

Annual Report 2022

ASSA ABLOY

Experience a safer
and more open world

A man with dark curly hair and a beard, wearing a blue checkered button-down shirt and dark jeans with a brown belt, stands in front of a glass door. He is holding a white smartphone in his right hand, which is positioned near a black door handle. The phone's screen is lit up, and a green light is visible on the door handle, indicating a successful unlock. The background shows a modern building with large glass windows and some greenery outside.

Experience a safer
and more open world



Taking steps toward a profitable and sustainable future

To secure our long-term success and value creation, we further invested in product innovation, registered more patents and launched hundreds of new products and solutions. Efficiency measures were also identified for our next manufacturing footprint program along with energy reduction and renewable energy investments.





1 Who we are

We are the global leader in access solutions.
We are 52,000 employees in more than 70 countries around the world.

2 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.



3 How we operate

We are a global company with a uniquely decentralized business model. We have about 1,000 sites, including 179 production facilities and 155 R&D sites. Our strategic objectives guide our daily operations.

4 What we offer

Through our five divisions, we offer a complete range of innovative access solutions, including mechanical and electromechanical locks, cylinders, keys, tags, security doors, identification products and automated entrances.



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The annual accounts and consolidated accounts of the company are included on pages 44–98 and 102 in this document.

The year in brief

> Very strong sales growth

- Sales increased by 27% to SEK 120,793 M (95,007) driven by strong demand in our core markets in both the residential and commercial/institutional segments.
- Operating income increased 31% to SEK 18,532 M (14,181) with an operating margin of 15.3% (14.9).

> Acquisitions during the year

- In total, 21 acquisitions were completed, contributing to net acquired sales growth of 2% for the year.
- The US Department of Justice (DOJ) filed a complaint seeking to block ASSA ABLOY's proposed acquisition of the HHI division of Spectrum Brands. ASSA ABLOY and Spectrum Brands strongly disagree with the US regulator's characterization of the proposed transaction and in 2023 will vigorously contest in court this effort to oppose the transaction.

> Investments in product innovation

- Our efforts in product innovation continued and we spent SEK 4,834 M or 4% of our sales on R&D. These investments contributed to the launch of more than 450 new products and registration of 140 new patents during the year.

> Sustainability

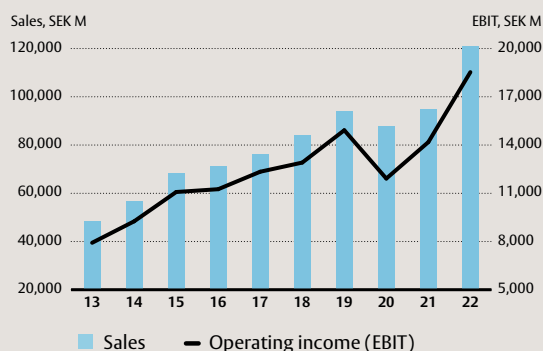
- Our science-based targets were ratified, confirming our goal to cut absolute Scope 1 & 2 greenhouse gas emissions by 50% and absolute Scope 3 emissions by 28% between 2019 and 2030.
- We made progress in 2022 and our absolute Scope 1 & 2 emissions decreased by 6% and are down by 20% since 2019.
- The implementation of the 2025 sustainability program continued and resulted in improved sustainability performance across the Group.

Key figures	2021	2022	Change
Sales, SEK M	95,007	120,793	27%
of which: Organic growth, %	+11	+12	
of which: Acquired growth, net total, %	+2	+2	
of which: Exchange rate effects, %	-5	+13	
Operating income (EBIT), SEK M ¹	14,181	18,532	31%
Operating margin, % ¹	14.9	15.3	
Income before tax (EBT), SEK M ¹	13,538	17,521	29%
Operating cash flow, SEK M	13,265	15,808	19%
Return on capital employed	15.2	16.9	
Dividend, SEK/share ²	4.20	4.80	14%

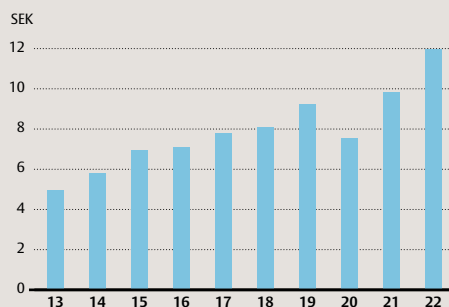
¹ Excluding items affecting comparability.

² As proposed by the Board of Directors.

SALES AND OPERATING INCOME (EBIT)¹



EARNINGS PER SHARE^{1,2}



“

Organic sales grew very strongly by 12% driven by robust demand in most of our core markets, including strong price realization and growth from product launches.

¹ Excluding items affecting comparability.

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

² Excluding items affecting comparability.



Goals and outcomes

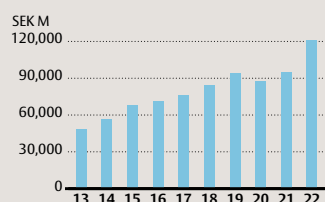
We have ambitious but achievable financial and sustainability goals. The financial targets are set to balance growth with a return rate that can generate substantial value. During the ten years prior to the pandemic, we grew

by more than 9% annually with an adjusted operating margin of more than 16%. The sustainability targets set for 2025 are a step on the way to our goal of becoming carbon neutral by 2050.

OVER A BUSINESS CYCLE

10%

Annual growth through a combination of organic and acquired growth



16–17%

Operating margin¹



¹ Excluding items affecting comparability.

Growth

Sales grew by 27% in 2022 driven by very strong organic growth thanks to the robust demand in our core markets, positive currency effects as well as acquired growth which contributed with net 2% in sales.

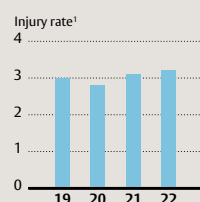
Margin

The adjusted operating margin increased to 15.3 (14.9) despite significantly higher material costs and component shortages that impacted the operating leverage negatively. The margin was diluted by our acquisition activity by 30bps.

TARGET 2022 VS. 2019 (BASE YEAR)

–33%

Injury rate



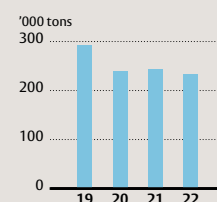
¹ Number of injuries per million hours worked.

Injury rate

The injury rate decreased by 0.5% in 2022 excluding acquisitions, but increased by 4% including new acquisitions. We continue to introduce systematic actions throughout the organization and especially in new acquisitions with initiatives and awareness campaigns to reduce the injury rate.

–25%

Carbon footprint absolute



Greenhouse gas emissions

Our Scope 1 & 2 greenhouse gas emissions decreased by 6% due to efficiency measures and increased use of renewable energy. Emissions decreased by 20% compared to the base year 2019, and we are on plan to achieve the target for 2025 of a 25% emission reduction in absolute terms compared to 2019.

Another strong year

In 2022, demand recovered in most of our core markets to above pre-pandemic levels and we can report a very strong organic sales growth of 12% that contributed to an operating profit increase of 31%. While the demand was strong, the operational environment was challenging, primarily due to unprecedented supply chain disruptions and high inflationary pressure. With our decentralized operating model and our strong operations team, we were able to mitigate these challenges. We continued to invest for the future and our investments in product innovation increased by 23%. We also completed 21 acquisitions. Our science-based targets were ratified in line with the Paris agreement and since 2019 we have reduced our absolute greenhouse gas emissions by 20%.

Sales grew very strongly in 2022 and increased by 27% to SEK 120,793 M driven by 12% organic growth, 13% positive currency effects and 2% net growth from acquisitions. The very strong organic growth was driven by high demand in most of our core markets, including price realization of close to 6% and growth resulting from more than 450 new product launches. Our sales are now higher than before the pandemic in four of our five divisions.

There was a high level of M&A activity and during the year we acquired 21 businesses with combined annual sales of more than SEK 7 billion. These companies will strengthen our product offering and market penetration and we are excited about having them in the ASSA ABLOY family. The acquisition of the Home and Hardware (HHI) division of Spectrum Brands was delayed as the US Department of Justice (DOJ) in September filed a complaint seeking to enjoin our proposed acquisition of HHI. This transaction will now be decided in court and to fully resolve the alleged concerns raised by the DOJ, we have agreed to sell significant parts of our US and Canadian residential businesses to Fortune Brands, dependent on our successful defense against the DOJ in the court.

The operating environment was at times very challenging during the year, particularly with a very disrupted supply chain, record high material costs and accelerating inflation. To address this, we took proactive decisions early on and launched mitigation actions. For example, where possible, we increased our inventory and secured additional freight partners to ensure ocean freight capacity. We also re-

MSEK
600

efficiency savings
from manufacturing
program

MSEK
120,793

total sales

MSEK
18,532

operating result

designed several products, which enabled us to source electronic components from more suppliers. This guaranteed our production capacity and permitted us to keep our customer promises as much as possible.

With this in mind, delivering an operating leverage of 20% is a strong achievement and was a key reason for the operating margin increasing by 40bps to 15.3% and the operating profit growing by 31% to SEK 18,532 M (14,181) in 2022.

Divisional development

Demand was very strong in the US market and in combination with solid operational execution contributed to an organic sales growth of 17% in the Americas division. Both the residential and commercial/institutional segments performed strongly. In response to the higher material costs, we implemented price increases that resulted in an even stronger margin than last year.

Entrance Systems also grew very strongly by 17% organically with strong performance on the US market, particularly for our residential segment. Price adjustments were implemented to compensate for the high material costs, and this also helped us achieve a record high margin for the division.

The recovery in Global Technologies continued and organic sales grew 15%. Volumes within Hospitality remained lower than before the pandemic, but there was a significant recovery during the year. Global Technologies was impacted by component shortages particularly related to semiconductors, which led to longer delivery times. By redesigning HID readers and controllers, we were able to reduce a significant part of the backlog in the second half of the year.

Despite geopolitical uncertainties and a slowdown in some of the central European economies during the second half of 2022, sales growth was strong in the EMEA division with an organic growth of 5%. The growth was driven by Scandinavia and the emerging markets. Energy costs were at record high levels in Europe, but thanks to efficiency initiatives and price adjustments, the challenges were mitigated and for the full year the margin improved by 40bps to 14.6%.

In the APAC division, our sales decreased by 5% due to the very weak real estate market in China and Covid-19 related lockdowns throughout the year. However, all other markets in Asia Pacific reported strong to very strong sales growth. The lower sales in China impacted the margin, which decreased to 1.2% (5.7%).

Investments in the future

While addressing the pandemic, record high material costs and the operational challenges in our supply chain, we continued to invest in order to secure our long-term success and value creation. Our overall strategy is explained on pages 14–27.

Important achievements during the year include the launch of more than 450 new products and registration of 140 patents. The products cover all our product areas, with a particular focus on our electromechanical products and our mobile credentials offering. In 2022, we for example issued as many mobile credentials as we had previously launched over the last 10 years. We also collaborate with the leading global technology players for mobile access and are leading the industry. Another growth area is the development of more connected products, which also enables us to grow our subscription/recurring revenue. About 5% of our sales are now subscription based and this category grew 20% in 2022. Digital door locks for our residential customers also continue to grow strongly and we are convinced that most households in the future will have digital door locks. In total, our currency adjusted electromechanical sales grew by

15%, confirming that the investments we make in product development pay off.

To remain the industry leader, our costs must be competitive, and we will launch our ninth manufacturing footprint program in the beginning of 2023. In addition, we have continued to implement lean activities in our decentralized operations and invested in further automation and industry 4.0. In the Americas, for example, we phased in close to 80 robots and automation systems during the year. These actions will ensure that our operations continue to be among the most efficient in the industry.

All the progress we make would not be possible without our amazing people. We continue to invest in our people through training and by further building the ASSA ABLOY culture. This will ensure that we continue to remain an attractive employer that can attract the best people.

Altogether, our actions have accelerated our organic growth and over the last five years, we realized a compound annual growth of more than 5%.

Sustainability provides opportunities and makes us stronger

Another investment in the future is our sustainability work, both in product development and in our operations. The demand for green-certified access products is growing and green specifications in EMEA grew by almost 20% in 2022. We expect this positive trend to continue as more building owners start to use green certification for their buildings.

Sustainability is also a driver for a more efficient operation. Long before energy prices hit record-high levels, we worked on energy efficiency actions. This helped us to mitigate some of the higher energy costs during 2022. In fact, our energy usage decreased by 5.5%, despite our significant increase in production volumes. We are also investing in more renewable energy, which reduces our exposure to the traditional energy market.

During 2022, we made good progress on our 2025 sustainability program. We are on track to deliver significant absolute emission reductions in line with our 2025 sustainability targets. Our science-based target commitment to reduce absolute greenhouse gas emissions by 50% between 2019 and 2030 was ratified, including a Scope 3 emission target reduction of 28%. These targets are very challenging, but we have a plan with concrete actions in place to deliver these commitments. This will also reduce our risks and make us even more competitive in the future.

A future with many opportunities

During the last few years, we have experienced unprecedented events that have led to significant disruptions in society. Despite this, our performance has demonstrated that we are a very robust organization with a proven strategy and strong execution. Even if the short-term operating environment is uncertain, we are operating in an industry with underlying market trends that support strong demand for our products and solutions. ASSA ABLOY is uniquely positioned to remain the global leader in access solutions. With the investments we make in product innovation, in operations and in our people and organization, we are very well prepared to grasp the many opportunities in our markets.

Thank you for your trust in ASSA ABLOY!
Stockholm, 1 March 2023

Nico Delvaux
President and CEO



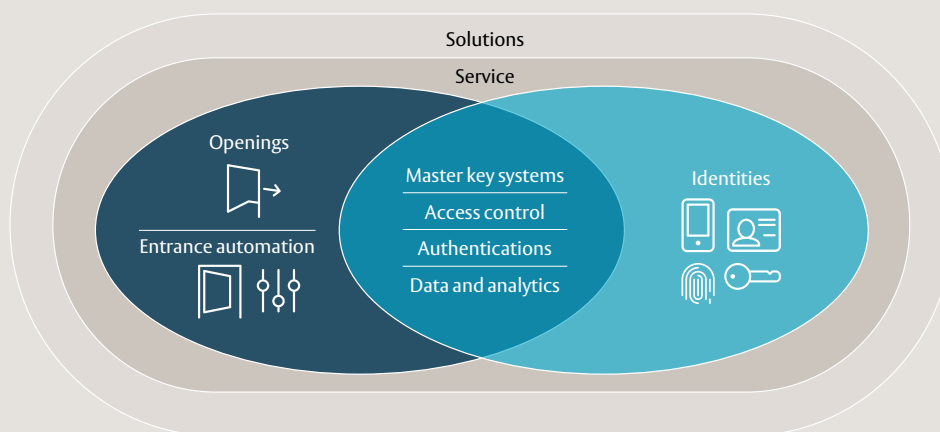
Who we are

The global leader in access solutions

The ASSA ABLOY Group is the global leader in access solutions. Every day, we help billions of people 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

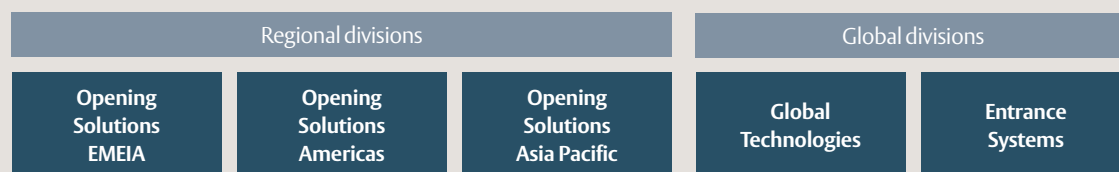
We offer a complete range of access solutions with market-leading positions in areas such as mechanical and electromechanical locking, access control, identification technology, entrance automation, security doors, hotel security and mobile access. Our offerings are delivered both separately and together as part of a full-service access solution.



A decentralized organization

We are a global company with a uniquely decentralized business model that enables us to quickly meet and deliver on customer needs. Our local business units know local standards inside-out and optimize resources and products according to the local conditions and demand.

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 access solutions, identification products and entrance automation in the global market. Read more on pages 30–41.



Strong brands

Our brands play an important role in building trust, loyalty and differentiation. ASSA ABLOY is our employer brand and the main brand for commercial openings and entrance automation, Yale covers the residential market and HID identification and access management. To reach all our stakeholders, we have also other endorsed and standalone brands, that all together add up to about 190 brands globally.

ASSA ABLOY

Group brand and employer brand

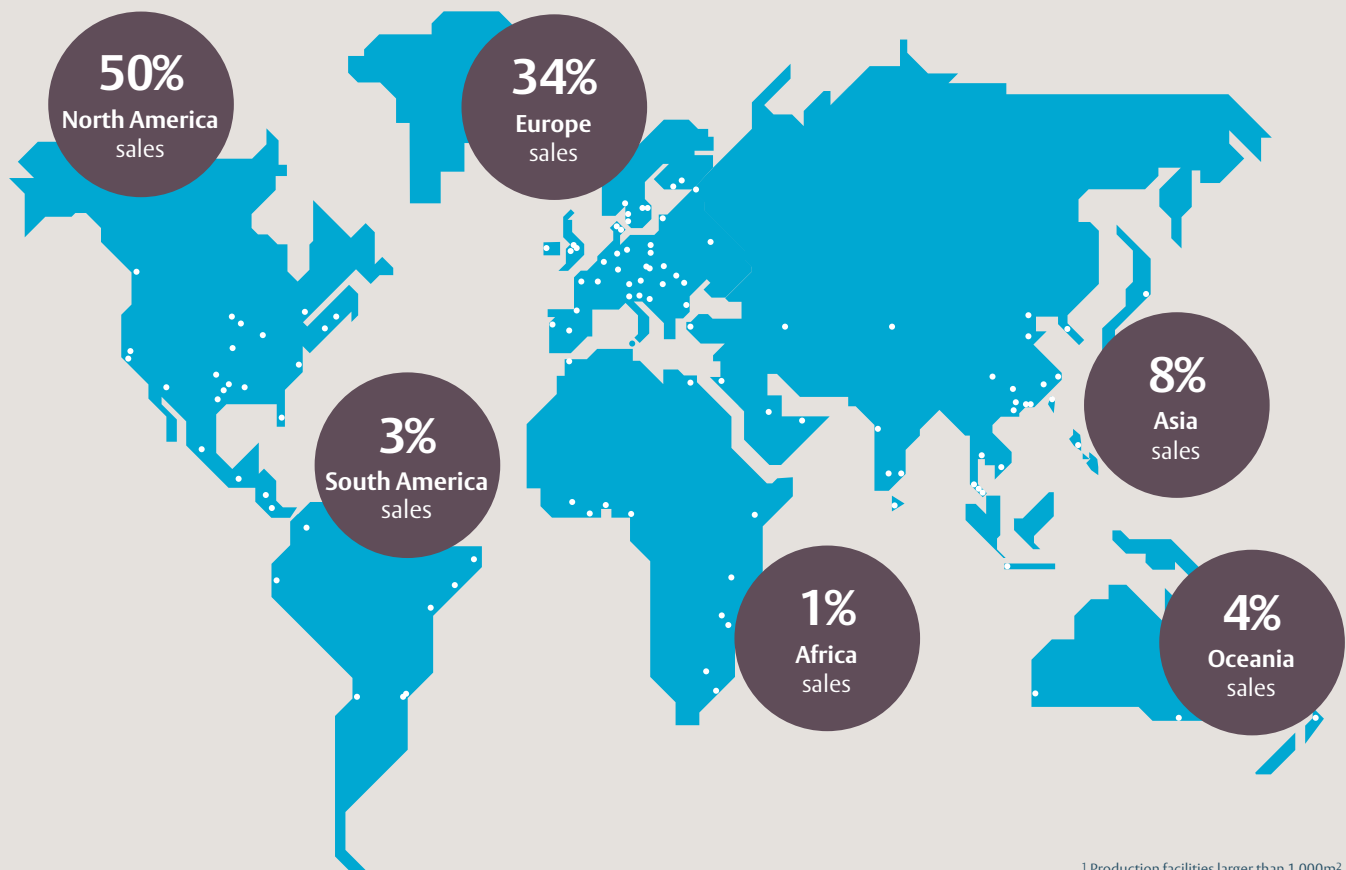


Master brands

Truly global and uniquely local presence

Country sites and larger facilities

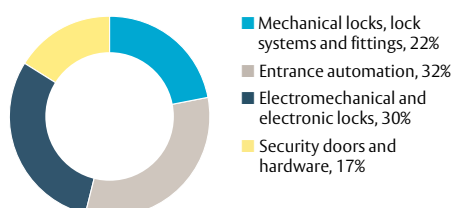
In total, we have about 1,000 sites, including 155 R&D sites and 179 production facilities¹. Other sites consist of distribution centers and offices. ASSA ABLOY has operations in more than 70 countries.



Electromechanical on the rise

The Group sees fast-growing demand for electromechanical products and solutions. Since 2012 these have increased from 22% to 30% of Group sales. Mechanical products continue to grow, but electromechanical products are growing considerably faster.

Sales by product group



Together we create access

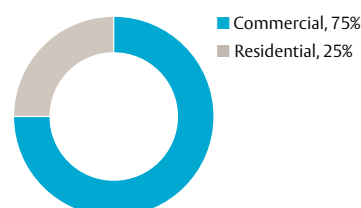
52,000
employees

>70
countries

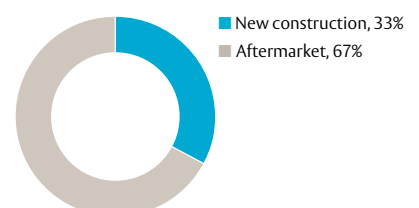
6%
of our employees
work in R&D

9,500
patents

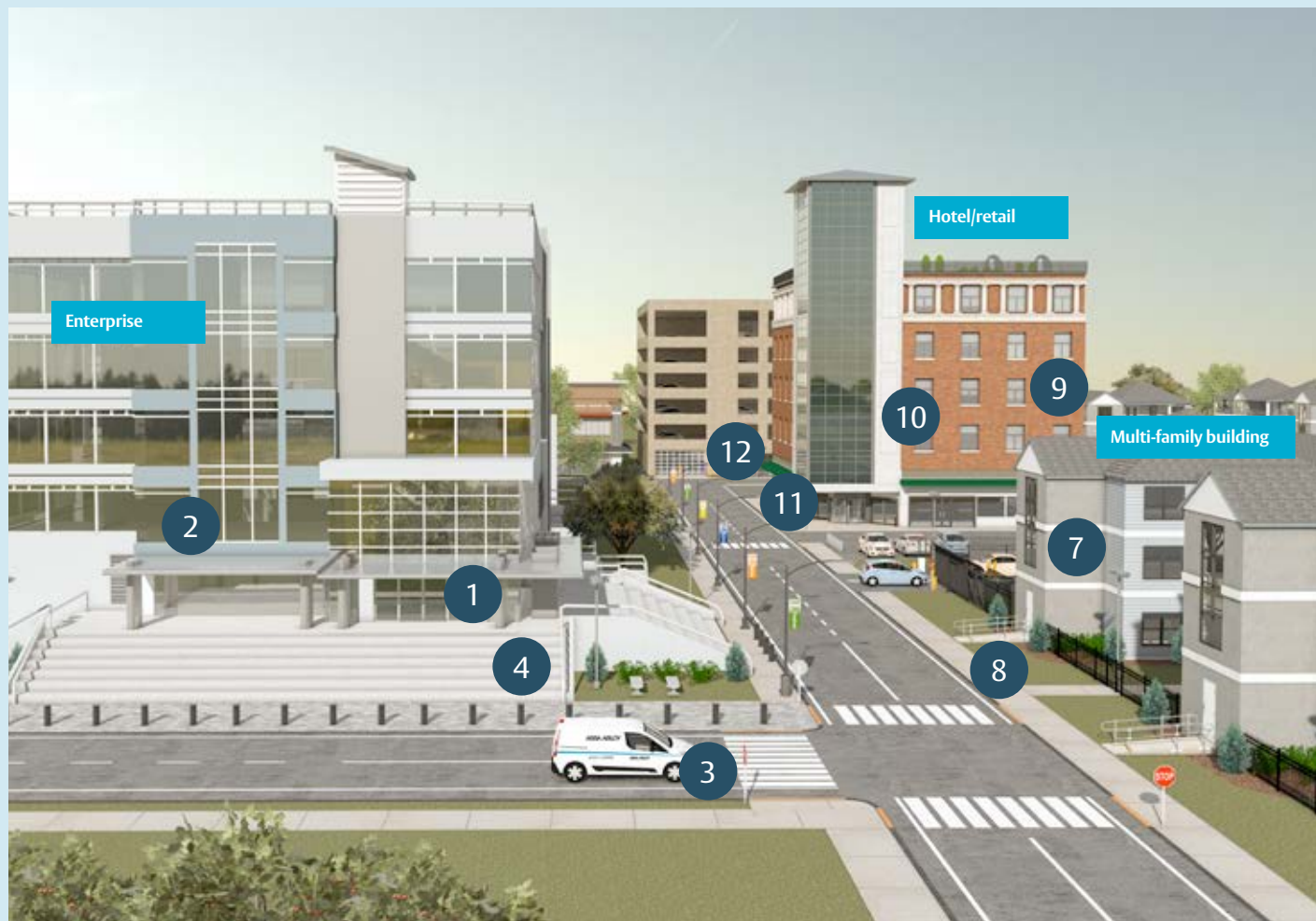
Customer split



New construction/Aftermarket



ASSA ABLOY in your daily life



We are part of people's daily lives all over the world! We provide access solutions from the perimeter to the core of buildings. ASSA ABLOY's products and solutions can be found in your home, at work or school, when you shop or travel. Some products are readily visible like keys, locks and doors, while other products are embedded in solutions such as e-passports and identity solutions.

Enterprise

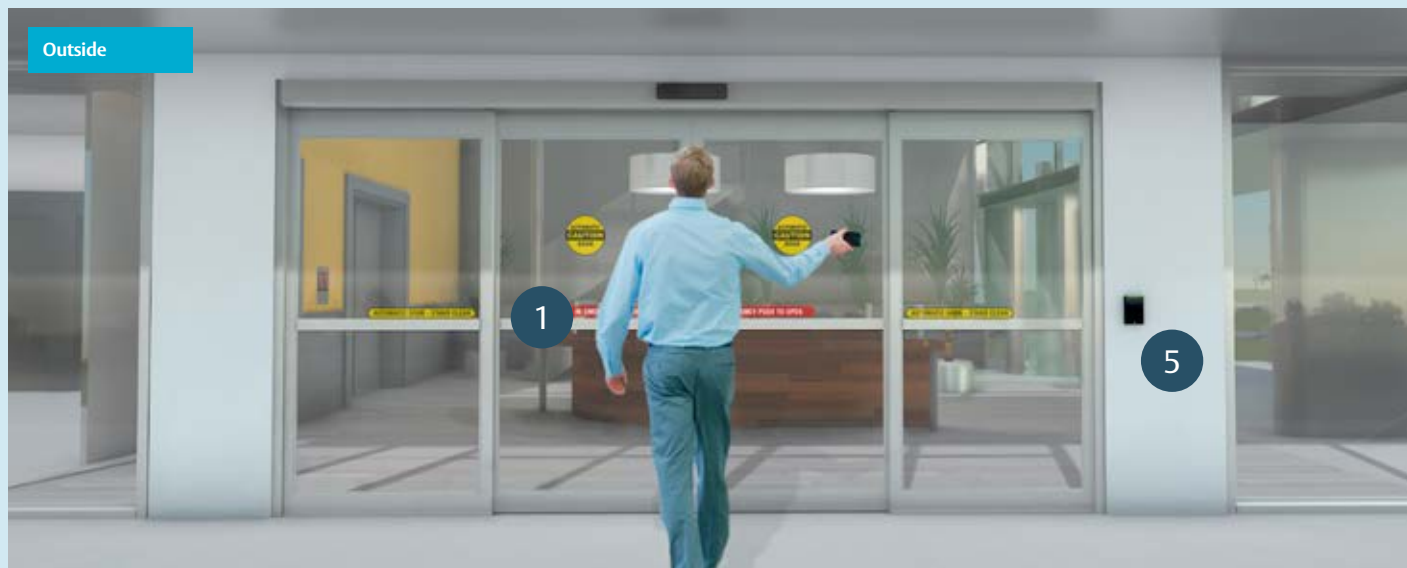
- 1 Automatic sliding doors are particularly suitable for entrances and indoor areas with high pedestrian traffic. Automatic sliding doors allow people to enter a building conveniently without having to manually open doors.
- 2 Inside the building, there are mechanical and electromechanical key systems as well as software and solutions for access control. There are also systems and solutions for secure issuance and management of identities with specific security requirements, such as employee ID cards. Positioning solutions provide a secure and digital solution to address social distancing, workplace optimization and contact tracing to locate, notify and isolate employees whose health has been compromised.

- 3 ASSA ABLOY has a complete offering for service, maintenance and upgrading of automatic entrances and loading docks to enable a more seamless customer experience.
- 4 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 into security and alarm systems.
- 5 Mobile keys, physical access control systems including readers and controllers are used to manage access in the building.
- 6 Electromechanical locks and other hardware such as security-rated doors, frames and delivery lockers work together with physical access control systems, including readers and controllers to manage access and package deliveries.

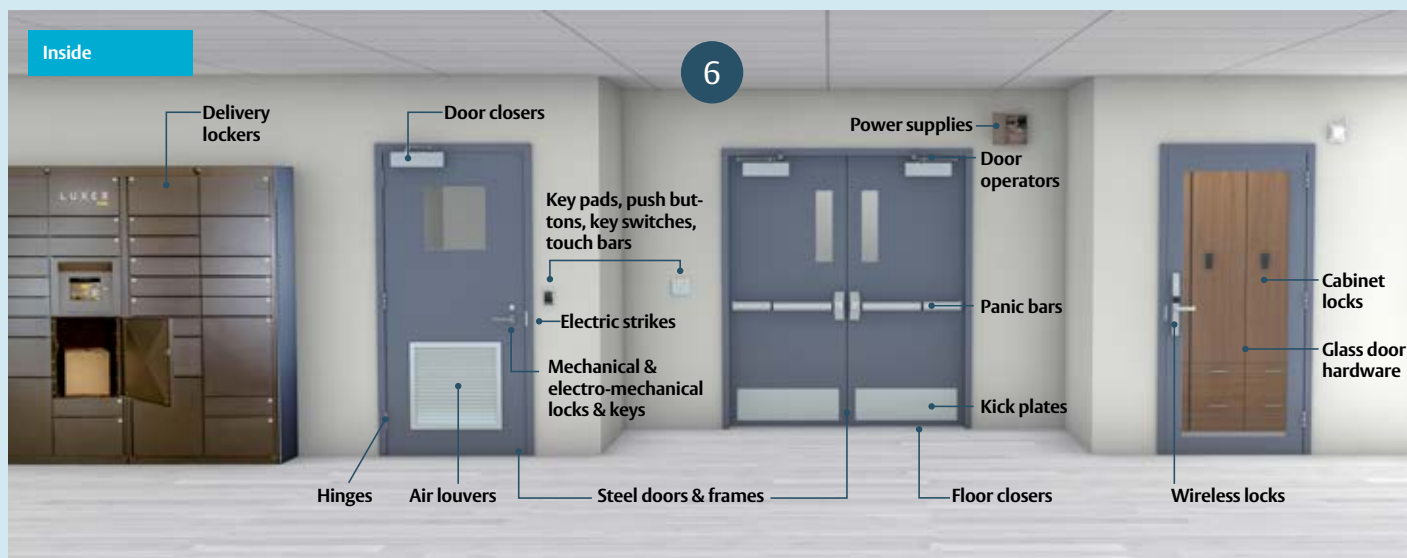
Multi-family building

- 7 We provide complete solutions for multi-family buildings, ranging from mechanical locks to sophisticated, customized access control systems. Digital door locks can be easily opened using a code or a mobile app. The app enables remote control of the lock to let in authorized people and to, for example, open the door for service and deliveries directly into the home.
- 8 High-security fences and gates protect against unauthorized entry to the premises.

Outside



Inside



Hotel/retail

9 We provide complete access solutions for retail and hotel establishments. For the hospitality industry, our offerings include mobile access solutions, access management systems, staff safety, in-room safes and energy control.

10 With mobile access, hotel guests can book a room directly from their smartphones. Secure Seos technology then sends a digital key to the guest's mobile phone, enabling the guest to bypass the front desk and go directly to the room to unlock the door. The solution is connected to the hotel's booking and security systems, and the digital key will be deleted upon check-out.

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

12 Garage doors, bars and gates are safe and simple to connect to the building's access control system.



How we
create value

Strong trends drive our industry

The security industry is subject to strong underlying trends that support growth and demand for our products. The basic need for safety and security is one of the most fundamental needs. Convenient and secure access solutions, combined with an increased focus on energy efficiency in buildings, will drive profitable growth in our industry for the foreseeable future.

Market overview

The global access solution industry is an ever-evolving industry that is currently estimated to be worth more than USD 100 billion annually. It has a history of stable growth, driven by the development of more secure and innovative access solutions that focus on convenience and improving the sustainability performance of buildings.

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

Growing trends

There are plenty of favorable trends driving an increased demand for access solutions, including fulfilling the individual's most basic need for safety and security. The digitalization of the industry enables us to provide more convenient solutions and also shift towards more service-based solutions offerings. At the same time, the demand for more sustainable and resilient products is fueled by the strong growth in green buildings and more sustainable urban environments around the world.



Trends

Demand for safety and security

The desire for safety and security is fundamental. 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.

Movement of people and demographic changes

The demand for buildings and access solutions is increasing with more people moving and changing demographics. Urbanization is taking place around the world, with the most apparent shifts in the emerging markets where an increased need for housing, workplaces and commercial buildings is driving demand for access solutions. For example, the United Nations projects that the urban population will increase by 2.5 billion people by 2050. This is fueling the demand for access solutions. At the same time, we are starting to see a de-urbanization trend in some developed markets as a result of the pandemic. This generates a need for new housing and commercial buildings to be built in more rural areas. Other demographic trends driving demand for our products and solutions include an ageing population, migration, millennials entering the housing market and the transition to smarter cities.

Digitalization and new technologies

Rapid development of digital solutions continues in all areas of society and places demands on new digital technologies, including access solutions. This opens up opportunities to develop new, more convenient, and secure access solutions. We see the shift in product mix to more electromechanical products continue and bring with it many business opportunities, while supporting recurring revenue. We also see the emergence of new business models such as shared economy, everything as a service (XaaS) and ecosystems, which provide further opportunities for our products.

Sustainability

As concerns for the environment grow, customers are increasingly looking for sustainable products and solutions. This increases the demand for more green buildings and access systems. 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 increasing regulation for more energy-efficient buildings and access solutions.

Local regulations

ASSA ABLOY is one of the few global players in the industry capable of supplying access solutions that comply with the local markets' constantly changing regulations, standards, and requirements. This fosters good customer relations and increases market demand and industry complexity.

ASSA ABLOY's response:

ASSA ABLOY provides state-of-the-art products and services related to openings and entrance automation as well as trusted identities with the safety and security of our customers in mind.

With our local organizations and strong regional knowledge, we can be agile and proactively invest in markets where we see the movement of people and demographic changes taking place.

With our sizeable R&D organization, we are at the forefront of developing new solutions to meet the ever-changing needs for secure and safe access solutions. The proportion of electromechanical products that we sell has increased from 22% to 30% over the last ten years. To be able to benefit from the arrival of new business models, we are investing in strategic products and solutions as well as entering into partnerships specifically targeting these new business models.

We are developing products that help our customers reduce their environmental impact and also offer Environmental Product Declarations (EPD). EPDs make our products more attractive because they help our customers to achieve higher ratings in their green building certification. We see that our efforts on EPDs are paying off, particularly in Europe where the demand for green specifications has increased by more than 200% since 2019.

We have a strong local presence with local manufacturing and assembly lines in both mature and emerging markets. Having operations in more than 70 countries enables us to quickly deliver and respond to local customer demands.

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 for our shareholders and other stakeholders. Together we create value!



Our resources

52,000

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

3,300

employed in R&D working with our sustainable innovations

190

strong brands and diversified product portfolio

9,500

patents

179

efficient production and assembly facilities

~50,000

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

SEK 86 bn

in shareholder equity



How we operate

We are a global company with a uniquely **decentralized business model** with about 1,000 sites including 179 production facilities¹. We use a **multi-brand strategy** to leverage our global and local strengths and address different market- and customer segments and routes to market. Acquiring relevant businesses to continue our growth is key in our strategy.

The Group's strategic direction is to lead the trend towards the world's most innovative and well-designed access solutions.

Our strategic objectives and activities are executed locally, which gives a high level of autonomy in decision-making so we stay close to our customers.

Financial targets

10%

growth / business cycle

16–17%

EBIT / business cycle

Strategic objectives

- Growth through customer relevance
- Product leadership through innovation
- Cost-efficiency in everything we do
- Evolution through people

Strategic activities

- Continue with successful acquisitions
- Grow in emerging markets
- Increase service penetration
- Actively upgrade installed base
- Generate more recurring revenue



Sustainability

Sustainability is part of everything we do throughout ASSA ABLOY's value chain.

Together we are guided by our core values and beliefs



Empowerment
We have trust in people



Innovation
We have the courage to change



Integrity
We stand up for what's right



¹ Production facilities larger than 1,000m².

A
more
open
world

Value creation to stakeholders in 2022

Shareholders and investors

- Dividends and capital appreciation

SEK 4.7 bn
dividend paid

Employees

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

SEK 33.8 bn
in salaries and other remuneration

Customers

- Increased security and competitiveness for our customers
- Sustainable products with Environmental Product Declarations

>450
new products launched

Suppliers and partners

- Technological development
- Stable partner

SEK ~59 bn
in supplier payments

Society

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

SEK 4.2 bn
in income tax

Our offering

Our aim is to deliver **safety, security and convenience**. We offer a **complete range of unique and innovative access solutions**.



30%

Electromechanical products



32%

Entrance automation



17%

Security doors and hardware



22%

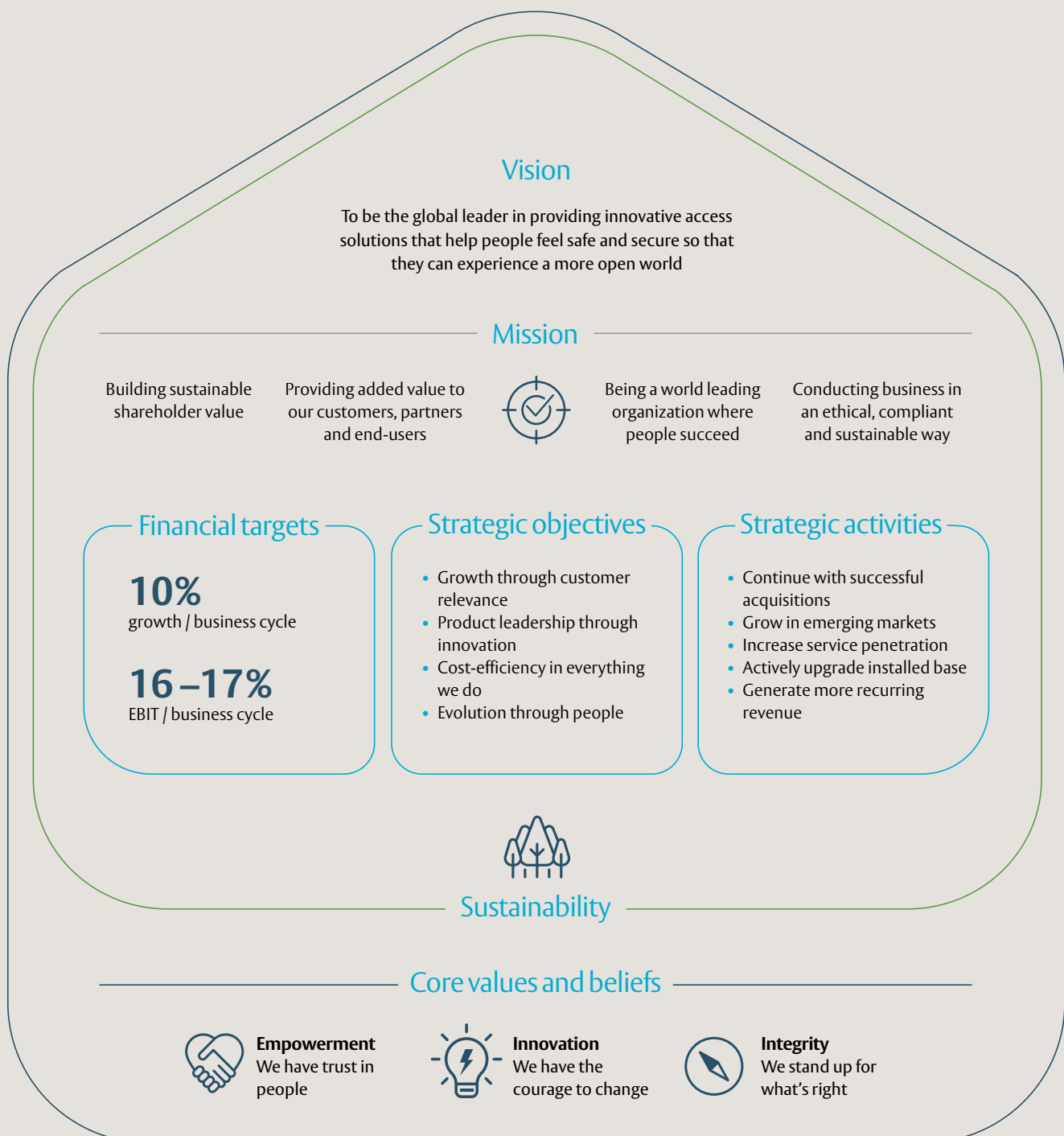
Mechanical locks



How we
operate

Our strategic framework

The ASSA ABLOY strategy house is our common strategic framework. It contains all the cornerstones of our strategy and gives direction and guidance to all our employees.





Vision and mission

Our vision gives us direction and describes what we want to achieve as an organization. It is to be the global leader in providing innovative access solutions that help people feel safe and secure so that they can experience a more open world.

Our mission describes our role as a company, our reason for being and how we aim to serve our key stakeholders.

Financial targets

Our financial targets are what we are aiming to achieve financially over a business cycle. Our sales growth target of 10% per year is based on 5% organic growth and 5% growth through acquisitions.

Strategic objectives

Our strategic objectives are the cornerstones of our strategy which guides us in everything we do. These are further described on pages 20–27.

Strategic activities

Our strategic activities are shared across our divisions to enable and accelerate growth.

Growth accelerators are the key priorities across our divisions to drive an accelerated growth into the future while growth enablers are the actions and resources that support and fund our growth accelerators. These are described in greater detail on pages 16–17.

Sustainability

We view sustainability as a journey of continuous improvement, built on a foundation of transparency and integrity. It is integrated into everything we do. As an industry leader we also have a responsibility to play our part to mitigate climate change and ensure the health and safety of our employees. Our commitment to science-based targets demonstrates our willingness to further improve our competitiveness with sustainable products, solutions, and operations.

Customer demand for more sustainable products is driven by the strong growth in green buildings and more sustainable urban environments around the world. Supporting customers in fulfilling their sustainability agenda will be essential for accelerating organic growth through customer relevance going forward.

Core values and beliefs

Our core values are: empowerment, innovation, and integrity. They are the backbone of how we treat each other and how we work with our stakeholders. With our values, we want to make it clear what our organization stands for. The values foster a sense of security and trust as well as a feeling of fellowship and cooperation. They guide us in our daily decisions and inspire us to act, enabling opportunities for all employees to grow and develop. This is reflected through “Together We” – a culture initiative throughout ASSA ABLOY.

Strategic activities to accelerate growth

Our strategic activities are shared across our divisions to accelerate growth. Growth accelerators are the key priorities shared by all divisions to accelerate future growth, whereas growth enablers are the actions and resources that support them.



Growth accelerators

Continue with successful acquisitions

We make acquisitions to extend our core, and bring in new technologies and services. In order to succeed, it is crucial to have a steady pipeline of acquisitions and effective integration processes in place.

Since ASSA ABLOY was founded in 1994, we have acquired more than 300 businesses that have generated significant value. The businesses that we acquire are often leading access providers in their respective markets with well-established customer bases and brands with strong growth potential to contribute to our financial targets. We see many opportunities to continue our acquisition journey and our divisions have identified more than 900 potential acquisition targets globally.

In 2022, we completed 21 acquisitions with combined annual sales of more than SEK 7bn. We are also in the process of the largest acquisition in our history - the Hardware and Home Improvement business unit of Spectrum Brands.

Grow in emerging markets

Emerging markets represent an area with great untapped potential for us. Our strategy to capture growth in these markets builds on investing in a local presence with relevant localized products, complemented by acquisitions to accelerate our local presence. Our ambition in the coming years is to grow through a combination of organic growth and acquisitions.

Increase service penetration

We are actively working to grow our service business. Through service agreements, we can provide additional value to our customers in terms of uptime and extended lifetime, while increasing sales, profitability and customer loyalty. We are therefore investing in increased capacity both organically and through acquisitions to expand our service offering. Service represented 25% of sales in Entrance Systems in 2022. We see opportunities to annually grow this offering in the high single digits going forward.

Upgrade installed base

We have a large installed base that offers great opportunities for upgrades. In recent years, we have seen an increased pace in the transition from mechanical to electromechanical solutions. Upgrades also provide opportunities for improved solutions that use software and generate recurring revenue.

The growth of electromechanical products and solutions was more than 10% annually in our regional divisions before the pandemic and in 2022 the growth was 15%. The biggest opportunities are in the commercial and institutional segments which make up most of our business. At the same time, the transition from mechanical to electromechanical solutions will support recurring revenue and software monetization.

Generate more recurring revenue

Technological developments provide us with opportunities to increase our recurring revenue through software licenses, services, identity management and service agreements as the demand for electromechanical and digital solutions increases. Our strong brands and brand loyalty give us a strong foundation to actively approach our customers with additional products and services. Today about 5% of our sales is generated by subscription sales and this is one of the fastest growing segments in the Group.

Growth enablers

Consolidate footprint while focusing on value added activities

We have constant opportunities to target savings and find synergies, due in part to our frequent acquisitions. We have been working successfully with Manufacturing Footprint Programs (MFP) for more than a decade to capture cost savings within our operations and consolidate offices where it makes sense to do so. We will continue to focus on reducing the number of sites by investing in product-focused and cost-efficient manufacturing sites and configuration hubs to customize products close to our customers.

Optimize supply chain and logistics

In recent years, we have witnessed increased pressure on the global supply chains. This makes it even more important for us to continue to target improvements in our global supply chain. We strive to capture cost savings, improve delivery performance, and lower our environmental footprint. By consolidating platforms, phasing out legacy products and reducing complexity, as well as having more standardized digital processes, we can achieve further efficiencies and de-risk our end-to-end supply chain to better support our customers.

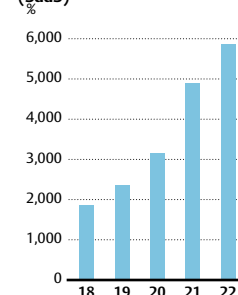
Reduce product cost and environmental impact

We are constantly reviewing our supply base and streamlining our component range to leverage volumes. We use multi-tendering, benchmarking, and Group-wide contracts. Professional sourcing and strategic partnerships help us to reduce costs and make sure we are more competitive. All of our divisions are working with Value Analysis and Value Engineering. Both processes systematically reduce costs while taking into consideration a product's design, components and production methods, in order to enhance customer value with improved quality. Throughout these processes we actively seek to reduce our environmental impact.

“

Our strategic activities guide us in our daily efforts to enable and accelerate growth.

Software as a Service sales (\$aaS)



ASSA ABLOY
in your daily life

“

The expertise, craftsmanship, quality, and support from ASSA ABLOY enabled us to deliver what we envisioned for the Peabody Museum.”

MARK SIMON, FAIA, PRINCIPAL,
CENTERBROOK ARCHITECTS AND PLANNERS

Customized door hardware adds a unique touch to prestigious museum's many doors

ASSA ABLOY Opening Solutions Americas has developed custom door hardware that reflects the essence of one of the most important scientific institutions in the US – the Yale Peabody Museum of Natural History.

Q Tell us about the project.

A – Designed by Charles Z. Klauder in 1917 and completed by 1926, the Peabody Museum of Natural History is an iconic building on Yale University's campus and is one of the oldest, most important scientific institutions in the United States.

We started working on this project over 10 years ago – to envision and plan the first comprehensive suite of renovations and additions since 1925. From the start, we knew it would be an incredible project that needed unique and special solutions.

Q What were the main challenges?

A – The Peabody Museum strives to ignite visitors' curiosity. Everything that visitors touch, see and feel, both in the exhibits and in the things around them, become part of the experience. Our intent was to enhance that experience with custom door levers, rosettes, and pulls, that not only reflect

the natural forms within the museum's collections, but also feel good when gripped by the hand. Our desire to deliver a compelling sense of place and experience was the genesis of our collaboration with ASSA ABLOY.

Q What was the solution?

A – The team at ASSA ABLOY worked with us to understand and conceptualize our vision and, subsequently, translate that into custom-designed products. We collaborated on a coordinating custom door lever, rosette and door pull, that will trim the museum's door openings. “Osteo-Architecture” may best describe the inspiration that informed these designs. Organic in form, reflective of the collections housed in the museum, the door levers and pulls are cast in brass, weighty, and have a sculptural quality that conforms perfectly to the palm of the hand. The expertise, craftsmanship, quality, and support from ASSA ABLOY enabled us to deliver what we envisioned for the Peabody Museum.

CASE FACTS

Project: Yale Peabody Museum of Natural History.

ASSA ABLOY products and solutions: Custom-designed door levers and pulls.

Energy harvesting locks are the perfect fit for a sustainable housing complex

ASSA ABLOY Opening Solutions EMEA provided energy-saving access solutions for the new "A Place To" complex in Esbjerg, Denmark, which focuses on maintaining a green profile throughout the buildings' life-cycle.

Q What were the main challenges of the project?

A – The "A Place To" complex consists of over 300 apartments in three towers that connect with common areas, offering multiple opportunities for social activity and co-living. The customer sought a convenient access control solution that offered access to the residents' apartments and public areas such as the entrance and the co-living spaces, while also addressing their green profile and low environmental footprint.

Priorities were to find an energy efficient and scalable system providing cloud-based management and integration with other building technologies.

Q How did ASSA ABLOY support the customer's sustainability efforts?

A – ASSA ABLOY sought an energy-saving access solution in keeping with A Place To's contemporary style and sustainability ethos. PULSE key-operated electronic cylinders are self-powered and run without any external energy source, as the power generated on key insertion is harvested to energize encrypted electronic security. It was a big plus with PULSE that keys and locks are battery and cable free.

Q How does the solution improve the daily convenience for the onsite staff?

A – Staff has 24/7 control from anywhere. Through the Incedo Open software, administrators can change access permissions online, and keys are quickly updated at integrated door phones or online readers. Disabling lost keys and tracking who has used a lock at any time, helps to create an increased sense of security among residents. The platform-based Incedo ecosystem is future-proof, so there is the possibility of new integrations with other systems. If the demand grows, they can easily add new features or capacity.

“

Through the Incedo Open software, administrators can change access permissions online, and keys are quickly updated at integrated door phones or online readers.



ASSA ABLOY
in your daily life

CASE FACTS

Project: A Place To, Denmark.

Devices installed:

PULSE cylinders secure more than 300 apartments, all controlled by Incedo cloud-based software.

Strategic objective #1

Growth through customer relevance

Organic growth is our strongest value creator. To succeed, we have segmented our customer base for a clearer focus on the varying market needs of our customers. Through our local presence, global leadership, processes and tools, we continue to gain in-depth customer insights and knowledge to exceed our customers' demands and fuel the growth of our company.

No. 1

in the world within access solutions.

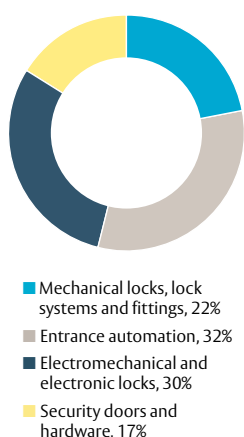
20%

increase in subscription sales in 2022.

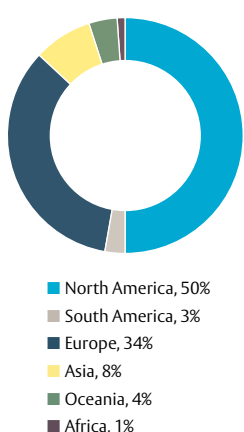
>20%

organic growth in e-commerce sales.

Sales by product group, 2022



Sales by region, 2022



Market insights and segmentation

We continuously monitor trends, customers and competitors, to improve our market insights. We have segmented our markets into end-user verticals to gain a deeper understanding of the specific needs of customers and end users so we can deliver customized and targeted products and solutions.

Acquisitions help us increase our customer relevance and cater to specific markets. For example, the acquisition of Vigil Health Solutions, a leader in innovative call systems and resident monitoring for senior living, strengthens our offering within senior care. Another example is the acquisition of Alcea, a provider of security supervision software and associated access control hardware, that together with system partners, is providing total access management solutions. This is an acquisition that strengthens our position within critical infrastructure.

Institutional and commercial markets represent about 75% of total sales, while smart locks and the smart home trend are driving sales in the residential market, which accounted for 25% of total sales in 2022. The aftermarket continues to represent a large portion of our sales – 67% – ensuring stable demand through renovations, replacements, and upgrades, as well as services. New construction accounted for about 33% of sales in 2022, driven primarily by growth in the residential market and certain non-residential segments.

Rewarding customer experiences

Offering a world-class customer experience is a key element in our efforts to be the brand of choice and nurture loyal customers.

Our goal is to improve customers' experience across all touchpoints with our brands, and we are dedicating resources and directing investments to better understand our customers' journeys and identify opportunities for improvement. During 2022, we took further steps to enhance the customer experience by adding a dedicated Group customer experience team. We also began rolling out a Group-wide customer experience strategy.

All of our divisions now use Net Promoter Systems®

(NPS®) alongside targeted customer experience research. The divisions follow up and resolve identified gaps by implementing changes in the business.

During the year we studied the Yale brand, gaining key insights into what drives demand for smart products and the digital experience surrounding the smart lock.

Sustainability a growth enabler

Today's customers are driven by sustainability agendas and the demand for sustainable buildings. We are in an excellent position to help our customers meet their environmental targets by offering a growing portfolio of sustainable solutions including documentation of the solution's performance. With certifications such as LEED and BREEAM, customers are taking the environmental performance of a product into consideration when making design and purchase decisions, which is to our benefit.

Our efforts to offer more sustainable solutions through specifications continues to pay off, with sales increasing double digits, driven by "green" specifications in 2022. Read more about the Sustainability Compass on page 23.

Taking e-business further

E-business is a key strategic initiative for the Group and our goal is to provide the best digital customer experience for discovering, purchasing and servicing our offering. All divisions have strategies in place to increase the pace of digitalization through investments in tools, processes, and dedicated resources.

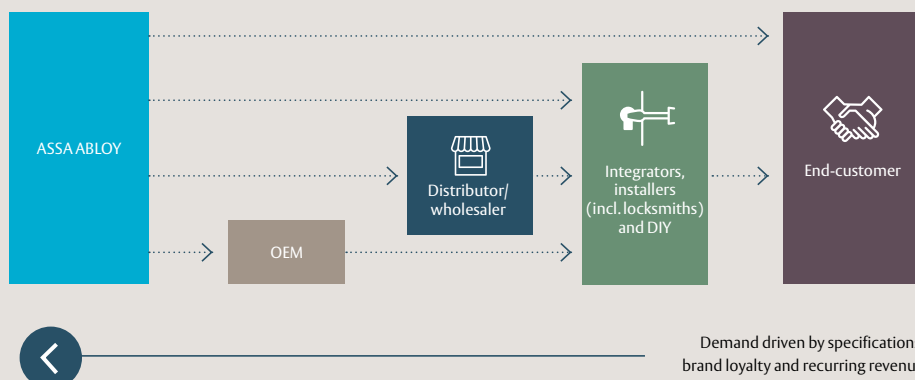
This year we completed the migration of most of our branded websites to a new, customer-centric global platform. Having the majority of our brands on a single online platform improves the customer experience and makes it easier to navigate between our various products and solutions. Our digital marketing investments to raise awareness and drive customers to our websites and webshops have also been accelerated.

In 2022 we continued to make investments in areas such as training, further rollout of webshops, and data analytics to provide a better digital experience. Over the past 12 months we have launched 16 new webshops. Our ambition

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.

Create demand through management of sales channels and channel partners



is for e-commerce to continue to drive double digit organic growth and strengthen customer loyalty.

Common tools increase collaboration and sales

We work with common processes and a structured approach to master data management. Quotations, Customer Relationship Management (CRM) and other systems help us deliver more targeted information to customers and increased collaboration across divisions. Openings Studio™, our own BIM-enabled (Building Information Modeling) software platform is an industry-leading collaboration tool for designing, documenting and managing openings more quickly and seamlessly.

Through Openings Studio™, our teams work closer with architects, owners, contractors and other partners to deliver the most suitable solutions and openings information for the lifetime of the building. We continue to expand our reach and markets through the Openings Studio™ Mobile App and Knowledge Base, as well as expansion into solutions for owners, facility managers and distributors. In 2022, we continued our international rollout of Openings Studio™ into Latin America and Southeast Asia and the tool is now available in over 50 markets and 39 languages.

Our brands

We have over 190 brands in our portfolio and a well-defined brand strategy in place. We have three master brands which are recognized as global leaders in their respective segments: ASSA ABLOY for our commercial business, Yale for our residential business and HID for secure identities and access management.

A large share of our sales is also coming from our other well-known, global and regional brands such as Abloy, Record, Amarr and PanPan, all of which have very strong local positions in their respective markets. Some of the local brands are endorsed by one of the master brands while others are standalone brands if they have a niche in their industry or are sold through specific channel partners. We continuously work to optimize our brand portfolio and further develop our strong brands to increase awareness, trust and choice for our customers.

Pricing management activities

We continue to focus on pricing management and have a global network of dedicated pricing experts overseeing this strategically important activity. Value-based pricing techniques enable us to capture the full value of our products and services and we regularly review and track price performance, price optimization and discount structures, among other areas, through established key performance indicators.

During the year we focused heavily on price increases to offset the volatility and cost pressures from raw materials, semiconductors and inflation. Our robust processes and tools were invaluable in these efforts. In addition, we continued our focus on training related to pricing models for our subscription sales, such as for software or service agreements. Our efforts in this area, contributed to a growth in subscription sales of 20% in 2022. These combined pricing efforts help protect our profitability.

Emerging markets

We are expanding our presence in emerging markets through organic growth and acquisitions. We grow in these markets by having a local presence and developing products and services that are tailored to local standards and requirements. This year we further strengthened our position in Turkey via the acquisition of VHS, a leading manufacturer of hardware systems for doors and windows. We also expanded our position in Brazil by acquiring Control iD, a leading provider of hardware and software solutions for access control, and time and attendance.

While we have traditionally had a strong position in the premium segments, we are also expanding our offering in the low and mid-range segments to attract more customers in emerging markets.

Breakdown of ASSA ABLOY's sales

75%

Commercial
institutional
and commercial
market

25%

Residential
private customers
and residential
market

33%

New construction

67%

Aftermarket
renovations, remodeling
and additions, replace-
ments and upgrades of
existing access solutions,
as well as ongoing service

Strategic objective #2 Product leadership through innovation

Product leadership is one of the most important drivers for organic growth and innovation is at the core of everything we do. In 2022, we prioritized a few growth areas which, combined with our commitment to breakthrough innovation and industry alliances, enabled several successful product launches during the year.

SEK 61 bn

of sales generated by products launched in the last three years.

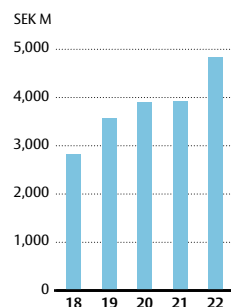
>450

number of product launches during 2022.

500

registered new patents during the last three years.

Investments in research and development



Change in customer demand drives organic growth

Many of the vertical markets we serve are currently being transformed by larger societal shifts. As a result of digitalization and other technological breakthroughs, we see a growing interest in achieving efficiency, in terms of time, cost and energy. Workplaces are evolving, factories and logistics centers are becoming more automated and commercial buildings and homes are getting smarter by the day. The underlying driving forces for change might be the pandemic, e-commerce or consumers' need for convenience. Another significant driver of change is global warming and the need for a sustainable transformation in our markets. Technology is an enabler for all of these drivers.

The overarching purpose of innovation within ASSA ABLOY is to fulfil these needs. Our capacity to adopt and implement new technologies expedites our ability to benefit from the opportunities they provide. That is how we create unique customer value and transform needs into organic growth.

The way we innovate

Organization

ASSA ABLOY is well-positioned when it comes to innovation capabilities. We use common tools and ways of working across our innovation organization, which includes more than 150 R&D sites, to improve transparency and align on strategic initiatives. At the same time, we can leverage the Group's broad expertise and benefit from the diversity and strength of a global organization that also maintains agility through local presence and knowledge. Our innovation organization facilitates cross-divisional collaboration and promotes career development and job flexibility. This also helps us attract and retain talent.

Generation planning

The entire Group uses generation planning to define future offerings. Each division is responsible for determining its own long-term plans, which are reviewed annually to identify synergies. Generation plans provide direction to

product and technology roadmaps and ensure that our business strategy and objectives are translated into tangible innovation activities. Generation plans also outline platform, technology and capability needs over time.

Process excellence

To maintain our position as innovation leaders, we need to excel at both *what* we develop and *how* we develop it. Based on customer and market insights, product management identifies *what* products to develop. We take a lean and agile approach to *how* we develop products to ensure speed, predictability, efficiency and minimal waste in the process. The Group's product innovation process allows us to monitor R&D investments through a post-launch review and retrospectively evaluate the business case based on sales, quality, and customer satisfaction. We are committed to delivering products and services that meet or exceed our customers' demands on quality, security and safety. This is essential to maintain our position as a trusted supplier in access solutions and to protect our customers and brands.

Technology management

Technologies are the core of our products, and we manage them to meet customer demand in a unique and efficient way. We explore new technologies with a long-term perspective. They are important drivers in our industry as they allow us to create new business models or enhance existing ones. Compared to mechanical products, digital products become obsolete quicker and require software updates on a steady cadence resulting in shorter life-cycles. Our products are increasingly becoming a part of ecosystems and demand for product interoperability is growing.

Core technologies for the Group include energy efficient solutions, sustainable materials, wireless connectivity, data analytics, identification, and biometrics. We strive to leverage the Group's size and exploit synergies around these technologies with platforms and by combining technologies from all business units.

Breakthrough innovation

To accelerate organic growth, we need to go beyond continuously improving our offering. A breakthrough innovation is something that fundamentally changes the dynamics of an industry or a market. It is a significant change to technology or the business model of a product or service that creates competitive advantage and drives above average revenue growth. During the year we initiated growth programs to systematically identify and accelerate business opportunities outside of daily processes through a fast-track approach. These programs identify customer problems to solve, ideate solutions and validate before conclusions are transferred to a build and deliver phase.

Sustainable innovation

All newly released products have a sustainability value proposition that is in line with ASSA ABLOY's strategic goal to be perceived as the most sustainable company in the industry. Our Sustainability Compass is used to assess a variety of environmental attributes in new products, including recycled content, raw materials, and energy in use. A material reference list and a restricted material list based on the EU's REACH¹ regulation and RoHS² rules help guide designers to make choices that lower the environmental impact of products. The Sustainability Compass plays an important role in our innovation processes, guiding the development of each product we develop to ensure benefits for both customers and the environment. During 2022 we focused on defining how much energy our products consume when in operation. Calculating energy-in-use consumption will set a baseline against which we can compare products and pinpoint where CO₂ emissions can be reduced. These evaluations will help target improvement programs and launch specific innovation projects going forward.

Creating access for a safer world

As part of our Insight IoT platform for automated doors, we launched the ASSA ABLOY Docking Management System earlier this year. Logistics operators can assign docks by observing activities on a screen and direct trucks to necessary locations to speed up loading and unloading. This ensures that idle docks remain shut to save energy and preserve whatever climate is required for the goods at hand. With predictive maintenance, products connected to the system will signal their need for service which prolongs their life expectancy. All in all, the system is designed to improve employee safety, save energy and achieve greater efficiency.

During the year, HID, in partnership with industry-leader Paravision, introduced the world's most accurate facial recognition technology. This new technology will allow us to embed facial recognition into solutions for a seamless and highly secure user experience. These solutions can be applied in a variety of authentication applications, including access control for banking, healthcare, air travel and retail.

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Through our ability to utilize new technologies, we can create unique customer value and transform needs into organic growth.

¹ REACH - Registration, Evaluation, Authorisation, and Restriction of Chemicals.

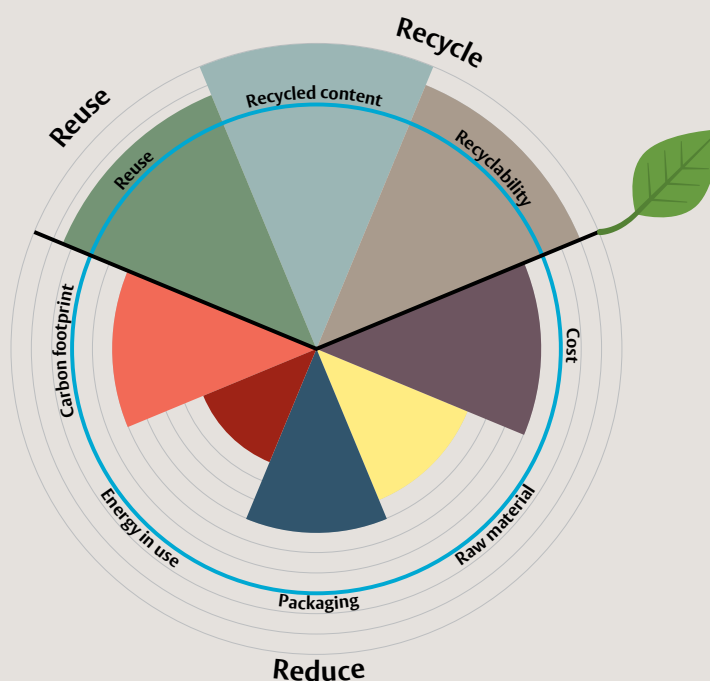
² ROHS - Restriction of Hazardous Substances.

Sustainability Compass

The Sustainability Compass is used to increase our efficiency and decrease the environmental footprint. This tool is used in all product development projects and includes eight dimensions:

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

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



Strategic objective #3

Cost-efficiency in everything we do

ASSA ABLOY's strategy to increase cost-efficiency is essential to driving profitable growth by freeing up resources that can be used for value-creating activities. In 2022, we identified actions for our ninth Manufacturing Footprint Program and continued to invest in operational activities that help improve cost-efficiency.

MSEK 600

efficiency savings from MFP programs in 2022.

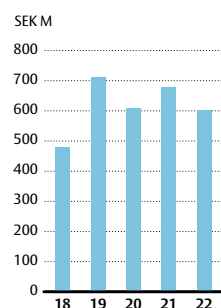
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factories have been closed over the past three years.

-10%

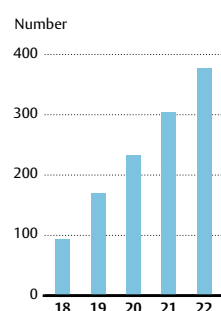
reduced energy consumption (MWh) over the past three years.

Annual MFP savings



Annual MFP savings
2018–2022.

Aggregated deployment of robotics and automation systems in the Americas division



Robotics and automation
system deployment in the
Americas division
2018–2022.

Manufacturing footprint programs and continuous savings activities

There is a constant need to target savings and find synergies, due in part to our frequent acquisitions. Since 2006, we have been working with Manufacturing Footprint Programs (MFP) to capture cost savings within our operations and to optimize our overall manufacturing footprint. For example, we have gradually consolidated production of more strategic components such as cylinders to our factory in Rychnov, Czech Republic. Since ASSA ABLOY's first MFP, our accumulated annual savings amount to more than SEK 6.2 billion. In 2022, we prepared for the ninth MFP which we plan to launch in early 2023.

Apart from the larger savings programs, we are also working with daily lean activities to enhance cost-efficiency. We have launched our Smart Factory initiative, which applies digitalization, automation and robotization to make our sites more productive and sustainable. During 2022, we launched a Smart Factory forum to share best practices across the divisions and move faster in our efficiency efforts. One initiative is the deployment of smart energy management at our Rychnov, Czech Republic site, which helps monitor energy usage on a site, department, and equipment level. This has resulted in annual efficiency gains of 400 MWh. Our objective is to roll-out smart energy monitoring to our top 25 energy consuming factories by 2023.

Another lean initiative is at our Berlin factory, US, where we have automated shop floor execution processes making them paperless. We have also deployed smart sensors to improve productivity throughout the factory. At our Electromechanical Solutions site in Phoenix, US, we have developed a seamless pick/pack/ship system which has eliminated all paper pick lists and greatly improved productivity.

We are also working on automating manual and repetitive office processes for increased efficiency and better use

of people, through implementing Robotics Process Automation (RPA). In ASSA ABLOY Americas, RPA has already made a significant impact on how we manage accounts receivables, and it has allowed us to automate all manual steps in the invoicing process. There are many other opportunities where RPA could be implemented to make manual processes faster and drive cost-efficiency while simultaneously increasing employee satisfaction.

Supply chain and logistics

As a result of the pandemic, the war in Ukraine as well as labor and component shortages, global supply chains have been under immense pressure. Thanks to our decentralized operating model and cross-divisional collaborations, we have managed to solve supply constraints and material shortages and maintained efficient customer deliveries. Our Global Logistics Council has been instrumental in this work, securing additional freight forwarder partners early in the post-covid recovery to ensure ocean freight capacity for our overseas sourced products and parts. This effort has helped prevent any significant disruption to the transportation of our sourced materials or supply to our customers.

We also formed a Global Electronics Council to solve critical electronic shortages. The Council developed a Nerve Center to monitor and resolve constraints, established more direct relationships with key chip manufacturers, and forged a closer partnership with our internal engineering teams to collaborate on design and parts availability. These efforts led to a significant reduction in critical component shortages throughout 2022 and we expect this to support ongoing supply chain success.

We continue to target improvements in global logistics to capture cost savings, improve delivery performance and lower our environmental footprint. By consolidating the number of warehouses, increasing the degree of standardization of materials and products as well as further developing standardized digital processes, we are creating a more

efficient structure for logistic centers. This also increases the speed and efficiency of our transportation solutions. Furthermore, we are decreasing our dependency on the global supply chain where it makes sense to do so.

Professional sourcing is key

Professional sourcing ensures competitiveness, improved quality, better delivery times and lower costs. Given that sourced goods make up a large share of our cost base, professional sourcing is an important element in driving cost-efficiency. We apply traditional sourcing practices, such as multi-tendering, benchmarking, and Group-wide contracts, to validate competitiveness as well as optimize processes. We are guided by the principles in our sourcing policy and apply should-cost analysis and e-auctions to ensure the best cost, quality, and performance of our supply base.

Inflation has increased significantly during the year. Our decentralized way of operating the company has again been beneficial, as local sourcing and price management have allowed us to act fast and proactively. At the same time, we have coordinated responses across the divisions to increase our bargaining power with supply partners. We have jointly approached our key suppliers, but also sourced locally on the spot market.

Cost-efficiency through sustainability

Cost-efficiency and sustainability are closely associated in our efforts to reduce our environmental footprint. There are many examples of how sustainability initiatives also help improve cost-efficiency, including the aforementioned smart energy monitoring systems, reduce scrap and waste generation, regionalization of the supply chain, and limiting travel. In 2022, we had our science-based targets ratified. The work to reach our targets will further drive cost-efficiency through a clearer internal focus on cost control.

We are also conducting major energy and carbon overhauls of our 25 most energy and carbon-intensive sites across the Group, which represents over 60% of our Scope 1 & 2 greenhouse gas emissions. As part of this initiative, in 2022 we have been installing solar PV arrays across some of our major sites in Czech Republic, Poland, Hungary, Bulgaria, and Romania. This helps to reduce our emissions, while also lowering energy risk to the business.

Additionally, we are reducing our environmental footprint through our MFPs as we consolidate offices and operations. These efforts have led to lower consumption of materials, energy, water, and waste, along with lower greenhouse gas emissions from our production processes. We also continue to increase the use of renewable energy, sourcing renewable energy where it is available, and practice kaizen methodology within all of our operations to address daily energy saving activities. These energy measures have contributed to an improved energy intensity of 24% since 2019 and we have also increased our share of renewable energy from 12% to 21%.

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Thanks to our decentralized operating model and cross-divisional collaborations, we have managed to solve supply constraints.



Strategic objective #4

Evolution through people

We encourage an environment where employees feel empowered, can develop their careers, and contribute to ASSA ABLOY's success. In 2022, we continued to deliver on our strategic initiatives while adjusting further to new ways of working that have been used during the pandemic.

50%

Internal applications
vs 5 years ago.

27

Nationalities in
leading positions.

Common culture

"Together we" is a Group-wide initiative that includes our identity, purpose, vision and mission. It also describes our common culture, which is based on our core values – empowerment, innovation, and integrity – as well as what we believe it means to live those values. Our common culture has an impact on all strategic initiatives and processes and guides us in everything we do. It helps align our diverse and global workforce so that we can all grow in the same direction. Having a common culture also helps employees – and potential employees – understand what our Group stands for.

Employee experience

We strive to be an agile and inclusive organization and recognize the value in an adaptable approach to work. We have learned that meetings and travel can be replaced by digital solutions, resulting in lower costs, and our aim is to offer our increasingly diverse workforce different ways of working. We believe that offering flexibility based on individual needs and preferences increases motivation and talent retention, reduces absenteeism and employee stress, promotes work-life balance and attracts new talent. In doing so, we improve the Group's efficiency, productivity, and competitiveness.

Our employee engagement survey is an important tool in continuing to make ASSA ABLOY a great place to work. It helps us see where we are today and what we need to do to get us to where we want to be tomorrow. At ASSA ABLOY, everyone's voice matters. Experience has shown that colleagues who feel their voices are heard, are more empowered to perform their best work. Participation in our 2022 employee survey was 82%. The survey showed, for example, that almost 80% of our employees feel that the customer is always at the center of our attention.

Talent management

How we attract, develop, engage, and retain talent is crucial for our success. We aim for longevity when hiring and focus on talent retention by prioritizing internal candidates. We facilitate a personalized development journey tailored to

the needs of the individual and support people's ambitions to develop and change roles within the Group. We encourage employees to develop transferable skills that will allow them to take on roles in other functions, divisions, or countries. To support internal mobility and recruitment of external talent, we continued to build on our internal, cross-divisional talent acquisition function and executive search team in 2022. This has not only improved hiring and the candidate experience but has also helped us to save significant costs.

In 2022, we launched our new digital succession process and continued assessing internal talent to identify the development needs of future successors. This has given us a better overview of the talent landscape internally and an opportunity to work with it in a more structured and efficient way. Most employees participate in the global performance process, with people development at the forefront. Every employee has at least one personal development goal that is tied to the goals and objectives of the organization as well as to our competency framework and leadership dimensions. We offer digital courses, internal leadership programs, and programs in collaboration with external partners, but we strongly believe that the best way to learn is on the job and through stretch assignments and experiences that go beyond one's current expertise.

Leadership

Leadership development for us is not only about how we lead, but also about how we help others become leaders. We have implemented Leadership Dimensions that form the basis for how our leaders should act. These have been embedded into all our people processes such as in the employee performance process, assessments of executive search positions and employer branding. Leadership behaviors are as much about living our values as developing our business.

Leading from a distance is crucial in our global organization. While we may be spending more time at the office now, digital collaboration remains an important part of our work. Our leaders need to have the ability to connect with people

and build trusting and meaningful work relationships with those they have not met face to face. Getting to know people is also how we understand differences, perspectives and needs, which makes it easier for us to be empathic and inclusive in our leadership and behaviors.

Ethical and social responsibility

The ASSA ABLOY Code of Conduct is our framework for daily operations, and it applies to all employees and suppliers. We do not tolerate any form of discrimination or harassment in the workplace, and have mandatory compliance training programs and policies to address anti-corruption, anti-trust, export control and data protection. Any concerns or suspected breaches of our Code of Conduct can be reported through the whistleblowing process.

While processes and education go a long way, we believe that an open and transparent dialogue is needed to create an inclusive environment. We expect our employees to challenge their own views and biases to become more aware and understanding of others – and to also challenge their colleagues to think more openly and consider broader perspectives. To support this we, for example, encourage managers to collect multi-perspective feedback on employees' performance and educate on biases likely to come through when managing performance. We have a collective responsibility to build an organization where everyone feels comfortable being themselves, and we firmly believe that inclusive leadership will drive diversity.

In 2022 we started a new strategic initiative relating to diversity and inclusion. We have mainly reported on gender diversity, but aim to broaden the scope going forward. Our current 2025 gender diversity goal is to have at least 30% females in high-level leadership roles and in 2022 we reached 29%.

Health and safety

The health and safety of our employees is a top priority that we have been working on systematically for a long time. We are working to eliminating health and safety risks. We believe that safety is a precondition of doing business and do not tolerate unsafe behaviors and environments. We continued to address and promote health and safety internally through "Together we are safe" workshops, procedures, dialogue, and leadership engagement.

Digital workplace

Our digital tools enable more of us to work from anywhere and this has been particularly valuable throughout the pandemic. We have, over the course of the year, continued to work on our hybrid approach to the workplace, where we believe we are getting closer to finding a balance between time spent in the office, traveling and home. The key for us is to offer flexibility and to cater to the needs of our diverse and both global and local business, the employees, the nature of the work, and what is done better where.

Integration of acquisitions

With our deep experience in acquiring companies, we have learned how important it is to take a proactive and inclusive approach. Our integration work is led by dedicated integration project managers, and we put emphasis on creating a common understanding. We engage both current and new employees by creating an identity and culture of belonging.

“

We facilitate a personalized development journey tailored to the needs of the individual and support people's ambitions to develop and change roles within the Group.



In 2022, we held a summit with our leading managers for the first time since the pandemic. Sharing experience, best practise and opportunities to increase cross-divisional collaboration to accelerate our profitable growth were discussed amongst others.

ASSA ABLOY
in your daily life

“

We can now foresee all costs relating to our automatic doors, from purchasing to installation to maintenance.”

PATRICK VAN MAERHEM, SENIOR PROGRAM MANAGER STATIONS,
THE NATIONAL RAILWAY COMPANY OF BELGIUM

A complete solution for Belgium's railway stations

ASSA ABLOY Entrance Systems has signed a service agreement with the National Railway Company of Belgium to supply and install automatic doors in stations across Belgium.

Q What were you looking for prior to signing the agreement?

A – We needed a partner to supply and service automatic doors for all our stations across Belgium. In the past, we'd worked with multiple suppliers, but we realized it would be better to find a single partner. That approach would simplify purchasing, installation, maintenance and so on. It would also ensure the same quality and technical specifications across all our stations.

Q What were your key requirements?

A – Firstly, we needed a partner with the capacity to support a large organization. Beyond that, we required reliable remote control of doors and entrances so passengers could access stations even when staff wasn't there. Security is vital for us too – we need to be sure that people can exit stations safely and that potential intruders are kept out.

Q Why did you choose ASSA ABLOY?

A – As a government company, we have a rigorous public procurement process. ASSA ABLOY met all the criteria, for both technical specifications and service provision. We'd also worked with ASSA ABLOY before, so we knew they would be a reliable partner.

Q Are you satisfied with the solution?

A – Yes, very! We can now foresee all costs relating to our automatic doors, from purchasing to installation to maintenance. We know the total cost of ownership and have a guarantee that our doors will be in good shape. The process for upgrading or replacing doors is easier too – the central contract means that stations can basically choose the solution from a menu to meet their specific needs.

CASE FACTS

Project: The National Railway Company of Belgium.

Solution:
A gold-level service agreement with ASSA ABLOY Entrance Systems to supply and install automatic doors in stations across Belgium.

Differentiated and customized products to lead the market

The Gangnam branch of Gateman Plaza in South Korea has been an ASSA ABLOY distributor for 20 years, selling the Gateman digital door lock products.

Q What is the proportion of Gateman products among your total products?

A – Gateman products account for 80% of total product sales. The other 20% are mechanical and electromechanical locks including safes. The main customers are residential end-users.

Q What differentiates Gateman products from other products?

A – It has high brand awareness and is ranked No. 1 in the Korean Brand Power Index. Customer satisfaction is high because of its excellent reliability and service, so we feel confident selling Gateman products.

Q What do consumers say about Gateman?

A – There is a strong perception that Gateman sells high-quality products and has excellent after-sales service, so consumers are prepared to pay a premium for Gateman products.

Q What do you find most rewarding about working with Gateman?

A – I believe that Gateman products have a truly positive impact on the lives of people. It is very rewarding when end users who have experienced Gateman products tell us how they are satisfied with the design, quality and IoT access.

Q How do you find the working relationship with the Gateman team?

A – We have a strong, healthy relationship with the ASSA ABLOY sales team. We respect and trust each other. We work together to ensure stock is managed efficiently. When there is a new product, the ASSA ABLOY team provides comprehensive training on how to sell and demonstrate the product. We truly believe in the products they make.

“

It is very rewarding when end-users who have experienced Gateman products tell us how they are satisfied with design, quality and IoT access.”

MR. GWANG-HOI KOO, OWNER OF THE GANGNAM BRANCH OF GATEMAN PLAZA, SOUTH KOREA

ASSA ABLOY
in your daily life





What we
offer

Divisions overview

ASSA ABLOY has a decentralized organization with empowered local businesses that quickly can take action in response to developments in the local market. The businesses are organized in three regional and two global divisions.

Regional divisions

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. The regional divisions account for about 49% of Group sales, with Americas being the largest division followed by EMEIA and Asia Pacific.

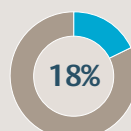


Opening Solutions EMEIA

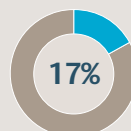
Financials in brief 2022

- Sales: SEK 22,858 M (20,522) with +5% organic growth.
- Operating income (EBIT): SEK 3,335 M (2,916).¹
- Operating margin: 14.6% (14.2).¹

Share of sales



Share of operating income



Sales by product group



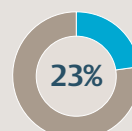
- Mechanical locks, lock systems and fittings, 48%
- Electromechanical and electronic, 33%
- Security doors and hardware, 19%

Opening Solutions Americas

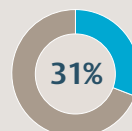
Financials in brief 2022

- Sales: SEK 28,344 M (20,507) with +17% organic growth.
- Operating income (EBIT): SEK 5,899 M (4,200).¹
- Operating margin: 20.8% (20.5).¹

Share of sales



Share of operating income



Sales by product group



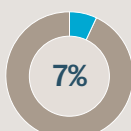
- Mechanical locks, lock systems and fittings, 39%
- Electromechanical and electronic, 26%
- Security doors and hardware, 35%

Opening Solutions Asia Pacific

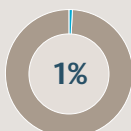
Financials in brief 2022

- Sales: SEK 9,824 M (8,719) with -5% organic growth.
- Operating income (EBIT): SEK 119 M (499).¹
- Operating margin: 1.2% (5.7).¹

Share of sales



Share of operating income



Sales by product group



- Mechanical locks, lock systems and fittings, 51%
- Electromechanical and electronic, 25%
- Security doors and hardware, 24%

¹ Excluding items affecting comparability.



Global divisions

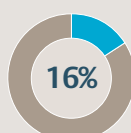
The global divisions manufacture and sell access solutions, identification products and entrance automation in the global market. Global Technologies accounts for some 16% of the Group and Entrance Systems for about 35%.

Global Technologies

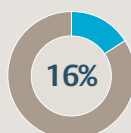
Financials in brief 2022

- Sales: SEK 19,344 M (14,604) with +15% organic growth.
- Operating income (EBIT): SEK 3,065 M (2,253).¹
- Operating margin: 15.8% (15.4).¹

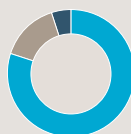
Share of sales



Share of operating income



Sales by product group



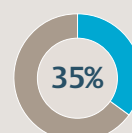
- Access solutions, 80%
- Hotel locks, 15%
- Service, 5%

Entrance Systems

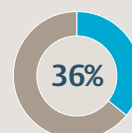
Financials in brief 2022

- Sales: SEK 42,928M (32,690) with +17% organic growth.
- Operating income (EBIT): SEK 6,847 M (4,988).¹
- Operating margin: 15.9% (15.3).¹

Share of sales



Share of operating income



Sales by product group



- Products, 75%
- Service, 25%

¹ Excluding items affecting comparability.

Opening Solutions EMEA

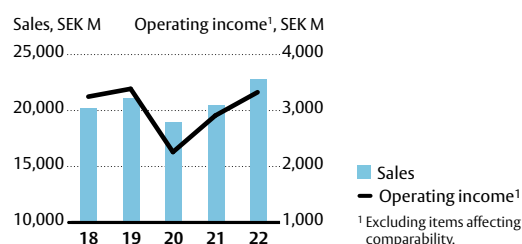
Strong sales growth and improved margin

Financial development

EMEA performed well in the first half of the year, with strong organic growth of 7%, primarily driven by a recovery in the largest market, Scandinavia, and very strong development in the emerging markets. During the second half of the year, the demand slowed down in combination with increasing inflation, rising energy costs and deteriorating consumer confidence. As a result, we initiated cost action plans in certain markets to protect profitability. For the full year, the organic growth was 5% and net acquired growth was 1%, held back by the divestment of CERTEGO. Operating income increased 14% and the operating margin was 14.6% (14.2%). Cash flow was slightly lower than last year and the conversion rate declined to 84% of EBIT, driven by higher receivables and inventory levels. To maintain our competitive advantage in technology we continued to invest in R&D. The share of new products introduced over the past three years was 24% of total sales.

Acquisitions

Three acquisitions were completed during the year. The acquisition of Arran Isle, a leading door and window hardware manufacturer in the UK and Ireland, was completed in June. Furthermore, we acquired a leading Turkish manufacturer of hardware systems for windows and doors, VHS, as well as the German manufacturer of high-quality IP door intercom solutions, Bird Home Automation.



Comments by Divisional Head

Describe the recent trends in your market!

– We continue to see digitalization of the market with strong uptake of both commercial and residential digital products. We are driving this trend with our existing digital products and with increased investment in new product development. We moved from being a component supplier to providing a complete access management ecosystem that brings all elements of the door environment together to deliver the best performance, as well as integrate into other building systems. This gives customers the flexibility and control of their security needs.

What are your key priorities to accelerate EMEA's profitable growth?

– Our plan is built around three key growth drivers. The first is to maximize the core, which is our local focus and core products like cylinder platforms, lock cases, doors, and seals. We still have many opportunities for geographical and range expansion and added to our core with significant acquisitions in the UK, Germany and Turkey. The second priority is about capturing the opportunity in digitalization for converting our large installed base. Finally, we have a fantastic opportunity in several emerging markets with strong pipeline development in Eastern Europe, Africa and India driven through project specification and local product variations.

How are your emerging markets developing?

– Our emerging markets are a key priority and we are seeing strong growth in India and the SARRC region. Our approach in India focuses on project specification using tools and processes that have proved successful in the Middle East and Africa, coupled with a strong local product presence. Despite our withdrawal from Russia we have seen a positive evolution in our East European emerging markets also.

What factors are driving the growth in green specifications and how are you responding to the increased demand?

– Over the last two years, we have seen a very strong increase of 150% in the number of specification projects for green buildings, due to the acceleration of action plans for Net-Zero carbon buildings by 2050. We have developed a green specification guide that provides guidelines and tools for specification delivery on projects that follow major environmental schemes such as BREEAM, LEED and DGNB. We also have Openings Studio™, our BIM-enabled information sharing solution that our specifiers use with architects and customers to identify, customize, and build their access solutions and green building requirements.



Neil Vann
Executive Vice President and
Head of EMEA division

Overview EMEA

- Divisional headquarters located in Woking, UK.
- Organized into 12 market regions, with the largest region being Scandinavia, followed by the UK and DACH (Germany, Austria, and Switzerland).
- Products include mechanical and electromechanical locks, hardware and security doors adapted to the standards and requirements of the local markets.

- The commercial products are sold under the master brand ASSA ABLOY or brands endorsed by ASSA ABLOY, while Yale is the master brand for the residential market.
- EMEA has leading market positions in Europe, the Middle East, India, and Africa.
- The EMEA division has about 11,900 employees.

Proportion of commercial/institutional vs residential



■ Commercial/Institutional, 60%
■ Residential, 40%



Over the last two years, we have seen a very strong increase of 150% in the number of specification projects for green buildings.



Market activities

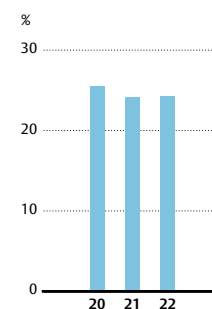
- To accelerate and lead the trend towards electromechanical products and solutions, new partnerships and marketing activities were initiated, for example:
 - Further promoted the flexibility, instant scalability via our Cloud-based solution, and remote management advantages of our Incedo Business access solutions ecosystem.
 - Launch of Yale and Verisure partnership in Scandinavia to drive sales of Yale Doorman.
- A number of resources developed to support green building submissions of global certification schemes such as BREEAM, LEED, Star, WELL, etc.



Innovation

- By leveraging our innovations across many countries, we provide scale, speed, and efficiency. This allows us to quickly bring products to market, responding to changing customer needs. An example of this collaboration is a new pan-European reversible key cylinder (CY110) developed with our R&D teams and Rychnov production teams.
- The development of innovation centers of excellence within EMEA to support accelerated product development.
- We launched 65 new products, for example:
 - The new innovative SMARTair® I-minimal wireless electronic lock.
 - DC500 next generation cam-motion door closer with enhanced features and improved sustainability performance.
 - Extension of the Incedo platform with a cloud-based solution offering remote access management.

New product ratio



Costs

- Material inflation and a challenging operating environment were countered through procurement collaboration leveraging our supply base, Value Engineering and price management.
- The mission and long-term plan for every site was defined during the year both for manufacturing plants and specialist sites.
- Initiatives were implemented within our operational excellence program around the digital transformation at many of our European sites.
- Development of a linked network of distribution centers across Europe to drive efficiencies and improve service throughout our supply chain.



Sustainability

- Emission reduction projects were implemented, guided by the factory of the future vision, which is a highly energy-efficient factory, utilizing 100% renewable energy. This also includes projects that encompass the reduction of water consumption and waste generation.
- Further investments in solar panels during the year. 65% of our electricity is sourced from renewable sources.
- New products brought to the market with better environmental propositions, such as high energy efficiency, reduced impact of materials sourced, higher recycled content and improved packaging.

30%

reduced energy intensity
(MWh/ SEK M value added¹)
since 2019

¹ Value added =
EBIT + Total personnel cost.

Opening Solutions Americas

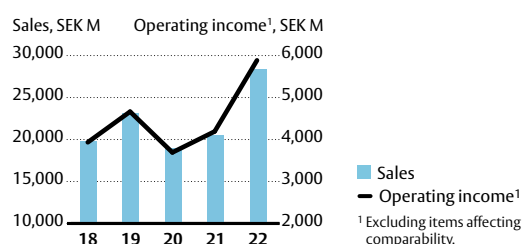
Very strong sales growth and margin performance

Financial development

Americas reported very strong organic growth of 17%, primarily driven by good market activity in North America both in the commercial and residential segments. Latin America grew as well but activity softened slightly during the second half of the year. Through price management, excellent operating execution and several efficiency initiatives, Americas increased the operating margin from last year to 20.8% (20.5%) despite continued headwind from high material costs and inflation, and costs related to the ongoing acquisition of Spectrum Brands' Hardware and Home Improvement division (HHI). Cash flow was strong, and the conversion rate improved to 94% of EBIT. New products introduced in the past three years accounted for 18% of sales.

Acquisitions

One acquisition was completed in 2022, Control iD, a leading developer of hardware and software solutions for access control and time & attendance in Brazil. The acquisition process of Spectrum Brands' Hardware and Home Improvement division (HHI) continued and we are currently contesting the U.S. Department of Justice efforts of blocking the proposed acquisition.



Comments by Divisional Head

Describe the recent trends in your market!

– Speed of delivery continues to be a strong trend across the Americas. We'll continue to invest in getting physically closer to the customer, whilst also providing services that support easier installation and customization when needed. The migration from mechanical to digital solutions remains robust, with opportunities for digital access control to move deeper into buildings and homes. We've also seen industrial and architectural design start to play an important role in new building constructions and renovations, with our custom door hardware program experiencing some notable successes this year.

What are your key priorities to accelerate Americas' profitable growth?

– Our intense focus on customers fuels a lot of our growth in the Americas division. Net promoter systems is a powerful metric that we have used over the past few years to drive fundamental improvements that underscore and support growth. New product development is also a key driver for us; developing new technologies, approaches, and processes to launch products that are designed with the customer in mind. This applies to our future-looking products, such as digital access control, as well as our core mechanical products.

What were the main reasons for the very strong growth in 2022?

– Despite good overall market conditions, 2022 was a challenging year from a supply perspective and we had to navigate many uncertainties. However, our prior investments to optimize our supply chain and transportation processes paid off, helping us be agile when needed. Our decentralized business model enables us to make the right investments for the facility/business whilst also driving focused demand-creation activities to secure growth.

Have you started to see green specifications taking off in Americas?

– Sustainability has been a pivotal element of our business in the Americas for many years. Not only do we invest in sustainable practices in our manufacturing operations, but we extend that to product development, supporting Environmental Product Declarations and audits. This focus has proved invaluable for customers wanting to design and develop properties that reflect sustainable building initiatives such as LEED, Net Zero, WELL Building Standards, Living Building Challenge, and much more. Daylighting and sound transmission management are recent trends to create healthier buildings overall.

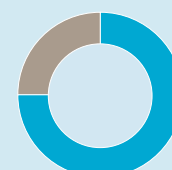


Lucas Boselli
Executive Vice President and
Head of Americas division

Overview Americas

- Divisional headquarters in New Haven, US.
- Organized into 13 business areas and market regions, by product category.
- Products include mechanical and electro-mechanical locks, hardware, secure lockers, access control devices and security doors.
- ASSA ABLOY and Yale are the master brands, with a strong portfolio of endorsed brands.
- Americas has leading positions in the US, Canada, Mexico and South America.
- The Americas division has about 9,400 employees.

Proportion of commercial/institutional vs residential



■ Commercial/Institutional, 75%
■ Residential, 25%



“

Our decentralized business model enables us to make the right investments whilst also driving focused demand creation activities to secure growth.



Market activities

- Electronic access control products approved for use in federal government facilities in the United States, meeting strict Federal Identity, Credential, and Access Management (FICAM) requirements.
- New FlashShip location opened in Elkridge, Maryland, a continued step in our strategic journey to be closer to the customer.
- ASSA ABLOY in Chile supported Fundación Tecfemchile, providing opportunities for women and gender equality. We supported with training and tools to develop 20 new female locksmiths, a profession usually dominated by men.
- Luxer One celebrated 200 million secure package deliveries in the US. The changing purchasing patterns as a result of the Covid-19 pandemic have boosted smart locker use and popularity.



Costs

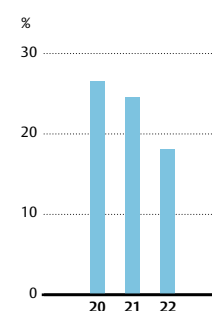
- Savings realized from targeted lean initiatives, kaizen events and Value Engineering and Value Analysis events.
- In the areas of supply management and logistics, savings were generated through dual sourcing and supplier negotiations.
- Other cost savings activities included robotics deployment, automation, smart factory, quality improvement and manufacturing footprint consolidation.



Innovation

- To support our transition to a Scaled Agile Framework® (SAFe®), we have established an Agile Transformation Center which supports more agile and efficient new product development processes.
- We launched 181 new products, for example:
 - Norton Rixson 6200 series, a low-energy door operator.
 - HES KS210, a server cabinet lock.
 - Sargent and Corbin Russwin behavioral health trim that is ligature resistant to provide a safe and secure environment in high-risk facilities.
 - CuVerro Shield, an antibacterial copper layer for door hardware products.
 - Yale Assure Lock 2, the newest US flagship smart lock collection.

New product ratio



Sustainability

Several sustainability initiatives were implemented during the year, including carbon footprint reduction, water intensity improvements and safety measures, for example:

- Improvements made through air compressor, electroplating, and heaters to reduce emissions.
- Implementation of water recirculation systems at a site which reduced consumption significantly.
- Multisite safety initiatives to explore ideas to proactively prevent incident occurrences.

20%

reduced energy intensity
(MWh/ SEK M value added¹)
since 2019

¹ Value added =
EBIT + Total personnel cost.

Opening Solutions Asia Pacific

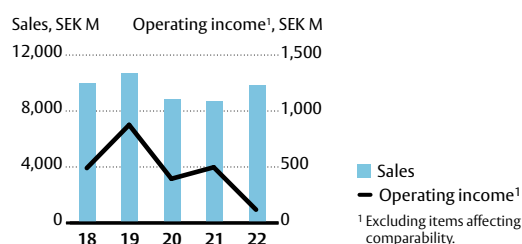
Strong recovery outside of China

Financial development

Southeast Asia and Pacific recovered well with both regions reporting strong organic sales growth. In China, the construction market crisis had a significant adverse effect on the demand throughout the year and together with several lockdowns related to Covid-19, led to a negative organic sales growth in China for 2022. For the division, organic sales declined by 5% but net acquired growth was 7%, due to the acquisitions of Caldwell and D&D Technologies. The operating margin was 1.2% (5.7%), driven by operating challenges in China, partly offset by margin improvements in most of the other markets. Cost measures were implemented in China to limit the effects of weaker demand. Cash flow was slightly higher than last year despite increased working capital. Demand for electromechanical products and solutions grew and several new products were launched during the year.

Acquisitions

Two acquisitions were completed in 2022. In June we announced the acquisition of Caldwell, a manufacturer of fenestration hardware for window manufacturers. The acquisition delivers on our strategy to add complementary products and solutions to our core business. We also acquired D&D Technologies, a premium gate hardware manufacturer in Australia.



Comments by Business Unit Heads

Describe the recent trends in your market!

– We are seeing increased governmental investments in infrastructure, especially in healthcare and education which is bolstering our commercial pipeline in Pacific. During the year we saw some weakness in the high-density apartment dwellings though this was offset by strong demand for detached dwellings. In China, we continue to see projects being delayed and Covid-19 remains a big obstacle for activity.

What are your priorities in Pacific and Northeast Asia?

– We are focusing on the commercial lifecycle of products. Firstly, on demand creation through specification with a focus on compliance and standards. Secondly, on specifying and supplying the full opening including doors, hardware and ancillary items. Thirdly, we focus on the replacement market through ongoing certification of fire doors ensuring continued compliance. We are also putting focus on growing our digital access solutions portfolio, as well as continuing to grow in the smart residential market primarily driven by innovation and new product launches.

What are your priorities in China and Southeast Asia?

– Even though external factors including a strict Covid-19 policy and a very weak construction market are making it difficult to recover in China, we still have clear priorities which we strongly believe will cater for growth. In China we are expanding into non-residential end markets such as healthcare, education and aviation and exploring opportunities in the replacement market. For the whole region, we are driving initiatives to accelerate our digital locks and smart door businesses through innovation as well as improving geographic and channel coverage.

In which region do you see the greatest growth in green buildings?

– We are seeing great demand for green buildings in many markets, with South Korea and Australia being the most active. In South Korea, the acceleration in demand is driven by recent government legislation for more green buildings. We are also starting to see governments in China and Southeast Asia advocating for green buildings, hence we expect this will provide many opportunities in the coming years.



Simon Ellis
Executive Vice President
and Head of Pacific & North
East Asia



Martin Poxton
Executive Vice President
and Head of Greater China &
South East Asia

Overview APAC

- The division is organized into two business units: Greater China & Southeast Asia and Pacific & Northeast Asia and the largest market by sales is China followed by Australia and South Korea.
- The local organization in China is divided by market segment and the other regions in Asia and Pacific are organized according to market segments or region/country structures.
- Products include 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.

• Asia Pacific has a leading position in Australia and New Zealand as well as in some Asian countries.

- The Asia Pacific division has about 7,900 employees.

Proportion of commercial/institutional vs residential



■ Commercial/Institutional, 50%
■ Residential, 50%



We are driving initiatives to accelerate our digital locks and smart door businesses through innovation as well as improving geographic and channel coverage.



Market activities

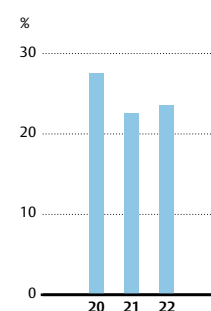
- Deployment of Net Promoter Systems in China and Southeast Asia to evaluate market capabilities and identify focus improvement areas.
- Brand awareness improvement actions through exhibitions and local activities such as specification seminars held for architect design institutes.
- Significant new investment in marketing activity to support launches of digital door locks in the Pacific.
- Increased focus on whole opening specification in the Pacific to address changing compliance regulations.
- Expansion of the window hardware offering through the acquisition of Caldwell.



Innovation

- We localized centralized developed platforms (e.g. Incedo) and solutions in smart residential and digital access solutions to meet local standards and footprints
- We launched 85 new products, for example:
 - A new Yale 3D structured light facial recognition smart door lock in China and Southeast Asia.
 - New GuoQiang window system in China that connects with IoT.
 - Products targeting the Chinese commercial market including ASSA ABLOY multi-point wind-load-resistance exit device.
 - Security screen in Australia with Yale smart door lock capability and dual door access, enabling both doors to lock and unlock using the same instruction from the app.
 - The Incedo range of products to our commercial markets in the Pacific, strengthening our position in wireless locking by providing a full access control system.

New product ratio



Costs

Closure of one factory in China as part of our continued work with factory, capacity and office consolidation

- A large number of cost-efficiency projects in China finished in 2022, for example:
 - Implementation of line balancing to increase the efficiency in production processes.
 - Manufacturing process automation initiatives implemented including installation of polishing robots to reduce direct labor costs.



Sustainability

Activities to reduce freight, including near-sourcing, supplier optimization and material reduction, were introduced during in our efforts to lower emissions in line with our science-based target commitment. This also includes expanding collaboration with our suppliers to reduce their emissions. We have also increased the usage of renewable energy at many sites in the division and are reviewing further investments at sites in Australia.

4%

increased energy intensity (MWh/ SEK M value added¹) since 2019

¹ Value added = EBIT + Total personnel cost.

Global Technologies

Strong recovery in the second half of 2022

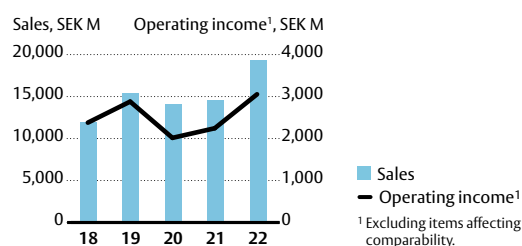
Financial development

Travel volumes recovered significantly in 2022 which resulted in strong growth for Hospitality and Marine within Global Solutions, as well as for Citizen ID within HID. Component shortages remained an issue throughout the year, impacting Physical Access Control. However, the re-design of products meant that we could source components from more suppliers and cut down on the backlog, resulting in a very strong growth in the second half of the year. For the full year, the organic sales growth was 15% and this contributed to a margin improvement to 15.8% (15.4%). Cash flow was slightly lower than last year due to higher working capital.

We continued to invest in R&D and several new products and solutions were launched. New products introduced over the past three years accounted for 25% of sales.

Acquisitions

Eight acquisitions were completed in 2022: Vigil Health Solutions, a leader in call systems and residential monitoring solutions for senior living in Canada; Keytechnik, a distributor of Key and Asset Management Solutions in Benelux; Acura, a Brazilian manufacturer and reseller of RFID hardware; Vizinex, a manufacturer of RFID tags located in the US; Alcea, a French-based provider of security supervision software and associated access control hardware; Safemark, a US-based market leader in the hospitality safe segment; Zipplify, an early-stage self-storage access control solution provider based in Sweden, and Janam, a provider of handheld mobile computers and readers, based in the US.



Comments by Business Unit Heads

Describe the recent trends in your market!

– Travel is continuing to recover towards pre-pandemic levels and the general opening up of societies means strong demand for our access solutions across our different verticals. The digitalization, convenience and touch-free trends are strong, which drive demand for mobile credentials, upgrades, and cloud solutions.

What are your key priorities to accelerate profitable growth?

– We focus on further developing our core capabilities and at the same time expanding our product offering, which includes increasing our solutions and recurring revenue sales. We are also looking at expanding geographically with scalable solutions. Additionally, we are looking at ways of aligning our manufacturing footprint, technical support, services, and operational centers closer to our customers to make sure we are as relevant as possible for them.

How is the adoption of mobile access proceeding?

– We are seeing strong growth in the upgrade of our reader installed base, technology partner integrations, and mobile revenue, but we believe much of the growth is still to come. World-recognized end users are starting to understand the benefits of mobile and have invested in deploying our solutions. Additionally, our partnerships with large technology companies, like Apple and Google, have allowed us to offer an exceptional user experience to further drive adoption. The adoption of mobile access in Global Solutions is also proceeding strongly. Hyatt has rolled out mobile check-in for Apple Wallet to more than 100 hotels and we are seeing a strong interest from other customers as well. There's also a drive for mobile access in our other verticals driven by convenience, safety and traceability.

Where do you see the biggest potential to grow recurring revenues?

– We see opportunities for recurring revenue across the HID business segments. Our focus on mobile access offers a major opportunity to move towards a subscription-based model. Our credential issuance cloud platform, location services and biometrics software offerings represent a few additional opportunities for recurring revenue growth. The biggest opportunity in Global Solutions is found in our software solutions offering especially within access management systems.



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



Stephanie Ordan
Executive Vice President and
Head of Global Technologies
business unit Global Solutions

Overview Global Technologies

- The division comprises HID (70%) and Global Solutions (30%).
- HID is organized into six business areas, the largest being Physical Access Control Solutions.

HID has leading market positions in trusted identity solutions providing secure and convenient access to physical and digital places and connecting things that can be accurately identified, verified and tracked digitally.

Global Solutions comprises seven business areas, with the largest being Hospitality.

- Global Solutions has leading market positions in the hospitality and marine segments for access solutions and in other verticals such as Senior

care, Construction, Key and Asset Management, Critical Infrastructure and Self Storage.

- Global Technologies has 7,300 employees and a presence on all continents.

Proportion of commercial/institutional vs residential



■ Commercial/Institutional, 100%
■ Residential, 0%



World-recognized end users are starting to understand the benefits of mobile and have invested in deploying our solutions.



Market activities

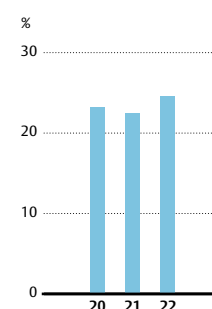
- Deepened partnerships with large technology companies to extend our reach for mobile credentials and services within hospitality and physical access control.
- Continued focus on activities to increase the uptake of electromechanical products and solutions for existing customers with mechanical bases.
- Acquisitions completed which expanded our product portfolio and strengthened our geographical footprint in certain verticals.
- Partial return to participation at trade exhibitions.



Innovation

- We increased the use of artificial intelligence and machine learning to make our products perform better and to deliver a more seamless user experience. For example, we have improved the indoor location sensing accuracy for IoT products. We are developing technologies to make contactless biometrics more secure and robust against falsification.
- We launched 93 new products, for example:
 - VingCard Novel, manufactured using sustainable practices to reduce its environmental impact.
 - BEAT: a new portal for smoother third-party integrations with our keyless solutions for critical infrastructure.
 - Employee badge in Apple Wallet by HID.

New product ratio



Costs

- Many tactical, supply and commercial actions were taken to mitigate material and supply chain challenges.
- To increase our supply chain resiliency, the supply base was further diversified.
- Further scaling of our R&D productivity with emphasis on driving common platforms, improved innovation processes and stronger R&D governance.
- Long-term initiatives introduced to systematically reduce product costs across the business through stronger cross-functional collaboration.



Sustainability

- All business areas in Global Solutions identified the most important opportunities for sustainability improvements and agreed on action plans and how to monitor the progress.
- Optimizing our global footprint with a focus on “sustainability by design” to promote employee wellness in our working environments.
- Deployment of Green Teams to build a culture of environmental stewardship and social responsibility in HID.
- GreenCircle certification of HID Signo Readers, which contributes to improved building performance and green building certifications like LEED, BREEAM and Energy Star.

16%

increased energy intensity
(MWh/ SEK M value added¹)
since 2019

¹ Value added =
EBIT + Total personnel cost.

Entrance Systems

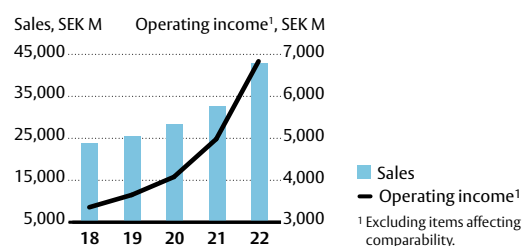
Record year for Entrance Systems

Financial development

Despite growing very strongly in 2021, Entrance Systems managed to post exceptionally strong growth in 2022 again, driven by strong price realization, operational execution as well as favorable underlying market conditions. All business segments contributed to the organic growth of 17%, but Residential and Perimeter Security grew strongest. The operating margin improved to 15.9% (15.3%), driven by synergies realized from the integration of agta record, strong service growth and a margin improvement in Residential. Cash flow was strong with a conversion rate of 79%. The share of new products introduced over the past three years was 17% of sales.

Acquisitions

Seven acquisitions were completed in 2022. We acquired Jotec, a regional industrial door distributor and service provider in Germany; J Newton Enterprises, a pedestrian door distributor and service company in the US; Go Doors, an Australian specialist in automatic doors and gates; ASA Fermetures, a French provider of docking products and restraint systems; Roy C, a regional door distributor and service provider in the US; Metaflex, an India and Netherland-based specialist provider of airtight doors, and Duffet Doors, a manufacturer of industrial steel roller shutters and aluminum grilles, based in New Zealand.



Comments by Divisional Head

Describe the recent trends in your market!

– The pandemic has truly accelerated the demand for touchless access. We are also seeing the demand for Connectivity and IoT increasing. Furthermore, green building standards are driving the rapid expansion of durable and sustainable products where we are well-positioned with our doors and solutions that help customers increase energy efficiency and optimize climate control.

What are your key priorities to accelerate Entrance Systems' profitable growth?

– Our priorities include product innovation, connectivity, growing in emerging markets, increasing service growth, and focusing on acquisitions that reinforce our market presence, expand our geographical or portfolio coverage, or add new technology.

What explains the very strong growth in 2022?

– The US market, where we have around half of our geographical exposure, was very strong during the year. Our Residential, Industrial and Perimeter security segments all performed very strongly. Our growth was also helped by strong pricing efforts.

How will you continue to accelerate your service business?

– We invest in our service organization, sales tools, connectivity, customer service, and a service offering focusing on customer needs. Our new global service customer segmentation model is designed to secure differentiated customer sales and offers a next-generation service offering with a subscription-based agreement type that includes a total cost of ownership commitment. We will continue to recruit service technicians to expand our service organization. Additionally, we have launched @YourService, a program that encompasses and supports the entire career lifecycle of a service technician.

What progress are you making in terms of connected entrance doors?

– We are in close cooperation with a select group of customers to thoroughly understand their pain points and needs. Based on the insight gathered, we will develop and introduce connectivity for a specific range of doors. We have also added connectivity as a standard for most of our products. Furthermore, we want to move to a subscription sales model where customers renew, add or upgrade their products and have integrated this into the current sales process as a first step.



Massimo Grassi
Executive Vice President and
Head of the Entrance Systems
division

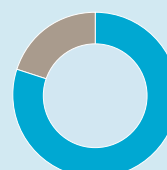
Overview Entrance Systems

- Divisional headquarters in Switzerland.
- Entrance Systems manufactures and sells entrance automation products, services, and perimeter security.
- Entrance systems is a global organization with four business segments: Pedestrian, Industrial, Residential and Perimeter Security. Industrial is the largest segment.

- The route to market is both direct and indirect, with ASSA ABLOY as the main brand in the direct channel and a number of additional brands in the indirect channel.

- Entrance Systems has about 15,600 employees worldwide.

Proportion of commercial/institutional vs residential



■ Commercial/Institutional, 80%
■ Residential, 20%



“

Connected doors are a clear trend in our industry and allow us to optimize maintenance for our customers.



Market activities

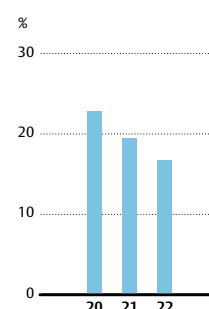
- Several partnerships and collaborations with global logistics partners regarding ASSA ABLOY Docking Management System (DMS).
- Increased focus on digitalization and the development of our e-business within Residential to provide better tools and service to our dealers and distribution network.
- Acquisitions completed which expanded our service organization within the Pedestrian and Industrial segments.
- Actions and initiatives were implemented to improve our service of spare parts within Residential.
- Several initiatives to improve the control over equipment lifecycle costs to secure uptime and reduce the total cost of ownership for our customers.



Innovation

- In 2022, Entrance Systems launched a joint R&D project with Opening Solutions Asia Pacific to enable an automated seamless access solution for residential doors.
- We launched 28 new products, for example:
 - Combidock, levelers for customers where both trucks and vans can use the same loading bay.
 - ASSA ABLOY Docking Management System (DMS), which gives customers full control of their terminals, improving energy efficiency, productivity, and their working environment.
 - ASSA ABLOY RP400, the most advanced high-speed machine protection door to date offering a new level of protection.
 - A new fiber rope crash fence that simplifies installation.

New product ratio



Costs

- Development of a new control system platform within Industrial to reduce cost, complexity and simplify connectivity.
- Consolidation of four weld shops into one in Perimeter Security to reduce supervision and increase productivity.
- Continued focus on VA/VE initiatives to, for example, reduce direct material costs.
- Expansion of logistical suppliers to mitigate freight cost increases.



Sustainability

- The rollout of “Together we are safe” in 2022, a health & safety training program for the service organization within Pedestrian.
- Development of a product emission tool within Industrial to calculate the carbon footprint of our products and components.
- Perimeter Security eliminated gas burn-off ovens for the coating system, which significantly reduced the natural gas usage.

28%

reduced energy intensity
(MWh/ SEK M value added¹)
since 2019

¹ Value added =
EBIT + Total personnel cost.

ASSA ABLOY
in your daily life



Smart tickets for FIFA World Cup

HID delivered approximately 2 million smart paper tickets for the 2022 FIFA World Cup, one of the largest and most popular sporting events in the world. This was the third consecutive time that HID has delivered its smart paper tickets manufactured with unique security features to the FIFA World Cup.

HID offers solutions that enable event organizers and participating audiences to securely access event sites. For the 2022 FIFA World Cup, HID also provided a fully customized solution for outer-perimeter access control and all exit gates to ensure a smooth exit and facilitate emergency evacuations.

“

HID delivered approximately 2 million smart paper tickets manufactured with unique security features to the FIFA World Cup.

Docking Management System links lean and green

ASSA ABLOY provides a complete range of docking bay solutions to many types of buildings like logistics centers, manufacturing facilities and warehouses. Loading docks are a key to operational efficiency for many businesses. They can also play a vital role in helping companies reduce emissions by using innovative access control solutions.

ASSA ABLOY's Docking Management System (DMS) enables distribution centers to achieve greater efficiency by replacing substantial manual tasks with automated processes.

DMS allows logistic center operators to optimize their planning by having a real-time read of the movements on the ground. This ensures that idle docks remain shut to save energy.

“

Loading docks can play a vital role in helping companies reduce emissions by using innovative access control solutions.



ASSA ABLOY
in your daily life

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 2022, including the nature and focus of the business. The annual report is prepared in Swedish kronor (SEK) and all amounts are in million SEK, unless otherwise stated. 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 activities developed well during the year for most major market regions. Growth was very strong in North America and also strong in Europe, Latin America, Pacific and Africa. However, growth remained negative for several of the major markets in Asia, in part owing to continued Covid-19 restrictions.

Sales increased by 27 percent for the full year and amounted to SEK 120,793 M (95,007). Organic growth was 12 percent (11) and net acquired and divested growth was 2 percent (2). The exchange rate effect on sales was 13 percent (-5).

Operating income (EBIT) increased by 31 percent to SEK 18,532 M (14,181), equivalent to an operating margin of 15.3 percent (14.9). The improvement in income is primarily attributable to very strong organic sales growth during the year. Price rises to customers in all divisions largely compensated for the effects of changes in the prices of important raw materials for the Group.

A general shortage of certain materials and components, especially during the first part of the year, presented a major operational challenge.

There were no items affecting comparability in 2022 or in the comparative year related to the operating income.

Net financial items were SEK -1,011 M (-643), largely owing to rising interest rate levels during the year. Income before tax totaled SEK 17,521 M (13,538), an increase of 29 percent. The effective tax rate amounted to 24.1 (19.5) percent. The lower effective tax rate in the comparative year was primarily on account of non-recurring positive tax effects related to an intra-Group brand transfer. The effective tax rate, excluding non-recurring tax effects, in 2021 was 24.4 percent.

Earnings per share after full dilution increased by 22 percent till SEK 11.97 (9.81).

Operating cash flow remained very strong and amounted to SEK 15,808 M (13,265), corresponding to cash conversion of 0.90 (0.98).

Restructuring

A new restructuring program was prepared during the year and will be launched at the end of the first quarter of 2023. Plants and offices are expected to be closed over a period of roughly two years in the new program. Some of the activities in the new program were started in 2022 and are a component of ASSA ABLOY's ongoing cost savings and efficiency enhancements.

The previous restructuring program, launched at year-end 2020, proceeded well during 2022, with good savings effects.

In 2022, around 1,100 employees left the Group in con-

junction with changes in the production and office organization. Seven plant closures and a number of office closures were implemented during the year, along with a number of other restructuring activities, including conversion from production to final assembly in production units.

In recent years, the Group has increasingly concentrated production on its own plants in Asia, Central Europe and Eastern Europe, as well as outsourcing to external suppliers in low-cost countries.

Payments for all restructuring programs totaled SEK 404 M (563) for the year. At year-end 2022, the remaining provisions for restructuring measures amounted to SEK 294 M (658).

Organization

A few minor operations were transferred between the divisions during the year, primarily from Global Technologies to EMEA. Sales on an annual basis for the operations that were transferred to EMEA during the year are lower than SEK 100 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.

Acquisition of HHI

In September 2021, ASSA ABLOY signed a definitive agreement to acquire the Hardware and Home Improvement (HHI) division of Spectrum Brands. HHI is a leading provider of security, plumbing, and builders' hardware products to the North American residential segment, with a diversified product offering of locksets, faucets, and builders' hardware.

HHI is headquartered in California, US, with some 7,500 employees worldwide. The company has manufacturing facilities in the US, Mexico, Taiwan, China, and the Philippines. HHI will become part of the Americas division.

The total consideration for the acquisition of HHI amounts to USD 4,300 M on a cash and debt free basis. The acquisition will be fully funded by existing cash and new debt.

The acquisition is conditional upon regulatory approval and customary closing conditions. In September 2022, ASSA ABLOY announced that the US Department of Justice will seek to block ASSA ABLOY's proposed acquisition of HHI. ASSA ABLOY and Spectrum Brands strongly disagree with the US regulator's characterization of the proposed transaction, and will vigorously contest in court this effort to oppose the transaction.

ASSA ABLOY has entered into agreements for the sale of businesses to resolve all the alleged competitive concerns. See the section on divestments in the Report of the Board of Directors for further information.

ASSA ABLOY has agreed to pay the seller a termination

fee of USD 350 M in certain circumstances if the transaction agreement is terminated and required regulatory approvals would not have been obtained. ASSA ABLOY and Spectrum Brands agreed during the year to extend the agreement for ASSA ABLOY to acquire HHI up to and including 30 June 2023.

The acquisition of HHI is expected to close during the second quarter of 2023.

Other acquisitions

JOTEC, a leading regional industrial door distributor and service company in Germany, was acquired in April 2022. The company is headquartered in Erkelenz, Germany. Sales in 2021 totaled about SEK 200 M.

Vigil Health Solutions, a leader in innovative call systems and resident monitoring solutions for senior living, was acquired in April 2022. The company is headquartered in Victoria, Canada. Sales in 2021 totaled about SEK 40 M.

Caldwell, a manufacturer of fenestration hardware for window manufacturers, was acquired in June 2022. The company is headquartered in Rochester, US. Sales in 2021 totaled about SEK 1,000 M.

The acquisition of Arran Isle, a leading designer, manufacturer and distributor of door and window hardware, was concluded in June 2022. The company is headquartered in the UK. Sales in 2021 totaled about SEK 1,450 M. The agreement for the acquisition was signed in September 2021.

J Newton Enterprises, a leading pedestrian door distributor and service company, was acquired in August 2022. The company is headquartered in Florida, US. Sales in 2021 totaled about SEK 150 M.

VHS Plastik Metal, a leading manufacturer of hardware systems for windows and doors, was acquired in September 2022. The company is headquartered in Silivri, Turkey. Sales in 2021 totaled about SEK 150 M.

Alcea, a provider of security supervision software and associated access control hardware that together with system partners are providing total access management solutions, was acquired in October 2022. The company is headquartered in Villebon-sur-Yvette, France. Sales in 2021 totaled about SEK 200 M.

Control iD, a leading developer of hardware and software solutions for access control and time and attendance in Brazil, was acquired in October 2022. The company is headquartered in Sao Paulo, Brazil. Sales in 2021 totaled about SEK 250 M.

D&D Technologies, a leading designer and manufacturer of premium gate hardware, was acquired in October 2022. The company is headquartered in Sydney, Australia. Sales in 2021 totaled about SEK 475 M.

Bird Home Automation, a German manufacturer of high-quality IP door intercom for single and multi-family buildings, for indoor station or smartphone control, was acquired in October 2022. The company is headquartered in Berlin, Germany. Sales in 2021 totaled about SEK 220 M.

Janam Technologies, a leading provider of handheld mobile computers and readers, was acquired in December 2022. This acquisition enhances ASSA ABLOY's event access portfolio to now also include handheld readers for scanning tickets using barcode and RFID technology, including NFC.

The company is headquartered in New York, US. Sales in 2021 totaled about SEK 200 M.

The total purchase price of the 21 businesses acquired during the year, including adjustments for acquisitions from previous years, was SEK 9,812 M. The preliminary acquisition analyses indicate that goodwill and other intangible assets with an indefinite useful life amount to SEK 7,471 M. Estimated deferred considerations relating to acquisitions for the year totaled SEK 864 M.

Additional acquisitions of non-controlling interests occurred during the year for SEK 55 M (-).

Divestments

It was announced in December 2022 that ASSA ABLOY had entered into agreements with Fortune Brands for the sale of Emtek and the Smart Residential business in the US and Canada to fully resolve all the alleged competitive concerns surrounding the proposed acquisition of HHI. These businesses represented sales of about USD 350 M in 2021. The selling price for the divested business is approximately USD 800 M on a cash and debt free basis.

The divestiture is dependent on ASSA ABLOY's successful defense against the US Department of Justice regarding the planned acquisition of HHI. ASSA ABLOY will remain fully committed to these well-performing businesses during the process and all the businesses will continue to operate as normal.

Finnlock, a small business in Russia, was divested in April 2022 as a direct consequence of the war in Ukraine.

WindowWare, a distributor of door and window hardware in the UK, was divested in November 2022. The operations were not deemed compatible with ASSA ABLOY's core operations.

The divestments in Russia and the UK resulted in a small total capital loss before tax.

Research and development

ASSA ABLOY's expenditure on research and development during the year totaled SEK 4,834 M (3,936), equivalent to 4.0 percent (4.1) 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 increased during the year and there were approximately 3,250 (2,800) positions at the year-end.

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.

ASSA ABLOY had its sustainability targets confirmed by the Science Based Targets initiative (SBTi) during the year. Science Based Targets is a worldwide initiative providing

support for companies to set science based climate targets and boost their competitiveness in the transition to an economy based on reduced emissions. It is a collaboration between the Carbon Disclosure Project (CDP), the UN Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

The 2022 Sustainability Report, reporting on the Group's targets for 2022, and providing details of the 2025 sustainability program and other information about sustainable development, is available on the company's website, assaabloys.com.

Internal control and financial reporting

ASSA ABLOY's internal audit and internal control functions have dedicated internal auditors employed in all divisions. The internal audit function continued its work to enhance internal control and compliance in the company in general. The number of reviews remained at a high level during the year, with a particular focus on financial reporting, including continuous reconciliation of balance sheets.

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

There have been no significant business-related events for the Group since the year-end.

Proposed distribution of earnings

The following earnings are at the disposal of the Annual General Meeting:

Share premium reserve:	SEK 787,314,216
Retained earnings carried forward:	SEK 13,333,461,208
Net income for the year:	SEK 3,292,129,024
Total:	SEK 17,412,904,448

The Board of Directors proposes that these earnings be appropriated as follows:

A dividend to the shareholders of SEK 4.80 per share	SEK 5,331,726,403
Be carried forward to the new financial year	SEK 12,081,178,044
Total:	SEK 17,412,904,448¹

The Board of Directors' proposal for a dividend of SEK 4.80 (4.20) per share corresponds to an increase of 14 percent. The dividend is proposed to be paid in two equal installments, the first with the record date 28 April 2023 and the second with the record date 13 November 2023. If the proposal is adopted by the Annual General Meeting, the first installment is estimated to be paid on 4 May 2023 and the second installment on 16 November 2023.

Outlook

Long-term outlook

The war in Ukraine may have a negative business impact on ASSA ABLOY in both short and long term, but the direct business impact is deemed to be limited.

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.

¹ The dividend and retained earnings to be carried forward to the new financial year are calculated on the number of outstanding shares at 2 February 2023. No dividend is payable on ASSA ABLOY AB's holding of treasury shares, the exact number of which is determined on each record date for payment of dividend. ASSA ABLOY AB's holding of treasury shares amounted to 1,800,000 Series B shares at 2 February 2023.

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 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. A centralized Treasury function 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.

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. It has recently also been 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 protecting the health of its employees. The business has also been negatively impacted by the pandemic. While it is difficult to predict the continued impact of the pandemic on business in 2023 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.

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 50 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 36, 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 value of exports and imports, respectively, 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 2022. 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 31,732 M (27,071) at year-end 2022. 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 2022, ASSA ABLOY had obligations for pensions and other post-employment benefits of SEK 9,068 M (9,717). The Group manages pension assets valued at SEK 7,717 M (6,981). Provisions in the balance sheet for defined benefit and defined contribution plans and post-employment medical benefits totaled SEK 1,351 M (2,736). 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. The changes in value during the year were relatively high as a consequence of changes in actuarial assumptions and the market valuation of assets. 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 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

ASSA ABLOY's operational risks and risk management

Operational risks	Risk management	Comments
Legal risks	<p>The Group continuously monitors anticipated and implemented changes in legislation in the countries in which it operates. Ongoing and potential disputes 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 2022, there are considered to be no outstanding legal disputes that may lead to significant costs for the Group.
Environmental risks	Ongoing and potential environmental risks are regularly monitored in the operations. External expertise is brought in for environmental assessments when necessary.	Prioritized environmental activities and other information on sustainable development are reported in the Group's Sustainability Report.
Tax risks	Ongoing and potential tax cases are regularly reported to the Group's central tax function.	At year-end 2022, there are considered to be no ongoing tax cases with a significant impact on the Group's earnings.
Acquisition of new businesses	Acquisitions are carried out by a number of people with considerable acquisition experience and with the support of, for example, legal and financial consultants. Acquisitions are carried out according to a uniform and predefined Group-wide process. This consists of four documented phases: strategy, evaluation, implementation and integration.	During the year, acquisition activity continued to be very high at ASSA ABLOY, with acquisitions of 21 businesses. The Group's acquisitions in 2022 are reported in greater detail in the Report of the Board of Directors and in Note 34, Business combinations.
Restructuring measures The restructuring programs mainly entail some production units being closed or changing their focus to mainly performing final assembly, combined with office closures.	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 prepared during the year and its launch is planned to be in early 2023. A number of plants and offices are expected to be closed over a two-year period. The level of activity in the programs launched previously continued to be high during the year. The scope, costs and savings of the restructuring programs are presented in more detail in the Report of the Board of Directors.
Price fluctuations and availability of raw materials	Raw materials are purchased and handled primarily at division and business unit level. Regional committees coordinate these activities with the help of senior coordinators for selected material components.	The market prices of raw material components, for example steel, that are important to the Group varied during the year. For further information about procurement of materials, see Note 7, Expenses by nature.
Credit losses	<p>Trade receivables are spread across a large number of customers in many markets. No individual customer in the Group accounts for more than two 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 deemed to be limited, but the credit risk in Asia has risen in recent years, partly in relation to the global Covid-19 pandemic.
Insurance risks	A Group-wide insurance program is in place, mainly relating to property, business interruption and liability risks. This program covers all business units. The Group's exposure to the risk areas listed above is regulated by means of its own captive insurance company.	The Group's insurance cover is considered to be generally adequate, providing a reasonable balance between assessed risk exposure and insurance costs.
Risks relating to internal control	<p>The organization is considered to be relatively transparent, with a clear allocation of responsibilities. 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>	<p>ASSA ABLOY's internal audit and internal control functions have dedicated internal auditors employed in all divisions. The number of audits remained high during the year. Internal control and other related issues are reported in more detail in the Report of the Board of Directors, section on Corporate governance.</p> <p>Further information on risk management relating to financial reporting can be found in the Report of the Board of Directors, section on Corporate governance. See also the section "Basis of preparation" in Note 1.</p>
Risks relating to information technology (IT)	Preventive measures are in place to protect business-critical information from unauthorized individuals and organizations.	IT security is a high priority 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.

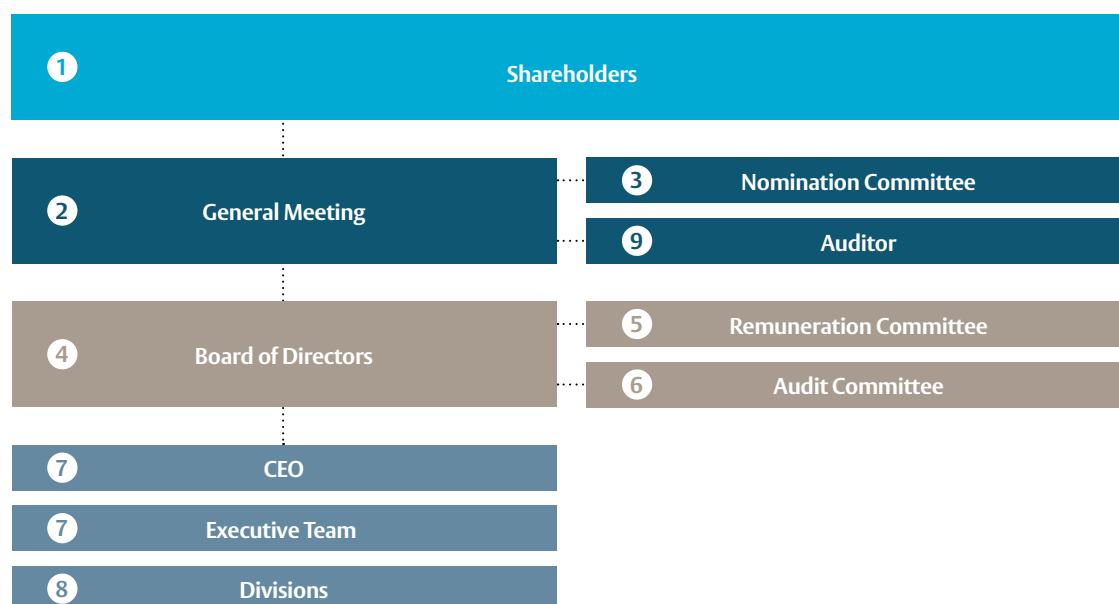
This Corporate Governance Report has been prepared as part of ASSA ABLOY's application of the Code. ASSA ABLOY follows the Code's principle to 'comply or explain' and ASSA ABLOY has two deviations to explain for 2022. The composition of the Nomination Committee prior to the 2023 Annual General Meeting deviated from Rule 2.3 (paragraph one) of the Code, which stipulates that the Nomination Committee must have at least three members. The Nomination Committee prior to the 2023 Annual General Meeting initially comprised five members. In December 2022, Marianne Nilsson (representing Swedbank Robur Fonder), Ola Peter Gjessing (representing CBNY Norges Bank) and Liselott Ledin (representing Alecta) left ASSA ABLOY's Nomination Committee. The Chairman of the Nomination Committee then asked several shareholders in successive order of numbers of votes whether they wanted

to appoint a representative to the Nomination Committee, but these shareholders declined to do so. On account of this and the limited time remaining before the planned publication of the notice of the 2023 Annual General Meeting, the Nomination Committee decided that the work prior to the 2023 Annual General Meeting would be completed by just two members, the Chairman, Anders Mörck (representing Investment AB Latour) and Mikael Ekdahl (representing Melker Schörling AB). The intention is to appoint a complete Nomination Committee prior to the 2024 Annual General Meeting. Furthermore, the Nomination Committee prior to the 2022 Annual General Meeting deviated from Rule 2.4 of the Code in that the board member Johan Hjertonsson (Investment AB Latour) was Chairman of the Nomination Committee. The reason for this deviation was that the major shareholders considered it important to have the representative of 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)

Important internal rules and regulations

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

1 Shareholders

At year-end 2022, ASSA ABLOY had 50,515 shareholders. 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 64.2 percent of the share capital and 43.8 percent of the votes. The ten largest shareholders accounted for 35.8 percent of the share capital and 56.2 percent of the votes. For further information on shareholders, see page 110.

ASSA ABLOY's Articles of Association contain a pre-emption clause for owners of Series A shares regarding shares of Series A. A shareholders' agreement exists between the Douglas and 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 2022 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. 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 2022 Annual General Meeting 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 Series B shares after repurchase. The cost of these shares amounts to SEK 103 M. The shares account for around 0.2 percent of the share capital and each share has a par value of around SEK 0.33. No shares were repurchased in 2022.

Share and dividend policy

ASSA ABLOY's Series B share is listed on the Nasdaq Stockholm, Large Cap. At the end of 2022, ASSA ABLOY's market capitalization amounted to SEK 248,883 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 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.

2022 Annual General Meeting

At the Annual General Meeting on 27 April 2022, shareholders representing 52.4 percent of the share capital and 67.6 percent of the votes participated. The shareholders were also able to exercise their voting rights at the Annual General Meeting by a postal vote before the Annual General Meeting pursuant to temporary legislation. The Annual General Meeting's resolutions included the following.

- Dividend of SEK 4.20 per share, paid in two equal installments.
- Lars Renström, Carl Douglas, Johan Hjertonsson, Sofia Schörling Högberg, Eva Karlsson, Lena Olving, Joakim Weidemanis and Susanne Pahlén Åklundh were re-elected as members of the Board of Directors.
- Erik Ekudden was elected as a new member of the Board of Directors.
- 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 re-elected as the company's auditor.
- Remuneration of the Board of Directors.
- Approval of the Board of Directors' report on remuneration as per Chapter 8, Section 53 a, of the Swedish Companies Act (remuneration report).
- 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 2022).

For more information about the Annual General Meeting, including the minutes, see ASSA ABLOY's website assaabloy.com.

2023 Annual General Meeting

ASSA ABLOY's next Annual General Meeting will be held on 26 April 2023 in Stockholm, Sweden. More information will be available in the notice of the Annual General Meeting and on ASSA ABLOY's website assaabloy.com.

3 Nomination Committee

The 2018 Annual General Meeting adopted instructions for the Nomination Committee, comprising a procedure for appointing the Nomination Committee, which apply until further notice. According to these instructions, 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. Where a shareholder declines to participate in the Nomination Committee, a representative from the largest shareholder in turn shall be appointed. If a member resigns from the Nomination Committee before the work is completed and the Nomination Committee finds it suitable, a substitute shall be appointed. Such a substitute shall be appointed from the same shareholder or, if that shareholder no longer is among the largest shareholders in terms of voting rights, from the largest shareholder next in turn.

Since Marianne Nilsson (Swedbank Robur Fonder), Ola Peter Gjessing (CBNY-Norges Bank) and Liselott Ledin (Alecta) left the Nomination Committee in December 2022, the Nomination Committee prior to the 2023 Annual General Meeting has comprised Anders Mörck (Investment AB Latour) and Mikael Ek Dahl (Melker Schörling AB). Anders Mörck is the Chairman of the 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, 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 2023 Annual General Meeting, 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 full proposals and motivated statement to the 2023 Annual General Meeting are published, at the latest, in conjunction with the formal notice of the Annual General Meeting, which is expected to be issued around 22 March 2023.

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, Group policies, acquisitions and divestments as well as investments of major 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 Board 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. The Board of Directors also has two members who are appointed by employee organizations in accordance with Swedish law. The employee organizations also appoint two deputies. The Board of Directors has consisted of nine elected members and two employee representatives since the 2022 Annual General Meeting. No board members are included in the Executive Team. For a presentation of the Board of Directors, see pages 56–57.

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 2022, 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 2022 Annual General Meeting, the composition of the members of the Board of Directors elected by the Annual General Meeting is such that around 44 percent are women and 56 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, there was an in-depth review of operations in HID Global, Americas, Pacific and North East Asia and Greater China and South East Asia during the year, with the partial aim of expanding the expertise of the Board of Directors in ASSA ABLOY.

Board of Directors' work in 2022

The Board of Directors held eight meetings during the year (of which two were by correspondence). 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 addressed to the extent they arose.

Major matters addressed by the Board of Directors during the year include the Group's strategy and the acquisition of the Hardware and Home Improvement division of Spectrum Brands. The Board of Directors also addressed a number of other acquisitions, including of Caldwell, Alcea, Control iD, D&D Technologies, Bird Home Automation and Janam Technologies. The Board of Directors visited the Americas division's operations in the US during the year. The Board of Directors' work is summarized in the timeline on pages 54–55.

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 2022 the Remuneration Committee comprised Lars Renström (Chairman) and Johan Hjerténsson.

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

Summary of Board of Directors' work and Committee meetings in 2022

Summary of Board of Directors' work and Committee meetings in 2022					
January	Ordinary Board meeting Year-end results Proposal dividend Annual Report Auditor's report Sustainability Report Proposals to Annual General Meeting Evaluation Executive Team Acquisitions		Ordinary Board meeting Interim Report Q1 Presentation HID Global Acquisitions		
	Remuneration Committee meeting Audit Committee meeting	Extraordinary Board meeting (by correspondence) Notice Annual General Meeting	Audit Committee meeting Statutory Board meeting (by correspondence) Appointment committee members Adoption Board of Directors' rules of procedure and Group policies Signatory powers		
	February	March	April	May	June

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

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 current guidelines for remuneration to senior executives that were adopted at the 2022 Annual General Meeting, see Note 35.

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.

The Committee held two meetings in 2022. Its work included preparing, for the Board of Directors, a proposal for guidelines for remuneration to senior executives, a proposal for remuneration report and 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

The Audit Committee consisted of Lars Renström (Chairman), Johan Hjertsonsson and Lena Olving in 2022.

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 ASSA ABLOY's auditors, and, if applicable, it approves such services according to these guidelines, and establishes guidelines for the appointment of new local audit firms. Otherwise, the Committee has no decision-making powers.

The Committee held four meetings in 2022. The company's external auditor and representatives from senior management also participated at these meetings. Major matters discussed by the Audit Committee during the year included internal control, financial statements and valuation matters, tax matters, insurance and risk management matters, information security, 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 2022 Annual General Meeting passed a resolution on Board fees totaling SEK 9,995,000 (excluding remuneration for committee work) to be allocated between the members as follows: SEK 2,900,000 to the Chairman, SEK 1,075,000 to the Vice Chairman, and SEK 860,000 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 340,000, the Chairman of the Remuneration Committee SEK 160,000, members of the Audit Committee (except the Chairman) SEK 235,000 each, and the member of the Remuneration Committee (except the Chairman) SEK 80,000.

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 2022, see Note 35.

Attendance at Board and Committee meetings in 2022

Board members	Board	Audit Committee	Remuneration Committee
Lars Renström	8	4	2
Carl Douglas	8		
Erik Ekudden ¹	4		
Johan Hjertsonsson	8	4	2
Sofia Schörling Högberg	8		
Eva Karlsson	8		
Lena Olving	8	4	
Joakim Weidemanis	8		
Susanne Pahlén Åklundh	8		
Rune Hjälme	8		
Mats Persson	8		
Total number of meetings	8	4	2

¹ Elected as a new member of the Board at the Annual General Meeting on 27 April 2022.

July	August	September	October	November	December
Ordinary Board meeting Interim Report Q2 Acquisitions	Ordinary Board meeting Presentation Pacific and North East Asia Acquisitions	Ordinary Board meeting and visit to operations Visit Americas Acquisitions	Ordinary Board meeting Interim Report Q3 Presentation Greater China and South East Asia Strategy Acquisitions		
Audit Committee meeting	Remuneration Committee meeting		Audit Committee meeting		

Board of Directors

Elected by the 2022 Annual General Meeting

1 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.

2 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: 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.

3 Erik Ekudden

Board member since 2022.
Born 1968.
Master of Science in Electrical Engineering.
Senior Vice President, Chief Technology Officer and Head of Group Function Technology at Telefonaktiebolaget LM Ericsson since 2018.
Previously a number of management positions within the Ericsson Group since 1993.
Other appointments: Fellow and vice Chair of the Presidium of the Royal Swedish Academy of Engineering Sciences (IVA) as well as member of the Broadband Commission for Sustainable Development.
Shareholdings (including through companies and related natural parties): –

4 Johan Hjertson

Board member since 2021.
Born 1968.
Master of Science in Business and Economics.
President and CEO of Investment AB Latour since 2019. Previously President and CEO of AB Fagerhult and Lammhults Design Group AB and various management positions within the Electrolux Group.
Other appointments: Chairman of Hultafors Group AB, Caljan AS, Alimak Group AB, Latour Industries AB and Tomra Systems ASA. Board member of Investment AB Latour and Sweco AB.
Shareholdings (including through companies and related natural parties): 10,000 Series B shares.

5 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): 2,500 Series B shares.

and related natural parties): 15,930,240 Series A shares and 18,120,992 Series B shares through Melker Schörling AB and 325,800 Series B shares through Edeby-Ripsa Skogsförvaltning AB.

6 Eva Karlsson

Board member since 2015.
Born 1966.
Master of Science in Engineering.
VP Business Area Air Handling, Cooling & Heating Swegon Group since September 2022. CEO of Sjöson Industri & Teknik AB 2021–2022. CEO and Vice President Product Supply Arcam EBM 2020–2021. 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: External member of the Board of the Faculty of Science and Technology at Luleå University of Technology.
Shareholdings (including through companies and related natural parties): 500 Series B shares.

7 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 Högländ AB 1991–1994.
Other appointments: Chairman of the Royal Swedish Opera, ScandiNova Systems AB and Akind Universe AB. Board member of Investment AB Latour, NXP Semiconductor N.V., Stena Metall AB and Vestas A/S. Fellow of the Royal Swedish Academy of Engineering Sciences (IVA).
Shareholdings (including through companies and related natural parties): 600 Series B shares.

8 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): –

9 Susanne Pahlén Åklundh

Board member since 2021.
Born 1960.
Master of Science in Engineering.
President of the Energy Division of Alfa Laval AB 2017–August 2021. Previously various positions in the Alfa Laval Group Management since 2009.
Other appointments: Chairman of Alfdex AB. Board member of Alleima AB and Sweco AB.
Shareholdings (including through companies and related natural parties): 2,500 Series B shares.



Appointments and shareholdings at 31 December 2022 unless stated otherwise.

Appointed by employee organizations



10 Rune Hjälms

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): –**

11 Mats Persson

Board member since 1994.
Born 1955.
Employee representative, IF Metall.
**Shareholdings (including through
companies and related natural parties): –**

12 Bjarne Johansson

Deputy board member since 2015.
Born 1966.
Employee representative, IF Metall.
**Shareholdings (including through
companies and related natural parties): –**

13 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 indepen-
dence in accordance with the Swed-
ish 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
Erik Ekudden	Board member	Yes	Yes
Johan Hjertonsson	Board member	Yes	No
Sofia Schörling Högberg	Board member	Yes	No
Eva Karlsson	Board member	Yes	Yes
Lena Olving	Board member	Yes	No
Joakim Weidemanis	Board member	Yes	Yes
Susanne Pahlén Åklundh	Board member	Yes	Yes

The Board of Directors' composition and shareholdings

Name	Position	Elected	Born	Remuneration Committee	Audit Committee	Series A shares ¹	Series B shares ¹
Lars Renström	Chairman	2008	1951	Chairman	Chairman	–	30,000
Carl Douglas	Vice Chairman	2004	1965	–	–	41,595,729	63,900,000
Erik Ekudden	Board member	2022	1968	–	–	–	–
Johan Hjertonsson	Board member	2021	1968	Member	Member	–	10,000
Sofia Schörling Högberg	Board member	2017	1978	–	–	15,930,240	18,446,792
Eva Karlsson	Board member	2015	1966	–	–	–	500
Lena Olving	Board member	2018	1956	–	Member	–	600
Joakim Weidemanis	Board member	2020	1969	–	–	–	–
Susanne Pahlén Åklundh	Board member	2021	1960	–	–	–	2,500
Rune Hjälms	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	–	–	–	–

¹ Through companies and related natural parties.

Appointments and shareholdings at 31 December 2022 unless stated otherwise.

Executive Team

1 Nico Delvaux

President and CEO since 2018, Head of the Global Technologies division since 2018 and of the Asia Pacific division since 2021.

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 and general management in markets including Benelux, Italy, China, Canada, and the United States 1991–2011.

Shareholdings (including through companies and related natural parties): 186,998 Series B shares and 94,787 call options.

2 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: 8,873 Series B shares.

3 Helle Bay

Executive Vice President and Chief Human Resources Officer (CHRO) since 2022.

Born 1972.

Bachelor's degree in Organization and Human Resources Diploma.

Previous positions: Executive Vice President and Head of People and Culture at Scania 2019–2022. Various HR managerial positions at Vestas Wind Systems 2007–2019, including CHRO 2017–2019. Previously HR positions at SAP Denmark 2003–2006 and Dansk Supermarked 1992–2003.

Shareholdings: –

4 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: 54,172 Series B shares.

5 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: 6,999 Series B shares.

6 Massimo Grassi

Executive Vice President and Head of Entrance Systems division since 2021.

Born 1961.

Master of Engineering.

Previous positions: Divisional Managing Director, IMI Precision Engineering 2015–2020. Various positions within the Stanley Black & Decker Group, including President Stanley Security Europe 2012–2015, Global President Industrial Automotive Repair 2010–2012 and President in Europe 2007–2010. Previously various positions in Pentair Inc., BWT AG and Pirelli.

Shareholdings: 4,631 Series B shares.





Changes in the Executive Team

Helle Bay became Executive Vice President and Chief Human Resources Officer on 1 June 2022. She succeeded Maria Romberg Ewerth, who left ASSA ABLOY on 28 February 2022.

7 Björn Lidelfelt

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: 15,761 Series B shares.

8 Stephanie Ordan

Executive Vice President and Head of Global Technologies business unit Global Solutions since 2021.

Born 1976.

Master of Business Administration and Engineering Diploma.

Previous positions: Vice President Digital and Access Solutions, ASSA ABLOY EMEA 2018–2021, Head of Energy Storage Business and Head of Marketing and Communication, Eaton 2014–2018. Strategic Marketing/New Products Development Director, General Electric 2013–2014. Previously, Application Engineer, Field Sales Engineer, Head of Strategy and Product Management, STMicroelectronics 1999–2013.

Shareholdings: 5,198 Series B shares.

9 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: 2,701 Series B shares.

10 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: 29,045 Series B shares.

7 Organization CEO and Executive Team

The Executive Team consists of the CEO, the Heads of the Group's divisions, the Heads of the business units HID Global, Global Solutions, Opening Solutions Greater China and South East Asia and Opening Solutions Pacific and North East Asia, the Chief Financial Officer and the Chief Human Resources Officer. For a presentation of the CEO and the other members of the Executive Team, see pages 58–59.

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 Center 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 55 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, information security and data protection, sustainability issues, business ethics 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. Information security policies and guidelines are in place to protect business-critical information from unauthorized individuals and organizations.

ASSA ABLOY has 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 2022 Annual General Meeting, Ernst & Young AB (EY) was re-elected as the external auditor until the end of the 2023 Annual General Meeting. Authorized public accountant Hamish Mabon is the auditor in charge. Hamish Mabon was born in 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 2021, 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 holds ultimate responsibility 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.

Financial reporting is governed by the ASSA ABLOY Accounting and Reporting Manual. It contains detailed instructions on accounting policies and procedures for financial reporting that must be applied by all units. The entire Group uses a financial reporting system with pre-defined report templates.

ASSA ABLOY has an internal control framework containing business-critical parts defining a minimum of mandatory control activities that help reduce the level of risk. The framework must be applied by all companies in the Group and control compliance must be monitored annually by means of self-assessment.

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. 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.

An 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 external 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 established operating Board 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.

Divisions, company management teams and process owners are responsible for ongoing testing of internal controls by means of annual self-assessment in accordance with the requirements in ASSA ABLOY's internal control framework. The results of the self-assessment and action plans are monitored quarterly and reported to the Audit Committee. The divisions, management of local companies and process owners are responsible for ensuring that agreed measures are implemented.

Internal audit

The internal audit function is part of the Group's financial organization, and the head of the internal audit function reports to the Chief Financial Officer. Each division has employed full-time internal auditors who audit the companies and monitor internal control. The internal audits are based on the Group's guidelines and policies for corporate governance, risk management and internal control in relation to areas such as financial reporting, compliance with the Code of Conduct and IT.

The results of the internal audits comprise observations and measures approved by the companies. Reporting is to division management teams and the Chief Financial Officer. The divisions, local company management teams and process owners are responsible for ensuring that agreed measures are implemented.

Sales and income

- Net sales increased by 27 percent to SEK 120,793 M (95,007). Organic growth was 12 percent (11), while net growth from acquisitions and divestments amounted to 2 percent (2).
- Operating income (EBIT) increased by 31 percent to SEK 18,532 M (14,181), equivalent to an operating margin of 15.3 percent (14.9).
- Earnings per share after full dilution increased by 22 percent till SEK 11.97 (9.81).

Sales

The Group's sales for 2022 amounted to SEK 120,793 M (95,007), corresponding to an increase of 27 percent (8). Organic growth was 12 percent (11), while the net contribution from acquisitions and divestments was 2 percent (2). The exchange rate impact on sales was 13 percent (-5).

Change in sales

%	2021	2022
Organic growth	11	12
Acquisitions and divestments	2	2
Exchange rate effects	-5	13
Total	8	27

Sales by product group

Mechanical locks, lock systems and fittings accounted for 22 percent (23) of total sales. Electromechanical and electronic locks accounted for 30 percent (30) of sales, while entrance automation increased to 32 percent (31). Security doors and hardware accounted for 17 percent (16) of sales.

Cost structure

The Group's total wage costs, including social security expenses and pension expenses, amounted to SEK 33,763 M (27,921), equivalent to 28 percent (29) of sales. The average number of employees was 52,463 (50,934).

Material costs amounted to SEK 44,847 M (33,873), equivalent to 37 percent (36) of sales, and other purchasing costs totaled SEK 18,876 M (14,833), equivalent to 16 percent (16) of sales.

Depreciation, amortization and impairment of non-current assets amounted to SEK 4,088 M (3,841), equivalent to 3 percent (4) of sales.

Operating income

The Group's operating income (EBIT) for 2022 amounted to SEK 18,532 M (14,181), corresponding to an increase of 31 percent. This corresponds to an operating margin of 15.3 percent (14.9). The improvement in income was primarily attributable to strong organic growth, positive exchange rate effects and continued efficiency enhancements and cost savings.

The Group's operating income was negatively affected by high price rises for important raw materials and a general inflation-driven increase in costs. However, it was possible to compensate for this with very strong sales growth, driven by continued product launches on a broad front, price rises, efficiency enhancements and savings. The continued shortage of certain material components, in particular in electronics, remained a major operational challenge during the year.

The Parent company's operating income for 2022 totaled SEK 1,965 M (1,053), mainly because of higher intra-Group operating income compared with the previous year.

Items affecting comparability

No items affecting comparability were recognized in 2022 or in the comparative year.

Income before tax

Consolidated income before tax was SEK 17,521 M (13,538). The exchange rate effect before taxes amounted to SEK 1,684 M (-539). Net financial items were SEK -1,011 M (-643), primarily on account of higher net interest than in the previous year, which was one effect of the generally higher levels of interest rates during the year. The costs of the loan commitment issued for the acquisition of HHI also had a negative impact on net financial items. The profit margin was 14.5 percent (14.2).

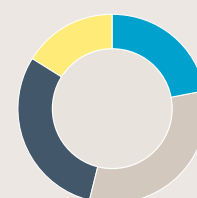
Tax on income

The Group's tax expense totaled SEK 4,225 M (2,638), equivalent to an effective tax rate of 24.1 percent (19.5). During the previous year, the tax rate was affected by a large non-recurring positive tax effect related to an intra-Group brand transfer. The effective tax rate, excluding non-recurring tax effects, in 2021 was 24.4 percent.

Earnings per share

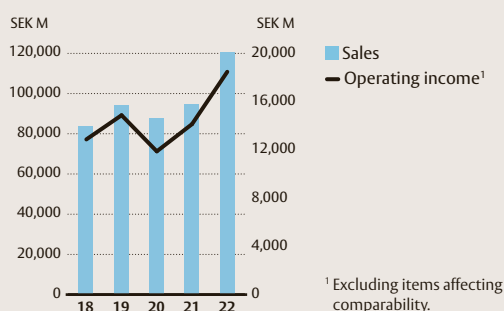
Consolidated earnings per share before and after full dilution amounted to SEK 11.97 (9.81), an increase of 22 percent.

Sales by product group, 2022

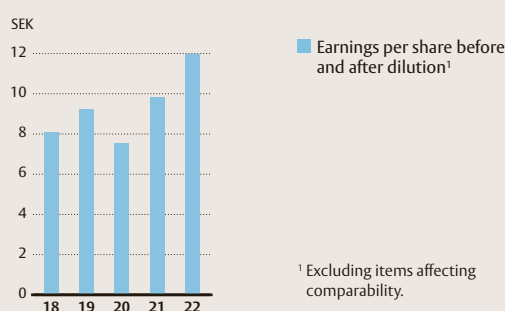


- Mechanical locks, lock systems and fittings, 22% (23)
- Entrance automation, 32% (31)
- Electromechanical and electronic locks, 30% (30)
- Security doors and hardware, 17% (16)

Sales and operating income



Earnings per share before and after dilution



Consolidated income statement

SEK M	Note	2021	2022
Sales	2	95,007	120,793
Cost of goods sold		-57,231	-72,862
Gross income		37,777	47,931
Selling expenses		-14,374	-17,833
Administrative expenses	3	-4,928	-6,045
Research and development costs		-3,936	-4,834
Other operating income and expenses	4	-377	-714
Share of earnings in associates	5	19	26
Operating income	7-9, 25, 35	14,181	18,532
Financial income	10	6	59
Financial expenses	9, 11, 25	-649	-1,070
Income before tax		13,538	17,521
Tax on income	12	-2,638	-4,225
Net income		10,901	13,296
Net income attributable to:			
Parent company's shareholders		10,900	13,291
Non-controlling interests		1	5
Earnings per share			
Before and after dilution, SEK	13	9.81	11.97
Before and after dilution and excluding items affecting comparability, SEK	13	9.81	11.97

Consolidated statement of comprehensive income

SEK M	Note	2021	2022
Net income		10,901	13,296
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gain/loss on post-employment benefit obligation	25	917	1,241
Deferred tax from actuarial gain/loss on post-employment benefit obligations		-211	-328
Total		705	914
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of associates		-6	-11
Cash flow hedges		5	1
Net investment hedges		-	-
Exchange rate differences reclassified to profit or loss		-	-
Exchange rate differences		3,468	6,916
Tax attributable to items that may be reclassified subsequently to profit or loss		-23	-11
Total		3,444	6,895
Total other comprehensive income		4,150	7,809
Total comprehensive income		15,050	21,105
Total comprehensive income attributable to:			
Parent company's shareholders		15,049	21,101
Non-controlling interests		1	4

Comments by division

ASSA ABLOY is organized into five divisions. EMEIA (Europe, Middle East, India 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 geographic 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.

Opening Solutions EMEIA

Sales totaled SEK 22,858 M (20,522), with organic growth of 5 percent (13). Net growth from acquisitions, divestments and internal segment transfers was 1 percent (-2). Operating income amounted to SEK 3,335 M (2,916), with an operating margin (EBIT) of 14.6 percent (14.2). Return on capital employed was 16.8 percent (16.2). Operating cash flow before non-cash items and interest paid was SEK 2,785 M (3,089).

Organic growth was strong for EMEIA during the year, particularly in the first half of the year. Operations were affected negatively by factors including rising inflation-driven cost pressure. However, it was possible to manage the challenges successfully, and the operating margin increased during the year. Arran Isle, a leading designer, manufacturer and distributor of door and window hardware in the UK, was one of the largest acquisitions for ASSA ABLOY in the year.

Opening Solutions Americas

Sales totaled SEK 28,344 M (20,507), with organic growth of 17 percent (14). Growth from acquisitions was 1 percent (1). Operating income amounted to SEK 5,899 M (4,200), with an operating margin (EBIT) of 20.8 percent (20.5). Return on capital employed was 32.1 percent (30.0). Operating cash flow before non-cash items and interest paid was SEK 5,520 M (3,722).

Growth was very strong for both the private residential market and the commercial customer segment during the year. Demand in Latin America continued to develop well. The division reported good profitability and cash flow. Control iD, a leading developer of hardware and software solutions for access control and time and attendance in Brazil, was acquired during the year.

Opening Solutions Asia Pacific

Sales totaled SEK 9,824 M (8,719), with organic growth of -5 percent (2). Net growth from acquisitions and internal segment transfers was 7 percent (-2). Operating income amounted to SEK 119 M (499), with an operating margin (EBIT) of 1.2 percent (5.7). Return on capital employed was 1.2 percent (5.9). Operating cash flow before non-cash items and interest paid was SEK 288 M (285).

Continued restrictions from the pandemic, combined with a weak real estate market in China, resulted in declining organic sales for Asia Pacific. Demand recovered well for South-east Asia and Oceania. Challenging market conditions had a negative impact on the operating margin despite ongoing efficiency enhancements and cost savings. Caldwell, a manufacturer of fenestration hardware for window manufacturers, was acquired during the year.

Global Technologies

Sales totaled SEK 19,344 M (14,604), with organic growth of 15 percent (5). Net growth from acquisitions and internal segment transfers was 2 percent (3). Operating income amounted to SEK 3,065 M (2,253), with an operating margin (EBIT) of 15.8 percent (15.4). Return on capital employed was 12.4 percent (10.4). Operating cash flow before non-cash items and interest paid was SEK 2,974 M (3,179).

Demand was generally strong during the year. The shortage of electronic components had a negative impact on growth at the start of the year, but there was a strong recovery in the second half of the

year. Continued investments in R&D and acquisitions strengthened the market position in various areas. The strong growth boosted the operating margin, and cash flow was maintained at a good level.

Entrance Systems

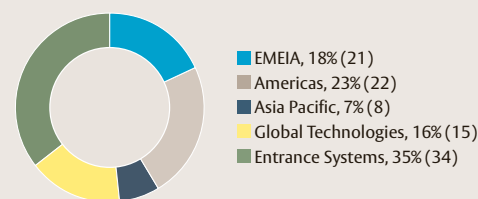
Sales totaled SEK 42,928 M (32,690), with organic growth of 17 percent (14). Growth from acquisitions was 2 percent (7). Operating income amounted to SEK 6,847 M (4,988), with an operating margin (EBIT) of 15.9 percent (15.3). Return on capital employed was 18.8 percent (15.8). Operating cash flow before non-cash items and interest paid was SEK 5,436 M (3,971).

Growth continued to be very strong for Entrance Systems in 2022. Sales developed well for all business segments, in particular Residential, and for the US market in general. Investments continued to be made in the service organization during the year. The division's operating margin improved further on the previous year.

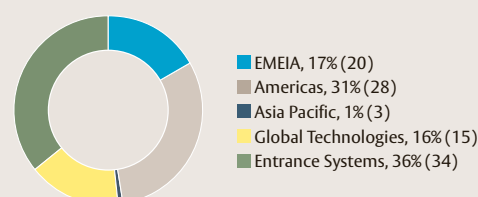
Other

The costs of Group-wide functions, such as the Executive Team, accounting and finance, supply management and Group-wide product development, totaled SEK 732 M (675). Elimination of sales between the Group's segments is included in "Other".

External sales, 2022

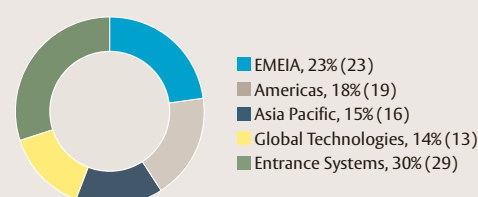


Operating income, 2022¹



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

Average number of employees, 2022



Reporting by division

SEK M	EMEIA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Sales, external	20,040	22,286	20,356	28,191	7,549	8,302	14,495	19,186	32,568	42,827	–	–	95,007	120,793
Sales, internal	483	572	151	152	1,170	1,522	109	158	123	100	–2,036 ¹	–2,505 ¹	–	–
Sales	20,522	22,858	20,507	28,344	8,719	9,824	14,604	19,344	32,690	42,928	–2,036	–2,505	95,007	120,793
Organic growth	13%	5%	14%	17%	2%	–5%	5%	15%	14%	17%	–	–	11%	12%
Acquisitions and divestments	–2%	1%	1%	1%	–2%	7%	3%	2%	7%	2%	–	–	2%	2%
Exchange rate effects	–3%	5%	–7%	20%	–1%	11%	–5%	15%	–6%	12%	–	–	–5%	13%
Operating income (EBIT)	2,916	3,335	4,200	5,899	499	119	2,253	3,065	4,988	6,847	–675	–732	14,181	18,532
Operating margin (EBIT)	14.2%	14.6%	20.5%	20.8%	5.7%	1.2%	15.4%	15.8%	15.3%	15.9%	–	–	14.9%	15.3%
Operating cash flow														
Operating income (EBIT)	2,916	3,335	4,200	5,899	499	119	2,253	3,065	4,988	6,847	–675	–732	14,181	18,532
Depreciation and amortization	969	865	493	634	306	363	923	1,012	1,114	1,176	37	38	3,841	4,088
Net capital expenditure	–475	–443	–351	–436	–182	–289	–250	–301	–361	–495	–10	–26	–1,629	–1,990
Amortization of lease liabilities	–306	–266	–148	–178	–92	–111	–144	–158	–537	–599	–15	–18	–1,242	–1,330
Change in working capital	–14	–707	–471	–400	–247	207	397	–642	–1,233	–1,494	73	205	–1,496	–2,831
Operating cash flow by division	3,089	2,785	3,722	5,520	285	288	3,179	2,974	3,971	5,436	–591	–534	13,656	16,470
Non-cash items											178	137	178	137
Interest paid and received											–569	–799	–569	–799
Operating cash flow													13,265	15,808
Capital employed														
Goodwill	10,949	12,957	11,700	15,416	4,028	6,058	16,164	19,041	19,662	22,401	–	–	62,502	75,873
Other intangible assets	1,120	1,223	1,250	1,375	1,006	1,637	3,871	3,691	6,545	7,056	43	42	13,834	15,024
Property, plant and equipment	2,396	2,745	1,727	2,079	1,477	1,591	1,188	1,421	1,917	2,215	48	55	8,753	10,106
Right-of-use assets	937	914	430	482	243	234	512	540	1,270	1,603	44	31	3,436	3,804
Other capital employed	1,939	4,034	807	1,536	2,011	1,692	706	1,604	3,510	5,141	–176	–764	8,796	13,244
Adjusted capital employed	17,341	21,874	15,915	20,889	8,764	11,211	22,440	26,297	32,903	38,418	–42	–636	97,321	118,052
Restructuring reserve	–278	–97	–7	12	–111	–49	–114	–60	–117	–76	–32	–23	–658	–294
Capital employed	17,063	21,777	15,908	20,900	8,653	11,161	22,326	26,237	32,787	38,342	–74	–659	96,663	117,758
Return on capital employed	16.2%	16.8%	30.0%	32.1%	5.9%	1.2%	10.4%	12.4%	15.8%	18.8%	–	–	15.2%	16.9%
Average adjusted capital employed	17,991	19,861	13,986	18,369	8,498	10,167	21,751	24,745	31,525	36,447	–	–	93,199	109,372
Average number of employees	11,848	11,943	9,298	9,435	8,259	7,914	6,556	7,278	14,604	15,621	369	271	50,934	52,463

¹ Of which eliminations SEK –2,505 M (–2,036).

The segments have been determined on the basis of reporting to the President and 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 117,758 M (96,663) at the year-end. The increase was driven primarily by acquisition and exchange rate effects.**
- **Return on capital employed was good at 16.9 percent (15.2).**
- **Net debt/EBITDA remained at a stable level, amounting to a quota of 1.4 (1.5) at the year-end.**

SEK M	2021	2022
Capital employed	96,663	117,758
– of which goodwill	62,502	75,873
Net debt	27,071	31,732
Equity	69,582	86,026
– of which non-controlling interests	9	12

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 117,758 M (96,663). Return on capital employed was 16.9 percent (15.2).

Intangible assets amounted to SEK 90,897 M (76,336). The increase is mainly due to exchange rate effects and completed acquisitions. During the year, goodwill and other intangible assets with an indefinite useful life arose to a preliminary value of SEK 7,471 M (1,276) 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 10,106 M (8,753). Capital expenditure on property, plant and equipment and intangible assets, less sales of property, plant and equipment and intangible assets, totaled SEK 1,990 M (1,629). Total depreciation, amortization and impairment amounted to SEK 4,088 M (3,841).

Trade receivables amounted to SEK 19,760 M (15,844) and inventories totaled SEK 19,217 M (13,933) at the year-end. The average collection period for trade receivables was 50 days (51). Material throughput time averaged 117 days (99). Working capital increased considerably during the year, primarily as a consequence of increased lead times in supply chains and on account of higher purchase costs for materials. The Group continues to make systematic efforts to increase capital efficiency.

Net debt

Net debt was SEK 31,732 M (27,071) at the year-end. The increase during the year was primarily owing to high acquisition payments, increased working capital requirements, dividend paid to shareholders, and exchange rate effects. Operating cash flow remained very strong during the year and contributed greatly to the maintenance of net debt in relation to EBITDA at a stable level compared with the previous year.

External financing

The Group's long-term loan financing mainly consists of a GMTN Program of SEK 18,416 M (15,793), of which SEK 15,172 M (14,862) is long-term, a Private Placement Program in the US totaling USD 75 M, of which USD 75 M (75) is long-term, and loans from financial institutions such as the European Investment Bank (EIB) totaling USD 332 M, of which USD 315 M (332) is long-term, and the Nordic Investment Bank of EUR 135 M (135). Four new issues under the GMTN Program for a total of SEK 1,997 M with maturities of between three and five years were made during the year. 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 was also affected by currency fluctuations, especially regarding the USD.

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 the year-end, the outstanding balance under the Commercial Paper Programs was SEK 3,650 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). A new loan facility for EUR 320 M was also signed with the European Investment Bank during the year.

Fixed interest terms decreased somewhat during the year, with an average term of 22 months (29) at year-end.

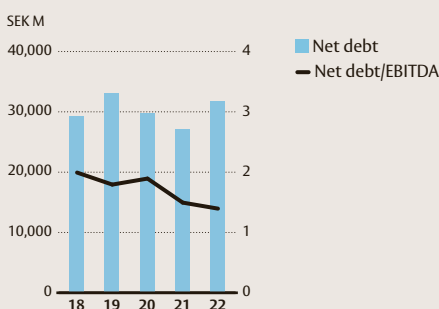
Cash and cash equivalents amounted to SEK 3,417 M (4,325) and are invested in banks with high credit ratings.

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.

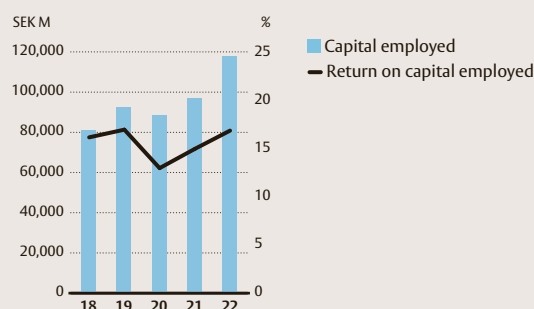
Equity

Consolidated equity totaled SEK 86,026 M (69,592) at year-end. Return on equity was 17.1 percent (17.0) and the debt/equity ratio, calculated as net debt divided by equity, was 0.37 (0.39). The equity ratio was 55.7 percent (53.5) at year-end.

Net debt



Capital employed and return on capital employed



Consolidated balance sheet

SEK M	Note	2021	2022
ASSETS			
Non-current assets			
Intangible assets	14	76,336	90,897
Property, plant and equipment	15	8,753	10,106
Right-of-use assets	16	3,436	3,804
Investments in associates	18	652	676
Other financial assets	20	267	373
Deferred tax assets	19	1,264	1,313
Total non-current assets		90,707	107,170
Current assets			
Inventories	21	13,933	19,217
Trade receivables	22	15,844	19,760
Current tax receivables		1,231	1,084
Other current receivables		1,720	1,461
Prepaid expenses and accrued income	2	1,945	2,314
Derivative financial instruments	36	262	139
Short-term investments	36	8	0
Cash and cash equivalents	36	4,325	3,417
Total current assets		39,267	47,394
TOTAL ASSETS		129,975	154,564
EQUITY AND LIABILITIES			
Equity			
<i>Parent company's shareholders</i>			
Share capital	24	371	371
Other contributed capital		9,675	9,675
Reserves	33	5,237	12,133
Retained earnings including net income for the year		54,299	63,835
Equity attributable to the Parent company's shareholders		69,582	86,014
Non-controlling interests		9	12
Total equity		69,592	86,026
Non-current liabilities			
Long-term loans	36	20,195	20,523
Non-current lease liabilities	36	2,433	2,624
Deferred tax liabilities	19	2,581	2,785
Pension provisions	25	2,736	1,351
Other non-current provisions	26	460	530
Other non-current liabilities	2	703	1,124
Total non-current liabilities		29,108	28,936
Current liabilities			
Short-term loans	36	5,042	9,304
Current lease liabilities	36	1,082	1,284
Derivative financial instruments	36	347	428
Trade payables		9,527	10,469
Current tax liabilities		1,598	1,785
Current provisions	26	794	415
Other current liabilities	2, 27	3,840	4,426
Accrued expenses and deferred income	2, 28	9,045	11,492
Total current liabilities		31,276	39,602
TOTAL EQUITY AND LIABILITIES		129,975	154,564

Cash flow

- Operating cash flow remained very strong and amounted to SEK 15,808 M (13,265), corresponding to cash conversion of 90 percent (98).
- Cash flow from acquisitions and divestments of subsidiaries totaled SEK –8,546 M (–1,422).

Operating cash flow

SEK M	2021	2022
Operating income (EBIT)	14,181	18,532
Restructuring costs	–	–
Revaluation of previously owned shares in associates	–	–
Depreciation and amortization	3,841	4,088
Net capital expenditure	–1,629	–1,990
Change in working capital	–1,496	–2,831
Amortization of lease liabilities	–1,242	–1,330
Interest paid and received	–569	–799
Non-cash items	178	137
Operating cash flow	13,265	15,808
Cash conversion	0.98	0.90

The Group's operating cash flow amounted to SEK 15,808 M (13,265), equivalent to 90 percent (98) of income before tax.

Net capital expenditure

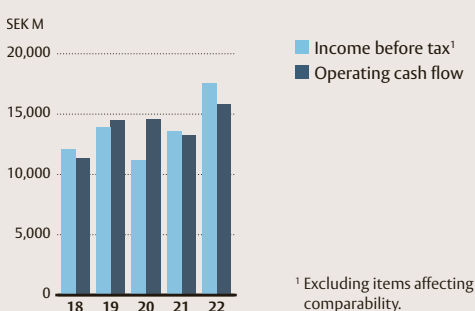
Net capital expenditure on intangible assets and property, plant and equipment totaled SEK 1,990 M (1,629), equivalent to 76 percent (63) of depreciation and amortization on intangible assets and property, plant and equipment.

Change in working capital

SEK M	2021	2022
Inventories	–2,943	–2,340
Trade receivables	–1,289	–1,445
Trade payables	1,959	–408
Other working capital	778	1,363
Change in working capital	–1,496	–2,831

Material throughput time increased considerably during the year to an average of 117 days (99). Capital tied up in working capital increased during the year, which had an impact on cash flow of SEK –2,831 M (–1,496) overall.

Income before tax and operating cash flow



Relationship between cash flow from operating activities and operating cash flow

SEK M	2021	2022
Cash flow from operating activities	12,456	14,357
Restructuring payments	563	404
Net capital expenditure	–1,629	–1,990
Amortization of lease liabilities	–1,242	–1,330
Reversal of tax paid	3,117	4,366
Operating cash flow	13,265	15,808

Investments in subsidiaries

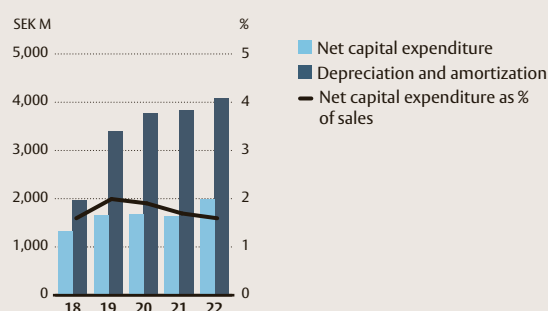
Cash flow from investments in subsidiaries totaled SEK –8,583 M (–2,121), while divestments of subsidiaries generated a positive cash flow of SEK 37 M (699). The cash flow effect from acquisitions and divestments therefore totaled SEK –8,546 M (–1,422). Acquired cash and cash equivalents totaled SEK 533 M (180).

Change in net debt

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

SEK M	2021	2022
Net debt at 1 January	29,755	27,071
Operating cash flow	–13,265	–15,808
Restructuring payments	563	404
Tax paid on income	3,117	4,366
Acquisitions and divestments	1,201	9,012
Dividend	4,333	4,666
Actuarial gain/loss on post-employment benefit obligations	–917	–1,241
Change in lease liabilities	–86	–119
Exchange rate differences, etc.	2,370	3,380
Net debt at 31 December	27,071	31,732

Capital expenditure



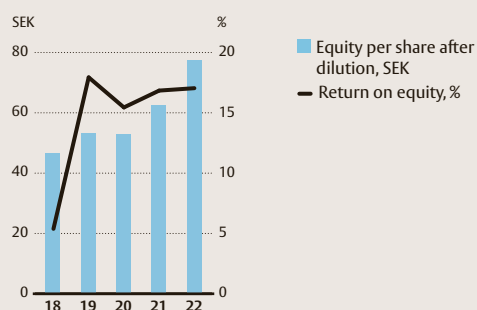
Consolidated statement of cash flows

SEK M	Note	2021	2022
OPERATING ACTIVITIES			
Operating income		14,181	18,532
Reversal of depreciation/amortization	8	3,841	4,088
Restructuring payments	26	-563	-404
Other non-cash items	31	178	137
Cash flow before interest and tax		17,638	22,353
Interest paid		-564	-812
Interest received		-5	12
Tax paid on income		-3,117	-4,366
Cash flow before changes in working capital		13,952	17,188
Change in working capital	31	-1,496	-2,831
Cash flow from operating activities		12,456	14,357
INVESTING ACTIVITIES			
Investments in property, plant and equipment and intangible assets	14, 15	-1,713	-1,996
Sales of property, plant and equipment and intangible assets	14, 15	84	6
Investments in subsidiaries	34	-2,121	-8,583
Divestments of subsidiaries	31	699	37
Other investments and divestments		-43	-26
Cash flow from investing activities		-3,094	-10,561
FINANCING ACTIVITIES			
Dividend		-4,333	-4,666
Long-term loans raised	36	8	1,997
Long-term loans repaid	36	-2,473	-3,378
Amortization of lease liabilities		-1,242	-1,330
Purchase of shares in subsidiaries from non-controlling interest		-	-55
Stock purchase plans		-54	-61
Change in short-term loans, etc.		282	2,795
Cash flow from financing activities		-7,813	-4,699
CASH FLOW		1,549	-904
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		2,756	4,325
Cash flow		1,549	-904
Effect of exchange rate differences in cash and cash equivalents		20	-5
Cash and cash equivalents at 31 December	36	4,325	3,417

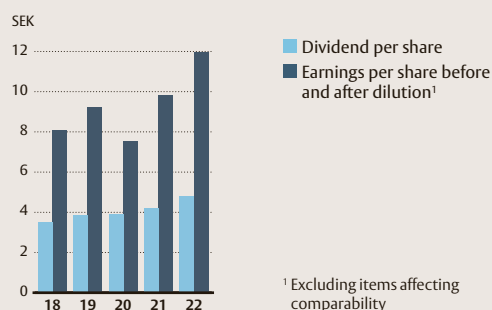
Changes in consolidated equity

SEK M	Parent company's shareholders				Non-controlling interests	Total
	Share capital	Other contribut- ed capital	Reserves (see Note 33)	Retained earnings incl. net income for the year		
Opening balance 1 January 2021	371	9,675	1,794	47,030	9	58,879
Net income				10,900	1	10,901
Other comprehensive income			3,444	705	1	4,150
Total comprehensive income			3,444	11,605	1	15,050
Dividend				-4,332	-2	-4,333
Stock purchase plans				-5	-	-5
Total contributions by and distributions to Parent company's shareholders				-4,337	-2	-4,338
Change in non-controlling interest				-	-	-
Total transactions with shareholders				-4,337	-2	-4,338
Closing balance 31 December 2021	371	9,675	5,237	54,299	9	69,592
Opening balance 1 January 2022	371	9,675	5,237	54,299	9	69,592
Net income				13,291	5	13,296
Other comprehensive income			6,896	914	-1	7,809
Total comprehensive income			6,896	14,205	4	21,105
Dividend				-4,665	-1	-4,666
Stock purchase plans				-4	-	-4
Total contributions by and distributions to Parent company's shareholders				-4,669	-1	-4,670
Change in non-controlling interest				-	-	-
Total transactions with shareholders				-4,669	-1	-4,670
Closing balance 31 December 2022	371	9,675	12,133	63,835	12	86,026

Equity per share after dilution and return on equity



Dividend and earnings per share



¹ Excluding items affecting comparability

Income statement – Parent company

SEK M	Note	2021	2022
Administrative expenses	3, 6, 8, 9	-2,327	-2,961
Research and development costs	6, 8, 9	-2,004	-2,368
Other operating income and expenses	4	5,384	7,294
Operating income	9, 35	1,053	1,965
Financial income	10	6,271	2,356
Financial expenses	9, 11	-603	-911
Income before appropriations and tax		6,721	3,411
Group contributions		636	8
Change in excess depreciation and amortization		-481	341
Tax on income	12	-245	-468
Net income		6,631	3,292

Statement of comprehensive income – Parent company

SEK M	2021	2022
Net income	6,631	3,292
Other comprehensive income	-	-
Total comprehensive income	6,631	3,292

Balance sheet – Parent company

SEK M	Note	2021	2022
ASSETS			
Non-current assets			
Intangible assets	14	5,495	3,982
Property, plant and equipment	15	40	44
Shares in subsidiaries	17	40,339	43,309
Other financial assets	20	561	525
Total non-current assets		46,435	47,860
Current assets			
Receivables from subsidiaries		17,701	18,481
Other current receivables		488	273
Prepaid expenses and accrued income		42	55
Cash and cash equivalents	36	0	0
Total current assets		18,231	18,809
TOTAL ASSETS		64,666	66,669
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	24	371	371
Revaluation reserve		275	275
Statutory reserve		8,905	8,905
Fund for development expenses		127	140
<i>Non-restricted equity</i>			
Share premium reserve		787	787
Retained earnings including net income for the year		18,016	16,626
Total equity		28,481	27,104
Untaxed reserves		1,606	1,265
Non-current liabilities			
Long-term loans	36	14,577	15,119
Total non-current liabilities		14,577	15,119
Current liabilities			
Short-term loans	36	1,852	2,982
Trade payables		199	190
Current liabilities to subsidiaries		17,531	19,574
Other current liabilities		9	11
Accrued expenses and deferred income	28	411	424
Total current liabilities		20,002	23,182
TOTAL EQUITY AND LIABILITIES		64,666	66,669

Cash flow statement – Parent company

SEK M	Note	2021	2022
OPERATING ACTIVITIES			
Operating income		1,053	1,965
Depreciation and amortization	8	1,244	1,529
Other non-cash items		49	57
Cash flow before interest and tax		2,346	3,552
Interest paid and received		-281	-480
Dividends received		3,293	2,004
Tax paid and received		-189	-219
Cash flow before changes in working capital		5,169	4,858
Change in working capital		616	626
Cash flow from operating activities		5,785	5,484
INVESTING ACTIVITIES			
Investments in property, plant and equipment and intangible assets		-4,231	-21
Investments in subsidiaries		-5,703	-3,273
Divestments of subsidiaries		3,757	351
Cash flow from investing activities		-6,178	-2,942
FINANCING ACTIVITIES			
Dividend		-4,332	-4,665
Loans raised		6,373	4,037
Loans repaid		-1,594	-1,852
Stock purchase plans		-54	-61
Cash flow from financing activities		393	-2,542
CASH FLOW		0	0
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		0	0
Cash flow		0	0
Cash and cash equivalents at 31 December		0	0

Change in equity – Parent company

SEK M	Restricted equity				Non-restricted equity		
	Share capital	Revaluation reserve	Statutory reserve	Fund for development expenses	Share premium reserve	Retained earnings	Total
Opening balance 1 January 2021	371	275	8,905	184	787	15,664	26,186
Net income						6,631	6,631
Total comprehensive income						6,631	6,631
Dividend						-4,332	-4,332
Stock purchase plans						-5	-5
Reclassifications				-57		57	-
Total transactions with shareholders				-57		-4,279	-4,336
Closing balance 31 December 2021	371	275	8,905	127	787	18,016	28,481
Opening balance 1 January 2022	371	275	8,905	127	787	18,016	28,481
Net income						3,292	3,292
Total comprehensive income						3,292	3,292
Dividend						-4,665	-4,665
Stock purchase plans						-4	-4
Reclassifications				13		-13	-
Total transactions with shareholders				13		-4,682	-4,669
Closing balance 31 December 2022	371	275	8,905	140	787	16,626	27,104

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 2022 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 44–98. The presentation currency is Swedish kronor (SEK), and the financial statements are presented in millions of SEK, unless stated otherwise.

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 derivative instruments) measured at fair value through profit or loss.

Totals quoted in tables and statements may not always be the exact sum of the individual items because of rounding differences. The aim is that each line item should correspond to its source and rounding differences may therefore arise.

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 and where there is an indication of a need for impairment. 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 to 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 2022.

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 deter-

mines 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. The chief operating decision maker is the Group's President and CEO, who is responsible for allocating resources and assessing the 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	
		2021	2022	2021	2022
United Arab Emirates	AED	2.33	2.74	2.46	2.85
Argentina	ARS	0.09	0.08	0.09	0.06
Australia	AUD	6.43	7.00	6.56	7.10
Brazil	BRL	1.59	1.95	1.59	1.98
Canada	CAD	6.82	7.73	7.07	7.72
Switzerland	CHF	9.40	10.59	9.86	11.31
Chile	CLP	0.011	0.012	0.011	0.012
China	CNY	1.33	1.50	1.42	1.50
Czech Republic	CZK	0.39	0.43	0.41	0.46
Denmark	DKK	1.36	1.43	1.38	1.50
Euro zone	EUR	10.15	10.64	10.24	11.14

Note 1 continued

Country	Currency	Average rate		Closing rate	
		2021	2022	2021	2022
United Kingdom	GBP	11.77	12.47	12.19	12.63
Hong Kong	HKD	1.10	1.29	1.16	1.34
Hungary	HUF	0.028	0.027	0.028	0.028
Israel	ILS	2.65	3.00	2.91	2.98
India	INR	0.116	0.128	0.121	0.126
Kenya	KES	0.078	0.085	0.080	0.085
South Korea	KRW	0.0075	0.0079	0.0076	0.0083
Mexico	MXN	0.42	0.50	0.44	0.54
Malaysia	MYR	2.07	2.29	2.17	2.37
Norway	NOK	1.00	1.05	1.03	1.06
New Zealand	NZD	6.06	6.41	6.17	6.62
Poland	PLN	2.22	2.27	2.23	2.38
Romania	RON	2.06	2.16	2.07	2.25
Thailand	THB	0.27	0.29	0.27	0.30
Turkey	TRY	0.98	0.62	0.72	0.56
US	USD	8.57	10.08	9.05	10.46
South Africa	ZAR	0.58	0.62	0.57	0.62

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:

- the customer can benefit from the good or service separately or together with other resources that are readily available to the customer and
- 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 considerations 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 not 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:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs an obligation
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- 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.

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 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 and are subject to a negligible risk of fluctuation in value.

Note 1 continued

Goodwill and acquisition-related intangible assets

Goodwill represents the positive difference between the acquisition cost and the fair value of the Group's share of the acquired company's identifiable net assets at the acquisition date, and is recognized at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is tested for impairment annually and where there is an indication of a need for impairment. Cash generating units are subject to systematic annual impairment testing using a valuation model based on discounted future cash flows. Other acquisition-related intangible assets consist chiefly of various types of intellectual property rights, such as brands, technology and customer relationships. Identifiable acquisition-related intangible assets 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 for which the Group is the lessee, mostly relating to offices, premises and vehicles. The Group 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. Operating cash flow includes amortization of lease liabilities as an operating component.

The Group does not 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.

Impairment

Assets with an indefinite useful life are not amortized but are tested for impairment on an annual basis and when events or circumstances indicate that the carrying amount may not be recoverable. Assets are grouped in the cash generating units that are the Group's five divisions when testing for impairment.

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 has not been assessed to be material.

Financial liabilities

Financial liabilities include deferred considerations, loan liabilities, trade payables and derivatives. 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.

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.

Note 1 continued

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, canceled 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 36 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 36, '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.

Financial guarantees

Financial guarantees are recognized as financial liabilities when they are issued. The liability is recognized initially at fair value and subsequently at the higher of:

- The amount calculated using the model for expected credit losses in accordance with IFRS 9 Financial Instruments, and
- The amount originally recognized less accumulated accruals, where applicable.

The fair value of financial guarantee contracts is calculated as the present value of the difference between future contractual net cash flows (as per the debt instrument) and the payments that would be demanded without the guarantee. Alternatively, the guarantee contract is measured at the estimated amount that would be paid to a third party for the third party to assume the liability.

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.

Contingent liabilities

A contingent liability is recognized when there is a possible commitment arising out of past events, the presence of which is confirmed only by one or more uncertain future events.

A contingent liability is also recognized when there is a possible commitment that is not recognized as a liability or provision because it is not likely that an outflow of resources will be required or it is not possible to make a sufficiently reliable estimate of the amount.

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. Where a funded plan has a surplus, the net asset is measured at the lower of i) the surplus in the defined benefit plan and ii) the asset ceiling, i.e. the present value of available economic benefits in the form of refunds from the plan or in the form of reductions in future contributions to the plan.

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.

Note 1 continued

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 2010 Annual General Meeting. Detailed information about the structure of the various programs can be found in Note 35 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 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 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. Intangible assets are amortized over a maximum of five years, except for acquisition-related intangible assets, which 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. The Parent company applies the IFRS 9 simplified approach to measuring expected credit losses 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 recognized in accordance with RFR 2 and are covered by taking out insurance with an insurance company.

Leases

The Parent company recognizes leases in accordance with RFR 2, which means that lease payments are expensed in a straight line over the lease term.

Shares in subsidiaries

Shares in subsidiaries are recognized at cost less impairment plus acquisition costs. 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 derivative instruments 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	EMEIA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Group	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Mechanical locks, lock systems and fittings	9,814	10,934	8,562	10,984	4,289	5,005	294	372	8	8	-703	-789	22,264	26,515
Electromechanical and electronic locks	6,757	7,098	5,347	7,432	2,077	2,496	14,283	18,958	1,016	1,179	-1,065	-1,453	28,415	35,709
Security doors and hardware	3,392	4,284	6,560	9,852	2,240	2,147	27	15	2,930	3,850	-127	-145	15,023	20,002
Entrance automation	559	542	39	76	113	176	-	-	28,737	37,891	-141	-118	29,306	38,567
Total	20,522	22,858	20,507	28,344	8,719	9,824	14,604	19,344	32,690	42,928	-2,036	-2,505	95,007	120,793

Sales by continent

SEK M	EMEIA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Group	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Europe	17,760	19,433	92	101	624	630	4,247	5,227	14,750	16,706	-887	-907	36,587	41,191
North America	434	566	18,288	25,605	1,073	2,202	6,790	9,378	15,803	23,735	-734	-1,140	41,653	60,346
Central and South America	75	97	1,994	2,491	63	49	430	714	70	90	-35	-33	2,597	3,406
Africa	909	1,100	12	14	11	9	288	417	49	43	-34	-47	1,234	1,537
Asia	1,213	1,515	114	124	4,503	4,089	2,070	2,612	1,068	1,221	-201	-231	8,767	9,330
Oceania	131	147	8	9	2,445	2,845	779	996	951	1,133	-144	-147	4,170	4,983
Total	20,522	22,858	20,507	28,344	8,719	9,824	14,604	19,344	32,690	42,928	-2,036	-2,505	95,007	120,793

Customer sales by country

SEK M	Group		SEK M	Group	
	2021	2022		2021	2022
US	36,728	54,093	Czech Republic	461	551
France	5,503	6,250	Saudi Arabia	331	479
United Kingdom	4,611	5,658	Singapore	339	455
Sweden	5,009	5,044	Chile	438	442
Germany	4,074	4,768	Turkey	241	378
Canada	3,354	4,097	Israel	294	371
Australia	3,377	4,046	Hong Kong	288	351
China	3,724	3,067	Colombia	267	346
Netherlands	2,335	2,650	Hungary	277	317
Mexico	1,571	2,156	Portugal	230	313
Finland	1,869	1,839	Philippines	180	306
Belgium	1,587	1,723	Romania	214	294
Switzerland	1,308	1,553	Estonia	217	266
Denmark	1,382	1,507	Egypt	212	248
Brazil	1,037	1,475	Japan	248	234
Spain	1,217	1,420	Indonesia	92	228
Norway	1,497	1,381	Taiwan	174	224
Poland	1,142	1,351	Thailand	166	216
South Korea	1,151	1,145	Qatar	95	200
Italy	898	998	Malta	99	184
New Zealand	773	904	Guatemala	136	178
India	607	890	Croatia	146	174
Austria	736	834	Malaysia	148	173
Ireland	566	747	Kenya	98	148
South Africa	554	654	Other countries	2,569	2,910
United Arab Emirates	437	560	Total	95,007	120,793

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	
	2021	2022
Accrued revenue	831	920
Total	831	920

Contract liabilities

SEK M	Group	
	2021	2022
Non-current advances from customers and deferred revenue	48	63
Current advances from customers and deferred revenue	2,195	2,738
Total	2,243	2,801

Contract assets increased by SEK 89 M during the year, of which acquired companies contributed SEK 13 M. Contract liabilities have increased by SEK 558 M. Acquired and discontinued companies resulted in a net increase in contract liabilities of SEK 69 M during the year. The total contract liability at 31 December 2021 of SEK 2,243 M was to a large extent recognized as income in 2022.

Remaining performance obligations

The total transaction price allocated to unsatisfied performance obligations at the reporting date amounts to SEK 28,166 M. Of this amount, SEK 26,514 M is expected to be recognized as revenue in 2023, while an estimated SEK 1,651 M will be recognized as revenue in 2024 or later.

At 31 December 2021 the total transaction price allocated to unsatisfied performance obligations was SEK 22,851 M.

NOTE 3 Auditors' fees

SEK M	Group		Parent company	
	2021	2022	2021	2022
Audit assignment				
EY	64	72	8	10
Others	22	28	–	–
Audit-related services in addition to audit assignment				
EY	2	1	2	1
Tax advice				
EY	3	3	–	–
Others	14	19	9	3
Other services				
EY	2	14	1	1
Others	33	13	–	2
Total	141	149	20	17

The auditors' fee for EY in Sweden during the year was SEK 14 M (11) and the fee for extra services was SEK 1 M (2).

NOTE 4 Other operating income and expenses

SEK M	Group	
	2021	2022
Change in insurance reserve	–	87
Remeasurement of deferred considerations	184	41
Profit/loss on sales of non-current assets	15	8
Profit/loss on sales of subsidiaries	–190	–8
Business-related taxes	–50	–86
Transaction expenses from acquisitions	–207	–506
Exchange differences	–99	–27
Other, net	–30	–223
Total	–377	–714

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	
	2021	2022
Goal Co., Ltd	18	22
Saudi Crawford Doors Ltd	2	1
PT Jasuindo Arjo Wiggins Security	1	3
SARA Loading Bay Ltd	–2	0
Total	19	26

NOTE 6 Recognition of leases for the Parent company

The Parent company recognizes leases in accordance with RFR 2, which means that lease payments are expensed in a straight line over the lease term. Leases in the Parent company mainly relate to rented premises and cars.

SEK M	Parent company	
	2021	2022
Lease payments during the year	14	16
Total	14	16
Nominal value of agreed future lease payments:		
Due for payment in:		
(2022) 2023	12	18
(2023) 2024	12	18
(2024) 2025	5	2
(2025) 2026	1	0
(2026) 2027	–	–
Total	31	38

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	
	2021	2022
Remuneration of employees (note 35)	27,921	33,763
Direct material costs	33,873	44,847
Depreciation and amortization (notes 8, 14, 15)	3,841	4,088
Other purchase expenses	14,833	18,876
Total	80,468	101,573

NOTE 8 Depreciation and amortization

SEK M	Group		Parent company	
	2021	2022	2021	2022
Intangible assets	1,285	1,288	1,231	1,516
Machinery	609	700	–	–
Equipment	436	489	14	13
Buildings	236	258	–	–
Land improvements	10	8	–	–
Right-of-use assets	1,265	1,346	–	–
Total	3,841	4,088	1,244	1,529

NOTE 9 Exchange differences in the income statement

SEK M	Group		Parent company	
	2021	2022	2021	2022
Exchange differences recognized in operating income	–99	–27	–4	22
Exchange differences recognized in financial expenses	25	6	–1	–1
Total	–74	–21	–5	21

NOTE 10 Financial income

SEK M	Group		Parent company	
	2021	2022	2021	2022
Dividends received from subsidiaries	–	–	3,290	2,001
Dividends received from associates	–	–	3	3
Capital gain/loss on sale of subsidiaries	–	–	2,573	48
Fair value adjustments shares and interests	–	–	–	–
Intra-Group interest income	–	–	255	304
External interest income and similar items	2	35	–	–
Other financial income	5	24	149	0
Total	6	59	6,271	2,356

NOTE 11 Financial expenses

SEK M	Group		Parent company	
	2021	2022	2021	2022
Intra-Group interest expenses	–	–	–279	–481
Interest expenses, other liabilities ¹	–555	–745	–259	–307
Interest expenses, interest rate swaps	54	18	–	–
Interest expenses, currency derivatives	–91	–192	–	–
Exchange differences on financial items	25	6	–1	–1
Other financial expenses	–82	–157	–64	–122
Total	–649	–1,070	–603	–911

¹ Of which SEK 35 M (–234) is attributable to changes in value of derivative instruments, not hedge accounting, for the Group.

NOTE 12 Tax on income

SEK M	Group		Parent company	
	2021	2022	2021	2022
Current tax	–3,042	–4,703	–209	–431
Tax attributable to prior years	–108	70	–1	0
Withholding tax	–29	–18	–3	–1
Deferred tax	541	426	–32	–36
Total	–2,638	–4,225	–245	–468

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

Percent	Group		Parent company	
	2021	2022	2021	2022
Swedish income tax rate	21	21	21	21
Effect of foreign tax rates	4	2	–	–
Non-taxable income/non-deductible expenses	0	1	–17	–9
Exercised/new, not yet measured tax loss carryforwards	1	1	–	–
Effect of internal sale of brand	–5	0	–	–
Other	–1	–1	–	–
Effective tax rate in income statement	20	24	4	12

NOTE 13 Earnings per share

Earnings per share before and after dilution

SEK M	Group	
	2021	2022
Earnings attributable to the Parent company's shareholders	10,900	13,291
Net profit	10,900	13,291
Weighted average number of outstanding shares (thousands)	1,110,776	1,110,776
Earnings per share (SEK)	9.81	11.97

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	
	2021	2022
Earnings attributable to the Parent company's shareholders	10,900	13,291
Items affecting comparability		
Revaluation of shares in associates	–	–
Restructuring costs	–	–
Tax effect restructuring costs	–	–
Total items affecting comparability after tax	–	–
Net profit excluding items affecting comparability	10,900	13,291
Weighted average number of outstanding shares (thousands)	1,110,776	1,110,776
Earnings per share excluding items affecting comparability (SEK)	9.81	11.97

NOTE 14 Intangible assets

	Group			Parent company	
	Goodwill	Brands	Other intangible assets	Total	Intangible assets
2022, SEK M					
Opening accumulated acquisition cost	67,084	9,151	14,525	90,759	11,955
Purchases	–	0	267	268	4
Acquisitions of subsidiaries	7,190	280	523	7,994	–
Divestments of subsidiaries	–10	–	0	–10	–
Sales, disposals and adjustments	–	–39	–1,575	–1,614	–
Reclassifications	–	1	230	231	–
Exchange rate differences	6,463	824	1,316	8,603	–
Closing accumulated acquisition cost	80,728	10,217	15,285	106,230	11,959
Opening accumulated amortization and impairment	–4,582	–1,282	–8,559	–14,423	–6,460
Divestments of subsidiaries	–	–	–	–	–
Sales, disposals and adjustments	–	38	1,522	1,560	–
Depreciation, amortization and impairment	–	–3	–1,285	–1,288	–1,516
Impairment recognized in restructuring reserve	–	–	–0	–0	–
Exchange rate differences	–273	–77	–832	–1,182	–
Closing accumulated amortization and impairment	–4,854	–1,323	–9,155	–15,333	–7,976
Carrying amount	75,873	8,894	6,130	90,897	3,982
	Group			Parent company	
	Goodwill	Brands	Other intangible assets	Total	Intangible assets
2021, SEK M					
Opening accumulated acquisition cost	62,392	8,701	13,820	84,914	7,727
Purchases	–	1	228	228	4,228
Acquisitions of subsidiaries	1,276	0	152	1,428	–
Divestments of subsidiaries	–775	–	–40	–815	–
Sales, disposals and adjustments	–	–63	–389	–452	–
Reclassifications	–	0	16	16	–
Exchange rate differences	4,190	512	738	5,439	–
Closing accumulated acquisition cost	67,084	9,151	14,525	90,759	11,955
Opening accumulated amortization and impairment	–4,048	–1,194	–7,219	–12,462	–5,229
Divestments of subsidiaries	–	–	31	31	–
Sales, disposals and adjustments	–	63	387	450	–
Depreciation, amortization and impairment	–	–2	–1,282	–1,285	–1,231
Impairment recognized in restructuring reserve	–	–	–32	–32	–
Exchange rate differences	–533	–149	–444	–1,126	–
Closing accumulated amortization and impairment	–4,582	–1,282	–8,559	–14,423	–6,460
Carrying amount	62,502	7,869	5,966	76,336	5,495

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 8,857 M (7,830) 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 tests goodwill and intangible assets with an indefinite useful life for impairment annually and when events or circumstances indicate that the carrying amount may not be recoverable. 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 forecasts for a six-year period. Cash flows beyond the forecast period are extrapolated using estimated growth rates according to the information below.

Material assumptions used to calculate values in use:

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

Management has determined the forecast 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 forecast 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

2022

Overall, the discount rate after tax used varied between 8.0 and 9.0 percent (EMEIA 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:

2022, SEK M	EMEIA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	12,957	15,416	6,058	19,041	22,401	75,873
Intangible assets with indefinite useful life	280	915	1,046	995	5,621	8,857
Total	13,237	16,331	7,104	20,036	28,022	84,730

2021

Overall, the discount rate after tax used varied between 8.0 and 9.0 percent (EMEIA 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:

2021, SEK M	EMEIA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	10,949	11,700	4,028	16,164	19,662	62,502
Intangible assets with indefinite useful life	141	793	842	880	5,173	7,830
Total	11,090	12,494	4,870	17,044	24,835	70,332

Sensitivity analysis

A sensitivity analysis has been carried out for each Cash Generating Unit. The results of this analysis are summarized below.

2022

If the estimated operating margin after the end of the forecast period had been one percentage point lower than the management's estimate, the total recoverable amount would be 5 percent lower (EMEIA 5 percent, Americas 4 percent, Asia Pacific 8 percent, Global Technologies 5 percent, and Entrance Systems 5 percent).

If the estimated growth rate used to extrapolate cash flows beyond the forecast period had been one percentage point lower than the basic assumption of 3 percent, the total recoverable amount would be 13 percent lower (EMEIA 13 percent, Americas 13 percent, Asia Pacific 11 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 (EMEIA 17 percent, Americas 17 percent, Asia Pacific 16 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.

2021

If the estimated operating margin after the end of the forecast period had been one percentage point lower than the management's estimate, the total recoverable amount would be 5 percent lower (EMEIA 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 forecast period had been one percentage point lower than the basic assumption of 3 percent, the total recoverable amount would be 13 percent lower (EMEIA 13 percent, Americas 13 percent, Asia Pacific 11 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 (EMEIA 17 percent, Americas 17 percent, Asia Pacific 16 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

2022, SEK M	Group					Parent company	
	Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Equipment
Opening accumulated acquisition cost	6,747	1,329	11,101	4,992	935	25,103	130
Purchases	220	15	283	363	846	1,728	17
Acquisitions of subsidiaries	110	32	75	73	43	333	–
Divestments of subsidiaries	–	0	0	–1	–	–1	–
Sales and disposals	–254	–34	–1,253	–539	–30	–2,110	–
Reclassifications	125	–204	378	156	–678	–223	–
Exchange rate differences	839	121	1,621	621	115	3,317	–
Closing accumulated acquisition cost	7,787	1,258	12,205	5,664	1,232	28,146	147
Opening accumulated depreciation and impairment	–3,920	–162	–8,395	–3,873	–	–16,350	–90
Divestments of subsidiaries	–	–	–	–	–	–	–
Sales and disposals	260	51	1,245	545	–	2,102	–
Depreciation, amortization and impairment	–258	–8	–700	–489	–	–1,454	–13
Impairment recognized in restructuring reserve	–	–	–3	–1	–	–3	–
Reclassifications	–	–	–	–	–	–	–
Exchange rate differences	–514	–9	–1,293	–518	–	–2,334	–
Closing accumulated depreciation and impairment	–4,431	–128	–9,145	–4,336	–	–18,040	–104
Carrying amount	3,355	1,130	3,061	1,328	1,232	10,106	44

2021, SEK M	Group					Parent company	
	Buildings	Land and land improvements	Machinery	Equipment	Construction in progress	Total	Equipment
Opening accumulated acquisition cost	6,150	1,139	10,153	4,511	616	22,569	127
Purchases	75	65	229	279	836	1,485	4
Acquisitions of subsidiaries	35	13	43	12	2	105	–
Divestments of subsidiaries	–	–	–28	–121	–	–149	–
Sales and disposals	–52	–11	–479	–159	–8	–708	–
Reclassifications	77	49	297	121	–560	–16	–
Exchange rate differences	463	73	886	349	48	1,819	–
Closing accumulated acquisition cost	6,747	1,329	11,101	4,992	935	25,103	130
Opening accumulated depreciation and impairment	–3,448	–138	–7,582	–3,375	–	–14,541	–77
Divestments of subsidiaries	0	–	27	105	–	132	–
Sales and disposals	46	0	454	130	–	630	–
Depreciation, amortization and impairment	–236	–10	–609	–436	–	–1,292	–14
Impairment recognized in restructuring reserve	–16	–4	11	–3	–	–12	–
Reclassifications	–1	–	6	–5	–	–	–
Exchange rate differences	–264	–9	–703	–289	–	–1,265	–
Closing accumulated depreciation and impairment	–3,920	–162	–8,395	–3,873	–	–16,350	–90
Carrying amount	2,828	1,166	2,706	1,118	935	8,753	40

NOTE 16 Right-of-use assets

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

SEK M	Group	
	2021	2022
Buildings	2,720	2,990
Machinery	17	24
Vehicles	614	698
Other equipment	85	91
Total	3,436	3,804

Additions to right-of-use assets for 2022 amounted to SEK 1,255 M (1,225).

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

SEK M	Group	
	2021	2022
Amortization attributable to right-of-use assets:		
Buildings	–887	–969
Machinery	–10	–10
Vehicles	–334	–337
Other equipment	–34	–30
Operating expenses attributable to:		
Short-term leases	–53	–64
Leases of low-value assets	–12	–18
Variable lease payments are not included in lease liabilities	–21	–20
Interest expenses relating to:		
Lease liabilities	–72	–87
Total	–1,423	–1,535

The total cash flow attributable to leases in 2022 was SEK 1,417 M (1,314).

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	6,735
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	HR B 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	6,443
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 ¹	0
ASSA ABLOY Mexico, S.A de CV	AAM961204C11, Mexico	50,108,549	100	762
Cerraduras y Candados Phillips S.A de C.V	CCP910506LK2, Mexico	112	0 ¹	0
ASSA ABLOY Colombia S.A.S	860009826-8, Bogota	3,115,080	100	203
ASSA ABLOY Asia Pacific Ltd	53451, Hong Kong	1	99 ¹	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 Holding Italia S.p.A.	IT01254420597, Rome	650,000	100	974
HID SA (Argentina)	CUIT 30-61783980-2, Buenos Aires	2,400	2 ¹	0
HID Global SAS	FR21341213411, Nanterre	1,000,000	100	679
ASSA ABLOY East Africa Ltd	C.20402, Nairobi	13,500	100	90
Omni-ID Ltd	6163600, Bristol	2,200,000	100	26
ASSA ABLOY Industrietore GmbH	574125b, Schwechat	1,000	100	0
Total				43,309

¹ The Group's holdings amount to 100 percent.

NOTE 18 Investments in associates

Company name	Country of registration	Number of shares	Group		Carrying amount 2021, SEK M	Carrying amount 2022, SEK M
			Share of equity 2021, %	Share of equity 2022, %		
Goal Co., Ltd	Japan	2,778,790	46	46	602	618
PT Jasuindo Arjo Wiggins Security	Indonesia	1,533,412	49	49	32	39
SARA Loading Bay Ltd	United Kingdom	4,990	50	50	12	13
Saudi Crawford Doors Ltd	Saudi Arabia	800	40	40	5	5
Others					1	1
Total					652	676

NOTE 19 Deferred tax

SEK M	Group	
	2021	2022
Deferred tax assets		
Non-current assets	611	292
Pension provisions	345	101
Tax loss carryforwards etc.	118	70
Other deferred tax assets	786	913
Offset deferred tax assets	-597	-63
Deferred tax assets	1,264	1,313
Deferred tax liabilities		
Non-current assets	2,452	2,148
Pension provisions	6	187
Other deferred tax liabilities	720	514
Offset deferred tax liabilities	-597	-63
Deferred tax liabilities	2,581	2,785
Deferred tax assets, net	-1,317	-1,472

Change in deferred tax

SEK M	Group	
	2021	2022
Opening balance	-1,531	-1,317
Acquisitions and divestments	-38	-108
Recognized in income statement	541	426
Actuarial gain/loss on post-employment benefit obligation	-211	-326
Exchange differences	-78	-146
Closing balance	-1,317	-1,472

The Group's total tax loss carryforwards amount to SEK 6,318 M, of which SEK 5,797 M (5,154) are tax loss carryforwards for which deferred tax assets have not been measured, as the extent to which it is likely that future taxable profit will be available against which the tax loss carryforwards can be utilized is deemed uncertain. Of the total tax loss carryforwards and other tax credits, SEK 3,592 M is due within five years, while SEK 2,726 M has no due date.

NOTE 20 Other financial assets

SEK M	Group		Parent company	
	2021	2022	2021	2022
Investments in associates	-	-	461	461
Other shares and interests	52	93	-	-
Non-current interest-bearing receivables	170	223	-	-
Other non-current receivables	46	57	99	64
Total	267	373	561	525

NOTE 21 Inventories

SEK M	Group	
	2021	2022
Materials and supplies	4,729	6,582
Work in progress	2,789	3,769
Finished goods	6,264	8,731
Advances paid	151	135
Total	13,933	19,217

Impairment of inventories during the year amounted to SEK 545 M (333).

NOTE 22 Trade receivables

SEK M	Group	
	2021	2022
Trade receivables	17,382	21,905
Loss allowance	-1,537	-2,145
Total	15,844	19,760

Trade receivables by currency

SEK M	Group	
	2021	2022
USD	6,244	8,641
EUR	3,646	4,430
GBP	757	971
CNY	1,210	894
SEK	661	740
AUD	509	624
CAD	377	523
PLN	201	254
Other currencies	2,210	2,732
Total	15,844	19,760

Maturity analysis

SEK M	Group	
	2021	2022
Current trade receivables	12,220	14,847
<i>Trade receivables due:</i>		
< 3 months	3,306	4,503
3–12 months	1,114	1,412
>12 months	741	1,142
	5,161	7,058
<i>Impaired trade receivables:</i>		
Not yet due	-308	-303
<i>Trade receivables due:</i>		
< 3 months	-188	-311
3–12 months	-270	-386
>12 months	-771	-1,145
	-1,537	-2,145
Total	15,844	19,760

Change in loss allowance for trade receivables

SEK M	Group	
	2021	2022
Opening balance	1,325	1,537
Acquisitions and divestments of subsidiaries	-37	20
Actual losses	-293	-175
Reversal of unused amounts	-70	-296
Provision for bad debts	495	904
Exchange rate differences	118	155
Closing balance	1,537	2,145

NOTE 23 Parent company's equity and proposed distribution of earnings

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.

Earnings of SEK 17,412,904,448 are at the disposal of the Annual General Meeting. The Board of Directors proposes a dividend of SEK 4.80 per share, SEK 5,331,726,403 in total, and that the remainder, SEK 12,081,178,044, be carried forward to the new financial 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 2021	57,525	1,055,052	1,112,576	370,859
Closing balance at 31 December 2021	57,525	1,055,052	1,112,576	370,859
Number of votes, thousands	575,259	1,055,052	1,630,311	
Opening balance at 1 January 2022	57,525	1,055,052	1,112,576	370,859
Closing balance at 31 December 2022	57,525	1,055,052	1,112,576	370,859
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 at 31 December 2022 amounted to 1,800,000. No shares have been repurchased during the year.

The dividend paid during the financial year totaled SEK 4,665 M (4,332), equivalent to SEK 4.20 (3.90) 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.

At 31 December 2022, shares accounted for 24 percent (45) and fixed income securities for 43 percent (28) of plan assets, while other assets accounted for 33 percent (27). The actual return on plan assets in 2022 was SEK -1,381 M (618), while the effect of changes in assumptions of pension liabilities totaled SEK -2,861 M.

Amounts recognized in the income statement

Pension costs, SEK M	2021	2022
Defined contribution pension plans	758	846
Defined benefit pension plans	185	170
Post-employment medical benefit plans	21	25
Total	964	1,042
<i>of which, included in:</i>		
Operating income	911	995
Net financial items	53	48

Amounts recognized in the balance sheet

Pension provisions, SEK M	2021	2022
Provisions for defined benefit pension plans	2,121	819
Provisions for post-employment medical benefit plans	606	524
Provisions for defined contribution pension plans	9	8
Total	2,736	1,351

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 2022 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 19 M (25), of which SEK 10 M (11) relates to the Parent company. Pension contributions are expected to remain largely unchanged in 2023.

Alecta's surplus can be distributed to policyholders and/or the insured. At 31 December 2022, Alecta's surplus expressed as the collective consolidation level amounted preliminarily to 172 percent (172 percent at 31 December 2021). 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 175 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	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Present value of funded obligations	3,332	3,537	92	74	2,170	1,944	1,974	1,853	7,568	7,408
Fair value of plan assets	-3,317	-4,181	-21	-22	-2,225	-2,068	-1,418	-1,446	-6,981	-7,717
Net value of funded plans	16	-643	71	52	-56	-124	556	408	587	-308
Present value of unfunded obligations	-	-	745	576	-	-	789	551	1,533	1,127
Present value of unfunded medical benefits	-	-	-	-	603	521	4	4	606	524
Net value of defined benefit pension plans	16	-643	816	627	547	396	1,348	962	2,727	1,343
Provisions for defined contribution pension plans	-	-	-	-	4	5	5	3	9	8
Total	16	-643	816	627	551	401	1,353	965	2,736	1,351

Key actuarial assumptions

Key actuarial assumptions (weighted average), %	United Kingdom		Germany		US	
	2021	2022	2021	2022	2021	2022
Discount rate	1.8	5.0	1.2	3.8	2.8	5.1
Expected annual salary increases	n/a	n/a	2.8	2.8	n/a	n/a
Expected annual pension increases	2.1	1.9	1.5	1.9	n/a	n/a
Expected annual medical benefit increases	n/a	n/a	n/a	n/a	5.8	5.0
Expected annual inflation	2.7	2.6	1.5	1.9	3.0	3.0

Note 25 continued

Movement in obligations

2022, SEK M	Post-employment medical benefits	Defined benefit pension plans	Plan assets	Total
Opening balance 1 January 2022	606	9,102	-6,981	2,727
Acquisitions and divestments	-	1,540	-1,660	-120
<i>Recognized in the income statement:</i>				
Current service cost	6	139	-	145
Past service cost	-	-2	-	-2
Interest expense/income	19	211	-182	48
Total recognized in the income statement	25	349	-182	191
<i>Recognized in other comprehensive income:</i>				
Return on plan assets, excluding amounts included above	-	-	1,564	1,564
Gain/loss from change in demographic assumptions	-	-271	-	-271
Gain/loss from change in financial assumptions	-159	-2,395	-	-2,554
Experience-based gains/losses	-0	20	-	20
Actuarial gain/loss on post-employment benefit obligations	-160	-2,645	1,564	-1,241
Exchange rate differences	88	745	-641	192
Total recognized in other comprehensive income	-72	-1,900	923	-1,049
<i>Contributions and payments:</i>				
Employer contributions	-	-	-241	-241
Employee contributions	0	77	-78	-1
Payments	-36	-632	504	-164
Total payments	-35	-555	185	-405
Closing balance 31 December 2022	524	8,535	-7,717	1,343

2021, SEK M	Post-employment medical benefits	Defined benefit pension plans	Plan assets	Total
Opening balance 1 January 2021	586	8,960	-6,035	3,511
Acquisitions and divestments	-	2	-	2
<i>Recognized in the income statement:</i>				
Current service cost	6	152	-	158
Past service cost	-	-5	-	-5
Interest expense/income	15	131	-93	53
Total recognized in the income statement	21	278	-93	206
<i>Recognized in other comprehensive income:</i>				
Return on plan assets, excluding amounts included above	-	-	-525	-525
Gain/loss from change in demographic assumptions	-	-107	-	-107
Gain/loss from change in financial assumptions	-33	-175	-	-208
Experience-based gains/losses	0	-77	-	-77
Actuarial gain/loss on post-employment benefit obligations	-33	-359	-525	-917
Exchange rate differences	59	654	-577	136
Total recognized in other comprehensive income	26	294	-1,101	-781
<i>Contributions and payments:</i>				
Employer contributions	-	-	-108	-108
Employee contributions	-	57	-57	-
Payments	-27	-490	413	-104
Total payments	-27	-433	249	-211
Closing balance 31 December 2021	606	9,102	-6,981	2,727

Plan assets allocation

Plan assets	2021	2022
Publicly traded shares	3,169	1,841
Government bonds	762	1,109
Corporate bonds	1,017	2,049
Inflation-linked bonds	168	171
Property	444	472
Cash and cash equivalents	82	174
Alternative investments	51	36
Insurance contracts and other assets	1,286	1,864
Total	6,981	7,717

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

The effect on defined benefit obligations and post-employment medical benefits of a 0.5 percentage point change in some actuarial assumptions, change in percent			+0.5%	-0.5%
Discount rate			-5.5%	5.9%
Expected annual medical benefit increases			3.5%	-3.0%

NOTE 26 Other provisions

SEK M	Group		
	Restructuring reserve	Other	Total
Opening balance at 1 January 2022	658	595	1,254
Provisions for the year	–	77	77
Acquisitions of subsidiaries	–	18	18
Divestments of subsidiaries	–	–	–
Reversal of non-utilized amounts	–	–10	–10
Payments	–404	–49	–453
Utilized during the year, without cash flow impact	–3	–	–3
Exchange rate differences	43	19	61
Closing balance at 31 December 2022	294	650	944

SEK M	Group		
	Restructuring reserve	Other	Total
Opening balance at 1 January 2021	1,224	551	1,775
Provisions for the year	–	68	68
Acquisitions of subsidiaries	–	21	21
Divestments of subsidiaries	–2	–	–2
Reversal of non-utilized amounts	–	–5	–5
Payments	–563	–57	–620
Utilized during the year, without cash flow impact	–44	–	–44
Exchange rate differences	44	17	61
Closing balance at 31 December 2021	658	595	1,254

Balance sheet breakdown:	Group	
	2021	2022
Other non-current provisions	460	530
Other current provisions	794	414
Total	1,254	944

The restructuring reserve at year-end relates mainly to the ongoing restructuring program launched in 2020. The restructuring reserve is expected to be used over the next two years. The non-current part of the reserve totaled SEK 33 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	
	2021	2022
VAT and excise duties	704	856
Employee withholding tax	130	152
Advances received	1,492	1,917
Social security contributions and other taxes	92	97
Current deferred considerations	346	546
Other current liabilities	1,076	858
Total	3,840	4,426

NOTE 28 Accrued expenses and deferred income

SEK M	Group		Parent company	
	2021	2022	2021	2022
Personnel-related expenses	3,819	4,603	273	203
Customer-related expenses	1,772	2,152	–	–
Deferred income	703	821	–	–
Accrued interest expenses	111	183	82	111
Other	2,640	3,734	56	111
Total	9,045	11,492	411	424

NOTE 29 Assets pledged against liabilities to credit institutions

SEK M	Group		Parent company	
	2021	2022	2021	2022
Real estate mortgages	12	17	–	–
Other mortgages and collateral	94	86	–	–
Total	106	103	–	–

NOTE 30 Contingent liabilities

SEK M	Group		Parent company	
	2021	2022	2021	2022
Guarantees on behalf of subsidiaries	–	–	9,485	12,484
Other guarantees and contingent liabilities	223	127	–	–
Total	223	127	9,485	12,484

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	
	2021	2022
<1 year	204	116
>1 <2 years	11	2
>2 <5 years	3	3
>5 years	4	7
Total	223	127

NOTE 31 Cash flow items

SEK M	Group	
	2021	2022
Adjustments for non-cash items		
Profit/loss on sales of non-current assets	–15	–8
Profit/loss on sales of subsidiaries	190	8
Change in pension provisions	153	143
Share of earnings in associates	–19	–26
Dividend from associates	5	5
Remeasurement of deferred considerations	–184	–41
Other	49	57
Adjustments for non-cash items	178	137
Change in working capital		
Inventories increase/decrease (–/+)	–2,943	–2,340
Trade receivables increase/decrease (–/+)	–1,289	–1,445
Trade payables increase/decrease (+/–)	1,959	–408
Other working capital increase/decrease (–/+)	778	1,363
Change in working capital	–1,496	–2,831
Divestments of subsidiaries		
Purchase prices received, net	720	40
Cash and cash equivalents in divested subsidiaries	–21	–3
Change in consolidated cash and cash equivalents due to divestments	699	37

NOTE 32 Significant events after the financial year-end

There have been no significant business-related events for the Group since the year-end.

NOTE 33 Reserves

SEK M	Hedging reserve			Total
	Net investment hedges	Cash flow hedges	Exchange rate differences	
Opening balance 1 January 2021	-255	0	2,049	1,794
Other comprehensive income in associates	-	-	-6	-6
Cash flow hedges	-	5	-	5
Exchange rate differences	-	0	3,467	3,467
Tax attributable to reserves	-	-	-23	-23
Closing balance 31 December 2021	-255	5	5,487	5,237
Opening balance 1 January 2022	-255	5	5,487	5,237
Other comprehensive income in associates	-	-	-11	-11
Cash flow hedges	-	1	-	1
Exchange rate differences	-	0	6,918	6,918
Tax attributable to reserves	-	-	-11	-11
Closing balance 31 December 2022	-255	6	12,383	12,134

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

NOTE 34 Business combinations

Consolidated acquisitions, 2022

Company acquired (country)	Division	Number of employees	2021 sales (SEK M)	Consolidation month
Keytechnik (BE)	Global Technolog.	<50	<50	Mar
JOTEC (DE)	Entrance Systems	100	200	Apr
Vigil Health Solutions (CA)	Global Technolog.	<50	<50	Apr
Vizinex (US)	Global Technolog.	<50	<50	May
Arran Isle (UK)	EMEIA	556	1,450	Jun
Acura (BR)	Global Technolog.	70	60	Jun
Caldwell (US)	Asia Pacific/EMEIA	415	1,000	Jun
J. Newton Enterprises (US)	Entrance Systems	60	150	Aug
ASA Fermetures (FR)	Entrance Systems	<50	120	Sep
Go Doors (AU)	Entrance Systems	<50	<50	Sep
VHS (TR)	EMEIA	440	150	Sep
Alcea (FR)	Global Technolog.	120	200	Oct
Control iD (BR)	Americas	300	250	Oct
D&D Technologies (AU)	Asia Pacific	110	475	Oct
Bird Home Automation (DE)	EMEIA	110	220	Oct
Roy C (US)	Entrance Systems	<50	70	Oct
Safemark (US)	Global Technolog.	<50	130	Oct
Metaflex (NL)	Entrance Systems	340	320	Nov
Duffett Doors (NZ)	Entrance Systems	<50	60	Dec
Janam (US)	Global Technolog.	<50	200	Dec
Zipply (SE)	Global Technolog.	<50	<50	Dec

See below for an account of some of the major acquisitions completed in 2022 and 2021. See the Report of the Board of Directors for further information about acquisitions. The relative amounts for the individual acquisitions are not deemed to be significant.

2022

Caldwell

Caldwell, a manufacturer of fenestration hardware for window manufacturers, was acquired in June 2022. The company is headquartered in Rochester, US. 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.

Arran Isle

Arran Isle, a leading designer, manufacturer and distributor of door and window hardware, was acquired in June 2022. The company is headquartered in the UK. 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.

Control iD

Control iD, a leading developer of hardware and software solutions for access control and time and attendance in Brazil, was acquired in October 2022. The company is headquartered in Sao Paulo, Brazil. On the reporting date the acquisition analysis is preliminary with respect to valuation of intangible assets, and will be concluded within one year of the acquisition date.

D&D Technologies

D&D Technologies, a leading designer and manufacturer of premium gate hardware, was acquired in October 2022. The company is headquartered in Sydney, Australia. On the reporting date the acquisition analysis is preliminary with respect to valuation of intangible assets, and will be concluded within one year of the acquisition date.

Bird Home Automation

Bird Home Automation, a German manufacturer of high-quality IP door intercom for single and multi-family buildings, for indoor station or smartphone control, was acquired in October 2022. The company is headquartered in Berlin, Germany. On the reporting date the acquisition analysis is preliminary with respect to valuation of intangible assets, and will be concluded within one year of the acquisition date.

2021

MR Group

In October 2021 ASSA ABLOY acquired MR Group's hardware division, a leading supplier of aluminum profile hardware and locks in Portugal. The company is headquartered in Águeda, Portugal. On the reporting date in 2022, the acquisition analysis is confirmed in respect of valuation of assets and liabilities.

B&B Roadway and Security Solutions

In December 2021 ASSA ABLOY acquired B&B Roadway and Security Solutions, a manufacturer of roadway safety, traffic control and perimeter security solutions in the US. The company is headquartered in Texas, US. Intangible assets in the form of technology and customer relationships were disclosed in the acquisition analysis in 2022. Residual goodwill mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

SEK M	2021	2022
Purchase prices		
Cash paid for acquisitions during the year	1,743	8,945
Holdbacks and conditional considerations for acquisitions during the year	150	864
Fair value previously owned shares in associates	-	-
Adjustment of purchase prices for acquisitions in prior years	-6	2
Total	1,887	9,812
Acquired assets and liabilities at fair value		
Intangible assets	151	803
Property, plant and equipment	105	333
Right-of-use assets	13	144
Pension assets	-	120
Deferred tax assets	3	90
Other financial assets	1	12
Inventories	233	1,312
Current receivables and investments	332	948
Cash and cash equivalents	180	533
Deferred tax liabilities	-17	-203
Pension provisions	-2	-
Other non-current liabilities	-23	-174
Current liabilities	-363	-1,297
Total	611	2,621
Goodwill	1,276	7,190
Cash paid for acquisitions during the year	1,743	8,945
Cash and cash equivalents in acquired subsidiaries	-180	-533
Consideration paid relating to acquisitions from previous year	557	171
Change in cash and cash equivalents due to acquisitions	2,121	8,583
Net sales from acquisition date	445	2,211
EBIT from acquisition date	-13	33
Net income from acquisition date	-9	15

The table above includes fair value adjustments of acquired net assets from acquisitions made in previous years.

Purchase price allocations have been prepared for all acquisitions in 2022. The net sales of acquired units for 2022 totaled SEK 7,047 M (1,182) and net income amounted to SEK 832 M (72). Acquisition-related costs for 2022 totaled SEK 506 M (207) and have been reported as other operating expenses in the income statement.

NOTE 35 Employees

Salaries, wages, other remuneration and social security costs

SEK M	Group		Parent company	
	2021	2022	2021	2022
Salaries, wages and other remuneration	21,699	26,231	285	297
Social security costs	6,222	7,533	176	147
– of which pensions	911	995	44	55
Total	27,921	33,763	460	444

Remuneration and other benefits of the Executive Team in 2022, SEK thousands

Name	Fixed salary	Variable salary	Stock-related benefits	Other benefits	Pension costs
Nico Delvaux, President and CEO	21,338	14,891	7,830	199	7,462
Other members of the Executive Team (9 positions)	53,555	29,149	9,365	3,349	7,594
Total remuneration and benefits	74,893	44,041	17,195	3,549	15,055

Total remuneration and other benefits of the Executive Team amounted to SEK 143.0 M in 2021.

Fees to Board members in 2022 (including committee work), SEK thousand

Name and post	Board of Directors	Remuneration Committee	Audit Committee	Total
Lars Renström, Chairman	2,900	160	340	3,400
Carl Douglas, Vice Chairman	1,075	–	–	1,075
Erik Ekudden, Board member	860	–	–	860
Johan Hjertsonsson, Board member	860	80	235	1,175
Eva Karlsson, Board member	860	–	–	860
Lena Olving, Board member	860	–	235	1,095
Susanne Pahlén Åklundh, Board member	860	–	–	860
Sofia Schörling Högberg, Board member	860	–	–	860
Joakim Weidemanis, Board member	860	–	–	860
Employee representatives (4)	–	–	–	–
Total	9,995	240	810	11,045

Total fees to Board members amounted to SEK 9.5 M in 2021.

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 2022 totaled SEK 65 M (66), excluding pension costs and social security costs. Pension costs amounted to SEK 10 M (9). Pension obligations for several senior executives are secured through pledged endowment insurances.

Guidelines for remuneration to senior executives

The guidelines for remuneration to senior executives adopted by the 2022 Annual General Meeting is set out below. The Board of Directors has not proposed any new guidelines prior to the 2023 Annual General Meeting.

Scope

The Board of Directors proposes that the Annual General Meeting adopts 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 2022 Annual General Meeting. 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.

Prerequisites 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. In order to ensure that the remuneration levels are in line with market conditions and competitive, taking into account the current market conditions in the US, the variable cash remuneration for members of the Executive Team employed in the US may amount to not more than 100 percent of the yearly base salary.

Additional variable cash remuneration may be paid in specific cases in the form of remuneration with lump sums, provided that such remuneration is only provided at an individual basis for the purpose of recruiting senior executives. Such remuneration may not exceed an amount corresponding to 100 percent of the yearly base salary and the maximum variable cash remuneration, and may not be paid more than once per year and individual.

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.

Note 35 continued

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.

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.

Description of material changes of the guidelines and how the views of shareholders' have been taken into consideration

These guidelines, which are proposed for the 2022 Annual General Meeting, correspond to a large extent with the guidelines resolved upon by the 2020 Annual General Meeting. However, in the guidelines now proposed, an option to pay additional variable cash remuneration has been introduced and, in addition, the maximum level for variable cash remuneration for members of the Executive Team employed in the US has been adjusted. Please be referred to the section "Types of remuneration" above. No comments or questions on the remuneration guidelines have emerged in connection with general meeting proceedings.

Long-term incentive programs

At the 2010 Annual General Meeting, it was decided to launch a long-term incentive program (LTI 2010) for senior executives and other key employees in the Group. The purpose was to create the prerequisites for retaining and recruiting qualified employees to the Group, to contribute to providing 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 2022 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 2022. LTI 2011 to LTI 2017 were based on similar terms to LTI 2010. LTI 2018 to LTI 2022 were based on similar principles as the earlier programs, 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 2020, LTI 2021 and LTI 2022, 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 2020–LTI 2022), employees have acquired a total of 399,589 Series B shares in ASSA ABLOY AB, of which 154,688 Series B shares were acquired in 2022 within the framework of LTI 2022.

Each performance-based share award for LTI 2020, LTI 2021 and LTI 2022 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 2023 (LTI 2020), first quarter 2024 (LTI 2021) and first quarter 2025 (LTI 2022) is still 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 entitle 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 2020 – 31 December 2022 (LTI 2020), the measurement period 1 January 2021 – 31 December 2023 (LTI 2021) and the measurement period 1 January 2022 – 31 December 2024 (LTI 2022), 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 fulfilled to 67 percent for LTI 2020. Fulfillment of the performance-based condition for LTI 2021 and LTI 2022, respectively, is intended to be presented in the Annual Report for the financial years 2023 and 2024, respectively.

Outstanding performance-based share awards for LTI 2022 total 647,578. The total number of outstanding performance-based share awards for LTI 2020, LTI 2021 and LTI 2022 amounted to 1,501,883 on the reporting date of 31 December 2022.

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 2022, 2 June 2022, was SEK 242.70. The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2021, 9 June 2021, was SEK 259.86. 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 total cost of the Group's long-term incentive programs (LTI 2019–LTI 2022) excluding social security costs amounted to SEK 57 M (49) in 2022. In April 2022, vesting of the long-term incentive program LTI 2019 took place equivalent to 230,910 Series B shares (221,196) at a total market value at the time of vesting of SEK 61 M (54). The payment referred to above for the vested shares in LTI 2019 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.

Note 35 continued

Average number of employees per country, broken down by gender

	Group					
	2021			2022		
	Total	of which women	of which men	Total	of which women	of which men
US	11,663	3,333	8,330	12,674	3,666	9,008
China	6,891	2,635	4,256	6,079	2,376	3,703
United Kingdom	2,500	694	1,806	2,951	818	2,133
France	2,777	732	2,045	2,868	736	2,132
Mexico	1,901	542	1,359	2,208	636	1,572
Sweden	2,351	649	1,701	2,123	624	1,500
Germany	1,791	471	1,320	1,890	496	1,395
India	1,594	132	1,462	1,684	253	1,431
Brazil	1,663	526	1,137	1,539	493	1,046
Poland	1,457	402	1,055	1,459	339	1,120
Australia	1,331	355	976	1,342	361	980
Czech Republic	1,261	458	803	1,286	500	786
Netherlands	1,202	241	961	1,282	272	1,010
Finland	1,177	327	850	999	291	708
Malaysia	829	407	422	933	443	490
Canada	858	199	658	890	287	604
Belgium	667	144	552	761	150	611
Romania	826	314	512	718	305	414
Switzerland	690	137	553	698	146	552
South Africa	655	265	390	658	276	382
South Korea	548	151	396	622	176	447
Spain	647	195	452	618	164	454
Vietnam	220	136	85	444	259	185
Italy	483	187	295	432	107	325
New Zealand	403	110	294	409	113	296
Denmark	498	106	393	407	81	326
Portugal	71	20	51	381	221	160
United Arab Emirates	334	37	297	380	37	343
Thailand	352	245	107	377	276	101
Norway	545	98	447	364	72	292
Ireland	244	89	155	304	105	200
Hungary	317	67	250	293	64	230
Chile	274	78	196	283	86	197
Israel	239	76	163	240	76	164
Others	1,534	428	1,106	1,861	523	1,337
Total	50,934	14,996	35,939	52,463	15,828	36,634

	Parent company					
	2021			2022		
	Total	of which women	of which men	Total	of which women	of which men
Sweden	251	80	171	259	89	170
Total	251	80	171	259	89	170

Gender distribution of Board of Directors and Executive Team

	2021			2022		
	Total	of which women	of which men	Total	of which women	of which men
Board of Directors ¹	8	4	4	9	4	5
Executive Team	10	2	8	10	2	8
– of which Parent company's Executive Team	3	1	2	2	0	2
Total	18	6	12	19	6	13

¹ Excluding employee representatives.

NOTE 36 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

SEK M	Group	
	2021	2022
Non-current interest-bearing receivables	-170	-223
Short-term investments	-8	0
Derivative instruments – Positive market values	-262	-139
Cash and cash equivalents	-4,325	-3,417
Long-term loans	20,195	20,523
Short-term loans	5,042	9,304
Lease liabilities	3,515	3,907
Pension provisions	2,736	1,351
Derivative instruments – negative market values	347	428
Total	27,071	31,732
Equity	69,592	86,026
Debt/equity ratio	0.39	0.37

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. When the acquisition of HHI was announced, Standard & Poor's issued a Credit Watch with a negative outlook. As, in the first quarter of the year, Standard & Poor's estimated that the risk of downgrading the long-term credit rating had fallen, it confirmed the credit rating of A-, but with a negative outlook.

Agency	Short-term	Outlook	Long-term	Outlook
Standard & Poor's	A2	Stable	A –	Neg. outlook
Moody's	P2	Stable	n/a	

Note 36 continued

Maturity profile – financial instruments¹

SEK M ²	31 December 2021				31 December 2022			
	<1 year	>1 <2 years	>2 <5 years	>5 years	<1 year	>1 <2 years	>2 <5 years	>5 years
Long-term bank loans	-1,110	-424	-2,208	-2,139	-597	-381	-3,176	-1,913
Long-term capital market loans	-2,608	-3,178	-7,276	-6,048	-3,660	-3,824	-8,647	-4,486
Short-term bank loans	-2,042				-1,553			
Commercial papers and short-term capital market loans	-				-3,668			
Derivatives (outflow)	-21,062	-22	-51	-24	-23,294	-32	-71	-14
Total by period	-26,822	-3,624	-9,535	-8,212	-32,772	-4,236	-11,894	-6,413
Cash and cash equivalents incl. interest-bearing receivables	4,333				3,417			
Non-current interest-bearing receivables	2	1		208	15	19	235	2
Derivatives (inflow)	20,883	65	145	74	23,164	118	299	48
Deferred considerations	-346	-53	-5		-546	-395	-94	
Trade receivables	15,844				19,760			
Trade payables	-9,527				-10,469			
Lease liabilities	-1,141	-859	-1,212	-438	-1,298	-977	-1,367	-478
Net total	3,226	-4,470	-10,607	-8,368	1,272	-5,471	-12,822	-6,841
Confirmed credit facilities	50,736	-38,454	-12,282		61,400	-48,962	-12,438	
Adjusted maturity profile¹	53,962	-42,924	-22,889	-8,368	62,672	-54,433	-25,259	-6,841

¹ For maturity profile of guarantees, see Note 30.² The amounts in the table are undiscounted and include future known interest payments. The exact amounts are therefore not found in the balance sheet.*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 is April 2026. A smaller portion, EUR 84 M, matures in April 2024. This credit facility was wholly unutilized at year-end. To secure the financing of the HHI acquisition, two new loan agreements were entered into in 2021: a Bridge Facility of USD 3,750 M and an agreement for a credit facility of USD 500 M. Both of these facilities were extended in 2022 and now mature in 2024.

A new credit line for EUR 320 M was also agreed with the European Investment Bank (EIB) during the year. This facility was also unutilized at the year-end.

Moreover, existing financial assets are also taken into account in the table. The table shows cash flows and known future interest payments 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 1,061 M (1,643) at year-end. In addition, ASSA ABLOY has long-term interest-bearing receivables of SEK 223 M (170) and financial derivatives with a positive market value of SEK 139 M (262) 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, deposits in banks or interest-bearing instruments with high liquidity from issuers with a credit rating of at least A- according to Standard & Poor's or a similar rating agency. The average term for cash and cash equivalents was 5 days (7) at year-end 2022.

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

SEK M	Group		Parent company	
	2021	2022	2021	2022
Cash and bank balances	2,690	2,356	0	0
Short-term investments with maturity less than three months	1,635	1,060	-	-
Cash and cash equivalents	4,325	3,417	0	0
Short-term investments with maturity more than 3 months	8	0	-	-
Non-current interest-bearing receivables	170	223	-	-
Positive market value of derivatives	262	139	-	-
Total	4,764	3,780	0	0

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 12 days (8) at year-end 2022. A downward change in the yield curve of one percentage point would reduce the Group's interest income by approximately SEK 10 M (0) and consolidated equity by SEK 8 M (0).

Interest-bearing liabilities

The Group's long-term loan financing mainly consists of a GMTN Program of SEK 18,416 M (15,793), of which SEK 15,172 M (14,862) is long-term, a Private Placement Program in the US totaling USD 75 M, of which USD 75 M (75) is long-term, and loans from financial institutions such as the European Investment Bank (EIB) totaling USD 332 M, of which USD 315 M (332) is long-term, and the Nordic Investment Bank of EUR 135 M (135). Four new issues under the GMTN Program for a total of SEK 1,997 M with maturities of three to five years were made during the year. 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 was also affected by currency fluctuations, especially regarding the USD.

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 the year-end, the outstanding balance under the Commercial Paper Programs was SEK 3,650 M (0). In addition to the credit facilities described under the Maturity profile section, substantial credit commitments exist, mainly in the form of a 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 37 months (45).

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

Note 36 continued

External financing/net debt

Credit lines/facilities	Amount, SEK M	Maturity	Carrying amount, SEK M	Currency	Amount 2021	Amount 2022	Of which Parent company, SEK M
US Private Placement Program	785	Aug 2024	785	USD	75	75	–
Multi-Currency RCF	936	Apr 2024	–	EUR	84	84	–
Multi-Currency RCF	12,438	Apr 2026	–	EUR	1,116	1,116	–
Bridge loan facility	33,930	Oct 2024	–	USD	3,750	3,750	–
Term loan facility	5,231	Oct 2024	–	USD	500	500	–
EIB loan commitment	3,566	Dec 2029	–	EUR	–	320	–
Bank loan EIB	538	Apr 2025 ²	538	USD	69	51	–
Bank loan EIB	2,755	Mar 2027 ²	2,755	USD	263	263	–
Bank loan NIB	751	Jun 2026	751	EUR	68	68	–
Bank loan NIB	751	Jun 2028	751	EUR	68	68	–
Global MTN Program	108,205	Jan 2024	334	EUR	30	30	334
		Apr 2024	550	SEK	550	550	550
		May 2024	209	USD	20	20	209
		Jul 2024	314	USD	30	30	314
		Sep 2024	1,113	EUR	100	100	1,021
		Oct 2024	209	USD	20	20	209
		Feb 2025	557	EUR	50	50	557
		Mar 2025	328 ¹	EUR	30	30	334
		Jun 2025	1,046	USD	100	100	1,046
		Jun 2025	557	EUR	50	50	557
		Jun 2025	314	USD	30	30	314
		Oct 2025	500	SEK	–	500	500
		Dec 2025	486 ¹	USD	50	50	500
		Mar 2026	223	EUR	20	20	223
		Oct 2026	275	SEK	–	275	275
		Oct 2026	149	SEK	–	149	149
		Nov 2026	522 ¹	CHF	50	50	565
		Feb 2027	334	EUR	30	30	334
		Feb 2027	555	EUR	50	50	555
		Jun 2027	308 ¹	NOK	300	300	316
		Sep 2027	555	EUR	50	50	555
		Oct 2027	200 ¹	NOK	200	200	211
		Oct 2027	1,035 ¹	USD	–	100	1,045
		May 2029	166	EUR	15	15	166
		Jun 2029	104	USD	10	10	104
		Aug 2029	111	EUR	10	10	111
		Oct 2029	275 ¹	EUR	28	28	284
		Oct 2029	288	EUR	26	26	288
		Dec 2029	918 ¹	USD	100	100	1,035
		Mar 2030	333	EUR	30	30	333
		Apr 2030	776	EUR	70	70	776
		Feb 2031	111	EUR	10	10	111
		Aug 2034	1,101	EUR	100	100	1,102
Other long-term loans	85		85				–7
Total long-term loans/facilities	175,272		20,522				15,119
Global MTN Program	3,243		3,243	SEK	2,910	3,243	3,243
Global CP Program	10,461		1,774	SEK	–	1,774	–
Swedish CP Program	5,000		1,876	SEK	–	1,876	–
Other bank loans	2,140		2,140				–
Overdraft facility	3,724		270				–
Total short-term loans/facilities	24,568		9,304				3,244
Total loans/facilities	199,840		29,826				18,363
Cash and cash equivalents			–3,417				
Non-current and current interest-bearing investments			–223				
Derivative financial instruments			288				
Pension provisions			1,351				
Lease liabilities			3,907				
Net debt			31,732				

¹ The loans are subject to hedge accounting, in whole or in part.

² The loans are amortizing. In the table the average dates of maturity of the loans have been stated.

Note 36 continued

Change in loans

SEK M	Long-term loans	Short-term loans	Total
Opening balance 1 January 2022	20,195	5,042	25,237
Cash flow from financing activities			
Long-term loans raised	1,997	–	1,997
Long-term loans repaid	–	–3,378	–3,378
Net change in short-term loans	–	3,907	3,907
Total	1,997	528	2,526
Changes without cash flow impact			
Acquisitions of subsidiaries	26	1	27
Divestments of subsidiaries	–	–	–
Reclassifications	–3,253	3,253	–
Unrealized exchange differences	1,910	374	2,284
Other changes	–361	–	–361
Exchange rate differences	9	105	114
Total	–1,669	3,733	2,064
Closing balance 31 December 2022	20,523	9,303	29,826

SEK M	Long-term loans	Short-term loans	Total
Opening balance 1 January 2021	22,381	3,514	25,895
Cash flow from financing activities			
Long-term loans raised	8	–	8
Long-term loans repaid	–	–2,473	–2,473
Net change in short-term loans	–	682	682
Total	8	–1,791	–1,783
Changes without cash flow impact			
Acquisitions of subsidiaries	9	98	107
Divestments of subsidiaries	–	–245	–245
Reclassifications	–3,177	3,177	–
Unrealized exchange differences	959	200	1,159
Other changes	12	–	12
Exchange rate differences	3	90	93
Total	–2,194	3,320	1,125
Closing balance 31 December 2021	20,195	5,042	25,237

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 22 months (29). An upward change in the yield curve of one percentage point would increase the Group's interest expense by around SEK 126 M (53) and reduce consolidated equity by SEK 93 M (39).

Change in lease liabilities

SEK M	Group	
	2021	2022
Opening balance	3,562	3,515
Acquisitions of subsidiaries	13	173
Divestments of subsidiaries	–181	–
New and terminated leases	1,156	1,213
Amortization of lease liabilities	–1,242	–1,330
Exchange rate differences	207	336
Closing balance	3,515	3,907

Balance sheet breakdown:	Group	
	2021	2022
Non-current lease liabilities	2,433	2,624
Current lease liabilities	1,082	1,284
Total	3,515	3,907

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 2021		31 December 2022	
	Net debt excl. derivatives	Net debt incl. derivatives	Net debt excl. derivatives	Net debt incl. derivatives
EUR	12,356	10,879	12,616	11,188
USD	11,494	12,133	12,574	9,383
AUD	85	1,443	97	2,990
SEK	–603	–2,596	3,592	2,337
CNY	1,000	2,854	874	2,303
GBP	114	1,600	–658	2,152
PLN	66	630	41	822
KRW	312	475	351	791
CZK	100	655	84	730
BRL	344	344	618	640
CHF	675	–2,648	514	–3,601
Other	1,128	1,302	1,028	1,996
Total	27,071	27,071	31,732	31,732

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	
	2021	2022
AUD	742	957
CAD	857	846
CHF	–609	–790
CNY	–1,688	–1,830
CZK	–461	–656
EUR	1,761	2,271
GBP	1,133	1,140
RON	–431	–547
SEK	–663	–710
USD	1,259	1,871

Translation exposure in income

The table below shows the impact on the Group's income before tax of a reasonably possible change, in this case 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	2021	2022
AUD	61	61
CAD	34	58
CHF	49	73
CNY	–10	–52
DKK	14	14
EUR	265	304
HKD	50	55
MXN	16	25
NOK	23	27
USD	853	1,227

Note 36 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 96 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 97 percent (97) of the Group's sales were settled through cash pools in 2022. 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 98 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 2 percent of the Group's sales. The concentration of credit risk associated with trade receivables is deemed to be limited, but the credit risk in Asia is deemed to have risen in recent years, partly in relation to the global Covid-19 pandemic. 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 98 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 98 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 33. 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. The changes that have occurred to date following the reference rate reform (IBOR reform) had no significant impact on the Group's hedge relationships in 2022. For USD, most maturities for LIBOR do not end before 30 June 2023.

Hedging instruments

SEK M	Interest rate hedging 2021	Interest rate hedging 2022	Net investments 2021	Net investments 2022
Carrying amount of hedged item – fair value	2,803	4,197	–	–
Carrying amount of hedged item – cash flow	1,907	1,103	–	–
Nominal amount of hedging instrument	4,711	5,300	–	–
Maturity	2022 to 2029	2023 to 2029	–	–
Hedge ratio	1:1	1:1	–	–
Total effect of hedging on hedged item	–75	163	–	–
Accrued remaining amount for terminated hedges	–11	108	–255	–255
Change in value, hedging instruments since 1 January	–107	–239	–	–
Change in value, hedge item	107	239	–	–
Ineffectiveness recognized in profit or loss	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. Changes in value of hedge instruments in cash flow hedges of interest rate risk are recognized in Other comprehensive income. Any ineffectiveness is recognized against interest income or interest expenses.

Note 36 continued

Disclosures of offsetting of financial assets and liabilities

SEK M	2021					2022				
	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	262	–	262	135	128	142	–	142	91	51
Financial liabilities	347	–	347	135	212	432	–	432	91	341

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

Outstanding derivative financial instruments at 31 December

Instrument, SEK M	31 December 2021			31 December 2022		
	Positive fair value ²	Negative fair value ²	Nominal value	Positive fair value ²	Negative fair value ²	Nominal value
Foreign exchange forwards, funding	179	345	9,246	138	268	9,894
Interest rate derivatives ¹ , fair value hedges	79	3	2,803	–	164	4,198
Interest rate derivatives ¹ , cash flow hedges	5	0	1,907	4	–	1,103
Total	262	348	13,957	142	432	15,195

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

² Assets are recognized against accrued revenue and liabilities against accrued expenses.

Financial instruments: carrying amounts and fair values by measurement category

SEK M	2021		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Trade receivables	15,844	15,844	19,760	19,760
Other financial assets at amortized cost	223	223	289	289
Cash and cash equivalents	4,325	4,325	3,417	3,417
Financial assets at fair value through profit or loss				
Shares and interests	52	52	93	93
Derivative financial instruments				
Hedge accounting	84	84	4	4
Held for trading	179	179	138	138
Total financial assets	20,706	20,706	23,701	23,701
Financial liabilities at amortized cost				
Trade payables	9,527	9,527	10,469	10,469
Lease liabilities	3,515	3,515	3,923	3,923
Long-term loans – hedge accounting	2,864	2,864	3,652	3,652
Long-term loans – non-hedge accounting	17,331	17,519	16,871	17,891
Short-term loans – hedge accounting	–	–	256	256
Short-term loans – non-hedge accounting	5,042	5,052	9,047	9,078
Financial liabilities at fair value through profit or loss				
Deferred considerations	403	403	1,034	1,034
Derivative financial instruments				
Hedge accounting	3	3	164	164
Held for trading	345	345	268	268
Total financial liabilities	39,027	39,228	45,684	46,735

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	2021				2022			
	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)
Financial assets								
Derivative financial instruments	262	–	262	–	142	–	142	–
Financial liabilities								
Derivative financial instruments	347	–	347	–	432	–	432	–
Deferred considerations	403	–	–	403	1,034	–	–	1,034

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.

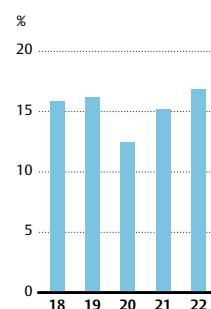
For derivatives, the present value of future cash flows is calculated based on observable yield curves and exchange rates on the balance sheet date. Belongs to level 2 in the hierarchy.

Five years in summary

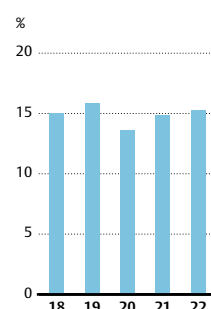
Amounts in SEK M unless stated otherwise	2018	2019	2020	2021	2022
Sales and income					
Sales	84,048	94,029	87,649	95,007	120,793
Organic growth, %	5	3	-8	11	12
Acquisitions and divestments, %	2	3	4	2	2
Operating income (EBIT) excluding items affecting comparability	12,909	14,920	11,916	14,181	18,532
Operating income (EBIT)	6,096	14,608	12,458	14,181	18,532
Income before tax (EBT)	5,297	13,571	11,676	13,538	17,521
Net income	2,755	9,997	9,172	10,901	13,296
Cash flow					
Cash flow from operating activities	9,225	12,665	13,658	12,456	14,357
Cash flow from investing activities	-6,427	-5,464	-6,741	-3,094	-10,561
Cash flow from financing activities	-2,728	-7,301	-4,558	-7,813	-4,699
Cash flow	70	-100	2,359	1,549	-904
Operating cash flow	11,357	14,442	14,560	13,265	15,808
Capital employed and financing					
- Goodwill	53,413	57,662	58,344	62,502	75,873
- Other intangible assets	11,448	12,693	14,108	13,834	15,024
- Property, plant and equipment	8,070	8,498	8,026	8,753	10,106
- Right-of-use assets	119	3,731	3,513	3,436	3,804
- Other capital employed	9,286	10,399	5,867	8,796	13,244
Adjusted capital employed	82,336	92,983	89,858	97,321	118,052
- Restructuring reserve	-1,190	-778	-1,224	-658	-294
Capital employed	81,146	92,204	88,634	96,663	117,758
Non-controlling interests	10	11	9	9	12
Shareholders' equity, excluding non-controlling interest	51,890	59,143	58,870	69,582	86,014
Data per share, SEK					
Earnings per share before and after dilution	2.48	9.00	8.26	9.81	11.97
Earnings per share before and after dilution and excluding items affecting comparability	8.09	9.22	7.54	9.81	11.97
Shareholders' equity per share after dilution	46.71	53.25	53.00	62.64	77.44
Dividend per share	3.50	3.85	3.90	4.20	4.80 ¹
Price of Series B share at year-end	158.15	219.00	202.50	276.20	223.7
Key figures					
Operating margin (EBIT), % excluding items affecting comparability	15.4	15.9	13.6	14.9	15.3
Operating margin (EBIT), %	7.3	15.5	14.2	14.9	15.3
Profit margin (EBT), %	6.3	14.4	13.3	14.2	14.5
Cash conversion	0.94	1.04	1.31	0.98	0.90
Return on capital employed, %	15.9	16.2	12.5	15.2	16.9
Return on equity, %	5.4	18.0	15.5	17.0	17.1
Equity ratio, %	48.7	50.1	50.1	53.5	55.7
Debt/equity ratio	0.56	0.56	0.51	0.39	0.37
Net debt/EBITDA	2.0	1.8	1.9	1.5	1.4
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	48,353	48,992	48,471	50,934	52,463

¹ Dividend proposed by the Board of Directors.

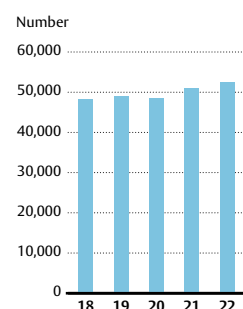
Return on capital employed



Operating margin (EBIT)²



Average number of employees



² Excluding items affecting comparability.

Comments on five years in summary

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 program 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.

2021

The mature markets in the US and Europe gradually recovered during the year despite the continuation of the Covid-19 pandemic and restrictions in many countries. The continued restrictions in Asia meant weaker recovery of demand. Organic growth was very strong for the Group as a whole at 11 percent, with a positive sales trend in all divisions.

However, rising material costs and scarcity of certain components presented an operational challenge and had a negative impact on sales and income. Operating income excluding items affecting comparability increased overall by 19 percent, and the operating margin was 14.9 percent (13.6). Operating cash flow remained strong during the year.

Acquisition activity was high, with thirteen businesses acquired, primarily in the US and Europe. Additional acquisition agreements were signed during the year, primarily for HHI, a leading provider in the North American residential segment. The Nordic locksmith and security solution installer CERTEGO was divested.

The focus on product development and innovation continued at a high level during the year, including the launch of more than 400 new products on the market.

Sustainability remains a priority area for ASSA ABLOY. New initiatives were introduced during the year in our effort to meet the Group's sustainability targets for 2025, with continued reductions in emissions, waste and water consumption.

2022

Demand was strong in most major market regions apart from Asia during the year. The markets in both the Americas and Europe developed well. Demand remained weak in Asia, primarily in respect of China. Organic growth was very strong for the Group as a whole at 12 percent. Growth in electromechanical products continued to develop well.

Business operations were affected negatively by rising inflation, high material costs and supply chain disruption. However, it was possible to manage these challenges successfully thanks to the excellent engagement of our employees. Operating income increased by 31 percent, and the operating margin was 15.3 percent (14.9). Operating cash flow remained strong.

Acquisition activity was very high during the year, with 21 businesses acquired, primarily in the US and Europe.

The focus on product development and innovation continued undiminished during the year, partly in the form of major recruitment initiatives.

Sustainability remains a priority area for ASSA ABLOY. Among other things, the Group had its sustainability targets confirmed by the Science Based Targets initiative (SBTi) during the year.

Definitions of key ratios

Organic growth

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

Operating margin (EBITDA)

Operating income before depreciation, amortization and impairment 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.

Items affecting comparability

Restructuring costs and significant non-recurring operating expenses such as revaluation of previously owned shares in associates and goodwill impairment.

Operating cash flow

Cash flow from operating activities excluding restructuring payments and tax paid on income minus net capital expenditure and repayment of lease liabilities. See the table on operating cash flow for detailed information.

Cash conversion

Operating cash flow in relation to income before tax excluding items affecting comparability.

Net capital expenditure

Investments in, less sales of, intangible assets and property, plant and equipment.

Capital employed

Total assets less interest-bearing assets and non-interest-bearing liabilities, including deferred tax liability.

Average adjusted capital employed

Average capital employed excluding restructuring reserves for the last twelve months.

Net debt

Interest-bearing liabilities less interest-bearing investments. See the table on net debt for detailed information.

Net debt/EBITDA

Net debt at the end of the period in relation to EBITDA for the last twelve months.

Debt/equity ratio

Net debt in relation to equity.

Equity ratio

Shareholders' equity as a percentage of total assets.

Shareholders' equity per share

Equity excluding non-controlling interests in relation to number of outstanding shares.

Return on equity

Net income attributable to parent company's shareholders for the last twelve months as a percentage of average parent company's shareholders' equity for the same period.

Return on capital employed

Operating income (EBIT), excluding items affecting comparability, for the last twelve months as a percentage of average adjusted capital employed.

Earnings per share before and after dilution

Net income attributable to parent company's shareholders divided by weighted average number of outstanding shares. 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, excluding items affecting comparability

Net income attributable to parent company's shareholders, excluding items affecting comparability, net of tax, divided by weighted average number of outstanding shares. None of the Group's outstanding long-term incentive programs are expected to result in significant dilution in the future.

Board of Directors and CEO assurance

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, 1 March 2023

Lars Renström
Chairman

Carl Douglas
Vice Chairman

Nico Delvaux
President and CEO

Erik Ekudden
Board member

Johan Hjertonsson
Board member

Sofia Schörling Högberg
Board member

Eva Karlsson
Board member

Lena Olving
Board member

Joakim Weidemanis
Board member

Susanne Pahlén Åklundh
Board member

Rune Hjälms
Board member
Employee representative

Mats Persson
Board member
Employee representative

Our audit report was issued on 3 March 2023

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant
Auditor in charge

Auditor's report

This is a translation from the Swedish original.

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 the corporate governance statement on the pages 51–61. The annual accounts and consolidated accounts of the company are included on pages 44–98 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 2022 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 2022 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 51–61. 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.

Goodwill and other intangible assets with indefinite use of life

Description	How our audit addressed this key audit matter
<p>The value of goodwill and other intangibles with an indefinite useful life as of 31 December 2022 amounted to 84,8 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.</p> <p>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. 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. In this assessment, we have also compared the company's historical forecasts in the impairment tests with the amounts that is the actual outcome, in order to assess the company's historical precision in its estimates and assessments. We have included valuation experts with appropriate skills in the team performing our review. Finally, we have evaluated disclosures provided in note 14, 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>

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. The outgoing balance as per December 31, 2022 amounts to 0,3 billion SEK. A provision for restructuring measures is recognized when the Group 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's judgment and estimates.</p> <p>Because of the significant amount and considerable estimates involved, we have assessed restructuring provision 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 an obligation that represent future obligations. We have challenged management's assumptions that there are basis for the restructuring provisions with the aim of assessing the reasonability of the provisions. Based on risk and materiality, we have reconciled the parameters in the calculation against supporting documentation. This includes, among other things, the examination of minutes, agreements, calculations and communication with employees. We have evaluated management's assessments of remaining cashflows by reviewing their quarterly project updates. Finally, we have evaluated the disclosures provided regarding restructuring activities in note 26.</p>

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 1–43, 99–101 and 108–113. The other information also consists of the compensation report that we obtained prior to the date of this auditor's report. 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 information 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 regard.

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, actions taken to eliminate threats or related safeguards applied.

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

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

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 2022 (the financial year 2022-01-01-2022-12-31) and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal 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 whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) according to the Swedish Securities Market Act (2007:528) for ASSA ABLOY AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of ASSA ABLOY AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The auditor's examination of the ESEF report, continued
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 Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality

control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 51–61 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 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 stan-

dards 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.

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 27 April 2022 and has been the company's auditor since the 29 April 2020.

Stockholm March 3rd 2023

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.

+149%

sales growth in 10 years

+142%

EPS growth in 10 years

SEK 34bn

dividend in 10 years

1 Good industry to be in – Strong underlying trends 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 solutions offerings. At the same time, the demand for more sustainable and resilient ASSA ABLOY products is fueled by the strong growth in green buildings and more sustainable urban environments around the world. Our decentralized operating model with strong local presence enables us to align our product offering with the underlying trends impacting each different market.

2 Leading market position – We have the largest installed base and the deepest know-how of locks and different access solutions in the world, which is continuously maintained and upgraded with new solutions. The large installed base provides many opportunities for us to help with the transition to electromechanical products and solutions. Two-thirds of our revenue is generated from the aftermarket, which provides us with a stable customer and revenue base. This makes us less vulnerable to the cyclical demand that affects many other industries.

3 Consistent profitable growth – Our currency adjusted revenue has grown by close to 9 percent annually during the last ten years and our adjusted EBIT margin has been stable at close to 16 percent, excluding the years of the pandemic. We also have a strong track record of growing the dividend and we have never lowered our dividend per share since our founding in 1994. 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 grow profitably in the long term.

4 Investing in innovation – We invest about 4 percent of our revenue in R&D. Given the size of our business, this provides us with both short and long-term competitive advantages. Our innovation capacity is based on our common platforms and our global reach but also relies on the local expertise of our innovation organization. The target is for products launched in the past three years to account for 25 percent of our total sales.

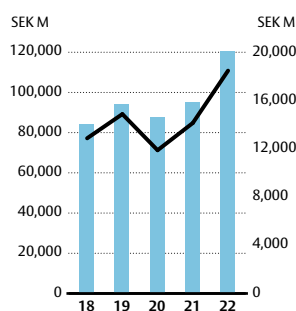
5 Strong acquisition record – We have completed more than 300 acquisitions globally since ASSA ABLOY was established in 1994. In many cases, the businesses are leading access providers in their respective markets with well-established customer bases and brands. After realizing synergies, we grow the businesses and increase their profitability and margins. This strategy has proven successful, and our acquired businesses have generated significant value following integration. In 2022, we completed 21 acquisitions with total annual sales of more than SEK 7 billion.

6 Our trusted brands set us apart – We use a multiple-brand strategy to make the most of our global and local strengths. Our Group and employer brand is ASSA ABLOY, and it is fast becoming the leading commercial brand for doors, locks, and related services. We also have strong master brands across our core businesses. These include Yale, one of the world's best-known residential lock brands, and HID, which leads the way in secure identities. In total, there are 190 brands within the Group that help us create and keep loyal customers across different markets and regions.

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 to our customers. We also continue to optimize our supply chain, product setup and footprint and work with lean processes and automation.

8 Leading sustainable solutions – Our ambition is to lead our industry towards a more sustainable future. We committed to science-based targets in 2020 and had our targets ratified in 2022. This further improves 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 and to recycle once they reach their end of life.

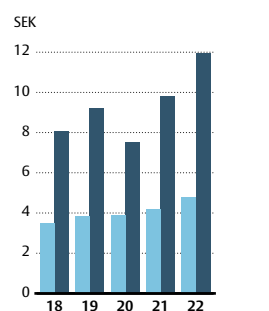
Sales and operating income



■ Sales
— Operating income¹

¹ Excluding items affecting comparability.

Dividend and earnings per share



■ Dividend per share
■ Earnings per share after dilution¹

¹ Excluding items affecting comparability.

The ASSA ABLOY share

Share price trend

The stock market developed negatively during the first half of 2022 following the war in Ukraine, historically high inflation, multiple interest rate increases and tighter monetary policies from central banks across the globe and looming concerns of an upcoming recession. The ASSA ABLOY share also had a negative development, down 21 percent during the first half of the year compared to the OMX Stockholm PI index which was down 29 percent as of June 30.

The stock market saw a small rebound during July and August but was back to a negative trend in the early fall as central banks implemented tighter monetary policies and recession concerns intensified. During the last months of the year, the stock market recovered thanks to a strong reporting season and signs that peak inflation had been reached.

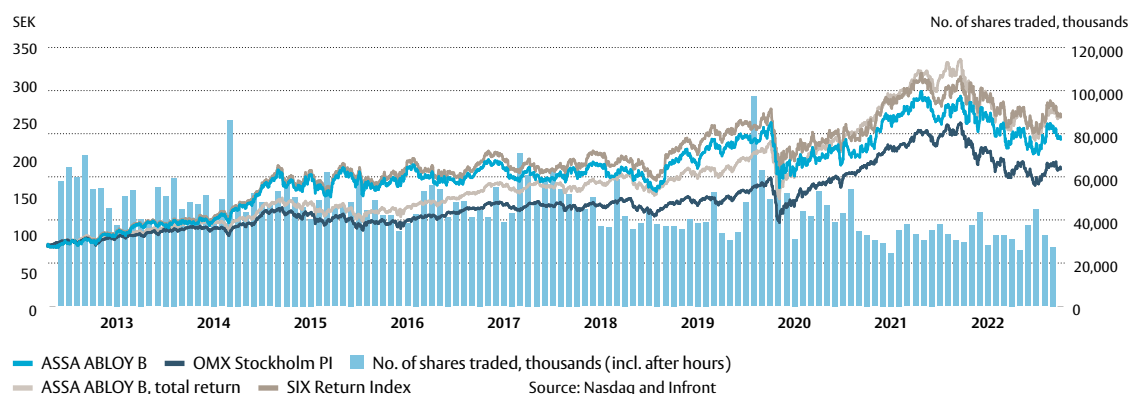
For the full year, the OMX Stockholm PI index decreased 25 percent, while ASSA ABLOY's share price closed at SEK 223.70, a decline of 20 percent.

The highest closing price for ASSA ABLOY Series B share during the year was SEK 281.80 recorded on 4 January 2022 and the lowest closing price of SEK 203.70 was recorded on 12 October 2022. At year-end, market capitalization amounted to SEK 248,883 M (307,294), calculated on both Series A and Series B shares.

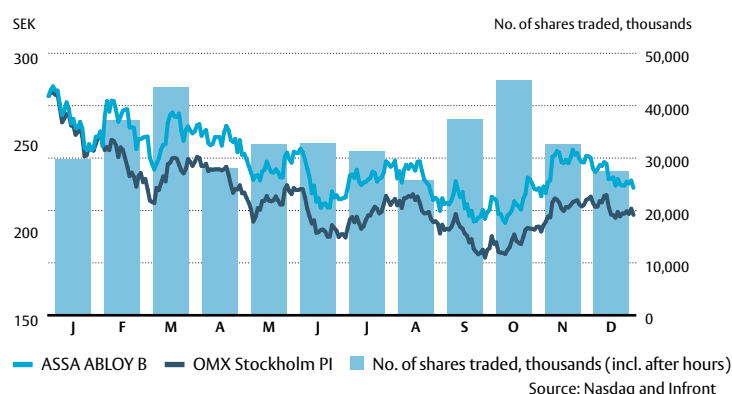
Listing and trading

ASSA ABLOY's Series B share has been listed on Nasdaq Stockholm, Large Cap since November 8, 1994, under the code ASSA-B.ST. Turnover of the Series B share on Nasdaq Stockholm in 2022 amounted to 404 million shares (425), equivalent to a turnover rate of 38 percent (40). The implementation of the EU's Markets in Financial Instruments Directive (MiFID) has changed the structure of equity trading in Europe and trading now takes place on both regulated markets and other trading platforms. The trading of shares in Swedish companies is now more fragmented with a large proportion of shares traded on markets other than Nasdaq Stockholm.

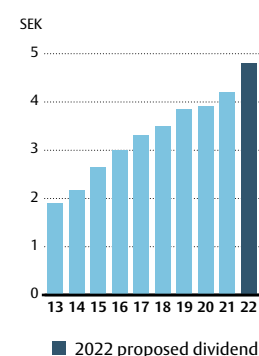
Share price and turnover 2013–2022



Share price and turnover 2022



Dividend per share 2013–2022



Data per share

SEK/share ¹	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Earnings after tax and dilution	4.95 ²	5.79	6.93	7.09 ²	7.77	8.09 ²	9.22 ²	7.54 ²	9.81	11.97
Dividend	1.90	2.17	2.65	3.00	3.30	3.50	3.85	3.90	4.20	4.80 ³
Dividend yield, % ⁴	1.7	1.6	1.5	1.8	1.9	2.2	1.8	1.9	1.5	2.1
Dividend, % ⁵	38.4	37.4	38.2	42.3	42.5	43.3	41.8	51.7	42.8	40.1
Share price at year-end	113.27	138.27	178.00	169.10	170.40	158.15	219.00	202.50	276.20	223.70
Highest share price	114.07	139.17	189.00	190.10	197.10	193.90	231.40	246.50	288.20	281.80
Lowest share price	79.33	105.63	135.00	148.40	163.80	155.85	154.45	159.35	200.20	203.70
Equity	25.94	32.50	37.43	42.51	45.60	46.71	53.25	53.00	62.64	77.44
Number of shares, millions 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	1,112.6

¹ Adjustments made for new issues and stock split (3:1) in 2015 for all historical periods prior to 2015.

² Excluding items affecting comparability.

³ Dividend proposed by the Board of Directors.

⁴ Dividend as percentage of share price at year-end.

⁵ Dividend as percentage of earnings per share after tax and dilution, excluding items affecting comparability.

Ownership structure

The number of shareholders at the end of 2022 was 50,515 (45,698) and the ten largest shareholders accounted for 35.8 percent (36.1) of the share capital and 56.2 percent (56.4) of the votes. Shareholders with more than 50,000 shares, a total of 399 shareholders, accounted for 98 percent

(98) of the share capital and 98 percent (98) of the votes. Investors outside Sweden accounted for 64.2 percent (67.3) of the share capital and 43.8 percent (45.9) of the votes, and were mainly in the US and the UK.

ASSA ABLOY's ten largest shareholders

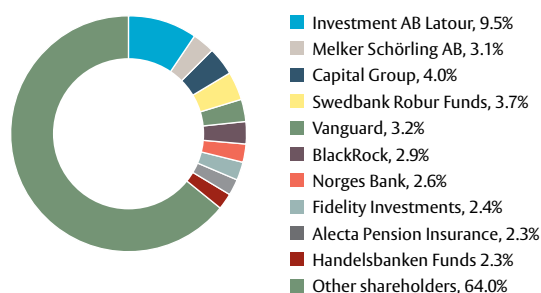
Based on the share register at 31 December 2022.

Shareholders	Series A shares	Series B shares	Total number of shares	Share capital ¹ , %	Votes ¹ , %
Investment AB Latour	41,595,729	63,900,000	105,495,729	9.5	29.4
Melker Schörling AB	15,930,240	18,120,992	34,051,232	3.1	10.9
Capital Group		44,025,543	44,025,543	4.0	2.7
Swedbank Robur Funds		41,069,466	41,069,466	3.7	2.5
Vanguard		35,645,272	35,645,272	3.2	2.2
BlackRock		32,556,178	32,556,178	2.9	2.0
Norges Bank		28,378,772	28,378,772	2.6	1.7
Fidelity Investments		26,180,094	26,180,094	2.4	1.6
Alecta Pension Insurance		25,822,000	25,822,000	2.3	1.6
Handelsbanken Funds		25,038,008	25,038,008	2.3	1.5
Other shareholders		714,314,040	714,314,040	64.0	43.9
Total number	57,525,969	1,055,050,365	1,112,576,334	100.0	100.0

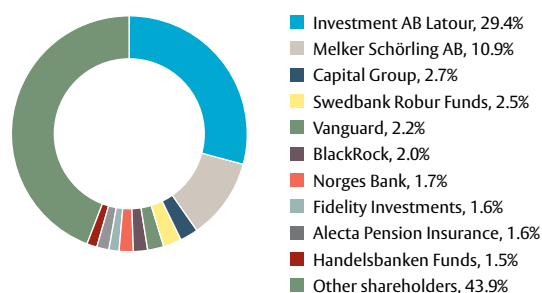
¹ Based on the number of outstanding shares and votes of 1,110,776,334 and 1,628,510,055 respectively, excluding shares held by ASSA ABLOY.

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 2022, 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 2022 Annual General Meeting authorized the Board of Directors to acquire, during the period until 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 Series B shares after repurchase. The cost for these shares amounts to SEK 103 M. The shares account for around 0.2 percent of the share capital and each share has a par value of around SEK 0.33. No shares were repurchased in 2022.

Dividend and dividend policy

The objective of the dividend policy is that, in the long term, the dividend should be equivalent to 33–50% of income after standard tax, but taking into account ASSA ABLOY's long-term financing requirements.

The Board of Directors proposes a dividend to shareholders of SEK 4.80 per share (4.20) for the 2022 financial year. The dividend is proposed to be paid in two equal installments, the first with the record date of 28 April 2023 and the second with the record date of 13 November 2023. If the proposal is adopted at the Annual General Meeting, the first installment is estimated to be paid on 4 May 2023 and the second installment on 16 November 2023.

The proposal is equivalent to a total dividend yield on the Series B share of 2.1 percent (1.5). In 2022 the total return on the ASSA ABLOY share, defined as market price movement plus reinvested dividends, was -19 percent compared with the reinvested SIX Return Index in Stockholm, which was down 23 percent. Over the ten-year period 2013–2022, the total return on ASSA ABLOY's Series B share was 227 percent, compared with the reinvested SIX Return Index in Stockholm, which increased by 213 percent.

Changes in share capital

Year	Transaction	Series A shares	Series C shares	Series B shares	Share capital, SEK ¹
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

¹ 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 2023 Annual General Meeting of ASSA ABLOY AB will be held on Wednesday 26 April 2023 at 3.30 p.m., at Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, Stockholm, Sweden.

Notification

Shareholders who wish to attend the Annual General Meeting must:

- be recorded in the share register kept by Euroclear Sweden AB on Tuesday 18 April 2023, and
- give notice of their participation to ASSA ABLOY AB no later than Thursday 20 April 2023. Notice of participation shall be given on the company's website assaabloy.com/general-meeting, by telephone +46 8-402 90 71 or in writing by mail to ASSA ABLOY AB, "2023 Annual General Meeting", c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden.

The notification must state name, personal or corporate identification number, address, telephone number and names of any assistants attending.

Proxy

If the shareholder is represented by proxy, a written and dated power of attorney signed by the shareholder must be enclosed to the notification and be presented in original at the latest at the Annual General Meeting. Proxy form is available upon request and will be available on the company's website assaabloy.com/general-meeting. If the proxy is issued by a legal entity, a certificate of incorporation or equivalent authorization document must be enclosed.

Nominee registered shares

Shareholders whose shares are nominee registered through a bank or other nominee must, in addition to giving notice of participation, request that their shares be temporarily registered in their own name in the share register kept by Euroclear Sweden AB (so called voting right registration) in order to be entitled to participate in the Annual General Meeting. The shareholders' register for the General Meeting as of the record date Tuesday 18 April 2023 will take into account voting right registrations completed no later than Thursday 20 April 2023. Shareholders concerned must, in accordance with each nominee's routines, request that the nominee makes such voting right registration well in advance of that date.

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 2023 Annual General Meeting comprises Anders Mörck (Investment AB Latour) and Mikael Ekdahl (Melker Schörling AB). Anders Mörck is Chairman of the Nomination Committee.

Dividend

The Board of Directors proposes a dividend to shareholders of SEK 4.80 per share for the 2022 financial year. The dividend is proposed to be paid in two equal installments, the first with the record date 28 April 2023 and the second with the record date 13 November 2023. If the proposal is adopted by the Annual General Meeting, the first installment is estimated to be paid on 4 May 2023 and the second installment on 16 November 2023.

Financial calendar and contact details

Annual General Meeting and dividend

Annual General Meeting 26 April 2023

Shares traded excluding right
to dividend of SEK 2.40 27 April 2023
Record day for dividend 28 April 2023
Payment of dividend 4 May 2023

Shares traded excluding right
to dividend of SEK 2.40 10 November 2023
Record day for dividend 13 November 2023
Payment of dividend 16 November 2023

Financial reporting

Interim Report January–March 2023 26 April 2023
Half-year Report January–June 2023 19 July 2023
Interim Report January–September 2023 25 October 2023
Year-end Report 2023 7 February 2024

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Production: ASSA ABLOY in cooperation with Narva.
Photo: ASSA ABLOY's own photographic library, among others.
Printing: Print Run, Stockholm, 2023.



We help people to move through a safer, more open world with ease. Our mobile credential solutions allow organizations to meet the growing demands of a mobile-first world by enabling seamless access. By providing innovative identity solutions we are well positioned to lead into the future, where we see smartphones and wearables becoming the primary form of holding our identities. The cover of this report is from our HID office in Austin, USA.

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