	–138	–7	–2	–1,086	–1,308
Sales of tangible and intangible assets	128	39	9	11	274	24	0	1	109	31	9	–	530	105
Change in working capital	–79	–104	–185	–154	135	–57	8	–98	–59	–2	102	–82	–77	–497
Cash flow⁵	2,241	2,084	1,797	1,983	1,348	932	1,140	870	1,648	1,792	–272	–445	7,902	7,218
Non-cash items											–312	17	–312	17
Interest paid and received											–546	–431	–546	–431
Operating cash flow⁵													7,044	6,803
Average number of employees	10,260	10,089	6,620	6,726	15,284	14,243	3,029	3,136	7,429	8,191	140	171	42,762	42,556

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 935 M (898).

⁸ Adjusted due to change in accounting principles for defined benefit pension plans.

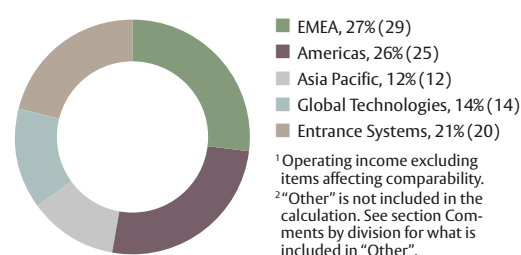
The segments have been determined on the basis of reporting to the CEO, who monitors the overall performance and makes decisions on resource allocation.

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.

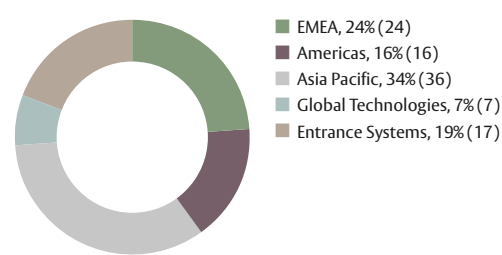
The breakdown of sales is based on customer sales in the respective country. Sales between segments are carried out at arm's length.

For further information on sales, see Note 2.

OPERATING INCOME, 2013^{1,2}



AVERAGE NUMBER OF EMPLOYEES, 2013



Financial position

- Capital employed amounted to SEK 48,408 M (41,422).
- Return on capital employed remained high at 17.1 percent (18.1).
- The net debt/equity ratio was 0.68 (0.61).

SEK M	2012	2013
Capital employed	41,422	48,408
– of which goodwill	28,932	31,817
Assets and liabilities of disposal group held for sale	385	–
Net debt	15,805	19,595
Equity	26,001	28,813
– of which non-controlling interests	183	0

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 48,408 M (41,422). The return on capital employed excluding items affecting comparability was 17.1 percent (18.1).

Intangible assets amounted to SEK 38,280 M (34,422). The increase is mainly due to the effects of completed acquisitions. During the year, goodwill and other intangible assets with an indefinite useful life have arisen to a preliminary value of SEK 3,436 M as a result of completed acquisitions. 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 6,390 M (5,630). Capital expenditure on tangible and intangible assets, less sales of tangible and intangible assets, totaled SEK 1,202 M (557). Depreciation and amortization amounted to SEK 993 M (1,034).

Trade receivables amounted to SEK 8,531 M (7,557) and inventories totaled SEK 6,498 M (5,905). The average collection period for trade receivables was 53 days (51). Material throughput time was 93 days (98). The Group is making systematic efforts to increase capital efficiency.

Net debt

Net debt amounted to SEK 19,595 M (15,805), of which pension commitments and other post-employment benefits accounted for SEK 2,015 M (2,297).

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 and deferred considerations paid for acquisitions completed in previous years.

External financing

The Group's long-term loan financing mainly consists of a Private Placement Program in the USA totaling USD 698 M (698), a GMTN program of SEK 8,506 M (5,392), a loan from the European Investment Bank of EUR 110 M (110), and a loan from the Nordic Investment Bank of EUR 110 M (0). During the year, a total of nine issues were made under the GMTN program for a total amount of around SEK 3,100 M. 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.

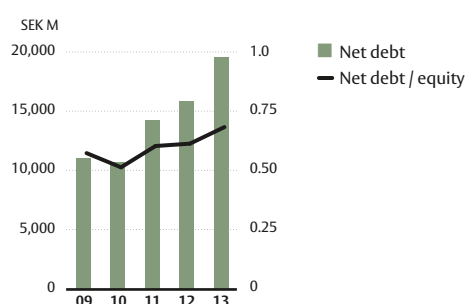
The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 1,580 M (2,152) of the Commercial Paper Programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility of EUR 900 M (1,100), 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 13.5 (11.1). Fixed interest terms fell somewhat during the year, with an average term of 21 months (34) at year-end.

Cash and cash equivalents amounted to SEK 362 M (907) 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.

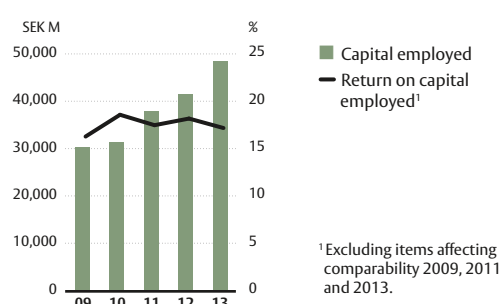
Equity

The Group's equity totaled SEK 28,813 M (26,001) at year-end. The return on equity was 17.5 percent (20.9). The equity ratio was 43.8 percent (43.2). The debt/equity ratio, defined as net debt divided by equity, was 0.68 (0.61).

NET DEBT



CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



¹ Excluding items affecting comparability 2009, 2011 and 2013.

Consolidated balance sheet

SEK M	Note	1 January 2012 Restated	2012 Restated	2013
ASSETS				
Non-current assets				
Intangible assets	14	31,455	34,422	38,280
Tangible assets	15	5,684	5,603	6,390
Investments in associates	17	1,211	1,519	1,675
Other financial assets	19	164	89	86
Deferred tax assets	18	1,141	1,719	1,677
Total non-current assets		39,656	43,352	48,109
Current assets				
Inventories	20	5,704	5,905	6,498
Trade receivables	21	6,924	7,557	8,531
Current tax receivables		325	336	352
Other current receivables		620	822	869
Prepaid expenses and accrued income		551	578	699
Derivative financial instruments	34	234	114	139
Short-term investments	34	50	24	204
Cash and cash equivalents	34	1,665	907	362
Assets of disposal group classified as held for sale	31	–	610	–
Total current assets		16,072	16,853	17,654
TOTAL ASSETS		55,728	60,205	65,763
EQUITY AND LIABILITIES				
Equity				
<i>Parent company's shareholders</i>				
Share capital	23	368	371	371
Other contributed capital		9,227	9,675	9,675
Reserves		–287	–1,173	–1,041
Retained earnings		13,482	16,946	19,808
		22,790	25,819	28,812
Non-controlling interest		208	183	0
Total equity		22,998	26,001	28,813
Non-current liabilities				
Long-term loans	34	7,422	11,194	13,329
Deferred tax liabilities	18	497	1,226	1,416
Pension provisions	24	2,265	2,297	2,015
Other non-current provisions	25	1,315	1,871	2,373
Other non-current liabilities	34	2,668	704	976
Total non-current liabilities		14,167	17,292	20,109
Current liabilities				
Short-term loans	34	6,531	3,301	4,875
Convertible debentures	34	896	–	–
Derivative financial instruments	34	179	87	107
Trade payables		3,796	3,883	4,393
Current tax liabilities		330	822	1,276
Current provisions	25	2,028	1,204	856
Other current liabilities	26	1,642	3,991	1,754
Accrued expenses and deferred income	27	3,161	3,397	3,580
Liabilities of disposal group classified as held for sale	31	–	226	–
Total current liabilities		18,563	16,911	16,842
TOTAL EQUITY AND LIABILITIES		55,728	60,205	65,763

Cash flow

- Operating cash flow remained strong and amounted to SEK 6,803 M (7,044).
- Net capital expenditure totaled SEK 1,202 M (557).

Operating cash flow

SEK M	2012	2013
Operating income (EBIT)	7,501	6,924
Restructuring costs	–	1,000
Depreciation and amortization	1,034	993
Net capital expenditure	–557	–1,202
Change in working capital	–77	–497
Interest paid and received	–546	–431
Non-cash items	–312	17
Operating cash flow¹	7,044	6,803
Operating cash flow/ Income before tax	1.04	0.92 ²

¹ Excluding restructuring payments.

² Excluding restructuring costs.

The Group's operating cash flow amounted to SEK 6,803 M (7,044), equivalent to 92 percent (104) of income before tax excluding restructuring costs.

Net capital expenditure

Net capital expenditure on intangible assets and tangible assets totaled SEK 1,202 M (557), equivalent to 121 percent (54) of the depreciation on intangible assets and tangible assets. During the year net capital expenditure increased due to some major building investments. The low net capital expenditure in the comparative period is mainly due to property sales completed in 2012.

Change in working capital

SEK M	2012	2013
Inventories	0	–166
Trade receivables	–192	–520
Trade payables	–22	333
Other working capital	136	–143
Change in working capital	–77	–497

The material throughput time was 93 days (98) at year-end. Capital tied up in working capital increased somewhat during the year, which had an impact on cash flow of SEK –497 M (–77) overall.

Relationship between cash flow from operating activities and operating cash flow

SEK M	2012	2013
Cash flow from operating activities	5,990	6,224
Restructuring payments	498	647
Net capital expenditure	–557	–1,202
Reversal of tax paid	1,113	–1,134
Operating cash flow	7,044	6,803

Investments in subsidiaries

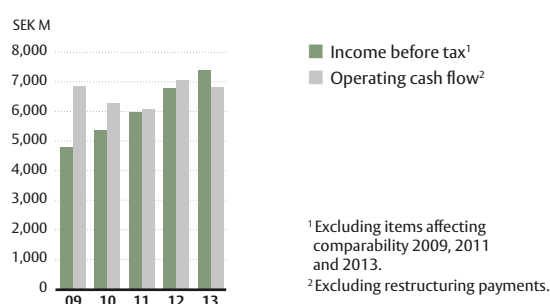
The total purchase price of investments in subsidiaries amounted to SEK 4,643 M (4,799), of which the cash flow effect was SEK –4,783 M (–3,836). Acquired cash totaled SEK 53 M (345).

Change in net debt

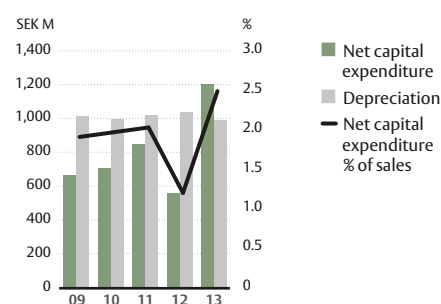
Net debt was mainly affected by the strong positive operating cash flow, the dividend to shareholders and acquisitions.

SEK M	2012	2013
Net debt at 1 January	15,299	15,805
Operating cash flow	–7,044	–6,803
Restructuring payments	498	647
Tax paid	1,113	1,134
Acquisitions/Disposals	4,619	6,784
Dividend	1,683	2,007
Share issue	–450	–
Purchase of treasury shares	38	–
Revaluation of post-employment benefit obligations	–19	–361
Exchange rate differences and others	–321	382
Cash and cash equivalents of disposal group classified as held for sale	390	–
Net debt at 31 December	15,805	19,595

INCOME BEFORE TAX AND OPERATING CASH FLOW



CAPITAL EXPENDITURE



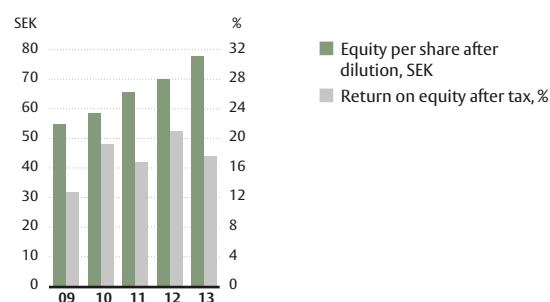
Consolidated cash flow statement

SEK M	Note	2012	2013
OPERATING ACTIVITIES			
Operating income		7,501	6,924
Depreciation and amortization	8	1,034	993
Reversal of restructuring costs		–	1,000
Restructuring payments		–498	–647
Other non-cash items	32	–312	17
Cash flow before interest and tax		7,726	8,286
Interest paid		–596	–443
Interest received		50	12
Tax paid on income		–1,113	–1,134
Cash flow before changes in working capital		6,067	6,721
Changes in working capital	32	–77	–497
Cash flow from operating activities		5,990	6,224
INVESTING ACTIVITIES			
Investments in tangible and intangible assets	14, 15	–1,086	–1,308
Sales of tangible and intangible assets	14, 15	530	105
Investments in subsidiaries	32	–3,836	–4,783
Investments in associates		–352	–131
Disposals of subsidiaries	32	–12	85
Other investments	32	19	1
Cash flow from investing activities		–4,738	–6,030
FINANCING ACTIVITIES			
Dividends		–1,683	–2,007
Long-term loans raised		4,507	4,000
Long-term loans repaid		–2,169	–353
Share issue		450	–
Purchase of treasury shares		–38	–
Purchase of shares in subsidiaries from non-controlling interest		–	–2,155
Stock purchase plans		–	–52
Net cash effect of changes in other borrowings		–2,632	–164
Cash flow from financing activities		–1,564	–731
CASH FLOW		–312	–537
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		1,665	907
Cash flow		–312	–537
Effect of exchange rate differences		–56	–9
Cash and cash equivalents of disposal group held for sale		–390	–
Cash and cash equivalents at 31 December	34	907	362

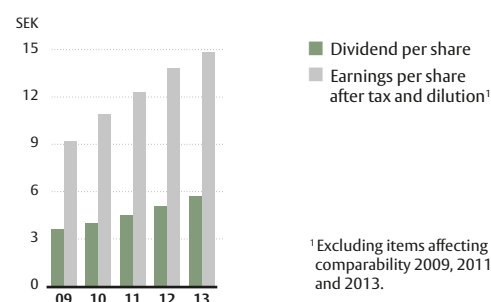
Changes in consolidated equity

SEK M	Note	Parent company's shareholders				Non-controlling interest	Total
		Share capital	Other contributed capital	Reserves	Retained earnings		
Opening balance 1 January 2012	23	368	9,227	−287	14,219	208	23,735
Effect of change in accounting principles for defined benefit pension plans					−737		−737
Adjusted opening balance 1 January 2012		368	9,227	−287	13,482	208	22,998
Net income					5,158	14	5,172
Other comprehensive income				−886	−34	−7	−927
Total comprehensive income				−886	5,124	6	4,245
Dividend for 2011	23				−1,655	−27	−1,683
Stock purchase plans					27		27
Share issue		3	448				450
Purchase of treasury shares					−38		−38
Change in non-controlling interest					5	−4	1
Total transactions with parent company's shareholders		3	448		−1,660	−32	−1,242
Closing balance 31 December 2012	23	371	9,675	−1,173	16,946	183	26,001
Opening balance 1 January 2013	23	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
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

EQUITY PER SHARE AFTER DILUTION AND RETURN ON EQUITY AFTER TAX



DIVIDEND



¹ Excluding items affecting comparability 2009, 2011 and 2013.

Traka solves security challenge at world's largest theme park

Customer: The world's largest theme park employs 50,000 people at its Resort in the USA, which is the most visited attraction in the world encompassing numerous theme parks, golf courses and dining, accommodation, shopping and entertainment complexes.

Challenge: Most employees access hospitality areas, hotel rooms, corporate facilities, maintenance vehicles and equipment with mechanical keys or key cards. The challenge for Traka was to provide an automated electronic process for key management with increased security, accountability and efficiency, managed from a centralized database.

Solution: Traka provided a network of 180 electronic key cabinets and intelligent locker systems located resort-wide to control access to and monitor 9,000 keys, as well as managing pooled vehicles and phones. The Traka administration software is hosted on a centralized server and system administrators have "regionalized" access to administer and run reports on keys and equipment. Employees access Traka key cabinets with their existing employee badge and are only allowed to release the keys they are authorized to. If keys are not returned on time, software alarms notify the system administrators. As an extension to the theme park the customer has now implemented Traka key control in each of its four cruise vessels as well as at other properties including sites in Hawaii. ASSA ABLOY has also installed HID Global iCLASS access control cards, readers and ID card printers.



ASSA ABLOY Entrance Systems provide solutions to Rolls Royce Aerospace

Customer: Rolls Royce's newest UK manufacturing facility of Rolls Royce Aerospace, an approximately 20,000m² manufacturing facility with a capacity to produce over 2,000 fan and turbine discs per year.

Challenge: Automatic entrances were needed for both internal and external openings, with major considerations for energy- and cost-efficiency, as well as meeting rigorous design demands.

Solution: A package of pedestrian, exterior and interior industrial door solutions – ASSA ABLOY Entrance Systems offered a single point of contact for all doors, handling all aspects of design, specification, manufacture and installation industrial and pedestrian door products. More than 120 Crawford sectional doors, high speed doors and Besam automatic revolving doors were installed. Rolls Royce is also equipped with HID Global smart cards.



Parent company financial statements

Income statement – Parent company

SEK M	Note	2012	2013
Administrative expenses	3, 6, 8, 9	–775	–997
Research and development costs	6, 8, 9	–313	–438
Other operating income and expenses	4	1,938	2,261
Operating income	9, 33	850	826
Financial income	10	9,975	2,418
Financial expenses	9, 11	–6,970	–704
Income before appropriations and tax		3,855	2,540
Appropriations - Group contributions		–348	356
Tax on income	12	–11	–165
Net income		3,496	2,731

Statement of comprehensive income – Parent company

SEK M	2012	2013
Net income	3,496	2,731
Other comprehensive income		
Changes in value of financial instruments	84	33
Total comprehensive income	3,580	2,764

Balance sheet – Parent company

SEK M	Note	2012	2013
ASSETS			
Non-current assets			
Intangible assets	14	923	1,486
Tangible assets	15	3	3
Shares in subsidiaries	16	28,100	29,673
Other financial assets	19	1,489	1,619
Total non-current assets		30,515	32,781
Current assets			
Receivables from subsidiaries		2,411	5,628
Other current receivables		38	25
Prepaid expenses and accrued income		17	42
Cash and cash equivalents		4	0
Total current assets		2,470	5,695
TOTAL ASSETS		32,985	38,476
EQUITY AND LIABILITIES			
Equity	22		
<i>Restricted equity</i>			
Share capital	23	371	371
Revaluation reserve		–	275
Statutory reserve		8,905	8,905
Fair value reserve		–	101
<i>Non-restricted equity</i>			
Share premium reserve		788	787
Retained earnings incl. Net income for the year		6,443	6,926
Total equity		16,507	17,365
Provisions			
Other provisions	25	73	9
Total provisions		73	9
Non-current liabilities			
Long-term loans	34	5,386	5,973
Total non-current liabilities		5,386	5,973
Current liabilities			
Short-term loans	34	–	2,049
Trade payables		55	40
Current liabilities to subsidiaries		10,779	12,658
Current tax liabilities		–	153
Other current liabilities		4	4
Accrued expenses and deferred income	27	181	225
Total current liabilities		11,019	15,129
TOTAL EQUITY AND LIABILITIES		32,985	38,476
Assets pledged	29	–	–
Contingent liabilities	28	9,405	9,088

Cash flow statement
– Parent company

SEK M	Note	2012	2013
OPERATING ACTIVITIES			
Operating income		850	826
Depreciation and amortization	8	250	429
Cash flow before interest and tax		1,100	1,255
Interest paid and received		–473	–399
Dividends received		9,775	1,831
Tax paid and received		3	13
Cash flow before changes in working capital		10,405	2,700
Changes in working capital		–242	–404
Cash flow from operating activities		10,163	2,296
INVESTING ACTIVITIES			
Investments in tangible and intangible assets		–1,063	–894
Sales of tangible and intangible assets		0	–
Investments in subsidiaries		–2,592	208
Other investments		–331	–130
Cash flow from investing activities		–3,986	–816
FINANCING ACTIVITIES			
Dividends		–1,655	–1,888
Loans raised		4,109	4,797
Loans repaid		–9,039	–4,393
Share issue		450	–
Purchase of treasury shares		–38	–
Cash flow from financing activities		–6,173	–1,484
CASH FLOW		4	–4
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		0	4
Cash flow		4	–4
Cash and cash equivalents at 31 December		4	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 2012	368	–	8,905	–	340	4,529	14,142
Net income						3,496	3,496
Hedge accounting						84	84
Total comprehensive income						3,580	3,580
Dividend for 2011						–1,655	–1,655
Stock purchase plans						27	27
Share issue	3				448		451
Purchase of treasury shares						–38	–38
Total transactions with parent company's shareholders	3				448	–1,666	–1,215
Closing balance 31 December 2012	371	–	8,905	–	788	6,443	16,507
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

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 2013 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.

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 and other provisions, 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

As from 1 January 2013, IAS 1 Presentation of Financial Statements has been revised regarding the presentation of Other comprehensive income. The revised IAS 1 requires items recognized in Other comprehensive income to be presented in two groups: Items that cannot be reversed through profit or loss, and Items that can be reversed through profit or loss in subsequent periods.

As from 1 January 2013, IAS 19 (Revised) Employee Benefits also applies. The revised standard requires retroactive

application and means that the 'corridor' method is no longer applicable. Instead actuarial gains and losses are to be recognized in other comprehensive income when they arise, and expenses relating to service provided in previous years are to be recognized immediately. In addition, interest expenses and anticipated return on plan assets are replaced by a net interest rate, which is to be equivalent to the discount rate. These changes are being implemented retroactively, which means that comparative information for the 2012 financial year is to be recalculated when preparing the financial statements for 2013. In this recalculation, unrecognized expenses relating to service provided in previous years and unrecognized actuarial losses as at 31 December 2011 are recognized as an adjustment of opening equity after taking into account tax effects.

The total effect on the consolidated balance sheet for 2011 is an increase in deferred tax assets of SEK 355 M to SEK 1,141 M, an increase in pension provisions of SEK 1,092 M to SEK 2,265 M, and a reduction in equity of SEK 737 M to SEK 22,998 M. The effect on the consolidated balance sheet for 2012 is an increase in deferred tax assets of SEK 349 M to SEK 1,719 M, an increase in pension provisions of SEK 1,073 M to SEK 2,297 M, and a reduction in equity of SEK 724 M to SEK 26,001 M. The effect on the income statement for 2012 is a reduction in the item Financial expenses of SEK 53 M to SEK -749 M, and an increase in tax on income of SEK 6 M to SEK -1,623 M. Earnings per share before dilution increased from SEK 13.85 to SEK 13.97. Earnings per share after dilution increased from SEK 13.84 to SEK 13.97.

None of the other standards and interpretations to be applied as from 1 January 2013 had a significant impact on the consolidated financial statements.

New and revised IFRS not yet effective

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

- IFRS 9 Financial Instruments
- IFRS 10 Consolidated financial statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRIC 21 Levies

Of the above new standards, IFRS 10–12 are effective from 1 January 2014, while IFRS 9 and IFRIC 21 have not yet been endorsed by the EU. The new IFRS 10 requires retroactive application, while the other standards are applied prospectively, and consequently have no impact on financial statements prepared before the respective effective date. None of the new IFRS are considered to have a material impact on the consolidated financial statements.

Consolidated financial statements

The consolidated financial statements include ASSA ABLOY AB (the Parent company) and companies in which the Parent company held, directly or indirectly, more than 50 percent of the voting rights at the end of the period, as well as companies in which the Parent company otherwise has a controlling interest, for example by having the right to formulate financial and operating strategies. Companies acquired during the year are included in the consolidated financial statements with effect from the date when a controlling interest 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 for acquisitions completed after 1 January 2010 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. Revaluation of deferred considerations relating to acquisitions completed before 1 January 2010 is recognized as a change in goodwill.

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.

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	
		2012	2013	2012	2013
Argentina	ARS	1.48	1.20	1.32	1.00
Australia	AUD	6.98	6.29	6.76	5.77
Brazil	BRL	3.46	3.03	3.18	2.79
Canada	CAD	6.74	6.32	6.54	6.09
Switzerland	CHF	7.22	7.06	7.13	7.32
Chile	CLP	0.014	0.013	0.014	0.012
China	CNY	1.07	1.06	1.04	1.08
Colombia	COP	0.0037	0.0035	0.0037	0.0034
Czech Republic	CZK	0.35	0.33	0.34	0.33
Denmark	DKK	1.17	1.16	1.16	1.20
Euro zone	EUR	8.71	8.67	8.62	8.97
United Kingdom	GBP	10.70	10.23	10.49	10.75
Hong Kong	HKD	0.87	0.84	0.84	0.84
Hungary	HUF	0.030	0.029	0.030	0.030
Israel	ILS	1.75	1.81	1.74	1.87
India	INR	0.126	0.11	0.119	0.105
Kenya	KES	0.080	0.076	0.076	0.076
South Korea	KRW	0.0060	0.0060	0.0061	0.0062
Lithuania	LTL	2.52	2.51	2.50	2.60
Mexico	MXN	0.51	0.51	0.50	0.50
Malaysia	MYR	2.18	2.06	2.12	1.98
Norway	NOK	1.16	1.11	1.17	1.06
New Zealand	NZD	5.46	5.33	5.34	5.31
Poland	PLN	2.08	2.06	2.12	2.16
Romania	RON	1.96	1.97	1.95	2.01
Russia	RUB	0.22	0.20	0.21	0.20
Singapore	SGD	5.39	5.21	5.32	5.14
Thailand	THB	0.22	0.21	0.21	0.20
Turkey	TRY	3.74	3.41	3.63	3.05
USA	USD	6.74	6.52	6.51	6.52
South Africa	ZAR	0.82	0.68	0.77	0.62

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 financial year 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 year-end. Deductions are made for internal profits arising from deliveries between Group companies. Work in progress and finished goods include both direct costs incurred and a fair allocation of indirect 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.

Loan receivables and trade receivables

Trade receivables and short-term investments 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.

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 recog-

nized 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 program in its entirety is 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 will be 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 assignment date, that is, when the company and the employees entered into an agreement on the terms and conditions for the program. The long-term incentive program comprises two parts: a matching part where the employee receives one share for every share the latter invests during the term of the program, and a performance-based part where the outcome is based on the company's financial results (EPS target) during the period. The program requires that the employee continues to invest in the long-term incentive program and that the latter remains employed in the ASSA ABLOY Group.

Fair value is based on the share price on the assignment date; a reduction in fair value relating to the anticipated dividend has not been made as the participants are compensated for this. The employees pay a price equivalent to the share price on the investment date. The vesting terms are not stock market based and affect the number of shares that ASSA ABLOY will give to the employee when matching. If an employee stops investing in the program, all remaining personnel costs are immediately recognized in the income statement. Personnel costs for shares relating to the performance-based program are calculated on each accounting date based on an assessment of the probability of the performance targets being achieved. The costs are calculated based on the number of shares that ASSA ABLOY expects to need to 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 are 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	
	2012	2013
USA	11,220	12,962
China	4,304	4,806
Sweden	2,986	3,074
France	3,147	2,973
Germany	2,567	2,470
United Kingdom	2,354	2,324
Canada	1,659	1,793
Australia	1,869	1,717
Netherlands	1,548	1,458
Norway	1,221	1,291
Finland	1,118	1,070
South Korea	906	931
Denmark	927	912
Belgium	895	851
Mexico	624	728
Italy	748	699
Spain	727	669
Austria	602	555
Switzerland	531	508
Czech Republic	388	384
New Zealand	311	357
Saudi Arabia	374	342
United Arab Emirates	296	333
Poland	333	322
Brazil	272	290
South Africa	284	270
Russia	264	261
Hong Kong	234	244
India	212	235
Israel	193	207
Turkey	188	201
Singapore	176	182
Colombia	158	177
Thailand	162	173
Chile	147	147
Portugal	167	147
Ireland	111	138
Malaysia	87	132
Japan	95	128
Slovakia	102	119
Philippines	92	106
Indonesia	234	102
Hungary	93	100
Romania	226	99
Estonia	99	97
Croatia	103	92
Kenya	76	73
Taiwan	43	51
Egypt	43	48
Lithuania	43	45
Latvia	32	40
Other countries	1,024	1,052
Total	46,619	48,481

Sales by product group

SEK M	Group	
	2012	2013
Mechanical locks, lock systems and fittings	16,762	16,034
Entrance automation	11,100	12,077
Electromechanical and electronic locks	10,193	11,602
Security doors and hardware	8,564	8,768
Total	46,619	48,481

Note 3 Auditors' fees

SEK M	Group		Parent company	
	2012	2013	2012	2013
Audit assignment				
PwC	37	38	3	5
Other	10	10	–	–
Audit-related services in addition to audit assignment				
PwC	1	1	1	–
Tax advice				
PwC	13	8	2	1
Other	2	3	–	1
Other services				
PwC	14	13	5	6
Other	1	4	–	0
Total	78	76	11	13

Note 4 Other operating income and expenses

SEK M	Group	
	2012	2013
Rental income	18	11
Business-related taxes	16	13
Transaction expenses from acquisitions	–39	–56
Exchange rate differences	–11	–17
Other, net	–66	–84
Total	–82	–133

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	
	2012	2013
Agta Record AG	69	68
Goal Co., Ltd	5	19
Saudi Crawford Doors Factory Ltd	1	6
Låsgruppen Wilhelm Nielsen AS	3	1
Tallares Agui S.A.	–9	0
Other	0	0
Total	70	94

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 2013.

Note 6 Operating leases

SEK M	Group		Parent company	
	2012	2013	2012	2013
Lease payments during the year	466	547	13	15
Total	466	547	13	15
Nominal value of agreed future lease payments:				
Due for payment in:				
(2013) 2014	419	535	15	15
(2014) 2015	304	414	16	16
(2015) 2016	237	311	16	16
(2016) 2017	161	227	16	16
(2017) 2018	121	178	17	17
(2018) 2019 or later	112	234	17	17
Total	1,354	1,899	97	97

During the year lease payments consist of fees for assets that are held as operational leases such as rented premises, machinery, and computer equipment. The Group has no substantial operational 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	
	2012	2013	2012	2013
Remuneration of employees (Note 33)	12,705	13,759		
Direct material costs	16,111	16,977		
Depreciation and amortization (Note 8, 14, 15)	1,034	993		
Other purchase expenses	9,256	9,789		
Total	39,106	41,518		

Note 8 Depreciation and amortization

SEK M	Group		Parent company	
	2012	2013	2012	2013
Intangible assets	222	224	249	427
Machinery	443	410	–	–
Equipment	218	197	1	1
Buildings	148	158	–	–
Land improvements	3	3	–	–
Total	1,034	993	250	428

Note 9 Exchange differences in the income statement

SEK M	Group		Parent company	
	2012	2013	2012	2013
Exchange differences recognized in operating income	–11	–17	0	0
Exchange differences recognized in financial expenses (Note 11)	10	–4	11	–5
Total	0	–21	11	–5

Note 10 Financial income

SEK M	Group		Parent company	
	2012	2013	2012	2013
Earnings from investments in subsidiaries	–	–	9,750	2,109
Earnings from investments in associates	–	–	25	28
Intra-group interest income	–	–	200	281
Other financial income	14	10	–	–
External interest income and similar items	18	18	0	0
Total	32	28	9,975	2,418

Note 11 Financial expenses

SEK M	Group		Parent company	
	2012	2013	2012	2013
Intra-group interest expenses	–	–	–534	–508
Interest expenses, convertible debentures	–5	–	–5	–
Interest expenses, other liabilities	–599	–580	–148	–170
Interest expenses, interest rate swaps	10	16	–	–
Interest expenses, foreign exchange forwards	–83	–34	–	–
Exchange rate differences on financial instruments	10	–4	11	–5
Fair value adjustments on derivatives, non-hedge accounting	–8	67	–	–
Fair value adjustments on shares and interests	–	–	–6,280 ¹	–
Other financial expenses	–74	–36	–14	–21
Total	–749	–571	–6,970	–704

¹ Fair value adjustments on shares and interests relate to impairment losses in connection with dividends received.

Note 12 Tax on income

SEK M	Group		Parent company	
	2012	2013	2012	2013
Current tax	–1,776	–1,863	–11	–178
Tax attributable to prior years	8	178	–	13
Foreign withholding tax	–	–	–	–
Deferred tax	145	90	–	–
Total	–1,623	–1,595	–11	–165

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

Percent	Group		Parent company	
	2012	2013	2012	2013
Swedish rate of tax on income	26	22	26	22
Effect of foreign tax rates	4	7	–	–
Non-taxable income/non-deductible expenses, net	–3	–3	–25	–16
Deductible goodwill	0	0	–	–
Utilized loss carry-forward not recognized in prior period	–3	–1	–	–
Non-deductible restructuring costs	–	0	–	–
Other	0	0	–	–
Effective tax rate in income statement	24	25	1	6

Note 13 Earnings per share

Earnings per share before dilution

SEK M	Group	
	2012	2013
Earnings attributable to the Parent company's shareholders ¹	5,158	4,772
Weighted average number of shares issued (thousands)	369,185	370,259
Earnings per share before dilution (SEK per share)	13.97	12.89
<i>of which from continuing operations</i>	<i>13.94</i>	<i>12.89</i>
<i>of which from discontinued operations</i>	<i>0.03</i>	<i>–</i>

Earnings per share after dilution

SEK M	Group	
	2012	2013
Earnings attributable to the Parent company's shareholders ¹	5,158	4,772
Interest expenses for convertible debentures, after tax	4	–
Net profit ¹	5,162	4,772
Weighted average number of shares issued (thousands)	369,592	370,259
Earnings per share after dilution (SEK per share)	13.97	12.89
<i>of which from continuing operations</i>	<i>13.94</i>	<i>12.89</i>
<i>of which from discontinued operations</i>	<i>0.03</i>	<i>–</i>

Earnings per share after dilution and excluding items affecting comparability

SEK M	Group	
	2012	2013
Earnings attributable to the Parent company's shareholders ¹	5,158	4,772
Interest expenses for convertible debentures, after tax	4	–
Items affecting comparability, after tax ²	–	721
Net profit ¹	5,162	5,493
Weighted average number of shares issued (thousands)	369,592	370,259
Earnings per share after dilution and excluding items affecting comparability (SEK per share)	13.97	14.84
<i>of which from continuing operations</i>	<i>13.94</i>	<i>14.84</i>
<i>of which from discontinued operations</i>	<i>0.03</i>	<i>–</i>

¹ 2012 has been adjusted due to a change in accounting principles for defined benefit pension plans.

² Items affecting comparability consist of restructuring costs.

Note 14 Intangible assets

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	–	–	–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	–	–	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	1,487

2012, SEK M	Group				Parent company
	Goodwill	Brands	Other intangible assets	Total	Intangible assets
Opening accumulated acquisition cost	27,080	3,275	2,246	32,599	1,060
Purchases	–	1	151	152	1,063
Acquisitions of subsidiaries	3,146	622	440	4,208	–
Sales/disposals	–	0	–12	–12	–
Reclassifications	–	–	433	433	–
Reclassification to assets of disposal group held for sale	–104	–31	–	–135	–
Adjustments for acquisitions in the prior year	–177	276	–	99	–
Exchange rate differences	–947	13	–238	–1,172	–
Closing accumulated acquisition cost	28,998	4,156	3,020	36,174	2,123
Opening accumulated amortization/impairment	–66	–34	–1,045	–1,143	–951
Acquisitions of subsidiaries	–	–	–7	–7	–
Sales/disposals	–	0	9	9	–
Reclassifications	–	–	–433	–433	–
Impairment	–	0	–10	–10	–
Amortization	–	–25	–197	–222	–249
Exchange rate differences	0	0	56	56	–
Closing accumulated amortization/impairment	–66	–59	–1,627	–1,752	–1,200
Carrying amount	28,932	4,097	1,393	34,422	923

Other intangible assets consist mainly of customer relations and technology. The carrying amount of intangible assets with an indefinite useful life amounts to SEK 4,840 M (4,026) 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.

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

2012

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:

2012, SEK M	EMEA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	5,846	5,913	4,326	4,524	8,323	28,932
Intangible assets with indefinite useful life	198	221	1,160	349	2,098	4,026
Total	6,044	6,134	5,486	4,873	10,421	32,958

Sensitivity analysis

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

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.

2012

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 5 percent, Americas 4 percent, Asia Pacific 7 percent, Global Technologies 5 percent, and Entrance Systems 6 percent).

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

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

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

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

Note 15 Tangible assets

	Group					Parent company	
	Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Equipment
2013, SEK M							
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/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/impairment	–1,952	–145	–4,534	–1,697	–	–8,328	–16
Sales/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/impairment	–1,963	–198	–4,742	–1,741	–	–8,644	–17
Carrying amount	2,276	761	1,839	588	927	6,390	3

	Group					Parent company	
	Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Equipment
2012, SEK M							
Opening accumulated acquisition cost	4,121	839	6,629	2,314	555	14,458	18
Purchases	129	1	311	196	297	934	1
Acquisitions of subsidiaries	52	57	296	99	56	560	–
Sales/disposals	–399	–73	–527	–261	–67	–1,327	–
Reclassification to assets of disposal group held for sale	–	–	58	–	–	58	–
Reclassifications	295	67	–15	24	–371	0	–
Exchange rate differences	–153	–21	–452	–146	20	–752	–
Closing accumulated acquisition cost	4,045	870	6,300	2,226	490	13,931	19
Opening accumulated depreciation/impairment	–1,992	–142	–4,852	–1,786	–	–8,773	–15
Acquisitions of subsidiaries	–28	–2	–106	–71	–	–207	–
Sales/disposals	158	–	511	234	–	903	–
Depreciation	–148	–3	–443	–218	–	–812	–1
Reclassification to assets of disposal group held for sale	–	–	–41	–	–	–41	–
Reclassifications	–14	–1	4	11	–	0	–
Exchange rate differences	72	3	393	133	–	602	–
Closing accumulated depreciation/impairment	–1,952	–145	–4,534	–1,697	–	–8,328	–16
Carrying amount	2,093	725	1,766	529	490	5,603	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	3,036
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-020.3913.588-8, 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
ASSA ABLOY South Asia Pte Ltd	199804395K, Singapore	4,300,000	100	48
Grupo Industrial Phillips, S.A de C.V.	GIP980312169, Mexico	27,036,635	100	765
Cerraduras de Colombia S.A.	Public Deed 2798, Bogota	2,201,670	71 ¹	142
ASSA ABLOY Hospitality AB	556180-7156, Göteborg	1,000	100	14
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
Total				29,673

¹ The Group's holdings amount to 100 percent.

Note 17 Investments in associates

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

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 2013. For the period January to June, the company's revenue totaled SEK 1,061 M (1,081) and income after tax was SEK 72 M (65). The company's assets totaled SEK 2,160 M (2,095) and total liabilities amounted to SEK 708 M (722).

2012 Company name	Country of registration	Group		
		Number of shares	Share of equity %	Carrying amount, SEK M
Agta Record AG	Switzerland	5,077,964	38	1,163
Goal Co., Ltd	Japan	2,300,790	38	315
Låsgruppen Wilhelm Nielsen AS	Norway	305	50	15
SARA Loading Bay Ltd	United Kingdom	4,999	50	13
Talleres Agui S.A.	Spain	4,800	40	7
Saudi Crawford Doors Ltd	Saudi Arabia	800	40	5
Other				1
Total				1,519

Note 18 Deferred tax

	Group	
SEK M	2012	2013
Deferred tax assets		
Tangible and intangible assets	279	404
Pensions	436	409
Tax losses and other tax credits	397	360
Other deferred tax assets	607	504
Deferred tax assets	1,719	1,677
Deferred tax liabilities		
Tangible and intangible assets	1,110	1,350
Other deferred tax liabilities	116	66
Deferred tax liabilities	1,226	1,416
Deferred tax assets, net	493	262
Change in deferred tax		
Opening balance	644	493
Acquisitions of subsidiaries, net	-249	-145
Recognized in income statement	145	90
Reclassification to liabilities of disposal group held for sale	-27	-
Revaluation of post-employment benefit obligations, net	-	-136
Exchange rate differences	-20	-41
Closing balance	493	262

The Group has tax loss carry forwards and other tax credits of SEK 1,800 M (2,400) 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

	Group		Parent company	
SEK M	2012	2013	2012	2013
Investments in associates in parent company	-	-	1,489	1,619
Other shares and interests	4	4	-	-
Interest-bearing non-current receivables	29	27	-	-
Other non-current receivables	56	55	-	-
Total	89	86	1,489	1,619

Note 20 Inventories

	Group	
SEK M	2012	2013
Materials and supplies	1,751	1,913
Work in progress	1,397	1,542
Finished goods	2,561	2,806
Advances paid	196	236
Total	5,905	6,498

Impairment of inventories amounted to SEK 166 M (181).

Note 21 Trade receivables

	Group	
SEK M	2012	2013
Trade receivables	8,127	9,073
Provision for bad debts	-570	-541
Total	7,557	8,531
Maturity analysis		
Trade receivables not due	5,279	6,021
Trade receivables due not impaired:		
< 3 months	2,064	2,199
3-12 months	447	479
> 12 months	337	375
	2,848	3,052
Impaired trade receivables:		
< 3 months	-111	-70
3-12 months	-139	-127
> 12 months	-320	-345
	-570	-541
Total	7,557	8,531

Trade receivables per currency	2012	2013
EUR	2,349	2,410
USD	2,169	2,430
CNY	677	920
SEK	328	476
GBP	400	440
CAD	253	287
AUD	296	262
Other currencies	1,085	1,307
Total	7,557	8,531

Current year change in provision for bad debts	2012	2013
Opening balance	537	570
Acquisitions and disposals	30	18
Receivables written off	-67	-105
Reversal of unused amounts	-72	-61
Provision for bad debts	162	110
Exchange rate differences	-20	10
Closing balance	570	541

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 2012	19,175	349,075	368,250	368,250
Share issue	-	2,609	2,609	2,609
Closing balance at 31 December 2012	19,175	351,684	370,859	370,859
Number of votes, thousands	191,753	351,684	543,437	
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	

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 (369,185) during the year. Non of the Group's outstanding long-term incentive programs can lead to dilution in the future.

The total number of treasury shares as at 31 December 2013 amounted to 600,000. No shares have been repurchased during the year.

Dividend per share

The dividend paid during the financial year totaled SEK 1,888 M (1,655), equivalent to SEK 5.10 (4.50) per share. A dividend for 2013 of SEK 5.70 per share, a total of SEK 2,110 M, will be proposed at the Annual General Meeting on Wednesday, 7 May 2014.

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% 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% of assets. A small proportion of assets is also invested in real estate and alternative investments, mainly hedge funds.

As at 31 December 2013, shares accounted for 49 percent (47) and fixed income securities for 31 percent (35) of plan assets, while other assets accounted for 20 percent (18). The actual return on plan assets in 2013 was SEK 333 M (274).

Amounts recognized in the income statement

Pension costs, SEK M	2012	2013
Defined contribution pension plans	381	371
Defined benefit pension plans	111	136
Post-employment medical benefit plans	21	27
Total	513	534
<i>of which, included in:</i>		
Operating income	416	449
Net financial items	97	85

Amounts recognized in the balance sheet

Pension provisions, SEK M	2012	2013
Provisions for defined benefit pension plans	1,828	1,567
Provisions for post-employment medical benefits	417	389
Provisions for defined contribution pension plans	52	60
Pension provisions	2,297	2,015

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 2013 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 25 M (23), of which SEK 9 M (8) relates to the Parent company. Pension contributions are expected to remain largely unchanged in 2014.

Alecta's surplus can be distributed to policyholders and/or the insured. As at 30 September 2013, Alecta's surplus expressed as the collective consolidation level amounted to 153 percent (123 percent as at 30 September 2012). 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	
Specification of defined benefits, SEK M	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Present value of funded obligations	1,912	2,072	78	80	1,689	1,536	482	356	4,083	4,044
Fair value of plan assets	-1,760	-1,874	-23	-23	-1,200	-1,323	-210	-205	-3,193	-3,425
<i>Net value of funded plans</i>	<i>152</i>	<i>199</i>	<i>55</i>	<i>56</i>	<i>489</i>	<i>213</i>	<i>273</i>	<i>151</i>	<i>891</i>	<i>619</i>
Present value of unfunded obligations	-	0	548	554	-	-	311	394	937	948
Present value of unfunded medical benefits	-	-	-	-	413	385	4	4	417	389
Net value of defined benefit pension plans	152	199	603	610	902	598	588	549	2,245	1,956
Provisions for defined contribution pension plans	-	0	-	-	-	-	52	60	52	60
Total	152	199	603	610	902	598	640	608	2,297	2,015

Movement in obligations

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
Write-down/reversal of pension receivables	5	0	-	5
Curtailments	-	0	-	0
Interest on obligation	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 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>Payments:</i>				
Employer contributions	-	-	-35	-35
Employee contributions	0	-5	-	-5
Payments	-25	-228	163	-91
Total payments	-25	-233	128	-130
Closing balance 31 December 2013	389	4,992	-3,425	1,956

2012, SEK M	Post-employment medical benefits	Defined benefit pension plans	Plan assets	Total
Opening balance at 1 January 2012 (restated)	472	4,828	-3,115	2,185
Acquisitions/disposals	-	67	-	67
<i>Recognized in the income statement:</i>				
Current service cost	5	54	-	59
Past service cost	0	-3	-	-3
Curtailments	-5	-17	-	-22
Interest on obligation	20	215	-138	97
Total recognized in the income statement	21	249	-138	132
<i>Recognized in other comprehensive income:</i>				
Return on plan assets, excluding amounts included above	-	-	-136	-136
Gain/loss from change in financial assumptions	-27	267	-	240
Remeasurement of net pension obligations	-27	267	-136	104
Exchange rate differences	-20	-180	113	-87
Total recognized in other comprehensive income	-47	87	-23	17
<i>Payments:</i>				
Employer contributions	0	1	-	1
Employee contributions	0	1	-	1
Payments	-28	-212	83	-157
Total payments	-28	-210	83	-155
Closing balance 31 December 2012 (restated)	417	5,021	-3,193	2,245

Plan assets allocation

Plan assets	2012	2013
Shares	1,485	1,678
Government bonds	263	384
Corporate bonds	624	460
Inflation-linked bonds	220	227
Property	244	239
Cash and Cash equivalents	0	0
Alternative investments	211	238
Other assets	147	197
Total	3,193	3,425

Key actuarial assumptions

Key actuarial assumptions (weighted average), %	United Kingdom		Germany		USA	
	2012	2013	2012	2013	2012	2013
Discount rate	4.5	4.4	3.2	3.5	4.0	4.8
Expected annual salary increases	n/a	n/a	2.6	2.8	n/a	n/a
Expected annual pension increases	2.6	2.3	2.2	1.8	2.0	2.0
Expected annual medical benefit increases	n/a	n/a	n/a	n/a	7.8	7.3
Expected annual inflation	2.7	2.3	1.6	1.8	3.0	3.0

Sensitivity analysis of the pension provision

The effect of a 1 percent change in some actuarial assumptions, change in percent	+1.0%	-1.0%
Discount rate	13.4	-10.9
Expected annual medical benefit increases	9.7	-8.3

Note 25 other provisions

SEK M	Group		
	Restructuring reserve	Other	Total
Opening balance at 1 January 2012	1,665	1,678	3,343
Provisions for the year	133	553	686
Acquisitions of subsidiaries	-	39	39
Deferred considerations acquisitions	-	70	70
Reclassification to liabilities of disposal groups held for sale	-12	-	-12
Reclassifications	-62	62	-
Reversal of non-utilized amounts	-133	-167	-300
Utilized during the year	-498	-215	-713
Exchange rate differences	-25	-13	-38
Closing balance at 31 December 2012	1,068	2,007	3,075

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
Utilized during the year	-647	-108	-756
Exchange rate differences	22	-6	17
Closing balance at 31 December 2013	1,369	1,860	3,229

Balance sheet breakdown:	Group	
	2012	2013
Other non-current provisions	1,871	2,373
Other current provisions	1,204	856
Total	3,075	3,229

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 598 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.

Parent company

Other provisions in the parent company relate to provisions for restructuring reserves and estimated deferred considerations for 2012.

Note 26 other current liabilities

SEK M	Group	
	2012	2013
VAT and excise duty	353	446
Employee withholding tax	83	93
Advances received	409	398
Social security contributions and other taxes	68	69
Deferred considerations	2,705	273
Other current liabilities	373	475
Total	3,991	1,754

Note 27 Accrued expenses and deferred income

SEK M	Group		Parent company	
	2012	2013	2012	2013
Personnel-related expenses	1,768	1,868	91	140
Customer-related expenses	547	639	-	-
Deferred income	201	263	-	-
Accrued interest expenses	98	100	48	57
Other	784	710	42	28
Total	3,397	3,580	181	225

Note 28 Contingent liabilities

SEK M	Group		Parent company	
	2012	2013	2012	2013
Guarantees	61	89	-	-
Guarantees on behalf of subsidiaries	-	-	9,405	9,088
Total	61	89	9,405	9,088

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	
	2012	2013
<1 year	25	45
>1<2 years	9	3
>2<5 years	22	33
>5 years	5	8
Total	61	89

Note 29 Assets pledged against liabilities to credit institutions

SEK M	Group		Parent company	
	2012	2013	2012	2013
Real estate mortgages	106	44	-	-
Other mortgages	32	30	-	-
Total	138	74	-	-

Note 30 Business combinations

SEK M	2012	2013
Purchase prices		
Cash paid for acquisitions during the year	3,876	3,991
Holdbacks and deferred consideration for acquisitions during the year	923	607
Adjustment of purchase prices for acquisitions in prior years	–	0
Fair value of investments in associates held before the business combination	–	45
Total	4,799	4,643
Acquired assets and liabilities at fair value		
Intangible assets	1,055	914
Tangible assets	353	579
Deferred tax assets	43	23
Other financial assets	14	18
Inventories	477	464
Current receivables and investments	818	499
Cash and cash equivalents	345	53
Non-controlling interest	–13	–
Deferred tax liabilities	–231	–168
Pension provisions	–67	–1
Other non-current liabilities	–232	–111
Current liabilities	–909	–311
Total	1,653	1,959
Goodwill	3,146	2,684
Cash paid for acquisitions during the year	3,876	3,991
Cash and cash equivalents in acquired subsidiaries	–345	–53
Paid deferred considerations for acquisitions in previous years	305	845
Change in cash and cash equivalents due to acquisitions	3,836	4,783
Net sales from acquisition date	2,830	517
EBIT from acquisition date	480	46
Net income from acquisition date	347	24

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 2013. The net sales of acquired units for 2013 totaled SEK 3,702 M (4,487) and net income amounted to SEK 261 M (460). Acquisition-related costs for 2013 totaled SEK 56 M (39) and have been reported as other operating expenses in the income statement.

See below for an account of some acquisitions completed in 2013 and 2012.

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).

2012

Albany Doors

On 11 January 2012, 100 percent of the share capital was acquired in Albany Door Systems (USA), a global leader in automatic high-performance doors. The company has global market penetration in industrial automatic high-performance doors. The products are used for industrial applications and in logistics centers, where there is a major need for customized automatic high-performance doors with high security and access control. Albany also offers service and maintenance on the company's principal markets. The company is headquartered in Georgia, USA. Intangible assets in the form of the brand and customer relationships have been disclosed separately. Residual goodwill mainly relates to synergies and other intangible assets, which do not meet the criteria for separate recognition.

Dynaco

On 1 March 2012, 100 percent of the share capital was acquired in Dynaco (Belgium). Dynaco is a leading manufacturer of automatic high-performance doors specializing in sales to a global distributor network. The acquisition of Dynaco further strengthens ASSA ABLOY's position in the fast-growing market segment of high-performance doors. Dynaco provides manufacturing expertise, with many leading patented products and a global distribution channel. The company is headquartered in Moorsel, Belgium. Intangible assets in the form of the brand and customer relationships have been disclosed separately. Residual goodwill mainly relates to synergies and other intangible assets, which do not meet the criteria for separate recognition.

Guoqiang

On 29 May 2012, 100 percent of the share capital was acquired in Guoqiang, a Chinese manufacturer of window hardware. Guoqiang offers a complete range of window hardware mainly for the Chinese market. The company has a good market presence in China through an extensive network of sales offices. Guoqiang provides a good fit with the existing offering in total door opening solutions in China and gives access to the Chinese window hardware market. The company is headquartered in Leling, Shandong Province, China. The brand has been disclosed separately, and residual goodwill mainly relates to synergies and other intangible assets, which do not meet the criteria for separate recognition.

Other acquisitions

Other notable acquisitions during 2012 comprised Securistyle (United Kingdom), Traka (United Kingdom), Helton (Canada), Sanhe Metal (China) and 4Front (USA).

Note 31 Assets of disposal group classified as held for sale and discontinued operations

SEK M	Group	
	2012	2013
Assets of disposal group classified as held for sale		
Intangible assets	135	–
Tangible assets	17	–
Deferred tax assets	26	–
Inventories	33	–
Trade receivables	9	–
Cash and cash equivalents	390	–
Total	610	–
Liabilities of disposal group classified as held for sale		
Provisions	12	–
Trade payables	92	–
Current tax liabilities	9	–
Other current liabilities	80	–
Accrued expenses and deferred income	33	–
Total	226	–
Net income of disposal group classified as held for sale		
Sales	568	–
Costs	–542	–
Income before tax	26	–
Tax on income	–6	–
Impairment of assets of disposal group classified as held for sale	–9	–
Net income of disposal group classified as held for sale	–	–11
Net income of disposal group classified as held for sale	11	–11
Cash flow from disposal group classified as held for sale		
Cash flow from operating activities	54	–
Cash flow from investing activities	–3	85
Cash flow from financing activities	3	–
Cash flow from disposal group classified as held for sale	54	85

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.

Note 32 Cash flow

SEK M	Group	
	2012	2013
Adjustments for non-cash items		
Profit on sales of non-current assets	–347	–24
Change in pension provision	48	73
Share of earnings in associates	–70	–94
Dividend from associates	25	34
Other	32	27
Adjustments for non-cash items	–312	17
Change in working capital		
Inventories increase/decrease (–/+)	0	–166
Trade receivables increase/decrease (–/+)	–192	–520
Trade payables increase/decrease (+/–)	–22	333
Other working capital increase/decrease (–/+)	136	–143
Change in working capital	–77	–497
Investments in subsidiaries		
Total purchase price	–4,799	–4,643
Fair value of investments in associates held before the business combination	–	45
Less, acquired cash and cash equivalents	345	53
Less, unpaid parts of purchase prices	923	607
Paid purchase prices relating to acquisitions in prior years	–305	–845
Investments in subsidiaries	–3,836	–4,783
Disposal of subsidiaries		
Purchase prices received, net	–12	85
Less, disposed cash and cash equivalents	–	–
Disposal of subsidiaries	–12	–85
Other investments		
Investments in/sales of other shares and interests	5	4
Investments in/sales of other non-current receivables	14	–3
Other investments	19	1

Note 33 Employees

Salaries, wages, other remuneration and social security costs

SEK M	Group		Parent company	
	2012	2013	2012	2013
Salaries, wages and other remuneration	10,627	11,395	130	147
Social security costs	2,078	2,363	77	94
– of which pensions	416	449	24	25
Total	12,705	13,759	207	241

Fees to Board members in 2013 (including committee work), SEK thousand

Name and post	Board	Remuneration Committee	Audit Committee	Total
Lars Renström, Chairman	1,350	100	–	1,450
Carl Douglas, Vice Chairman	750	–	–	750
Birgitta Klasén, Member	500	–	100	600
Eva Lindqvist, Member	500	–	–	500
Johan Molin, President and CEO	–	–	–	–
Sven-Christer Nilsson, Member	500	50	–	550
Ulrik Svensson, Member	500	–	200	700
Jan Svensson, Member	500	50	100	650
Employee representatives (4)	–	–	–	–
Total	4,600	200	400	5,200

Total fees for Board members amounted to SEK 5.2 M in 2012.

Remuneration and other benefits of the Executive Team in 2013, SEK thousands

Name	Fixed salary	Variable salary	Stock-related benefits	Other benefits	Pension costs
Johan Molin, President and CEO	13,377	9,795	6,333	117	9,415
Other members of the Executive Team (8)	34,410	15,748	12,672	3,309	7,818
Total remuneration and benefits	47,787	25,543	19,005	3,426	17,233

Pension costs for the year for the President and CEO have increased compared to previous year due to retroactive adjustments for the years 2006 to 2012. Total remuneration and other benefits for the Executive Team amounted to SEK 102 M in 2012.

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 48 M (44). Social security costs amounted to SEK 46 M (33), of which 37 SEK M (24) 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 and 2013 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, LTI 2011, LTI 2012 and LTI 2013 and have been drawn up with similar terms to LTI 2010.

For each Series B share acquired by the CEO within the framework of LTI 2011, LTI 2012 and LTI 2013, 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 243,024 shares in ASSA ABLOY AB, of which 65,918 shares were acquired in 2013 within the framework of LTI 2013.

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 2014, 2015 and 2016 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 2013 total 190,571. The total number of outstanding matching and performance-based stock options for LTI 2011, LTI 2012 and LTI 2013 amounted to 668,711 on the reporting date of 31 December 2013.

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 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. The equivalent value on the allotment date for LTI 2011 of 25 May 2011 was SEK 173.29.

Note 33 cont.

The total cost of the Group's four long-term incentive programs excluding social security costs amounted to SEK 34 M (27) in 2013. In April 2013 a redemption of LTI 2010 took place and 204,611 shares at a total market value of SEK 52 M 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 2013, 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					
	2012			2013		
	Total	of which women	of which men	Total	of which women	of which men
China	14,545	6,293	8,252	13,475	4,360	9,115
USA	5,915	1,870	4,045	6,851	2,047	4,804
France	2,259	696	1,563	2,143	651	1,492
Sweden	2,156	569	1,588	2,073	562	1,511
Germany	1,788	530	1,257	1,597	476	1,120
United Kingdom	1,594	532	1,062	1,553	502	1,051
Mexico	1,071	477	594	1,375	473	902
Czech Republic	1,188	583	605	1,172	565	607
Netherlands	1,050	176	873	1,009	169	840
Finland	924	316	607	890	300	590
Canada	645	157	488	826	202	624
Romania	684	265	419	816	300	516
Australia	754	221	533	764	209	556
South Korea	678	242	436	660	234	426
Malaysia	655	421	233	658	420	238
Italy	733	178	556	617	154	463
Norway	580	134	446	594	129	465
Spain	650	165	485	580	137	443
Belgium	468	114	354	477	118	360
Denmark	462	188	274	448	117	331
Israel	405	122	283	389	116	273
Brazil	356	92	264	382	107	275
South Africa	380	166	214	365	162	203
Switzerland	319	101	218	305	82	223
New Zealand	300	95	205	293	92	201
Colombia	290	41	249	259	52	207
Austria	217	47	171	200	38	162
Ireland	215	77	138	197	66	131
Poland	166	33	133	175	29	147
Chile	175	42	133	174	52	122
Hong Kong	132	57	75	134	56	78
Other	1,009	230	779	1,103	215	888
Total	42,762	15,229	27,533	42,556	13,192	29,364

	Parent company					
	2012			2013		
	Total	of which women	of which men	Total	of which women	of which men
Sweden	125	25	100	136	27	109
Total	125	25	100	136	27	109

Gender distribution of Board of Directors and Executive Team

	2012			2013		
	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	
	2012	2013
Non-current interest-bearing receivables	-29	-27
Short-term interest-bearing investments incl. positive market values of derivatives	-138	-343
Cash and bank balances	-907	-362
Pension provisions	2,297	2,015
Non-current interest-bearing liabilities	11,194	13,329
Current interest-bearing liabilities incl. negative market values of derivatives	3,388	4,983
Total	15,805	19,595
Equity	26,001	28,813
Net debt/equity ratio	0.61	0.68

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 2012				31 December 2013			
	<1 year	>1<2 years	>2<5 years	>5 years	<1 year	>1<2 years	>2<5 years	>5 years
Long-term bank loans	-9	-74	-538	-648	-20	-320	-600	-1,511
Long-term capital market loans	-351	-2,308	-4,764	-4,415	-2,408	-2,307	-5,858	-4,305
Short-term bank loans	-804	-	-	-	-1,254	-	-	-
Commercial papers and short-term capital market loans	-2,519	-	-	-	-3,662	-	-	-
Derivatives	-4,064	-348	-587	-504	-8,737	-579	-598	-54
Total by period	-7,747	-2,730	-5,889	-5,567	-16,080	-3,206	-7,056	-5,870
Cash and cash equivalents incl. interest-bearing receivables	1,045	-	-	-	704	-	-	-
Non-current interest-bearing receivables	29	-	-	-	27	-	-	-
Derivatives (inflow)	3,940	390	630	523	8,962	600	667	154
Deferred considerations	-2,705	-257	-144	-8	-273	-284	-380	-
Trade receivables	7,557	-	-	-	8,531	-	-	-
Trade payables	-3,883	-	-	-	-4,393	-	-	-
Net total	-1,764	-2,597	-5,403	-5,052	-2,522	-2,890	-6,769	-5,716
Confirmed credit facilities	9,957	-9,485	-	-	8,074	-	-8,074	-
Credit facilities maturing < 1 year	-472	-	-	-	-548	-	-	-
Adjusted maturity profile¹	7,722	-12,083	-5,403	-5,052	5,004	-2,890	-14,843	-5,716

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 not therefore found in the balance sheet.

Credit lines/facilities	Amount, SEK M	Maturity	Carrying amount, SEK M	Currency	Amount 2012	Amount 2013	Of which Parent company, SEK M
US Private Placement Program	522	May 2015	554 ¹	USD	80	80	
US Private Placement Program	492	Dec 2016	492	USD	76	76	
US Private Placement Program	326	Apr 2017	326	USD	50	50	
US Private Placement Program	326	May 2017	326	USD	50	50	
US Private Placement Program	796	Dec 2018	796	USD	122	122	
US Private Placement Program	163	Aug 2019	163	USD	25	25	
US Private Placement Program	456	May 2020	456	USD	70	70	
US Private Placement Program	326	Aug 2022	330 ¹	USD	0	50	
US Private Placement Program	652	Aug 2022	652	USD	150	100	
US Private Placement Program	489	Aug 2024	489	USD	75	75	
Multi-Currency RCF	8,074	Jun 2018	0	EUR	1,100	900	
Bank loan NIB	493	Dec 2019	493	EUR	0	55	
	493	Dec 2021	493	EUR	0	55	
Bank loan EIB	987	Jul 2018 ²	987	EUR	110	110	
Global MTN Program	13,457	Jan 2015	269	EUR	30	30	269
		Jul 2015	269	EUR	0	30	269
		Aug 2015	250	SEK	250	250	250
		Oct 2015	500	SEK	500	500	500
		Oct 2015	186	JPY	3,000	3,000	186
		Jun 2016	279 ¹	NOK	250	250	265
		Jun 2016	106	NOK	100	100	106
		Aug 2016	250	SEK	250	250	250
		Nov 2016	269	EUR	0	30	269
		Nov 2016	359	EUR	0	40	359
		May 2017	500	SEK	500	500	500
		Sep 2017	731	CHF	0	100	731
		Jun 2018	500	SEK	500	500	500
		Oct 2018	268	EUR	0	30	268
		Feb 2020	449	EUR	0	50	448
		Nov 2020	310 ¹	EUR	0	35	
		Dec 2020	262 ¹	EUR	30	30	267
		Nov 2023	163 ¹	USD	0	25	
		Mar 2025	263 ¹	EUR	0	30	269
		Feb 2027	269	EUR	30	30	269
Other long-term loans	320		320				
Total long-term loans/facilities	28,373		13,329				
Global MTN Program		Mar 2014	404	EUR	45	45	404
		Jun 2014	1,346	EUR	150	150	1,346
		Dec 2014	300	SEK	300	300	300
Global CP Program	6,521		163	USD	25	25	
			619	EUR	110	69	
Swedish CP Program	5,000		799	SEK	1,050	799	
Other bank loans	486		486				
Overdraft facility	1,179		760				
Total short-term loans/facilities	13,185		4,875				
Total loans/facilities	41,558		18,204				
Cash and bank balances			-362				
Short-term interest-bearing investments			-204				
Long-term interest-bearing investments			-27				
Market value of derivatives			-31				
Pensions			2,015				
Net debt			19,595				

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	Out-look	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 responsi-

ble 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. During the year, the maturity profile was extended through a number of capital market transac-

tions. The maturities are not concentrated to a particular date in the immediate future. The Group's Multi-Currency Revolving Credit Facility was renewed during the year. The amount was reduced from EUR 1,100 M to EUR 900 M as the lower amount is considered adequate to cover the Group's liquidity requirement. The new facility matures in 2018, which is taken into account when the refinancing requirement is assessed. This credit facility was wholly unused 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 698 M (698) is long-term, a GMTN program of SEK 8,506 M (5,392), of which SEK 6,457 M (5,392) 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 (0). The loan from the Nordic Investment Bank was raised in the last quarter of the year. During the year, nine new issues were made under the GMTN program for a total amount of around SEK 3,100 M. 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 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 1,580 M (2,152) 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 (1,100), which was wholly unused 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 profile. At year-end the average time to maturity for the Group's interest-bearing liabilities, excluding the pension provision, was 45 months (47).

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 204 M (24) at year-end. In addition, ASSA ABLOY has non-current interest-bearing receivables of SEK 27 M (29) and financial derivatives with a positive market value of SEK 138 M (114) 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 2013.

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

SEK M	Group		Parent company	
	2012	2013	2012	2013
Cash and bank balances	907	362	42	–
Short-term investments with maturity less than 3 months	–	–	–	–
Cash and cash equivalents	907	362	42	–
Short-term investments with maturity more than 3 months	24	204	–	–
Long-term interest-bearing receivables	29	27	–	–
Positive market value of derivatives	114	138	–	–
Total	1,074	731	42	–

Net debt by currency

SEK M	31 December 2012		31 December 2013	
	Net debt excluding currency swaps	Net debt including currency swaps	Net debt excluding currency swaps	Net debt including currency swaps
USD	6,069	6,987	5,894	10,370
EUR	5,470	5,038	8,551	5,165
SEK	3,588	2,136	4,008	2,238
AUD	30	650	27	608
DKK	16	250	34	195
CZK	19	226	25	343
CAD	30	212	49	261
KRW	171	171	195	195
Other	412	135	812	220
Total	15,805	15,805	19,595	19,595

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 2013. A downward change in the yield curve of one percentage point would reduce the Group's interest income by around SEK 1 M (8) and consolidated equity by SEK 1 M (6).

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. It analyses the Group's interest rate exposure and calculates the impact on income of changes in interest rates on a rolling 12-month basis. The Group strives for a mix of fixed rate and variable rate borrowings, and uses interest rate swaps to continuously adjust the fixed interest term. The financial policy stipulates that the average fixed interest term should normally be 24 months. At year-end, the average fixed interest term on gross debt, excluding pension liabilities, was around 21 months (34). An upward change in the yield curve of one percentage point would increase the Group's interest expense by around SEK 102 M (74) and reduce consolidated equity by SEK 76 M (56).

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	
	2012	2013
AUD	325	370
CAD	537	535
CNY	-1,094	-1,069
DKK	-144	266
EUR	1,049	702
GBP	459	591
RON	-199	-256
SEK	-822	-2,413
USD	-44	1,101

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	2012	2013
AUD	39	36
CAD	18	18
CNY	51	52
EUR	158	167
GBP	26	9
HKD	22	21
NOK	26	24
USD	234	233

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 87 percent (85) of the Group's sales were settled through cash pools in 2013. 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% 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	2012					2013				
	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	114	–	114	47	67	139	–	139	65	74
Financial liabilities	87	–	87	50	37	107	–	107	60	47

Netted financial assets and financial liabilities only consist of derivative instruments.

Outstanding derivative financial instruments at 31 December

Instrument, SEK M	31 December 2012			31 December 2013		
	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value	Nominal value
Foreign exchange forwards, funding	25	–34	2,688	77	–13	13,174
Interest rate swaps ¹	89	–49	4,059	62	–50	7,018
Forward Rate Agreements	0	–4	1,295	0	–45	1,319
Total	114	–87	8,042	139	–108	21,511

¹ For interest rate swaps, only one leg is included in nominal value.

Financial instruments: carrying amounts and fair values by measurement category

		2012		2013	
SEK M	IAS 39 category*	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Other shares and interests	3	4	4	4	4
Other financial assets	1	1,519	1,519	1,675	1,675
Trade receivables	1	7,557	7,557	8,531	8,531
Derivative instruments – hedge accounting	5	75	75	62	62
Derivative instruments – held for trading	2	39	39	77	77
Short-term investments	1	24	24	204	204
Cash and cash equivalents	1	907	907	362	362
Financial liabilities					
Long-term loans – hedge accounting	4	2,041	2,041	2,161	2,161
Long-term loans – not hedge accounting	4	9,153	9,543	11,168	11,330
Long-term loans, total		11,194	11,584	13,329	13,491
Short-term loans – hedge accounting	4	65	65	–	–
Short-term loans – not hedge accounting	4	3,235	3,235	4,875	4,875
Derivative instruments - hedge accounting	5	–	–	50	50
Derivative instruments – held for trading	2	87	87	58	58
Trade payables	4	3,883	3,883	4,393	4,393
Deferred considerations	2	3,114	3,114	937	937

* Applicable IAS 39 categories:

1 = Loan 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	2012				2013			
	Carrying amounts	Quoted prices	Observable data	Non-observable data	Carrying amounts	Quoted prices	Observable data	Non-observable data
Financial assets								
Derivative instruments	39	–	39	–	77	–	77	–
Financial liabilities								
Derivative instruments	87	–	87	–	108	–	108	–
Deferred considerations ¹	3,114	–	–	3,114	937	–	–	937

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.



Securing the venue for the 2014 APEC summit

Customer: In preparation for the 2014 APEC summit, the Chinese government is building an international conference and exhibition center, a boutique hotel and 12 VIP villas at Yanqi Lake, 50km northeast of downtown Beijing.

Challenge: As a very high-profile construction project, safety and security is of the utmost importance. The layouts of the villas are unique, adding to the complexity of designing an integrated hardware solution for the project. ASSA ABLOY specified ANSI products to ensure predictable performance, safety and security.

Solution: ASSA ABLOY supplied an ANSI product package that included 10,000 Yale hinges, 1,600 sets of Doormax locksets and 1,100 sets of Doormax door closers, 600 sets of Yale door concealed closers, 350 sets of exit devices and a 4-level master key system.

Digital door locks for new landmark buildings in Gwangyang City

Customer: Engineering and construction firm Daelim E&C is building two multipurpose residential-commercial buildings that will be the tallest in South Jeolla Province, South Korea. Both buildings will have three subterranean floors and 47 floors above ground, for a total floor area of 77,973m².

Challenge: Located in the prestigious Jung-dong residential area of Gwangyang City, the buildings will be earthquake-resistant and house 440 luxury apartments featuring every modern convenience. In keeping with the modern aesthetic of the buildings, Daelim E&C specified push-pull door locks and high-quality doors.

Solution: iRevo will supply 440 GATEMAN A110-FH push-pull digital door locks for use in this high-profile construction project. In selecting the GATEMAN A110-FH, the customer said the product exceeded their expectations due to its outstanding design and innovative features.



Comments on five years in summary

2009

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

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

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

2010

Organic growth was 3 percent, with Asia and South America reporting strong growth and North America showing good and increasing growth. Europe began the year well but growth gradually slowed. Continued investments in the marketing organization and the launch of new products strengthened the Group's market leadership. Acquired growth was 8 percent.

Operating income rose 12 percent and cash flow developed well during the year.

A total of 13 acquisitions were completed during the year, including Pan Pan (China), King Door Closers (South Korea), Actividentity (USA) and Paddock (UK). These acquisitions increase annual sales by SEK 2,880 M. An agreement was signed to acquire a majority shareholding in Cardo, a leading Swedish industrial door company.

2011

2011 was a successful year for ASSA ABLOY despite challenging market conditions and some slowdown in the second half of the year on mature markets. Organic growth was 4 percent, driven by continued investments in new products and the marketing organization. The year saw high acquisition activity in general, with 18 completed acquisitions, increasing sales by 17 percent. The acquisition of Crawford was the Group's largest ever structural transaction.

The year also saw two major disposals of acquired businesses, which were not considered to be a good fit with ASSA ABLOY in the long term.

A new restructuring program was launched during the year to further increase the Group's cost-efficiency. The previous programs have proved to be very successful, resulting in major savings and further increased efficiency in the production units.

Continued streamlining, a strengthened market position and the launch of innovative new products consolidated ASSA ABLOY's leading position and the Group is well positioned for long-term sustainable growth.

Operating income excluding restructuring costs increased 10 percent and cash flow remained strong. Earn-

ings 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. The transfer of production to low-cost countries continued, combined with conversion of plants from production to assembly and installation. 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.

Five years in summary

Amounts in SEK M unless stated otherwise	2009	2010	2011	2012	2013
Sales and income					
Sales	34,963 ⁴	36,823	41,786	46,619	48,481
Organic growth, %	-12	3	4	2	2
Acquired growth, %	3	8	17	9	4
Operating income before depreciation/amortization (EBITDA)	6,426 ¹	7,041	7,646 ¹	8,536	8,917 ¹
Depreciation and amortization	-1,014	-995	-1,022	-1,034	-993
Operating income (EBIT)	5,413 ¹	6,046	6,624 ¹	7,501	7,923 ¹
Income before tax (EBT)	3,740	5,366	4,559	6,784 ⁵	6,381
Net income	2,659	4,080	3,869	5,172 ⁵	4,775
Cash flow					
Cash flow from operating activities	5,924	5,729	5,347	5,990	6,224
Cash flow from investing activities	-1,835	-4,027	-7,357	-4,738	-6,030
Cash flow from financing activities	-3,741	-2,597	2,326	-1,564	-731
Cash flow	348	-895	316	-312	-537
Operating cash flow ³	6,843	6,285	6,080	7,044	6,803
Capital employed and financing					
Capital employed	30,382	31,385	37,942	41,422 ⁵	48,408
– of which goodwill	20,333	22,279	27,014	28,932	31,817
– of which other intangible and tangible assets	7,541	8,336	10,126	11,093	12,854
– of which investments in associates	39	37	1,211	1,519	1,675
Assets and liabilities of disposal group classified as held for sale	–	–	–	385	–
Net debt	11,048	10,564	14,207	15,805 ⁵	19,595
Non-controlling interest	162	169	208	183	0
Shareholders' equity, excluding non-controlling interest	19,172	20,652	23,527	25,819 ⁵	28,812
Data per share, SEK					
Earnings per share after tax and before dilution	7.18	11.07	10.45	13.97 ⁵	12.89
Earnings per share after tax and dilution (EPS)	9.22 ¹	10.89	12.30 ¹	13.97 ⁵	14.84 ¹
Shareholders' equity per share after dilution	54.76	58.64	65.54	69.86 ⁵	77.83
Dividend per share	3.60	4.00	4.50	5.10	5.70 ²
Price of Series B share at year-end	137.80	189.50	172.60	242.90	339.80
Key ratios					
Operating margin (EBITDA), %	18.4 ^{1,4}	19.1	18.3 ¹	18.3	18.4 ¹
Operating margin (EBIT), %	15.5 ^{1,4}	16.4	15.9 ¹	16.1	16.3 ¹
Profit margin (EBT), %	10.7	14.6	10.9	14.6 ⁵	13.2
Return on capital employed, %	13.1	18.5	13.6	18.1 ⁵	14.9
Return on capital employed excluding items affecting comparability, %	16.2	18.5	17.4	18.1 ⁵	17.1
Return on shareholders' equity, %	12.7	19.1	16.7	20.9 ⁵	17.5
Equity ratio, %	45.4	45.9	42.9	43.2 ⁵	43.8
Net debt/equity ratio, times	0.57	0.51	0.60	0.61 ⁵	0.68
Interest coverage ratio, times	7.2	10.1	8.8	11.1 ⁵	13.5
Interest on convertible debentures net after tax	31.9	9.9	10.5	3.9	–
Number of shares, thousands	365,918	366,177	368,250	370,859	370,859
Number of shares after dilution, thousands	372,931	372,736	371,213	370,859	370,859
Average number of employees	29,375	37,279	41,070	42,762	42,556

¹ Excluding items affecting comparability in 2009, 2011 and 2013.

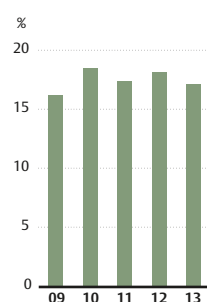
² For 2013, as proposed by the Board of Directors.

³ Excluding restructuring payments

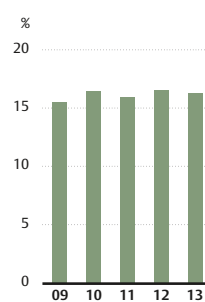
⁴ Reclassification has been made for 2009. The Group has made a reclassification that affects direct distribution costs and depreciation on capitalized product development expenditure. The reason is to give a true and fair view of the allocation between direct and indirect costs as well as of product development expenses. In order to maintain comparability, the financial statements for 2009 have been adjusted. The reclassification involves the transfer of direct distribution costs from selling expenses and administrative expenses, and where appropriate from sales, to cost of goods sold. In addition, depreciation on product development has been moved from cost of goods sold to selling expenses and administrative expenses. Both these adjustments affect gross income. Operating income is not affected.

⁵ 2012 has been adjusted due to a change in accounting principles for defined benefit pension plans.

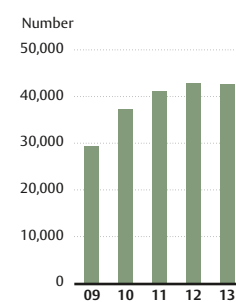
RETURN ON CAPITAL EMPLOYED¹



OPERATING MARGIN (EBIT)¹



AVERAGE NUMBER OF EMPLOYEES



¹ Excluding items affecting comparability 2009, 2011 and 2013.

Quarterly information

THE GROUP IN SUMMARY Amounts in SEK M unless stated otherwise	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Full year 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Full year 2013
Sales	10,839	11,997	11,545	12,239	46,619	10,868	12,239	12,131	13,242	48,481
Organic growth	3%	3%	1%	0%	2%	-1%	3%	3%	4%	2%
Gross income excluding items affecting comparability	4,307	4,687	4,603	4,832	18,429	4,358	4,786	4,839	5,176	19,159
Gross income/ Sales	39.7%	39.1%	39.9%	39.5%	39.5%	40.1%	39.1%	39.9%	39.1%	39.5%
Operating income before depreciation (EBITDA) excluding items affecting comparability	1,929	2,157	2,183	2,268	8,536	1,911	2,226	2,339	2,440	8,917
Operating margin (EBITDA)	17.8%	18.0%	18.9%	18.5%	18.3%	17.6%	18.2%	19.3%	18.4%	18.4%
Depreciation and amortization	-274	-272	-251	-238	-1,034	-250	-256	-249	-238	-993
Operating income (EBIT) excluding items affecting comparability	1,655	1,885	1,932	2,030	7,501	1,662	1,970	2,090	2,202	7,923
Operating margin (EBIT)	15.3%	15.7%	16.7%	16.6%	16.1%	15.3%	16.1%	17.2	16.6%	16.3%
Items affecting comparability ¹	-	-	-	-	-	-	-	-	-1,000	-1,000
Operating income (EBIT)	1,655	1,885	1,932	2,030	7,501	1,662	1,970	2,090	1,202	6,924
Net financial items ⁴	-165	-192	-166	-193	-717	-129	-138	-124	-152	-542
Income before tax (EBT)⁴	1,490	1,692	1,766	1,836	6,784	1,533	1,832	1,966	1,050	6,381
Profit margin (EBT) ⁴	13.7%	14.1%	15.3%	15.0%	14.6%	14.1%	15.0%	16.2%	7.9%	13.2%
Tax ⁴	-344	-390	-458	-431	-1,623	-383	-458	-492	-262	-1,595
Net income of disposal group classified as held for sale and discontinued operations	-	4	7	-	11	-11	-	-	-	-11
Net income⁴	1,146	1,306	1,316	1,405	5,172	1,138	1,374	1,474	788	4,775
Allocation of net income:										
Parent company shareholders ⁴	1,144	1,303	1,307	1,405	5,158	1,138	1,372	1,474	788	4,772
Non-controlling interests	2	2	9	1	14	1	2	0	0	2

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Full year 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Full year 2013
OPERATING CASH FLOW										
Operating income (EBIT)	1,655	1,885	1,932	2,030	7,501	1,662	1,970	2,090	1,202	6,924
Restructuring costs	-	-	-	-	-	-	-	-	1,000	1,000
Depreciation and amortization	274	272	251	238	1,034	250	256	249	238	993
Net capital expenditure	-183	-165	-265	57	-557	-228	-233	-280	-461	-1,202
Change in working capital	-1,155	-299	266	1,112	-77	-1,110	-234	232	615	-497
Interest paid and received	-112	-180	-100	-154	-546	-73	-165	-53	-139	-431
Non-cash items	4	-77	-116	-123	-312	-2	-6	-63	86	17
Operating cashflow²	483	1,435	1,967	3,160	7,044	498	1,589	2,175	2,541	6,803
Operating cash flow / Income before tax ⁴	0.32	0.85	1.11	1.72	1.04	0.33	0.87	1.11	1.24 ³	0.92 ³

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Full year 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Full year 2013
CHANGE IN NET DEBT										
Net debt at start of period ⁴	15,299	16,833	19,071	17,559	15,299	15,805	15,364	16,628	17,356	15,805
Operating cash flow	-483	-1,435	-1,967	-3,160	-7,044	-498	-1,589	-2,175	-2,541	-6,803
Restructuring payments	92	86	118	202	498	190	109	118	230	647
Tax paid	360	341	173	239	1,113	357	353	154	271	1,134
Acquisitions/Disposals	1,489	1,221	452	1,019	4,181	-104	385	2,545	3,957	6,784
Dividend	-	1,655	27	-	1,683	-	1,888	89	29	2,007
Purchase of treasury shares	-	38	-	-	38	-	-	-	-	-
Remeasurement of net pension obligations	-8	-16	-18	23	-19	-300	-148	80	7	-361
Share issue	-	-450	-	-	-450	-	-	-	-	-
Cash and cash equivalents of disposal group classified as held for sale	-	324	59	7	390	-	-	-	-	-
Exchange rate differences and other	83	474	-356	-84	118	-86	265	-83	286	382
Net debt at end of period⁴	16,833	19,071	17,559	15,805	15,805	15,364	16,628	17,356	19,595	19,595
Net debt / equity ratio ⁴	0.71	0.79	0.72	0.61	0.61	0.57	0.62	0.63	0.68	0.68

	Q1 2012	Q2 2012	Q3 2012	Q4 2012		Q1 2013	Q2 2013	Q3 2013	Q4 2013
NET DEBT									
Non-current interest-bearing receivables	-32	-33	-30	-29		-29	-24	-27	-27
Current interest-bearing investments including derivatives	-202	-256	-211	-138		-375	-384	-339	-342
Cash and bank balances	-1,208	-1,143	-971	-907		-870	-940	-619	-362
Pension provisions ⁴	2,298	2,305	2,264	2,297		1,972	1,908	1,941	2,015
Other non-current interest-bearing liabilities	8,153	8,726	10,028	11,194		12,265	11,262	11,045	13,329
Current interest-bearing liabilities including derivatives	7,824	9,472	6,479	3,388		2,401	4,806	5,356	4,983
Total⁴	16,833	19,071	17,559	15,805		15,364	16,628	17,356	19,595

CAPITAL EMPLOYED AND FINANCING	Q1 2012	Q2 2012	Q3 2012	Q4 2012		Q1 2013	Q2 2013	Q3 2013	Q4 2013
Capital employed ⁴	40,546	42,950	41,626	41,422		42,170	43,433	44,884	48,408
– of which goodwill	27,824	29,924	28,635	28,932		28,742	29,446	28,841	31,817
– of which other intangible and tangible assets	10,436	10,599	10,917	11,093		10,937	11,302	11,094	12,854
– of which investments in associates	1,206	1,231	1,444	1,519		1,466	1,532	1,613	1,675
Assets and liabilities of disposal group held for sale	–	396	382	385		–	–	–	–
Net debt ⁴	16,833	19,071	17,559	15,805		15,364	16,628	17,356	19,595
Non-controlling interests	214	211	183	183		68	0	0	0
Shareholders' equity, excluding non-controlling interests ⁴	23,499	24,064	24,266	25,819		26,738	26,805	27,527	28,812

DATA PER SHARE, SEK	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Full year 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Full year 2013
Earnings per share after tax and before dilution ⁴	3.11	3.54	3.53	3.79	13.97	3.07	3.71	3.98	2.13	12.89
Earnings per share after tax and dilution ⁴	3.11	3.54	3.53	3.79	13.97	3.07	3.71	3.98	2.13	12.89
Earnings per share after tax and dilution excluding items affecting comparability ^{1,4}	3.11	3.54	3.53	3.79	13.97	3.07	3.71	3.98	4.08	14.84
Shareholders' equity per share after dilution ⁴	66.25	65.28	65.48	69.65	69.86	72.21	72.39	74.35	77.83	77.83

NUMBER OF SHARES	Mar 2012	Jun 2012	Sep 2012	Dec 2012	Full year 2012	Mar 2013	Jun 2013	Sep 2013	Dec 2013	Full year 2013
Number of shares before dilution, thousands	368,250	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	368,057	368,352	369,155	369,592	369,592	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.

⁴ 2012 has been adjusted due to a change in accounting principles for defined benefit pension plans.

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, plus interest expenses after tax for convertible debentures, as a percentage of average shareholders' equity (excluding non-controlling interests) after dilution.

Return on capital employed

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

Earnings per share after tax and before dilution

Net income excluding non-controlling interests divided by weighted average number of shares before dilution.

Earnings per share after tax and dilution

Net income excluding non-controlling interests, plus interest expenses after tax for convertible debentures, divided by weighted average number of shares after dilution.

Shareholders' equity per share after dilution

Equity excluding non-controlling interests, plus convertible debentures, divided by number of shares after 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 4,195 M
Net income for the year: SEK 2,731 M
TOTAL: SEK 7,714 M

The Board of Directors and the President and CEO propose that a dividend of SEK 5.70 per share, a total of SEK 2,110 M, be distributed to shareholders and that the remainder, SEK 5,603 M, be carried forward to the new financial year. The dividend amount is calculated on the number of outstanding shares as per 6 February 2014.

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 6 February 2014.

Monday, 12 May 2014 has been proposed as the record date for dividends. If the Annual General Meeting confirms this proposal, dividends are expected to be distributed by Euroclear Sweden AB on Thursday, 15 May 2014.

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, 6 February 2014

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

Kurt Hellström
Employee representative

Mats Persson
Employee representative

Our audit report was issued on 6 February 2014

PricewaterhouseCoopers AB

Bo Karlsson
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 2013. 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 2013 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 2013 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 2013.

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, 6 February 2014

PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant

The ASSA ABLOY share

Share price trend in 2013

In 2013 NASDAQ OMX Stockholm showed a positive trend and closed up 23.2 percent following a strong end to the year. ASSA ABLOY's Series B share rose 39.9 percent from SEK 242.90 to SEK 339.80. The highest closing price during the year was SEK 342.20 recorded on 27 December, while the lowest closing price was SEK 238.00 recorded on 19 August.

At year-end, market capitalization amounted to SEK 125,814 M (90,082), calculated on both Series A and Series B shares.

Listing and trading

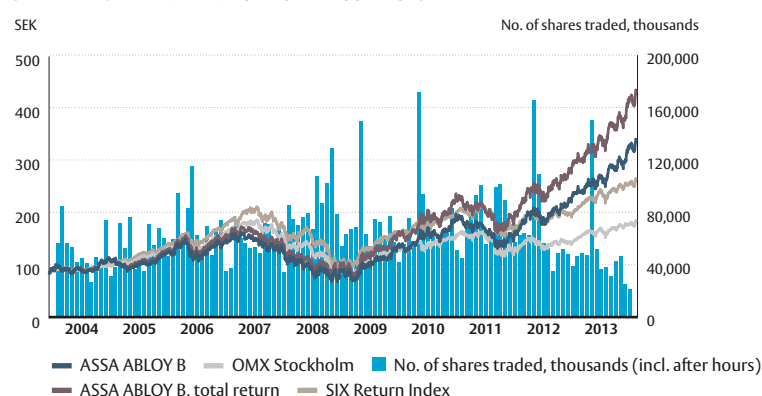
ASSA ABLOY's Series B share has been listed on NASDAQ OMX Stockholm, Large Cap since 8 November 1994. Total turnover of the Series B share on all markets amounted to 585 million shares (797) in 2013, equivalent to a turnover rate of 158 percent (215). Turnover of the Series B share on NASDAQ OMX Stockholm amounted to 202 million shares

(271), equivalent to a turnover rate of 55 percent (73). The average turnover rate fell to 67 percent (74) on NASDAQ OMX Stockholm, and to 68 percent (77) on the Large Cap list.

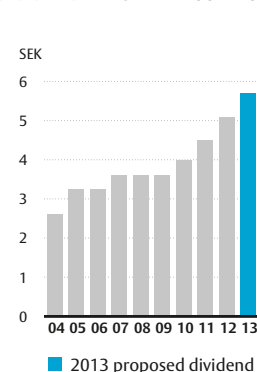
The implementation of the EU's Markets in Financial Instruments Directive (MiFID) in late 2007 has totally changed the structure of equity trading in Europe. Share trading now takes place on both regulated markets and other trading platforms, and has thus become more fragmented. Consequently, an ever-increasing proportion of trading in shares in Swedish companies now takes place on markets other than NASDAQ OMX Stockholm.

In 2013 the ASSA ABLOY share was traded on more than 10 different markets, with trading on NASDAQ OMX 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.

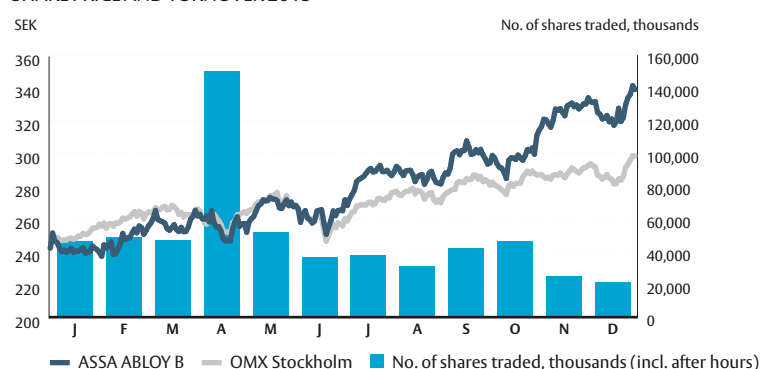
SHARE PRICE TREND AND TURNOVER 2004–2013



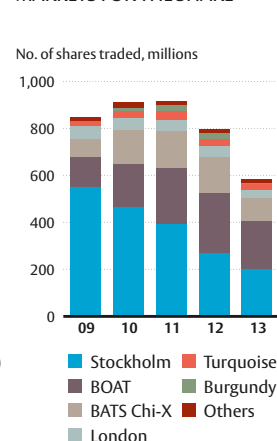
DIVIDEND PER SHARE 2004–2013



SHARE PRICE AND TURNOVER 2013



MARKETS FOR THE SHARE



Data per share

SEK/share ¹	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Earnings after tax and dilution	6.33	6.97	7.99 ²	9.02	9.21 ²	9.22 ²	10.89	12.30 ²	13.97	14.84 ²
Dividend	2.60	3.25	3.25	3.60	3.60	3.60	4.00	4.50	5.10	5.70 ³
Dividend yield, % ⁴	2.3	2.6	2.2	2.8	4.1	2.6	2.1	2.6	2.1	1.7
Dividend, % ⁵	42.0	47.6	64.0	40.5	52.3	47.8	37.0	36.6	36.5	38.4
Share price at year-end	113.50	125.00	149.00	129.75	88.50	137.80	189.50	172.60	242.90	339.80
Highest share price	113.50	126.00	151.00	164.00	126.00	142.50	199.20	194.90	244.80	342.20
Lowest share price	84.00	89.25	109.00	124.50	69.75	71.50	126.60	133.50	171.70	238.00
Equity	34.74	42.85	39.13	46.76	55.91	54.76	58.64	65.54	69.86	77.83
Number of shares, thousands ⁶	378,718	378,718	376,033	380,713	380,713	372,931	372,736	371,213	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 17,199 (17,591) and the ten largest shareholders accounted for around 37 percent (38) of the share capital and 57 percent (58) of the votes. Shareholders with more than 50,000 shares, a total of 379 shareholders, accounted for 96 percent

(95) of the share capital and 97 percent (98) of the votes.

Investors outside Sweden accounted for around 67 percent (68) of the share capital and around 46 percent (46) of the votes, and were mainly in the USA and the United Kingdom.

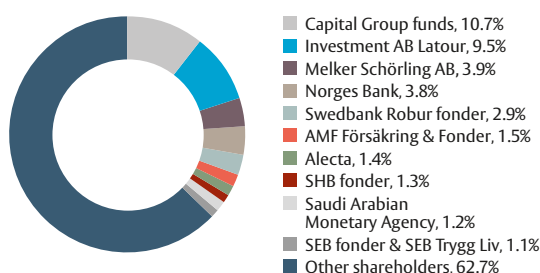
ASSA ABLOY's ten largest shareholders

Based on the share register at 30 December 2013.

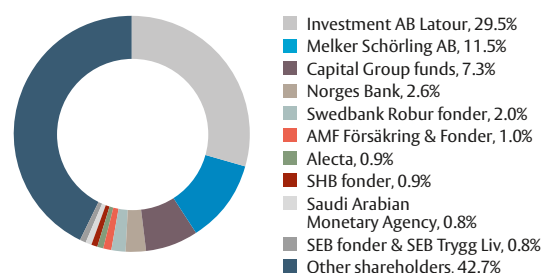
Shareholders	Series A shares	Series B shares	Total number of shares	Share capital, %	Votes, %
Investment AB Latour	13,865,243	21,300,000	35,165,243	9.50	29.50
Melker Schörling AB	5,310,080	9,162,136	14,472,216	3.90	11.50
Capital Group funds		39,704,009	39,704,009	10.70	7.30
Norges Bank		13,960,644	13,960,644	3.80	2.60
Swedbank Robur fonder		10,830,478	10,830,478	2.90	2.00
AMF Försäkring & Fonder		5,516,500	5,516,500	1.50	1.00
Alecta		5,140,000	5,140,000	1.40	0.90
SHB fonder		4,861,511	4,861,511	1.30	0.90
Saudi Arabian Monetary Agency		4,501,804	4,501,804	1.20	0.80
SEB fonder & SEB Trygg Liv		4,238,547	4,238,547	1.10	0.80
Other shareholders		232,467,826	232,467,826	62.70	42.70
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 adapt the company's capital structure thereby contributing to increased shareholder value, to be able to exploit acquisition opportunities by fully or partly financing company acquisitions with its own shares, and to secure the company's long-term incentive programs (LTI). The 2013 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, to secure the company's obligations in connection with the company's long-term incentive programs (LTI). 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 (103).

No shares were repurchased in 2013.

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 5.70 per share (5.10) be paid to shareholders for the 2013 financial year, equivalent to a dividend yield on the Series B share of 1.7 percent (2.1).

In 2013 the total return on the ASSA ABLOY share, defined as market price movement plus reinvested dividends, was 43 percent, compared with the total return SIX Return Index, which was up 28 percent. Over the 10-year period 2004–2013, the total return on the share was 409 percent, compared with a 212 percent rise in the SIX Return Index and a 118 percent rise in OMX Stockholm.

The ASSA ABLOY share

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		349,075,055	368,250,378
2012	Converted debentures	19,175,323		351,683,455	370,858,778
2013	Number of shares after dilution	19,175,323		351,683,455	370,858,778

Analysts who cover ASSA ABLOY

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Information for shareholders

Annual General Meeting

The Annual General Meeting of ASSA ABLOY will be held at Moderna Museet (Museum of Modern Art), Skeppsholmen, Stockholm at 15.00 on Wednesday, 7 May 2014. Shareholders wishing to attend the Annual General Meeting should:

- Be registered in the share register kept by Euroclear Sweden AB by Wednesday, 30 April 2014.
- Notify ASSA ABLOY AB of their intention to attend by Wednesday, 30 April 2014.

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 Wednesday, 30 April 2014, the shareholder should contact his/her bank or nominee well in advance of this date.

Notification of intention of 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 connecting with the notification of intention to attend 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 2014 Annual General Meeting comprises Gustaf Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur fonder) and Johan Strandberg (SEB fonder/SEB Trygg Liv). Gustaf Douglas is Chairman of the Nomination Committee.

Dividend

Monday, 12 May 2014 has been proposed as the record date for dividends. If the Annual General Meeting approves the proposal, dividends are expected to be distributed by Euroclear Sweden AB on Thursday, 15 May 2014.

Further information

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Reports can be ordered from ASSA ABLOY AB

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- Telephone +46 (0)8 506 485 00
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Financial reporting

First quarter: 29 April 2014
Second quarter: 18 July 2014
Third quarter: 23 October 2014
Fourth quarter and Year-end report: February 2015
Annual Report 2014: March 2015

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

ASSA ABLOY

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» Future shareholder value is based on organic and acquired growth and a continuing process of rationalization and synergies across the Group «

Johan Molin, President and CEO