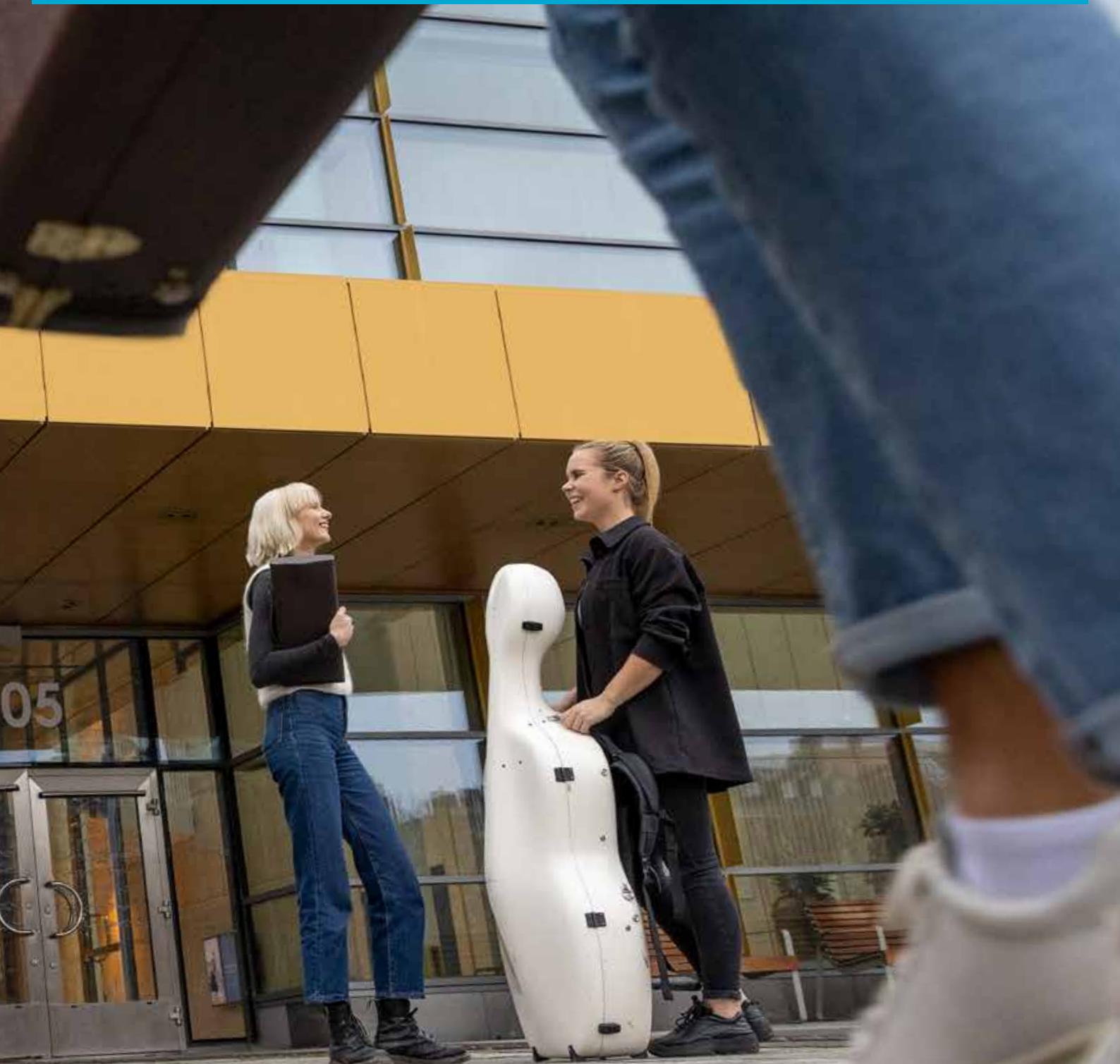


# Annual Report 2020

ASSA ABLOY

Experience a safer  
and more open world



A more open world

# Experience a safer and more open world

ASSA ABLOY is part of people's everyday life all over the world. Our products and solutions are found in homes, at workplaces and schools, when you shop or travel. Some products are very visible – like keys, locks and doors – while others are embedded in solutions like e-passports and identity solutions. What they all have in common is creating a safer and more open world.



## Who we are

We are the global leader in access solutions. We are 48,000 employees in more than 70 countries around the world. *Read more on page 6.*



## How we create value

In an ever-changing world, we develop new products and solutions so that people feel safe and secure and experience a more open world.  
*Read more on page 8.*



## How we operate

Our strategic objectives are growth through customer relevance, product leadership through innovation, cost-efficiency in everything we do and evolution through people. They lead the way in how we do business every day.  
*Read more on page 14.*



## What we offer

We offer products and services related to openings: locks, doors, gates and entrance automation solutions. We are also experts in trusted identities: keys, cards, tags, mobile and biometric identity verification systems. *Read more on page 30.*



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The annual accounts and consolidated accounts of the company are included on pages 40–94 and 98 in this document.

## Our strategy serves us well

Thanks to the strong individual efforts of our employees, through significant cost measures and strong operational execution, we were able to limit the negative sales effects from the pandemic, protect the profitability and generate strong operational cash flow.

[Read more on pages 6–7.](#)



## Strategic activities 2020

We work with a number of business priorities that support our strategic objectives. A combination of short- and long-term actions were implemented to address the impact from the Covid-19 pandemic. We also launched a new five-year sustainability program and committed to science-based targets.

[Read more on page 14–15.](#)



## ASSA ABLOY as an investment

We have a global leading position in an industry with many strong fundamental growth drivers.

[Read more on page 104.](#)



# The year in brief



In a difficult environment we have executed well and continued to invest in product innovation. We have launched many new products and solutions to support our customers' demands for touch-free access solutions.

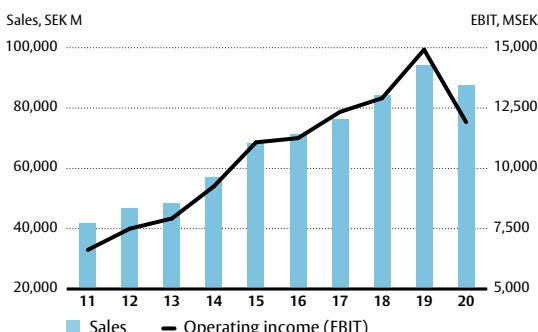
- Sales decreased by 7% to SEK 87,649 M (94,029) due to the negative effects from the outbreak of the Covid-19 pandemic and exchange rates.
- Twelve acquisitions were completed, contributing to net acquired growth of 4% for the year.
- Operating income was negatively affected by Covid-19, while cash flow was strong. Operating margin excluding items affecting comparability was 13.6% (15.9).
- Investments in product development continued at a fast pace. 25% (27) of sales were generated by products launched during the last three years.

	2019	2020	Change
Sales, SEK M	94,029	87,649	-7%
of which: Organic growth, %	3	-8	
of which: Acquired growth, net total, %	3	4	
of which: Exchange rate effects, %	6	-3	
Operating income (EBIT), MSEK <sup>1</sup>	14,920	11,916	-20%
Operating margin, % <sup>1</sup>	15.9	13.6	
Income before tax (EBT), SEK M <sup>1</sup>	13,883	11,133	-20%
Operating cash flow, SEK M	14,442	14,560	+1%
Return on capital employed	17.0	13.0	
Dividend, SEK/share <sup>2</sup>	3.85	3.90	1%

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

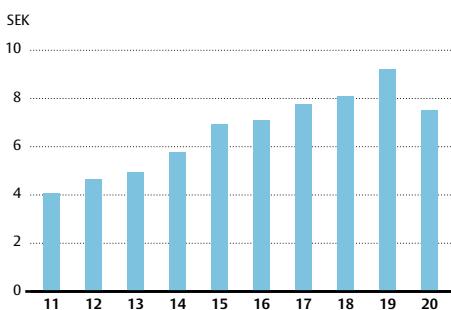
<sup>2</sup> As proposed by the Board of Directors.

## Sales and operating income (EBIT)<sup>1</sup>



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

## Earnings per share<sup>1,2</sup>



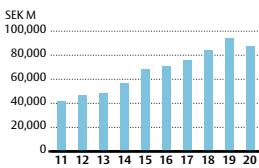
<sup>1</sup> Earnings per share has been restated due to the 3:1 share split in 2015.

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

## Over a business cycle

### 10%

Annual growth through a combination of organic and acquired growth



Due to the effects from the pandemic, total sales declined 7%. The organic growth was -8%, while the completion of agta record contributed to an net acquired growth of 4%. During the last ten years, our average annual growth was more than 9% when excluding the year of the pandemic.

### 16–17%

Operating margin<sup>1</sup>

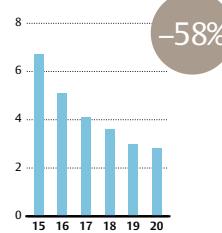


The adjusted operating margin was 13.6% in 2020. Covid-19 had a significant negative effect on the profitability, but the margin recovered strongly in the second half of the year. During the last ten years, prior to the pandemic, our operating margin has been more than 16% in most years.

## Target 2020 vs. 2015

### -55%

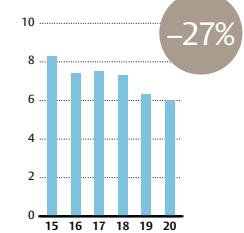
Injury rate



The injury rate was down 7% and is down 58% since 2015. We have worked structurally throughout the organization and in particular targeted entities that have had higher incidents. This work has resulted in significant improvements.

### -20%

Greenhouse gas intensity, energy



Our greenhouse gas intensity related to the Group's energy consumption decreased by 5% and is down 27% since 2015, exceeding our target by 7 points. This has been achieved through improvements in efficiency and industrial processes. Read more about our new five-year sustainability targets on page 15.

## Goals and outcomes

The financial and sustainability targets have been set at challenging but achievable levels. The financial targets have been set to balance growth with a return level that will bring substantial value creation. During the past ten years, prior to the pandemic, we grew by more than 9% annually with an adjusted operating margin of more than 16%. The sustainability targets were set in 2015 and by 2020 we exceeded most targets. New targets have been set for 2025. Read more on page 15 and in the Sustainability report.

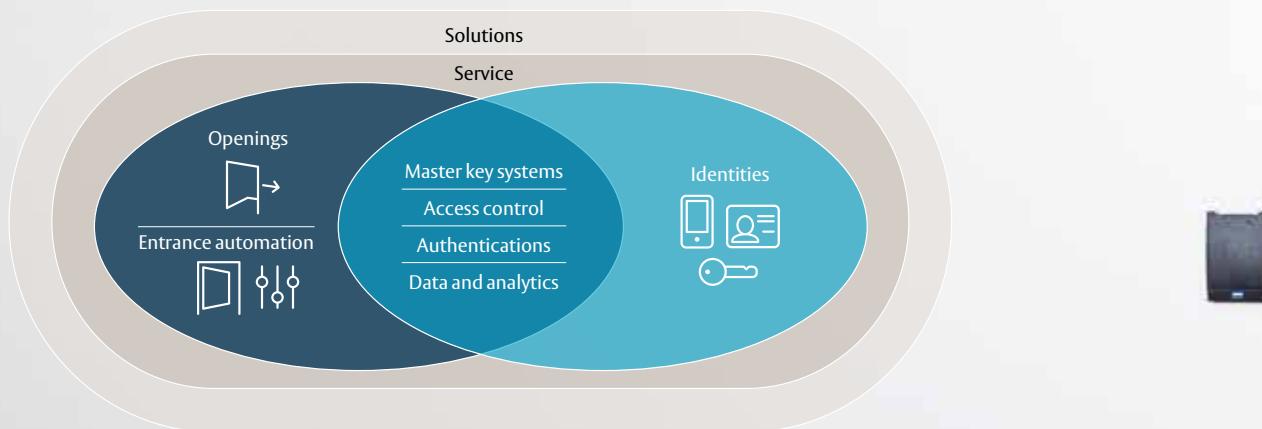


# The global leader in access solutions

The ASSA ABLOY Group is the global leader in access solutions. Every day, we help billions of people to experience a more open world with innovative solutions that enable safe, secure and convenient access to physical and digital places.

## Access solutions for every need

Our offering covers products and services related to openings; such as locks, doors, gates and entrance automation solutions. We are also experts in trusted identities; with keys, cards, tags, mobile and biometric identity verification systems. Our offerings are delivered both separately and together – as full-service access solutions.



## A decentralized organization

Our local presence enables us to quickly deliver and respond to customer enquiries with the local business units innovating, and optimizing resources and products according to the local conditions and demand. At more centralized production sites, we produce components that can be used in many markets to realize scale advantages. 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. The global divisions manufacture and sell electronic access control, identification products and entrance automation. Read more on page 28–37.



## Strong brands

Our brands play an important role in creating trust, loyalty and differentiation. We use a combination of master, endorsed and standalone brands to reach all our audiences. ASSA ABLOY is our employer brand and main commercial brand, HID covers secure identities and access management, and Yale covers residential products and services.

**ASSA ABLOY**

Group brand and employer brand

**ASSA ABLOY**

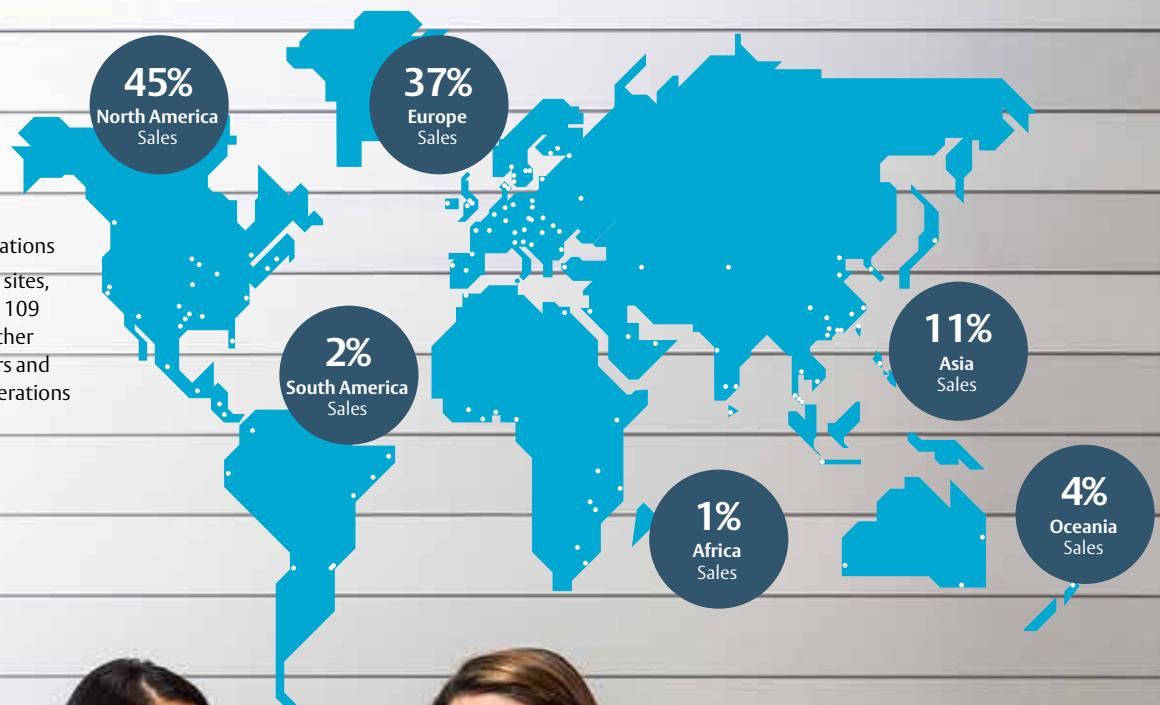


Master brands

## Global presence

- Country sites and larger locations

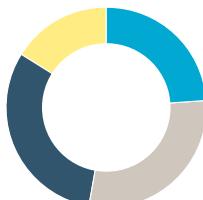
In total, we have about 900 sites, whereof 101 R&D sites and 109 production facilities. The other sites are distribution centers and offices. ASSA ABLOY has operations in more than 70 countries.



## Electromechanical on the rise

The Group sees fast-growing demand for electromechanical products, as well as electronic and digital solutions. Since 2010 these have increased from 25% to 31% of Group sales. Mechanical products continue to grow, but electromechanical products are growing considerably faster.

### Sales by product group



- Mechanical locks, lock systems and fittings, 24%
- Entrance automation, 29%
- Electromechanical and electronic locks, 31%
- Security doors and hardware, 16%

## Together we create access

**48,000**

employees

**70**

countries

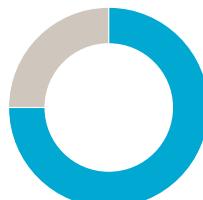
**6%**

of our employees  
work in R&D

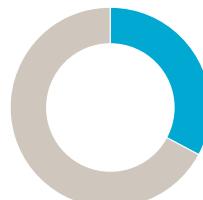
**9,000**

patents

### Customer split



### New construction/Aftermarket



- New construction, 33%
- Aftermarket, 67%

# Our strategy served us well in a challenging year

We have put a year behind us that due to the outbreak of Covid-19 affected most of our daily lives in one way or the other. For ASSA ABLOY, the pandemic resulted in the most challenging operational situation in our history and impacted our financial performance strongly, particularly in the first half of the year. After implementing significant actions, while continuing our investments in product development, the financial performance improved. Thanks to the strong individual efforts of our employees, through significant cost measures and strong operational execution, we were able to limit the negative sales effects from the pandemic, protect the profitability and generate strong operational cash flows.

**MSEK  
600**

efficiency savings  
from manufacturing  
program

**MSEK  
87,649**

total sales

**MSEK  
11,916**

operating result

Due to the outbreak of the Covid-19 pandemic, total sales decreased by 7% to SEK 87,649 M, the organic growth decreased by 8%, net acquired growth was 4% and we had a negative currency effect of 3%. Covid-19 had a significant impact throughout the year and the organic sales decline was the strongest during the second quarter when more than half of the world's population was subject to lockdown measures and one third of our production sites were temporarily closed. Compared to previous recessions, this crisis has been different for ASSA ABLOY. Initially, the pandemic affected our supply chain out of China and local demand in China. From March onwards global demand was strongly affected. As this crisis was about trust, installers, service technicians and channel partners were in many instances prevented from visiting customers due to government restrictions and fear of the virus. When societies gradually opened up, the aftermarket improved and construction sites were restarted.

## Divisional development

Entrance Systems division was least impacted by the lockdowns as our sales to distribution centers and warehouse customers increased due to the rapidly growing global e-commerce trend. Global Technologies was, on the other hand, more negatively affected due to lower travel activities and lower demand in the office segment. Our regional divisions were also significantly impacted by the lockdowns, but the magnitude differed between markets. In APAC, it is encouraging to see that our new strategy for China is making good progress and is translating into an improved financial result.

We continued with our successful acquisition strategy and during the year we welcomed 12 businesses into the ASSA ABLOY family. We also finalized the acquisition of agta record, which complements our offering within the Pedestrian business segment in Entrance Systems.

Our operating result was SEK 11,916 M corresponding to an operating margin of 13.6%. The margin was lower in the first half of the year, but was close to our target in the latter part of the year. This was achieved by implementing significant cost measures that reduced our SG&A and conversion costs in a very important way. We also launched our next Manufacturing Footprint Program (MFP8) and booked SEK 1,366 M in additional restructuring costs. This program will improve our operating efficiency, strengthen our competitiveness and will reduce the annual costs by approximately SEK 1.0 bn when fully implemented.

Operating cash flow was very strong at SEK 14,560 M, thanks to good improvements in working capital. This resulted in a cash conversion rate of 131%.

## Our strategy guided our actions

While the pandemic led to an extraordinary situation, our four strategic objectives have guided us through the crisis. Our decentralized organization where decision making is close to the customer, empowered the people in the local organizations to act in a swift and agile manner based on local market conditions. The actions implemented in the first half year were wider and deeper than ever before. We also developed new ways of working in many parts of the Group, respecting social distancing measures and focusing on the health and wellbeing of our employees. I am very proud of this execution.

From the beginning of the crisis we introduced short-term work and made temporary and permanent layoffs, that unfortunately impacted more than 20% of our workforce. We further reduced costs by renegotiating consultancy contracts and by lowering travel and other discretionary spending. These cost actions were critical in protecting our profitability.

We continued to invest in product innovation, specialized sales and service offerings. For example, a number of touch-free access solutions and products were introduced to the market. We also launched a new scalable commercial digital security ecosystem named Incedo, that connects different access hardware on the same software platform. In the residential market we extended our wide offering with several new digital door locks. In total, 25% of our sales was generated by products launched in the last three years and we introduced more than 400 new products to the market in 2020. This demonstrates that effective innovation is an enabler for our future growth.

We further rolled out our Group values and strengthened our common culture. In line with our ambition we also increased the number of internal recruitments and promotions significantly. These initiatives facilitate our continuation as a successful company. Even while working from home, we further increased collaboration across the Group through various digital platforms. This will continue to improve our productivity also post Covid-19 in many parts of our business.

## Increased sustainability ambition level

In 2020 we reached the end of our current five-year sustainability program where we set a number of ambitious targets. These have focused on improving employees' safety, energy,



water and materials efficiency, while reducing waste generated. I am pleased to report that we exceeded most of the targets, including the reduction of our injury rate with 58% and our carbon emission intensity from industrial production by 99% compared to 2015.

Sustainability will be vital to economic and industrial development in the coming decades. Our stakeholders' expectations in relation to sustainability is increasing constantly. To ensure that we maintain our long-term competitiveness, we decided to raise our ambition level. We have set new ambitious targets for 2025 under a new five-year sustainability program. Additionally, we decided to commit to science-based targets, which demonstrates our willingness to lead the industry also in this field. We will achieve these targets through efficiency investments in our operations and supply chain and this will be enabled by technology improvements. Our efforts in this field will also lead to development of more sustainable products and solutions. Our strategic objectives are well aligned with our higher sustainability ambitions and will guide us on this journey.

#### **Our financial targets remain intact**

ASSA ABLOY is part of an attractive industry with strong positive long-term drivers. Even though Covid-19 impacted our industry to a greater extent than previous downturns,

we do not expect that any of the fundamental drivers of our industry will change. On the contrary, our products and solutions will be even more relevant as they can continue to help people experience a more open and secure world. With our innovative solutions we enable safe, secure and convenient access to physical and digital places.

We therefore reconfirm our long-term financial targets of 10% annual growth over a business cycle with an operating margin of 16–17%.

Finally, I would like to thank all our employees who have contributed and 'together we' have built a stronger Group. In addition, I would like to thank all our customers, partners and shareholders for their trust and loyalty to ASSA ABLOY. Many will remember 2020 as a challenging year where most of us had to change our way of living. It has not been easy, but our fast response and implemented measures have ensured that we will come out of this as a stronger Group, well positioned to continue to lead the industry for sustainable access solutions.

Stockholm, 5 February 2021.

Thank you!

**Nico Delvaux**  
President and CEO



**Sustainability will be vital to economic and industrial development in the coming decades. We decided to commit to science-based targets, which demonstrates our willingness to lead the industry also in this field.**



# Fundamental needs drive our industry

A person's basic need to be safe and secure is one of humanity's most fundamental needs and this has been driving our industry for hundreds of years. Convenient and secure access solutions combined with increased focus on energy efficiency in buildings will drive growth in our industry for the foreseeable future. The Covid-19 pandemic caused a slowdown around the world in 2020, but industry trends and megatrends are expected to continue to support long-term growth which we at ASSA ABLOY are well positioned to take part of.



The access solution industry is an ever-evolving industry that today has a global value of above USD 100 billion annually.

## Market overview

The access solution industry is an ever-evolving industry that today has a global value of above USD 100 billion annually. It has a history of stable growth, driven by the development of more secure, innovative access solutions with increased focus on convenience and ways of improving the sustainability performance of buildings.

Through continuous evolution, local standards have emerged, driven by local needs and lock companies. As a result, the market for access solutions is very fragmented, particularly in emerging markets. At ASSA ABLOY, we secure buildings from the perimeter to their shell and core. We are the largest provider of access solutions, but due to the fragmentation of the market our global market share is still low, meaning that we still have significant potential for growth.

## Growing trends

There are a number of favorable trends that are driving an increased demand for access solutions, including meeting the individual's most basic need for safety and security. The digitalization of the industry is enabling us to offer more convenient solutions and also shift to more service-based solution offerings. Another trend that is becoming increasingly important is energy efficiency and sustainable solutions.

Despite the Covid-19 crisis, market studies continue to forecast that a number of favorable megatrends and industry trends will contribute to a continued growing demand for security solutions in the future.

## Megatrends

### Urbanization

People are moving from rural areas into cities. This creates demand for new buildings and thereby also new access solutions. This trend is particularly evident in emerging markets, where an increased need for housing, workplaces and stores drives demand for access solutions. For example, the United Nations projects that the population living in urban areas could increase by another 2.5 billion people by 2050. Rising prosperity and urbanization are leading to greater investments in advanced doors and access solutions in homes, workplaces, and shopping centers.

## Demand for security

To be safe and secure is a basic human need. In a world with a high perception of uncertainty, the demand and need for secure, convenient and efficient access solutions is increasing – both in the residential and non-residential segments. The growth is further supported by the demand for convenient and time-efficient access solutions to places and things, as time is a precious asset.

## Sustainability

As concerns for the environment grows, customers are looking for solutions that save energy and reduce greenhouse gas emissions. The focus and demand for more green buildings and access systems is therefore increasing. For example, about 50% of all new commercial buildings are now expected to be certified according to 'green building' standards. This also requires more transparency regarding the environmental impact of products, production and working conditions. There is also an increasing amount of regulation of standards for more energy-efficient buildings and access solutions. These are long-term drivers that support growth in our industry.

## Industry trends

### New technologies

The industry is transitioning from mechanical to electromechanical products and solutions, providing more convenient solutions for our customers. The proportion of electromechanical products that we sell has increased from 25% to 31% over the last five years. The change of the product mix to more electromechanical products will continue and provide many business opportunities, while supporting recurring revenues and software monetization.

### Local regulations

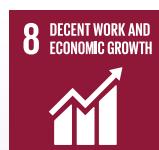
A changing regulatory environment, with local regulations, as well as applications and codes, results in an increasing demand for updated and compliant access solutions. Different standards in different countries require adaptation of products, which creates hurdles and complexity while preventing commoditization of these products.

## Sustainability and the UN's Sustainable Development Goals

According to the World Green Building Council, buildings and the built environment are responsible for 39% of global energy-related carbon emissions. Door openings are an important source for this. ASSA ABLOY has an important role to play in the efforts to reduce emissions and we are addressing this by developing locks, doors and door opening solutions that help improve efficiency in buildings. We also offer Environmental Product Declarations (EPDs).

We are a signatory of the UN Global Compact and we also support the United Nation's Sustainable Development Goals (SDGs), which are taken into consideration in our strategy work and in our daily operations. Our primary focus is on the following six targets, where we believe that our industry and ASSA ABLOY have the biggest impact:

- Clean water and sanitation
- Decent work and economic growth
- Industry, innovation and infrastructure
- Sustainable cities and communities
- Responsible consumption and production
- Climate action



Sustainability will be vital to economic and industrial development in the coming decades. In 2020, we committed to science-based targets to demonstrate our willingness to lead the industry towards a more sustainable future, and to further improve our competitiveness with sustainable products, solutions and operations.

During 2015-2020, we have again successfully completed a sustainability program. We have implemented focused projects to improve energy, water and materials efficiency while reducing waste generated. In total, 13 targets were set and we exceeded nine of the targets by year end 2020.

Our contribution to the SDGs goes beyond these explicit targets. For example, we support SDG9 (Industry, innovation and infrastructure) by exploring ways to reduce production materials, optimize product components and streamline production and transport methods via the Sustainability Compass in our innovation processes. We support SDG11 (Sustainable cities and communities) by offering sustainable products and services related to access solutions, including offering EPD-rated products that enable our customers to document the performance of their buildings.

More details on how we align our work with the goals is provided in the Sustainability Report.

## Sustainability outcomes 2015–2020

**-27%**  
CO<sub>2</sub> intensity  
(target -20%)

**-30%**  
Energy intensity  
(target -20%)

**-50%**  
Water intensity  
(target -20%)

**-58%**  
Injury rate  
(target -55%)

**91%**  
Portion of spend in  
low-cost countries  
represented by  
sustainability audited  
direct material suppliers  
(target 90%)

# We help people feel safe, secure and experience a more open world

Every day, we help billions of people to experience a more open world with innovative solutions that enable safe, secure and convenient access to physical and digital places. By responsibly using human capital, natural resources and capital, we continuously create sustainable value, not only for our shareholders, but also for other stakeholders. Together we create value!



## Our resources

**48,000**

employees in more than 70 countries around the world. We are truly global, uniquely local

**2,800**

employed in R&D working with our sustainable innovations

**190**

strong brands and diversified product portfolio

**9,000**

patents

**109**

efficient production and assembly facilities

**~50,000**

suppliers for direct material and indirect services. We have strategic and cost efficient suppliers

**SEK 59 bn**

in shareholder equity



A  
more  
open  
world

## Value creation to stakeholders in 2020

### Shareholders and investors

- Dividends and capital appreciation

**SEK 4.3 bn**

dividend paid

### Employees

- Professional development
- Safe and stable workplace
- Inclusive workplace with equal opportunities

**SEK 27.2 bn**

in salaries and other remuneration

### Customers

- Increased security and competitiveness for our customers
- Sustainable products with environmental product declarations

**>400**

new products launched

### Suppliers and partners

- Technological development
- Stable partner

**SEK ~42 bn**

in supplier payments

### Society

- Increased safety and security
- Reduced environmental impact
- Paid taxes and employment

**SEK 2.5 bn**

in income tax

## Our offering

Our aim is to deliver **safety, security and convenience**. We offer a **broad product portfolio** with **unique, innovative access solutions and trusted identities services**.



**31%**

Electromechanical products



**29%**

Entrance automation



**16%**

Security doors and hardware



**24%**

Mechanical locks



# Truly global, uniquely local

ASSA ABLOY is a global business, offering access solutions that are a part of people's everyday life all over the world. The company was established in 1994 and more than 300 acquisitions have been completed since then. Today we have a global leading position with a diverse and decentralized operation.



Innovation is an enabler in our business and critical for our success. The digitalization of our industry provides us with opportunities to add more customer value.

## From a local to global company

The lock industry is one of the oldest industries in the world and characterized by local standards and structures that have evolved during hundreds of years by local businesses. The global market for access solutions is still fragmented with no global standards. This also includes the structures for how 'to go-to-market'.

The ASSA ABLOY Group reflects the structure of the market. Many of the companies in our Group were founded by entrepreneurs over 100 years ago with products developed for local markets. Since ASSA ABLOY was founded in 1994, we have continuously expanded through a combination of organic growth and acquisitions.

Our first 10 years were characterized by rapid growth and by acquisitions of strong and leading businesses and brands in many markets. We built the world's leading Group for locks. In the next phase we evolved into a global leader in door opening solutions by combining the products and offerings we had acquired during our first phase to offer customers total solutions.

Today, we are the global leader in access solutions with a wide offering of products, solutions and services related to openings. We are also experts in trusted identities, with keys, cards, tags, and mobile and biometric identity verification systems included in our offering.

## Combining decentralized and centralized structures

Standards for doors and locks are different between markets. For these products, our operation is structured around local assembly lines. Our local presence enables us to quickly deliver and respond to customer enquiries with the local business units innovating and optimizing resources and products according to the local conditions and demand. At more centralized production sites, we produce components that can be used in many markets to realize scale advantages. During the past years, these have been located in countries with a lower cost profile in Eastern Europe and Asia. By doing this, we combine global scale with uniquely developed local products.

Product development takes place in the local markets as well as in a few centralized units that develop shared product platforms.

The decentralized structure, combined with local management accountability, enables the business units to respond to market and business developments in a speedy manner.

Within our global divisions, we produce more of our products in centralized production units. For example, most of HID Global's RFID tags are produced in two factories and all hotel locks from Global Solutions are produced in one factory. Entrance Systems has a more diverse structure, but is in the process of consolidating more of its production including the integration of agta record, which was acquired in 2020 and is the largest acquisition in eight years.

## Digitalization provides multiple opportunities

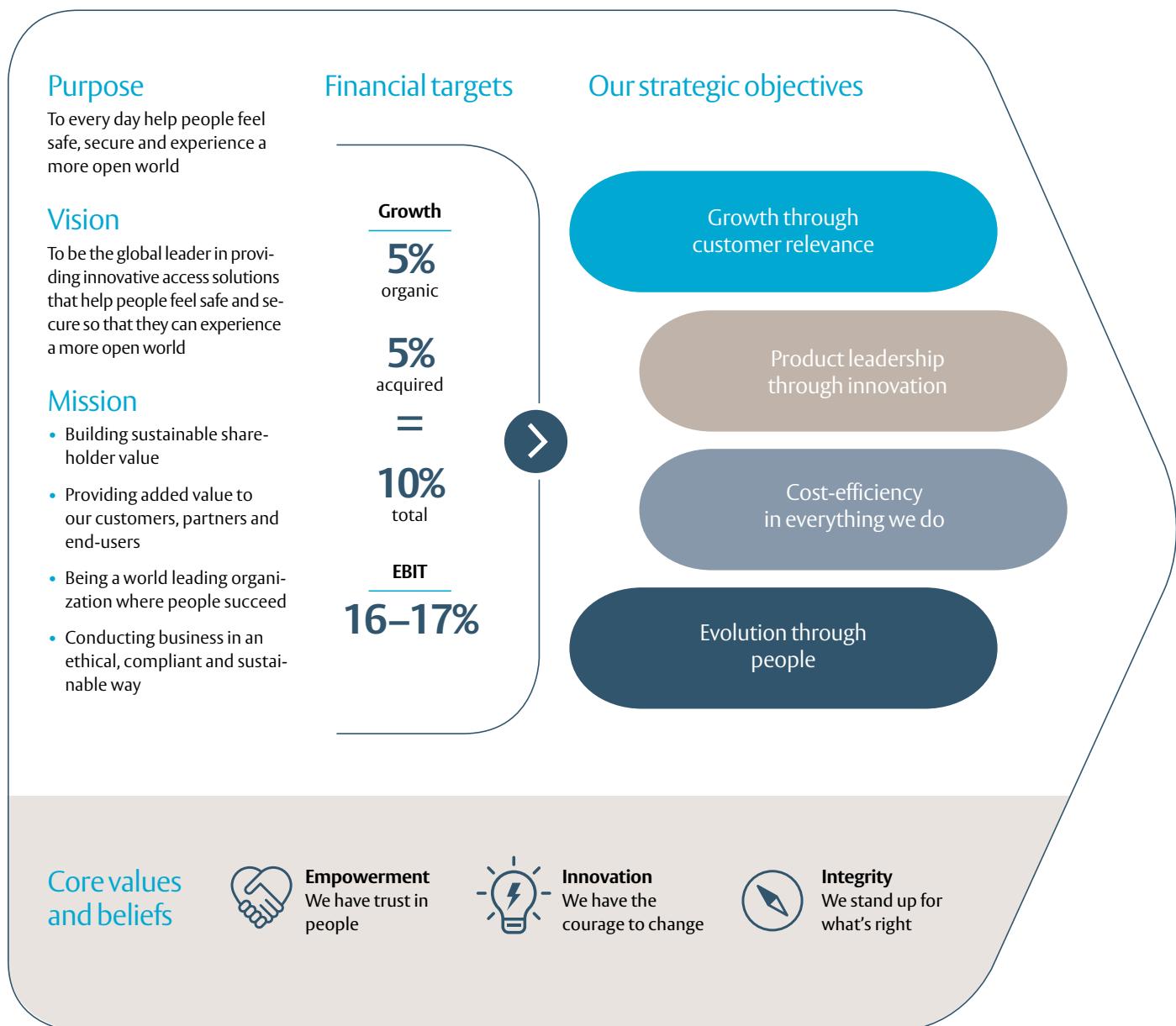
Innovation is an enabler in our business and critical for our success. The digitalization of our industry provides us with opportunities to add more customer value. For example, software platforms are used in our products to a greater degree, and our global presence provides us with opportunities to realize synergies across the Group. At the same time, digitalization increases the speed of change in our industry. We need to ensure that we stay alert and agile and in response to this, we are working with our internal culture to increase the collaboration and information sharing between our divisions and business units. We are also investing more in product development. The R&D share of sales has increased during the last two years from 3% to about 4%, corresponding to an increase of SEK 1,009 M.

One example of how we realize synergies is the foundation of Smart Residential, which is a cross divisional organization accountable for smart digital door locks sold to the residential market. This organization draws on the scale advantages we realize internally within the regional divisions', R&D and production resources, including using one single IT platform for the customer interface. The regional divisions then optimize the sales activities in respective regional markets and secure that the products meet local standards and regulations. In 2020, we launched a new smart lock, Yale Linus in Europe that is the result of this collaborative approach between our divisions and Smart Residential. Read more about innovation opportunities on page 19.

Our strategies and financial targets are based upon this operating environment. Read more about our strategy and how we work on pages 13–27.

# Strategic overview

The Group's vision is to be the global leader in providing innovative access solutions. Our purpose is to help people feel safe, secure and experience a more open world. Our core values, beliefs and strategic objectives help guide us.

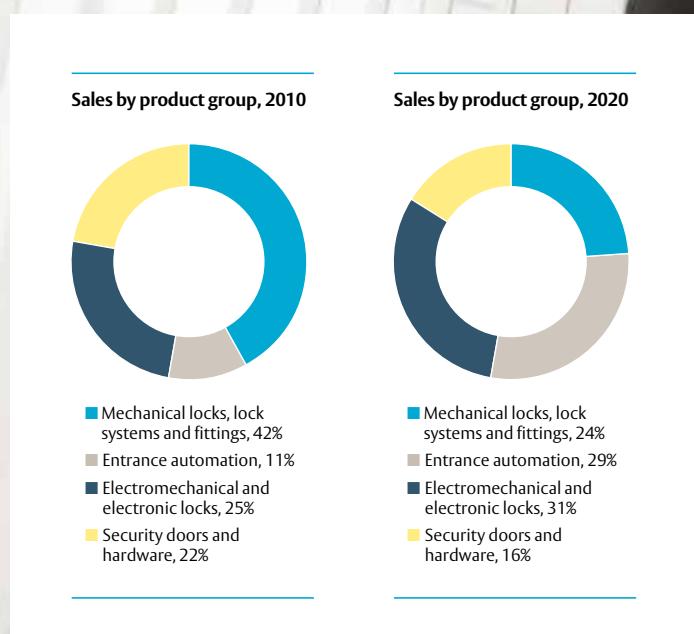


# Strategic activities in 2020

We work with a number of business priorities that support our strategic objectives. A combination of short- and long-term actions were implemented to address the impact from the Covid-19 pandemic. We also launched a new five-year sustainability program and committed to science-based targets.

We work with a number of business priorities to accelerate growth and further strengthen our position as the global leader in providing innovative access solutions. Through continuous investments in product innovation, we grow the core business through upgrades from mechanical to electromechanical products and solutions. This transition also provides opportunities to generate more recurring revenue as we grow software licenses, identity management and service agreements.

In Global Technologies and Entrance Systems, we focus on driving sales in key verticals and increasing the service penetration. We also work with specific market targets including growing in emerging markets through a combination of organic growth and acquisitions. In China, we are consolidating our operational footprint and prioritizing profitable growth. Across the Group, we continuously work with cost-efficiency in everything we do to reduce the cost of goods sold and we continue to consolidate our manufacturing and optimize logistics, where savings realized can be used for investing in innovation activities that further accelerate our growth.





In addition to these business priorities, managing the extraordinary situation raised by the outbreak of the Covid-19 pandemic became the highest priority for the year. We also decided to raise our ambition level within sustainability and launched new 2025 targets and committed to science-based targets. This will further strengthen our competitiveness with sustainable products, solutions and operations, demonstrating our leadership in the industry and social responsibility.

#### Our Covid-19 response

During the first half of the year, a majority of the world's population was affected by restrictions and lockdowns as a result of the pandemic. Our supply chain and production were firstly interrupted, resulting in the closure of about one third of our factories. As a next step, the lockdowns led to unprecedented drops in demand that, in some countries, amounted to more than 90% within a few days.

We addressed the situation through a number of actions. Our first priority is always the health and safety of our employees. Throughout the pandemic we implemented various actions such as working from home, providing personal protection equipment, introducing more shifts to limit the number of people on certain sites, and various local actions in response to local regulations.

To protect business continuity, significant actions were implemented by local managers that adapted their respective business entities according to the local market conditions. All production units gradually became operational, thanks to the swift actions implemented to address stringent new regulations.

At the same time, our employees continued to support customers using innovative new methods to ensure everyone's health and safety. The strategic objectives have worked as a guideline while implementing the following actions:

- Temporarily reduced working hours;
- capacity adjustments in factories to adapt to the lower demand and then a gradual increase of the production capacity; and

- continued investments in product development and the launch of new products, in particular touch-free solutions.

We reduced our costs significantly. Some actions required difficult decisions resulting in a 5% reduction in the number of employees during the year, but critical product development and certain sales and specification resources were protected. This will ensure that ASSA ABLOY can further strengthen its position as the global leader in access solutions and achieve its long-term financial targets.

#### Increased sustainability ambitions

Sustainability is a prioritized strategic activity that we are working with long term. In 2020, we took a decision that will influence our sustainability agenda for many years to come by committing to science-based targets. This will align our ambition level for climate-related emissions with the 1.5°C scenario in the Paris Agreement.

We also closed our 2020 sustainability targets and set new targets for 2025. The new targets build on our previous five-year target cycles, which began in 2010. Our new 2025 targets increase the ambitions to do even more across all of the areas. To achieve these targets, sustainability will need to be even more integrated into our functions and everyday processes.

By committing to science-based targets, we are demonstrating our commitment to address climate change and maintain our leading commercial competitiveness. The exact targets will be confirmed by the Science Based Targets initiative in 2021–2022, but as the targets are aligned to the Paris Agreement, we are already planning to take actions to reduce our absolute greenhouse gas emissions by approximately 50% between 2019 and 2030 and to being net-zero across the entire value chain at least by 2050. The new targets and commitments will further strengthen our competitiveness through stronger incentives to improve our operations.

More details about our sustainability performance, how we work with sustainability and our new targets, are available in the separate Sustainability Report.

#### Targets 2020–2025

**-25%**

absolute carbon footprint

**-25%**

energy intensity

**-25%**

water intensity

**-33%**

injury rate

**95%**

portion of spend in identified risk countries represented by sustainability audited direct material suppliers

## Strategic objective #1

# Growth through customer relevance

At the core of our “Growth through customer relevance” strategic objective is the ability to develop an in-depth understanding of the needs of our customers and end-users so we can provide relevant solutions. Processes and tools help us to develop targeted products and solutions that meet customer demands for safety, security, convenience and sustainability. Having a local presence is crucial to maintaining our leadership and continuing to grow.

### No.1

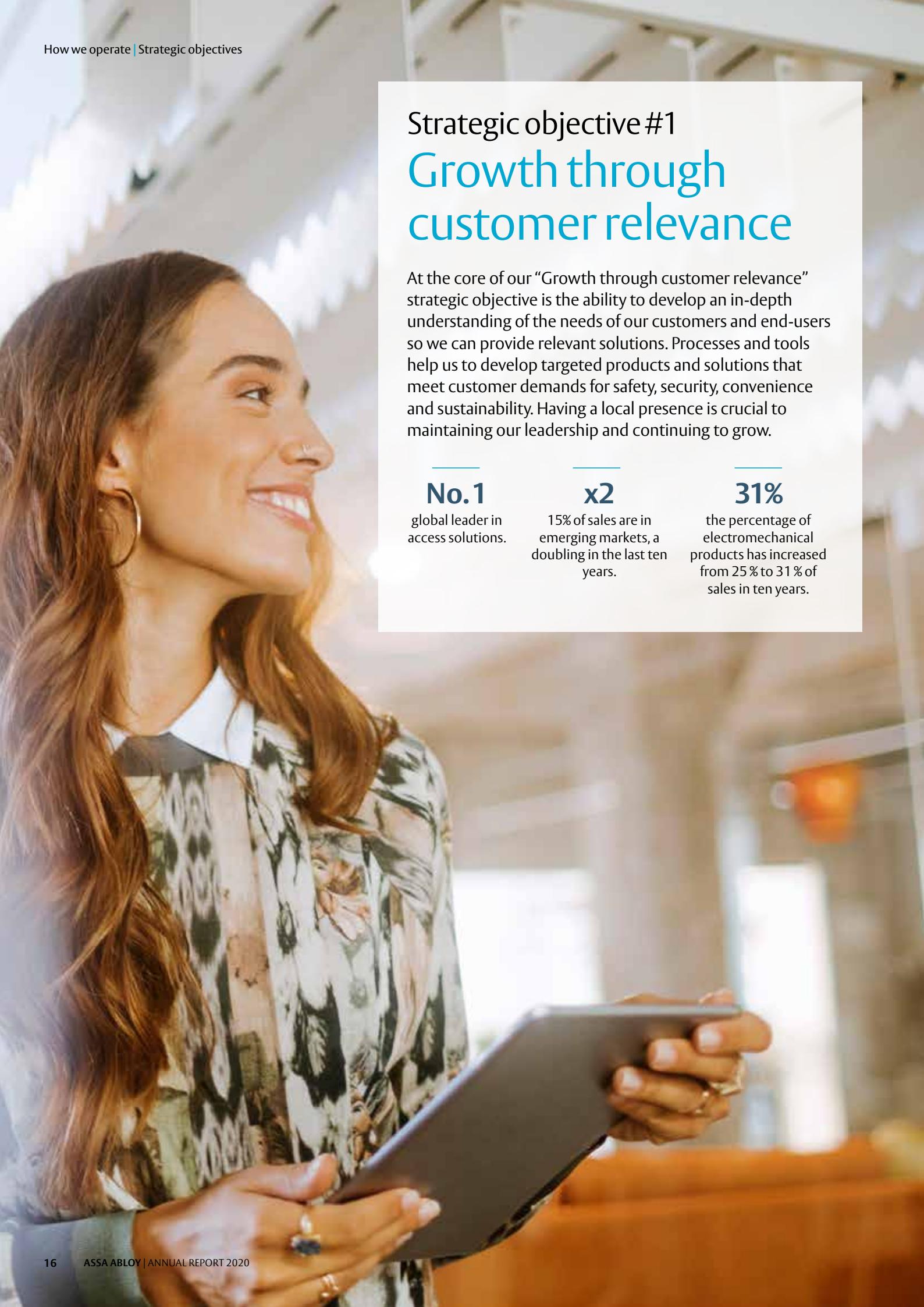
global leader in access solutions.

### x2

15% of sales are in emerging markets, a doubling in the last ten years.

### 31%

the percentage of electromechanical products has increased from 25 % to 31 % of sales in ten years.



## Enhancing the customer experience

We aim to offer a customer experience that is best in class in all areas. This includes offering seamless platforms that help customers explore, buy, install and service our products. Tools such as Net Promoter Score (NPS) help us improve our customer relevance by measuring customer experience across different touch points, and it is gradually being deployed to more business areas. This year we started to implement a single IT platform for the customer interface to further improve the customer experience for our smart lock customers. We also put extra focus on the user experience by improving interfaces and website navigation.

## Dedicated solutions for each segment

We continuously monitor evolving market trends and gather insights into our customers and our competitors. These activities help us to identify and prioritize opportunities that will advance our market position. We have segmented our markets into end-user verticals to identify specific needs and create dedicated solutions for each segment. We believe that growth through customer relevance is best achieved by delivering differentiated products and solutions, rather than by taking a one-size-fits-all approach.

Institutional and commercial markets currently represent about 75% of our total sales. This includes premises used for education, healthcare, transportation and public and private offices, among others. Healthcare is an example of a growing vertical where we are expanding our presence as a result of the acquisition of FocusCura, a provider of technology solutions for senior care. The residential market accounts for the remaining 25% of our sales and this is an area where we see further growth potential due to the rising smart home trend.

The aftermarket represents two thirds of our sales, providing a stable demand through renovations, replacements and upgrades, as well as services. New construction, which constitutes about one third of our business, is more cyclical in nature. We aim to generate more recurring revenues through new software-related offerings and enhanced service packages as the demand for electromechanical, digital and

smart solutions rises. Connected products, new features and subscription services will continue to drive revenues in the future.

## Brand consolidation and consistency

Consistent brand experiences build trust. At ASSA ABLOY, we use a combination of master, endorsed and standalone brands to reach all our audiences. ASSA ABLOY is our employer and main commercial brand, HID covers secure identities and access management, and residential products and services are led by Yale. Each has a strong and distinct identity.

Our customers also know us by a number of well-known brands, strongly or more softly endorsed by one of these master brands. For niche audiences, we maintain some standalone brands, sold mainly through distributors and installers.

Design is a tool for us to create strong customer experiences. This year, as part of Yale's 180th anniversary celebrations, we launched the award-winning Linus lock and focused on making the brand's consumer experience better than ever.

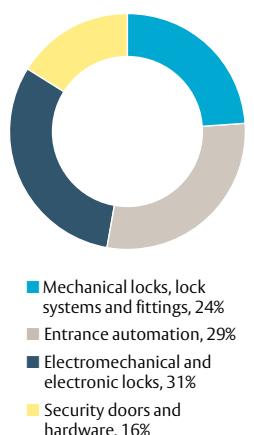
## Seamless collaboration supports sales

Common processes and a structured approach to master data management support our sales people and our market strategies. Our Customer Relationship Management (CRM) systems enable us to deliver more targeted information to customers. ASSA ABLOY Openings Studio, our own Building Information Modeling (BIM) software, helps architects and other partners in the construction process to seamlessly collaborate with our specification and sales teams to find the most suitable building solutions. We continue to expand Openings Studio's functionality for example through integrations with leading 3D architectural design tools and the development of a mobile app.

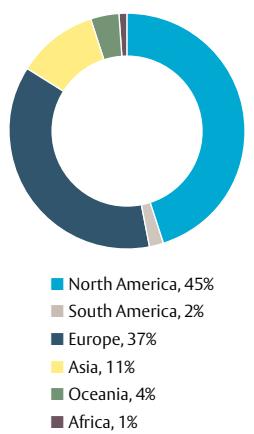
## Dedicated pricing activities

Pricing is a core activity within the Group with a network of dedicated pricing managers across all divisions to help drive

## Sales by product group, 2020



## Sales by region, 2020



## Sales channels

The majority of our sales go through distributors. Most markets are fragmented where we sell our products to several distributors. We work proactively with these distributors in product marketing and product development, with the aim to grow our share of their business. The end-customers are influenced by specification, and also by direct relationships with some key accounts.

Creating a push effect through management of sales channels and channel partners



Pull effect driven by specifications, brand loyalty and recurring revenues

## Breakdown of ASSA ABLOY's sales

<b>75%</b>	<b>Commercial</b> institutional and commercial market
<b>25%</b>	<b>Residential</b> private customers and residential market
<b>33%</b>	<b>New construction</b> new buildings
<b>67%</b>	<b>Aftermarket</b> renovations, remodeling and additions, replacements and upgrades of existing access solutions, as well as ongoing service

price realization and margin improvement. We apply value-based pricing techniques to capture the full value of our products and services, taking into consideration factors such as quality, convenience and service. Activities such as price performance, price optimization and discount management are constantly reviewed and tracked through key performance indicators in a transparent and compliant way. We proactively manage fluctuations in our cost base and review prices to protect our profitability.

### E-business covers the entire journey

E-business helps us serve our customers in a more personalized and convenient way, making it easier for customers to buy from us. The need for an established online presence was clearly exemplified in 2020 as the Covid-19 pandemic drove more customers online, increasing our e-commerce sales.

During the year, each of the divisions developed a five-year e-business strategy as we stepped up the pace of digitalization even further. In 2020 we made significant investments, for example, in a new Group-wide content management system to make it easier for customers to find and navigate our solutions online. We worked on increasing B2C and B2B sales through our own webshops as well as the webshops of our distributors and third parties, by offering online training and enhanced product information. Our e-business platform covers all touchpoints in the customer journey, from digital marketing to after-sales support.

### Helping customers meet sustainability targets

We have the products, solutions and know-how to help customers meet their environmental targets to construct or upgrade to environmentally certified buildings. Our sales teams and specification consultants help customers reduce their environmental footprint by applying a growing portfolio of products with green attributes. Sustainability considerations are a standard part of our product development process. Many of our products, such as our automatic doors and contactless cards, have been particularly relevant for customers this year in the efforts to reduce the spread of viruses and bacteria.

### Expansion in emerging markets

We continue to expand in emerging markets both through acquisitions and organic growth. Our share of sales in the emerging markets was 15%, reflecting weaker markets caused by the pandemic. During the year we focused particularly on organic growth in our key markets, for example by expanding our Entrance Systems presence in Brazil and China. We traditionally have a strong position in the premium segments and are expanding our offering in the mid-range segment to accelerate growth in emerging markets. We are working with local supply chains to increase our efficiencies and are developing products and solutions specifically targeted to these markets.



# Areas of opportunities

ASSA ABLOY started its remarkable journey as a traditional Nordic-based lock company and has now evolved into the global leader in access solutions. This is the result of strong growth and innovation, customer focus and efficiency improvements. However, the journey has just begun and many growth opportunities remain.



## Security

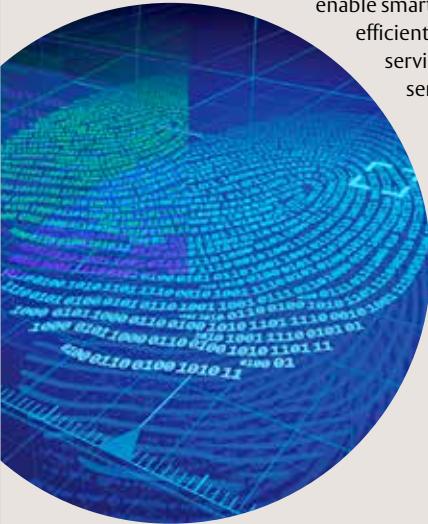
The demand for safety, security and convenient solutions for locks and doors will continue to increase.

Secure digital and mobile management of identity and authentication will be broadly used in order to determine who should have access when, where and how. Flexible and modular identification technology platforms will serve the ecosystems and connect products and services – such as homes, devices, cars, robots, shipping containers, traffic systems and transport systems.



## Digitalization

In the future, electromechanical solutions will be mainstream both in the commercial as well as in the residential segments. Connected residential and industrial devices and machines – enabling the identification, communication, control and monitoring of functions and production of the things connected – will be broadly used and applied. In the retail segment, digital access solutions will enable smart home applications, efficient home deliveries, home services, care and other services.



## Mechanical locks

Mechanical locks will remain an important part of our core business and are also the foundation for our electromechanical products. Our competence in mechanical locks will continue to be a valid and competitive asset as innovation over the next ten years is expected to cover both the development of conventional mechanical locks as well as highly complex software platforms for our electromechanical solutions.



## Trusted identities

Using trusted IDs that integrate security, privacy and convenience will be common. The level of security and privacy will be high, and the ID in the future is likely to be the person itself using the access solution (for example through finger -or face recognition). We will have solutions and services to manage the lifecycle of the ID of a person.

## Strategic objective #2 Product leadership through innovation

Over the years, ASSA ABLOY has been recognized among the world's most innovative companies. Innovation is at the core of everything we do, and we are accelerating our organic growth through a constant flow of new, innovative and sustainable products and solutions that optimize customer value. Our innovation strategy helps us to deliver on our "Product leadership through innovation" strategic objective. By optimizing the three pillars of the innovation strategy – organization, process and product – we can execute our innovation activities efficiently.

**25%**

products launched in the past three years account for 25% of total sales.

**SEK 4 bn**

cost for product innovation and research.

**>500**

filed patents during the last three years.



## Organization

We have 101 innovation centers globally and they are designed to spearhead the Group's innovation capabilities. Through these centers we systematically manage knowledge and capacity. Here, diverse teams are brought together through common ways of working and collaboration tools that allow us to capture and retain valuable competence and build a more flexible, agile and resilient organization.

Structured internal collaboration aligns strategic initiatives and improves transparency. This in turn helps with the coordination and prioritization of projects to increase efficiency. We strive to leverage the Group's size to exploit synergies and combine technologies from different business units.

## Process

### Accelerating organic sales growth

Product management accelerates organic growth by identifying the right things to do in order to optimize customer value. Deep customer insights collected together with our sales and marketing organizations, enable us to leverage platforms and prioritize development, resulting in reduced cost, increased speed and flexibility in the market. Product management excellence requires an integrated and efficient flow from strategies and generation plans into concrete concepts and products. Continuous optimization over the full lifecycle is critical to secure the best offering at all times, while reducing complexity and cost.

### Efficient execution of innovation

While product management identifies the right things to do, excellent innovation processes guide us in doing things right. We are gradually transforming to an iterative way of working and a "fail fast, learn fast" approach that decreases our time to market, improves our ability to respond to change and lowers cost. An agile process for continuous product innovation increases speed and the digitalization of products and services. Our innovation process excellence addresses project execution and the continuous delivery of hardware and software, and add-on development like customization, quality improvements and value engineering. Structured knowledge management increases speed and accuracy by offering the right information, in the right form, to the right people at the right time.

### First time right

We always strive to meet or exceed customer requirements. This includes both clearly defined requirements as well as unspoken needs. Processes and methodologies for product safety and security safeguard the competitiveness of our products and solutions and maintain our position as the global leader in access solutions. We apply a "first time right" culture in product development to ensure that each product meets the highest requirements for quality, safety and security, as well as design and sustainability. Processes, tools and governance support this culture. Through our processes, we can continuously monitor and take action on deviations to keep quality in check.

### Breakthrough innovation

By exploring new technologies and challenging boundaries we disrupt existing markets and value networks. Our breakthrough innovation agenda is supported by a process and governance framework that enables us to navigate the uncertainty that is associated with breakthrough innovation. By emphasizing the value of disruptive innovation, pre-product innovation will enable the Group to take major

## Innovation strategy



The ASSA ABLOY innovation strategy is structured around three strategic pillars - organization, process and product. For each area we have defined strategic actions which are the core of our strive for product leadership through innovation. Efficient execution of these strategic actions will secure a constant flow of new, enhanced, innovative and sustainable products that optimize customer value. Together they will help us accelerate organic sales growth.

leaps and create new market opportunities. In 2020, new products (less than three years old) accounted for 25% of total sales, in line with our target of 25%.

### Product

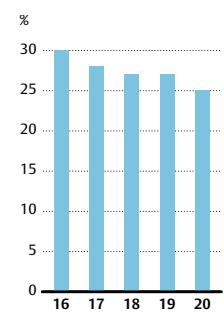
#### Clear future visions

Generation plans ensure that business objectives are connected with innovation and provide direction to product and technology roadmaps. Our generation plans start from a solid understanding of the future external environment and set a clear vision and focus for the future offering. The plans also outline platform, technology and capability needs over time. Generation plans drive increased growth and improve the prioritization of strategic innovation investments.

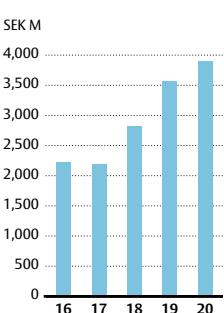
#### Modular platforms and integration

We are using modular platforms to reduce complexity, increase speed and maximize the impact of our resources. We are increasing the interoperability between Group common products and software to aid the creation of an ASSA ABLOY product ecosystem where third-party elements can be integrated to provide complete solutions. An ASSA ABLOY product ecosystem could potentially create industry standards allowing us to lead the market. To improve the user experience we are increasing interoperability between our products through internal standardization and reducing complexity through fewer interfaces.

Percentage of sales of products launched in past three years



Investments in research and development



**Sustainable innovation**

ASSA ABLOY aims to be perceived as the most sustainable company in our industry, by leading the way towards a circular economy and more sustainable products. Sustainability is a Group-wide responsibility and all divisions are working actively to develop products and articulate the sustainability value proposition. Sustainable innovation includes our lifecycle assessment-based data to transparently guide customers in their decision-making and help them achieve their sustainability objectives. Environmental Product Declarations and the ASSA ABLOY Sustainability Compass (see illustration) are central to our continuous improvement efforts when developing products. Our aim is for all new product releases to have a sustainability value proposition.

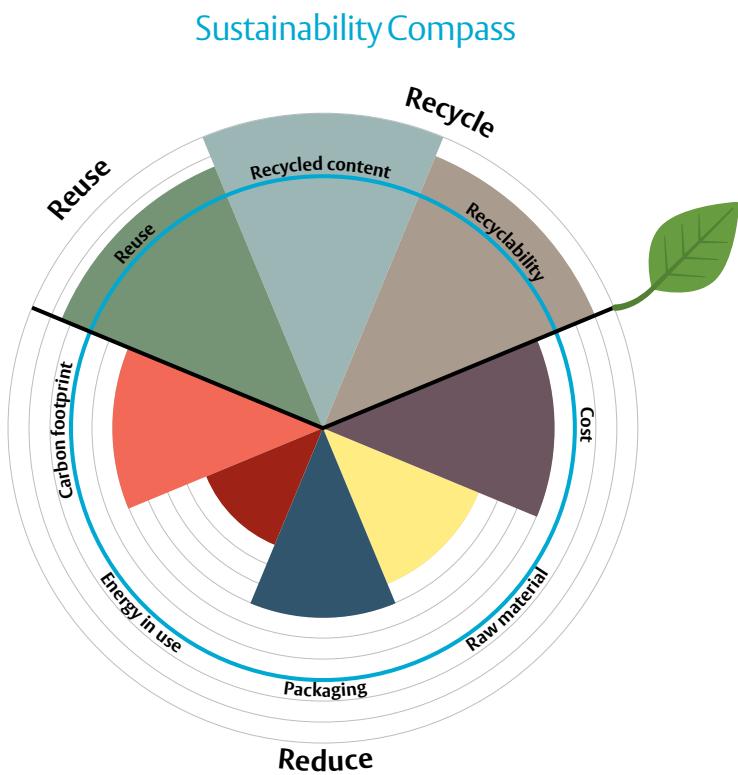
**Industry awards for innovations**

ASSA ABLOY continued to win many design awards in 2020, including both the Pandemic Tech Innovation Award and the Campus Safety Magazine award for our HID Location Services for Workplace Safety. The solution helps prevent workplace exposure to Covid-19 by streamlining and simplifying employee social distancing and contact tracing protocols. We were also awarded with the Iconic Innovation Interior Award for the stylish industrial design of our Aperio® H100 and the Vercy Architectural Hardware series.

**Transitioning to digital solutions**

A part of the Group's product portfolio comprises digital solutions, software and data. Software development is moving into the area of cloud services, which are linked to subscription business models and licenses and we anticipate more subscription-based agreements for upgrades, data and analysis in the coming years. Our digital service organization supports and provides service to customers who use our digital solutions. Through a cross-functional approach that we refer to as "the digital factory," we create a seamless link between product development, IT operations, service operations and the customer.

The situation with Covid-19 has accelerated the market shift towards digital access solutions, increasing demand for such things as digital room keys to access hotel rooms and automatic doors that help limit the spread of bacteria by reducing the need to touch surfaces or handles. We have a number of these products in our portfolio and in addition to launching new products we are adapting existing products to quickly meet today's extra demanding health and safety requirements.



The Sustainability Compass is a tool to increase our efficiency and decrease the environmental footprint. The Compass includes eight dimensions:

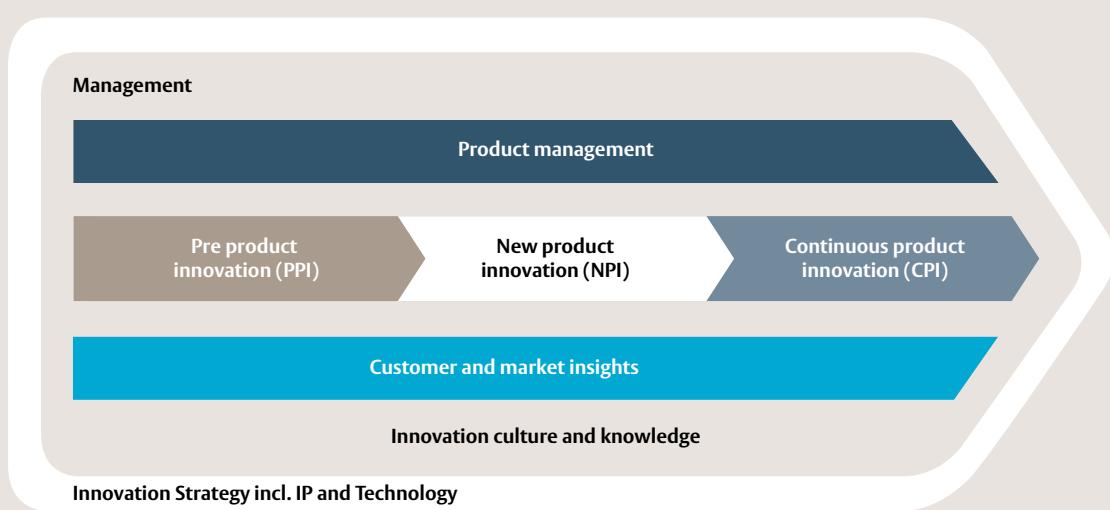
- Reduce – five areas
- Reuse
- Recycle – two areas

The green leaf indicates sustainable footprint to minimize the footprint throughout the lifecycle.

**Innovation system**

We look at innovation as a system. We believe that efficiency is maximized by embracing the entire system. For example, strong product management is necessary to run efficient projects. Having a mix of pre product, new product and continuous product innovation will also help us achieve long-term success. ASSA ABLOY's innovation system is our engine, and all parts need to work separately, but also together.

The innovation system supports the dynamics between incremental and disruptive innovation, which are both necessary to develop new solutions for our short- and long-term success.



## Strategic objective #3 Cost-efficiency in everything we do

By focusing on cost-efficiency in everything we do, we will further strengthen our competitiveness and continuously improve our operations. Our new operational excellence structure is the building block for capturing cost-efficiencies, sustainability and quality improvements. Our action plan includes an emphasis on top suppliers, value analysis/value engineering and productivity improvements through our manufacturing footprint programs.

**49%**

share of total purchases  
in low-cost countries.

**-13%**

the number of direct  
material suppliers has  
been reduced by 13% over  
the past three years.

**600 MSEK**

efficiency savings  
from MFP programs  
in 2020.





Our new operational excellence structure is the building block for capturing cost-efficiencies, sustainability and quality improvements.



#### Operational excellence

Through our operational excellence structure and assessment tool, we can target costs for direct labor, direct material, fixed and variable production costs. The operational excellence structure applies key performance indicators for alignment across the Group on sustainability, quality, delivery and cost performance. It also includes clearly defined target stages linked to productivity performance. A Group-wide best practices library will follow in 2021.

Lean principles are at the core of our operational excellence work. Quality is an integral part of these principles and we apply this to every stage of the value chain, from concept and innovation to purchasing, sales and service. Focusing on the needs of customers, empowering our employees and continually improving activities are also elements of operational excellence. Working with these helps us to increase productivity and reduce costs.

#### Logistics and supply chain optimization

As part of our operational excellence efforts, we continually work to improve our global logistics to capture cost savings, increase flexibility, improve delivery performance and lower our environmental footprint. We continue to optimize our warehouse locations and improve our operational performance through cross-divisional collaboration and improvement roadmaps. We have a process where we optimize the use of warehouses and consolidate them for example, in Scandinavia, Benelux and the UK. By moving more towards a higher degree of standard materials and components, along with standardized digital processes, we can consolidate more, and often faster, for further efficiencies.

Our logistics were impacted in the beginning of the Covid-19 pandemic, but as the situation required, we were able to minimize supply chain risk by, for example, sourcing from Mexico when US suppliers shut down and turning to Eastern Europe when Western Europe was heavily impacted.

ted. With strict safety protocols in place we were able to keep most of our factories running except when there were country lockdowns.

#### Efficient manufacturing footprint

Since 2006, we have been improving cost efficiency by consolidating and reducing the number of our factories through a series of Manufacturing Footprint Programs (MFP). We are also reducing the amount of offices, warehouses and other sites, to increase efficiency in our organizational structure and enhance performance.

Our long-term plan across the divisions is designed to address closures and mergers in the long term. In the shorter term we have a three-year plan called MFP8 to close ten production plants and about 30 offices. Our restructuring programs in 2020 amounted to efficiency improvements of SEK 600 M and an employee reduction of more than 2,000.

Through the MFP programs we have identified Group sites where we can concentrate our more strategic components and production close to customers, primarily in mature markets. During the year we engaged in more cross-divisional collaboration to further increase our efficiencies. For example, we revised our strategy for overall cost-efficiencies in the smart residential area. We also revisited our smart residential supply base in order to leverage suppliers more effectively.

#### Industry 4.0

Our automation council heads up the Group's efforts to improve manufacturing efficiencies and reduce our labor costs through the strategic deployment of automation and robotics in factories and assembly plants. The operational excellence structure and assessments help us to identify the biggest opportunities for automation. In 2020 we continued to implement robots and automated systems in our operations. Looking ahead, we see opportunities to use data



analysis and machine learning to improve cost efficiencies in production, particularly for measuring the effectiveness of our equipment and monitoring maintenance.

#### Professional sourcing key to savings

We are guided by the sourcing principles in our Group-wide sourcing policy and practice multi-tendering, benchmarking and group-wide contracts. We apply "should-cost" analysis and e-auctions to ensure the best cost, quality and performance of our supply base. Professional sourcing and strategic partnerships help us to reduce costs and ensure we are more competitive. We also have a majority of our direct material suppliers located in low-cost countries for further cost savings.

Due in large part to our frequent acquisitions, we constantly need to review our supply base and streamline our component assortment to leverage volumes. We took initiatives towards the end of the first quarter to reduce our supplier spend through rapid re-pricing and extended payment terms for as long as the Covid-19 pandemic continues to affect business.

At the same time, we have also identified and are focusing on the suppliers that represent 45% of total direct material spend to ensure they are both price-competitive and innovative. In the spirit of our "Together we" program, the divisions have been working together on a top supplier program to capture synergies through a more structured approach to sourcing by setting joint targets for the suppliers. We continuously monitor supplier performance to ensure they meet our criteria.

#### Value Analysis and Value Engineering

We see great potential to improve our cost efficiency through Value Analysis (VA), a structured process for optimizing cost and customer value in existing products – and Value Engineering (VE), which is part of the development process and focuses on new and existing products. Both processes take an in-depth look at a product's design,

components and production methods in order to enhance customer value with improved quality, as we have defined it. At the same time, the processes systematically reduce costs. We have been running a VA/VE program for many years, but this year we adapted a more strategic operational approach to selecting products for further analysis. We have also included VA/VE in our gateway process for every product that we develop to make sure we are designing products at the right cost. We will establish Centers of Excellence next year in order to share VA/VE best practices internally within the Group, applying these practices in a more strategic and cost-effective manner.

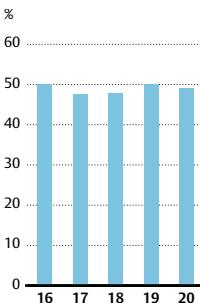
#### Reducing our environmental footprint

Improving our operational performance is also about improving resource efficiency by reducing the consumption of materials, energy, water, waste, and greenhouse gases in our production processes. Environmental performance is integrated into all of our operational processes and we also conduct sustainability audits among our suppliers. Within operations we have been focusing on four main areas: reducing our factory footprint to reduce carbon dioxide emissions; investing in renewable energy in plants, such as solar energy; sourcing renewable energy where it is available; and practicing kaizen methodology in our daily operations to reduce energy.

We reinforce a culture of health and safety throughout the organization and proactively identify risks and implement safety improvements to minimize the risk of injury. Our health and safety culture has a clear impact on operational performance and over the past five years (2015 to 2020) we have been able to reduce the lost time injury rate by 58%.

We exceeded most of our sustainability targets which ran from 2015 to 2020 and prepared our new science-based sustainability targets for the coming years.

**Share of total purchases in low-cost countries**



Raw materials, components and finished goods from low-cost countries accounted for 49% of the Group's total purchases in 2020.

## Strategic objective #4 Evolution through people

Creating a culture where our employees thrive and feel committed is crucial for the Group's future growth and success. We are convinced this is best achieved by empowering employees, helping them develop skills and know-how, encouraging collaboration, knowledge sharing, and internal mobility. With the "Evolution through people" strategic objective, we provide added value to all of our stakeholders by being a world-leading organization where people succeed.

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**31**

different nationalities  
in senior management  
positions (27 last year).

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**-58%**

reduced injuries per  
million hours worked  
since 2015.



## Our common culture

ASSA ABLOY is a diverse and decentralized Group with locations all around the world. Having a shared vision, Group identity ("Together we" program) and common values (empowerment, innovation and integrity), help unite us to grow and work together in the same direction. This year we put our strategy and "Together we" program into valuable practice, working together within the Group to share best practices as the Covid-19 pandemic spread to different regions. Because we empower our people in our decentralized organization, we were able to adapt quickly to the new situation. We were also able to complete projects more efficiently and rapidly thanks to an increase in cross-divisional efforts, as people collaborated more within new constellations through virtual means.



## Together we

### Individual employee journeys

We believe in an inclusive working environment that encourages engagement, innovative thinking and efficiency. We aim to always improve the employee experience and enable a personalized development journey. As the pandemic hit, we catered to the different needs of individuals, who were often faced with sudden workplace disruptions. We focused on improving the workspace both for working at home and on our sites. We also focused on the physical and emotional wellbeing of our employees through initiatives to help them while working remotely.

### A long career

We strive to offer interesting roles and give people the opportunity to grow in their career, develop their skills and move easily between roles, functions and countries within the organization. This helps us to be a competitive employer and attract and retain talent. We aim for longevity when hiring and focus on talent retention, encouraging our own people to apply for internal jobs. We have put a lot of emphasis on using internal resources when it comes to recruitment and developed our own executive search organization in 2020 to recruit across divisions. Internal recruitment is something we highly value as it helps us build consistency with employees who have a deeper understanding of our organization and share the ASSA ABLOY culture. The cultural fit is an important aspect in a complex organization like ours.

As part of our talent management we run several graduate and trainee programs within the ASSA ABLOY divisions. In 2020 we had to postpone some of those programs, but were able to run others digitally.

### Strengthening our leaders

This year we introduced Leadership Dimensions, which are guiding principles for our leaders. Leaders are expected to work collaboratively, embrace our culture, develop our people, and lead change and innovation, while delivering an excellent customer experience and results. These principles are derived from our strategy and values and we have started implementing them in our global people processes, using them to help with employee development.

We offer leadership programs for our managers at both Group and divisional levels. These include two development programs for senior managers: ASSA ABLOY MMT and ASSA

ABLOY IMD. The IMD program was developed in collaboration with the International Institute for Management Development (IMD) in Lausanne, Switzerland. Although most programs were postponed this year, they have now been adapted and will be carried out during 2021.



**This year we put our strategy and "Together we" program into valuable practice, working together within the Group to share best practices as the Covid-19 pandemic spread to different regions.**

### Acting responsibly and ethically

A culture of visibility and transparency forms the basis for our ethical and social responsibility practices. We are good corporate citizens, act ethically and with integrity, and always comply with laws and regulations of the countries in which we operate. We actively promote diversity and inclusion and do not tolerate any form of discrimination or harassment in the workplace. Everyone acting on behalf of ASSA ABLOY, must follow the ASSA ABLOY Code of Conduct. This is our framework for daily operations and includes guidelines on areas such as anti-corruption, human rights and business ethics. Any concerns or suspected violations of the Code of Conduct are managed through our whistleblowing process, as outlined in Our Group Whistleblowing Policy, to ensure that principles are met and the correct process is followed.

### Together we are safe

We have been working systematically for a long time to provide a safe work environment. The health and safety of our employees is always a top priority but the Covid-19 pandemic put extra urgency on the matter. We acted quickly to secure personal protection equipment for employees and align our routines and processes in each market in accordance with shifting local directives.

We have zero tolerance for unsafe behaviors and environments and safety training and audits are routine practice. This year we began rolling out new workshops called Together We Are Safe. The objective with these workshops is to progress our safety culture by making safety a more personal and emotional issue for the participants. Among the topics covered are how culture and behaviors contribute to risk, the influence of social pressure on safety and the impact our safety habits have on others.

### Working digitally and flexibly

This year we rapidly pivoted our organization into a truly digital workplace, with digital meetings, learning and work practices that became common ways of working almost overnight. With non-essential travel restrictions in place since March, we encouraged employees to work digitally, providing them with the tools to support their choice of communication channel.

This year we accelerated the implementation of our global HR system, which went live in January 2021. With this tool in place, we will have even better opportunities to drive people processes that support our leaders and employees. The system will enable us to connect everything from recruiting to onboarding to performance development, learning and compensation. This will make it easier to follow up on goals and progress to make career moves within the organization. At the same time, we continue our efforts to safeguard the integrity of the data and the user, by following rules and regulations on how to collaborate and store data.



# Divisions overview

## Product offering



The regional divisions manufacture and sell mechanical and electromechanical locks, digital door locks and smart home access solutions, high-security doors, fire doors and hardware adapted to the local market's standards and security requirements.

### Regional divisions

#### Opening Solutions EMEA Page 30

Share of sales



Share of operating income



Sales by product group



- Mechanical locks, lock systems and fittings, 47%
- Electromechanical and electronic, 36%
- Security doors and hardware, 17%

#### Opening Solutions Americas Page 31

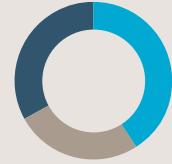
Share of sales



Share of operating income



Sales by product group



- Mechanical locks, lock systems and fittings, 41%
- Electromechanical and electronic, 26%
- Security doors and hardware, 33%

#### Opening Solutions Asia Pacific Page 32

Share of sales



Share of operating income

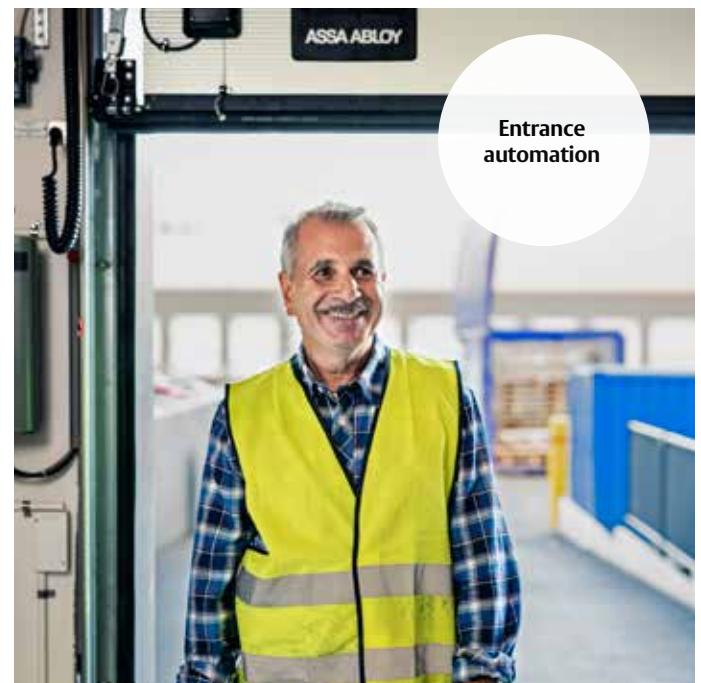


Sales by product group



- Mechanical locks, lock systems and fittings, 49%
- Electromechanical and electronic, 23%
- Security doors and hardware, 28%

## Product offering



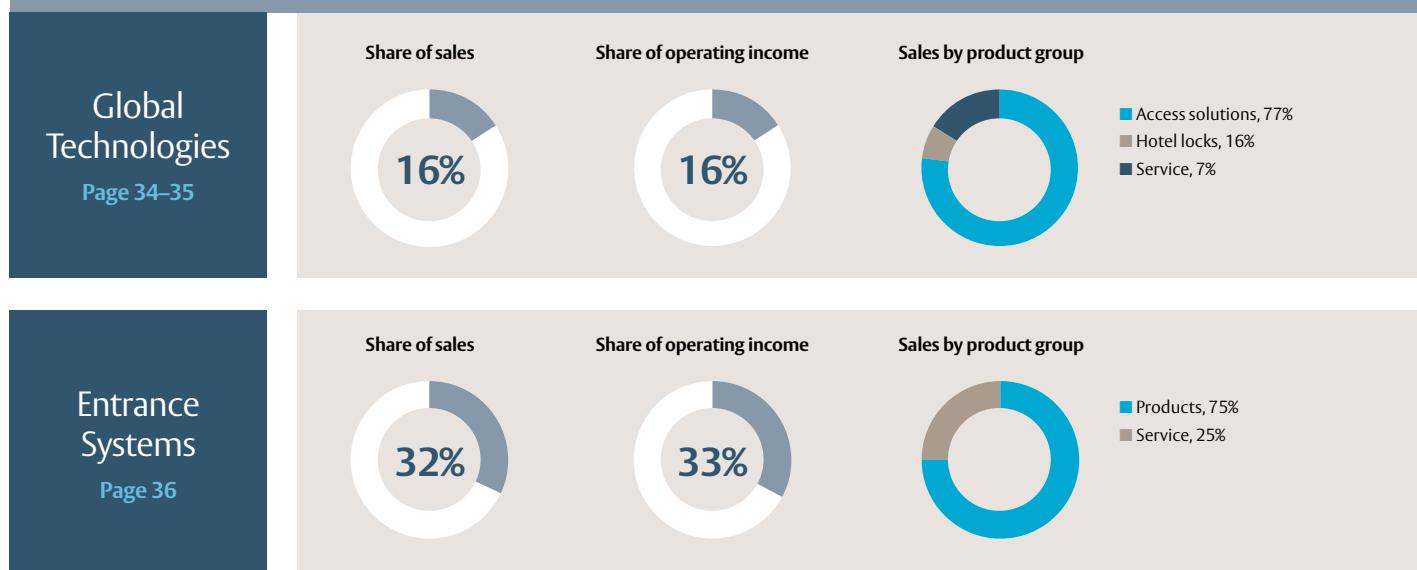
### Global Technologies

HID Global is a worldwide leader in trusted identity solutions, dedicated to powering the trusted identities of the world's people, places and things.

ASSA ABLOY Global Solutions is leading the development within secure access solutions for Hospitality, Marine, Education, Senior Care, Key and Asset Management, Construction and Critical Infrastructure.

Entrance Systems manufactures and sells products, services and components for entrance automation. The product range includes automatic swing, sliding and revolving doors, industrial doors, garage doors, high-performance doors, docking solutions, hangar doors, gate automation, high security fencing, gates and components.

### Global divisions



# Opening Solutions EMEA

## New electromechanical products and solutions launched



We have seen an acceleration in the uptake of electromechanical products and solutions in both the commercial and residential segments.

### Overview

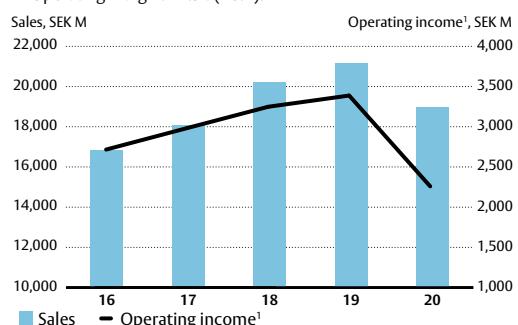
EMEA is organized into 12 market regions with divisional headquarters located in Woking in the UK. The market regions are responsible for manufacturing and selling mechanical and electromechanical locks, hardware and security doors adapted to the standards and requirements of local markets. The products for the commercial market are sold under the master brand ASSA ABLOY or brands endorsed by ASSA ABLOY, while Yale is the master brand for the residential market and its endorsed brands. The commercial and institutional segments account for around 60% of sales and the residential segment for about 40%. EMEA has about 10,300 employees. The largest market region is Scandinavia, followed by the UK and DACH (Germany, Austria and Switzerland).

### Financial development

The first half of the year was strongly impacted by the Covid-19 lockdowns and factory closures. In the second half of the year business activities gradually improved as a result of the eased Covid-19 restrictions. The year ended with an organic sales growth of -8%. Scandinavia and DACH were the most stable regions, while South Europe and France were strongly impacted by the negative effects from Covid-19. Electromechanical products and solutions were less affected and in the fourth quarter the launch of the Linus Yale smart lock was well received in the market. Net acquired growth was -1% due to the transfer of the critical infrastructure businesses from EMEA to Global Solutions. Operating income declined and the operating margin was 11.9% (16.1%). Significant cost actions were implemented to mitigate the negative effects

### Financials in brief 2020

- Sales: SEK 18,982 M (21,144) with -8% organic growth.
- Operating income (EBIT): SEK 2,263 M (3,396).<sup>1</sup>
- Operating margin: 11.9% (16.1%).<sup>1</sup>



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

from Covid-19 with headcount reductions of 5%. Cash flow developed strongly, and the conversion rate increased to 130% of EBIT, driven by collection of receivables and lower inventory levels. To further strengthen our competitive advantage, we continued to invest in research and development and the share of new products introduced over the past three years accounted for 26% of sales.

### Acquisitions

One acquisition, Donimet in Poland was completed. Donimet is a leading Polish producer of specialized high security doors. With Donimet we can now address the growing demand for high security commercial doors and complement our security door business in Poland.

### Comments by Divisional Head



**Neil Vann**  
Executive Vice President and  
Head of EMEA division

#### What trends have you seen in the market in 2020?

We have seen an acceleration in the uptake of electromechanical products and solutions in both the commercial and residential segments. The speed of change is happening quickly, and we are driving this with our existing digital products and with increased investment in new product development. This accelerates our growth potential as we convert our traditional mechanical installed base. We are also seeing online business activity becoming more important due to changes in our distribution landscape and the shift in consumer demand towards e-commerce.

#### Do you expect any long-term effects from Covid-19 on the business?

Some operational changes that we implemented have resulted in a new more agile working approach that will have positive long-term effects on the business. The pandemic has also opened up new market opportunities in terms of product development with innovations around touchless and antimicrobial opening solutions. We have seen a shift from conventional door openings, to openings that reduce touchpoints and manage people flow in buildings.

### Markets

EMEA has a leading position in Europe, the Middle East and Africa for locks, access solutions, high security doors and hardware. The region has unique local standards and regulations creating a diverse environment to operate in. Commercial and institutional customers are the largest end-customer segment and account for about 60% of sales, while the residential segment accounts for about 40%. Products are sold primarily through a number of distribution channels, but also directly to end-users.

# Opening Solutions Americas

## Stable margin in challenging environment



To mitigate the strong negative effect from Covid-19, we implemented significant cost actions throughout the year and our margin remained stable at 19.4%.

### Overview

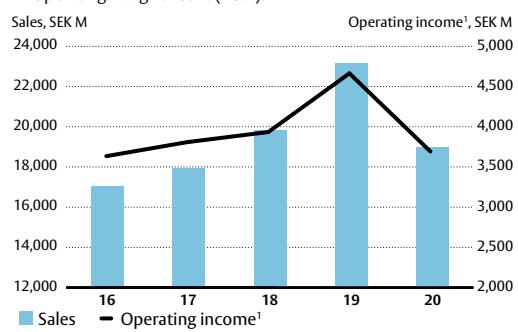
Americas comprises 14 business areas and market regions, with divisional headquarters located in New Haven in the US. Opening Solutions in the US, the largest market, is organized by product category, while the other regions are organized in a country structure. The business areas and market regions are responsible for manufacturing and selling mechanical and electromechanical locks, hardware, secure lockers, access control devices and security doors adapted to the standards and requirements of local markets. ASSA ABLOY and Yale are the master brands, with a strong portfolio of endorsed brands. Institutional and commercial customers are the largest end-customer segments and account for 75% of sales, while the residential segment accounts for 25% of sales. The Americas division has about 8,800 employees.

### Financial development

The year started with a good sales development, but the Covid-19 restrictions and lockdowns had a significant effect on sales and operations from the second quarter. Sales gradually improved in the second half of the year but organic sales decreased by 7% for the full year. The recovery was strongest in Latin America, while restrictions in the US had a negative impact for a longer period of the year. Several product launches improved the development, and electromechanical products and solutions had a relatively better performance. Our operating margin remained stable at 19.4% (20.2%) despite Covid-19 and a negative effect from the transfer of Perimeter Security to the Entrance Systems division. To mitigate the strong negative effect from Covid-19 we implemented significant cost actions

### Financials in brief 2020

- Sales: SEK 19,013 M (23,172) with -7% organic growth.
- Operating income (EBIT): SEK 3,698 M (4,673).<sup>1</sup>
- Operating margin: 19.4% (20.2%).



throughout the year and decreased our headcount by 2%. Cash flow was strong, and improvements were achieved in collection and inventory levels. Several new products were launched during the year. New products introduced in the past three years accounted for 27% of sales.

### Acquisitions

Two acquisitions were closed, Averics in Canada and Olimpia Hardware in Costa Rica. Averics develops web-based access control security management solutions. Olimpia Hardware is a leading glass hardware and accessories brand in Latin America and the Caribbean. Olimpia complements our offering in Latin America, and addresses the growing market for openings utilizing glass and aluminium products.

### Comments by Divisional Head



**Lucas Boselli**  
Executive Vice President and  
Head of Americas division

#### What trends have you seen in the market in 2020?

Fully automated touchless solutions gained traction throughout the year as customers focused on creating a safe and healthy access for their visitors and employees. In response to this, we also launched a number of seamless access products. Demand for electronic door hardware was strong across the entire division, in both residential and commercial markets, highlighting the aspiration of many companies, institutions and consumers to create seamless access control. We have also seen a significant increase in digital e-commerce.

#### Do you expect any long-term effects from Covid-19 on the business?

One effect of people spending more time at home was that home upgrades and sales increased – for both electronic and mechanical solutions. I expect the trend with more convenient and digital access solutions to continue. For those that returned to the office, there was an accelerated demand for access control that minimizes touchpoints. Our customers also requested faster response times for product orders as their planning cycles became more time-sensitive. Supporting regional distribution centers, like our new Flaship location in Orlando, Florida, is critical to meet these expectations.

### Markets

Americas has a leading position in the US, Canada, Mexico, Central America and South America for locks, access solutions, high security doors and hardware. Institutional and commercial customers are the largest end-customer segments and account for about 75% of sales, while the residential segment accounts for 25%. Sales in South America and Mexico are primarily focused on the residential segment, although several verticals in the commercial area have grown significantly in recent years.

# Opening Solutions Asia Pacific

## New organization for profitable growth



**Despite the negative effects on our operations due to the pandemic, our strategy in China is starting to show results with improved profitability.**

### Overview

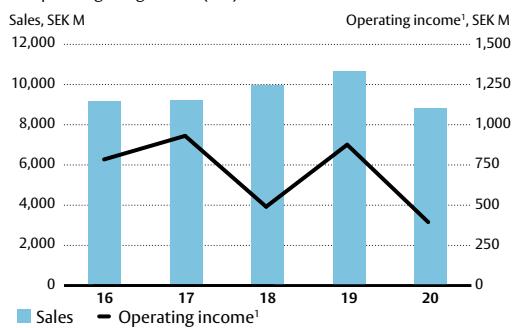
From 2021, the division is organized in two business units: Greater China & South East Asia and Pacific & North East Asia, and the India operations moves to EMEA. The local organization in China is divided by market segment and the other regions in Asia and Pacific are organized according to region or country structure. The business areas and market regions are responsible for manufacturing and selling mechanical and electromechanical locks, hardware and security doors adapted to the standards and requirements of local markets. ASSA ABLOY is the master brand for products in commercial markets and Yale is the master brand for the residential market and its endorsed brands. The commercial and institutional segments and the residential segment each account for about half of the total sales. The Asia Pacific division has about 9,900 employees across the region. The largest market by sales is China, followed by Australia and South Korea.

### Financial development

The start of the year was interrupted by the Covid-19 lockdowns in China, which is our largest market in Asia. Sales gradually improved from the second quarter, but restrictions and lockdowns continued to impact the region. Organic sales declined by 16% with net acquired growth of 1%. Sales decreased overall, but were mostly stable in the Pacific region followed by China. Both South East Asia and India were weak throughout the year. Our business plan for China, implemented at the end of 2018, developed according to plan, resulting in operational stability combined with margin improvements. The division's operating

### Financials in brief 2020

- Sales: SEK 8,841 M (10,689) with -16% organic growth.
- Operating income (EBIT): SEK 396 M (879).<sup>1</sup>
- Operating margin: 4.5% (8.2).<sup>1</sup>



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

income declined and the operating margin was 4.5% (8.2%). Cash flow developed well and improved by 23%, with a strong conversion rate of 192%. Several new products were launched during the year and we saw continued good development in the demand for electromechanical products.

### Acquisitions

Following two completed acquisitions in 2019, no acquisition was completed in 2020. However, parts of AM Group was consolidated into our Asia Pacific organization. Asia Pacific continues to actively explore acquisition opportunities and more acquisitions are expected to be announced in the future.

### Comments by Divisional Head



**Anders Maltesen**  
Executive Vice President and  
Head of Asia Pacific division

#### What trends have you seen in the market in 2020?

The year was impacted by lockdowns, social distancing and other measures that significantly affected our sales, in particular for retail. The negative effects have partly been offset by a higher conversion rate amongst customers and increased online sales. Despite the negative effects on our operations due to the pandemic, our strategy in China is starting to show results with improved profitability. During the year we also opened a new manufacturing facility in Vietnam for smart locks that will further improve our cost efficiency.

#### Do you expect any long-term effects from Covid-19 on the business?

The Covid-19 pandemic has become a strong driver towards a more digitalized world for access solutions. In light of this, the Asia Pacific organization is also digitalizing both our own structure and business processes faster. I expect the shift towards e-commerce and online adoption to continue even when we return to a more normal situation again.

### Markets

APAC has a leading position in Australia and New Zealand as well as in some Asian countries for locks, access solutions, high security doors and hardware. The Pacific region is a mature market with established standards and regulations, while most Asian countries are emerging markets. Urbanization is a driver for growth in Asia and sales for new construction are a majority of the business. Through a combination of organic growth and acquisitions we are building a stronger position in the fast-growing Asian markets.

In January 2021, the Asia Pacific organization was divided into two business units: Pacific & North East Asia and Greater China & South East Asia. Anders Maltesen will leave the Group during the first half 2021 when the new organizational setup is settled.

PRODUCT OFFERING: DOOR OPENINGS AND ACCESS CONTROL

# Customer solutions around the world

## SMARTair at Hippodrome Côte d'Azur

Built in the 1950s, the Hippodrome Côte d'Azur is one of the most important racecourses in France and used for multiple equestrian disciplines. During meetings, it welcomes up to 1,000 horses, 3,000 participants and 11,300 spectators. The key requirement for the customer was to secure an electronic access control system to avoid duplicates of keys and managing lost mechanical keys that compromise security. To solve the problem the racecourse chose the SMARTair Update for Card access control solution. With this solution, security staff encodes user credentials directly for convenient access management and can delete users or lost cards instantly. Managers also plan to trial the SMARTair Openow™ app. With Openow™, administrators can send virtual "keys" directly to a visitor's smartphone — ideal for racecourse guests arriving late at night.



**In the long term, SMARTair access control is cheaper than keys to manage.**

Bernard Arnaud, Supervisor – Accommodations, Hippodrome Côte d'Azur



## ASSA ABLOY delivers complete opening solutions to airport in Chile

The 'Nuevo Pudahuel' is an extensive expansion of the Santiago International Airport, the largest and busiest airport in Chile. Developed by the concessions and construction company - VINCI, this expansion features an additional 67 boarding points and state-of-the-art technology.

For ASSA ABLOY, the key success factors for this project were a rigorous specification process, product development and implementation, application of ANSI hardware and most importantly, compliance with Chilean certification standards, guaranteeing the quality of the products and solutions offered.

Coordinated by the ASSA ABLOY Group brand, ODIS, our fully integrated solutions comprised over 1,200 metal doors, (including firewall, acoustic and armored), all equipped with Yale door locks, Sargent closing systems, Yale and Securitron anti-panic bars, Pemko seals and, Medeco's master key cylinders.

**The main strength of ODIS was to combine its worldwide technical know-how and experience; essential understanding of the project; door expertise; production control; and, their personnel's ability to engage with us on the construction site, bringing that experience to a local level.**

Arthur Gaufre, Director of Large Projects, VINCI

## Medical doors for hospital in Jinan, China

In the beginning of the Covid-19 pandemic, Jinan Infectious Disease Hospital in Shandong province was appointed as a designated medical institution for receiving and treating local coronavirus patients. To ensure the supply of sufficient medical resources, an urgent expansion project was started.

ASSA ABLOY was invited to provide the project with 1,900 steel medical doors for wards, diagnosis rooms, passageways and bathrooms. In the urgency to handle a growing number of patients, the customer requested very short lead times for products as well as high quality.

With nationwide restrictions to curb the spread of Covid-19, ASSA ABLOY's Huasheng door plant had to manage challenges with the supply chain, transportation as well as limited operation with staff shortages. To meet the customer requirements for the product significant adjustments were made on the standard doorframes and windows to bolster the durability of the doors and hardware.



**Throughout the project, ASSA ABLOY demonstrated both professionalism and social responsibility. It is a great company that truly impressed us with their rigorous approach, excellent production capacity, and quality products.**

Mr Sun, department head at Shandong Public Health Clinic Center

# Global Technologies – HID Global

## Increased R&D investments will enable future growth



The evolution of technologies like ultra-wideband (UWB) alongside NFC and Bluetooth will contribute to creating more intuitive and convenient access solutions, while also delivering building management and utilization benefits.

### Overview

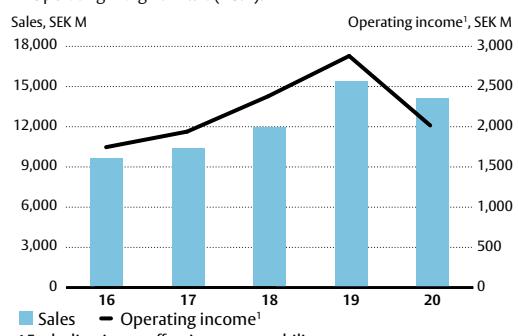
HID Global is organized into six business areas with the business unit headquarters located in Austin, Texas in the US. The business areas are responsible for global sales and product development in their product area. HID Global powers the trusted identities of the world's people, places and things. Our trusted identity solutions give people secure and convenient access to physical and digital places and connect things that can be accurately identified, verified and tracked digitally. The products and solutions are sold under the master HID brand or by brands endorsed by HID. Institutional and commercial customers are the main end-customer segments. HID Global has about 4,400 employees worldwide. The largest business area is Physical Access Control Solutions.

### Financial development

After a good start to the year, sales were strongly impacted by the negative business effects from Covid-19. Sales declined in all business areas but the greatest impact was in Citizen ID, as a result of low demand for passports in the world. Our largest business area, Physical Access Control Solutions, was negatively impacted by the closure of offices around the world, but sales improved gradually in the second half of the year when offices began to reopen. Efficiency activities continued and significant cost actions were implemented to mitigate the negative effects from Covid-19, along with a headcount reduction of 6%. To strengthen our position in the market, we continued to invest in research and development and several new products and solutions were laun-

### Financials in brief 2020 – Global Technologies

- Sales: SEK 14,158 M (15,423) with -15% organic growth.
- Operating income (EBIT): SEK 2,023 M (2,890).<sup>1</sup>
- Operating margin: 14.3% (18.7).<sup>1</sup>



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

ched during the year including solutions for our customers to improve health and safety at workplaces. New products introduced over the past three years was 22% of sales.

### Acquisitions

The acquisition of Access-IS, located in the UK, was completed. Access-IS is a leading provider of electronic RFID, NFC and barcode devices enabling the authentication of travel and identity documents, ticket reading and contactless payments. The acquisition will add complementary growth opportunities in our extended access offering.

### Comments by HID Global



**Björn Lidefelt**  
Executive Vice President and  
Head of Global Technologies  
business unit HID Global

#### What trends have you seen in the market in 2020?

The evolution of technologies like ultra-wideband (UWB) alongside NFC and Bluetooth will contribute to creating more intuitive and convenient access solutions, while also delivering building management and utilization benefits. Proven Bluetooth technologies and cloud-based IoT platforms drove new innovations such as automated physical-distancing and contact-tracing solutions and other novel location-based applications well beyond the challenges faced before the pandemic.

#### Do you expect any long-term effects from Covid-19 on the business?

During the year we continued to launch several new products and solutions and have more in the pipeline. Continued evolution in biometrics will enable us to develop even more secure and truly seamless experiences. While there remains a level of unpredictability as to when markets will fully recover, we are well positioned continuing our growth strategy and I expect that our innovation efforts will result in a re-acceleration of the growth of access control products and solutions.

### Markets

HID Global has a market presence in all continents, with a global leading market position in access control solutions. Every day millions of people worldwide use our products, for billions of things that need to be identified, verified and tracked. We work with governments, universities, hospitals, financial institutions and some of the most innovative companies on the planet. Through a combination of innovative new products and solutions as well as acquisitions we have a leading position in trusted identities.

# Global Technologies – Global Solutions

## Keeping up momentum on our digital offering across verticals



**Our investments in new, innovative solutions continued and further strengthened our product and technology leadership.**

### Overview

Global Solutions is a global organization comprising seven verticals. The verticals are Hospitality, Marine, Senior Care, Education, Critical Infrastructure, Construction and Key and Asset Management. Each vertical is responsible for its own manufacturing, sales and solution developments. Global Solutions' products include electronic locks, safes, credentials and software service. Its innovative solutions are sold under the ASSA ABLOY master brand and the Traka and Abloy brands. Global Solutions has about 1,900 employees worldwide. The largest vertical is Hospitality, offering advanced electronic locking solutions in combination with a range of tailored services for guest convenience.

### Financial development

Covid-19 caused a strong decline in Global Solutions' organic sales in the end-customer segment. Sales growth was overall negative for Hospitality and Marine, while other verticals showed signs of recovery at different levels during the latter part of the year. The trend of upgrading hotels to mobile key solutions continued, while the aftermarket was weak due to low occupancy rates in hotels as a result of travel restrictions in 2020. Our investments in new, innovative solutions continued with unchanged ambitions to continue our product and technology leadership. Among the new solutions launched was ABLOY BEAT Bluetooth padlock for critical infrastructure protection, TrakaMEC and video visits for Senior Care. The ratio of new products introduced over the past three years was at a high level, accounting for 27% of the total sales.



### Acquisitions

Three acquisitions were closed, Biosite in the UK, FocusCura in the Netherlands and LongMy in Vietnam. Biosite is the leading solutions provider of biometric access control to the UK construction industry and has formed the Construction vertical within Global Solutions. FocusCura is a strategic technological addition that will reinforce our current offering within Senior Care and will provide complementary growth opportunities. LongMy is a distributor for Hospitality in the fast-growing Vietnamese market and by having our own distributor we will strengthen our presence in South Vietnam.

### Comments by Global Solutions



**Christophe Sut**  
Executive Vice President and Head of Global Technologies business unit ASSA ABLOY Global Solutions

#### What trends have you seen in the market in 2020?

The transition towards a more digital world has accelerated. Several of our verticals have been part of both driving and benefiting from this transition. Hospitality has seen an increased momentum for our mobile access solutions. This technology has proven critical for our customers on their journeys to meet hotel guest expectations for touchless solutions. Our new solutions in the Construction vertical enable more efficiency through digitalization and in Senior Care we have re-prioritized the product roadmap and fast-tracked the launch of video care solutions enabling care providers to deliver safe digital home visits.

#### Do you expect any long-term effects from Covid-19 on the business?

The travel industry was negatively impacted for most of the year and we anticipate a mid-term impact before the sector recovers. Meanwhile, we will drive the development of new solutions with enhanced capabilities, and contactless technology to shape the future of the hospitality and marine sectors together with our customers. Other verticals are gaining momentum. For instance, in the Senior Care vertical the Covid-19 pandemic has been a driver to improve efficiency through technology.

### Markets

ASSA ABLOY Global Solutions has a presence in all continents, with a leading market position in the hospitality segment for access solutions. Our systems and products are installed in hotel rooms and cruise ships worldwide. Through a combination of acquisitions and innovative solutions utilizing Group technology, we continue to increase our footprint in verticals like senior care facilities, education, construction sites, key and asset management and critical infrastructure.

# Entrance Systems

## Solid performance and completion of agta record acquisition



The strongest segment for us has been our offering to the distribution and logistics vertical, driven by the trend of consumers buying more online which accelerated due to the Covid-19 pandemic.

### Overview

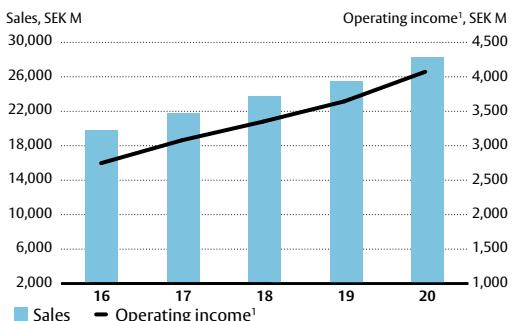
Entrance Systems is a global organization with four business segments: Pedestrian, Industrial, Residential and Perimeter Security. The divisional headquarters are located in Switzerland. The business segments are responsible for sales, manufacturing and product development in their specific product areas. Entrance Systems manufactures and sells entrance automation products, services and perimeter security. The route to the market is both direct and indirect, with the master brand ASSA ABLOY and the brand record in the direct channel, and a number of brands in the indirect channel. The commercial and institutional segments account for around 80% of sales and the residential segment for about 20%. Entrance Systems has about 12,900 employees worldwide. The largest business segment is Industrial followed by Pedestrian.

### Financial development

Sales growth was stable with an organic growth of -2% and a strong growth through acquisitions of 15%. Development was stable in the Residential segment and in the Industrial segment, which was supported by strong growth in logistics and warehouses. Perimeter had good growth, while the Pedestrian segment had a negative development due to Covid-19's negative impact on the retail segment. The operating margin was improved to 14.4% (14.3) and operating income increased with 12% to SEK 4,083 M. We continued to invest in growing the service organization and despite negative effects from lockdowns in important markets, sales development was stable. Investments in IoT resulted in the launch of two software solutions for connected doors, Insight and 4SIGHT

### Financials in brief 2020

- Sales: SEK 28,323 M (25,553) with -2% organic growth.
- Operating income (EBIT): SEK 4,083 M (3,652).<sup>1</sup>
- Operating margin: 14.4% (14.3).<sup>1</sup>



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

Connect. Cash flow increased strongly by 36%, driven by the improved earnings and working capital improvements, and the cash conversion was 122%. Our share of new products introduced over the past three years was 23% of total sales.

### Acquisitions

Four acquisitions were closed: agta record in Switzerland, AM Group in Australia, Doorway and Letherneck in the US. The acquisition of agta record, a Swiss pedestrian door company is the largest acquisition for ASSA ABLOY since 2011. AM Group in Australia is a leading company making roller shutters and security doors. We completed the divestment of Cedes in Switzerland at the end of the year.

### Comments by Divisional Head



**Christopher Norby**  
Executive Vice President and  
Head of Entrance Systems  
division

#### What trends have you seen in the market in 2020?

The strongest segment for us has been our offering to the distribution and logistics verticals, driven by the trend of consumers buying more online which accelerated due to the Covid-19 pandemic. Also, due to Covid-19, there is a trend of increased hygiene practices, and controlling the flow of people. This is particularly relevant in the healthcare industry resulting in higher demand for our touchless solutions.

#### Do you expect any long-term effects from Covid-19 on the business?

We see some customer segments having an acute awareness of the need for increased hygiene and social distancing that drives a demand for upgrading manual doors to automated doors. This trend is positive for us also long-term and it has driven us to develop new products with touchless activators for pedestrian doors, and FlowControl solutions to regulate the number of customers in, for example a retail store. We also expect that e-business will continue to grow and create opportunities for our distribution and logistics vertical.

### Markets

Entrance Systems is a global leader in automated entrance solutions. The product portfolio includes automatic, industrial and commercial, high performance, residential garage and hangar doors. It also includes loading dock equipment, perimeter security, maintenance and service. The entrance solutions are sold both directly to end-users as well as through a number of distribution channels. About 20% of sales are in the residential sector and 80% in the commercial and institutional segments.

PRODUCT OFFERING: IDENTIFICATION AND ACCESS MANAGEMENT, ENTRANCE AUTOMATION

# Solutions for unique customer needs

## Solutions for United States Cold Storage

United States Cold Storage is a premier provider of public refrigerated warehousing and related logistics services throughout the US. The company offers more than 355 million cubic feet of temperature-controlled warehouse and distribution space in 42 facilities located in 13 states. As the third largest refrigerated warehousing logistics provider in North America, United States Cold Storage selected our product 4SIGHT™ Connect to provide gate access solutions and automate dock equipment operations. In addition, 4SIGHT™ Connect enables United States Cold Storage to gather data intelligence for its diverse customer base with requirements ranging from primary storage to fully integrated third-party logistics. The 4SIGHT™ Connect solution was also selected based on the relationships and expertise demonstrated by the ASSA ABLOY team.

**“** United States Cold Storage is a data-driven company. We performed our due diligence and interviewed several providers on the best way to harness data to improve our business. We felt that ASSA ABLOY would be a partner as our business evolves, and we have the confidence that they will support their product as we reach our goals together.

Mike Adkins, Engineering Manager, United States Cold Storage.



## E-visits boost senior care in Bollnäs municipality

Bollnäs municipality in Sweden has the ambition to create best-in-class senior care and to achieve the target they are convinced that technology and digital tools are necessary. One of the challenges was nighttime checkups, which are very time and resource consuming creating stress for the staff, as well as inconvenience to patients or service users being woken up at night. With e-visits from ASSA ABLOY Global Solutions Senior Care, a digital monitoring by camera, it is now possible to plan the nightly visits to when they are truly needed. In addition, the service users feel safe and secure that the staff is available when needed. Together with ASSA ABLOY's digital lock, it is also possible to issue access into the service user's home in a safe and secure way.

**“** The most important advantage is a continued user experience with good safety and the possibility to feel more self-sufficient, at the same time as the e-visits also mean that our staff no longer has to disturb and wake up those receiving care.

Ingela Hedblom, Business Developer within the Social Administration, Bollnäs municipality

## A one card ecosystem for Connecticut university

The University of Connecticut (UConn) is a public research university with more than 32,000 students, 9,000 faculty staff and five campus areas across the state. Securing a campus is a top priority and a challenge for UConn administrators. Students need to access spaces such as dormitories, labs and research facilities. Previously, the university's card solution utilized proximity and magstripe technologies. However, this card solution could easily be cloned. UConn was seeking a solution capable of increasing security and a phased, university-wide transition to an updated one-card ecosystem. UConn selected HID Global's Seos credential technology to re-card the entire university. To manage credential issuance, they selected the HID FARGO Connect paired with the HPD5600 printer.

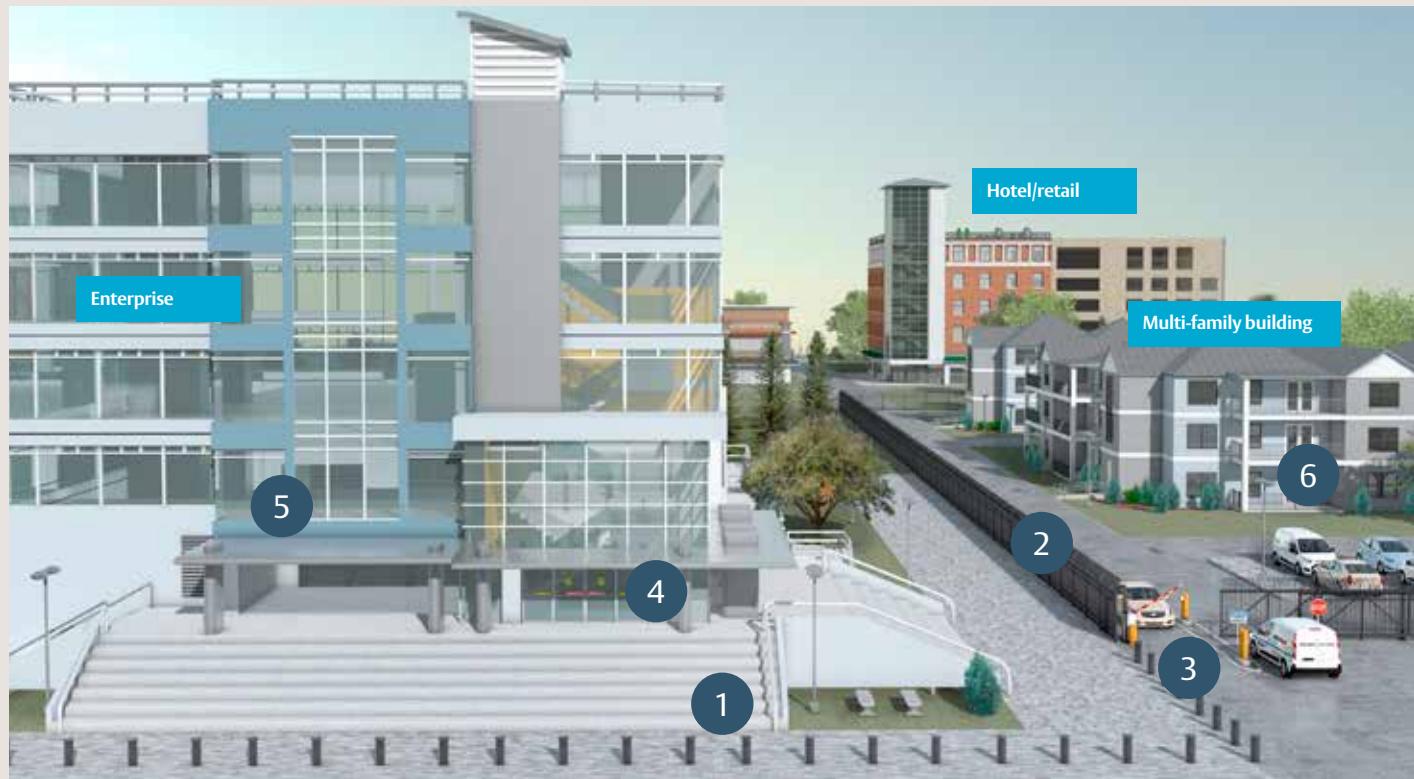
**“** The University of Connecticut already had numerous HID card readers installed for door access. We needed a card that would capitalize on all the components of these existing readers, but also be compatible with other readers on the University campuses. In conjunction with this, we also needed printers capable of seamlessly printing and capturing all three credentials on the one card. HID was the only company able to meet all these requirements.

Stephanie Kernozycky, Director of UConn's One Card Office



# ASSA ABLOY in your daily life

Securing buildings from the perimeter ...



We are part of people's everyday life all over the world! We provide access solutions from the perimeter to the core of buildings. You will find ASSA ABLOY's products and solutions in your home, at work or school, when you shop or travel. Some products are very visible to you like keys, locks and doors, while other products are embedded in solutions like e-passports and identity solutions.

- 1** Bollards and other safety devices protect pedestrians from motor vehicles. The various models can be permanently installed, portable or retractable, and they can be integrated in security and alarm systems.
- 2** High-security fences and gates protect against unauthorized entry. The doors can be integrated with security systems, sensors and surveillance cameras.
- 3** ASSA ABLOY has a complete offering for service, maintenance and modernization of automatic entrances and docks.
- 4** Automatic sliding doors are particularly suitable for entrances and indoor areas with large pedestrian flows. Automatic sliding doors allow you to enter a building without manually open doors – and conveniently pass through even if you are pushing a shopping or carrying suitcases.
- 5** Inside the building, mechanical and electromechanical key systems, software and solutions for access control. System to integrate access control systems for e.g. authorization, logistics, personnel, etc. Solutions for secure issuance and management of identities for access to various systems with Specific security requirements, such as staff ID cards. Positioning solutions inform the building

security system about who is at a certain place to ensure that no unauthorized individuals, temporary contractors, etc., have access to the wrong part of the building. At the same time, the staff can keep track of security personnel to see where they are located in the building.

#### Multi-family building

**6** Complete solutions for multi-family buildings, ranging from mechanical locks to sophisticated, customized access control systems. Digital door locks can easily be opened with a code or a smart phone app. The app enables controlling the lock remotely to let in visitors, and receiving notifications when children come home. In the future, online locks make it possible to safely and securely open the door for service and deliveries directly into the home.

#### Enterprise

**7** Mobile keys, physical access control systems including readers and controllers to manage access in the building.

**8** Security-rated doors and frames. Electromechanical locks and other hardware work together with physical access control systems, including readers and controllers to manage access.

#### Hotel/retail

**9** With Mobile Access for hotels guests can use a smart phone to directly book a room. Secure Seos technology then sends a digital key directly to the guest's mobile phone, enabling the guest to go directly to the room and unlock the door. The solution is connected to the hotel's booking and security systems, and the key will be deleted at check-out.

**10** Total door opening solutions for retail premises.

**11** Revolving doors create spacious and welcoming entrances with room for luggage carts or wheelchairs. Revolving doors are ideal when climate control is a priority. Advanced sensor technology ensures functionality in the door's features, while conveniently controlling safe traffic flows and providing superior separation of indoor and outdoor climates. Side doors are added for increased accessibility and rapid evacuation.

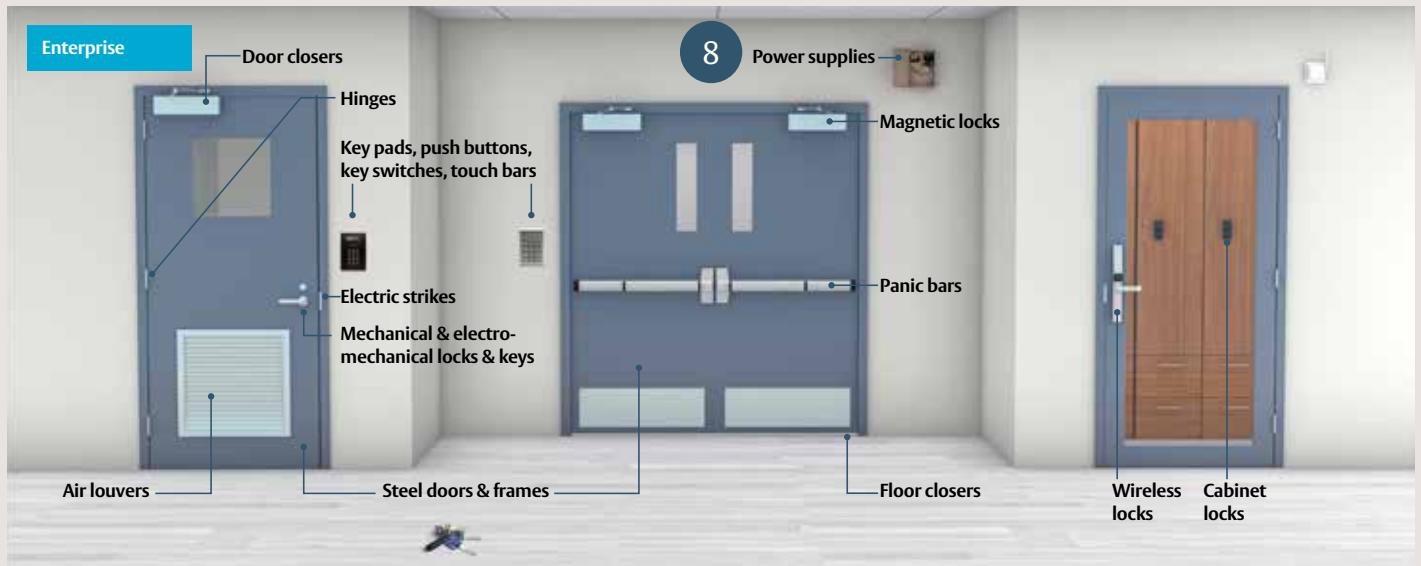
**12** Complete solutions for hotel rooms, including door solution, safes and energy management systems.

**13** Garage doors, bars and gates are secure and easy to connect to the buildings access control system.

...to shell...



...to core...



...to shell and core.



# 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 fiscal year 1 January through 31 December 2020, including the nature and focus of the business. ASSA ABLOY is the global leader in access solutions, dedicated to satisfying end-user needs for security, safety and convenience.

## Significant events

### Sales and income

Business operations were negatively impacted during the year by the global Covid-19 pandemic, especially during the spring of 2020 in conjunction with the lockdowns in many countries around the world. Sales declined by 7 percent for the full year and amounted to SEK 87,649 M (94,029). The decrease in sales consisted of organic growth of -8 percent (3) and net acquired and divested growth of 4 percent (3). The exchange rate impact on sales was -3 percent (6).

Operating income (EBIT) excluding items affecting comparability decreased by 20 percent to SEK 11,916 M (14,920), equivalent to an operating margin of 13.6 percent (15.9). Items affecting comparability relate to revaluation to fair value of previous shareholdings in agta record (shareholding in associates) in 2020 of SEK 1,909 M, as well as costs for the restructuring program totaling SEK 1,366 M before taxes in 2020 and SEK 312 M expensed in 2019.

Net financial items were SEK -782 M (-1,037). Income before tax excluding items affecting comparability totaled SEK 11,133 M (13,883), a decrease of 20 percent. Tax on income excluding items affecting comparability was 24.8 percent (26.2). Earnings per share after full dilution, excluding items affecting comparability, decreased by 18 percent to SEK 7.54 (9.22). Operating cash flow was maintained at a continued high level, totaling SEK 14,560 M (14,442), an increase of one percent compared with the previous year.

### Restructuring

A new restructuring program was launched at year-end 2020 as part of ASSA ABLOY's continual cost-saving and streamlining initiative. Plans are in place to close ten factories and about thirty offices over a two-year period, supplemented by external outsourcing of certain aspects of production, as well as continued automation. The total cost of the program, which is estimated at SEK 1,366 M before tax, was fully expensed in 2020. The payback period is expected to be about two years. Activities related to the previous programs also continued with effective cost-cutting measures during the year.

In 2020, 2,135 employees left the Group in conjunction with changes in the production and office organization. Three plant closures were implemented during the year, along with a number of other restructuring activities, including conversion from production to final assembly in production units.

The Group is increasingly concentrating production to its own plants in Asia, Central Europe and Eastern Europe, as well as to outsourcing to external suppliers in low-cost countries.

Payments for the restructuring programs totaled SEK 747 M (726) for the year. At year-end 2020, the remaining provisions for restructuring measures amounted to SEK 1,224 M (778).

### Organization

A new organizational structure was implemented beginning in 2021 in the Asia Pacific division aimed at facilitating improved opportunities for long-term robust sales growth. Two new business units are being organized within the division: Opening Solutions Greater China and South East Asia and Opening Solutions Pacific and North East Asia. Beginning in 2021, operations in India, which was previously part of the Asia Pacific division, are being moved to the EMEA division with the aim of creating new growth opportunities.

Operations were transferred between divisions in 2020, mainly relating to the Perimeter Security business unit, which was moved from the Americas division to the Entrance Systems division. Sales on an annual basis for the operations that were transferred to Entrance Systems from Americas during the year totaled about SEK 2,400 M. The transfer of operations has been recognized, from the time of the transfer, as internal acquisitions/divestments between the divisions without any retroactive financial translation.

### Acquisitions

In August 2020 ASSA ABLOY completed the acquisition of 54 percent of shares in agta record, a well-established manufacturer and service organization for entrance automation. The acquisition was conditional on regulatory approval, which was obtained only after certain operations within both ASSA ABLOY and agta record had first been divested. An official offer for the remaining shares was then completed, with closing on September 30, 2020. At the end of 2020, ASSA ABLOY owned 99.7 percent of the votes and share capital in the group company. The purchase price for the shares acquired during the year was just over SEK 6 billion.

As part of the transaction, ASSA ABLOY's previous holdings in agta record of 39 percent, a shareholding in an associated company, were revalued at market value through profit or loss. The operating income, which did not affect cash flow, amounted to SEK 1,909 M.

In February 2020 ASSA ABLOY completed the acquisition of AM Group, an Australian manufacturer of industrial doors within entrance automation. The company, which specializes in innovative entrance automation, is a good complement to ASSA ABLOY's geographic coverage in Australia. The company is headquartered in Sydney, Australia. The agreement was signed at the end of 2019 and was completed after regulatory approval was obtained.

In February 2020, ASSA ABLOY acquired Biosite, a leading provider of Biometric access control for construction site in the UK. The acquisition strengthens the offering in access control solutions and offers additional growth opportunities. The operation has its headquarters in Solihull, UK.

In August 2020, ASSA ABLOY acquired FocusCura, a leading provider of technical solutions for senior care in the Dutch market. The acquisition strengthens ASSA ABLOY's offering in the healthcare and long-term care market. The operation has its headquarters in Driebergen-Rijsenburg, Netherlands.

In August 2020, ASSA ABLOY acquired Access-IS, a leading provider of RFID, NFC and barcode devices enabling the authentication of travel and identity documents, ticket reading and contactless payments. The acquisition strengthens the offering in expanded access technologies and allows growth in several attractive markets for HID Global. The operation has its headquarters in Reading, UK.

In October 2020, ASSA ABLOY acquired Olimpia Hardware, a leading glass hardware and accessories brand in Latin America and the Caribbean. The acquisition complements the business in Latin America, further supporting the growing trend of openings utilizing glass and aluminum products. The operation has its headquarters in Costa Rica.

The total purchase price of the 12 businesses acquired during the year, including adjustments for acquisitions from previous years, was SEK 12,134 M. The acquisition price includes SEK 3,752 M related to fair value measurement of previously owned shareholding in associated companies, which does not affect cash flow. The preliminary acquisition analyses indicate that goodwill and other intangible assets with an indefinite useful life amount to SEK 8,325 M. Estimated deferred considerations relating to acquisitions for the year totaled SEK 318 M.

Additional acquisitions of non-controlling interests occurred during the year for SEK 16 M (19).

#### Disposals

In August 2020 the sale of certain operations from agta record and ASSA ABLOY to the Italian FAAC Group was completed, as part of the commitments to address the competition concerns of the EU Commission in connection with the acquisition of agta record. The divested business, which had a turnover in 2019 of approximately EUR 1,000 M, mainly included the agta record operations in the Netherlands, Austria, Hungary and Slovenia, as well as the ASSA ABLOY automatic pedestrian door business in France and the UK. The divestiture gave rise to a non-recurring operating income of just over SEK 230 M.

In November 2020 ASSA ABLOY sold its Swiss sensor technology business CEDES to capiton AG. CEDES is a leading sensor technology company in the elevator and door industry. Sales in 2019 totaled about SEK 525 M. The divestiture, which resulted in a small capital gain, will have a neutral effect on ASSA ABLOY's operating margin going forward.

At the end of 2020, ASSA ABLOY sold its Italian residential door business in Gardesa. The company's sales in 2020 totaled about SEK 100 M. The transaction will have a positive effect on ASSA ABLOY's operating margin going forward. In its entirety, the divestment gives rise to a capital loss and related divestment costs of approximately SEK 185 M.

#### Research and development

ASSA ABLOY's expenditure on research and development during the year totaled SEK 3,902 M (3,566), equivalent to 4.5 percent (3.8) of sales.

The pace of innovation remained high during the year thanks to the continued commitment to invest in research and development. The number of employees in research and development at year-end was 2,800, which is unchanged compared with the beginning of the year.

#### Sustainable development

A number of ASSA ABLOY units outside Sweden carry on licensable activities and hold equivalent licenses under local legislation. ASSA ABLOY's units worldwide are working systematically and purposefully to reduce their environmental impact.

In accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, ASSA ABLOY opted to prepare the Sustainability Report as a separate report from the Annual Report. The Sustainability Report has been submitted to the auditor at the same time as the Annual Report.

The 2020 Sustainability Report, reporting on the Group's prioritized environmental activities and providing other information on sustainable development, is available on the company's website, [assaabloy.com](http://assaabloy.com).

#### Internal control and financial reporting

ASSA ABLOY's internal audit and internal control functions have dedicated internal auditors employed in all divisions. More reviews were conducted in recent years, and work continued during the year to strengthen internal control and compliance in the business in general. Special emphasis has been placed on financial reporting, including with respect to continuous reconciliation of balance sheets. Measures to address internal control compliance issues were implemented during the year following a revision of the internal control framework that has been in effect for some time.

#### 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 for ASSA ABLOY AB.

#### Proposed distribution of earnings

The Board of Directors proposes that the Annual General Meeting 2021 should approve a dividend of SEK 3.90 (3.85) per share, representing an increase of 1 percent. In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two equal installments, the first with the record date 30 April 2021 and the second with the record date 23 November 2021. If the proposal is adopted by the Annual General Meeting, the first installment is estimated to be paid on 5 May 2021 and the second installment on 26 November 2021. The proposal for profit distribution can be found in its entirety on page 98 of the Annual Report.

#### 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 ASSA ABLOY's strong position will accelerate growth and increase profitability.

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

# 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.

## Organization

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 ASSA ABLOY, and to keep risk analysis and risk management as close as possible to the actual risks, a large proportion of operational risk management takes place at division and business unit levels.

## Responsibility

ASSA ABLOY's Board of Directors has overall responsibility for the Group's strategic direction in close consultation with the Executive Team. Divisions and business units have overall responsibility for management of operational risks, in accordance with the ASSA ABLOY's decentralized approach to organization, responsibility and authority. In the case of financial risks, allocation of responsibilities and control of the Group's financing activities are regulated in a financial policy adopted by the Board of Directors. Treasury then has the main responsibility for financial risks within the framework established in the financial policy, with the exception of credit risks relating to operational business activities, which are managed locally at company level and monitored at division level.

## Review process

Strategic risks, such as competitors, brand positioning and so on, are regularly reviewed at ASSA ABLOY AB's board meetings. The Group's operational risk management is continuously monitored by the Executive Team through divisional reporting and divisional board meetings. For further information on monitoring and management of operational risks, see page 46.

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

### **Strategic risks**

The risks of this nature encountered by ASSA ABLOY include various forms of business environment risks with an impact on the security market in general, mainly changes in customer behavior, competitors, brand positioning and country-specific risks. In 2020, it was also clarified that worldwide health risks posed by pandemics (Covid-19) can significantly impact societies and global demand around the world. ASSA ABLOY has therefore dedicated great effort to protect the health of its employees during the year. The business has also been negatively impacted. While it is difficult to predict the continued impact of the pandemic on business in 2021 due to the uncertainty in market conditions, the health and safety of ASSA ABLOY employees continues to be our highest priority.

### **Country-specific risks**

ASSA ABLOY has global market penetration, with sales and production in a large number of countries. The emphasis is on western Europe and North America, but the proportion of sales in Asia and in central and eastern Europe has increased in recent years. Consequently, the Group has increased exposure to the emerging markets, which may entail a higher risk profile for country-specific risks in the form of inadequate compliance, policy decisions, overall changes in regulations and more.

### **Customer behavior**

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.

### **Competitors**

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

### **Brand positioning**

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.

### **Reputational risk**

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 for employees and the Code of Conduct for business partners. These codes express the Group's values with regard to matters such as business ethics, human rights and working conditions, as well as the environment, health and safety.

## ASSA ABLOY's risks

### **Strategic risks**

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

- Country-specific risks
- Customer behavior
- Competitors
- Brand positioning
- Reputational risk
- Pandemics and other global health risks

### **Operational risks**

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

- Legal and environmental risks
- Tax risks
- Acquisition of new businesses
- Restructuring measures
- Price fluctuations and availability of raw materials
- Credit losses
- Insurance risks
- Risks relating to internal control
- Risks relating to IT

### **Financial risks**

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

- Financing risk
- Currency risk
- Interest rate risk
- Credit risk
- Risks associated with pension obligations

## **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, tax risks, acquisition of new businesses, restructuring measures, availability and price fluctuations of raw materials, and credit losses. This category also includes risks relating to compliance with laws and regulations, as well as to information technology (IT), internal control and financial reporting. See page 46 for a more detailed description of the management of these risks.

## **Financial risks**

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. A large number of financial instruments are used to manage these risks. Accounting principles, risk management and risk exposure are described in more detail in Notes 1 and 35, as well as Note 25, Post-employment employee benefits.

### **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 solid 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 expected to increase over time due to rationalization of production and sourcing. In accordance with financial policy, the Group only hedged a very limited part of current currency flows in 2020. As a result, currency 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 29,755 M (33,050) at year-end 2020. Debt was mainly denominated in 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 swaps are used to adjust interest rate sensitivity.

### **Credit risk**

Credit risk arises in ordinary business activities and as a result of financial transactions. Trade receivables are spread across a large number of customers, which reduces 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 2020, ASSA ABLOY had obligations for pensions and other post-employment benefits of SEK 9,549 M (9,530). The Group manages pension assets valued at SEK 6,035 M (6,184). Provisions in the balance sheet for defined benefit and defined contribution plans and post-employment medical benefits totaled SEK 3,514 M (3,346). Changes in the value of assets and liabilities from year to year are due partly to the development of equity and interest rate markets and partly to the actuarial assumptions made. Significant remeasurement of obligations and plan assets is recognized on a current basis in the balance sheet and in other comprehensive income. The assumptions made include discount rates and anticipated inflation and salary increases.

## ASSA ABLOY's operational risks and risk management

<b>Operational risks</b>	<b>Risk management</b>	<b>Comments</b>
<b>Legal risks</b>	<p>The Group continuously monitors anticipated and implemented changes in legislation in the countries in which it operates. Ongoing and potential disputes and other legal matters are reported regularly to the Group's central legal function.</p> <p>Policies and guidelines on compliance with applicable competition, export control, anti-corruption and data protection legislation have been implemented.</p>	At year-end 2020, there are considered to be no outstanding legal disputes that may lead to significant costs for the Group.
<b>Environmental risks</b>	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.
<b>Tax risks</b>	Ongoing and potential tax cases are regularly reported to the Group's central tax function.	At year-end 2020, there are considered to be no ongoing tax cases with a significant impact on the Group's earnings.
<b>Acquisition of new businesses</b>	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.	During the year, acquisition activity continued to be high at ASSA ABLOY, with acquisitions of several businesses, of which the acquisition of agta record was the largest in the last decade. The Group's acquisitions in 2020 are reported in greater detail in the Report of the Board of Directors and in Note 33, Business combinations.
<b>Restructuring measures</b>  The restructuring programs mainly entail some production units changing direction principally to final assembly, while certain units will be closed.	The restructuring programs are carried on as a series of projects with stipulated activities and schedules. The various projects in the respective restructuring program are systematically monitored on a regular basis.	A new restructuring program was launched at the end of 2020 involving the closure of about ten factories and about thirty offices. The program was fully expensed in 2020. The scope, costs and savings of the restructuring programs are presented in more detail in the Report of the Board of Directors.
<b>Price fluctuations and availability of raw materials</b>	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.
<b>Credit losses</b>	<p>Trade receivables are spread across a large number of customers in many markets. No individual customer in the Group accounts for more than one percent of sales.</p> <p>Commercial credit risks are managed locally at company level and monitored at division level.</p>	Receivables from each customer are relatively small in relation to total trade receivables. The risk of significant credit losses for the Group is considered to be limited, but credit risk has been assessed to have increased in 2020, given the global Covid-19 pandemic and its impact on global demand.
<b>Risks relating to internal control</b>	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.
<b>Risks relating to internal control</b>	<p>The organization is considered to be relatively transparent, with a clear allocation of responsibilities.</p> <p>A well-established Controller organization at both division and Group level monitors financial reporting quality.</p> <p>Instructions on the allocation of responsibilities, authorization and procedures for orders, sourcing, etc., are laid out in an internal control guide with rules and regulations that were updated during the year. Compliance is evaluated annually for all operating companies. An annual internal audit of financial reporting is performed for selected Group companies on a rotating basis.</p>	ASSA ABLOY's internal audit and internal control functions have dedicated internal auditors employed in all divisions. More reviews were conducted in recent years. Internal control and other related issues are reported in more detail in the Report of the Board of Directors, section on Corporate governance.
<b>Risks relating to Information and data security</b>	Preventive measures are in place to protect business-critical information from unauthorized individuals and organizations.	Further information on risk management relating to financial reporting can be found in the Report of the Board of Directors, section on Corporate governance. See also the section 'Basis of preparation' in Note 1.
		IT security is a prioritized area at ASSA ABLOY through constant efforts to maintain and strengthen the level of security for the Group's business information.

# Corporate governance

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

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

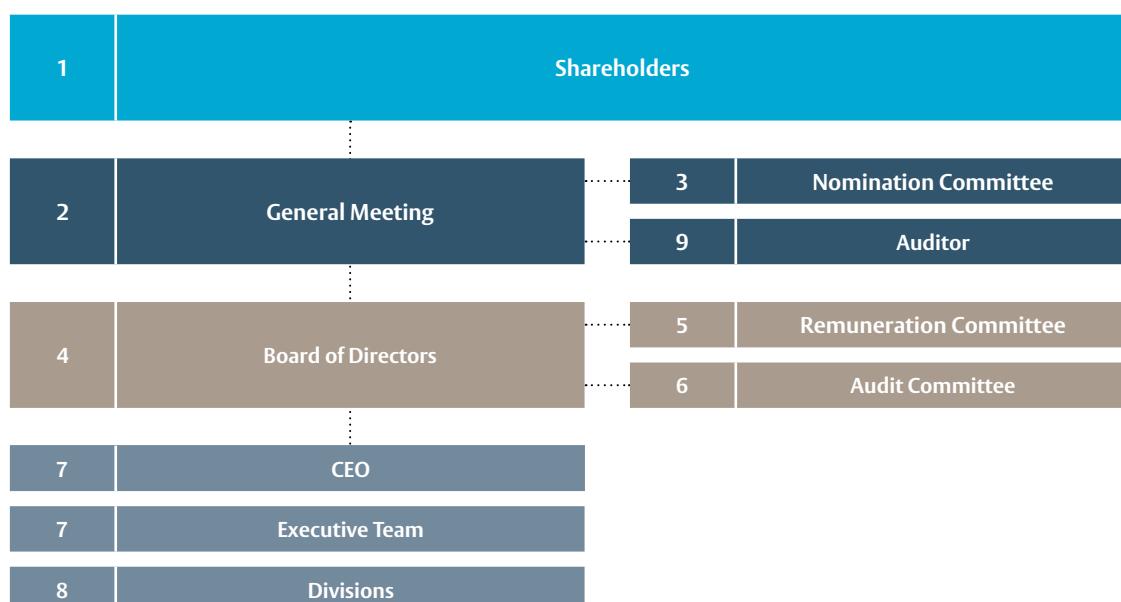
This Corporate Governance Report has been prepared as part of ASSA ABLOY's application of the Code. ASSA ABLOY follows the Code's principle to "comply or explain" and in 2020 ASSA ABLOY has one deviation to explain. The Nomination Committee deviates from Rule 2.4 of the Code

in that the Vice Chairman of the Board of Directors, Carl Douglas (Investment AB Latour), is also the Chairman of the Nomination Committee. The reason for this deviation is that the major shareholders consider it to be important to have the representative from the largest shareholder as Chairman of the Nomination Committee.

The Corporate Governance Report is examined by ASSA ABLOY's auditor.

ASSA ABLOY's objective is that its operations 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.

## Corporate governance structure



### Important external rules and regulations

- Swedish Companies Act
- Annual Accounts Act
- Nasdaq Stockholm's Rule Book for Issuers
- Swedish Corporate Governance Code ([www.bolagsstyrning.se](http://www.bolagsstyrning.se))

### Important internal rules and regulations

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

### 1 Shareholders

At year-end 2020, ASSA ABLOY had 43,734 shareholders (29,784). ASSA ABLOY's principal shareholders are Investment AB Latour (9.5 percent of the share capital and 29.4 percent of the votes) and Melker Schörling AB (3.1 percent of the share capital and 10.9 percent of the votes). Foreign shareholders accounted for 66.8 percent (69.5) of the share capital and 45.6 percent (47.5) of the votes. The ten largest shareholders accounted for 34.9 percent (36.5) of the share capital and 55.5 percent (56.7) of the votes. For further information on shareholders, see page 106.

ASSA ABLOY's Articles of Association contains a pre-emption clause for owners of Series A shares regarding shares of Series A. A shareholders' agreement exists between the Douglas and the Schörling families and their related companies that 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 at the end of 2020 amounted to SEK 370,858,778 distributed among a total of 1,112,576,334 shares, comprising 57,525,969 Series A shares and 1,055,050,365 Series B shares. The total number of votes amounted to 1,630,310,055. Each Series A share carries ten votes and each Series B share one vote. All shares have a par value of around SEK 0.33 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 Series B shares. The aim has been, among other things, to secure the company's undertakings in connection with its long-term incentive programs (LTI). The Annual General Meeting 2020 authorized the Board of Directors to acquire, 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 1,800,000 (1,800,000) Series B shares after repurchases. These shares account for around 0.2 percent (0.2) of the share capital and each share has a par value of around SEK 0.33. The purchase consideration amounted to SEK 103 M (103). No shares were repurchased in 2020.

### **Share and dividend policy**

ASSA ABLOY's Series B share is listed on the Nasdaq Stockholm Large Cap. At the end of 2020, ASSA ABLOY's market capitalization amounted to SEK 225,297 M, calculated on both Series A and Series B shares. 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.

## **2 General Meeting**

Shareholders' rights to decide on the affairs of ASSA ABLOY are exercised at the General Meeting. Shareholders who are registered in the share register on the record date and have duly notified their intent to attend are entitled to take part in the General Meeting, either in person or by proxy. Resolutions at the General Meeting are normally passed by simple majority. For certain matters, however, the Swedish Companies Act prescribes that a proposal should be supported by a higher majority. Individual shareholders who wish to submit a matter for consideration at the General Meeting can send such request 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: dividend; adoption of the income statement and balance sheet; discharge of the members of the Board of Directors and the CEO from liability; election of members of the

Board of Directors, Chairman of the Board of Directors and auditor; and fees for the Board of Directors and auditor. An Extraordinary General Meeting may be held if the Board of Directors considers this necessary or if ASSA ABLOY's auditor or shareholders holding at least 10 percent of the shares so request.

### **Annual General Meeting 2020**

The Annual General Meeting was held in April 2020 in Stockholm, and shareholders representing 52.3 percent of the share capital and 67.5 percent of the votes participated. In light of the Covid-19 pandemic and pursuant to temporary legislation, shareholders were able to exercise their voting rights at the Annual General Meeting through advance voting (postal voting).

The Annual General Meeting's resolutions included the following.

- Dividend of SEK 2.00 per share.
- Lars Renström, Carl Douglas, Eva Karlsson, Birgitta Klasén, Lena Olving, Sofia Schörling Höglberg and Jan Svensson were re-elected as members of the Board of Directors, and Joakim Weidemanis was elected as new member of the Board. Further, Lars Renström was re-elected as Chairman of the Board of Directors, and Carl Douglas was re-elected as Vice Chairman.
- The audit firm Ernst & Young AB was appointed as the company's new auditor.
- Remuneration of the Board of Directors.
- Guidelines for remuneration to senior executives.
- Authorization to the Board of Directors regarding repurchase and transfers of own Series B shares.
- A long-term incentive program for senior executives and other key employees in the Group (LTI 2020).
- Formal changes of the Articles of Association.

For more information about the Annual General Meeting, including the minutes, see ASSA ABLOY's website [assaabloy.com](http://assaabloy.com).

### **Extraordinary General Meeting 2020**

Due to the uncertainty about the market situation caused by the Covid-19 pandemic, the Annual General Meeting in April 2020 decided on a dividend of SEK 2.00 per share in accordance with a revised dividend proposal by the Board. The Board's original proposal was a dividend of SEK 3.85 per share. The Extraordinary General Meeting on 24 November 2020 resolved, in accordance with the Board's proposal, on a second dividend of SEK 1.85 per share. At the General Meeting shareholders representing 53.8 percent of the share capital and 68.5 percent of the votes participated. In light of the Covid-19 pandemic, the General Meeting was carried out solely through advance voting (postal voting) pursuant to temporary legislation. For more information about the General Meeting, including the minutes, see ASSA ABLOY's website [assaabloy.com](http://assaabloy.com).

### **Annual General Meeting 2021**

ASSA ABLOY's next Annual General Meeting will be held on 28 April 2021.

### **3 Nomination Committee**

According to the instructions for the Nomination Committee adopted at the Annual General Meeting 2018, the Nomination Committee shall be composed of representatives of the five largest shareholders in terms of voting rights registered in the shareholders register maintained by Euroclear Sweden AB as of 31 August the year before the Annual General Meeting who wish to participate on the Nomination Committee.

The Nomination Committee prior to the Annual General Meeting 2021 comprises Carl Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Marianne Nilsson (Swedbank Robur fonder), Liselott Ledin (Alecta) and Yvonne Sörberg (Handelsbanken Fonder). Carl Douglas is Chairman of the Nomination Committee. Should the ownership structure change, the composition of the Nomination Committee may change to reflect such changes.

The Nomination Committee has the task of preparing, on behalf of the shareholders, proposals regarding the election of Chairman of the General Meeting; members of the Board of Directors, Chairman of the Board, Vice Chairman of the Board; auditor; fees for the board members including division between the Chairman, Vice Chairman and the other board members, as well as fees for committee work; fees to the company's auditor, and any changes of the instructions for the Nomination Committee. The Audit Committee assists the Nomination Committee in work associated with the proposal regarding appointment of the external auditor.

Prior to the Annual General Meeting 2021, the Nomination Committee makes an assessment of whether the current Board of Directors is appropriately composed and fulfills the requirements imposed on the Board of Directors by the company's present situation and future direction. The annual evaluation of the Board of Directors and its work is part of the basis for this assessment. Moreover, the Nomination Committee applies ASSA ABLOY's diversity policy for the Board of Directors, which is based on Rule 4.1 of the Code, when preparing its proposal for election of members of the Board of Directors. The search for suitable board members is carried on throughout the year and proposals for new board members are based in each individual case on a profile of requirements established by the Nomination Committee.

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

The Nomination Committee's proposals for the Annual General Meeting 2021 are published, at the latest, in conjunction with the formal notification of the Annual General Meeting, which is expected to be issued around 24 March 2021.

### **4 Board of Directors**

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

jor importance. Acquisitions and divestments with a value (on a debt-free basis) exceeding SEK 200 M are decided by the Board of Directors. The threshold amount presumes that the matter relates to acquisitions or divestments in accordance with the strategy agreed by the Board of Directors. The Board of Directors approves documents such as the Annual Report and Interim Reports, proposes a dividend to the Annual General Meeting, and makes decisions concerning the Group's financial structure.

The Board of Directors' other ongoing duties include:

- appointing, evaluating and if necessary, dismissing the CEO,
- approving the CEO's significant assignments outside the company,
- identifying how sustainability issues impact risks to, and business opportunities for, the company,
- establishing appropriate guidelines to govern the company's conduct in society with the aim of ensuring long-term value-creating capability,
- ensuring that appropriate systems are in place for following-up and controlling the company's operations and the risks for the company associated with its operations,
- ensuring that there is satisfactory control of the company's compliance with laws and other regulations relevant to the company's operations, and its compliance with internal guidelines, and
- ensuring that external information provided by the company is transparent, accurate, relevant and reliable.

Each year, the Board of Directors reviews and adopts the Board of Directors' rules of procedure, which is the document that governs the work of the Board and the distribution of duties between the Board of Directors and the CEO. The rules of procedure include instructions for the CEO, instructions relating to financial reporting and internal control, and instructions to the Remuneration Committee and the Audit Committee.

Included in the rules of procedure is a description of the role of Chairman of the Board. In addition to organizing and leading the work of the Board of Directors, the Chairman's duties include maintaining contact with the CEO to continuously monitor the Group's operations and development, consulting with the CEO on strategic issues, representing the company in matters concerning the ownership structure, ensuring that the Board receives satisfactory information and data on which to base decisions and ensuring that Board decisions are implemented. In addition, the Chairman should ensure that the work of the Board of Directors is evaluated annually.

The Board of Directors has at least four ordinary meetings and one statutory meeting per year. An ordinary meeting is always held in connection with the company's publication of its Year-end Report and Interim Reports. At least once a year the Board of Directors visits one of the Group's operations, combined with a board meeting. In addition, extraordinary board meetings are held when necessary. All meetings follow an approved agenda. Prior to each meeting, a draft agenda, including documentation, is provided to all members of the Board of Directors.

The Board of Directors has a Remuneration Committee and an Audit Committee. The purpose of these Committees

is to deepen and streamline the work of the Board of Directors and to prepare matters in these areas. The members of the Committees are appointed annually by the Board of Directors at the statutory board meeting.

#### **Board of Directors' composition**

The Board of Directors, including the Chairman and Vice Chairman of the Board, is elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting and shall, according to the Articles of Association, comprise a minimum of six and a maximum of ten members elected by the Meeting. Two of the members are appointed by the employee organizations in accordance with Swedish law. The employee organizations also appoint two deputies. The Board of Directors has consisted of eight elected members and two employee representatives since the Annual General Meeting 2020. No board members are included in the Executive Team.

The diversity policy that ASSA ABLOY applies with respect to the company's Board of Directors is based on Rule 4.1 of the Code. The objective is that the composition of the Board of Directors, taking into account the company's operations, stage of development and other circumstances, shall be appropriate, characterized by versatility and breadth regarding qualifications, experience and background of the elected members, and strive to achieve gender equality. In 2020 the Nomination Committee has taken the diversity policy into account when preparing its proposal for election of members of the Board of Directors prior to the Annual General Meeting. After the election at the Annual General Meeting 2020, the composition of the Board of Directors is such that 50 percent are women and 50 percent are men, which is in line with the Swedish Corporate Governance Board's aspiration for each gender to represent a share of at least 40 percent of the Board of Directors. In addition, in-depth reviews of operations were conducted during the year at selected divisions in order to broaden the expertise of the Board of Directors within ASSA ABLOY.

#### **Board of Directors' work in 2020**

The Board of Directors held nine meetings during the year. At the ordinary board meetings the CEO reported on the

Group's performance and financial position, including the outlook for the coming quarters. Acquisitions and divestments were also discussed to the extent they arose.

More important matters dealt with by the Board of Directors during the year comprised the effects of Covid-19, as well as a new sustainability program and Science-Based Targets climate initiative. In addition, the Board has addressed a number of acquisitions, including agta record, Biosite and Access ID, as well as the divestment of certain operations in conjunction with the acquisition of agta record to the Italian FAAC Group and the divestment of the Swiss sensor technology business CEDES to capiton AG. During the year, the Board of Directors also conducted in-depth reviews of the Group's operations in the Americas division and visited the Entrance Systems division's operations in Fehrltorf, Switzerland. The Board of Directors' work is summarized in the timeline on pages 50–51.

An evaluation of the Board of Directors' work is conducted annually in the form of a web-based survey, which each board member responds to individually. A summary of the results is presented to the Board of Directors. Board members who wish can access the complete results of the evaluation. The Secretary to the Board of Directors presents the complete results of the evaluation to the Nomination Committee.

#### **5 Remuneration Committee**

In 2020 the Remuneration Committee comprised Lars Renström (Chairman) and Jan Svensson.

The Remuneration Committee has the task of drawing up guidelines for remuneration to senior executives, which the Board of Directors proposes to the Annual General Meeting for resolution. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year. For information about ASSA ABLOY's guidelines for remuneration to senior executives that were adopted at the Annual General Meeting 2020, see Note 34.

The Remuneration Committee also prepares, monitors and evaluates matters regarding salaries, bonus, pension, severance pay and incentive programs for the CEO and other senior executives. The Committee has no decision-making powers.

#### **Summary of Board of Directors' work and committee meetings in 2020**

January	February	March	April	May	June
	<b>Ordinary board meeting</b> Year-end results Proposal dividend Annual Report Audit Report Sustainability Report Proposals to Annual General Meeting Evaluation Executive Team Acquisitions  <b>Remuneration Committee meeting</b> <b>Audit Committee meeting</b>	<b>Extraordinary board meeting</b> Proposal revised dividend Notice Annual General Meeting	<b>Audit Committee meeting</b> <b>Statutory board meeting</b> Appointment committee members Adoption Board of Directors' rules of procedure and significant policies Signatory powers		

At the ordinary board meetings the CEO also reported on the Group's performance and financial position, including the outlook for the coming quarters.

The Committee held one meeting in 2020. Its work included preparing a proposal of guidelines for remuneration to senior executives, preparing a proposal for remuneration of the Executive Team, evaluating existing incentive programs, and preparing a proposal for a new long-term incentive program. Remuneration Committee meetings are minuted; a copy of the minutes is enclosed with the materials provided to the Board and a verbal report is given at board meetings.

## 6 Audit Committee

In 2020 the Audit Committee comprised Jan Svensson (Chairman), Birgitta Klasén and Sofia Schörling Högberg.

The duties of the Audit Committee include continuous monitoring and quality assurance of ASSA ABLOY's financial reporting. Regular communication is maintained with the company's external auditor, including on the focus and scope of the audit. The Audit Committee is also responsible for evaluating the audit assignment and obtaining the results of the Swedish Inspectorate of Auditors' quality control of the auditor, as well as informing the Board of Directors of the results of the evaluation. The Audit Committee also has the task of supporting the Nomination Committee in providing a proposal for the appointment of external auditor. Furthermore, the Audit Committee shall review and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides the company with services other than auditing services. The Audit Committee establishes guidelines for procurement of services other than audit services from the company's auditor, but otherwise, the Committee has no decision-making powers.

The Committee held four meetings in 2020. The company's external auditor and representatives from senior management also participated at these meetings. More important matters dealt with by the Audit Committee during the year included the effects of Covid-19, internal control, financial statements and valuation matters, tax matters, insurance and risk management matters and legal risk areas. Audit Committee meetings are minuted; a copy of

the minutes is enclosed with the materials provided to the Board and a verbal report is given at board meetings.

### **Remuneration of the Board of Directors**

The General Meeting passes a resolution on the remuneration to be paid to board members. The Annual General Meeting 2020 resolved that board fees would remain unchanged compared with 2019 and amount to total SEK 7,360,000 (excluding remuneration for committee work) to be allocated between the members as follows: SEK 2,350,000 to the Chairman, SEK 900,000 to the Vice Chairman, and SEK 685,000 to each of the other members elected by the Annual General Meeting. As remuneration for committee work, the Chairman of the Audit Committee is to receive SEK 275,000, the Chairman of the Remuneration Committee SEK 150,000, members of the Audit Committee (except the Chairman) SEK 200,000 each, and member of the Remuneration Committee (except the Chairman) SEK 75,000.

The Chairman and other board members have no pension benefits or severance pay agreements. The employee representatives do not receive board fees. For further information on the remuneration of board members in 2020, see Note 34.

### **Attendance 2020, Board of Directors and Committees**

Board members	Board of Directors	Audit Committee	Remuneration Committee
Lars Renström	9/9		1/1
Carl Douglas	9/9		
Eva Karlsson	9/9		
Birgitta Klasén	9/9	4/4	
Lena Olving	9/9		
Sofia Schörling Högberg	9/9	4/4	
Jan Svensson	9/9	4/4	1/1
Joakim Weidemanis	6/6		
Rune Hjalm	9/9		
Mats Persson	9/9		

The maximum number of meetings varies due to appointment in 2020.

Ordinary board meeting Interim Report Q2 Acquisitions	Ordinary board meeting Strategy	Ordinary board meeting and visit to operations Visit Entrance Systems	Ordinary board meeting Interim Report Q3 Proposal second dividend Notice Extraordinary General Meeting	Ordinary board meeting Presentation Americas Acquisitions Sustainability program	July	August	September	October	November	December
Audit Committee meeting				Audit Committee meeting						

# Board of Directors

## Board members elected by the Annual General Meeting 2020



Lars Renström



Carl Douglas



Eva Karlsson



Birgitta Klasén



Lena Olving



Sofia Schörling Högberg



Jan Svensson



Joakim Weidemanis

**Lars Renström**

Chairman.

Board member since 2008.

Born 1951.

Master of Science in Engineering and Master of Science in Business and Economics.  
President and CEO of Alfa Laval AB 2004–2016. President and CEO of Seco Tools AB 2000–2004. President and Head of Division of Atlas Copco Rock Drilling Tools 1997–2000. Previously a number of senior positions at ABB and Ericsson.

**Other appointments:** Chairman of Tetra Laval Group.

**Shareholdings (including through companies and related natural parties):** 30,000 Series B shares.

**Carl Douglas**

Vice Chairman.

Board member since 2004.

Born 1965.

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

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

**Shareholdings (including through companies and related natural parties):** 41,595,729 Series A shares and 63,900,000 Series B shares through Investment AB Latour.

**Eva Karlsson**

Board member since 2015.

Born 1966.

Master of Science in Engineering.  
CEO and Vice President Product Supply Arcam EBM since 2020. President and CEO of Armatec AB 2014–2019. CEO of SKF Sverige AB and Global Manufacturing Manager 2011–2013, Director of Industrial Marketing & Product Development Industrial Market AB SKF 2005–2010, various positions in the SKF Group primarily within Manufacturing Management.

**Other appointments:** Board member of Valcon A/S and Ratos AB.

**Shareholdings (including through companies and related natural parties):** 500 Series B shares.

**Birgitta Klasén**

Board member since 2008.

Born 1949.

Master of Science in Engineering and degree in Business and Economics.  
Independent IT consultant (Senior IT Advisor). CIO and Head of Information Management at EADS (European Aeronautics Defence and Space Company) 2004–2005. CIO and Senior Vice President of Pharmacia 1996–2001 and previously CIO at Telia. Various positions at IBM 1976–1994.

**Other appointments:** Board member of Avanza and Benefit Ltd.

**Shareholdings (including through companies and related natural parties):** 21,000 Series B shares.

**Lena Olving**

Board member since 2018.

Born 1956.

Master of Science in Mechanical Engineering.  
President and CEO of Mycronic AB 2013–2019. COO and Deputy CEO of Saab AB 2008–2013. Various positions within Volvo Car Corporation 1980–1991 and 1995–2008 of which seven years in the Executive Management Team. CEO of Samhall Högland AB 1991–1994.

**Other appointments:** Chairman of the Royal Swedish Opera, ScandiNova Systems AB and Academic Work. Board member of Investment AB Latour, Munters Group AB, NXP Semiconductor N.V. and Stena Metall AB. Fellow of the Royal Swedish Academy of Engineering Sciences (IVA) and board member of IVA's Business Executives Council (IVA:s Näringslivsråd).

**Shareholdings (including through companies and related natural parties):** 600 Series B shares.

**Sofia Schörling Högberg**

Board member since 2017.

Born 1978.

BSc (Bachelor of Science) in Business Administration.

**Other appointments:** Board member of Melker Schörling AB, Securitas AB and Hexagon AB.

**Shareholdings (including through companies and related natural parties):** 15,930,240 Series A shares and 18,027,992 Series B shares through Melker Schörling AB as well as 418,800 Series B shares through Edeby-Ripsa Skogsförvaltning AB.

**Jan Svensson**

Board member since 2012.

Born 1956.

Degree in Mechanical Engineering and Master of Science in Business and Economics.

President and CEO of Investment AB Latour 2003–2019. Previously CEO of AB Sigrid Stenberg 1986–2002.

**Other appointments:** Chairman of AB Fagerhult and Tomra Systems ASA. Board member of Loomis AB, Nobia AB, BillerudKorsnäs AB, Stena Metall AB, Herenco Holding AB and Climeon AB.

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

**Joakim Weidemanis**

Board member since 2020.

Born 1969.

Master of Science in Business and Economics. Executive Vice President and Corporate Officer of Danaher Corporation since 2017.

Previously various management positions within Danaher 2011–2017. Head of Product Inspection and Corporate Officer of Mettler Toledo 2005–2011. Previously various operating and corporate development roles within ABB 1995–2005.

**Other appointments:** –

**Shareholdings (including through companies and related natural parties):** –

Appointments and shareholdings as at 31 December 2020 unless stated otherwise.

## Board members appointed by employee organizations



Rune Hjälm



Mats Persson



Bjarne Johansson



Nadja Wikström

### Rune Hjälm

Board member since 2017.  
Born 1964.  
Employee representative, IF Metall. Chairman of European Works Council (EWC) in the ASSA ABLOY Group.  
**Shareholdings (including through companies and related natural parties):** –

### Mats Persson

Board member since 1994.  
Born 1955.  
Employee representative, IF Metall.

**Shareholdings (including through companies and related natural parties):** –

### Bjarne Johansson

Deputy board member since 2015.  
Born 1966.  
Employee representative, IF Metall.

**Shareholdings (including through companies and related natural parties):** –

### Nadja Wikström

Deputy board member since 2017.  
Born 1959.  
Employee representative, Unionen.  
**Shareholdings (including through companies and related natural parties):** –

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

### 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
Eva Karlsson	Board member	Yes	Yes
Birgitta Klasén	Board member	Yes	Yes
Lena Olving	Board member	Yes	No
Sofia Schörling Höglberg	Board member	Yes	No
Jan Svensson	Board member	Yes	No
Joakim Weidemanis	Board member	Yes	Yes

### The Board of Directors' composition and shareholdings

Name	Position	Elected	Born	Remuneration Committee	Audit Committee	Series A shares <sup>1</sup>	Series B shares <sup>1</sup>
Lars Renström	Chairman	2008	1951	Chairman	–	–	30,000
Carl Douglas	Vice Chairman	2004	1965	–	–	41,595,729	63,900,000
Eva Karlsson	Board member	2015	1966	–	–	–	500
Birgitta Klasén	Board member	2008	1949	–	Member	–	21,000
Lena Olving	Board member	2018	1956	–	–	–	600
Sofia Schörling Höglberg	Board member	2017	1978	–	Member	15,930,240	18,446,792
Jan Svensson	Board member	2012	1956	Member	Chairman	–	10,000
Joakim Weidemanis	Board member	2020	1969	–	–	–	–
Rune Hjälm	Board member, employee representative	2017	1964	–	–	–	–
Mats Persson	Board member, employee representative	1994	1955	–	–	–	–
Bjarne Johansson	Deputy, employee representative	2015	1966	–	–	–	–
Nadja Wikström	Deputy, employee representative	2017	1959	–	–	–	–

<sup>1</sup> Shareholdings through companies and related natural parties.

# Executive Team



Nico Delvaux



Erik Pieder



Lucas Boselli



Maria Romberg Ewerth



Mogens Jensen

**Nico Delvaux**

President and CEO and Head of Global Technologies division since 2018.  
Born 1966.  
Master of Engineering in Electromechanics and executive MBA.  
**Previous positions:** President and CEO of Metso Corporation August 2017–February 2018. Previously various positions in the Atlas Copco Group, including Business Area President Compressor Technique 2014–2017, Business Area President Construction Technique 2011–2014, and various positions in sales, marketing, service, acquisition-integration management and General Manager in markets including Benelux, Italy, China, Canada, and the United States 1991–2011.  
**Shareholdings (including through companies and related natural parties):** 59,623 Series B shares and 94,787 call options.

**Erik Pieder**

Executive Vice President and Chief Financial Officer (CFO) since 2019.  
Born 1968.  
MBA and Master of Laws.  
**Previous positions:** Various positions in the Atlas Copco Group 1996–2019, including Vice President Business Control Compressor Technique.  
**Shareholdings:** 2,913 Series B shares.

**Lucas Boselli**

Executive Vice President and Head of Americas division since 2018.  
Born 1976.  
Bachelor of Science in Industrial Engineering.  
**Previous positions:** Various positions in the ASSA ABLOY Group, including President of ASSA ABLOY Central and South America 2014–2018 and President of Yale Latin America 2012–2014. Previously various positions in Ingersoll Rand 2000–2010.  
**Shareholdings:** 29,930 Series B shares.

**Maria Romberg Ewerth**

Executive Vice President and Chief Human Resources Officer (CHRO) since 2019.  
Born 1978.  
Bachelor's degree in Human Resources and MBA.  
**Previous positions:** Senior Vice President Human Resources ASSA ABLOY AB 2013–2019, Vice President Human Resources ASSA ABLOY Entrance Systems 2011–2013. HR-manager and HR-director ASSA ABLOY Entrance Systems 2008–2011. Previously HR-positions in various companies: JELD-WEN Sverige AB, VALEO Engine Cooling AB and Swedish Meats 2003–2008.  
**Shareholdings:** 13,010 Series B shares.

**Mogens Jensen**

Executive Vice President and Head of business segment Residential within Entrance Systems division since 2020.  
Born 1958.  
Master of Science in Mechanical Engineering and MBA.  
**Previous positions:** Various positions in the ASSA ABLOY Group, including Executive Vice President and Head of Entrance Systems division 2018–2020, BA President Industrial Door and Docking Solutions, Entrance Systems division 2016–2017, Market Region Manager Scandinavia, EMEA division 2006–2016 and Managing Director Ruko A/S Denmark. Previously various Managing Director positions.  
**Shareholdings:** 27,300 Series B shares.

**Changes in the Executive Team**

Martin Poxton has been appointed Executive Vice President and Head of the business unit ASSA ABLOY Opening Solutions Greater China and South East Asia within Asia Pacific division with effect from 1 January 2021.

Simon Ellis has been appointed Executive Vice President and Head of the business unit ASSA ABLOY Opening Solutions Pacific and North East Asia within Asia Pacific division with effect from 1 January 2021.

The Head of Asia Pacific division, Anders Maltesen, will leave ASSA ABLOY during the first half of 2021. Nico Delvaux, President and CEO, will take over as the Head of the Asia Pacific division.



Martin Poxton

**Martin Poxton**

Executive Vice President and Head of Asia Pacific business unit ASSA ABLOY Opening Solutions Greater China and South East Asia since 2021.  
Born 1972.  
HND in Mechanical and Manufacturing Engineering.  
**Previous positions:** Vice President Operations ASSA ABLOY Opening Solutions Asia Pacific 2017–2020, Operations Director Adient China, 2013–2017, Business Unit General Manager and Launch Director Johnsons Controls China 2008–2012. Various positions in Faurecia China 2004–2008. Previously various positions in Keiper, Johnsons Controls and Flowform B'ham UK, 1992–2004.  
**Shareholdings:** –

Appointments and shareholdings as at 31 December 2020 unless stated otherwise.



Björn Lidefelt



Anders Maltesen



Christopher Norbye



Christophe Sut



Neil Vann

**Björn Lidefelt**

Executive Vice President and Head of Global Technologies business unit HID Global since 2020.

Born 1981.

Master of Science in Industrial Engineering and Management.

**Previous positions:** Various positions in the ASSA ABLOY Group, including Chief Commercial Officer 2017–2020, and General Manager ASSA ABLOY China (security products) 2013–2016.

**Shareholdings:** 6,538 Series B shares.

**Anders Maltesen**

Executive Vice President and Head of Asia Pacific division since 2017.

Born 1965.

Bachelor's degree in Marketing and Bachelor's degree in Financial and Management Accounting.

**Previous positions:** Regional General Manager and President, Asia Pacific, GE Energy, Power Services 2015–2017, Managing Director, Asia Pacific, Alstom Thermal Services 2014–2015, Vice President, East Asia, Alstom Thermal Services 2011–2014, General Manager, board member, Tianjin Alstom Hydro Co. Ltd 2003–2011. Previously various positions within Alstom.

**Shareholdings:** 12,970 Series B shares.

**Christopher Norbye**

Executive Vice President and Head of Entrance Systems division since 2020.

Born 1973.

Master of Business Administration and Bachelor of Science.

**Previous positions:** President of Industrial Door Solutions within Entrance Systems division 2017–2020, Executive Vice President Orchid Orthopedics 2013–2016, President Sandvik Medical Solutions 2011–2013, COO Sandvik Medical Solutions 2009–2011, Manager for Sandvik M&A and business development 2005–2008, Andersen Consulting 2001–2004, American Express 1999–2001.

**Shareholdings:** 5,371 Series B shares.

**Neil Vann**

Executive Vice President and Head of EMEA division since 2018.

Born 1971.

Degree in Manufacturing Engineering.

**Previous positions:** Various positions in the ASSA ABLOY Group, including Market Region Manager ASSA ABLOY UK 2014–2018, Market Region Manager Italy and Greece 2012–2014 and Vice President Operations EMEA 2011–2012. Previously various positions within ASSA ABLOY, Yale and Chubb 1987–2001.

**Shareholdings:** 16,256 Series B shares.

**Christophe Sut**

Executive Vice President and Head of Global Technologies business unit Global Solutions since 2016.

Born 1973.

Master of Science in Business and Marketing, Bachelor of Science in Language and Mathematics.

**Previous positions:** Various positions in the ASSA ABLOY Group 2001–2010 and 2012–2014, including CTO and Vice President Business Development ASSA ABLOY Hospitality and Platform Director for ASSA ABLOY AB, Niscayah Group 2010–2012, SPIT France (ITW group) 1999–2001 and SAM Outilage 1997–1999.

**Shareholdings:** 4,888 Series B shares.

**Simon Ellis**

Executive Vice President and Head of Asia Pacific business unit ASSA ABLOY Opening Solutions Pacific and North East Asia since 2021.

Born 1974.

MBA.

**Previous positions:** Various positions in the ASSA ABLOY Group, including President of Opening Solutions Pacific Region and Japan 2016–2020 and President of Opening Solutions New Zealand 2013–2016, General Manager Security Merchants Australia 2010–2013. Previously various positions in the ASSA ABLOY Group 1997–2010.

**Shareholdings:** 3,039 Series B shares.

Simon Ellis

Appointments and shareholdings as at 31 December 2020 unless stated otherwise.

## 7 Organization

### **CEO and Executive Team**

The Executive Team consists of the CEO, the Heads of the Group's divisions, as well as the business units HID Global and Global Solutions, the Head of the business segment Residential within the Entrance Systems division, the Chief Financial Officer and the Chief Human Resources Officer. As of 1 January 2021, the Heads of the business units ASSA ABLOY Opening Solutions Greater China and South East Asia as well as ASSA ABLOY Opening Solutions Pacific and North East Asia are also part of the Executive Team. For a presentation of the CEO and the other members of the Executive Team, see pages 54–55.

## 8 Divisions – decentralized organization

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

ASSA ABLOY's operating structure is designed to create maximum transparency, to facilitate financial and operational monitoring, and to promote the flow of information and communication across the Group. The five divisions are divided into around 50 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.

### **Policies and guidelines**

Significant policies and guidelines in the Group include financial control, communication issues, insider issues, the Group's brands, sustainability issues, business ethics, data protection and export control. ASSA ABLOY's financial policy and accounting manual provide the framework for financial control and monitoring. ASSA ABLOY's communication policy aims to ensure that 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 insider legislation. This policy applies to individuals in managerial positions at 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 had adopted a Code of Conduct for employees and a separate ASSA ABLOY Code of Conduct for

business partners. The Codes, which are based on a set of internationally accepted conventions, define the values and guidelines that should apply both within the Group and for ASSA ABLOY's business partners with regard to matters such as business ethics, human rights and working conditions, as well as the environment, health and safety.

Moreover, ASSA ABLOY has adopted policies and guidelines on compliance with competition, export control, anti-corruption and data protection legislation applicable to the Group.

## 9 Auditor

At the Annual General Meeting 2020, Ernst & Young AB (EY) was elected as new external auditor up to the end of the Annual General Meeting 2021. Authorized public accountant Hamish Mabon is the auditor in charge. Hamish Mabon is born 1965 and holds other significant audit assignments for Skanska AB, Essity AB and SEB. He has been a member of FAR, the institute for the accountancy profession in Sweden, since 1992 and is a FAR Certified Financial Institution Auditor. He holds no shares in ASSA ABLOY AB.

EY submits the audit report for ASSA ABLOY AB, the Group and a large majority of the subsidiaries worldwide. The audit of ASSA ABLOY AB also includes the administration by the Board of Directors and the CEO. The auditor in charge attends the 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), and generally accepted auditing standards in Sweden. 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 2019, Note 3.

# Internal control – financial reporting

ASSA ABLOY's internal control process for 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.

## Control environment

The Board of Directors is responsible for effective internal control and has therefore established fundamental documents of significance for financial reporting. These documents include the Board of Directors' rules of procedure and instructions to the CEO, the Code of Conduct, financial policy, an annual financial evaluation plan etc. Regular meetings are held with the Audit Committee. The Group has an internal audit function whose primary objective is to ensure reliable financial reporting and good internal control.

All units in the Group apply uniform accounting and reporting instructions. Internal control guidelines have been established and are reviewed annually through a self-assessment regarding internal controls. These Group-wide guidelines have a relatively broad scope and concern business-critical processes.

A major focus has been on auditing the reconciliation between various accounts and consolidated reporting in recent years. The entire Group uses a financial reporting system with pre-defined report templates.

## Risk assessment

Risk assessment is built in to the processes in question and a variety of methods are used to assess and limit risk, as well as to ensure that risks are managed in compliance with established policies and guidelines. A number of previously established documents govern the procedures to be used for accounting, finalizing accounts, financial reporting and review. Risk assessment includes identifying and evaluating the risk of material errors in accounting and financial reporting at Group, division and local levels. The specific material risks that ASSA ABLOY has identified associated with financial reporting are errors in business-critical processes such as sales, purchases, financial statements, inventories, facilities management, taxes, legal issues, occupational injuries and the risk of fraud, loss or embezzlement of assets.

## Control activities

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

A global financial internal audit function has been established and carries out annual financial evaluations in accordance with the plan annually adopted by the Audit Committee. The results of the financial evaluations are submitted to the Audit Committee and the auditors.

Each division has employed full-time internal auditors who audit the companies and monitor internal control.

## 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 levels 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 regular forecasts.

The Group-wide internal control guidelines are reviewed during the year through self-assessment regarding internal control and continuous follow-up of internal audit reports.

# Sales and income

- Net sales decreased by a total of 7 percent to SEK 87,649 M (94,029). Organic growth was -8 percent (3), while growth from acquisitions and divestments amounted to 4 percent (3).**
- Operating income (EBIT) excluding items affecting comparability decreased by 20 percent to SEK 11,916 M (14,920), equivalent to an operating margin of 13.6 percent (15.9).**
- Earnings per share after full dilution and excluding items affecting comparability decreased by 18 percent to SEK 7.54 (9.22).**

## Sales

The Group's sales for 2020 amounted to SEK 87,649 M (94,029), corresponding to a change in sales of -7 percent (12). Organic growth was -8 percent (3), while the net contribution from acquisitions and divestments was 4 percent (3). The exchange rate impact on sales was -3 percent (6).

## Change in sales

%	2019	2020
Organic growth	3	-8
Acquisitions and disposals	3	4
Exchange rate effects	6	-3
<b>Total</b>	<b>12</b>	<b>-7</b>

## Sales by product group

Mechanical locks, lock systems and fittings accounted for 24 percent (25) of total sales. Electromechanical and electronic locks accounted for 31 percent (31) of sales and entrance automation increased to 29 percent (27). Security doors and hardware accounted for 16 percent (17) of sales.

## Cost structure

Total wage costs, including social security expenses and pension expenses, amounted to SEK 27,170 M (27,001), equivalent to 31 percent (29) of sales. The average number of employees was 48,471 (48,992).

The Group's material costs amounted to SEK 30,830 M (33,885), equivalent to 35 percent (36) of sales and other purchasing costs totaled SEK 15,087 M (15,345), equivalent to 17 percent (16) of sales.

Depreciation and amortization of non-current assets amounted to SEK 3,776 M (3,387), equivalent to 4 percent (4) of sales.

## Operating income

Operating income (EBIT) for 2020 amounted to SEK 12,458 M (14,608). Operating income (EBIT) excluding items affecting comparability decreased by 20 percent to SEK 11,916 M (14,920) because of weak global demand related to the Covid-19 pandemic. The negative impact on earnings was offset in part by cost-saving measures and staff cuts. The equivalent operating margin was 13.6 percent (15.9).

## Items affecting comparability

The Group launched a new restructuring program in 2020 with a total estimated cost before taxes of SEK 1,366 M (312), which was expensed in its entirety in 2020. The restructuring program involves the expected closure of ten plants and about thirty offices over a two-year period. In conjunction with the acquisition of agta record, the previous shareholding in the associate company was remeasured at fair value through profit or loss. The operating income, which did not affect cash flow, amounted to SEK 1,909 M, with no effect on taxes.

## Income before tax

Income before tax totaled SEK 11,676 M (13,571). The exchange rate effect before taxes amounted to SEK -510 M (627). Net financial items totaled SEK -782 M (-1,037), mainly because of lower net interest. The profit margin was 13.3 percent (14.8).

The Parent company's operating income for 2020 totaled SEK 868 M (1,523), impacted by lower intragroup operating income compared with the previous year.

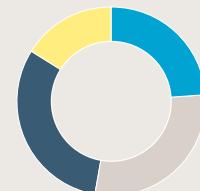
## Tax on income

The Group's tax expense totaled SEK 2,504 M (3,574), equivalent to an effective tax rate excluding items affecting comparability of 24.8 percent (26.2). Remeasurement of shareholdings in associated company to fair value through profit or loss had no effect on taxes and thereby reduced the effective tax rate by 4.2 percentage points. The most recent restructuring program, launched in 2020, increased the effective tax rate for 2020 with the equivalent of 0.8 percentage points. The reported effective tax rate overall amounted to 21.4 percent (26.3).

## Earnings per share

Earnings per share before and after full dilution and excluding items affecting comparability amounted to SEK 7.54 (9.22), a decrease of 18 percent.

## Sales by product group, 2020

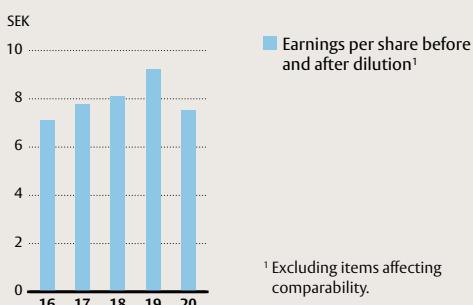


Mechanical locks, lock systems and fittings, 24% (25)
Entrance automation, 29% (27)
Electromechanical and electronic locks, 31% (31)
Security doors and hardware, 16% (17)

## Sales and operating income



## Earnings per share before and after dilution



# Consolidated income statement

SEK M	Note	2019	2020
Sales	2	94,029	87,649
Cost of goods sold		-56,499	-53,336
<b>Gross income</b>		<b>37,530</b>	<b>34,313</b>
Selling expenses		-14,768	-14,743
Administrative expenses	3	-4,786	-4,882
Research and development costs		-3,566	-3,902
Other operating income and expenses	4	51	1,415
Share of earnings in associates	5	147	257
<b>Operating income</b>	7-9, 25, 34	<b>14,608</b>	<b>12,458</b>
Financial income	10	15	10
Financial expenses	9, 11, 25	-1,052	-792
<b>Income before tax</b>		<b>13,571</b>	<b>11,676</b>
Tax on income	12	-3,574	-2,504
<b>Net income</b>		<b>9,997</b>	<b>9,172</b>
<b>Net income attributable to:</b>			
Parent company's shareholders		9,993	9,171
Non-controlling interests		4	1
<b>Earnings per share</b>			
Before and after dilution, SEK	13	9.00	8.26
Before and after dilution and excluding items affecting comparability, SEK	13	9.22	7.54

# Consolidated statement of comprehensive income

SEK M	Note	2019	2020
<b>Net income</b>		<b>9,997</b>	<b>9,172</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gain/loss on post-employment benefit obligations	25	-362	-319
Deferred tax from actuarial gain/loss on post-employment benefit obligations		81	56
<b>Total</b>		<b>-281</b>	<b>-262</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Share of other comprehensive income of associates		86	-70
Cash flow hedges		-	0
Net investment hedges		-5	-3
Exchange rate differences reclassified to profit or loss		-	-318
Exchange rate difference		1,556	-4,560
Tax attributable to items that may be reclassified subsequently to profit or loss		-4	16
<b>Total</b>		<b>1,632</b>	<b>-4,935</b>
<b>Total comprehensive income</b>		<b>11,348</b>	<b>3,975</b>
<b>Total comprehensive income attributable to:</b>			
Parent company's shareholders		11,343	3,975
Non-controlling interests		5	0

# Comments by division

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

## EMEA

Sales totaled SEK 18,982 M (21,144), with organic growth of -8 percent (2). Growth from acquisitions, divestments and internal segment transfers was 1 percent, net (0). Operating income excluding items affecting comparability amounted to SEK 2,263 M (3,396), with an operating margin (EBIT) of 11.9 percent (16.1). Return on capital employed was 12.2 percent (18.4). Operating cash flow before non-cash items and interest paid was SEK 2,939 M (3,515).

Demand was negatively affected by the Covid-19 pandemic, but a recovery gradually took place during the year. Scandinavia and Germany demonstrated a more stable trend, while demand in Southern Europe and France was softer. Sales of electromechanical locks continued to increase their share of sales. Major investments in innovation and new products have taken place at the same time, in parallel with continued streamlining measures in the business.

## Americas

Sales totaled SEK 19,013 M (23,172), with organic growth of -7 percent (7). Growth from acquisitions, divestments and internal segment transfers was -9 percent, net (2). Operating income excluding items affecting comparability amounted to SEK 3,698 M (4,673), with an operating margin (EBIT) of 19.4 percent (20.2). Return on capital employed was 21.6 percent (23.6). Operating cash flow before non-cash items and interest paid was SEK 4,837 M (5,263).

Demand was negatively affected by the pandemic, but a recovery gradually took place during the year, mainly in Latin America. New product launches and relatively improved trend for electromechanical products contributed to the recovery. Profitability was maintained at a good level thanks to cost-saving and streamlining measures, at the same time that cash flow continued to be strong.

## Asia Pacific

Sales totaled SEK 8,841 M (10,689), with organic growth of -16 percent (-1). Growth from acquisitions, divestments and internal segment transfers was -1 percent, net (5). Operating income excluding items affecting comparability amounted to SEK 396 M (879), with an operating margin (EBIT) of 4.5 percent (8.2). Return on capital employed was 4.4 percent (10.3). Operating cash flow before non-cash items and interest paid was SEK 762 M (622).

The pandemic caused a weak sales trend for Asia Pacific, primarily for India, Southeast Asia and South Korea. Demand was more stable in Pacific and gradually recovered in China. Implementation of a new business strategy and organization in China contributed to a more stable trend and improved profitability. The division's operating margin excluding items affecting comparability declined, but the effect was offset in part by continued streamlining initiatives and staff cuts.

## Global Technologies

Sales totaled SEK 14,158 M (15,423), with organic growth of -15 percent (5). Growth from acquisitions, divestments and internal segment transfers was 10 percent, net (16). Operating income excluding items affecting comparability amounted to SEK 2,023 M (2,890), with an operating margin (EBIT) of 14.3 percent (18.7). Return on capital employed was 9.3 percent (14.0). Operating cash flow before non-cash items and interest paid was SEK 2,509 M (3,183).

The division was negatively impacted by the pandemic in all business units. Investments in R&D continued in during the year, at the same time that several acquisitions strengthened the market position

in all areas. Implemented streamlining and cost-saving measures effectively maintained profitability and cash flow at a high level.

## Entrance Systems

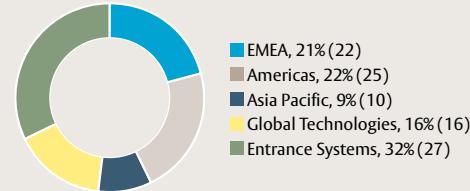
Sales totaled SEK 28,323 M (25,553), with organic growth of -2 percent (2). Growth from acquisitions, divestments and internal segment transfers was 15 percent, net (1). Operating income excluding items affecting comparability amounted to SEK 4,083 M (3,652), with an operating margin (EBIT) of 14.4 percent (14.3). Return on capital employed was 14.8 percent (16.2). Operating cash flow before non-cash items and interest paid was SEK 4,974 M (3,655).

Demand was relatively stable in the Residential and Industrial business segments. Perimeter Security showed growth, while the Covid-19 pandemic had a more negative impact on Pedestrian. Several acquisitions were carried out during the year, including agta record. The division's operating margin was strengthened somewhat compared with the previous year and cash flow was further improved.

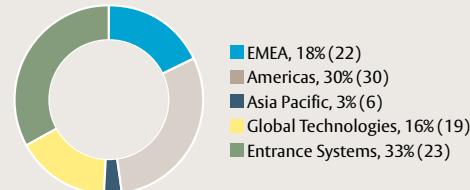
## Other

The costs of Group-wide functions, such as the Executive Team, accounting and finance, supply management and Group-wide product development, totaled SEK 547 M (570). Elimination of sales between the Group's segments is included in "Other".

## External sales, 2020



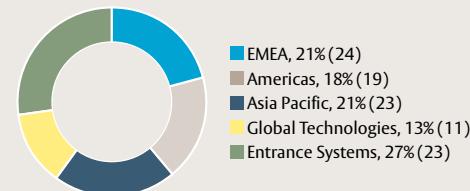
## Operating income, 2020<sup>1,2</sup>



<sup>1</sup> "Other" is not included in the calculation. See section Comments by division for what is included in "Other".

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

## Average number of employees, 2020



# Reporting by division

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Sales, external	20,707	18,563	23,082	18,907	9,477	7,916	15,321	14,054	25,442	28,210	–	–	94,029	87,649
Sales, internal	438	418	90	107	1,213	926	102	105	110	113	-1,953 <sup>2</sup>	-1,668 <sup>2</sup>	–	–
<b>Sales</b>	<b>21,144</b>	<b>18,982</b>	<b>23,172</b>	<b>19,013</b>	<b>10,689</b>	<b>8,841</b>	<b>15,423</b>	<b>14,158</b>	<b>25,553</b>	<b>28,323</b>	<b>-1,953</b>	<b>-1,668</b>	<b>94,029</b>	<b>87,649</b>
Organic growth	2%	-8%	7%	-7%	-1%	-16%	5%	-15%	2%	-2%	–	–	3%	-8%
Acquisitions and divestments	0%	-1%	2%	-9%	5%	1%	16%	10%	1%	15%	–	–	3%	4%
Exchange rate effects	3%	-1%	8%	-2%	3%	-2%	8%	-3%	5%	-2%	–	–	6%	-3%
Share of earnings in associates	–	–	–	–	17	9	5	9	124	239	–	–	147	257
<b>Operating income (EBIT) excluding items affecting comparability<sup>1</sup></b>	<b>3,396</b>	<b>2,263</b>	<b>4,673</b>	<b>3,698</b>	<b>879</b>	<b>396</b>	<b>2,890</b>	<b>2,023</b>	<b>3,652</b>	<b>4,083</b>	<b>-570</b>	<b>-547</b>	<b>14,920</b>	<b>11,916</b>
Operating margin (EBIT) excluding items affecting comparability <sup>1</sup>	16.1%	11.9%	20.2%	19.4%	8.2%	4.5%	18.7%	14.3%	14.3%	14.4%	–	–	15.9%	13.6%
Restructuring costs	-185	-448	–	-51	-6	-303	-4	-195	-116	-220	–	-150	-312	-1,366
Revaluation of associate shareholding	–	–	–	–	–	–	–	–	–	–	1,909	–	–	1,909
<b>Operating income (EBIT)</b>	<b>3,211</b>	<b>1,815</b>	<b>4,673</b>	<b>3,647</b>	<b>873</b>	<b>93</b>	<b>2,885</b>	<b>1,828</b>	<b>3,535</b>	<b>5,772</b>	<b>-570</b>	<b>-697</b>	<b>14,608</b>	<b>12,458</b>
Operating margin (EBIT)	15.2%	9.6%	20.2%	19.2%	8.2%	1.1%	18.7%	12.9%	13.8%	20.4%	–	–	15.5%	14.2%
Net financial items	–	–	–	–	–	–	–	–	–	–	–	–	-1,037	-782
Tax on income	–	–	–	–	–	–	–	–	–	–	–	–	-3,574	-2,504
<b>Net income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,997</b>	<b>9,172</b>
Capital employed	18,659	16,849	19,678	13,201	9,053	8,191	22,329	21,044	23,024	30,231	-539	-883	92,204	88,634
– of which goodwill	11,121	10,475	14,105	10,444	4,168	3,884	15,459	14,881	12,809	18,660	–	–	57,662	58,344
– of which other intangible assets and property, plant and equipment	4,092	3,485	4,423	2,713	2,469	2,375	5,632	5,100	4,451	8,362	124	99	21,191	22,134
– of which right-of-use assets	990	998	499	387	260	264	463	457	1,499	1,390	19	17	3,731	3,513
– of which investments in associates	1	1	–	–	637	589	23	28	1,935	20	–	–	2,595	637
Return on capital employed excluding items affecting comparability <sup>1</sup>	18.4%	12.2%	23.6%	21.6%	10.3%	4.4%	14.0%	9.3%	16.2%	14.8%	–	–	17.0%	13.0%
Operating income (EBIT)	3,211	1,815	4,673	3,647	873	93	2,885	1,828	3,535	5,772	-570	-697	14,608	12,458
Restructuring costs	185	448	–	51	6	303	4	195	116	220	–	150	312	1,366
Revaluation of associate shareholding	–	–	–	–	–	–	–	–	–	–	1,909	–	–	-1,909
Depreciation and amortization	813	925	569	471	381	355	793	917	794	1,078	36	30	3,387	3,776
Net capital expenditure	-454	-407	-348	-267	-220	-192	-366	-430	-276	-330	3	-47	-1,662	-1,674
Amortization of lease liabilities	-295	-318	-149	-132	-100	-108	-129	-144	-477	-559	-9	-14	-1,159	-1,275
Change in working capital	53	476	517	1,067	-319	311	-5	144	-38	702	-61	-94	148	2,606
<b>Operating cash flow by division</b>	<b>3,515</b>	<b>2,939</b>	<b>5,263</b>	<b>4,837</b>	<b>622</b>	<b>762</b>	<b>3,183</b>	<b>2,509</b>	<b>3,655</b>	<b>4,974</b>	<b>-602</b>	<b>-673</b>	<b>15,635</b>	<b>15,349</b>
Non-cash items	–	–	–	–	–	–	–	–	–	–	-324	-95	-324	-95
Interest paid and received	–	–	–	–	–	–	–	–	–	–	-869	-694	-869	-694
<b>Operating cash flow</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,442</b>	<b>14,560</b>
Average number of employees	11,373	10,281	9,360	8,787	11,016	9,892	5,594	6,374	11,313	12,883	336	254	48,992	48,471

<sup>1</sup> Items affecting comparability relate to restructuring costs as well as revaluation of previously owned associate shareholding.

<sup>2</sup> Of which eliminations SEK -1,668 M (-1,953).

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.

# Financial position

- **Capital employed amounted to SEK 88,634 M (92,204).**
- **The return on capital employed excluding items affecting comparability was 13.0 percent (17.0).**
- **The net debt/equity ratio was 0.51 (0.56).**

SEK M	2019	2020
Capital employed	92,204	88,634
– of which goodwill	57,662	58,344
Net debt	33,050	29,755
Equity	59,154	58,879
– of which non-controlling interests	11	9

## 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 88,634 M (92,204). The return on capital employed excluding items affecting comparability was 13.0 percent (17.0).

Intangible assets amounted to SEK 72,452 M (70,355). 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 8,325 M as a result of completed acquisitions and adjustments of acquisitions made in previous years. A valuation model, based on discounted future cash flows, is used for impairment testing of goodwill and other intangible assets with an indefinite useful life.

Property, plant and equipment amounted to SEK 8,026 M (8,498). Capital expenditure on property, plant and equipment and intangible assets, less sales of property, plant and equipment and intangible assets, totaled SEK 1,674 M (1,662). Total depreciation and amortization amounted to SEK 3,776 M (3,387).

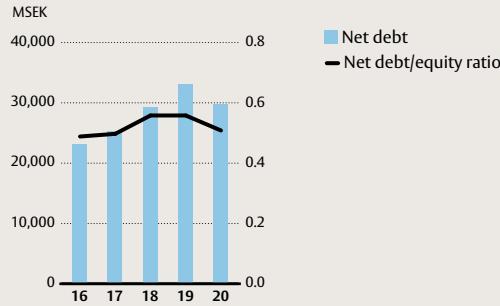
Trade receivables amounted to SEK 13,665 M (15,701) and inventories totaled SEK 10,079 M (11,276) on the reporting date. The average collection period for trade receivables was 55 days (52). Material throughput time was 94 days (90). The Group is making systematic efforts to increase capital efficiency.

## Net debt

Net debt amounted to SEK 29,755 M (33,050), of which pension commitments and other post-employment benefits accounted for SEK 3,514 M (3,346).

Net debt decreased during the year because of the strong operating cash flow in combination with exchange rate effects.

## Net debt



## External financing

The Group's long-term loan financing mainly consists of a GMTN Program of SEK 16,189 M (17,886), of which SEK 15,047 M (15,814) is long-term, Private Placement Program in the US totaling USD 225 M, of which USD 225M (225) is long-term, and loans from financial institutions such as the European Investment Bank (EIB) of EUR 18 M (37) and USD 366 M (120), and loans from the Nordic Investment Bank of EUR 190 M (55). During the year, three new issues were made under the GMTN program for a total amount of SEK 1,570 M. Other changes in long-term loans are mainly due to some of the originally long-term loans now having less than 1 year to maturity. The size of the loans decreased because of currency fluctuations, in particular regarding the USD. A total of SEK 5,806 M was raised in new long-term loans, while SEK 3,252 M in originally long-term loans matured during the year.

The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, however, the outstanding balance under the Commercial Paper programs was SEK 0 M (0). In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility of EUR 1,200 M (1,200).

The interest coverage ratio, defined as income before tax excluding items affecting comparability plus net interest, divided by net interest, was 16.0 (15.2). Fixed interest terms decreased somewhat during the year, with an average term of 32 months (34) at year-end.

Cash and cash equivalents amounted to SEK 2,756 M (442) 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

Consolidated equity totaled SEK 58,879 M (59,154) at year-end. The return on equity was 15.5 percent (18.0). The equity ratio was 50.1 percent (50.1). The debt/equity ratio, defined as net debt divided by equity, was 0.51 (0.56).

## Capital employed and return on capital employed



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

# Consolidated balance sheet

SEK M	Note	2019	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	70,355	72,452
Property, plant and equipment	15	8,498	8,026
Right-of-use assets	16	3,731	3,513
Investments in associates	18	2,595	637
Other financial assets	20	104	212
Deferred tax assets	19	1,205	1,338
<b>Total non-current assets</b>		<b>86,487</b>	<b>86,178</b>
<b>Current assets</b>			
Inventories	21	11,276	10,079
Trade receivables	22	15,701	13,665
Current tax receivables		704	1,060
Other current receivables		1,510	1,542
Prepaid expenses and accrued income		1,673	1,675
Derivative financial instruments	35	202	426
Short-term investments	35	55	46
Cash and cash equivalents	35	442	2,756
<b>Total current assets</b>		<b>31,563</b>	<b>31,250</b>
<b>TOTAL ASSETS</b>		<b>118,050</b>	<b>117,428</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Parent company's shareholders</i>			
Share capital	24	371	371
Other contributed capital		9,675	9,675
Reserves	32	6,728	1,794
Retained earnings		42,369	47,030
<b>Equity attributable to the Parent company's shareholders</b>		<b>59,143</b>	<b>58,870</b>
Non-controlling interests		11	9
<b>Total equity</b>		<b>59,154</b>	<b>58,879</b>
<b>Non-current liabilities</b>			
Long-term loans	35	21,100	22,381
Non-current lease liabilities	35	2,588	2,477
Deferred tax liabilities	19	2,368	2,868
Pension provisions	25	3,346	3,514
Other non-current provisions	26	722	616
Other non-current liabilities		1,002	828
<b>Total non-current liabilities</b>		<b>31,127</b>	<b>32,683</b>
<b>Current liabilities</b>			
Short-term loans	35	5,460	3,514
Current lease liabilities	35	1,151	1,085
Derivative financial instruments	35	150	172
Trade payables		7,908	7,027
Current tax liabilities		1,536	1,341
Current provisions	26	630	1,159
Other current liabilities	27	3,765	3,880
Accrued expenses and deferred income	28	7,170	7,687
<b>Total current liabilities</b>		<b>27,769</b>	<b>25,865</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>118,050</b>	<b>117,428</b>

# Cash flow

- **Operating cash flow remained strong and amounted to SEK 14,560 M (14,442).**
- **Cash flow from acquisitions and divestments of subsidiaries totaled SEK -5,068 M (-3,819).**

## Operating cash flow

SEK M	2019	2020
Operating income (EBIT)	14,608	12,458
Restructuring costs	312	1,366
Revaluation of previously owned shares in associates	-	-1,909
Depreciation and amortization	3,387	3,776
Net capital expenditure	-1,662	-1,674
Change in working capital	148	2,606
Amortization of lease liabilities	-1,159	-1,275
Interest paid and received	-869	-694
Non-cash items	-324	-95
<b>Operating cash flow</b>	<b>14,442</b>	<b>14,560</b>
Operating cash flow/income before tax	1,04 <sup>1</sup>	1,31 <sup>1</sup>

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

The Group's operating cash flow amounted to SEK 14,560 M (14,442), equivalent to 131 percent (104) of income before tax excluding items affecting comparability.

## Net capital expenditure

Net capital expenditure on intangible assets and property, plant and equipment totaled SEK 1,674 M (1,662), equivalent to 68 percent (76) of depreciation and amortization on intangible assets and property, plant and equipment.

## Change in working capital

SEK M	2019	2020
Inventories	572	687
Trade receivables	-229	1,331
Trade payables	-443	-370
Other working capital	248	958
<b>Change in working capital</b>	<b>148</b>	<b>2,606</b>

The material throughput time was 94 days (90) at year-end. Capital tied up in working capital decreased during the year, which had an impact on cash flow of SEK 2,606 M (148) overall.

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

SEK M	2019	2020
Cash flow from operating activities	12,665	13,658
Restructuring payments	726	747
Net capital expenditure	-1,662	-1,674
Amortization of lease liabilities	-1,159	-1,275
Reversal of tax paid	3,872	3,104
<b>Operating cash flow</b>	<b>14,442</b>	<b>14,560</b>

## Investments in subsidiaries

Cash flow from investments in subsidiaries totaled SEK -6,238 M (-3,903), while divestments of subsidiaries generated a positive cash flow of SEK 1,170 M (84). The cash flow effect from acquisitions and divestments was therefore SEK -5,068 M (-3,819). Acquired cash and cash equivalents totaled SEK 2,239 M (120).

## Change in net debt

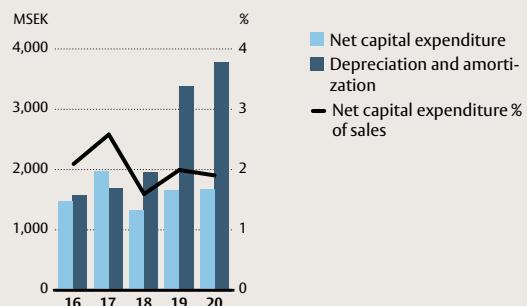
Net debt was mainly affected by the strong positive operating cash flow, the dividend to shareholders, acquisitions and exchange rate differences.

SEK M	2019	2020
Net debt at 1 January	29,246	33,050
Effects of the transition to IFRS 16	3,711	-
Operating cash flow	-14,442	-14,560
Restructuring payments	726	747
Tax paid on income	3,872	3,104
Acquisitions and divestments	4,764	5,504
Dividend	3,888	4,277
Actuarial gain/loss on post-employment benefit obligations	362	319
Change in lease liabilities	-242	-106
Exchange rate differences, etc.	1,165	-2,580
<b>Net debt at 31 December</b>	<b>33,050</b>	<b>29,755</b>

## Income before tax and operating cash flow



## Capital expenditure



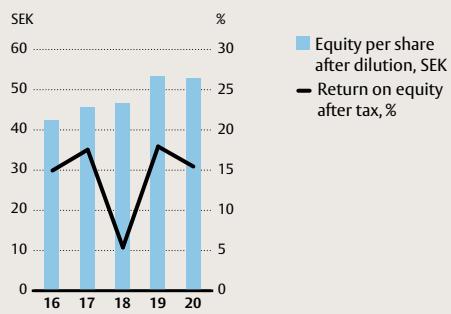
# Consolidated statement of cash flows

SEK M	Note	2019	2020
<b>OPERATING ACTIVITIES</b>			
Operating income		14,608	12,458
Depreciation and amortization	8	3,387	3,776
Revaluation of previously owned associate shareholding		–	–1,909
Reversal of restructuring costs		312	1,366
Restructuring payments		–726	–747
Other non-cash items	31	–324	–95
<b>Cash flow before interest and tax</b>		<b>17,257</b>	<b>14,850</b>
Interest paid		–885	–699
Interest received		16	5
Tax paid on income		–3,872	–3,104
<b>Cash flow before changes in working capital</b>		<b>12,516</b>	<b>11,052</b>
Change in working capital	31	148	2,606
<b>Cash flow from operating activities</b>		<b>12,665</b>	<b>13,658</b>
<b>INVESTING ACTIVITIES</b>			
Investments in property, plant and equipment and intangible assets	14, 15	–1,842	–1,806
Sales of property, plant and equipment and intangible assets	14, 15	181	133
Investments in subsidiaries	33	–3,903	–6,238
Divestments of subsidiaries	31	84	1,170
Divestments of associates		16	–
Other investments and divestments		0	0
<b>Cash flow from investing activities</b>		<b>–5,464</b>	<b>–6,741</b>
<b>FINANCING ACTIVITIES</b>			
Dividend		–3,888	–4,277
Long-term loans raised	35	4,615	5,806
Long-term loans repaid	35	–2,903	–3,252
Amortization of lease liabilities		–1,159	–1,275
Purchase of shares in subsidiaries from non-controlling interest		–19	–16
Stock purchase plans		–21	–22
Change in short-term loans, etc.		–3,926	–1,522
<b>Cash flow from financing activities</b>		<b>–7,301</b>	<b>–4,558</b>
<b>CASH FLOW</b>		<b>–100</b>	<b>2,359</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>Cash and cash equivalents at 1 January</b>		<b>538</b>	<b>442</b>
Cash flow		–100	2,359
Effect of exchange rate differences in cash and cash equivalents		4	–45
<b>Cash and cash equivalents at 31 December</b>	35	<b>442</b>	<b>2,756</b>

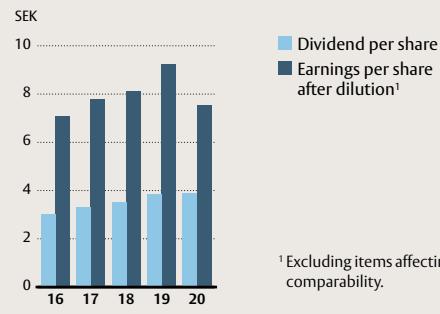
# Changes in consolidated equity

SEK M	Parent company's shareholders					Total
	Share capital	Other contributed capital	Reserves	Retained earnings	Non-controlling interests	
<b>Opening balance 1 January 2019 according to adopted Annual Report</b>	371	9,675	5,096	36,748	10	51,900
Changed accounting principle				-234		-234
<b>New opening balance 1 January 2019</b>	<b>371</b>	<b>9,675</b>	<b>5,096</b>	<b>36,514</b>	<b>10</b>	<b>51,666</b>
Net income				9,993	4	9,997
Other comprehensive income			1,631	-281	1	1,351
<b>Total comprehensive income</b>			<b>1,631</b>	<b>9,713</b>	<b>5</b>	<b>11,348</b>
Dividend				-3,888		-3,888
Stock purchase plans				27		27
<b>Total contributions by and distributions to Parent company's shareholders</b>				<b>-3,861</b>		<b>-3,861</b>
Change in non-controlling interest				5	-4	1
<b>Total transactions with shareholders</b>				<b>-3,856</b>	<b>-4</b>	<b>-3,860</b>
<b>Closing balance 31 December 2019</b>	<b>371</b>	<b>9,675</b>	<b>6,728</b>	<b>42,369</b>	<b>11</b>	<b>59,154</b>
 <b>Opening balance 1 January 2020</b>	 <b>371</b>	 <b>9,675</b>	 <b>6,728</b>	 <b>42,369</b>	 <b>11</b>	 <b>59,154</b>
Net income				9,171	1	9,172
Other comprehensive income			-4,934	-262	-1	-5,197
<b>Total comprehensive income</b>			<b>-4,934</b>	<b>8,909</b>	<b>0</b>	<b>3,975</b>
Dividend				-4,276	-1	-4,277
Stock purchase plans				28		28
<b>Total contributions by and distributions to Parent company's shareholders</b>				<b>-4,249</b>	<b>-1</b>	<b>-4,249</b>
Change in non-controlling interest				1	-1	0
<b>Total transactions with shareholders</b>				<b>-4,248</b>	<b>-2</b>	<b>-4,249</b>
<b>Closing balance 31 December 2020</b>	<b>371</b>	<b>9,675</b>	<b>1,794</b>	<b>47,030</b>	<b>9</b>	<b>58,879</b>

## Equity per share after dilution and return on equity after tax



## Dividend and earnings per share



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

# Income statement – Parent company

SEK M	Note	2019	2020
Administrative expenses	3, 6, 8, 9	-2,188	-2,279
Research and development costs	6, 8, 9	-1,480	-1,441
Capitalized work for own account		19	8
Other operating income and expenses	4	5,172	4,580
<b>Operating income</b>	9, 34	<b>1,523</b>	<b>868</b>
Financial income	10	4,910	5,197
Financial expenses	9, 11	-1,471	-703
<b>Income before appropriations and tax</b>		<b>4,962</b>	<b>5,363</b>
Group contributions		851	663
Change in excess depreciation and amortization		-233	-214
Tax on income	12	-446	-259
<b>Net income</b>		<b>5,134</b>	<b>5,552</b>

# Statement of comprehensive income – Parent company

SEK M	2019	2020
Net income	5,134	5,552
Other comprehensive income	–	–
<b>Total comprehensive income</b>	<b>5,134</b>	<b>5,552</b>

# Balance sheet – Parent company

SEK M	Note	2019	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	3,108	2,498
Property, plant and equipment	15	20	50
Shares in subsidiaries	17	34,541	35,821
Other financial assets	20	1,774	592
<b>Total non-current assets</b>		<b>39,443</b>	<b>38,961</b>
<b>Current assets</b>			
Receivables from subsidiaries		19,475	20,534
Other current receivables		224	514
Prepaid expenses and accrued income		23	21
Cash and cash equivalents	35	0	0
<b>Total current assets</b>		<b>19,722</b>	<b>21,069</b>
<b>TOTAL ASSETS</b>		<b>59,165</b>	<b>60,030</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>	23		
Share capital	24	371	371
Revaluation reserve		275	275
Statutory reserve		8,905	8,905
Fund for development expenses		219	184
<i>Non-restricted equity</i>			
Share premium reserve		787	787
Retained earnings including net income for the year		14,326	15,664
<b>Total equity</b>		<b>24,883</b>	<b>26,186</b>
<b>Untaxed reserves</b>		911	1,125
<b>Non-current liabilities</b>			
Long-term loans	35	16,877	15,677
<b>Total non-current liabilities</b>		<b>16,877</b>	<b>15,677</b>
<b>Current liabilities</b>			
Short-term loans	35	1,696	1,594
Trade payables		190	154
Current liabilities to subsidiaries		14,098	14,862
Other current liabilities		8	7
Accrued expenses and deferred income	28	502	425
<b>Total current liabilities</b>		<b>16,494</b>	<b>17,042</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>59,165</b>	<b>60,030</b>

# Cash flow statement – Parent company

SEK M	Note	2019	2020
<b>OPERATING ACTIVITIES</b>			
Operating income		1,523	868
Depreciation and amortization	8	643	745
<b>Cash flow before interest and tax</b>		<b>2,166</b>	<b>1,613</b>
Interest paid and received		-278	-258
Dividends received		4,623	3,704
Tax paid and received		-701	-505
<b>Cash flow before changes in working capital</b>		<b>5,810</b>	<b>4,553</b>
Change in working capital		1,724	801
<b>Cash flow from operating activities</b>		<b>7,534</b>	<b>5,355</b>
<b>INVESTING ACTIVITIES</b>			
Investments in property, plant and equipment and intangible assets		-740	-164
Investments in subsidiaries		-728	-1,472
<b>Cash flow from investing activities</b>		<b>-1,468</b>	<b>-1,636</b>
<b>FINANCING ACTIVITES</b>			
Dividend		-3,888	-4,276
Loans raised		4,615	3,058
Loans repaid		-6,793	-2,500
<b>Cash flow from financing activities</b>		<b>-6,066</b>	<b>-3,718</b>
<b>CASH FLOW</b>		<b>0</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		0	0
Cash flow		0	0
<b>Cash and cash equivalents at 31 December</b>		<b>0</b>	<b>0</b>

# Change in equity – Parent company

SEK M	Restricted equity				Non-restricted equity		
	Share capital	Reval-uation reserve	Statutory reserve	Fund for development expenses	Share premium reserve	Retained earnings	Total
<b>Opening balance 1 January 2019</b>	371	275	8,905	219	787	13,053	23,610
Net income						5,134	5,134
<b>Total comprehensive income</b>						<b>5,134</b>	<b>5,134</b>
Dividend						-3,888	-3,888
Stock purchase plans						27	27
<b>Total transactions with shareholders</b>						<b>-3,861</b>	<b>-3,861</b>
<b>Closing balance 31 December 2019</b>	<b>371</b>	<b>275</b>	<b>8,905</b>	<b>219</b>	<b>787</b>	<b>14,326</b>	<b>24,883</b>
<b>Opening balance 1 January 2020</b>	<b>371</b>	<b>275</b>	<b>8,905</b>	<b>219</b>	<b>787</b>	<b>14,326</b>	<b>24,883</b>
Net income						5,552	5,552
<b>Total comprehensive income</b>						<b>5,552</b>	<b>5,552</b>
Dividend						-4,276	-4,276
Stock purchase plans						28	28
Reclassifications				-35		35	0
<b>Total transactions with shareholders</b>				<b>-35</b>		<b>-4,213</b>	<b>-4,249</b>
<b>Closing balance 31 December 2020</b>	<b>371</b>	<b>275</b>	<b>8,905</b>	<b>184</b>	<b>787</b>	<b>15,664</b>	<b>26,186</b>

# Notes

## NOTE 1 Significant accounting and valuation principles

### Group

ASSA ABLOY applies International Financial Reporting Standards (IFRS) as adopted 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 2020 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 41–98.

### 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.

The total amount in tables and statements might not always summarize as there are rounding differences. The aim is to have each line item corresponding to the source and it might therefore be rounding differences in the total.

### 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, as well as in determining actuarial assumptions for calculating employee benefits. Estimates and assessments also affect valuation of deferred taxes, other provisions and deferred considerations, as well as valuation of right-of-use assets and lease liabilities where the Group, when estimating the term of a lease, assesses the likelihood that any extension options will be exercised. 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 25.

### New and revised standards applied by the Group

No new or amended standards with material impact on the Group's financial reports were applied for the first time in 2020.

### New and revised IFRS not yet effective

No new standards or interpretations that have been published but have not come into force as of the closing date are expected to have a material impact on future financial reports.

### Consolidated financial statements

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

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

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

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

### Non-controlling interests

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

### Associates

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

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

### Segment reporting

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

### Foreign currency translation

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

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

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

Country	Currency	Average rate		Closing rate	
		2019	2020	2019	2020
United Arab Emirates	AED	2.57	2.50	2.54	2.23
Argentina	ARS	0.20	0.13	0.16	0.10
Australia	AUD	6.56	6.35	6.51	6.27
Brazil	BRL	2.39	1.81	2.30	1.57
Canada	CAD	7.10	6.84	7.13	6.40
Switzerland	CHF	9.50	9.78	9.58	9.27
Chile	CLP	0,013	0,012	0,012	0,012
China	CNY	1.37	1.33	1.33	1.25
Czech Republic	CZK	0.41	0.40	0.41	0.38
Denmark	DKK	1.42	1.41	1.40	1.35
Euro zone	EUR	10.57	10.49	10.44	10.05
United Kingdom	GBP	12.02	11.82	12.23	11.08
Hong Kong	HKD	1.20	1.18	1.20	1.06
Hungary	HUF	0,032	0,030	0,032	0,028
Israel	ILS	2.64	2.67	2.69	2.55

**Note 1 continued**

Country	Currency	Average rate		Closing rate	
		2019	2020	2019	2020
India	INR	0,134	0,124	0,131	0,112
Kenya	KES	0,092	0,087	0,092	0,075
South Korea	KRW	0,0081	0,0078	0,0081	0,0075
Mexico	MXN	0,4872	0,4317	0,4954	0,4124
Malaysia	MYR	2,27	2,19	2,27	2,03
Norway	NOK	1,07	0,98	1,06	0,95
New Zealand	NZD	6,22	5,99	6,26	5,88
Poland	PLN	2,46	2,36	2,45	2,21
Romania	RON	2,23	2,17	2,18	2,06
Thailand	THB	0,30	0,29	0,31	0,27
Turkey	TRY	1,67	1,33	1,57	1,12
US	USD	9,43	9,18	9,32	8,19
South Africa	ZAR	0,65	0,57	0,67	0,56

**Revenue**

The Group recognizes revenue from contracts with customers based on the five-step model described in IFRS 15. Revenue is recognized when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The good or service is transferred when the customer acquires control over the asset, which may happen either over time or at a particular point in time.

Under the five-step model an entity must complete the following steps before revenue can be recognized: Identify contracts with customers, identify performance obligations, determine the transaction price, allocate the transaction price to each of the separate performance obligations, and finally recognize the revenue attributable to each performance obligation.

At the beginning of the customer contract ASSA ABLOY determines whether the goods and/or services that are promised in the agreement comprise one performance obligation or several separate performance obligations.

A performance obligation is defined as a distinct promise to transfer a good or a service to the customer. A promised good or service is distinct if both of the following criteria are met:

- a) the customer can benefit from the good or service separately or together with other resources that are readily available to the customer and
- b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

When determining the transaction price, which is the amount of consideration promised in the contract, the Group takes into account any variable considerations, such as cash discounts, volume-based discounts, and right of returns. The transaction price includes variable consideration only if it is highly probable that a significant reversal of the revenue is not expected to occur in a future period.

ASSA ABLOY receives payment in advance from customers to a limited extent. No customer contracts within the Group relating to the sale of goods or services are assessed to contain a significant financing component. The Group does not recognize any contract costs since the Group applies the practical expedient permitted by the standard, under which incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

ASSA ABLOY allocates the transaction price for each performance obligation on the basis of a stand-alone selling price. The stand-alone selling price is the price for which the Group would sell the good or service separately to a customer. In cases where a stand-alone selling price is not directly observable, it is usually calculated based on the adjusted market assessment approach or the expected cost plus a margin approach.

Any discounts are allocated proportionately to all performance obligations in the contract, provided there is no observable evidence that the discount does not relate to all performance obligations.

ASSA ABLOY recognizes revenue when the Group satisfies a performance obligation by transferring a good or service to a customer, i.e. as the customer gains control over the asset. A performance obligation is met either over time or at a particular point in time. ASSA ABLOY recognizes revenue over time if any of the following criteria are met:

- a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs an obligation
- b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Revenue that is not recognized over time is recognized at a given point in time, i.e. the point in time when the customer gains control over the asset.

The Group's revenue mainly consists of product sales. Service related to products sold represents a limited share of revenue. Revenue for the sale of the Group's products is recognized at a given point in time when the customer gains control over the product, usually at the time of delivery. ASSA ABLOY also carries out installation services, which are recognized over time. For shorter installation jobs, revenue is recognized in practice upon completion of installation. Revenue from service contracts is recognized over time.

For product sales, a receivable is recognized when the goods have been delivered, since this is usually the point in time when the consideration becomes unconditional. Payment terms for trade receivables differ among geographic markets. The average collection period for trade receivables in 2020 was 55 days.

**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.

The Group applies IFRIC 23 from 1 January 2019 and measures each uncertain tax position using either the most likely amount or the expected value, based on the method expected to reflect the outcome in the best way. Assessments are reconsidered when there is new information that affects earlier judgments.

**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

*Note 1 continued*

acquisition date, and is recognized at cost less accumulated impairment losses. Goodwill is allocated to cash generating units 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 and amounts to 5–12 years for technology and 8–15 years for customer relationships. 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.

***Property, plant and equipment***

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

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

The residual value and useful life of assets are reviewed at each reporting date and adjusted when necessary. Gain or loss on the disposal of property, plant and equipment 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.

***Leases***

Within the Group there are a large number of current leases, mostly relating to offices, premises and vehicles. From 1 January 2019 the Group applies IFRS 16 Leases and recognizes a right-of-use asset and a lease liability corresponding to the present value of future lease payments in the balance sheet on the day the leased asset is made available for use. In calculating the present value, the Group's incremental borrowing rate by currency is used. When measuring right-of-use and lease liability, the Group made estimates and assumptions such as whether any options to extend or terminate a lease agreement will be exercised.

The right-of-use asset is depreciated on a straight-line basis over the lease term, or over the period of use of the underlying asset if the lease transfers ownership of the underlying asset to the Group by the end of the lease term. Depreciation is recognized as an expense in profit or loss, while interest expense attributable to the lease liability is recognized in net financial items.

In the statement of cash flows the lease payments are split between interest paid in cash flow from operating activities and amortization of lease liabilities in financing activities. In operating cash flow, the Group has chosen to include amortization of lease liabilities as an operating component from 1 January 2019. The Group's operating cash flow is therefore comparable with periods prior to 2019.

The Group has chosen not to recognize any right-of-use or lease liability regarding obligations for short-term leases and low-value leases. Lease payments relating to such leases are reported as operating expenses over the lease term.

For periods before 2019 the Group recognizes leases in accordance with IAS 17 which means that 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. The recoverable amount is the higher of an asset's fair value less selling expenses and its value in use.

***Inventories***

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

***Trade receivables***

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

Regarding provisions for expected credit losses on trade receivables, see the section Impairment of financial assets. The year's change in expected credit losses is recognized in the income statement as selling expenses.

***Financial assets***

Financial assets include cash and cash equivalents, trade receivables, short-term investments, derivatives and other financial assets.

Under IFRS 9, the Group classifies financial assets in the categories financial assets at amortized cost, financial assets at fair value through profit or loss, or financial assets at fair value through other comprehensive income.

***Financial assets at amortized cost***

Financial assets at amortized cost mainly comprise trade receivables and cash and cash equivalents. A financial asset is measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets in this category are initially recognized at fair value plus transaction costs that are directly related to the purchase and then at amortized cost.

***Financial assets at fair value through other comprehensive income***

A financial asset is measured at fair value through other comprehensive income if the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and also the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets in this category are initially recognized at fair value plus transaction costs that are directly related to the purchase and then at fair value through other comprehensive income. As of the reporting date the Group has no financial assets in this category.

***Financial assets at fair value through profit or loss***

Financial assets that are not recognized in any of the other categories are measured at fair value through profit or loss. Financial assets in this category are initially recognized at fair value. Transaction costs related to financial assets recognized in this category are expensed directly in the income statement. As of the reporting date, this category comprises shares and participations.

***Impairment of financial assets***

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for trade receivables. Under this approach, a provision is made for lifetime expected credit losses for the trade receivable. For calculation of expected credit losses, the trade receivables are grouped based on the number of days past due. Expected credit losses on trade receivables that are not past due are primarily based on actual credit losses from recent years.

Impairment that would be considered for other financial assets that are within the scope of expected credit losses have been assessed to be immaterial.

***Financial liabilities***

Financial liabilities include deferred considerations, loan liabilities, trade payables and derivative instruments. Recognition depends on how the liability is classified. The Group classifies financial liabilities in the categories: financial liabilities at amortized cost and financial liabilities at fair value through profit or loss.

Financial liabilities are initially measured at fair value less, for a financial liability that is not measured at fair value through profit or loss, transaction costs that are directly related to the acquisition or issue of the financial liability. After initial recognition, financial liabilities are recognized either at amortized cost or at fair value through profit or loss, depending on the classification of the financial liability.

**Note 1 continued*****Financial liabilities at fair value through profit or loss***

This category includes derivatives with a negative fair value that are not used for hedge accounting and deferred considerations. Liabilities are measured at fair value on a continuous basis and changes in value are recognized in the income statement.

***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 or loss where the transaction cost is recognized through profit or 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. 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.

Financial assets and liabilities are offset against each other and the net amount is recognized in the balance sheet when there is a legal right of set-off and there is an intention to settle the items by a net amount. See note 35 for disclosures about offsetting of financial assets and liabilities.

***Derivative instruments and hedging***

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

The Group designates derivatives as follows:

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

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

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

For information on the fair value of derivative instruments, see Note 35, '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 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. As of the reporting date the Group had no assets or liabilities classified as held for sale.

***Remuneration of employees***

The Group operates both defined contribution and defined benefit pension plans. Comprehensive defined benefit plans are found chiefly in the US, the UK and Germany. Post-employment medical benefits are also provided, mainly in the US, 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 calculate tax on pension costs based 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***

The Group has equity-based remuneration plans in the form of ASSA ABLOY's long-term incentive program presented for the first time at the Annual General Meeting 2010. Detailed information about the structure of the various programs can be found in Note 34 Employees. For the long-term incentive program, personnel costs during the vesting period are recognized based on the shares' fair value on the allotment date, that is, when the company and the employees entered into an agreement on the terms and conditions for the program. The long-term incentive program through 2017 comprised 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. Beginning in 2018, no matching portion is included in the long-term incentive programs.

Fair value is based on the share price on the allotment date; a reduction in fair value relating to the anticipated dividend has not been made as the participants are compensated for this. The employees pay a price equivalent to the share price on the investment date. The vesting terms are not stock market based and affect the number of shares that ASSA ABLOY will give to the employee when matching. If an employee stops investing in the program, all remaining personnel costs are immediately recognized in the income statement. Personnel costs for shares relating to the performance-based program are calculated on each accounting date based on an assessment of the probability of the performance targets being achieved. The costs are calculated based on the number of shares that ASSA ABLOY expects to need to settle at the end of the vesting period. When allocating shares, social security contributions must be paid in some countries to the

**Note 1 continued**

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.

The long-term incentive programs are essentially equity settled and an amount equivalent to the personnel cost is recognized against retained earnings in equity. In the income statement, the personnel cost is allocated to the respective function.

**Earnings per share**

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

**Dividend**

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

**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) adopted 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.

**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, with the exception of large product development projects, which have been capitalized.

**Intangible assets**

Intangible assets comprise patented technology and other intangible assets. They are amortized over 5–10 years.

**Property, plant and equipment**

Property, plant and equipment 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 entails 5–10 years for equipment and 3–5 years for IT equipment.

**Trade receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. From 1 January 2018 the Parent company has applied the IFRS 9 simplified approach to measuring the expected credit loss allowance for trade receivables. However, the expected credit losses attributable to the Parent company's trade receivables have been assessed to be immaterial.

**Pension obligations**

The Parent company's pension obligations are accounted for in accordance with FAR RedR 1 and are covered by taking out insurance with an insurance company.

**Leases**

The Parent company recognizes all lease agreements in accordance with RFR 2 and has chosen to recognize all leases as 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.

**Group contributions**

The Parent company recognizes Group contributions in accordance with RFR 2. Group contributions received and paid are recognized under appropriations in the income statement. The tax effect of Group contributions is recognized in accordance with IAS 12 in the income statement.

**Contingent liabilities**

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

**NOTE 2 Sales****Disaggregation of revenue from contracts with customers****Sales by product group**

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Group	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Mechanical locks, lock systems and fittings	10,232	9,012	8,734	7,892	5,035	4,357	186	291	8	7	-710	-638	23,486	20,921
Electromechanical and electronic locks	6,727	6,335	5,339	4,860	2,492	1,916	15,089	13,844	747	738	-1,018	-800	29,376	26,892
Security doors and hardware	3,678	3,131	8,985	6,224	3,143	2,497	147	24	-	2,364	-104	-101	15,849	14,139
Entrance automation	508	504	114	38	18	70	-	-	24,798	25,214	-121	-129	25,318	25,697
<b>Total</b>	<b>21,144</b>	<b>18,982</b>	<b>23,172</b>	<b>19,013</b>	<b>10,689</b>	<b>8,841</b>	<b>15,423</b>	<b>14,158</b>	<b>25,553</b>	<b>28,323</b>	<b>-1,953</b>	<b>-1,668</b>	<b>94,029</b>	<b>87,649</b>

**Sales by continent**

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Group	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Europe	18,435	16,881	43	64	552	506	3,863	3,759	11,937	12,126	-733	-751	34,097	32,584
North America	593	426	21,358	17,354	1,082	797	7,657	6,795	11,650	14,160	-850	-593	41,490	38,939
Central and South America	102	64	1,629	1,436	52	43	562	424	83	60	-37	-41	2,392	1,986
Africa	827	665	26	40	15	15	410	386	54	56	-24	-23	1,308	1,139
Asia	1,053	835	110	109	6,633	5,155	2,471	2,070	1,333	1,126	-177	-146	11,422	9,149
Oceania	134	111	7	10	2,355	2,326	459	724	495	794	-132	-113	3,319	3,852
<b>Total</b>	<b>21,144</b>	<b>18,982</b>	<b>23,172</b>	<b>19,013</b>	<b>10,689</b>	<b>8,841</b>	<b>15,423</b>	<b>14,158</b>	<b>25,553</b>	<b>28,323</b>	<b>-1,953</b>	<b>-1,668</b>	<b>94,029</b>	<b>87,649</b>

**Customer sales by country**

SEK M	Group		SEK M	Group	
	2019	2020		2019	2020
US	36,972	34,659	Saudi Arabia	457	414
Sweden	4,739	4,767	United Arab Emirates	553	399
China	4,919	4,077	Chile	357	355
France	4,087	4,046	Japan	294	303
United Kingdom	4,135	3,843	Hong Kong	374	281
Germany	3,678	3,616	Israel	300	268
Australia	2,625	3,124	Singapore	387	263
Canada	2,882	2,885	Hungary	231	243
Netherlands	2,279	2,179	Estonia	191	229
Finland	2,045	1,999	Portugal	240	224
Norway	1,776	1,541	Turkey	230	221
Belgium	1,597	1,424	Romania	196	199
Denmark	1,450	1,400	Thailand	278	198
Mexico	1,636	1,395	Colombia	262	171
South Korea	1,616	1,355	Russia	219	169
Switzerland	971	1,064	Malta	39	164
Spain	1,294	1,052	Philippines	315	159
Poland	1,056	974	Kenya	99	142
Italy	986	811	Indonesia	163	141
Brazil	1,018	788	Malaysia	217	134
New Zealand	672	695	Guatemala	117	125
Austria	673	663	Croatia	134	125
Ireland	530	483	Slovakia	155	119
South Africa	612	480	Other countries	2,556	2,424
Czech Republic	494	440	<b>Total</b>	<b>94,029</b>	<b>87,649</b>
India	711	418			

Note 2 continued

**Contract assets and contract liabilities**

The Group recognizes the following revenue-related contract assets and contract liabilities:

**Contract assets**

SEK M	Group		2019	2020
	2019	2020		
Accrued revenue	607	679		
<b>Total</b>	<b>607</b>	<b>679</b>		

**Contract liabilities**

SEK M	Group		2019	2020
	2019	2020		
Non-current advances from customers and deferred revenue	52	44		
Current advances from customers and deferred revenue	1,836	1,789		
<b>Total</b>	<b>1,888</b>	<b>1,833</b>		

Contract assets during the year have increased by SEK 72 M, primarily as a result of acquired companies which added SEK 172 M. Contract liabilities decreased by SEK 55 M. Acquired and discontinued companies resulted in a net increase in contract liabilities of SEK 270 M during the year. The total contract liability as at 31 December 2019 of SEK 1,888 M has in all important respects been recognized in 2020.

**Remaining performance obligations**

The total transaction price allocated to unsatisfied performance obligations at the reporting date amounts to SEK 14,505 M. Of this amount, SEK 13,290 M is expected to be recognized as revenue in 2021, while an estimated SEK 1,216 M will be recognized as revenue in 2022 or later.

As of 31 December 2019 the total transaction price allocated to unsatisfied performance obligations was SEK 12,760 M.

**NOTE 3 Auditors' fees**

SEK M	Group		Parent company	
	2019	2020	2019	2020
<b>Audit assignment</b>				
EY	2	61	–	7
PwC	64	8	3	–
Others	17	21	–	–
<b>Audit-related services in addition to audit assignment</b>				
EY	–	1	–	1
PwC	1	–	1	–
<b>Tax advice</b>				
EY	1	2	0	0
PwC	10	8	1	2
Others	11	11	1	4
<b>Other services</b>				
EY	8	2	0	1
PwC	25	6	0	1
Others	3	1	0	0
<b>Total</b>	<b>141</b>	<b>121</b>	<b>7</b>	<b>16</b>

The auditors' fee for EY in Sweden during the year was SEK 11 M (–) and the fee for extra services was SEK 1 M (1).

**NOTE 4 Other operating income and expenses**

SEK M	Group	
	2019	2020
Restructuring costs	–47	–54
Revaluation of previously owned shares in associates	–	1,909
Remeasurement of deferred considerations	358	203
Profit on sales of non-current assets	63	3
Profit/loss on sales of subsidiaries	–	–46
Business-related taxes	–52	–22
Transaction expenses from acquisitions	–169	–233
Exchange rate differences	–58	–97
Other, net	–44	–248
<b>Total</b>	<b>51</b>	<b>1,415</b>

**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	
	2019	2020
Agta record AG	121	231
Goal Co., Ltd	17	9
PT Jasuindo Arjo Wiggins Security	5	9
SARA Loading Bay Ltd	–1	2
Saudi Crawford Doors Ltd	4	6
Others	0	–
<b>Total</b>	<b>147</b>	<b>257</b>

On 20 August 2020 a majority stake was acquired in agta record AG and the company transitioned from associate to subsidiary. The share of earnings in agta record AG thus relates to the period 1 January to 20 August. Agta Record AG is consolidated beginning on 20 August 2020.

**NOTE 6 Accounting of leases for the Parent company**

The Parent company recognizes all lease agreements in accordance with RFR2 and has chosen to recognize all leases as operating leases. Operating leases in the Parent company mainly relate to rented premises and cars.

SEK M	Parent company	
	2019	2020
Lease payments during the year	13	15
<b>Total</b>	<b>13</b>	<b>15</b>
<b>Nominal value of agreed future lease payments:</b>		
Due for payment in:		
(2020)2021	13	6
(2021)2022	5	3
(2022)2023	1	3
(2023)2024	0	3
(2024)2025	0	1
<b>Total</b>	<b>19</b>	<b>16</b>

## 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	
	2019	2020
Remuneration of employees (note 34)	27,001	27,170
Direct material costs	33,885	30,830
Depreciation and amortization (notes 8, 14, 15)	3,387	3,776
Other purchase expenses	15,345	15,087
<b>Total</b>	<b>79,619</b>	<b>76,863</b>

## NOTE 8 Depreciation and amortization

SEK M	Group		Parent company	
	2019	2020	2019	2020
Intangible assets	956	1,201	625	733
Machinery	616	617	—	—
Equipment	381	420	18	12
Buildings	224	221	—	—
Land improvements	9	9	—	—
Right-of-use assets	1,201	1,307	—	—
<b>Total</b>	<b>3,387</b>	<b>3,776</b>	<b>643</b>	<b>745</b>

## NOTE 9 Exchange differences in the income statement

SEK M	Group		Parent company	
	2019	2020	2019	2020
Exchange differences recognized in operating income	-58	-97	-15	-17
Exchange differences recognized in financial expenses	-4	2	-5	-128
<b>Total</b>	<b>-63</b>	<b>-95</b>	<b>-20</b>	<b>-145</b>

## NOTE 10 Financial income

SEK M	Group		Parent company	
	2019	2020	2019	2020
Earnings from investments in subsidiaries	—	—	4,564	3,667
Earnings from investments in associates	—	—	59	37
Intra-Group interest income	—	—	287	292
Other financial income	1	7	0	—
Fair value adjustments shares and interests	—	—	—	1,201
External interest income and similar items	14	3	—	—
<b>Total</b>	<b>15</b>	<b>10</b>	<b>4,910</b>	<b>5,197</b>

## NOTE 11 Financial expenses

SEK M	Group		Parent company	
	2019	2020	2019	2020
Intra-Group interest expenses	—	—	-276	-251
Interest expenses, other liabilities <sup>1</sup>	-785	-569	-288	-297
Interest expenses, interest rate swaps	34	-55	—	—
Interest expenses, currency derivatives	-239	-122	—	—
Exchange rate differences on financial items	-4	2	-5	-128
Fair value adjustments shares and interests	—	—	-876	—
Other financial expenses	-58	-48	-26	-28
<b>Total</b>	<b>-1,052</b>	<b>-792</b>	<b>-1,471</b>	<b>-703</b>

<sup>1</sup> Of which 103 (18) is fair value adjustments on derivatives, non-hedge accounting, for the Group.

## NOTE 12 Tax on income

SEK M	Group		Parent company	
	2019	2020	2019	2020
Current tax	-2,175	-2,713	-405	-219
Tax attributable to prior years	-701	220	-19	-8
Withholding tax	-59	-28	-14	-11
Deferred tax	-638	18	-8	-22
<b>Total</b>	<b>-3,574</b>	<b>-2,504</b>	<b>-446</b>	<b>-259</b>

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

Percent	Group		Parent company	
	2019	2020	2019	2020
Swedish income tax rate	21	21	21	21
Effect of foreign tax rates	4	3	—	—
Non-taxable income/non-deductible expenses	1	1	-13	-17
Exercised/new, not yet measured tax loss carry-forwards	1	3	—	—
Non-taxable revaluation of associate shareholding	—	-4	—	—
Other	-1	-3	—	—
<b>Effective tax rate in income statement</b>	<b>26</b>	<b>21</b>	<b>8</b>	<b>4</b>

## NOTE 13 Earnings per share

### Earnings per share before and after dilution

SEK M	Group	
	2019	2020
Earnings attributable to the Parent company's shareholders	9,993	9,171
Net profit	9,993	9,171
Weighted average number of outstanding shares (thousands)	1,110,776	1,110,776
<b>Earnings per share (SEK)</b>	<b>9.00</b>	<b>8.26</b>

None of the Group's outstanding long-term incentive programs are expected to result in significant dilution in the future.

### Earnings per share before and after dilution and excluding items affecting comparability

SEK M	Group	
	2019	2020
Earnings attributable to the Parent company's shareholders	9,993	9,171
<b>Items affecting comparability</b>		
Revaluation of shares in associates	—	1,909
Restructuring costs	-312	-1,366
Tax effect restructuring costs	65	255
<b>Total items affecting comparability after tax</b>	<b>-246</b>	<b>797</b>
Net profit excluding items affecting comparability	10,240	8,374
Weighted average number of outstanding shares (thousands)	1,110,776	1,110,776
<b>Earnings per share excluding items affecting comparability (SEK)</b>	<b>9.22</b>	<b>7.54</b>

**NOTE 14 Intangible assets**

2020, SEK M	Group			Parent company	
	Goodwill	Brands	Other intangible assets	Total	Intangible assets
<b>Opening accumulated acquisition cost</b>	<b>61,970</b>	<b>7,410</b>	<b>12,817</b>	<b>82,197</b>	<b>7,604</b>
Purchases	-	1	389	390	122
Acquisitions of subsidiaries	6,421	1,904	1,377	9,703	-
Divestments of subsidiaries	-882	-95	-25	-1,002	-
Sales, disposals and adjustments	-	0	-32	-32	-
Reclassifications	-	1	8	9	-
Exchange rate difference	-5,116	-520	-714	-6,350	-
<b>Closing accumulated acquisition cost</b>	<b>62,392</b>	<b>8,701</b>	<b>13,820</b>	<b>84,914</b>	<b>7,727</b>
<b>Opening accumulated amortization and impairment</b>	<b>-4,309</b>	<b>-1,263</b>	<b>-6,270</b>	<b>-11,842</b>	<b>-4,496</b>
Divestments of subsidiaries	-	4	6	10	-
Sales, disposals and adjustments	-	-	6	6	-
Reclassifications	-	-	-2	-2	-
Amortization	-	-3	-1,199	-1,201	-733
Impairment	-	-	-69	-69	-
Exchange rate difference	260	68	308	637	-
<b>Closing accumulated amortization and impairment</b>	<b>-4,048</b>	<b>-1,194</b>	<b>-7,219</b>	<b>-12,462</b>	<b>-5,229</b>
<b>Carrying amount</b>	<b>58,344</b>	<b>7,506</b>	<b>6,601</b>	<b>72,452</b>	<b>2,498</b>
2019, SEK M	Group			Parent company	
	Goodwill	Brands	Other intangible assets	Total	Intangible assets
<b>Opening accumulated acquisition cost</b>	<b>57,646</b>	<b>6,924</b>	<b>10,942</b>	<b>75,512</b>	<b>6,868</b>
Purchases	-	0	623	624	736
Acquisitions of subsidiaries	2,685	341	955	3,981	-
Sales, disposals and adjustments	-	-	6	6	-
Reclassifications	4	-4	20	20	-
Exchange rate difference	1,635	149	271	2,054	-
<b>Closing accumulated acquisition cost</b>	<b>61,970</b>	<b>7,410</b>	<b>12,817</b>	<b>82,197</b>	<b>7,604</b>
<b>Opening accumulated amortization and impairment</b>	<b>-4,233</b>	<b>-1,239</b>	<b>-5,179</b>	<b>-10,651</b>	<b>-3,871</b>
Sales, disposals and adjustments	-	-	-10	-10	-
Reclassifications	-	-	-2	-2	-
Amortization	-	-2	-954	-956	-625
Impairment	-	-	-5	-5	-
Exchange rate difference	-76	-23	-120	-218	-
<b>Closing accumulated amortization and impairment</b>	<b>-4,309</b>	<b>-1,263</b>	<b>-6,270</b>	<b>-11,842</b>	<b>-4,496</b>
<b>Carrying amount</b>	<b>57,662</b>	<b>6,146</b>	<b>6,547</b>	<b>70,355</b>	<b>3,108</b>

Other intangible assets consist mainly of customer relations and technology. The carrying amount of intangible assets with an indefinite useful life, excluding goodwill, amounts to SEK 7,467 M (6,105) 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.

**Impairment testing of goodwill and intangible assets with indefinite useful life**

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

For each cash-generating unit, the Group annually tests goodwill and intangible assets with an indefinite useful life for impairment, in accordance with the accounting principle described in Note 1. Recoverable amounts for Cash Generating Units have been determined by calculating value in use. These calculations are based on estimated future cash flows, which in turn are based on financial budgets for a three-year period approved by management. Cash flows beyond the three-year period are extrapolated using estimated growth rates according to the information below.

Material assumptions used to calculate values in use:

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

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

**Note 14 continued****2020**

Overall, the discount rate after tax used varied between 8.0 and 9.0 percent (EMEA 8.0 percent, Americas 8.0 percent, Asia Pacific 9.0 percent, Global Technologies 8.0 percent and Entrance Systems 8.0 percent).

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

<b>2020, SEK M</b>	<b>EMEA</b>	<b>Americas</b>	<b>Asia Pacific</b>	<b>Global Technologies</b>	<b>Entrance Systems</b>	<b>Total</b>
Goodwill	10,475	10,444	3,884	14,881	18,660	58,344
Intangible assets with indefinite useful life	136	718	788	811	5,015	7,467
<b>Total</b>	<b>10,610</b>	<b>11,162</b>	<b>4,672</b>	<b>15,692</b>	<b>23,675</b>	<b>65,811</b>

**2019**

Overall, the discount rate after tax used varied between 8.0 and 9.0 percent (EMEA 8.0 percent, Americas 8.0 percent, Asia Pacific 9.0 percent, Global Technologies 8.0 percent and Entrance Systems 8.0 percent).

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

<b>2019, SEK M</b>	<b>EMEA</b>	<b>Americas</b>	<b>Asia Pacific</b>	<b>Global Technologies</b>	<b>Entrance Systems</b>	<b>Total</b>
Goodwill	11,121	14,105	4,168	15,459	12,809	57,662
Intangible assets with indefinite useful life	237	1,342	744	902	2,880	6,105
<b>Total</b>	<b>11,358</b>	<b>15,447</b>	<b>4,912</b>	<b>16,361</b>	<b>15,688</b>	<b>63,766</b>

**Sensitivity analysis**

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

**2020**

If the estimated operating margin after the end of the budget period had been one percentage point lower than the management's estimate, the total recoverable amount would be 5 percent lower (EMEA 5 percent, Americas 4 percent, Asia Pacific 8 percent, Global Technologies 4 percent, and Entrance Systems 5 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 10 percent, Global Technologies 13 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 8.0 to 9.0 percent, the total recoverable amount would be 17 percent lower (EMEA 17 percent, Americas 17 percent, Asia Pacific 15 percent, Global Technologies 17 percent, and Entrance Systems 17 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.

**2019**

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 5 percent, Asia Pacific 11 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 15 percent lower (EMEA 15 percent, Americas 15 percent, Asia Pacific 13 percent, Global Technologies 15 percent, and Entrance Systems 15 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 8.0 to 9.0 percent, the total recoverable amount would be 17 percent lower (EMEA 17 percent, Americas 17 percent, Asia Pacific 14 percent, Global Technologies 17 percent, and Entrance Systems 17 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 Property, plant and equipment

2020, SEK M	Group					Parent company	
	Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Equipment
<b>Opening accumulated acquisition cost</b>	<b>6,301</b>	<b>1,215</b>	<b>11,226</b>	<b>4,203</b>	<b>692</b>	<b>23,635</b>	<b>85</b>
Purchases	76	1	296	338	706	1,417	42
Acquisitions of subsidiaries	274	60	80	246	3	664	-
Divestments of subsidiaries	-343	-19	-290	-82	-8	-742	-
Sales and disposals	-104	-49	-393	-314	-36	-895	-
Reclassifications	157	22	248	246	-681	-9	-
Exchange rate difference	-212	-91	-1,014	-126	-60	-1,502	-
<b>Closing accumulated acquisition cost</b>	<b>6,150</b>	<b>1,139</b>	<b>10,153</b>	<b>4,511</b>	<b>616</b>	<b>22,569</b>	<b>127</b>
<b>Opening accumulated depreciation and impairment</b>	<b>-3,321</b>	<b>-150</b>	<b>-8,395</b>	<b>-3,272</b>	<b>-</b>	<b>-15,137</b>	<b>-65</b>
Divestments of subsidiaries	112	-	248	73	-	433	-
Sales and disposals	48	14	377	297	-	736	-
Impairment incl. reversals	-74	-	-40	-4	-	-118	-
Depreciation and amortization	-221	-9	-617	-420	-	-1,268	-12
Reclassifications	-6	-1	96	-87	-	2	-
Exchange rate difference	13	9	749	38	-	810	-
<b>Closing accumulated depreciation and impairment</b>	<b>-3,448</b>	<b>-138</b>	<b>-7,582</b>	<b>-3,375</b>	<b>-</b>	<b>-14,541</b>	<b>-77</b>
<b>Carrying amount</b>	<b>2,703</b>	<b>1,001</b>	<b>2,572</b>	<b>1,135</b>	<b>616</b>	<b>8,026</b>	<b>50</b>

2019, SEK M	Group					Parent company	
	Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Equipment
<b>Opening accumulated acquisition cost</b>	<b>5,958</b>	<b>1,142</b>	<b>10,026</b>	<b>3,805</b>	<b>684</b>	<b>21,614</b>	<b>85</b>
Purchases	39	1	249	228	701	1,218	4
Acquisitions of subsidiaries	54	87	157	33	25	356	-
Sales and disposals	-103	-28	-22	-145	-28	-326	-4
Reclassifications	167	-12	406	127	-709	-20	-
Exchange rate difference	186	25	409	155	19	793	-
<b>Closing accumulated acquisition cost</b>	<b>6,301</b>	<b>1,215</b>	<b>11,226</b>	<b>4,203</b>	<b>692</b>	<b>23,635</b>	<b>85</b>
<b>Opening accumulated depreciation and impairment</b>	<b>-3,053</b>	<b>-145</b>	<b>-7,458</b>	<b>-2,889</b>	<b>-</b>	<b>-13,544</b>	<b>-47</b>
Sales and disposals	60	8	17	132	-	217	0
Impairment incl. reversals	-1	-	-16	-2	-	-19	-
Depreciation and amortization	-224	-9	-616	-381	-	-1,230	-18
Reclassifications	-2	-	6	-2	-	2	-
Exchange rate difference	-100	-4	-328	-130	-	-563	-
<b>Closing accumulated depreciation and impairment</b>	<b>-3,321</b>	<b>-150</b>	<b>-8,395</b>	<b>-3,272</b>	<b>-</b>	<b>-15,137</b>	<b>-65</b>
<b>Carrying amount</b>	<b>2,980</b>	<b>1,064</b>	<b>2,831</b>	<b>931</b>	<b>692</b>	<b>8,498</b>	<b>20</b>

## NOTE 16 Right-of-use assets

The following amounts regarding right-of-use assets are recognized in the balance sheet.

SEK M	Group	
	2019	2020
Buildings	2,943	2,763
Machinery	20	22
Vehicles	705	676
Other equipment	63	52
<b>Total</b>	<b>3,731</b>	<b>3,513</b>

Additions to right-of-use assets for 2020 amounted to SEK 1,164 M (1,016).

The following amounts related to leases are recognized in the income statement:

SEK M	Group	
	2019	2020
<b>Amortization attributable to right-of-use assets:</b>		
Buildings	-860	-912
Machinery	-8	-11
Vehicles	-305	-354
Other equipment	-29	-31
<b>Operating expenses attributable to:</b>		
Short-term leases	-78	-62
Leases of low-value assets	-12	-14
Variable lease payments are not included in lease liabilities	-16	-18
<b>Interest expenses relating to:</b>		
Lease liabilities	-96	-85
<b>Total</b>	<b>-1,404</b>	<b>-1,486</b>

The total cash flow attributable to leases in 2020 was SEK 1,360 M (1,255).

## NOTE 17 Shares in subsidiaries

Company name	Corporate identity number, Registered office	Parent company		Carrying amount, SEK M
		Number of shares	Share of equity, %	
ASSA Sverige AB	556061-8455, Eskilstuna	70	100	197
ASSA ABLOY Entrance Systems AB	556204-8511, Landskrona	1,000	100	287
ASSA ABLOY Global Solutions AB	556666-0618, Stockholm	1,306,891	100	475
ASSA ABLOY Kredit AB	556047-9148, Stockholm	400	100	6,036
ASSA ABLOY Holding AB	559180-8646, Stockholm	6,500	100	1,819
ASSA ABLOY Försäkrings AB	516406-0740, Stockholm	60,000	100	185
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	HRB 66227, Berlin	1	100	1,086
ASSA ABLOY Nederland Holding B.V.	52153924, Raamsdonksveer	180	100	771
ASSA ABLOY France SAS	412140907, R.C.S. Versailles	15,184,271	100	1,964
HID Global Switzerland S.A.	CH-232-0730018-2, Granges	2,500	100	47
ASSA ABLOY Entrance Systems Austria GmbH	A-2320 Schwechat	1	100	109
ASSA ABLOY Ltd	2096505, Willenhall	1,330,000	100	3,091
HID Global Ireland Teoranta	364896, Galway	501,000	100	293
Mul-T-Lock Ltd	520036583, Yavne	13,787,856	100	901
ASSA ABLOY Holdings (SA) Ltd	1948/030356/06, Roodepoort	100,220	100	217
ASSA ABLOY Inc.	039347-83, Oregon	100	100	2,410
ABLOY Canada Inc.	1148165260, Montreal	1	100	0
ASSA ABLOY of Canada Ltd	104722749 RC0003, Ontario	9,621	100	138
ASSA ABLOY Australia Pacific Pty Ltd	ACN 095354582, Oakleigh, Victoria	48,190,000	100	844
Cerramex, S.A de C.V	CER8805099Y6, Mexico	4	0 <sup>1</sup>	0
ASSA ABLOY Mexico, S.A de CV	AAM961204C1, Mexico	50,108,549	100	762
Cerraduras y Candados Phillips S.A de C.V	CCP910506LK2, Mexico	112	0 <sup>1</sup>	0
ASSA ABLOY Colombia S.A.S	860009826-8, Bogota	3,115,080	100	203
WHAIG Limited	EC21330, Bermuda	100,100	100	303
ASSA ABLOY Asia Pacific Ltd	53451, Hong Kong	1,000,000	100	72
ASSA ABLOY Entrance Systems IDDS AB	556071-8149, Landskrona	25,000,000	100	5,323
ASSA ABLOY Portugal, Unipessoal, Lda (Portugal)	PT500243700, Alfragide	1	100	0
ASSA ABLOY Mobile Services AB	556909-5929, Stockholm	50,000	100	25
ASSA ABLOY Holding Italia S.p.A.	IT01254420597, Rome	650,000	100	974
HID SA (Argentina)	CUIT 30-61783980-2, Buenos Aires	2,400	2 <sup>2</sup>	0
HID Global SAS	FR21341213411, Nanterre	1,000,000	100	679
ASSA ABLOY East Africa Ltd	C.20402, Nairobi	13,500	100	90
Agta record ag	CH-020.3.900.822-0, Zürich	5,166,945	39 <sup>2</sup>	1,160
<b>Total</b>				<b>35,821</b>

<sup>1</sup> The Group's holdings amount to 100 percent.

<sup>2</sup> The Group's holdings amount to 99.7 percent.

## NOTE 18 Investments in associates

Company name	Country of registration	Number of shares	Group		Carrying amount 2019, SEK M	Carrying amount 2020, SEK M
			Share of equity 2019, %	Share of equity 2020, %		
Agta record ag	Switzerland	-	39	-	1,916	-
Goal Co., Ltd	Japan	2,778,790	46	46	637	589
PT Jasuindo Arjo Wiggins Security	Indonesia	1,533,412	49	49	23	28
SARA Loading Bay Ltd	United Kingdom	4,990	50	50	13	15
Saudi Crawford Doors Ltd	Saudi Arabia	800	40	40	5	5
Others					1	1
<b>Total</b>					<b>2,595</b>	<b>637</b>

On 20 August 2020 a majority stake was acquired in agta record ag and the company transitioned from associate to subsidiary. In conjunction with the acquisition the previous share of equity was revalued to fair value, which entailed a revaluation effect of SEK 1,909 M.

Further information on the transaction can be found in the Report of the Board of Directors.

**NOTE 19 Deferred tax**

SEK M	Group	
	2019	2020
<b>Deferred tax assets</b>		
Non-current assets	84	70
Pension provisions	430	470
Tax loss carryforwards and other tax credits	321	174
Other deferred tax assets	370	624
<b>Deferred tax assets</b>	<b>1,205</b>	<b>1,338</b>
<b>Deferred tax liabilities</b>		
Non-current assets	1,848	2,386
Other deferred tax liabilities	520	482
<b>Deferred tax liabilities</b>	<b>2,368</b>	<b>2,868</b>
<b>Deferred tax assets, net</b>	<b>-1,163</b>	<b>-1,531</b>

**Change in deferred tax**

SEK M	Group	
	2019	2020
<b>Opening balance</b>	<b>-410</b>	<b>-1,163</b>
Acquisitions and disposals	-183	-546
Recognized in income statement	-638	18
Actuarial gain/loss on post-employment benefit obligation	81	56
Exchange rate differences	-13	104
<b>Closing balance</b>	<b>-1,163</b>	<b>-1,531</b>

The Group has tax loss carryforwards and other tax credits of SEK 4,545 M (3,375) 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 20 Other financial assets**

SEK M	Group		Parent company	
	2019	2020	2019	2020
Investments in associates	-	-	1,621	461
Other shares and interests	6	6	-	-
Non-current interest-bearing receivables	45	159	-	-
Other non-current receivables	52	47	153	131
<b>Total</b>	<b>104</b>	<b>212</b>	<b>1,774</b>	<b>592</b>

**NOTE 21 Inventories**

SEK M	Group	
	2019	2020
Materials and supplies	3,102	3,057
Work in progress	2,402	2,164
Finished goods	5,701	4,790
Advances paid	71	68
<b>Total</b>	<b>11,276</b>	<b>10,079</b>

Impairment of inventories during the year amounted to SEK 474 M (487).

**NOTE 22 Trade receivables**

SEK M	Group	
	2019	2020
Trade receivables	16,598	14,990
Loss allowance	-898	-1,325
<b>Total</b>	<b>15,701</b>	<b>13,665</b>

**Trade receivables by currency**

SEK M	Group	
	2019	2020
USD	5,376	4,496
EUR	3,521	3,457
CNY	1,388	1,184
GBP	848	766
SEK	643	613
AUD	432	430
CAD	376	338
KRW	509	274
Other currencies	2,608	2,107
<b>Total</b>	<b>15,701</b>	<b>13,665</b>

**Maturity analysis**

SEK M	Group	
	2019	2020
Current trade receivables	11,201	10,475
<i>Trade receivables due:</i>		
<3 months	3,554	2,908
3-12 months	1,206	922
>12 months	637	685
	<b>5,397</b>	<b>4,515</b>
<i>Impaired trade receivables:</i>		
Current	-57	-272
<i>Trade receivables due:</i>		
<3 months	-120	-155
3-12 months	-146	-226
>12 months	-575	-671
	<b>-898</b>	<b>-1,325</b>
<b>Total</b>	<b>15,701</b>	<b>13,665</b>

**Change in loss allowance for trade receivables**

SEK M	Group	
	2019	2020
<b>Opening balance</b>	<b>1,178</b>	<b>898</b>
Acquisitions and divestments of subsidiaries	26	123
Receivables written off	-477	-174
Reversal of unused amounts	-125	-49
Provision for bad debts	257	646
Exchange rate differences	39	-119
<b>Closing balance</b>	<b>898</b>	<b>1,325</b>

**NOTE 23 Parent company's equity**

The Parent company's equity is split between restricted and non-restricted equity. Restricted equity consists of share capital, revaluation reserve, statutory reserve and the fund for development expenses. 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 24 Share capital, number of shares and dividend per share

	Number of shares, thousands			Share capital, SEK K
	Series A shares	Series B shares	Total	
Opening balance at 1 January 2019	57,525	1,055,052	1,112,576	370,859
<b>Closing balance at 31 December 2019</b>	<b>57,525</b>	<b>1,055,052</b>	<b>1,112,576</b>	<b>370,859</b>
Number of votes, thousands	575,259	1,055,052	1,630,311	
Opening balance at 1 January 2020	57,525	1,055,052	1,112,576	370,859
<b>Closing balance at 31 December 2020</b>	<b>57,525</b>	<b>1,055,052</b>	<b>1,112,576</b>	<b>370,859</b>
Number of votes, thousands	575,259	1,055,052	1,630,311	

All shares have a par value of around SEK 0.33 (0.33) 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 1,110,776 (1,110,776) during the year. None of the Group's outstanding long-term incentive programs are expected to result in significant dilution in the future. The total number of treasury shares as at 31 December 2020 amounted to 1,800,000. No shares have been repurchased during the year.

The dividend paid during the financial year totaled SEK 4,276 M (3,888), equivalent to SEK 3.85 (3.50) per share.

## NOTE 25 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. The most comprehensive defined benefit plans are found in the US, the UK and Germany.

The defined benefit plans in the US and the UK are secured by assets in pension funds, while the plans in Germany are chiefly unfunded. In the US, there are also unfunded plans for post-employment medical benefits.

The operations of pension funds are regulated by national regulations and practice. The responsibility for monitoring the pension plans and their assets rests mainly with the boards of the pension funds, but can also rest more directly with the company. The Group has an overall policy for the limits within which asset allocation should be made. Each pension fund adjusts its local asset allocation according to the nature of the local pension obligation, particularly the remaining term and the breakdown between active members and pensioners. The Group has not changed the processes used for managing these risks compared with previous periods.

The investments are well diversified so that depreciation of an individual investment should not have any material impact on the plan assets. The majority of assets are invested in shares as the Group considers that shares produce the best long-term return at an acceptable risk level. The total allocation to shares should not, however, exceed 60 percent of total assets. Fixed income assets are invested in a combination of ordinary government bonds and corporate bonds but also in inflation-indexed bonds. The aver-

age term of these is normally somewhat shorter than the term of the underlying liability. Bonds should not account for less than 30 percent of assets. A small proportion of assets is also invested in real estate and alternative investments, mainly hedge funds.

As at 31 December 2020, shares accounted for 44 percent (45) and fixed income securities for 29 percent (32) of plan assets, while other assets accounted for 27 percent (23). The actual return on plan assets in 2020 was SEK 345 M (817).

### Amounts recognized in the income statement

Pension costs, SEK M	2019	2020
Defined contribution pension plans	692	877
Defined benefit pension plans	186	188
Post-employment medical benefit plans	31	25
<b>Total</b>	<b>910</b>	<b>1,091</b>
of which, included in:		
Operating income	824	1,030
Net financial items	86	61

### Amounts recognized in the balance sheet

Pension provisions, SEK M	2019	2020
Provisions for defined benefit pension plans	2,717	2,925
Provisions for post-employment medical benefit plans	615	586
Provisions for defined contribution pension plans	14	3
<b>Total</b>	<b>3,346</b>	<b>3,514</b>

### 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 10, this is a defined benefit plan that covers many employers. For the 2020 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 29 M (29), of which SEK 13 M (13) relates to the Parent company. Pension contributions are expected to remain largely unchanged in 2021.

Alecta's surplus can be distributed to policyholders and/or the insured. As at 30 September 2020, Alecta's surplus expressed as the collective consolidation level amounted preliminarily to 144 percent (148 percent as at 31 December 2019). 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

Specification of defined benefits, SEK M	United Kingdom		Germany		US		Other countries		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Present value of funded obligations	3,246	3,206	109	99	2,224	2,095	1,817	2,055	7,396	7,455
Fair value of plan assets	-2,983	-2,796	-23	-21	-1,972	-1,842	-1,206	-1,376	-6,184	-6,035
<b>Net value of funded plans</b>	<b>263</b>	<b>410</b>	<b>86</b>	<b>78</b>	<b>252</b>	<b>254</b>	<b>611</b>	<b>679</b>	<b>1,213</b>	<b>1,420</b>
Present value of unfunded obligations	-	-	780	779	-	-	724	726	1,504	1,506
Present value of unfunded medical benefits	-	-	-	-	610	582	5	3	615	586
<b>Net value of defined benefit pension plans</b>	<b>263</b>	<b>410</b>	<b>866</b>	<b>857</b>	<b>862</b>	<b>836</b>	<b>1,341</b>	<b>1,408</b>	<b>3,332</b>	<b>3,511</b>
Provisions for defined contribution pension plans	-	-	-	-	-	-	14	3	14	3
<b>Total</b>	<b>263</b>	<b>410</b>	<b>866</b>	<b>857</b>	<b>862</b>	<b>836</b>	<b>1,356</b>	<b>1,412</b>	<b>3,346</b>	<b>3,514</b>

### Key actuarial assumptions

Key actuarial assumptions (weighted average), %	United Kingdom		Germany		US	
	2019	2020	2019	2020	2019	2020
Discount rate	2.0	1.4	1.2	0.9	3.2	2.5
Expected annual salary increases	n/a	n/a	2.8	2.8	n/a	n/a
Expected annual pension increases	1.9	1.9	1.5	1.5	n/a	n/a
Expected annual medical benefit increases	n/a	n/a	n/a	n/a	5.9	5.8
Expected annual inflation	2.1	2.2	1.5	1.5	3.0	3.0

## Notes

Note 25 continued

### Movement in obligations

2020, SEK M	Post-employment medical benefits	Defined benefit pension plans	Plan assets	Total
<b>Opening balance 1 January 2020</b>	<b>615</b>	<b>8,901</b>	<b>-6,184</b>	<b>3,332</b>
Acquisitions and divestments	-	411	-271	140
<i>Recognized in the income statement:</i>				
Current service cost	6	139	-	145
Past service cost	-	7	-	7
Interest expense/income	19	167	-125	61
<b>Total recognized in the income statement</b>	<b>25</b>	<b>313</b>	<b>-125</b>	<b>213</b>
<i>Recognized in other comprehensive income:</i>				
Return on plan assets, excluding amounts included above	-	-	-220	-220
Gain/loss from change in demographic assumptions	53	245	-	298
Gain/loss from change in financial assumptions	-	295	-	295
Experience-based gains/losses	-	-54	-	-54
<b>Remeasurement of net pension obligations</b>	<b>53</b>	<b>486</b>	<b>-220</b>	<b>319</b>
Exchange rate differences	-81	-743	604	-219
<b>Total recognized in other comprehensive income</b>	<b>-27</b>	<b>-257</b>	<b>384</b>	<b>99</b>
<i>Contributions and payments:</i>				
Employer contributions	-	-	-178	-178
Employee contributions	-	32	-32	-
Payments	-27	-439	369	-96
<b>Total payments</b>	<b>-27</b>	<b>-407</b>	<b>160</b>	<b>-274</b>
<b>Closing balance 31 December 2020</b>	<b>586</b>	<b>8,960</b>	<b>-6,035</b>	<b>3,511</b>

2019, SEK M	Post-employment medical benefits	Defined benefit pension plans	Plan assets	Total
<b>Opening balance 1 January 2019</b>	<b>571</b>	<b>7,523</b>	<b>-5,227</b>	<b>2,868</b>
<i>Recognized in the income statement:</i>				
Current service cost	6	123	-	129
Past service cost	-	8	-	8
Gains and losses from settlements	-	-5	-	-5
Interest expense/income	26	222	-161	86
<b>Total recognized in the income statement</b>	<b>31</b>	<b>348</b>	<b>-161</b>	<b>218</b>
<i>Recognized in other comprehensive income:</i>				
Return on plan assets, excluding amounts included above	-	-	-655	-655
Gain/loss from change in demographic assumptions	24	210	-	234
Gain/loss from change in financial assumptions	-	797	-	797
Experience-based gains/losses	-	-14	-	-14
<b>Remeasurement of net pension obligations</b>	<b>24</b>	<b>994</b>	<b>-655</b>	<b>362</b>
Exchange rate differences	22	358	-306	74
<b>Total recognized in other comprehensive income</b>	<b>45</b>	<b>1,352</b>	<b>-961</b>	<b>436</b>
<i>Contributions and payments:</i>				
Employer contributions	-	-	-89	-89
Employee contributions	0	22	-22	0
Payments	-33	-344	277	-101
<b>Total payments</b>	<b>-33</b>	<b>-322</b>	<b>166</b>	<b>-189</b>
<b>Closing balance 31 December 2019</b>	<b>615</b>	<b>8,901</b>	<b>-6,184</b>	<b>3,332</b>

### Plan assets allocation

Plan assets	2019	2020
Publicly traded shares	2,772	2,630
Government bonds	829	666
Corporate bonds	946	892
Inflation-linked bonds	205	176
Property	427	325
Cash and cash equivalents	36	55
Alternative investments	50	50
Insurance contracts and other assets	919	1,242
<b>Total</b>	<b>6,184</b>	<b>6,035</b>

### Sensitivity analysis of defined benefit obligations and post-employment medical benefits

The effect on defined benefit obligations and post-employment medical benefits of a 1.0 percentage change in some actuarial assumptions, change in percent	+1.0%	-1.0%
Discount rate	-15.2%	16.2%
Expected annual medical benefit increases	9.4%	-7.8%

**NOTE 26 Other provisions**

SEK M	Group		
	Restructuring reserve	Other	Total
<b>Opening balance at 1 January 2020</b>	<b>778</b>	<b>573</b>	<b>1,351</b>
Provisions for the year	1,366	175	1,542
Acquisitions of subsidiaries	–	19	19
Reversal of non-utilized amounts	–	-138	-138
Payments	-747	-74	-822
Utilized during the year, without cash flow impact	-105	–	-105
Exchange rate differences	-68	-4	-72
<b>Closing balance at 31 December 2020</b>	<b>1,224</b>	<b>551</b>	<b>1,775</b>

SEK M	Group		
	Restructuring reserve	Other	Total
<b>Opening balance at 1 January 2019</b>	<b>1,190</b>	<b>445</b>	<b>1,635</b>
Provisions for the year	312	400	711
Acquisitions of subsidiaries	–	4	4
Reversal of non-utilized amounts	–	-237	-237
Payments	-726	-38	-764
Utilized during the year, without cash flow impact	-29	–	-29
Exchange rate differences	31	0	31
<b>Closing balance at 31 December 2019</b>	<b>778</b>	<b>573</b>	<b>1,351</b>

Balance sheet breakdown:	Group	
	2019	2020
Other non-current provisions	722	616
Other current provisions	630	1,159
<b>Total</b>	<b>1,351</b>	<b>1,775</b>

The restructuring reserve at year-end relates mainly to the ongoing restructuring program launched during the year and the previous year. The restructuring reserve is expected to be used over the next two years. The non-current part of the reserve totaled SEK 193 M. For further information on the restructuring programs, see the Report of the Board of Directors.

Other provisions mainly relate to legal obligations including future environment-related measures.

**NOTE 27 Other current liabilities**

SEK M	Group	
	2019	2020
VAT and excise duties	618	653
Employee withholding tax	159	143
Advances received	1,267	1,224
Social security contributions and other taxes	128	110
Deferred considerations	883	781
Other current liabilities	710	970
<b>Total</b>	<b>3,765</b>	<b>3,880</b>

**NOTE 28 Accrued expenses and deferred income**

SEK M	Group		Parent company	
	2019	2020	2019	2020
Personnel-related expenses	3,486	3,407	354	252
Customer-related expenses	1,170	1,236	–	–
Deferred income	569	565	–	–
Accrued interest expenses	158	126	93	83
Other	1,786	2,353	55	90
<b>Total</b>	<b>7,170</b>	<b>7,687</b>	<b>502</b>	<b>425</b>

**NOTE 29 Assets pledged against liabilities to credit institutions**

SEK M	Group		Parent company	
	2019	2020	2019	2020
Real estate mortgages	35	–	–	–
Other mortgages and collateral	88	137	–	–
<b>Total</b>	<b>123</b>	<b>137</b>	<b>–</b>	<b>–</b>

**NOTE 30 Contingent liabilities**

SEK M	Group		Parent company	
	2019	2020	2019	2020
Guarantees on behalf of subsidiaries	–	–	7,652	9,190
Other guarantees and contingent liabilities	123	139	–	–
<b>Total</b>	<b>123</b>	<b>139</b>	<b>7,652</b>	<b>9,190</b>

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	
	2019	2020
<1 year	61	123
>1 <2 years	22	7
>2 <5 years	22	4
>5 years	18	5
<b>Total</b>	<b>123</b>	<b>139</b>

**NOTE 31 Cash flow items**

SEK M	Group	
	2019	2020
<b>Adjustments for non-cash items</b>		
Profit on sales of non-current assets	-63	-3
Profit/loss on sales of subsidiaries	–	46
Change in pension provisions	132	152
Share of earnings in associates	-147	-257
Dividend from associates	59	40
Remeasurement of deferred considerations	-358	-203
Other	54	131
<b>Adjustments for non-cash items</b>	<b>-324</b>	<b>-95</b>
<b>Change in working capital</b>		
Inventories increase/decrease (-/+)	572	687
Trade receivables increase/decrease (-/+)	-229	1,331
Trade payables increase/decrease (+/-)	-443	-370
Other working capital increase/decrease (-/+)	248	958
<b>Change in working capital</b>	<b>148</b>	<b>2,606</b>
<b>Divestments of subsidiaries</b>		
Purchase prices received, net	84	1,206
Cash and cash equivalents in divested subsidiaries	–	-37
<b>Change in consolidated cash and cash equivalents due to divestments</b>	<b>84</b>	<b>1,170</b>

**NOTE 32 Segment reporting**

SEK M	Group	
	2019	2020
Personnel-related expenses	3,486	3,407
Customer-related expenses	1,170	1,236
Deferred income	569	565
Accrued interest expenses	158	126
Other	1,786	2,353
<b>Total</b>	<b>7,170</b>	<b>7,687</b>

**NOTE 32 Reserves**

SEK M	Hedging reserve			
	Net investment hedges	Cash flow hedges	Exchange rate difference	Total
<b>Opening balance 1 January 2019</b>	<b>-243</b>	-	<b>5,339</b>	<b>5,096</b>
Other comprehensive income in associates	-	-	86	86
Net investment hedges	-5	-	-	-5
Exchange rate differences	-	-	1,556	1,556
Tax attributable to reserves	1	-	-6	-4
<b>Closing balance 31 December 2019</b>	<b>-247</b>	-	<b>6,975</b>	<b>6,728</b>
<b>Opening balance 1 January 2020</b>	<b>-247</b>	-	<b>6,975</b>	<b>6,728</b>
Other comprehensive income in associates	-	-	-70	-70
Reclassified to profit or loss	-5	-	-313	-318
Net investment hedges	-3	-	-	-3
Cash flow hedges	-	0	-	0
Exchange rate differences	-	-	-4,559	-4,559
Tax attributable to reserves	1	-	16	16
<b>Closing balance 31 December 2020</b>	<b>-255</b>	<b>0</b>	<b>-2,049</b>	<b>1,794</b>

Of the item Net investment hedges, the entire amount relates to closed hedge relationships for which hedged objects remain.

**NOTE 33 Business combinations**

SEK M	whereof		
	2019	2020	agta record
<b>Purchase prices</b>			
Cash paid for acquisitions during the year	3,564	8,058	6,054
Holdbacks and deferred considerations for acquisitions during the year	255	318	45
Fair value previously owned shares in associates	3,752	3,752	
Adjustment of purchase prices for acquisitions in prior years	-7	5	-
<b>Total</b>	<b>3,813</b>	<b>12,134</b>	<b>9,850</b>
<b>Acquired assets and liabilities at fair value</b>			
Intangible assets	1,296	3,281	2,691
Property, plant and equipment	356	664	477
Right-of-use assets	61	265	131
Deferred tax assets	95	132	119
Other financial assets	-	4	2
Inventories	208	646	472
Current receivables and investments	681	1,062	895
Cash and cash equivalents	120	2,239	2,149
Deferred tax liabilities	-278	-706	-557
Pension provisions	-	-189	-189
Other non-current liabilities	-225	-462	-136
Current liabilities	-1,186	-1,223	-918
<b>Total</b>	<b>1,128</b>	<b>5,713</b>	<b>5,135</b>
<b>Goodwill</b>			
Cash paid for acquisitions during the year	3,564	8,058	6,054
Cash and cash equivalents in acquired subsidiaries	-120	-2,239	-2,149
Paid deferred considerations for acquisitions in previous years	459	418	-
<b>Change in cash and cash equivalents due to acquisitions</b>	<b>3,903</b>	<b>6,238</b>	<b>3,905</b>
Net sales from acquisition date	1,078	2,091	1,346
EBIT from acquisition date	117	175	145
Net income from acquisition date	86	138	117

The table above includes fair value adjustments of acquired net assets from acquisitions made in previous years. The only acquisition conducted in 2020 that is significant in terms of size for which separate acquisition details need to be provided is agta record, which is presented separately in the table above. The figures for agta record are also included in the total column for 2020.

Purchase price allocations have been prepared for all acquisitions in 2020. The net sales of acquired units for 2020 totaled SEK 4,801 M (2,509) and net income amounted to SEK 453 M (230). Acquisition-related costs for 2020 totaled SEK 233 M (169) and have been reported as other operating expenses in the income statement.

See below for an account of some acquisitions completed in 2020 and 2019.

**2020***agta record*

On 20 August 2020 ASSA ABLOY, previously a 39% shareholder in the Swiss company agta record, announced that it had completed the indirect acquisition of the 54% shareholding in agta record from the shareholders of Agta Finance. agta record is a well-established manufacturer and service organization for entrance automation. It is headquartered in Fehraltorf, Switzerland.

ASSA ABLOY then launched a public offer for the acquisition of all remaining outstanding shares in agta record at a price of EUR 70.58 per share. As at 31 December 2020 ASSA ABLOY owns 99.7% of agta record.

Agta record was fully consolidated into ASSA ABLOY on 31 August 2020. Intangible assets in the form of technology, brands and customer relationships have been disclosed in the purchase price allocation. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

*AM Group*

On 28 February 2020 ASSA ABLOY acquired 100 percent of the share capital in AM Group, an Australian industrial door company within entrance automation.

The acquisition of AM Group complements the product offering and geographic coverage in Australia. AM Group has its headquarters in Sydney, Australia.

Intangible assets in the form of technology, brands and customer relationships have been disclosed in the purchase price allocation. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

*Other acquisitions*

Other noteworthy acquisitions during the year include Biosite (UK) and Access-IS (UK). Please see the Report of the Board of Directors for further information on these acquisitions.

**2019***KEYper*

On 31 January 2019 ASSA ABLOY acquired 100 percent of the share capital of KEYper, a leading supplier of electronic and mechanical key management systems in the US with a strong presence in the automotive segment.

The acquisition of KEYper complements the products within intelligent key and asset management solutions offered by Traka. KEYper is headquartered in Harrisburg, North Carolina.

Intangible assets in the form of technology and customer relationships have been disclosed in the purchase price allocation. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

*LifeSafety Power*

On 30 August 2019, ASSA ABLOY acquired 100 percent of the share capital of LifeSafety Power Inc., a leading US supplier of smart integrated access control power solutions for OEMs, integrators and end-users.

The acquisition complements the Group's access control portfolio. LifeSafety Power is headquartered in Libertyville, Illinois.

Intangible assets in the form of technology, brands and customer relationships have been disclosed in the purchase price allocation. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

*Placard*

On 27 September 2019 ASSA ABLOY acquired 100 percent of the share capital in Placard, Australia's largest secure card manufacturer.

The acquisition of Placard expands the Group's offering of secure identities, while offering customers a broad range of secure card and digital ID solutions. Placard is headquartered in Melbourne, Australia.

Intangible assets in the form of brands and customer relationships have been disclosed in the purchase price allocation. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

*De La Rue's national identity solutions business*

On 14 October 2019 ASSA ABLOY acquired the international identity solutions business from De La Rue.

The acquisition strengthens ASSA ABLOY's market position through an expanded offering within digital citizen ID solutions. The operation is headquartered in Basingstoke, UK.

On the reporting date the acquisition analysis is preliminary with respect to valuation of intangible assets.

*Other acquisitions*

Other noteworthy acquisitions that closed during the year mainly consist of Spence Doors (Australia). Please see the Report of the Board of Directors for further information about this acquisition.

## NOTE 34 Employees

### Salaries, wages, other remuneration and social security costs

SEK M	Group		Parent company	
	2019	2020	2019	2020
Salaries, wages and other remuneration	21,109	21,462	295	295
Social security costs	5,892	5,708	193	158
- of which pensions	824	1,029	52	51
<b>Total</b>	<b>27,001</b>	<b>27,170</b>	<b>488</b>	<b>454</b>

### Remuneration and other benefits of the Executive Team in 2020, SEK thousands

Name	Fixed salary	Variable salary	Stock-related benefits	Other benefits	Pension costs
Nico Delvalx, President and CEO	18,389	1,350	8,482	152	6,446
Other members of the Executive Team (9 positions)	41,030	5,702	8,729	2,298	9,997
<b>Total remuneration and benefits</b>	<b>59,420</b>	<b>7,052</b>	<b>17,211</b>	<b>2,450</b>	<b>16,444</b>

Total remuneration and other benefits of the Executive Team amounted to SEK 122.8 M in 2019.

### Fees to Board members in 2020 (including committee work), SEK thousand

Name and post	Board of Directors	Remuneration Committee	Audit Committee	Total
Lars Renström, Chairman	2,350	150	–	2,500
Carl Douglas, Vice Chairman	900	–	–	900
Eva Karlsson, Board member	685	–	–	685
Birgitta Klasén, Board member	685	–	200	885
Lena Olving, Board member	685	–	–	685
Sofia Schörling Höglberg, Board member	685	–	200	885
Jan Svensson, Board member	685	75	275	1,035
Joakim Weidemanis, Board member	685	–	–	685
Employee representatives (4)	–	–	–	–
<b>Total</b>	<b>7,360</b>	<b>225</b>	<b>675</b>	<b>8,260</b>

Total fees to Board members amounted to SEK 7.6 M in 2019.

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

Salaries and other remuneration for the Board of Directors and the Parent company's Executive Team for 2020 totaled SEK 49 M (64), excluding pension costs and social security costs. Pension costs amounted to SEK 10 M (10). Pension obligations for several senior executives are secured through pledged endowment insurances.

### Guidelines for remuneration to senior executives

#### Scope

The Annual General Meeting 2020 adopted the following guidelines for the remuneration and other employment conditions of the President and CEO and other members of the ASSA ABLOY Executive Team (the "Executive Team").

These guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

Employment conditions of a member of the Executive Team that is employed or resident outside Sweden or that is not a Swedish citizen, may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

**Promotion of ASSA ABLOY's business strategy, long-term interests and sustainability**  
One of the strategies for value creation followed by ASSA ABLOY is Evolution through people. With the objective that ASSA ABLOY shall continue to be able to recruit and retain competent employees, the basic principle being that remuneration and other employment conditions shall be offered on market conditions and be competitive, taking into account both global remuneration practice and practice in the home country of each member of the Executive Team. These guidelines enable ASSA ABLOY to offer the Executive Team a total remuneration that is on market conditions and competitive. Pre-requisites are thereby established for successful implementation of the Group's business strategy, which on overall level is to lead the trend towards the world's most innovative and well-designed access solutions, as well as safeguarding ASSA ABLOY's long-term interests, including its sustainability. More information about ASSA ABLOY's business strategy and ASSA ABLOY's sustainability report is available on ASSA ABLOY's website assaabloy.com.

ASSA ABLOY has on-going share-based long-term incentive programs in place that have been resolved by the General Meeting and which are therefore excluded from these guidelines. Future share-based long-term incentive programs proposed by the Board of Directors and submitted to the General Meeting for approval will be excluded for the same reason. The purpose of the share-based long-term incentive program is to strengthen ASSA ABLOY's ability to recruit and retain competent employees, to contribute to ASSA ABLOY providing a total remuneration that is on market conditions and competitive, and to align the interests of the shareholders with the interests of the employees concerned. Through a share-based long-term incentive program, the employees' remuneration is tied to ASSA ABLOY's future earnings and value growth. At present the performance criteria used is linked to earnings per share. The programs are further conditional upon the participant's own investment and holding period of several years. More information about these programs is available on ASSA ABLOY's website assaabloy.com.

#### Types of remuneration

The total yearly remuneration to the members of the Executive Team shall be on market conditions and be competitive and also reflect each member of the Executive Team's responsibility and performance. The total yearly remuneration shall consist of fixed base salary, variable cash remuneration, pension benefits and other benefits (which are specified below excluding social security costs). Additionally, the General Meeting may – and irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The variable cash remuneration shall be linked to predetermined and measurable targets, which are further described below, and may amount to not more than 75 percent of the yearly base salary.

The members of the Executive Team shall be covered by defined contribution pension plans, for which pension premiums are based on each member's yearly base salary and is paid by ASSA ABLOY during the period of employment. The pension premiums shall amount to not more than 35 percent of the yearly base salary.

Other benefits, such as company car, life insurance, 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 for each member of the Executive Team. Premiums and other costs relating to such benefits may totally amount to not more than 10 percent of the yearly base salary. Furthermore, housing allowance benefit may be added in line with ASSA ABLOY's policies and costs relating to such benefit may totally amount to not more than 25 percent of the yearly base salary. Premiums and other costs relating to other benefits and housing allowance benefit may, however, totally amount to not more than 30 percent of the yearly base salary.

#### Criteria for awarding variable cash remuneration

The variable cash remuneration shall be linked to predetermined and measurable financial targets, such as earnings per share (EPS), earnings before interest and taxes (EBIT), cash flow and organic growth and can also be linked to strategical and/or functional targets individually adjusted on the basis of responsibility and function. These targets shall be designed so as to contribute to ASSA ABLOY's business strategy and long-term interests, including its sustainability, by for example being linked to the business strategy or promote the senior executive's long-term development within ASSA ABLOY.

The Remuneration Committee shall for the Board of Directors prepare, monitor and evaluate matters regarding variable cash remuneration to the Executive Team. Ahead of each yearly measurement period for the criteria for awarding variable cash remuneration the Board of Directors shall, based on the work of the Remuneration Committee, establish which criteria that are deemed to be relevant for the upcoming measurement period. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. Evaluations regarding fulfilment of financial targets shall be based on determined financial basis for the relevant period.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. Paid variable cash remuneration can be claimed back when such right follows from general principles of law.

#### Duration of employment and termination of employment

The members of the Executive Team shall be employed until further notice. If notice of termination is made by ASSA ABLOY, the notice period may not exceed 12 months for the CEO and 6 months for the other members of the Executive Team. If the CEO is given notice, ASSA ABLOY is liable to pay, including severance pay and remuneration under the notice period, the equivalent of maximum 24 months' base salary and other employment benefits. If any other member of the Executive Team is given notice, ASSA ABLOY is liable to pay a maximum of 6 months' base salary and other employment benefits plus severance pay amounting to a maximum of an additional 12 months' base salary. If notice of termination is made by a member of the Executive Team, the notice period may not exceed 6 months, with no right to severance pay.

A member of the Executive Team may, for such time when the member is not entitled to severance pay, be compensated for non-compete undertakings. Such compensation shall amount to not more than 60 percent of the monthly base salary at the time of the termination and shall only be paid as long as the non-compete undertaking is applicable, at longest a period of 12 months.

## Note 34 continued

**Remuneration and employment conditions for employees**

In the preparation of the Board of Directors' proposal for these remuneration guidelines, remuneration and employment conditions for employees of ASSA ABLOY have been taken into account by including information on the employees' total remuneration, the components of the remuneration and increase and growth rate over time in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

**The decision-making process to determine, review and implement the guidelines**

The Remuneration Committee's tasks include preparing the Board of Directors' decision to propose guidelines for remuneration to the Executive Team. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration to the Executive Team, the application of the guidelines for remuneration to the Executive Team as well as the applicable remuneration structures and remuneration levels in ASSA ABLOY. The members of the Remuneration Committee are independent of the company and its management. The CEO and other members of the Executive Team do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

**Deviation from the guidelines**

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve ASSA ABLOY's long-term interests, including its sustainability, or to ensure ASSA ABLOY's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

**Transitional provisions applicable for the Annual General Meeting 2020**

The total expensed remuneration of the Executive Team, including previous commitments not yet due for payment is reported in the Annual Report 2019 in Note 34.

**Long-term incentive programs**

At the Annual General Meeting 2010, it was decided to launch a long-term incentive program (LTI 2010) for senior executives and other key employees in the Group. The purpose was to create the prerequisites for retaining and recruiting qualified employees for the Group, to contribute to provide a total remuneration that is on market conditions and competitive and align the interests of the shareholders with the interests of the employees concerned.

At the 2011 to 2020 Annual General Meetings, it was decided to implement further long-term incentive programs for senior executives and other key employees in the Group. The incentive programs were named LTI 2011 to LTI 2020. LTI 2011 to LTI 2017 were based on similar terms to LTI 2010. LTI 2018 to LTI 2020 is based on similar principles as the earlier program, but with an extended measurement period of three years for the performance-based condition and removal of matching shares.

For each Series B share acquired by the CEO within the framework of LTI 2018, LTI 2019 and LTI 2020, the company has awarded six performance-based share awards. For each Series B share acquired by other members of the Executive Team, the company has awarded five performance-based share awards. For other participants, the company has awarded four performance-based share awards.

In accordance with the terms of the three programs (LTI 2018–LTI 2020), employees have acquired a total of 369,906 Series B shares in ASSA ABLOY AB, of which 141,791 Series B shares were acquired in 2020 within the framework of LTI 2020.

Each performance-based share award for LTI 2018, LTI 2019 and LTI 2020 entitles the holder to receive one Series B share in the company free of charge three years after allotment, provided that the holder, with certain exceptions, at the time of the release of the interim report for the first quarter 2021 (LTI 2018), first quarter 2022 (LTI 2019) and first quarter 2023 (LTI 2020) still is employed by the Group and has maintained the shares acquired within the framework of the respective program. In addition to these conditions, the number of performance-based share awards that entitles the holder to Series B shares in the company depends on the annual development of ASSA ABLOY's earnings per share based on the target levels, as defined by the Board of Directors, during the measurement period 1 January 2018–31 December 2020 (LTI 2018), the measurement period 1 January 2019–31 December 2021 (LTI 2019) and the measurement period 1 January 2020–31 December 2022 (LTI 2020), where each year during the measurement period is compared to the previous year. The outcomes are calculated yearly, whereby one third of the performance-based share awards is measured against the outcome for the first year in the measurement period, one third is measured against the outcome for the second year in the measurement period and one third is measured against the outcome for the third year in the measurement period. The outcome for each year is measured linearly. Unless the minimum target level in the interval is achieved for the year, none of the relevant performance-based share awards will give the right to any Series B shares. If the maximum target level in the interval is achieved,

each performance-based share award linked to the relevant year entitles the holder to one Series B share at the end of the three-year vesting period, provided that the other conditions are met.

The performance-based condition was 60 percent fulfilled for LTI 2018. Fulfilment of the performance-based condition for LTI 2019 and LTI 2020, respectively, is intended to be presented in the Annual Report for the financial years 2021 and 2022.

Outstanding performance-based share awards for LTI 2020 total 594,625. The total number of outstanding performance-based share awards for LTI 2018, LTI 2019 and LTI 2020 amounted to 1,409,499 on the reporting date of 31 December 2020.

Fair value is based on the share price on the respective allotment date. The present value calculation is based on data from an external party. Fair value is also adjusted for performance-based share awards not expected to be realized at the end of the vesting period of the respective program. The company further 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 2020, 28 May 2020, was SEK 196.25. The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2019, 24 May 2019, was SEK 194.23. The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2018, 25 May 2018, was SEK 191.63.

The total cost of the Group's long-term incentive programs (LTI 2017–LTI 2020) excluding social security costs amounted to SEK 49 M (49) in 2020. In April 2020 vesting of remaining parts of LTI 2017 took place equivalent to 126,551 shares (108,193) at a total market value at the time of vesting of SEK 22 M (21). The payment referred to above for the transferred shares in LTI 2017 was recognized in equity.

**Notice and severance pay**

If the CEO is given notice, the company is liable to pay the equivalent of a maximum of 24 months' base 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' base salary and other employment benefits plus an additional twelve months' base salary.

**Average number of employees per country, broken down by gender**

	Group					
	2019		2020			
	Total	of which women	of which men	Total	of which women	of which men
US	10,914	3,012	7,902	11,112	3,047	8,065
China	8,731	3,565	5,166	7,625	3,412	4,213
Sweden	2,344	613	1,731	2,386	632	1,754
United Kingdom	2,034	672	1,362	2,139	536	1,603
France	1,917	585	1,333	2,034	592	1,442
Mexico	1,740	527	1,213	1,765	539	1,227
Germany	1,461	450	1,011	1,556	459	1,097
Brazil	1,465	450	1,015	1,550	465	1,084
India	1,690	142	1,547	1,491	133	1,357
Australia	953	249	704	1,250	322	929
Poland	1,269	349	920	1,232	340	891
Finland	1,208	338	870	1,194	322	872
Netherlands	1,054	189	865	1,151	210	941
Czech Republic	1,204	389	816	1,081	381	701
Canada	822	250	573	820	255	565
Malaysia	814	425	389	793	399	395
Romania	762	322	440	744	295	449
Belgium	729	152	577	711	143	568
Norway	664	130	534	646	122	524
Switzerland	609	164	446	640	169	470
South Korea	703	212	491	634	176	458
South Africa	716	302	414	620	253	367
Spain	580	150	430	573	153	420
Denmark	559	113	446	544	117	427
Italy	435	111	324	418	118	301
New Zealand	356	105	251	355	100	254
United Arab Emirates	373	36	337	347	37	310
Hungary	311	71	241	297	57	240
Chile	271	80	191	245	68	177
Ireland	191	56	135	228	81	147
Israel	253	81	172	217	68	149
Austria	201	33	168	200	29	171
Others	1,462	386	1,075	1,873	688	1,185
<b>Total</b>	<b>48,992</b>	<b>14,785</b>	<b>34,207</b>	<b>48,471</b>	<b>14,718</b>	<b>33,753</b>

	Parent company					
	2019			2020		
	Total	of which women	of which men	Total	of which women	of which men
Sweden	269	71	198	281	85	196
<b>Total</b>	<b>269</b>	<b>71</b>	<b>198</b>	<b>281</b>	<b>85</b>	<b>196</b>

#### Gender distribution of Board of Directors and Executive Team

	2019			2020		
	Total	of which women	of which men	Total	of which women	of which men
Board of Directors <sup>1</sup>	7	4	3	8	4	4
Executive Team	9	1	8	10	1	9
- of which Parent company's Executive Team	4	1	3	3	1	2
<b>Total</b>	<b>16</b>	<b>5</b>	<b>11</b>	<b>18</b>	<b>5</b>	<b>13</b>

<sup>1</sup> Excluding employee representatives.

#### NOTE 35 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 ASSA ABLOY 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 at a low level. 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 and lease obligations, 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

	Group	
	2019	2020
<b>SEK M</b>		
Non-current interest-bearing receivables	–45	–159
Current interest-bearing investments incl. positive market values of derivatives	–257	–472
Cash and cash equivalents	–442	–2,756
Pension provisions	3,346	3,514
Lease liabilities	3,739	3,562
Other non-current interest-bearing liabilities	21,100	22,381
Current interest-bearing liabilities incl. negative market values of derivatives	5,610	3,685
<b>Total</b>	<b>33,050</b>	<b>29,755</b>
<b>Equity</b>	<b>59,154</b>	<b>58,879</b>
<b>Net debt/equity ratio</b>	<b>0.56</b>	<b>0.51</b>

##### Rating

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. Standard & Poor's revised the outlook for the long-term credit rating to negative in May. The reason for the change was the uncertainty about the effects the Covid-19 pandemic would have for ASSA ABLOY's financial development.

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

##### Maturity profile – financial instruments<sup>1</sup>

SEK M <sup>2</sup>	31 December 2019				31 December 2020			
	<1 year	>1 <2 years	>2 <5 years	>5 years	<1 year	>1 <2 years	>2 <5 years	>5 years
Long-term bank loans	–570	–1,444	–1,507	–329	–1,368	–1,089	–1,160	–3,257
Long-term capital market loans	–3,113	–1,567	–9,357	–8,575	–1,462	–2,417	–9,101	–6,582
Short-term bank loans	–2,409				–1,179			
Derivatives (outflow)	–15,947	–51	–146	–136	–13,960	–20	–55	–33
<b>Total by period</b>	<b>–22,039</b>	<b>–3,062</b>	<b>–11,010</b>	<b>–9,040</b>	<b>–17,969</b>	<b>–3,526</b>	<b>–10,315</b>	<b>–9,871</b>
Cash and cash equivalents incl. interest-bearing receivables	609				3,174			
Non-current interest-bearing receivables		106				44		155
Derivatives (inflow)	15,893	66	190	165	14,049	60	166	98
Deferred considerations	–883	–451	–32		–781	–157	–6	
Trade receivables	15,701				13,665			
Trade payables	–7,908				–7,028			
Lease liabilities	–1,183	–961	–1,336	–463	–1,145	–874	–1,259	–408
<b>Net total</b>	<b>190</b>	<b>–4,302</b>	<b>–12,188</b>	<b>–9,338</b>	<b>3,966</b>	<b>–4,453</b>	<b>–11,415</b>	<b>–10,027</b>
Confirmed credit facilities	14,925		–12,525	–2,401	12,058			–12,058
<b>Adjusted maturity profile<sup>1</sup></b>	<b>15,116</b>	<b>–4,302</b>	<b>–24,713</b>	<b>–11,739</b>	<b>16,024</b>	<b>–4,453</b>	<b>–23,472</b>	<b>–10,027</b>

<sup>1</sup> For maturity structure of guarantees, see Note 30.

<sup>2</sup> The amounts in the table are undiscounted and include future known interest payments. The exact amounts are therefore not found in the balance sheet.

## Note 35 continued

**Financing risk and maturity profile**

Financing risk is defined as the risk of being unable to meet payment obligations as a result of inadequate liquidity or difficulties in obtaining external financing. ASSA ABLOY manages financing risk at Group level. Treasury is responsible for external borrowings and external investments. ASSA ABLOY strives to have access on every occasion to both short-term and long-term loan facilities. In accordance with financial policy, the available loan facilities, including available cash and cash equivalents, should include a reserve (facilities available but not utilized) equivalent to at least 10 percent of the Group's total annual sales.

**Maturity profile**

The table 'Maturity profile' above shows the maturities for ASSA ABLOY's financial instruments, including confirmed credit facilities. The maturities are not concentrated to a particular date in the immediate future. An important component of liquidity planning is the Group's Multi-Currency Revolving Credit Facility totaling EUR 1,200 M. The maturity for EUR 1,116 M was extended in 2020 and is now due in April 2025. A smaller portion, EUR 84 M will still mature in April 2024. This credit facility was wholly unutilized at year-end. Moreover, existing financial assets are also taken into account. The table shows undiscounted cash flows relating to the Group's financial instruments at the reporting date, and these amounts are therefore not found in the balance sheet.

**Cash and cash equivalents and other interest-bearing receivables**

Current interest-bearing investments totaled SEK 46 M (55) at year-end. In addition, ASSA ABLOY has long-term interest-bearing receivables of SEK 159 M (45) and financial derivatives with a positive market value of SEK 426 M (202) 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 4 days (18) at year-end 2020.

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

SEK M	Group		Parent company	
	2019	2020	2019	2020
Cash and bank balances	418	2,756	0	0
Short-term investments with maturity less than 3 months	24	0	–	–
<b>Cash and cash equivalents</b>	<b>442</b>	<b>2,756</b>	<b>0</b>	<b>0</b>
Short-term investments with maturity more than 3 months	55	46	–	–
Non-current interest-bearing receivables	45	159	–	–
Positive market value of derivatives	202	426	–	–
<b>Total</b>	<b>745</b>	<b>3,388</b>	<b>0</b>	<b>0</b>

**Interest rate risks in interest-bearing assets**

Treasury manages interest rate risk in interest-bearing assets. Derivative instruments such as interest rate swaps and FRAs (Forward Rate Agreements) may be used to manage interest rate risk. These interest-bearing assets are mostly short-term. Maturity for the investments has risen during the year. The fixed interest term for such short-term investments was 164 days (144) at year-end 2020. A downward change in the yield curve of one percentage point would reduce the Group's interest income by around SEK 0 M (1) and consolidated equity by SEK 0 M (0).

**Interest-bearing liabilities**

The Group's long-term loan financing mainly consists of a GMTN Program of SEK 16,189 M (17,886), of which SEK 15,047 M (15,814) is long-term, Private Placement Program in the US totaling USD 225 M, of which USD 225M (225) is long-term, and loans from financial institutions such as the European Investment Bank (EIB) of EUR 18 M (37) and USD 366 M (120), and loans from the Nordic Investment Bank of EUR 190 M (55). During the year, three new issues were made under the GMTN program for a total amount of SEK 1,570 M. Other changes in long-term loans are mainly due to some of the originally long-term loans now having less than 1 year to maturity. The size of the loans decreased because of currency fluctuations, in particular regarding the USD. A total of SEK 5,806 M was raised in new long-term loans, while SEK 3,252 M in originally long-term loans matured during the year.

The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, however, the outstanding balance under the Commercial Paper programs was SEK 0 M (0). In addition, substantial credit facilities are available, mainly in the form of Multi-Currency Revolving Credit Facility of EUR 1,200 M (1,200). At year-end the average time to maturity for the Group's interest-bearing liabilities, excluding the pension provision and lease obligations, was 53 months (51).

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.

Note 35 continued

*External financing/net debt*

Credit lines/facilities	Amount, SEK M	Maturity	Carrying amount, SEK M	Currency	Amount 2019	Amount 2020	Of which Parent company, SEK M
US Private Placement Program	1,238	Aug 2022	1,238	USD	150	150	
US Private Placement Program	614	Aug 2024	614	USD	75	75	
Multi-Currency RCF	844	Apr 2024	–	EUR	–	84	
Multi-Currency RCF	11,214	Apr 2024	–	EUR	1,200	1,116	
Bank loan EIB	702	Apr 2024 <sup>2</sup>	702	USD	103	86	
Bank loan EIB	2,154	Apr 2023 <sup>2</sup>	2,154	USD	–	263	
Bank loan NIB	678	Jun 2026	678	EUR	–	68	
Bank loan NIB	678	Jun 2028	678	EUR	–	68	
Global MTN Program	23,978	Feb 2022	164	USD	20	20	164
		Mar 2022	502	EUR	50	50	502
		Apr 2022	82	USD	10	10	82
		Jun 2022	100	EUR	10	10	100
		Jul 2022	41	USD	5	5	41
		Feb 2023	500	SEK	500	500	500
		Mar 2023	151	EUR	15	15	151
		Oct 2023	201	EUR	20	20	201
		Nov 2023	220 <sup>1</sup>	USD	25	25	
		Nov 2023	829 <sup>1</sup>	USD	100	100	818
		Dec 2023	819	USD	100	100	819
		Jan 2024	301	EUR	30	30	301
		Apr 2024	550	SEK	550	550	550
		May 2024	164	USD	20	20	164
		Jul 2024	246	USD	30	30	246
		Sep 2024	1,002	EUR	100	100	1,002
		Oct 2024	164	USD	20	20	164
		Feb 2025	502	EUR	50	50	502
		Mar 2025	334 <sup>1</sup>	EUR	30	30	301
		Jun 2025	819	USD	–	100	819
		Jun 2025	501	EUR	50	50	501
		Jun 2025	246	USD	30	30	246
		Dec 2025	444 <sup>1</sup>	USD	50	50	410
		Mar 2026	201	EUR	20	20	201
		Nov 2026	468 <sup>1</sup>	CHF	50	50	463
		Feb 2027	299	EUR	30	30	299
		Feb 2027	502	EUR	50	50	502
		Jun 2027	293 <sup>1</sup>	NOK	300	300	286
		Sep 2027	499	EUR	–	50	499
		Oct 2027	202 <sup>1</sup>	NOK	200	200	191
		May 2029	149	EUR	15	15	149
		Jun 2029	82	USD	10	10	82
		Aug 2029	100	EUR	10	10	100
		Oct 2029	312 <sup>1</sup>	EUR	28	28	279
		Oct 2029	259	EUR	26	26	259
		Dec 2029	857 <sup>1</sup>	USD	100	100	809
		Mar 2030	300	EUR	30	30	300
		Apr 2030	698	EUR	70	70	698
		Feb 2031	100	EUR	–	10	100
		Aug 2034	991	EUR	100	100	991
Other long-term loans	1,124		1,124				886
<b>Total long-term loans/facilities</b>	<b>43,225</b>		<b>22,381</b>				<b>15,677</b>
Global MTN Program	1,142		1,142		1,215	1,142	1,142
Global CP Program	8,190		–	SEK	–	–	
Swedish CP Program	5,000		–	SEK	–	–	
Other bank loans	1,938		1,938				452
Overdraft facility	3,221		433				
<b>Total short-term loans/facilities</b>	<b>19,491</b>		<b>3,514</b>				<b>1,594</b>
<b>Total loans/facilities</b>	<b>62,716</b>		<b>25,895</b>				<b>17,271</b>
Cash and cash equivalents			-2,756				
Current and Non-current interest-bearing investments			-205				
Derivative financial instruments			-255				
Pension provisions			3,514				
Lease liabilities			3,562				
<b>Net debt</b>			<b>29,755</b>				

<sup>1</sup> The loans are subject to hedge accounting, in whole or in part.

<sup>2</sup> The loans are amortizing. In the table the average dates of maturity of the loans have been stated.

Note 35 continued

**Change in loans**

SEK M	Long-term loans	Short-term loans	Total
<b>Opening balance 1 January 2020</b>	<b>21,100</b>	<b>5,460</b>	<b>26,560</b>
<b>Cash flow from financing activities</b>			
Long-term loans raised	5,806	–	5,806
Long-term loans repaid	–	–3,252	–3,252
Other changes in cash flow short-term loans	–	–1,522	–1,522
<b>Total</b>	<b>5,806</b>	<b>–4,774</b>	<b>1,032</b>
<b>Changes without cash flow impact</b>			
Acquisitions of subsidiaries	182	43	225
Divestments of subsidiaries	–	–66	–66
Reclassifications	–3,181	3,181	–
Unrealized exchange rate differences	–1,631	–319	–1,950
Other changes in non-cash items	105	–11	94
<b>Total</b>	<b>–4,525</b>	<b>2,828</b>	<b>–1,697</b>
<b>Closing balance 31 December 2020</b>	<b>22,381</b>	<b>3,514</b>	<b>25,895</b>

SEK M	Long-term loans	Short-term loans	Total
<b>Opening balance 1 January 2019</b>	<b>19,398</b>	<b>7,594</b>	<b>26,992</b>
<b>Cash flow from financing activities</b>			
Long-term loans raised	4,615	–	4,615
Long-term loans repaid	–	–2,903	–2,903
Other changes in cash flow short-term loans	–	–3,413	–3,413
<b>Total</b>	<b>4,615</b>	<b>–6,316</b>	<b>–1,701</b>
<b>Changes without cash flow impact</b>			
Acquisitions of subsidiaries	164	632	796
Reclassifications	–3,461	3,461	–
Unrealized exchange rate differences	394	67	461
Other changes in non-cash items	–10	23	13
<b>Total</b>	<b>–2,913</b>	<b>4,182</b>	<b>1,269</b>
<b>Closing balance 31 December 2019</b>	<b>21,100</b>	<b>5,460</b>	<b>26,560</b>

**Interest rate risks in borrowing**

Changes in interest rates have a direct impact on ASSA ABLOY's net interest expense. Treasury is responsible for identifying and managing the Group's interest rate exposure. Treasury analyzes the Group's interest rate exposure and calculates the impact on income of changes in interest rates on a rolling 12-month basis. The Group strives for a mix of fixed rate and variable rate borrowings in the loan portfolio, and uses interest rate swaps to adjust the fixed interest term. The financial policy stipulates that the average fixed interest term should normally be within the interval of 12 to 36 months. At year-end, the average fixed interest term on gross debt, excluding pension liabilities and lease commitments, was around 32 months (34). An upward change in the yield curve of one percentage point would increase the Group's interest expense by around SEK 89 M (102) and reduce consolidated equity by SEK 65 M (75).

**Change in lease liabilities**

SEK M	Group	
	2019	2020
<b>Opening balance</b>	<b>91</b>	<b>3,739</b>
Effects of the transition to IFRS 16	3,711	–
Acquisitions of subsidiaries	61	265
Divestments of subsidiaries	–	–37
New and terminated leases	917	1,169
Amortization of lease liabilities	–1,159	–1,275
Exchange rate difference	118	–299
<b>Closing balance</b>	<b>3,739</b>	<b>3,562</b>

Balance sheet breakdown:	Group	
	2019	2020
Non-current lease liabilities	2,588	2,477
Current lease liabilities	1,151	1,085
<b>Total</b>	<b>3,739</b>	<b>3,562</b>

**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.

**Net debt by currency**

SEK M	31 December 2019		31 December 2020	
	Net debt excl. derivatives	Net debt incl. derivatives	Net debt excl. derivatives	Net debt incl. derivatives
USD	11,843	15,603	11,201	12,311
EUR	14,389	8,183	13,525	11,783
GBP	403	1,688	493	2,120
CNY	606	1,880	577	1,868
AUD	232	1,218	64	1,340
NOK	789	798	612	656
CZK	146	784	124	628
PLN	56	465	62	554
KRW	335	614	234	505
CHF	922	977	748	–1,616
SEK	2,283	–1,263	1,477	–1,968
Other	1,048	2,103	636	1,574
<b>Total</b>	<b>33,050</b>	<b>33,050</b>	<b>29,755</b>	<b>29,755</b>

**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	
	2019	2020
AUD	574	679
CAD	921	852
CHF	–552	–772
CNY	–1,908	–1,653
DKK	236	192
EUR	1,954	1,523
GBP	615	589
RON	–387	–342
SEK	–2,236	–2,223
USD	1,375	1,120

**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	2019		2020	
	AUD	CHF	CNY	DKK
AUD	44	44	–	–
CHF	37	41	–	–
CNY	26	20	–	–
DKK	15	12	–	–
EUR	227	188	–	–
GBP	15	–16	–	–
HKD	95	66	–	–
KRW	19	–14	–	–
NOK	23	17	–	–
USD	792	753	–	–

### Note 35 continued

#### *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 92 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 96 percent (97) of the Group's sales were settled through cash pools in 2020. Smaller amounts may be held in other local banks for shorter time periods depending on how customers choose to pay. The Group can also invest surplus cash in the short term in banks to match borrowing and cash flow. The banks in which surplus cash is deposited have a high credit rating. In light of this and the short terms of the investments the effect of the calculated credit risk is assessed to be negligible.

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 high 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 94 shows the impact of this netting.

#### *Commercial credit risk*

The Group's trade receivables are distributed across a large number of customers who are spread globally. No single customer accounts for more than 1 percent of the Group's sales. The concentration of credit risk associated with trade receivables is considered limited, but credit risks have increased in pace with increased activity in emerging markets. 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. For more information see Note 22 and the section "Impairment of financial assets" in the information on accounting principles.

#### *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 94 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 IFRS 9. The table 'Financial instruments' on page 94 provides an overview of financial assets and liabilities, measurement category, and carrying amount and fair value per item.

#### *Risk management through hedge accounting*

During the year the Group used hedge accounting in its financial risk management. Hedges can be divided into cash flow hedges, fair value hedges and net investment hedges. Changes in these hedges can be seen in the table below. For information regarding the effects of net investment hedges in other comprehensive income, see Note 32. Net investment hedges are used to manage currency risk that arises through investments in foreign subsidiaries. Fair value hedges are used to manage interest rate risk that arises when the Group takes out loans at a fixed interest rate. Cash flow hedges for interest rate risk in loans with variable interest rates are used to adjust the interest rate risk for variable interest rates.

Interest rate risk related to the long-term loans are hedged through hedge accounting using interest rate swaps. In cases where the loans are denominated in a currency other than SEK, currency risk is not included in the applied hedge accounting. For risks related to net investments in foreign subsidiaries, hedge accounting is only applied to

manage currency risk; no other related risks are managed by the hedges that are applied. ASSA ABLOY does not hedge 100% of its long-term loans or its net investments. Instead, the decision on when hedge accounting is appropriate is taken on a case-by-case basis, in accordance with the risk levels described in the financial policy.

For fair value hedges the Group uses interest rate swaps with critical terms that are equivalent to the hedged object, such as reference rate, settlement days, maturity date and nominal amounts. This approach ensures an economic relationship between the hedging objects and the hedging instruments. Hedging relationship effectiveness is tested through periodic forward-looking evaluation to ensure that an economic relationship still exists. Examples of identified sources of ineffectiveness in the hedging relationship include if a credit risk adjustment in the interest rate swap is not matched by an equivalent adjustment to the loan, or if for some reason differences in the critical terms between the interest rate swap and the loan should arise. All critical terms matched during the year. For this reason, the economic relationship has been 100% effective. One possible source of future inefficiency is the reforms under discussion for the IBOR markets, where proposed changes include how LIBOR for USD and CHF are determined. Most likely, the methods will be reviewed for the majority of currencies, for which reason any outstanding interest rate derivatives may be affected at some point in the future. All outstanding interest rate derivatives have exposure to interest periods after the end of 2022, at which time many of these changes are expected to take effect.

#### *Hedging instruments*

SEK M	Fair value 2019	Fair value 2020	Net in- vestments 2019	Net in- vestments 2020
Carrying amount of hedged item	3,532	3,041	373	-
Nominal amount of hedging instrument	3,532	3,041	373	-
Maturity	2020 to 2029	2021 to 2029	2020 to 2029	-
Hedge ratio	1:1	1:1	1:1	-
Total effect of hedging on hedged item	-88	-187	-53	-
Accrued remaining amount for terminated hedges	-34	-20	-194	-255
Change in value, hedging instruments since 1 January	38	99	-5	-3
Change in value, hedge item	-38	-99	5	3
Ineffectiveness recognized in profit or loss	0	0	0	0

Changes in the value of fair value hedged items are recognized against long-term loans, changes in value of hedging instruments are recognized against accrued revenue or expenses, respectively; ineffectiveness, if any, is recognized against interest income or expenses, respectively. Changes in value of hedge instruments in net investment hedges are recognized in the hedging reserve in equity.

## Note 35 continued

## Disclosures of offsetting of financial assets and liabilities

SEK M	2019					2020				
	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	202	–	202	46	157	426	–	426	76	350
Financial liabilities	150	–	150	46	104	172	–	172	76	96

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

## Outstanding derivative financial instruments at 31 December

Instrument, SEK M	31 December 2019			31 December 2020		
	Positive fair value <sup>2</sup>	Negative fair value <sup>2</sup>	Nominal value	Positive fair value <sup>2</sup>	Negative fair value <sup>2</sup>	Nominal value
Foreign exchange forwards, funding	108	–143	10,375	240	–172	7,923
Interest rate swaps <sup>1</sup> , fair value hedges	94	–6	3,532	187	–	2,609
Interest rate swaps <sup>1</sup> , cash flow hedges	–	–	–	–	0	432
<b>Total</b>	<b>202</b>	<b>–150</b>	<b>13,907</b>	<b>426</b>	<b>–172</b>	<b>10,963</b>

<sup>1</sup> For interest rate swaps, only one leg is included in nominal value.

<sup>2</sup> Assets are recognized against accrued revenue and liabilities against accrued expenses.

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

SEK M	2019		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets at amortized cost</b>				
Trade receivables	15,701	15,701	13,665	13,665
Other financial assets at amortized cost	153	153	252	252
Cash and cash equivalents	442	442	2,756	2,756
<b>Financial assets at fair value through profit or loss</b>				
Shares and interests	6	6	6	6
<b>Derivative financial instruments</b>				
Hedge accounting	94	94	187	187
Held for trading	108	108	240	240
<b>Total financial assets</b>	<b>16,504</b>	<b>16,504</b>	<b>17,106</b>	<b>17,106</b>
<b>Financial liabilities at amortized cost</b>				
Trade payables	7,908	7,908	7,028	7,028
Lease liabilities	3,739	3,739	3,562	3,562
Long-term loans – hedge accounting	2,933	2,933	2,781	2,781
Long-term loans – non-hedge accounting	18,167	18,422	19,600	20,157
Short-term loans – hedge accounting	688	688	–	–
Short-term loans – non-hedge accounting	4,772	4,772	3,514	3,515
<b>Financial liabilities at fair value through profit or loss</b>				
Deferred considerations	1,366	1,366	944	944
<b>Derivative financial instruments</b>				
Hedge accounting	6	6	0	0
Held for trading	143	143	171	171
<b>Total financial liabilities</b>	<b>39,722</b>	<b>39,977</b>	<b>37,600</b>	<b>38,158</b>

The fair value of long-term borrowing is based on observable data by discounting cash flows to market rate, which is deemed to correspond with level 2 according to the fair

value hierarchy. 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	2019				2020			
	Carrying amounts	Quoted prices (level 1)	Observable data (level 2)	Non-observable data (level 3)	Carrying amounts	Quoted prices (level 1)	Observable data (level 2)	Non-observable data (level 3)
<b>Financial assets</b>								
Derivative financial instruments	202	–	202	–	426	–	426	–
<b>Financial liabilities</b>								
Derivative financial instruments	150	–	150	–	172	–	172	–
Deferred considerations	1,366	–	–	1,366	944	–	–	944

Measurement at fair value is classified hierarchically in three different levels based on input data used in measurement of the instruments. Deferred considerations relate to additional payments for acquired companies. The size of a deferred consideration is usually linked to the earnings and sales trend in an acquired company during a specific period of time. Deferred consideration is measured on the day of acquisition based on

the best judgment of management regarding future outcomes. Discounting takes place in the case of significant amounts. Belongs to level 3 in the hierarchy.

For derivatives, the present value of future cash flows is calculated based on observable yield curves and exchange rates on the balance sheet date. Belongs to level 2 in the hierarchy.

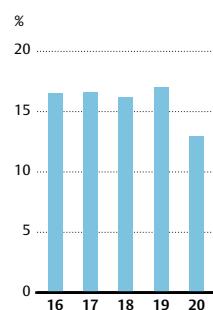
# Five years in summary

Amounts in SEK M unless stated otherwise

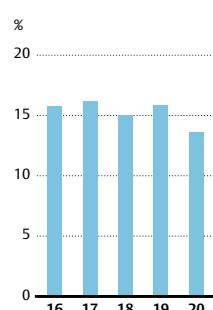
	2016	2017	2018	2019	2020
<b>Sales and income</b>					
Sales	71,293	76,137	84,048	94,029	87,649
Organic growth, %	2	4	5	3	-8
Acquisitions and divestments, %	3	2	2	3	4
Operating income (EBIT) excluding items affecting comparability	11,254	12,341	12,909	14,920	11,916
Operating income (EBIT)	9,657	12,341	6,096	14,608	12,458
Income before tax (EBT)	8,952	11,673	5,297	13,571	11,676
Net income	6,653	8,635	2,755	9,997	9,172
<b>Cash flow</b>					
Cash flow from operating activities	8,575	9,248	9,225	12,665	13,658
Cash flow from investing activities	-4,063	-8,661	-6,427	-5,464	-6,741
Cash flow from financing activities	-4,271	-861	-2,728	-7,301	-4,558
Cash flow	240	-274	70	-100	2,359
Operating cash flow	10,467	10,929	11,357	14,442	14,560
<b>Capital employed and financing</b>					
Capital employed	70,351	75,932	81,146	92,204	88,634
– of which goodwill	47,544	50,330	53,413	57,662	58,344
– of which other intangible assets and property, plant and equipment	17,618	19,144	19,518	21,191	22,134
– of which right-of-use assets	–	–	119	3,731	3,513
– of which shares and interests in associates	2,109	2,243	2,434	2,595	637
Net debt	23,127	25,275	29,246	33,050	29,755
Non-controlling interests	5	9	10	11	9
Shareholders' equity, excluding non-controlling interest	47,220	50,648	51,890	59,143	58,870
<b>Data per share, SEK</b>					
Earnings per share before and after dilution	5.99	7.77	2.48	9.00	8.26
Earnings per share before and after dilution and excluding items affecting comparability <sup>1</sup>	7.09	7.77	8.09	9.22	7.54
Shareholders' equity per share after dilution	42.51	45.60	46.71	53.25	53.00
Dividend per share	3.00	3.30	3.50	3.85	3.90 <sup>1</sup>
Price of Series B share at year-end	169.10	170.40	158.15	219.00	202.50
<b>Key figures</b>					
Operating margin (EBIT), % excluding items affecting comparability	15.8	16.2	15.4	15.9	13.6
Operating margin (EBIT), %	13.5	16.2	7.3	15.5	14.2
Profit margin (EBT), %	12.6	15.3	6.3	14.4	13.3
Return on capital employed, %	14.1	16.6	7.6	16.6	13.6
Return on capital employed excluding items affecting comparability, %	16.5	16.6	16.2	17.0	13.0
Return on shareholders' equity, %	15.0	17.6	5.4	18.0	15.5
Equity ratio, %	49.6	50.9	48.7	50.1	50.1
Net debt/equity ratio	0.49	0.50	0.56	0.56	0.51
Interest coverage ratio, times	14.1	19.1	8.0	14.9	16.7
Total number of shares, thousands	1,112,576	1,112,576	1,112,576	1,112,576	1,112,576
Number of outstanding shares, thousands	1,110,776	1,110,776	1,110,776	1,110,776	1,110,776
Weighted average number of outstanding shares, before and after dilution, thousands	1,110,776	1,110,776	1,110,776	1,110,776	1,110,776
Average number of employees	46,928	47,426	48,353	48,992	48,471

<sup>1</sup> Dividend proposed by the Board of Directors.

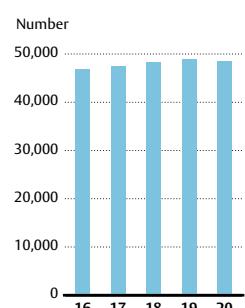
## Return on capital employed<sup>1</sup>



## Operating margin (EBIT)<sup>1</sup>



## Average number of employees



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

# Comments on five years in summary

## 2016

The Group's growth remained strong during the year, with total sales growth of 5 percent excluding exchange rate effects. The mature markets, primarily in Europe and the US, showed robust growth, while the trend in the emerging markets in Asia, Africa, the Middle East and parts of South America was more subdued in general, affected by factors such as the low prices for oil and other commodities. For ASSA ABLOY, the weak demand in these markets was most pronounced in China.

A new restructuring program was launched during the year. About fifty production plants and offices are set to close over a three-year period, with an estimated payback period of less than three years.

The focus in recent years on product development, innovation and sustainability continued at a high level during 2016. The technology shift toward an increased share of electromechanics with more digital and mobile solutions is expected to benefit ASSA ABLOY in the long term, and the proportion of sales of electromechanical products exceeded 50 percent.

Operating income for the year, excluding items affecting comparability, increased by 2 percent and cash flow continued to be strong. Earnings per share after full dilution, excluding items affecting comparability, increased 2 percent.

A total of 13 acquisitions were consolidated during the year, which strengthened the market position for the Group in key areas such as entrance automation and secure identity solutions. ASSA ABLOY's car locks operation was sold.

## 2017

Sales growth continued to be robust during the year. Organic growth was 4 percent, driven by growing demand for electromechanical and digital door opening solutions. For ASSA ABLOY, the mature markets primarily in Europe and the US demonstrated continued robust growth, while the trend in the emerging markets was weaker, especially in China, Brazil and the Middle East. Growth in Asia outside China continued to be robust.

Product development continues to focus on areas such as digital and mobile technologies, which are believed to provide substantial potential for robust profitable growth for some time to come. ASSA ABLOY also has a growing selection of products with environmental product declarations as part of its sustainable solutions initiative.

Operating income for the year, excluding items affecting comparability, increased by 10 percent compared with 2016, and cash flow remained strong. Earnings per share after full dilution, excluding items affecting comparability, increased 10 percent.

A total of 16 acquisitions were consolidated during the year, which strengthened the market position in areas such as smart door locks, physical access management and identity solutions. ASSA ABLOY divested its project operation within HID Global, AdvanIDe, in its entirety.

## 2018

Growth was strong during the year, with organic growth of 5 percent driven by continued successes for electromechanical and digital solutions, as well as strong growth in North and South America. The mature markets continued to demonstrate a favorable trend, with the US and Europe demonstrating strong and robust growth, respectively, during the year. The trend in the emerging markets was

weaker, especially in Asia and the Middle East.

A new restructuring program was launched during the year. About fifty production plants and offices are set to close over a three-year period, with an estimated payback period of less than three years.

Product development continued at a high level with large investments in R&D, as reflected by 27 percent of sales for the year which relate to products that are less than three years old.

Operating income for the year, excluding items affecting comparability, increased by 5 percent and cash flow remained strong. Earnings per share after full dilution, excluding items affecting comparability, increased 4 percent. An impairment charge of SEK 6 billion was taken during the year for goodwill, other intangible assets and operating assets.

A total of 19 acquisitions were consolidated during the year, which strengthened the market position for HID in secure identity solutions. ASSA ABLOY sold its wood door business within the Americas division during the year.

## 2019

Organic growth was 3 percent, driven by good growth in the Americas and Global Technologies divisions. Growth was particularly strong in the US on robust demand for smart locks in the private residential market, as well as the commercial business segments. Growth in Europe and Asia was generally mixed. The trend for the emerging markets continued to be relatively weak.

The product development initiative accelerated during the year with large investments in R&D, as reflected by the 27 percent of sales which relate to products that are less than three years old.

Operating income for the year, excluding items affecting comparability, increased by 12 percent and cash flow remained strong. Earnings per share after full dilution, excluding items affecting comparability, increased 14 percent.

Acquisition activity continued to be high during the year; at the same time, an agreement was also signed for the acquisition of agta record, the largest acquisition since 2011.

## 2020

Demand was negatively impacted during the year by the Covid-19 pandemic. Organic growth was -8 percent for the Group, with a negative sales trend in all divisions. Cost-saving measures and staff cuts have largely offset the negative impact on earnings from lower sales. A new restructuring programme was also launched at the end of the year, with plans to close about ten plants and about thirty offices for a two-year period. The operating cash flow remained strong thanks to, among other things, cost reductions and reduced working capital.

Demand was generally more stable in the more mature markets in Europe and the US compared with the trend in the emerging markets, especially in Asia, the Middle East and Africa. The focus on product development and innovation continued with undiminished strength. Major investments were made in R&D, where the full workforce was kept intact during the year.

Operating income for the year, excluding items affecting comparability, decreased by 20 percent. Cash flow remained strong. Acquisition activity continued to be high during the year; for example, the acquisition of agta record was completed.

# 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 (EBITA)

Operating income before amortization of intangible assets recognized in business combinations, 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

Cash flow from operating activities excluding restructuring payments and tax paid on income minus net capital expenditure and amortization of lease liabilities. See the table on operating cash flow for detailed information.

## Net capital expenditure

Investments in, less sales of, intangible assets and property, plant and equipment.

## Depreciation and amortization

Depreciation and amortization of intangible assets, property, plant and equipment and right-of-use assets.

## Net debt

Interest-bearing liabilities less interest-bearing assets. See the table on net debt for detailed information.

## 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 attributable to Parent company's shareholders as a percentage of average Parent company's shareholders equity.

## Return on capital employed

Income before tax plus net interest as a percentage of average capital employed, excluding restructuring reserves.

## Earnings per share after tax and before dilution

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

## Earnings per share after tax and dilution

Net income excluding non-controlling interests divided by weighted average number of outstanding shares after any potential dilution.

## Shareholders' equity per share after dilution

Equity excluding non-controlling interests in relation to number of outstanding shares after any potential dilution.

# Proposed distribution of earnings

The following earnings are at the disposal of the general meeting of shareholders:

Share premium reserve: SEK 787 M

Retained earnings brought forward: SEK 10,112 M

Net income for the year: SEK 5,552 M

TOTAL: SEK 16,452 M

The Board of Directors proposes that a dividend of SEK 3.90 per share, a total of SEK 4,332 M, be distributed to shareholders and that the remainder, SEK 12,120 M, be carried forward to the new financial year. The dividend amount is calculated on the number of outstanding shares as per 5 February 2021.

In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two equal installments, the first with the record date 30 April 2021 and the second with the record date 23 November 2021. If the proposal is adopted by the general meeting, the first installment is estimated to be paid on 5 May 2021 and the second installment on 26 November 2021.

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 1,800,000 treasury shares as at 5 February 2021.

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, 5 February 2021

*Lars Renström*  
Chairman

*Carl Douglas*  
Vice Chairman

*Nico Delvaux*  
President and CEO

*Eva Karlsson*  
Board member

*Birgitta Klasén*  
Board member

*Lena Olving*  
Board member

*Sofia Schörling Högberg*  
Board member

*Jan Svensson*  
Board member

*Joakim Weidemanis*  
Board member

*Rune Hjälm*  
Board member  
Employee representative

*Mats Persson*  
Board member  
Employee representative

Our audit report was issued on 5 February 2021

Ernst & Young AB

*Hamish Mabon*  
Authorized Public Accountant  
Auditor in charge

# Auditor's report

**To the general meeting of the shareholders of ASSA ABLOY AB (publ),  
corporate identity number 556059-3575**

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of ASSA ABLOY AB (publ) except for the corporate governance statement on pages 47–57 for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 40–94 and 98 in this document.

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 2020 and its financial performance and cash flow 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 2020 and their financial performance and cash flow for the year then ended

in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 47–57. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This

includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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**Goodwill and other intangibles with an indefinite useful life**

Description of the matter	How this matter was addressed in the audit
<p>The value of goodwill and other intangibles with an indefinite useful life as of 31 December 2020 amounted to 72.5 billion SEK. The Company performs an annual impairment test as well as whenever impairment indicators are identified. The recoverable amount for each cash-generating unit is determined as the value in use, which is calculated based on the discounted present value of future cash flows. Key assumptions in these calculations include forecast operating results, growth rates to extrapolate future cash flows and discount rates to be applied on future estimated cash flows. Applied discount rate (also referred to as "WACC- Weighted Average Cost of Capital") is presented in note 14 ("Intangible assets"). An impairment test is a complex process and contains a high degree of judgment regarding future cash flows and other assumptions, not least because it is based on estimates of how the Company's business will be affected by future market developments and by other economic events. Therefore, we have assessed valuation of goodwill and other intangibles assets with an indefinite useful life to be a key audit matter.</p>	<p>In our audit we have evaluated and reviewed key assumptions, the application of recognized valuation practices, discount rate (and other source data that the Company has applied. Our evaluation has included comparing to external data sources, such as forecasts of inflation or assessment of future market growth and by evaluating the sensitivity in the Company's valuation model. We have specifically focused on the sensitivity in the calculations and have made an independent evaluation of whether there is a risk that reasonably probable events would give rise to a situation where the value in use would be lower than the carrying amount. We have included valuation experts with appropriate skills in the team performing our review. Finally, we have evaluated disclosures provided in Note 14 ("Intangible assets"), specifically with regards to the disclosure of which of the stated assumptions that are most sensitive in calculating the value in use and the sensitivity analysis for those key assumptions.</p>

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**Provisions – Restructuring programs**

Description	How our audit addressed this key audit matter
<p>The restructuring program is described in the Report of Board of Directors in the annual report in note 26. Restructuring programs have been launched during the year and previous years and provision amounts to 1.4 billion SEK as per December 31, 2020. A provision for restructuring measures is recognized when the Company has established a detailed plan and either implementation has begun, or the main features of the measures have been communicated to the parties involved. In our audit we have focused on the recognition in the proper period and valuation of the restructuring provision as they require management judgment and estimation. Because of the significant amount and subjectivity of the estimates involved, we have assessed restructuring provisions to be a key audit matter.</p>	<p>We have reviewed the Company's process for identifying restructuring projects and the estimated costs for these projects. Our audit procedures include evaluating if the restructuring programs in all material respects are in line with the accounting principles for provisions, i.e. IAS 37. We have evaluated if there is a present obligation. We have challenged management's assumptions related to the provisions with the aim of assessing the appropriateness of the provisions. Based on risk and materiality, we have compared the inputs in the calculation to supporting documentation. This includes, among other things, the examination of minutes, agreements and communication with employees. We have evaluated management's assessment of remaining cash flows by reviewing their quarterly project updates. Finally, we have evaluated the disclosures provided regarding restructuring activities in Note 26.</p>

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**Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–39, 95–97 and 104–109. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the infor-

mation identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regards.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director

are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

## Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the

group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ASSA ABLOY AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the pro-

posal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A separate list of loans and collateral has been prepared in accordance with the provisions of the Companies Act.

### Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled

our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of

the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

## Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

## The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 47–57 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted

auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

## The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is dif-

ferent and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

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Ernst & Young AB with Hamish Mabon as auditor in charge, Box 7850, 103 99 Stockholm, was appointed auditor of ASSA ABLOY AB (publ) by the general meeting of the shareholders on the 29 April 2020.

Stockholm 5 February 2021

Ernst & Young AB

*Hamish Mabon*  
Authorized Public Accountant

# ASSA ABLOY as an investment

We are the global leader in access solutions. Since ASSA ABLOY was founded in 1994, we have created significant customer and shareholder value by continuously optimizing our production and developing new, innovative products that meet our customers' needs and demands. Below are the main reasons why we create customer and shareholder value.

**+138%**  
sales in 10 years

**107%**  
EPS in 10 years

**SEK 28 bn**  
dividend in 10 years

**1 Good industry to be in** – We are subject to underlying strong megatrends supporting growth and demand for our products. These include increased demand for security and sustainable buildings, urbanization, digitization, changing codes and continuous changes in local market regulations (see page 7). Our customer offering is aligned with the fundamental growth trends and a usually steady aftermarket makes us less vulnerable to the cyclical demand affecting many other industries.

**2 Consistent profitable growth** – We have a long track record of profitable growth. Our revenue has grown by more than 9% annually during the last ten years and the adjusted EBIT margin has been stable at above 16%, when excluding the year of the pandemic. We continue to focus on growing through customer relevance and being cost efficient in everything we do, which enables us to deliver consistent profitable growth. The shift to electromechanical products also enables us to continue to grow in a profitable way long-term.

**3 Leading market position** – We have the largest installed base and through our employees the deepest know-how of locks and different access solutions in the world, which is continuously maintained and upgraded with new solutions. Two thirds of our revenue is generated from the aftermarket, which provides us with a stable customer and revenue base.

**4 Investing in innovation** – We invest about 4% of our revenue in R&D. Given the size of our business, this gives us a strong competitive advantage, both short and long term. Our innovation capacity is based on our common platforms, the global reach but local competence of our innovation organization, our more than 2,800 R&D employees and more than 9,000 patents. Products launched in the past three years account for 25% of our total sales.

**5 Strong acquisition record** – We have acquired more than 300 companies globally since ASSA ABLOY was established in 1994. In many cases, the businesses are leading access providers in their respective market with well-

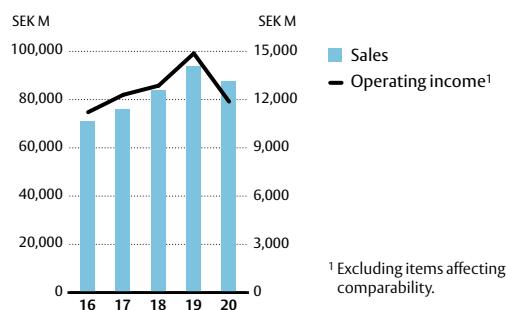
established customer bases and brands. After realizing synergies, we grow the businesses and increase their profitability and margins. This strategy has proven successful and since 2011, we have acquired businesses with SEK 37 billion in sales that after integration have generated significant value.

**6 Strong brand portfolio** – There is considerable value in our well-known and trusted brands that play an important role in creating loyalty and differentiation. We use a multi-brand strategy to combine global and local strengths. ASSA ABLOY is the Group brand and is increasingly becoming the leading brand for commercial door solutions. We also have strong master brands to continue to be a leader in each of the core areas of our business and a portfolio of other brands in markets and segments where needed. In total, we have 130 endorsed brands that complement our offering. Our brands are often leading brands in their market, such as Yale, which is one of the world's most well-known residential lock brands.

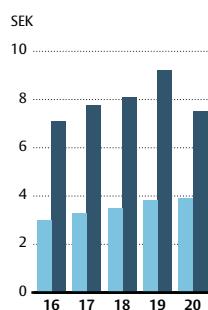
**7 Operational efficiency** – Our production is structured around local assembly lines close to the customer, adapted according to the local standards, with some strategic components concentrated to larger plants. This enables us to quickly supply our products efficiently to our customers. We also continue to optimize our supply chain, product setup and footprint and work with lean processes and automation.

**8 Active sustainability initiatives** – About one third of our revenue is generated by products which have an environmental product declaration (EPD), based on a life cycle assessment. As sustainability will be vital to economic and industrial development in the coming decades, in 2020 we committed to science-based targets. This will further improve our competitiveness and provides sound business production and product development incentives. When we develop new products, our ambition is to minimize their environmental impact and embodied carbon footprint, while maximizing sustainability attributes, such as energy efficiency, during the products' in-use phase of their lifecycle and to recycle once they reach their end of life.

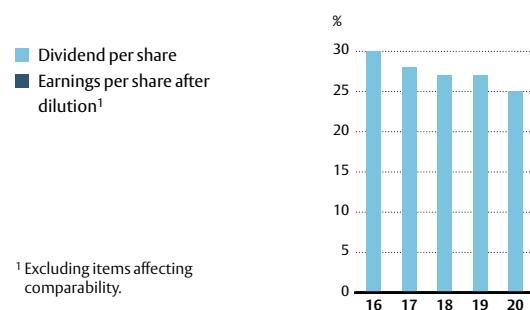
## Sales and operating income



## Dividend and earnings per share



## New product ratio



# The ASSA ABLOY share

## Share price trend

The beginning of 2020 started with a positive share price development with the share price peaking in February. In March, stock exchanges and ASSA ABLOY's share price fell sharply following the outbreak of the Covid-19 pandemic. By 23 March, OMX Stockholm PI Index and ASSA ABLOY's share price had decreased by 30 percent respective 27 percent. Thereafter, capital markets stabilized and for the full year OMX Stockholm PI Index increased 12.9 percent. ASSA ABLOY's share price closed at SEK 202.5, a decrease of 7.5 percent for the full year.

The highest closing price for ASSA ABLOY Series B during the year was SEK 246.5 recorded on 20 February 2020 and the lowest of SEK 159.35 was recorded on 23 March 2020. At year-end, market capitalization amounted to SEK 225,297 M (243,654), calculated on both Series A and Series B shares.

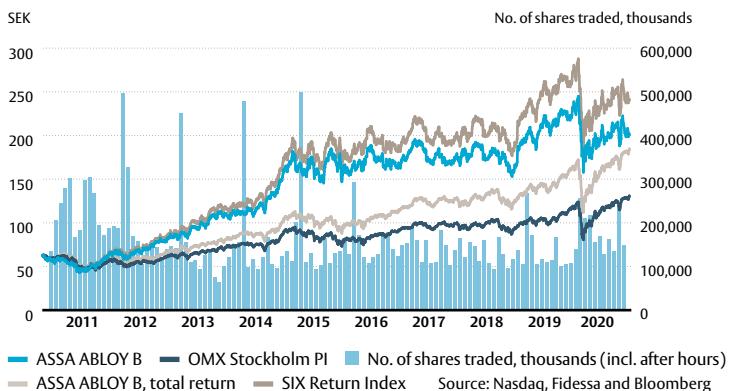
## Listing and trading

ASSA ABLOY's Series B share has been listed on Nasdaq Stockholm, Large Cap since 8 November 1994 under the code ASSA-B.ST. Turnover of the Series B share on Nasdaq Stockholm amounted to 623 million shares (468), equivalent to a turnover rate of 59 percent (55).

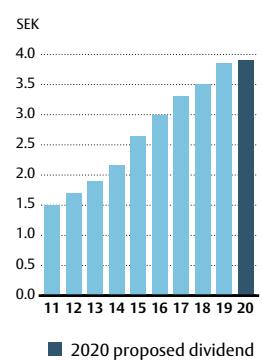
The implementation of the EU's Markets in Financial Instruments Directive (MiFID) in 2007 has changed the structure of equity trading in Europe and trading now takes place on both regulated markets and other trading platforms. Trading is now more fragmented with an important proportion of trading in shares in Swedish companies on markets other than Nasdaq Stockholm. In 2020, the ASSA ABLOY share was traded on numerous markets, with trading on Nasdaq Stockholm accounting for 30 percent of share turnover, compared with 65 percent in 2009. The total trade of the Series B share including other markets in 2020 was 2,070 (1,611) million shares, equivalent to a turnover rate of 196 percent (153).

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.

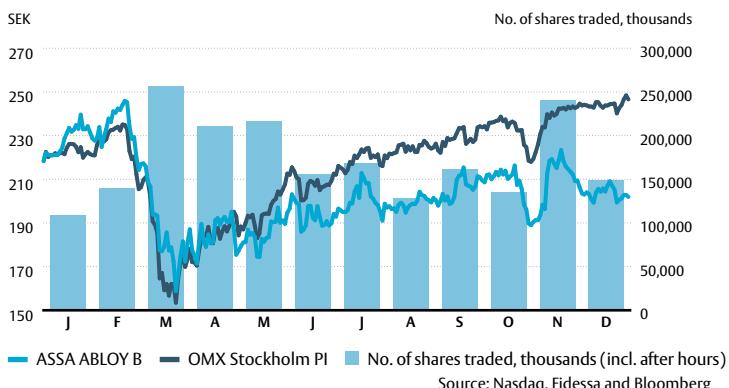
## Share price and turnover 2011–2020<sup>1</sup>



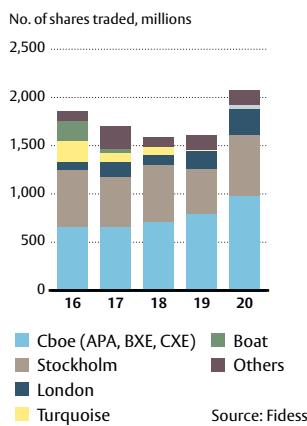
## Dividend per share 2011–2020



## Share price and turnover 2020



## Markets for the share<sup>1</sup>



**Data per share**

SEK/share <sup>1</sup>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Earnings after tax and dilution	4,10 <sup>2</sup>	4.66	4,95 <sup>2</sup>	5.79	6.93	7.09 <sup>2</sup>	7.77	8.09 <sup>2</sup>	9.22 <sup>2</sup>	7.54 <sup>2</sup>
Dividend	1.50	1.70	1.90	2.17	2.65	3.00	3.30	3.50	3.85	3.90 <sup>3</sup>
Dividend yield,% <sup>4</sup>	2.6	2.1	1.7	1.6	1.5	1.8	1.9	2.2	1.8	1.9
Dividend,% <sup>5</sup>	36.6	36.8	38.4	37.4	38.2	42.3	42.5	43.3	41.8	51.7
Share price at year-end	57.53	80.97	113.27	138.27	178.00	169.10	170.40	158.15	219.00	202.50
Highest share price	64.97	81.60	114.07	139.17	189.00	190.10	197.10	193.90	231.40	246.50
Lowest share price	44.50	57.23	79.33	105.63	135.00	148.40	163.80	155.85	154.45	159.35
Equity	21.85	23.29	25.94	32.50	37.43	42.51	45.60	46.71	53.25	53.00
Number of shares, millions <sup>6</sup>	1,113.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6	1,112.6

<sup>1</sup> Adjustments made for new issues and stock split (3:1) in 2015 for all historical periods prior to 2015.

<sup>2</sup> Excluding items affecting comparability 2011, 2013, 2016, 2018–2020.

<sup>3</sup> Dividend proposed by the Board of Directors.

<sup>4</sup> Dividend as percentage of share price at year-end.

<sup>5</sup> Dividend as percentage of earnings per share after tax and dilution, excluding items affecting comparability.

<sup>6</sup> After full dilution.

**Ownership structure**

The number of shareholders at the end of 2020 was 43,734 (29,784) and the ten largest shareholders accounted for 34.9 percent (36.5) of the share capital and 55.5 percent (56.7) of the votes. Shareholders with more than 50,000

shares, a total of 433 shareholders, accounted for 97 percent (98) of the share capital and 98 percent (98) of the votes. Investors outside Sweden owned 66.8 percent (69.5) of the share capital and accounted for 45.6 percent (47.5) of the votes, and were mainly in the US and the UK.

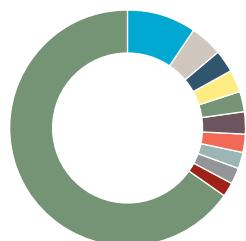
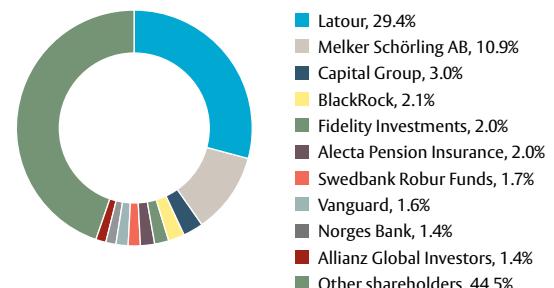
**ASSA ABLOY's ten largest shareholders**

Based on the share register at 31 December 2020.

Shareholders	Series A shares	Series B shares	Total number of shares	Share capital <sup>1</sup> , %	Votes <sup>1</sup> , %
Investment AB Latour	41,595,729	63,900,000	105,495,729	9.5	29.4
Melker Schörling AB	15,930,240	18,027,992	33,958,232	3.1	10.9
Capital Group		48,366,240	48,366,240	4.4	3.0
BlackRock		34,785,666	34,785,666	3.1	2.1
Fidelity Investments		32,847,109	32,847,109	2.9	2.0
Alecta Pension Insurance		32,445,000	32,445,000	2.9	2.0
Swedbank Robur Funds		27,600,834	27,600,834	2.5	1.7
Vanguard		26,549,043	26,549,043	2.4	1.6
Norges Bank		23,222,727	23,222,727	2.1	1.4
Allianz Global Investors		22,233,744	22,233,744	2.0	1.4
Other shareholders	725,072,010		725,072,010	65.1	44.5
<b>Total number</b>	<b>57,525,969</b>	<b>1,055,050,365</b>	<b>1,112,576,334</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on the number of outstanding shares and votes of 1,110,776,334 and 1,628,510,055 respectively, excluding shares held by ASSA ABLOY.

Source: Modular Finance 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 2020, distributed among a total of 1,112,576,334 shares, comprising 57,525,969 Series A shares and 1,055,050,365 Series B shares. All shares have a par value of around SEK 0.33 and give shareholders equal rights to the company's assets and earnings. The total number of votes amounted to 1,630,310,055. 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 Series B shares. The aim has been, among other things, to secure the company's undertakings in connection with its long-term incentive programs (LTI). The Annual General Meeting 2020 authorized the Board of Directors to acquire, 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 1,800,000 (1,800,000) Series B shares after repurchase. These shares account for around 0.2 percent (0.2) of the share capital and each share has a par value of around SEK 0.33. The purchase consideration amounted to SEK 103 M. No shares were repurchased in 2020.

## 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 proposes a dividend to shareholders of SEK 3.90 per share (3.85) for the 2020 financial year. In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two equal installments, the first with the record date 30 April 2021 and the second with the record date 23 November 2021. If the proposal is adopted by the Annual General Meeting, the first installment is estimated to be paid on 5 May 2021 and the second installment on 26 November 2021.

The proposal is equivalent to a total dividend yield on the Series B share of 1.9 percent (1.8). In 2020 the total return on the ASSA ABLOY share, defined as market price movement plus reinvested dividends, was –5.7 percent, compared with the reinvested SIX Return Index in Stockholm, which was up 14.8 percent. Over the ten-year period 2011–2020, the total return on ASSA ABLOY's Series B share was 284 percent, compared with the reinvested SIX Return Index in Stockholm which increased 193 percent.

## Changes in share capital

Year	Transaction	Series A shares	Series C shares	Series B shares	Share capital, SEK <sup>1</sup>
1989			20,000		2,000,000
1994	Split 100:1			2,000,000	2,000,000
1994	Bonus issue				
1994	Non-cash issue	1,746,005	1,428,550	50,417,555	53,592,110
1996	New share issue	2,095,206	1,714,260	60,501,066	64,310,532
1996	Conversion of Series C shares into Series A shares	3,809,466		60,501,066	64,310,532
1997	New share issue	4,190,412		66,541,706	70,732,118
1998	Converted debentures	4,190,412		66,885,571	71,075,983
1999	Converted debentures before split	4,190,412		67,179,562	71,369,974
1999	Bonus issue				
1999	Split 4:1	16,761,648		268,718,248	285,479,896
1999	New share issue	18,437,812		295,564,487	314,002,299
1999	Converted debentures after split and new share issues	18,437,812		295,970,830	314,408,642
2000	Converted debentures	18,437,812		301,598,383	320,036,195
2000	New share issue	19,175,323		313,512,880	332,688,203
2000	Non-cash issue	19,175,323		333,277,912	352,453,235
2001	Converted debentures	19,175,323		334,576,089	353,751,412
2002	New share issue	19,175,323		344,576,089	363,751,412
2002	Converted debentures	19,175,323		346,742,711	365,918,034
2010	Converted debentures	19,175,323		347,001,871	366,177,194
2011	Converted debentures	19,175,323		349,075,055	368,250,378
2012	Converted debentures	19,175,323		351,683,455	370,858,778
2015	Split 3:1	57,525,969		1,055,050,365	370,858,778

<sup>1</sup> SEK 1 per share before split in 2015 – number of shares at the end of the period and around SEK 0.33 per share after split in 2015. Number of shares at the end of the period 1,112,576,334 (including repurchase of own shares).

# Information for shareholders

## Annual General Meeting

The ASSA ABLOY Annual General Meeting 2021 will be held on 28 April 2021. The notice to convene the Annual General Meeting will be made in the prescribed manner.

## Nomination Committee

The Nomination Committee has the task of preparing, on behalf of the shareholders, proposals regarding the election of Chairman of the General Meeting, members of the Board of Directors, Chairman of the Board, Vice Chairman of the Board, auditor, fees for the board members including division between the Chairman, the Vice Chairman, and the other board members, as well as fees for committee work, fees to the company's auditor and any changes of the instructions for the Nomination Committee.

The Nomination Committee prior to the 2021 Annual

General Meeting comprises Carl Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Marianne Nilsson (Swedbank Robur funds), Liselott Ledin (Alecta) and Yvonne Sörberg (Handelsbanken Fonder). Carl Douglas is Chairman of the Nomination Committee.

## Dividend

The Board of Directors proposes a dividend to shareholders of SEK 3.90 per share for the 2020 financial year. In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two equal installments, the first with the record date 30 April 2021 and the second with the record date 23 November 2021. If the proposal is adopted by the Annual General Meeting, the first installment is estimated to be paid on 5 May 2021 and the second installment on 26 November 2021.

# Financial calendar and contact details

## Annual General Meeting and dividend

Annual General Meeting 28 April 2021

Shares traded excluding right to dividend of SEK 1.95  
29 April 2021  
Record day for dividend 30 April 2021  
Payment of dividend 5 May 2021

Shares traded excluding right to dividend of SEK 1.95  
22 November 2021  
Record day for dividend 23 November 2021  
Payment of dividend 26 November 2021

## Financial reporting

Interim Report January–March 2021 28 April 2021  
Half-year Report January–June 2021 19 July 2021  
Interim Report January–September 2021 27 October 2021  
Year-end Report 2021 4 February 2022

## Further information

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The cover of the annual report and some of the pictures in the report show the Royal College of Music in Stockholm. This college educates musicians and music teachers at the highest international level. Recently, the Royal College of Music moved into this new modern campus area that was custom-made for music education, and for creating, experiencing and researching music.

About 1,300 students, together with more than 200 teachers, work in the building. As a center for music, concerts and events are a natural part of its operation with hundreds of guests. The different activities in the building create a demanding environment for security and access.

To manage the access in a secure and convenient way a decision was made to install more than 300 ASSA ABLOY Pando readers and integrated WiFi-connected escutcheon DBL350, all controlled with ASSA ABLOY's ARX access control system. ARX is an easy system to use and a secure way to control connected readers and locks.



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