Annual Report 2017

ASSA ABLOY

The global leader in
door opening solutions

"More and more homes are being equipped with smart door locks for improved safety, security and convenience"

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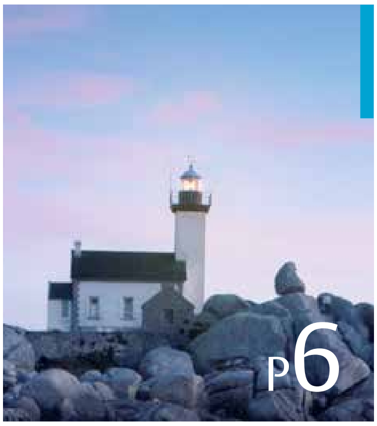
Innovation and product development drive growth

2017 was once again a good year for ASSA ABLOY. Sales increased and totaled SEK 76,137 million. Organic growth increased to 4 percent, with continued strong growth for our electromechanical solutions.



Value creation strategy

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

Developments in the divisions 2017

Most divisions showed continued good organic growth with a strong development for electromechanical solutions.

Sustainable development

ASSA ABLOY's sustainability initiatives continued to make good progress in 2017, with advances in line with the five-year sustainability plan.

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ASSA ABLOY in brief

WHO ARE WE?

#1

SEK 76 billion

47,500 employees

ASSA ABLOY is the global leader in door opening solutions with sales of SEK 76 billion and 47,500 employees. The strategies for profitable growth are market presence, product leadership and cost-efficiency.

WHAT DO WE DO?

ASSA ABLOY is the global leader in door opening solutions and offers mechanical and electromechanical locks, digital door locks, security doors, entrance automation, hotel security and secure identity solutions, primarily in identity and access management, as well as a number of other related products and services.

ASSA ABLOY's BRANDS

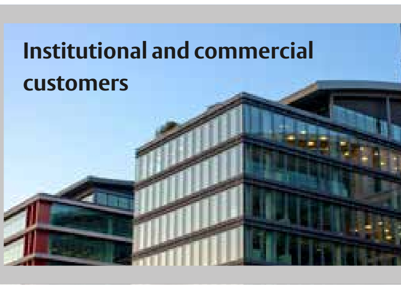
ASSA ABLOY has considerable value in its well-known brands, several of which have been acquired through the Group's many acquisitions. ASSA ABLOY is the global master brand. It is often combined with individual brands well established in local knowledge, regulations and security standards. The Group thus increases the visibility of the ASSA ABLOY master brand, which unites the Group's sales departments and represents innovation, leading technology and total door opening solutions.

ASSA ABLOY

Approximately 70 percent of Group sales are under the ASSA ABLOY master brand or a combination of ASSA ABLOY and local brands.

King ASSA ABLOY | LOCKWOOD ASSA ABLOY | SARGENT ASSA ABLOY | Vachette ASSA ABLOY

FOR WHOM?



ASSA ABLOY covers all needs for door opening solutions and service for institutional and commercial customers, as well as for the residential market. The Group has the largest installed base of products in the world, with a large share of sales in the stable aftermarket.

WHERE ARE WE?

Share of Group sales by region 2017

NORTH AMERICA	40%	(40)
SOUTH AMERICA	3%	(3)
EUROPE	38%	(38)
ASIA	14%	(15)
OCEANIA	4%	(3)
AFRICA	1%	(1)

ASSA ABLOY has leading positions in most of Europe, North and South America, Asia and Oceania.

OUR DIVISIONS

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

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

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

SALES BY DIVISION

- EMEA, 23% (23)
- Americas, 23% (24)
- Asia Pacific, 11% (12)
- Global Technologies, 14% (13)
- Entrance Systems, 29% (28)

OPERATING INCOME BY DIVISION

- EMEA, 24% (23)
- Americas, 30% (31)
- Asia Pacific, 7% (7)
- Global Technologies, 15% (15)
- Entrance Systems, 24% (24)

Read more about ASSA ABLOY's security solutions on the last pages

The master brand is complemented by global brands, which are all leaders in their respective market segments, some examples are: Yale in the residential market, HID in access control, secure card issuance and identification technology, and ABLOY in high security locks. The Group also has product brands that are not associated with ASSA ABLOY, such as Entrematic in entrance automation.

Yale® HID® ABLOY® ENTREMATIC

STRATEGY

Market presence + Product leadership + Cost-efficiency

= Growth and profitability

FINANCIALS IN BRIEF 2017

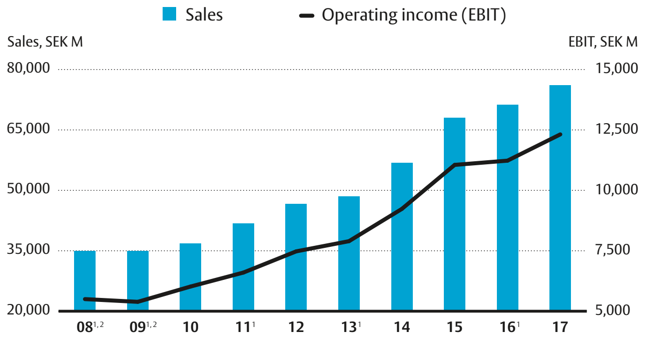
- Sales increased 7 percent during the year to SEK 76,137 million (71,293) driven by continued strong growth for electromechanical products.
- 16 acquisitions were completed during the year, contributing to net acquired growth of 2 percent for the year.
- Continued good earnings and strong cash flow achieved during the year. Operating margin excluding items affecting comparability was 16.2 percent (15.8).
- Investments in product development continued at a high pace and a number of new products were launched.

Key figures	2016	2017	Change
Sales, SEK M	71,293	76,137	7%
of which: Organic growth, %	2	4	
of which: Acquired growth, net total, %	3	2	
of which: Exchange rate effects, %	0	1	
Operating income (EBIT), SEK M	11,254[1]	12,341	10%
Operating margin, %	15.8[1]	16.2	
Income before tax (EBT), SEK M	10,549[1]	11,673	11%
Operating cash flow, SEK M[2]	10,467	10,929	4%
Return on capital employed, %	16.5	16.6	

Data per share	2016	2017	Change
Earnings per share after tax and dilution (EPS), SEK/share	7,091	7.77	10%
Equity per share diluted, SEK/share	42.51	45.60	7%
Dividend, SEK/share	3.00	3,30[3]	10%
Weighted average number of shares, diluted, thousands	1,110,776	1,110,776	

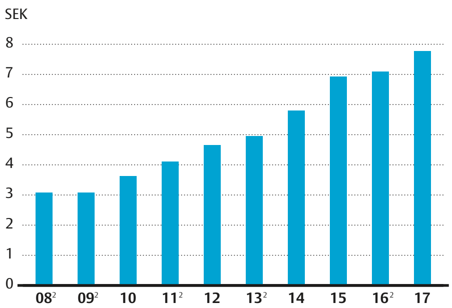
[1] Excluding items affecting comparability.
[2] Excluding restructuring payments.
[3] As proposed by the Board of Directors.

SALES AND OPERATING INCOME (EBIT)



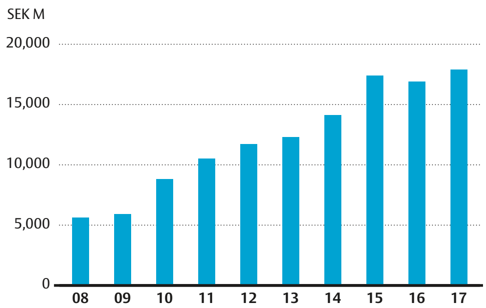
[1] Excluding items affecting comparability.
[2] Reclassification has been made.

EARNINGS PER SHARE [1]



[1] Earnings per share has been restated due to the 3:1 share split in 2015.
[2] Excluding items affecting comparability.

SALES ON EMERGING MARKETS



Innovation and product development drive growth

2017 was once again a good year for ASSA ABLOY. Sales increased and totaled SEK 76,137 million. Organic growth increased to 4 percent, with continued strong growth for our electromechanical solutions. We strengthened our market leadership, partly because of rapid innovation in electromechanical, digital and sustainable door opening solutions, and partly through the acquisition of 16 companies. Operating income increased 10 percent to SEK 12,341 million, supported by higher sales and good cost control. Operating margin improved to 16.2 percent, in line with our target.

Global demand for door opening solutions strengthened in 2017 and once again the mature markets grew at a higher pace than the emerging markets. We saw continued good organic sales growth in all of our divisions, except in APAC, where China once again had negative growth.

ASSA ABLOY's sales growth in 2017 was 7 percent, including 4 percent organic, 2 percent net through acquisitions and divestments and 1 percent from currency fluctuations. Underlying the increase in organic growth is the growing demand for electromechanical and digital door opening solutions. This technology shift affects not only the advanced mature markets, but increasingly also many emerging markets. ASSA ABLOY is the leader in this technology shift, thanks to the many years we have focused on innovation, product development and complementary acquisitions.

Our operating income for 2017 increased by 10 percent to SEK 12,341 million. The operating margin of 16.2 percent is in line with the target of 16–17 per cent on average over a business cycle. Good profitability requires a good cost-efficiency. Our restructuring program continued to deliver according to plan, as did the Group-wide programs for more efficient processes at every stage from purchasing, across production and administration to sales.

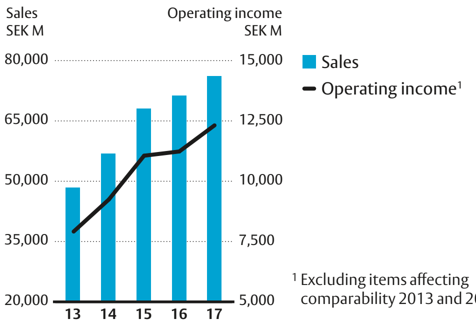
A review of the divisions in 2017 presents the following picture:

Division EMEA, with 23 percent of the Group's total sales, increased organic growth to 4 percent. Growth was strong in Finland and the UK, as well as in Eastern and Southern Europe, and good in Scandinavia, France, Israel and Africa. Germany and the Benelux countries had growth, while the Middle East remained negative. Demand has grown following the major investments in innovation and product development within digital door opening solutions in recent years, especially for the Group's Yale brand and its smart door locks for the residential market. Acquisitions contributed with 3 percent growth. Three acquisitions were carried out during the year.

The Americas division, with a 23-percent share of the Group's total sales, experienced organic growth of 4 percent, a slight weakening after several years of high growth. The positive trend continued in Canada and in most Latin American countries. Brazil had slightly negative growth. In the US, demand grew in both the commercial and the residential segments at a somewhat slower pace after several years of high activity. Demand from the public sector continued its recovery from last year. ASSA ABLOY's Yale brand successfully strengthened its position as supplier of smart door locks on the division's markets. Two acquisitions were made during the year, including August Home, a leading provider of smart door locks in the US. Acquisitions contributed 1 percent to growth.

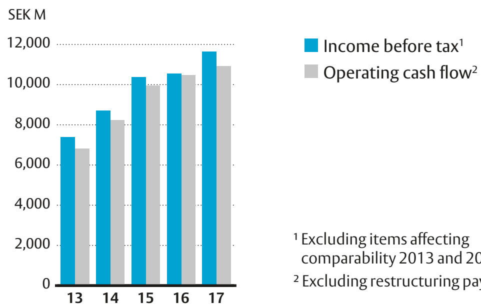
DEVELOPMENT OF KEY FIGURES

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability 2013 and 2016.

INCOME BEFORE TAX AND OPERATING CASH FLOW



[1] Excluding items affecting comparability 2013 and 2016.
[2] Excluding restructuring payments.

"We are world leaders in the development of technologies for identification and authentication."

23%
The EMEA division accounts for 23% of the Group's total sales.

23%
The Americas division accounts for 23% of the Group's total sales.

11%
The Asia Pacific division accounts for 11% of the Group's total sales.

14%
Global Technologies accounts for 14% of the Group's total sales.

29%
Entrance Systems accounts for 29% of the Group's total sales.

The Asia Pacific division, which accounts for 11 percent of the Group's total sales, had organic sales growth of 0 percent, still affected by weak sales in parts of China. However, sales were strong in Japan, Southeast Asia and South Korea. Australia and New Zealand had good growth. In India, marketing efforts were expanded and sales increased sharply. Major streamlining measures, which reduced the number of employees in China by 29 percent over five years, have adapted Chinese operations to lower demand and the errors we discovered in China last year have led to improved and increased control. The division made one acquisition in India that contributed 0 percent to growth.

Global Technologies, which accounted for 14 percent of the Group's total sales, is the Group's global division for secure identity solutions, primarily in identity and access management, as well as for lock systems for hotels and cruise ships, areas in which the division is a leading supplier. The organic growth rate continued to be high at 7 percent. Growth was strong in access management, printer products and national ID programs, with good growth in identification technology. The trend in Logical access was negative. In Hospitality, demand remained strong for high-end systems with both hardware and software that allow guests to use their mobile phones to check in, as well as integration with other mobile applications from global hotel chains. The division made five acquisitions and one divestment. Growth from acquisitions was 0 percent, net.

Entrance Systems, which accounted for 29 percent of the Group's total sales, is the Group's division for complete entrance automation solutions. The division grew organically by 4 percent and 6 percent from acquisitions. Growth was strong in North America, Asia and Oceania, good in Europe, but negative in South America. Sales of entrance automation and high-performance doors had strong growth. Increased e-commerce continued to lead to higher sales of solutions in the transportation and logistics sector. Sales of industrial doors were good and the service offering continued to show good results. The division made five acquisitions during the year.

In summary, 2017 was a rather typical ASSA ABLOY year, with good growth and profitability in most businesses.

Positive growth trends

Let me begin with the growth trends. I usually say that the lock and door business is a good industry to be in. We have four strong global trends driving demand for the foreseeable future.

Safety, security and convenience. Demand for security, safety and convenience is steadily growing as the world economy grows and prosperity increases.

Urbanization. More people are looking for work and housing in cities, which entails high construction activity and growing demand for safety and security, especially in emerging markets. Calculations suggest that another billion people will move to cities over the next ten years.

Digitization. Demand for electromechanical, digital, mobile and connected door opening solutions is continuously increasing both in new construction and the aftermarket. These solutions are replaced and upgraded more often and also have a higher content of service and software, which benefits ASSA ABLOY.

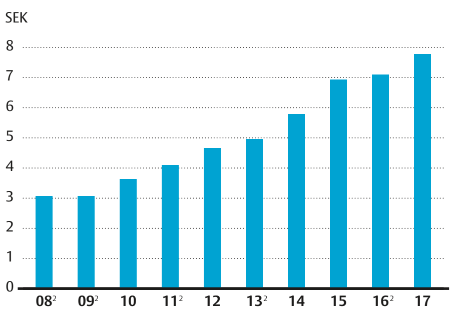
Sustainability. Sustainable and climate-smart solutions are becoming increasingly important for customers who want to reduce operating costs and achieve energy and sustainability targets. Laws, regulations and standards and an increasingly environmentally aware public are driving demand. Sustainability has been integrated in all Group processes for many years.

Growth trends affect the industry both individually and together. Our door opening solutions include a growing share of smart solutions for safety, security and convenience. Our expertise in access and keys in the form of digital codes, mobile phones and other identification technologies provides great added value for individuals, companies and institutions.

Our solutions simplify life for individuals, enabling them to use mobile solutions to control, manage and monitor their homes. They can take advantage of the convenience of e-commerce and receive secure and monitored in home deliveries. New possibilities for secure initiatives are available to care for the sick and elderly in their homes with solutions to ensure that care is provided by trusted staff with proper identification. Service companies can also ensure that care providers easily have access to their care recipients' homes and they can also monitor staff to ensure they were in the right place at the right time.

Our system solutions for access to buildings, workplaces and computers provide not only safe entry and

DEVELOPMENT OF EARNINGS PER SHARE [1]



Earnings per share has increased by almost 158 percent since 2007.

[1] Earnings per share has been restated due to the 3:1 share split in 2015.
[2] Excluding items affecting comparability.

exit to businesses and institutions, but also significant efficiency measures in other areas. Such areas include energy consumption, environmental impact and service needs, information about people's movements in the building for smarter people flows, and better use of spaces and surfaces. In addition, critical operating information can be quickly and securely accessed via computers and mobile phones.

ASSA ABLOY leads the development of smart digital solutions thanks to our long-term investment in innovation and product development. Electromechanical products, entrance automation, digital and mobile solutions account for more than half of Group sales today. We see that they have a shorter life due to more frequent replacements and upgrades, and we are also seeing more recurring revenue from these solutions. I firmly believe that the growth rate will continue to be strong in these areas.

Continuity in strategies

In 2006 the Group revised its strategy and established three areas in which to achieve growth and profitability. This strategy has served us well over the years. The three areas are: Market presence, Product leadership and Cost-efficiency.

Market presence

ASSA ABLOY's strategies for an increased market presence are based on ever-increasing customer relevance. The cornerstones are effective marketing and customer segmentation, specification, emerging markets, strong brands and acquisitions.

Increased customer focus through market segmentation is an important component of the marketing strategy. We work very closely with participants in the distribution sector with advice and provide digital tools for drawings and specifications. The number of specifiers in the Group continues to sharply increase, especially in the emerging markets, with over 10-percent growth in projects requiring specifications.

In an effort to get even closer to our end customers, we are making substantial investments in Commercial Excellence processes. We strive to maintain direct dialogue with our customers, users and clients, where we can better present the value of our solutions. By digitizing and automating the administrative aspects of the sales process we are able to allocate more resources to marketing and sales, and we are constantly striving to improve our service to customers.

The mature markets account for about three quarters of ASSA ABLOY's total sales. For several years the Group has focused on increasing its market presence in emerging markets. We have strong confidence in the potential for future growth in the emerging markets and continue to invest strategically for both organic and acquired growth. They account for 23 percent of our total sales, up from 13 percent in 2007. The business logic is simple: 80 percent of the world's population lives in the emerging markets. The growth rate in demand is trending much higher than in the mature markets and as our base gets larger, our aftermarket business is becoming increasingly profitable.

Our brand strategy prioritizes the ASSA ABLOY Group brand for a more cohesive offer. We are gradually reducing the number of local brands. The Yale brand is the global leader in smart door locks and solutions for the residential market.

Another essential component of the market presence strategy is acquisitions. Through our global operations and our wide product range we can often offer the best synergies with a proven model for integration.

Product leadership

ASSA ABLOY is a product-driven company where innovation and product development are central to our target of 5 percent organic growth per year. Over the past decade we have greatly increased our investments in research and development and they now amount to 3 percent of sales. In 2017, new products (products that have been on the market for less than three years) accounted for 28 percent of sales. The target is 25 percent over a business cycle.

Innovation work is based on a common structured process with a modular approach involving customers and partners at our 114 development and competence centers around the world. The number of development engineers is constantly increasing, and in 2017 we had more than 2,000 employees engaged in product development.

The main driver for innovation and product development is the rapid growth of digital and mobile technologies. This is the driving factor behind the Group-wide development platforms for products and solutions. Such initiatives include Seos, a complete ecosystem for digital keys and smart mobile devices and Aperio, a wireless solution to efficiently connect many locks and doors in a building complex. The Group develops standardized and open software combined with physical lock solutions, providing increased customer benefit with custom features. This creates a large aftermarket of licenses, virtual keys and services with updates and maintenance of installations and systems with shorter life cycles and recurring revenue with good profit potential.

Smart door opening solutions is yet another digital and mobile technology that is undergoing rapid development. More and more homes are being equipped with smart door locks for improved safety, security and convenience in the home. Here we develop leading solutions that are also compatible with other vendors' smart home products and solutions.

We are world leaders in the development of technologies for identification and authentication, how people prove their identity and right to access. This aspect is not limited to physical access to buildings, but also includes "logical access" to computers and other connected devices with virtual identification through cloud services. We develop systems for secure transactions, ID documents and national passport systems, where ASSA ABLOY provides complete components such as cards, card readers printers and equipment for physical production of identification documents. Another increasingly important driver for product development is a higher demand for sustainable solutions. Sustainability is integrated into

ASSA ABLOY's Executive Team. Sitting from the left: Carolina Dybeck Happe, Chief Financial Officer, and Johan Molin, President and CEO. Standing from the left: Thanasis Molokotos, Head of Americas divison, Anders Maltesen, Head of Asia Pacific division, Juan Varges, Head of Entrance Systems division, Christophe Sut, Head of the ASSA ABLOY Hospitality business unit, Stefan Widing, Head of the HID Global business unit, Ulf Södergren, Chief Technology Officer. Tzachi Wiesenfeld, Head of EMEA division.*

** Juan Varges left the Executive Team on December 31, 2017 and was replaced by Mogens Jensen on January 1, 2018.*

our entire product development process from concept stage to materials recycling. We develop entire product ranges of sustainable products that help reduce environmental impact and save energy, while using less resources in the production of these products. All strategic product groups have environmental product declarations.

Cost-efficiency

The strategy to increase cost-efficiency involves radically reducing costs through increased efficiency in all parts of the value chain. Basic activities include the recurrent multiannual programs to move and concentrate production of key components to factories in low-cost countries, increase the proportion of component purchasing and complete final assembly of products in factories close to customers. Since this initiative began in 2006, the Group has closed 77 plants, converted 126 plants to assembly and reduced staff by 13,564 people. The sixth program is underway and is progressing according to plan, with the goal of closing 10 plants and 40 offices over three years.

Purchases are increasing and we aim to have fewer and larger high-quality suppliers, mainly in low-cost countries, who are being integrated more and more into our value chain. Over the past five years, the number of suppliers has been reduced by 28 percent to around 6,900 worldwide. The goal is to continue to reduce the number of suppliers.

We have been applying Lean methods and VA/VE analysis for a long time to save resources and simplify material flows. Our long-term Seamless flow initiative has great potential. The aim is to standardize all administrative flows and processes through digitization and automation, thereby reducing costs. This broad program includes digitization and automation of everything we do in our entire value chain from sourcing, innovation and production to distribution and sales. Seamless flow allows us to shift resources to marketing, sales and maintenance in order to increase customer value.

Thank you for twelve fantastic years

After twelve years as president, if I were to briefly reflect on ASSA ABLOY, it is perhaps the strategy and the continuous value creation that it has contributed to that is the Group's hallmark: stable good growth with good profitability for over a decade in a world periodically affected by crises and political uncertainty. We have the strength to grow with good profitability even in difficult times, thanks to our large installed base and aftermarket, which provide a good buffer. Sales have increased 174 percent over these twelve years. This figure is surpassed by the increase in operating income at 203 percent and earnings per share, which increased by 235 percent. We also have a strong cash flow and a strong balance sheet, which assures our ability to move freely in the future.

I have decided to step down and turn over the reins to a new energy source in 2018. It has been an amazing journey together with all of ASSA ABLOY's talented employees. With pride and humility, I would like to thank you all for your amazing work that has made us the superior world leader in door opening solutions. I am convinced that the journey of profitable growth will continue well into the future.

Finally, I would like to say thank you and wish all of ASSA ABLOY's employees and my successor, Nico Delvaux, a continued successful journey.

Stockholm, 5 February 2018

Johan Molin
President and CEO

Value creation strategy

Vision

To be the true world leader, the most successful and innovative provider of total door opening solutions.

To lead in innovation and provide well-designed, safe, secure and convenient solutions that give true added value to our customers.

To offer an attractive company to our employees.

Strategy for growth and profitability

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

Market presence

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

Product leadership

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

Cost-efficiency

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

Employees

Continuing professional development, capabilities and beliefs are the basis for the Group's success.

Beliefs

Based on accountability, diversity and commitment for a focused, results-driven company with high business ethics.

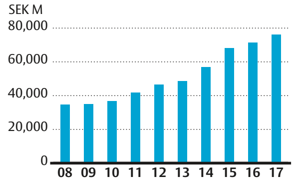
Sustainability

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

Goals and outcomes

GROWTH AND PROFITABILITY

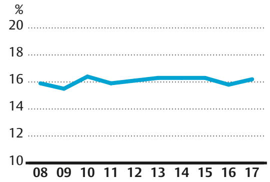
10% annual growth through a combination of organic and acquired growth[1]



Average annual growth over the past ten years has been 9 percent. The Group's growth in 2017 was 7 percent, including 4 percent organic growth and 2 percent from acquisitions.

16–17% operating margin[1]

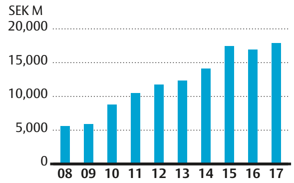
[1] Long-term target as an average over a business cycle



Average operating margin over the past ten years was about 16 percent, excluding items affecting comparability.

MARKET PRESENCE

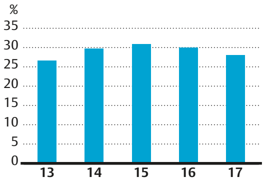
+ increased sales on emerging markets



Group sales on emerging markets increased sharply and the annual growth rate over the past ten years was nearly 20 percent. In 2017 sales in emerging markets increased.

PRODUCT LEADERSHIP

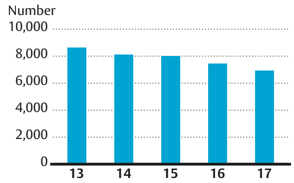
25% of sales from new products



The goal of having at least 25 percent of total sales from products less than three years old has been exceeded in recent years. In 2017 the share was 28 percent.

COST-EFFICIENCY

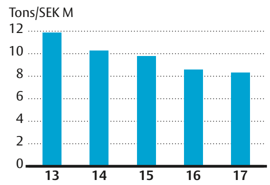
–28% reduction in number of suppliers



Reducing the number of suppliers is important for reducing costs and improving quality. Active efforts have reduced the total number of suppliers by 28 percent over the past five years.

ENVIRONMENT

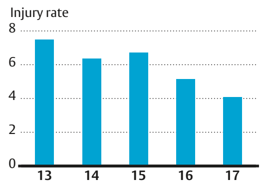
–20% greenhouse gas emissions



The target is to reduce the intensity of greenhouse gas emissions related to the Group's energy consumption by 20 percent from 2015 to 2020. In 2017 the reduction was 2 percent and the reduction since 2015 is 14 percent.

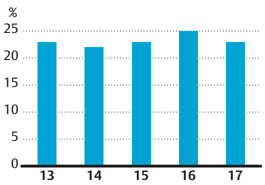
SOCIAL KPI

–55% injury rate



The target is to reduce the injury rate by 55 percent from 2015 to 2020. In 2017 the injury rate decreased by 20 percent and totaled 4.1 injuries per million hours worked. Since 2015 the injury rate has declined by 39 percent.

30% women in management positions



The target is to have 30 percent of management positions held by women by 2020. In 2017 the share was 23 percent.

ASSA ABLOY's value-creating model

Value creation for all stakeholders

OVERALL STRATEGY

The Group's overall strategic direction is to spearhead the trend toward increased safety and security with a product-driven offering centered on the customer.

The strategy is based on:

Market presence

Product leadership

Cost-efficiency

RESOURCES

Financial capital

47,500 employees in over 70 countries

Strong common processes in a decentralized customer-focused organization

Sustainability is an integrated part of all business processes within the Group

Efficient production and assembly facilities all over the world

Strategic and cost-effective suppliers

Strong brands, patents and well-diversified product portfolio that meets local regulations and standards

Customers all over the world with a large installed base

EXTERNAL FACTORS

- Growing security needs
- Urbanization
- Digitization
- Automation
- Sustainability

ASSA ABLOY'S MOST IMPORTANT ACTIVITIES

Marketing, sales, advisory, service and support

Innovation and product development

Sourcing, manufacturing, and streamlining of processes

Acquisitions and integration

STAKEHOLDERS

- Customers
- Suppliers and partners
- Shareholders and investors
- Employees
- Society

RESULT

Products, services and support

Electromechanical products and automatic solutions account for 55 percent of sales

Products launched in the past three years account for 28 percent of sales

VALUE FOR STAKEHOLDERS

Customers:
- Security, safety and convenience
- Retained market and product leadership
- Sustainable products with environmental product declaration

Suppliers and partners:
- Technological development
- Stable partner
- Earnings and employment

Shareholders and investors:
- Dividends and capital appreciation

Employees:
- Safe workplace
- Professional development and income
- Ethically, stable and long-term business

Society:
- Growth
- Employment
- Sustainability
- Increased safety and security

OVERALL VALUE-CREATION

Security

Safety

Convenience

Profitable growth

Value creation strategy #1

Market presence

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

No.1

Global leader in door opening solutions

×5

23 percent of sales are in emerging markets, a fivefold increase in ten years

55%

The percentage of electromechanical products and entrance automation has increased **from 33 percent to 55 percent of sales in ten years**

Global market leader with stable growing demand

ASSA ABLOY has a unique global market presence with operations in over 70 countries. The basic human need for safety and security increases with rising prosperity, urbanization and technological development. At the same time, demand is growing for electromechanical, digital and mobile door opening solutions, as well as increasingly sustainable and energy-saving products and solutions. The result is stable and growing demand for ASSA ABLOY's door opening solutions and good conditions for profitable growth.

Institutional and commercial markets – complex, demanding projects

Approximately 75 percent of ASSA ABLOY's total sales go to buildings in education, health care, public administration, private offices, shopping centers, stores and warehouses – environments where people work, shop and seek out services.

Customers are knowledgeable and demanding, and procurement often takes place in large, complex projects. ASSA ABLOY can deliver total door opening solutions as well as services and professional advice, with high profitability potential . Demand is growing particularly strongly for complete electromechanical and advanced door opening solutions with digital and mobile technologies, where ASSA ABLOY is the world leader. The Group's focused and segmented sales forces have contact with many stakeholders in the value chain to develop optimal solutions for the multifaceted needs of the customers. Distribution and installation are largely handled by installers, system integrators and locksmiths.

Residential market – urbanization and smart door locks drive growth

Residential sales account for about 25 percent of total sales. Demand for secure door opening solutions is growing in response to the urbanization trend, with more and more people moving to cities. Demand is also growing for smart door locks, driven by the "smart home" trend where ASSA ABLOY is spearheading the development of smart digital and mobile door opening solutions for private homes, often in partnership with suppliers of other smart home products. Private customers often need professional advice and installation assistance. Depending on the geographic market, ASSA ABLOY cooperates with door

BREAKDOWN OF ASSA ABLOY's SALES

Working and shopping

Institutional and commercial market – share of sales

75%

Aftermarket

Renovations, remodeling and additions, replacements and upgrades of existing door opening solutions, as well as ongoing service – share of sales

67%

Living

Private customers and residential market – share of sales

25%

New construction

New buildings – share of sales

33%

and window manufacturers or specialist distribution channels such as home improvement stores and locksmiths.

Aftermarket – stability and profitability

The aftermarket is significant in both the institutional, commercial markets and the residential market, accounting for two thirds of ASSA ABLOY's total sales. The aftermarket includes renovations, remodeling and additions, replacements and upgrades of existing door opening solutions, as well as ongoing service. The aftermarket provides stability and good profitability thanks to the Group's global market presence and the world's largest installed base of door opening solutions. New service concepts based on long-term contracts, preventive maintenance and modernization strengthen customer relationships and provide good opportunities for upselling. Increased demand for electromechanical, digital and mobile door opening solutions also has a positive impact on growth in the aftermarket.

These solutions have shorter life spans and are supplemented or replaced more often than mechanical solutions, which drives growth. ASSA ABLOY's software platforms for flexible solutions enable customers to constantly upgrade their security with more and new features. Connected products, service products, subscription services and licenses contribute to stronger customer relationships, as well as to increased recurring revenue streams based on supply and service collaborations.

Market strategies

ASSA ABLOY's strategies for an increased market presence is based on increased customer relevance. The cornerstones are effective market and customer segmentation, specification, strong brands and acquisitions.

Increase growth through segmentation and specification

Customer relevance is strengthened through segmentation where specialized marketing and sales teams focus on different markets and customer segments to gain the industry's best understanding of customer needs, build relationships and generate demand. The aspiration is to be an expert on total door opening solutions adapted to each segment. ASSA ABLOY offers solutions that meet customer requirements for safety, security, convenience and sustainability, special local requirements, rules and standards, as well as the need for integration into new or existing security systems.

ASSA ABLOY's market organization works closely with architects, security consultants, large end users and distributors. A substantial portion of the business processes are digitized, including product information, design and configuration, order management, logistics and payments. For example, ASSA ABLOY supports the customers with digital drawings and configurations of door opening solutions, as well as objects for building information modeling (BIM). The digitization initiative for business processes and Seamless Flow has resulted in a reduction in the number of people involved in indirect sales, while the number of employees involved in direct sales has increased and continues to grow.

Growth through acquisitions

Acquisitions are an important part of the strategy to increase market presence. The ambition is 5 percent acquired growth per year. Over the past ten years the Group has made some 150 acquisitions to further increase its market presence, especially in emerging markets, complementing existing operations and increasing its offering of electromechanical, digital and mobile solutions. On average these acquisitions have contributed to an annual growth of about 6 percent. In 2017, 16 acquisitions were consolidated and one business was divested. The Group sales increased by SEK 1,753 M net from acquisitions and divestments , or totally by 2 percent.

Exploiting the strength of the brands and the sales force

ASSA ABLOY's portfolio includes valuable, leading and well-known brands as a result of the Group's many acquisitions. To optimize benefit from the brand portfolio locally and globally, the brands are continually consolidated in parallel with market and customer segmentation.

ASSA ABLOY is the global master brand that often supports individual brands that are well versed in local knowledge, regulations and security standards. The ASSA ABLOY brands account for around 70 percent of Group sales. Global brands, which are all leaders in their respective market segments, serve as a complement to sales: HID in secure identity and access management, Yale in the residential market, Mul-T-Lock for locksmiths, and ABLOY in high-security locks. These brands account for almost 20 percent of Group sales. The Group also has brands that are not associated with ASSA ABLOY. These brands, which represent leading expertise in specialty products and service, complement ASSA ABLOY's market presence and positioning. Sales for these brands, which mainly occur through distributors and installers, account for about 10 percent of sales.

Improve sales processes

ASSA ABLOY's market strategies aim to continually enhance customer value. Through the Group-wide initiative to improve sales processes, the Group is developing and streamlining its processes for pricing, brand positioning, marketing and sales, with an increased focus on sales processes.

Over the past 12 years, ASSA ABLOY has focused its strategies for profitable growth on market leadership with acquisitions, a high pace of innovation and product development, as well as cost efficiency. A fundamental idea is to gradually move more and more resources forward in the value chain to strengthen the sales processes and to increase customer value.

In a first step, the initiative emphasizes streamlining the Group's sales processes with strong support in digital solutions to further develop customer relationship management and constantly enhance customer relevance in all dimensions. Being an ASSA ABLOY customer should be easy, convenient and value-creating.

An extensive project conducted throughout the Group identified a number of sub-processes to understand how different product lines reach the market. These sub-processes addressed control of all channels in the supply chain for sales based on specifications to professional buyers, consumers and for OEM delivery, including sales organizations, functions, responsibilities, digital tools and sales channels, contact paths, pricing and sales messages.

Although the sales processes in ASSA ABLOY's global organization vary because of rules, norms and traditions, the initiative provided extensive knowledge-based synergies for more structured and efficient change management. Knowledge and experience are shared in the Group through Group-wide work groups for the various sales channels. The different sales approaches and techniques are analyzed, along with a large number of customer transactions. The result is a better understanding of customer needs and behaviors, along with further development of more efficient sales processes with reporting and follow-up. In a first step, specification sales aimed at commercial customers will be prioritized. Their projects are usually large and complicated, with many parties involved. Roll-out of the structured sales processes that were developed will begin in Asia.

MARKET STRATEGY

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

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

SALES BY PRODUCT GROUP

- Mechanical locks, lock systems and fittings, 27%
- Entrance automation, 28%
- Electromechanical and electronic locks, 27%
- Security doors and hardware, 18%

The Group sees fast-growing demand for electromechanical products, as well as electronic and digital solutions. Since 2007 these have sharply increased from 33 percent to 55 percent of Group sales. Mechanical products continue to increase, but electromechanical products are growing considerably faster.

Markets

The global market for door opening solutions has good underlying growth because of positive trends such as growing demand for security, urbanization and digitization. ASSA ABLOY is the world-leading supplier with operations in over 70 countries and sales worldwide. The mature markets account for about three quarters of ASSA ABLOY's total sales. For several years the Group has focused on increasing its market presence in emerging markets.

Group sales trend 2017 by region in local currencies

NORTH AMERICA	+8%
SOUTH AMERICA	+4%
EUROPE	+7%
ASIA	+1%
OCEANIA	+4%
AFRICA	+16%

Geographical expansion is mainly achieved through acquisitions of leading local companies with well-known brands, in order to build a strong platform on emerging markets in Asia, eastern Europe, the Middle East, Africa and South America. Emerging markets have increased their share of Group sales from 13 percent in 2007 to 23 percent in 2017.

Globalization benefits ASSA ABLOY

The difference in demand for door opening solutions between countries is significant due to different climates, security needs, development level, regulations and standards. As a global player with a local presence on all major markets, this gives ASSA ABLOY competitive advantages. The same applies to the globalization trend that promotes Group-wide smart and cost-effective solutions that are requested by more and more global companies. Demand is simultaneously shifting increasingly towards electromechanical technology, with rapid growth in higher value digital and mobile solutions.

Large potential in emerging markets

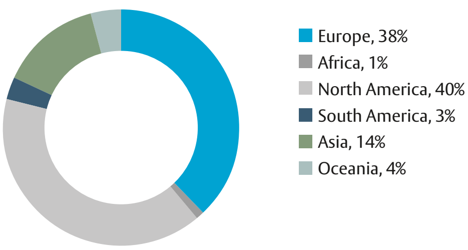
Group sales to customers in Asia, Eastern Europe, the Middle East, Africa and South America have increased over the past ten years from 13 percent of total sales in 2007 to 23 percent in 2017, and continues to have great potential. Demand for mechanical locks is somewhat stronger in emerging markets than in mature markets. But growth figures are high for electromechanical door opening solutions due to rapid technological developments and increased prosperity, especially mobile solutions both in the commercial segment and the residential market. Another encouraging trend for the future is that the aftermarket for maintenance and upgrades is expected to grow.

Asia has the greatest growth potential because of its large population. The large Chinese market, where the Group is the largest supplier of door opening solutions, remains an important expansion area for the Group although the growth rate has slowed down considerably in recent years. Even so, growth in the region has been positive.

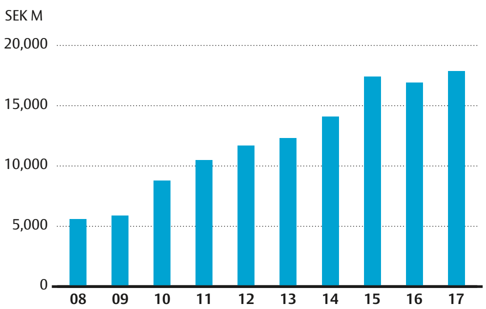
Fragmented competition – continued consolidation

The global market for door opening solutions is still fragmented, especially in emerging markets where the largest manufacturers have a small market share. Consolidation is underway and has advanced farthest in North America, followed by Europe, with ASSA ABLOY as a driving force. The Group is the global market leader and considerably larger than its closest competitors the Germany-Swiss group Dormakaba, Allegion (USA), and Hörmann (Germany).

SALES BY REGION



SALES ON EMERGING MARKETS[1]



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

Distribution

Distribution is an important part of ASSA ABLOY's value creation for the customers. The Group reaches its end-customers through a variety of distribution channels at various stages in the supply chain. The number of employees who work directly with customers has been substantially growing for many years, thanks to digitization and streamlining provided by the Group's Seamless Flow processes. One example is the growing number of specifiers tasked with increasing knowledge and demand by offering expertise and digital tools as early as possible in the planning, specification and design of door opening solutions.

Value creation in distribution

ASSA ABLOY is increasingly becoming a supplier of integrated concepts for total door opening solutions. This takes place in close collaboration with customers and their advisers in distribution, creating good customer relations, market demand and entry barriers for competitors. Distributors also play a key role in providing service and support after installation.

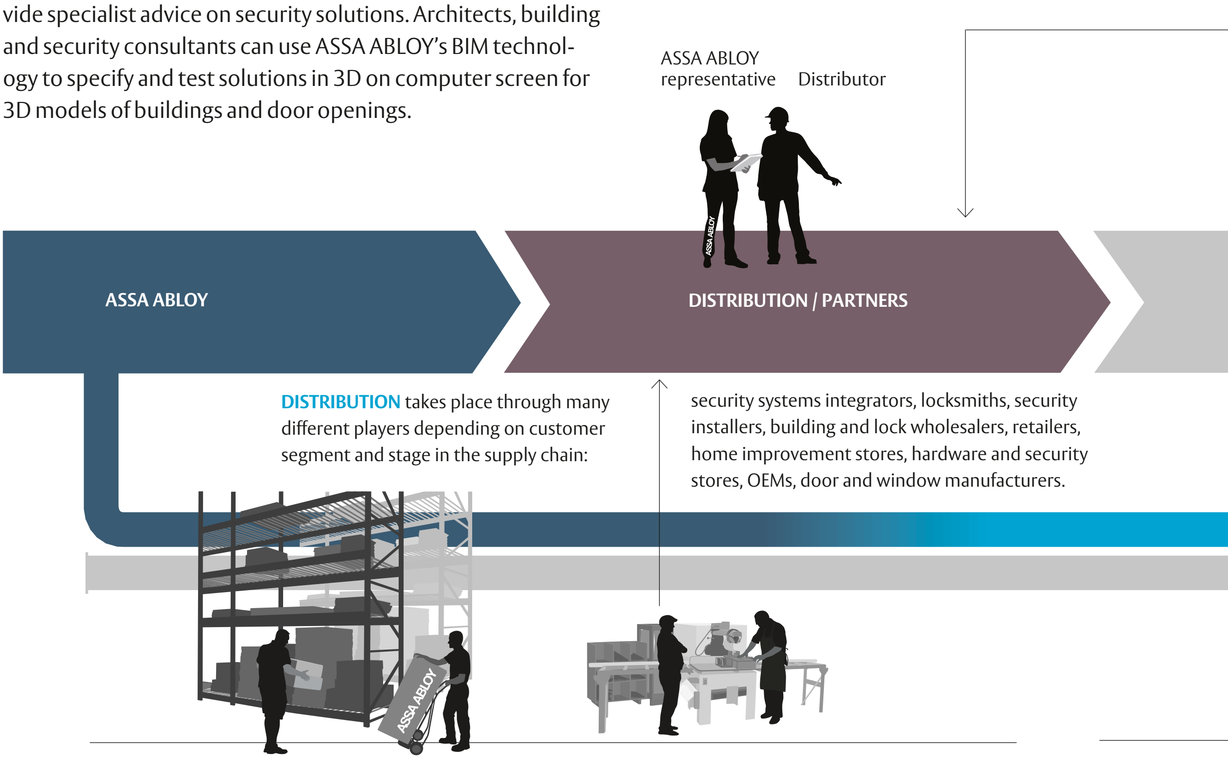
In the commercial segment, distributors in some markets act as advisers and project managers. They have a good understanding of customer needs and ensure that the solutions meet local rules and standards. Electromechanical solutions are distributed from manufacturer to end-user mainly through security installers and specialist distributors. The solutions are also sold through systems integrators, who offer total solutions for installation of perimeter protection, access control, and access to computers and other connected devices.

Specification – advice and digital tools

Rapid technological development and the growing number of rules and standards, especially in the area of sustainability, are constantly increasing complexity for builders and other end-customers. The trend goes from component to prefabricated door openings and advanced total door opening solutions. This is also

Distribution channels for the security market

ASSA ABLOY creates considerable value for customers in the distribution process. The Group's advisers, the specifiers, provide specialist advice on security solutions. Architects, building and security consultants can use ASSA ABLOY's BIM technology to specify and test solutions in 3D on computer screen for 3D models of buildings and door openings.



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

increasing the competence required by distributors. A central role in marketing is therefore played by ASSA ABLOY's specifiers, who have increased sharply over the past few years and continue to increase rapidly, especially in emerging markets.

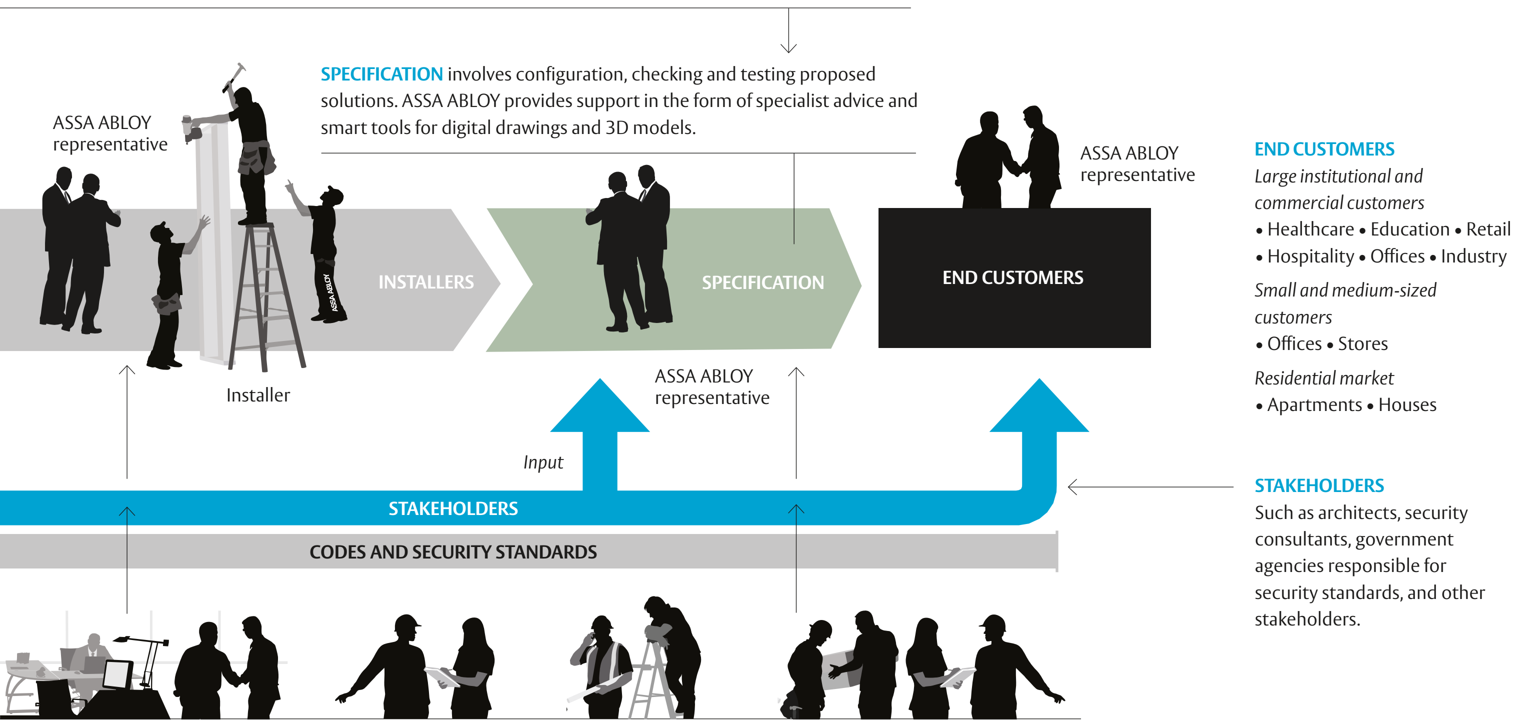
Specification teams work as specialist advisers to customers, helping them specify products that provide total security solutions that meet all rules and standards. They also collaborate with other key groups early in the distribution chain, such as building consultants, architects, security consultants and building standards agencies, to educate them regarding new, innovative security solutions and to create demand with their business-driving competence.

The Group is spearheading the industry trend for product configurations and 3D modeling using building information modeling (BIM), which facilitates the work of architects and building consultants. BIM technology makes it possible to create digital models of buildings into which ASSA ABLOY products can be dropped in 3D. A door design can then be checked and tested on the computer screen, and the solution's products can be ordered online. Distributors have constant access to advice.

The complex information in BIM creates good opportunities for repeat business, since the customer can quickly see exactly which products are installed in the building, along with their location. This simplifies the upgrade, service and repair processes.

Building and lock wholesalers, security consultants and locksmiths have a key role in delivering the products specified for different construction projects. Many door and window manufacturers install lockcases and hardware in their products before delivery to customers. ASSA ABLOY also shares competence with locksmiths, a key distributor of mechanical and electromechanical security products in many markets. Locksmiths buy direct from ASSA ABLOY or through wholesalers and provide advice, delivery, installation and service. Some locksmiths have an increased focus on electronics, while IT integrators are increasingly offering physical security solutions.

More advanced electronic and digital security solutions mainly reach the end-user through security installers and specialist distributors. These products and solutions are also sold through systems integrators, who often offer total solutions for the installation of perimeter protection, access control and computer security.



ASSA ABLOY has developed close cooperation with customers, architects and security consultants to specify appropriate products and a well-functioning security solution. Many door and window manufacturers install lockcases, hardware and other fittings in their products before delivery to customers.

Value creation strategy #2

Product leadership

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

No.1

The most innovative supplier of total door opening solutions

World-leading technology for digital and mobile solutions

A constant flow of new, innovative and sustainable products is the most important driver for ASSA ABLOY's target of five percent organic growth. The Group has sharply increased investments in innovation and product development since 2007. One goal is for products less than three years old to account for at least 25 percent of total sales. The goal has been surpassed for seven consecutive years, and the figure was 28 percent in 2017. ASSA ABLOY is the global market leader in meeting the needs of the digital and mobile society for intelligent, connected and networked door opening solutions.

55%

The percentage of electromechanical products and entrance automation has increased **from 33 percent to 55 percent of sales in ten years**

Product leadership

Strategies for a high innovation rate

The Group's vision is to be the most innovative supplier of total door opening solutions, in order to deliver convenient, secure and well-designed security solutions that provide real added value to customers. The strategy is aimed at global product leadership. It is based on an innovation process with technology development of Group-wide global platforms, with 114 competence centers close to the customers and focused product development work in all divisions. R&D investment has increased by 190 percent since 2007, reaching a new record level of SEK 2,200 million in 2017. Over 2,000 employees are engaged in product development.

Technology development and new technologies

Technology development for door opening solutions takes place in steps. The foundation is usually a solid reliable mechanical product. Electromechanical solutions make it possible to digitally control the bolt, door and the entire entrance environment for more efficient and convenient operation. A connected smart solution is the next step. It can be remotely controlled for added security and linked to a system of products and solutions with multiple security features. In addition, the status of connected products can be constantly followed for purposes such as saving energy and ensuring that they are always in operation and that they receive the service that they

The strategy for product leadership is based on four points:

1. Developing and exploiting the advantages of a Group-wide, structured innovation process.
2. Applying Lean technologies in product development based on product management and customer insight.
3. Developing and using common technology platforms and common technologies.
4. Continuing to expand the number of R&D competence centers close to customers.

28%

Products launched in the past three years account for **28 percent of total sales**

need. ASSA ABLOY's global platforms currently provide customers with a complete, intelligent ecosystem that coordinates multidimensional security solutions for whole complexes of buildings, with user identification and preventive and acute signaling of security risks. Platforms such as Aperio, Seos, Cliq and Accentra that have been adapted to local needs have undergone annual growth of 12–24 percent globally and even higher in certain markets.

The main driver of innovation and product development is the rapid growth of digital and mobile technologies. Sales of electromechanical products have grown by 270 percent since 2007. Electromechanical lock solutions, entrance automation and Global Technologies identity and access management solutions currently account for 55 percent of Group sales. Demand in certain product areas is particularly strong. The number of smart residential door locks sold in 2017 was 2 million, an increase of 270 percent since 2012. Sales of mechanical products continue to increase, but electromechanical products are growing considerably faster.

Technological leadership in the digital and mobile world provides substantial potential for robust profitable growth for some time to come. More electronics means increased sales growth per door with rapid technological developments that require more frequent replacements and upgrades, while recurring service and maintenance revenues also increase. The market potential is large when over 10 percent of doors today are equipped with some form of electronic/digital solution.

A key competitive advantage is ASSA ABLOY's Global Technologies division with its technology development relating to identification and authentication. Global Technologies is the global market leader for products and solutions for secure identities for physical access to buildings and areas, as well as logical access to computers and other connected devices. This is a core competence in the development of digital door solutions. The products include access cards, both physical and mobile, readers, and complex systems services for identity management for physical and logical access.

Sustainable solutions

Another important driver for product development is the sharply rising demand for sustainable solutions. Investments in sustainable buildings are growing worldwide, with requirements for energy savings, lower materials consumption, and renewable or recycled materials becoming increasingly important. The various openings of a building can account for up to 20 percent of energy consumption. ASSA ABLOY offers a growing selection of products with environmental declarations and saves energy for customers in a variety of ways, while also reducing consumption of materials and other resources used in production.

Future security solutions – Convenient, secure, digital

Human needs in the new digital and connected service society serve as an important point of departure for ASSA ABLOY's innovation and product development. Secure, convenient and intelligent door opening solutions that interact with people and products play a major role in the continued development of successful e-commerce, the Internet of Things, home services and the sharing economy.

The technology shift for door opening solutions in the digital society is accelerating, providing ASSA ABLOY with major growth opportunities. Strong growth is expected for home delivery of products and services. Broadening and deepening demand are boosting revenue with more value per product, faster replacements and upgrades, more recurrent revenues and new business opportunities.

E-commerce, sharing economy och home care

Online commerce is rapidly expanding worldwide and many customers want their goods physically delivered to their homes or workplaces, which requires trusted suppliers to have access and be able to open doors even when the recipient is not there. ASSA ABLOY delivers smart door locks and access management systems with the technology to create digital identities, which are represented in mechanical systems by a key that fits in a lock. This digital identity, a code or a digital signal that is programmed to apply for a certain person and a certain door during a certain time period, can be given to a supplier who thereby gains access at a certain point in time. The code or digital signal – the key – can be sent to a mobile phone and the supplier can securely and conveniently deliver goods.

The same type of solutions will make it easier for the rapidly growing sharing economy where individuals and families can share housing, vacation homes, vehicles and equipment. Secure identification and digital identities enable secure and convenient access to whatever is shared.

An aging population means an increased need for home care, where caregivers and home care providers need to be able to visit the home to provide their services. Home care is rapidly growing in many mature markets. The problem is the same as for delivery of goods. Care providers have to be able to get into the home to provide care and nursing. In simple cases, smart door locks provide secure and convenient access. In some cases, however, care providers need access to a gate, a garage or other area to perform the services such as laundry or picking up the mail. ASSA ABLOY's Accentra product platform for multi-family buildings and small and medium enterprises enables easy and intuitive management of access to housing and other areas using digital keys, cell phones or other mobile devices while providing the safety and security that small businesses, care providers and their customers demand.

The Group works in partnership with several local and global participants to facilitate the delivery of goods, the sharing economy, and home care. During the year, Amazon launched a home delivery solution with video monitoring in which ASSA ABLOY is a partner and delivers smart door locks.

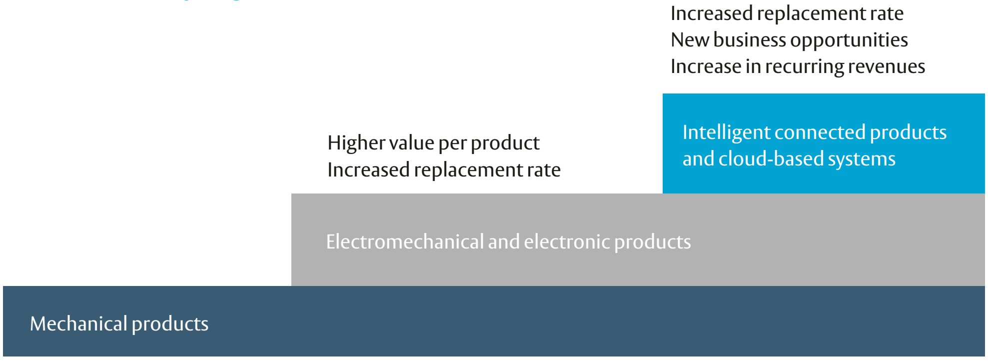
Security for shipping and logistics

Shipping and logistics is another growing area in which the Group is developing systems, products and solutions. There is a great need for security and surveillance. Loss during shipping is a huge problem and many shipments take place in unlocked trucks with unidentified drivers. The Group is developing total solutions based on a proprietary service platform, software and hardware in the form of locks, digital and mobile keys, gates, identification and access management systems that work around the clock.

The Internet of Things and Information Services

ASSA ABLOY's products and technologies are well-positioned to grow with the Internet of Things, where various machines and products at home and at work are connected for control and monitoring of functions and pro-

Next evolutionary stage



Today mechanical and electromechanical door opening solutions are predominant worldwide. But development is now entering a third technology phase, the digital and connected phase. This means that the necessary basic function of a mechanical lock cylinder, door and entrance environment can be digitally controlled for more effective and convenient function, and lower operating costs in large multifunctional systems. Shorter life cycles with more frequent additions of new technology solutions create business opportunities for ASSA ABLOY.

duction. Estimates indicate about 25 billion connected devices today, or about 3.5 per person. This figure is projected to double by 2020 to a total of 50 billion connected devices.

The Group has world-leading technology and solutions for secure digital and mobile management of identity and authentication to determine who should have access when, where and how, with various layers of security and control. ASSA ABLOY's Seos is a flexible and modular technology platform that serves as an eco-system of products and services that are integrated in various solutions for the Internet of Things.

A significant source of revenue in the future is also the information that ASSA ABLOY's products and solutions can give customers. Movement patterns as people enter and leave buildings provide valuable information about how different areas are used at different times. This information provides signals about both security needs and energy needs – one of the largest cost items for property operations – for efficient climate control and use of various areas of the building. Control may also include opening and closing doors, surveillance of high-security areas and goods and transport flows. These information flows provide greater opportunities for preventive and more efficient service and maintenance before errors occur.

More recurrent services

As ASSA ABLOY's product portfolio contains more digital electronics, software and information, revenues shift increasingly toward recurrent services in the Group's offering. These services are often based on subscription agreements for upgrades, information and analysis, as well as licenses. ASSA ABLOY strives to achieve open standards to facilitate integration with customers' security and administrative systems. The trend toward complex, multifunctional systems creates new business opportunities, promotes close customer relationships, and generates stronger recurring revenue streams, often with long-term contracts for supply and service collaborations for cloud services. Improved function and more benefit thanks to more efficient solutions and operational cost savings entail higher value for customers and more efficient administrative processes for ASSA ABLOY.

Entrance automation

A strong and fast-growing market for the new electronic technologies is entrance automation, in which ASSA ABLOY has gained global market leadership with its Entrance Systems division through acquisitions, innovation and organic growth. Hospitals, schools, airports, offices, warehouses, commercial buildings and industrial buildings are typical facilities with many entrances and doors of various types. The total market for entrance automation is estimated at about SEK 200 billion, with a robust growth rate. Connected products with electronic monitoring of installations provide the facility services provider with information about maintenance needs. If a problem arises, accurate information is received about what happened and what spare parts are needed to fix the problem. This approach allows errors to be quickly and efficiently remedied, while generating substantial customer value.

ASSA ABLOY is leading the development of digital and mobile security solutions. Shared Technologies, the Group's joint development center, plays a key role in this initiative.

Continuously improved innovation process

ASSA ABLOY's product leadership is based on the Group's joint innovation process. Guiding principles are insights into customer needs, product development based on a long-term plan, active management of product portfolios, and a cost-efficient innovation process. Shared Technologies, the Group's joint development center, plays a key role in this initiative.

Value creation with customer insight

Each new product and product solution should create as much customer value as possible through improved function and lower costs. All new projects aim to solve an identified customer need and are based on insight into underlying customer needs and requirements. Broad monitoring and collection of market data and surveys of different customer segments are conducted on an ongoing basis, which also include efforts to understand unspoken customer needs. Cost-savings are achieved through improved designs, new materials and components, as well as continuous improvement of the development and production process.

Sustainability

ASSA ABLOY's sustainability program is integrated into the development process from the concept stage to recycling of worn-out products. Specifications for the development of new products and customer solutions may be based on life cycle analyses and a reduction in energy consumption in buildings, as well as concrete savings in materials consumption, packaging and transport solutions. ASSA ABLOY can standardize materials, reduce the number of components, constantly improve quality, and considerably reduce the costs of each new product by developing common technology platforms and modular systems.

Product platforms

CLIQ™

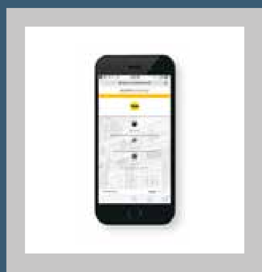
CLIQ is a secure locking system with advanced microelectronics in programmable keys and cylinders. The system offers a large number of combinations of mechanical and electronic products, which satisfy various requirements for secure, flexible access control. Most types of locks can be fitted with CLIQ technology, which together with various software programs provides the global market with customized, flexible access control solutions.

Seos™

Seos is an identification technology solution that allows the customer to use various devices, from smart cards to cell phones, for secure access to applications. Seos' applications range from building access control, computer login and cashless payments to IoT (Internet of Things) applications, time and attendance reporting, and secure printing.

Aperio™

Aperio is a technology developed as a complement to existing electronic access control systems. It is a convenient solution for end-users to improve the security and control of their premises. Central to Aperio is a wireless communications protocol, which functions at short distances and can connect an online access control system to an Aperio-compatible mechanical lock.



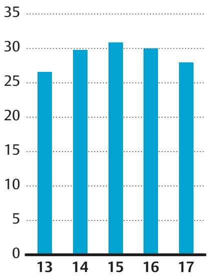
Accentra™

Accentra is a cloud-based access control system that focuses on solutions for multi-family buildings and small and medium-sized enterprises. A scalable infrastructure through a cloud provider provides a high level of service and full control over information in a centrally based security system. Accentra supports multiple global products at door level (Aperio, Yale, ASSA and HID readers) and is developed for, and deployed in, a true cloud environment for a global reach, while complying with local demands.

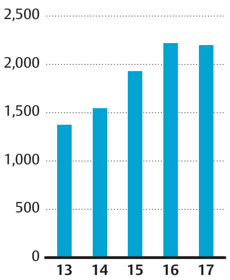
Hi-O™

Hi-O (Highly intelligent Opening) is a concept that simplifies installation, service and maintenance of connected doors thanks to advanced technology and the plug-and-play principle. Hi-O is a standardized technology for control and security of door environments. The technology enables communication between all the components included in a door opening solution.

PERCENTAGE OF SALES OF PRODUCTS LAUNCHED IN PAST THREE YEARS



INVESTMENTS IN RESEARCH AND DEVELOPMENT



Design and design language

The Group has established a unit for development of industrial design and a common design language. Planning of a Group-wide design center is the next step in the development, to create an even clearer expression of ASSA ABLOY's basic values and the physical experience of products with common guidelines for design, location of brand names, colors and visuals. During the year the Group also launched a Concept Lab where the product development teams can test prototypes and conduct user tests of technologies for the future.

Product management and product development

Product management ensures that each product group has a vision-based long-term plan founded on market insight, technology development, customer value and the strengths of each product. These plans form the basis for the portfolio balancing that must then take place across all product groups within each unit. Projects are planned and run according to Lean principles, where a clear vision and a visual overview are important components.

Product development is continuous and has three phases: pre-development projects, new product development and development of products already on the market. Good development builds on knowledge and reuse. A modular approach provides an opportunity to reuse designs, make improvements and substitute parts of a product or solution. Shared Technologies, the Group's joint development center for global product platforms in which a modular approach to both hardware and software is the basis for the joint solutions, plays a key role in this initiative. The Group continually invests in improvements to make the innovation process more efficient by expanding its IT support with common platforms for collaboration, project management and product data management.

New products

ABLOY PULSE is a sustainable ecosystem in which the cylinder generates energy from the movement when the key is turned; no cables or batteries are needed. The PULSE key can also be reused for other lock systems, which reduces the quantity of waste. A mechanical cylinder can easily be replaced with a PULSE cylinder – all that needs to be replaced is the core of the lock, the existing cylinder can be reused.

Aperio H100 has a narrow door handle that contains energy and flexibility for wireless electronic access control. The H100 fits standard European and Scandinavian interior doors, and can be integrated with many third-party solutions and security systems. The H100 has an environmental product declaration that describe the environmental impact of the product throughout its life cycle.

The new sectional door ASSA ABLOY OH1042S from ASSA ABLOY Entrance Systems can be opened at a speed of one meter per second – four times faster than a standard door, saving an average of 20 seconds per opening cycle. This provides temperature control, less draft and dust and shorter lead times.

HID Location Services is an award-winning solution that allows organizations to see where staff is located inside a building, which makes it possible to analyze how the premises are used to achieve better control of the building and increased operational efficiency. This offering is tailored for companies, universities, manufacturing plants or other organizations that want to optimize their workforce and improved efficiency within the facility.

Yale Assure Lock SL is the slimmest key free deadbolt available in the US. This sleek and modern touchscreen deadbolt allows homeowners to enjoy the convenience of 100% key free unlocking while enhancing curb appeal. It is upgradeable for smart home or security systems with a Yale Network Module - available in HomeKit (iM1), Z-Wave or Zigbee.

Lockwood T-Lock is a new smart and keyless lock from ASSA ABLOY in Australia. The lock can be controlled remotely using Telstra's Smarthome app. The lock is specially designed for Telstra's Connected Home product series and can be connected with other digital products.

Value creation strategy #3

Cost-efficiency

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

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Price management for **price leadership**

Increased efficiency through automation and digitization

ASSA ABLOYs strategy for radically reducing costs and increasing efficiency is fundamental to continue to drive profitable growth by investing in market presence and innovation, while simultaneously achieving the target of an operating margin of 16–17 percent. The work includes recurring programs to streamline production and enhance efficiency in all processes within the Group along the entire chain from product development and purchasing through production and administration, to marketing, sales and distribution. Initiatives to improve efficiency through digitization and automation of production and administrative flows are a top priority.

Production structure

ASSA ABLOY's production structure is continually evolving with recurring multiyear structural programs. One strong driving force is the Group's acquisition strategy, with an average of one acquisition per month. A significant part of the synergy effects on acquisition are the streamlining of manufacturing and modernization of production, efficiencies in the organization and global logistics that result in lower costs, increased flexibility, improved service to customers and a better work environment.

The goal is to concentrate product assembly to sophisticated plants close to customers primarily in mature markets. Production of the more strategic components, such as cylinders, rim locks and some electromechanical products, is concentrated to the Group's own production plants in low-cost countries, while other components are increasingly sourced from production partners.

Since 2006, 77 production plants have closed, more than 126 plants have been remodeled into assembly plants, and about sixty offices have closed. The majority of the remaining production units in high-cost countries have switched to mainly final assembly and customization. These streamlining measures have been accompa-

–28%

The number of suppliers has been reduced by 28 percent over the past five years.

nied by a staff reduction of 13,564 employees, largely in production in high-cost countries. Including acquisitions, the number of employees in low-cost countries has nearly doubled since 2006 to about 20,370, and the share has increased from 34 percent in 2007 to 43 percent in 2017.

In 2016 the sixth Group-wide manufacturing footprint program was launched, which will be implemented over a three-year period. The goal is to close 10 production plants and about 40 offices, and the work is proceeding according to plan. The estimated cost of the program is SEK 1,597 million.

A review of ASSA ABLOY's logistics structure continued in 2017. Work is underway to reduce the number of freight and other logistics providers, while creating a more efficient structure for warehouse and logistics centers with a high degree of standardization of materials and products and a seamless flow-based, digital IT infrastructure for fast, efficient and secure transportation solutions.

+

Restructuring program provides significant results

PLANTS IN LOW-COST COUNTRIES

Professional sourcing

The transition from in-house production to an increased share of sourced standard components for final assembly and customization, means that the Group's purchasing processes are gaining in importance. Purchasing accounts for a very large proportion of total costs, and is significant for reducing costs. Purchasing has increased by around160 percent over the past decade and at the same time the purchases have concentrated on fewer and more qualified suppliers, which has entailed significant cost reductions.

The aim of the purchasing process is to ensure high quality at a low cost. This occurs in processes that drive a number of activities for development and management of purchases, where the Group's suppliers become strategic partners. They participate to a greater extent in product development and grow in close collaboration with ASSA ABLOY to be able to deliver not only components, but entire subsystems and products based on supplier agreements with category and quality management. The Group contributes competence transfer and its production and quality expertise.

The purchasing organization has become highly professional over the past ten years. It categorizes and segments suppliers based on the strategic needs identified by the Group and according to a number of different quality categories. The best suppliers achieve partner status, and the worst may not remain as suppliers, or may only remain if they meet certain conditions. The conditions are demanding, with a thousand terminated collaborations in 2017. The divisions have specialized purchasing managers for each component category. Purchasing centers efficiently manage different categories of components. Cost trends are monitored on a monthly basis.

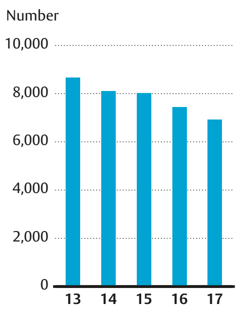
The ambition is to have an increasingly limited number of larger, high-quality suppliers for more of the Group's divisions, mainly in low-cost countries. Over the past five years, the number of suppliers has been reduced by 28 percent to around 6,900 worldwide, with a majority in low-cost countries. The goal is to continue to reduce the number of suppliers.

ASSA ABLOY requires all suppliers and business partners to comply with the principles of the Code of Conduct for business partners, and to accept their social, environmental and ethical responsibilities. This often results in continual improvement in the sustainability efforts of our suppliers regarding resource consumption, health and safety, the working environment and conditions, and other sustainability-related issues. Collaboration is terminated with business partners who fail to live up to the Code of Conduct, or who show no interest in improvements. Reviews are conducted to check the progress of over 2,000 suppliers in Latin America, Asia, Africa and eastern Europe. In 2017 two suppliers were blacklisted because they failed to live up to the demands and deliveries from 20 suppliers were halted while waiting for improvements.

Quality and price are at the focus of all purchases. ASSA ABLOY has developed an analytical tool, the "Should Cost analysis", to get a picture of what deliveries from subcontractors should cost. It breaks down costs at multiple levels, including value analyses and cost estimates to gain an understanding of the true costs and pricing of products. The analysis is complemented by the Group's extensive knowledge of product optimization based on VA/VE methodology and potential process improvements. The Group has trained over 200 employees in Should-Cost methods, which provide the knowledge to conduct cost reduction negotiations.

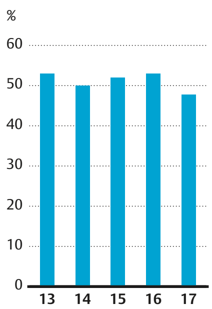
Current initiatives include a special quality council for subcontractors launched in 2016 and a process for better risk management of subcontractors, which will strengthen the Group-wide control process beginning in 2018. E-commerce in purchasing is substantially growing with the purchase of goods and services online with electronic payment. Another successful initiative is the investment in e-auctions where divisions put out tenders for materials and services for competitive bidding by suppliers. The process is effective and leads to significant savings.

NUMBER OF SUPPLIERS



Reducing the number of suppliers is important for reducing costs and improving quality. Active efforts have reduced the total number of suppliers by 28 percent over the past five years.

SHARE OF TOTAL PURCHASES IN LOW-COST COUNTRIES



Raw materials, components and finished goods from low-cost countries accounted for 48 percent of the Group's total purchases in 2017.

Process development

A constant effort is underway to apply and develop methods and processes in all stages of the value chain to improve cost efficiency and customer benefit. Lean methodology encompasses all processes in all divisions. The same applies to Seamless Flow, referring to the automation of all of the Group's administrative flows.

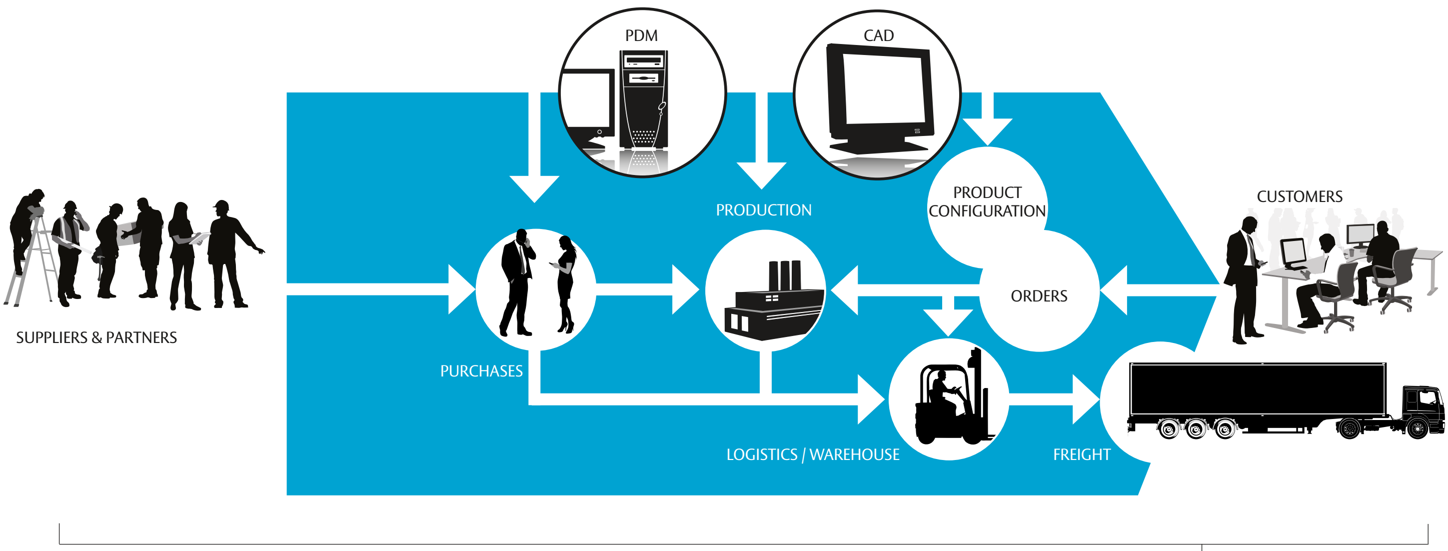
Lean methods are central in achieving on-demand flow manufacturing, in which testing and packing have been integrated into the flows. Production becomes transparent, with better material cost control, improved decision-making procedures, shorter development times, and increased collaboration with the marketing and sales staff. Today Lean methods are applied in all of the Group units and the number of projects is increasing each year.

Seamless Flow encompasses the entire Group and aims to streamline administrative work, especially in sales support and indirect production, where over 40 percent of the Group's personnel costs can be found. By standardizing flows and processes through digitization and automation, the Group improves the quality of administrative processes while freeing up resources that can be dedicated to direct customer relationships to increase customer value. This trend makes it easier to be an ASSA ABLOY customer and enhances the added value in the relationship as fewer resources are used for administration. The implementation of Seamless Flow and optimization of the IT infrastructure will enable more efficient coordination of an increasing number of support functions.

Value Analysis (VA) is a structured process for optimizing cost and customer value in existing products. The same applies to Value Engineering (VE), which is part of the product development process. Value Analysis/Value Engineering (VA/VE) entails an in-depth analysis of the product's design, components and production methods, which systematically reduces costs and enhances customer value with improved quality. Cost savings may amount to 20–40 percent. VA/VE has resulted in considerable savings for the Group since the methodology was first introduced.

Investments in increased automation of production flows have accelerated in recent years. The number of robots has doubled every year since 2013 and efficient customization of individual products shortens lead times and improves quality.

Seamless Flow



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

The result of ASSA ABLOY's strategy

Profitable growth

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

Focus on long-term value-creation

127%
Sales growth since 2007

ASSA ABLOY focuses on long-term value-creation. Average annual sales growth has been nine percent over the past decade, despite periods with financial crisis and a weak economy. Operating income grew by an average of 13 percent per year during the same period. The Group has met its target of an operating margin of 16–17 percent over a business cycle.

158%
Increase in earnings per share since 2007

126%
Increase in operating income since 2007

ASSA ABLOY was formed in 1994 through the merger of Swedish ASSA and Finnish ABLOY. The Group grew rapidly during its first decade - mainly through acquisitions - from being a regional lock company in the Nordic countries into the leading global player. With a new management team in 2006 the Group entered a new phase of growth based on three main strategies for market presence, product leadership and cost-efficiency. With a focus on profitable growth, great value has been created for shareholders and other stakeholders.

Market presence and growth

ASSA ABLOY's growth rests on a strong long-term trend: the growing human need for safety, security and convenient solutions for locks and doors. This trend follows the development of prosperity around the world, which is expected to be particularly strong in emerging markets, especially in fast-growing cities, and contribute to strong demand for ASSA ABLOY's products and services. The Group has rapidly expanded in the emerging markets. This segment now accounts for 23 percent of total sales, compared with 13 percent in 2007. The Group is currently represented in over 70 countries. These driving forces also contribute to growing demand for electromechanical, digital and mobile door opening solutions, as well as increasingly sustainable and energy-saving products and solutions. Another significant factor for ASSA ABLOY's stable growth is the Group's installed base of locks and doors, which is the largest in the world. It provides a continuous flow of profitable and recurring business.

Organic growth is supplemented with an acquisition strategy to strengthen the Group's market presence geo-

graphically, and to expand the product range with more door opening solutions and new technology in selected areas. Over the past decade, ASSA ABLOY has completed some 150 acquisitions that have contributed an average of six percent growth annually. As a result of several major acquisitions in entrance automation and in industrial, warehouse and garage doors, ASSA ABLOY's Entrance Systems division has become the market leader and the Group's largest division with sales of SEK 21,781 million and a 29 percent share of sales. The division has grown by over 20 percent annually over the past ten years.

Growth-driving product leadership

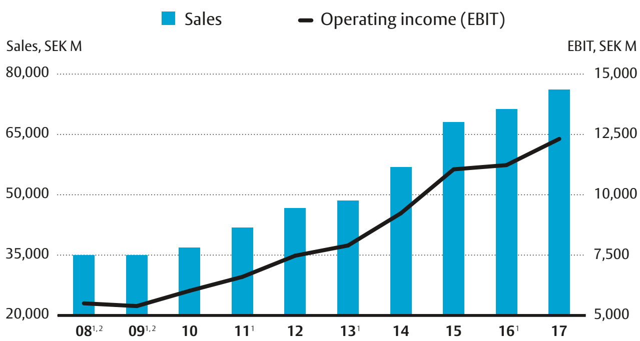
ASSA ABLOY is the leading innovator and product developer in the technology shift toward more electromechanical, digital and mobile solutions. Products that are less than three years old account for 28 percent of the Group's total sales and continual investments in product development is the main driver for achieving the target of 5 percent annual organic growth. Electromechanical solutions are rapidly growing and now account for 55 percent of Group sales, compared with 33 percent in 2007.

Cost-efficiency for profitability

Constant cost-cutting measures and efficiency enhancements are essential for good and stable profitability, as well as a sustainable business and products. The Group continually streamlines the global production structure through recurring multiyear restructuring programs. The purpose of these programs is to concentrate assembly and customization close to the major customer markets and to relocate component production to low-cost countries. Since 2006, the Group has completed five such programs, and a sixth has been in progress since 2016. As of the end of 2017, 77 production plants have closed, about 126 were converted into assembly plants, and about 60 offices closed as a result of these programs. The programs reduced the number of employees by 13,564 people. At the same time, sourcing has increased substantially and been concentrated to fewer, larger and better suppliers. They have been reduced in number by one third since 2008.

ASSA ABLOY runs several group-wide programs to reduce costs while improving efficiency and customer benefit. All units operate based on Lean processes with professional teams for smarter production flows. VA/VE methods in product development reduce the cost of new products while improving their customer benefit and sustainability performance. Seamless Flow is a top-priority, group-wide initiative that promotes more efficient digital processes for information flows. It focuses on the administration, which accounts for more than 40 percent of staff costs, and moves resources closer to the market and customer. The Group is making major investments in common IT systems, as well as in the use of automation and robotics in production processes.

SALES AND OPERATING INCOME (EBIT)



[1] Excluding items affecting comparability.
[2] Reclassification has been made.

ASSA ABLOY's divisions

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

Regional divisions

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

EMEA

Share of sales 23%

Share of operating income 24%

Read more on page 29

Americas

Share of sales 23%

Share of operating income 30%

Read more on page 30

Asia Pacific

Share of sales 11%

Share of operating income 7%

Read more on page 31

Global divisions

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

Global Technologies

Share of sales 14%

Share of operating income 15%

Read more on page 32

Entrance Systems

Share of sales 29%

Share of operating income 24%

Read more on page 33

EMEA

Good growth and high innovation rate

Demand improved in the region with organic sales growth of 4 percent. Growth was strong or good in most markets in Europe. Sales increased in Africa but decreased in the Middle East. Sales of electromechanical locks with digital and mobile solutions increased sharply. Product development continued at a high pace and efficiency and streamlining programs produced good results.

Market trend

Demand growth for the division improved in 2017. Growth was strong in Finland and the UK, as well as in Eastern and Southern Europe, and good in Scandinavia, France and Israel. DACH and the Benelux countries had growth, while the Middle East was negative. The African markets recovered despite weak demand. Growth was characterized by three overarching trends: more major projects in the institutional and commercial segments, continued strong demand for electromechanical, digital and mobile solutions, as well as significant successes for the Yale brand and smart locks for the residential market, especially in Northern Europe. Another strong demand trend is sustainable solutions, where EMEA has a leading range of products and solutions that meet the increasing demands, for example for increased environmental classification of buildings in the EU.

The division continues to move more resources to commercial functions and the number of employees in direct customer contact has increased by 37 percent over the past five years. In the Group-wide Commercial Excellence initiative, efforts continued to focus on brand development, value-based pricing, recurring revenue and specification. Digital support is gradually being expanded to architects and security experts with ASSA ABLOY Openings Studio, a BIM-enabled tool and BIM objects now available in most countries. The division has over 250 specifiers and the number of projects specified continued to increase sharply. The e-commerce initiative continued to expand and new online stores were launched in Sweden, the UK, Belgium and Germany.

During the year IDS, the leading manufacturer and distributor of electronic security solutions in South Africa, was acquired.

Product leadership

The high pace of product development continued during the year. The share of new products introduced over the past three years was 28 percent of total sales. Nearly 300 product development projects, of wich more than 30 percent are electromechanical or digital solutions, are expected to reach the market over the next few years. The development of the CLIQ system, with programmable keys and cylinders for new segments, continued with great success. Yale launched a new series of smart door locks for the Scandinavian market and Abloy introduced Pulse, a lock system that generates its own energy and requires neither batteries nor cables. More and more products are under development for the division's electromechanical platforms, which showed strong double-digit growth during the year.

Cost-efficiency

The division's restructuring program to reduce the number of plants and to concentrate on assembly close to customers continued according to plan. As a result, component production was moved to low-cost countries with continued consolidation of sub-contractors to fewer and larger partners. The number of direct sub-contractors declined by more than 10 percent during the year. Automation of production continued at a high pace and the number of robots has doubled in two years to over 250. The Seamless Flow initiative is providing significant results with gradual consolidation of 60 different ERP systems. Migration to the Group's Product Data Management (PDM) system, with standardised data storage and management, was successfully concluded during the year.

FACTS ON EMEA

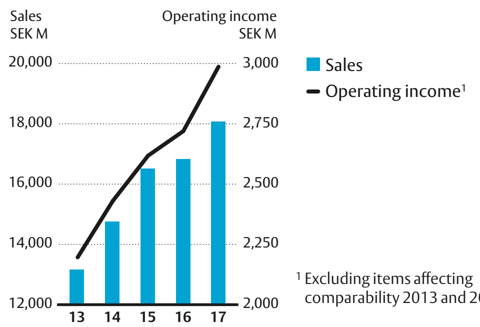
Financials in brief 2017

- Sales: SEK 18,081 million (16,837) with 4 percent organic growth.
- Operating income (EBIT): SEK 2,990 million (2,722).[1]
- Operating margin: 16.5 percent (16.2).[1]

[1] Excluding items affecting comparability.

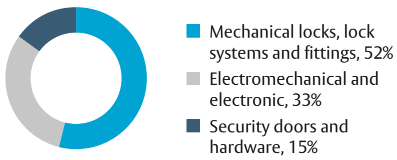
See key figures for EMEA ▶ p59

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability 2013 and 2016.

SALES BY PRODUCT GROUP



Offering: Mechanical and electromechanical locks, digital door locks, security doors and fire doors, as well as hardware.

Markets: EMEA is the leader in its product areas in Europe, the Middle East and Africa. The commercial segment accounts for around 60 percent of sales and the residential segment for 40 percent. EMEA comprises a large number of Group companies with a good knowledge of their local and in many respects diverse markets. Products are sold primarily through a number of distribution channels, but also directly to end-users.

Acquisitions 2017: IDS in South Africa.

Americas

Increased market presence with new electromechanical solutions

Sales continued to increase in 2017, with 4 percent organic growth. Growth was good in the US. Sales growth was strong in Canada and Mexico, as well as in most markets in South America with the exception of Brazil where the market continued to be weak. Sales of electromechanical products with digital and mobile solutions were strong in all of the division's markets, including Yale, with Yale as a market-leading smart door lock brand in the residential segment. Growth along with continued efficiency initiatives contributed to an increase in operating income and a very good operating margin.

Market trend

The division's largest market (US) continued to show a positive trend though demand was somewhat weaker in the commercial and institutional markets, which together account for about three quarters of the division's sales. Growth in the residential market continued, with a weakening in the multi-family housing segment after a long period of strong demand. The important markets of Canada and Mexico had strong growth, as did Colombia and Peru. In Brazil, the multi-year recession continued, though demand stabilized toward the end of the year.

Demand for advanced electromechanical solutions continued to grow in all markets and segments. ASSA ABLOY has partnered with Amazon in a highly publicized launch of a solution that enables home deliveries to "smart homes." Growth was high for high-security products, security doors and perimeter solutions. Traditional lock products and accessories also showed growth.

The trends toward more wireless and mobile lock solutions and a growing number of sustainable products that provide energy savings are strong and important driving forces of future growth. To further strengthen customer relevance, marketing and sales processes are being optimized at every level for rapid and seamless information flows, including digital technologies.

During the year the US company August Home was acquired to complement the division's offering of smart door opening solutions and home delivery solutions. Additionally, Jerith Aluminum Fence was acquired in the US.

Product leadership

The division has a very competitive offering of new products due to its high innovation rate. New products launched in the past three years accounted for 25 percent of total sales in 2017. In all, 119 new products were introduced during the year and an additional 178 products are heading for the market. The division is the market leader for smart door solutions for the connected home under the Yale and August brands. During the year several solutions were launched that provide security while enabling homeowners to control and monitor home deliveries via mobile phone applications.

Cost-efficiency

The division continues with a strong focus on efficiency improvements and has a long tradition of Lean practices which provide significant efficiency gains each year. The Seamless Flow initiatives cover the entire administrative flow of information with a focus on customer-oriented processes to strengthen and deepen customer relationships. The transition to a common business system continues to be on schedule and the division's Group-wide restructuring program continued according to plan. A large number of products have been updated and processes simplified using VA/VE methods. Investments in robots accelerated during the year with 80 new robots for a total of 329.

FACTS ON AMERICAS

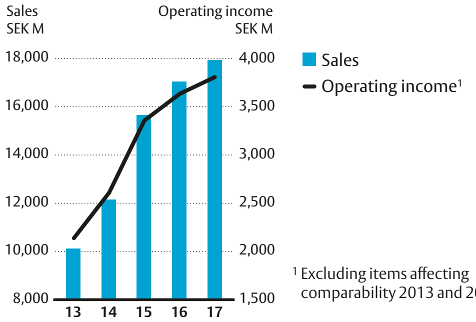
Financials in brief 2017

- Sales: SEK 17,940 million (17,044) with 4 percent organic growth.
- Operating income (EBIT): SEK 3,815 million (3,640).[1]
- Operating margin: 21.3 percent (21.4).[1]

[1] Excluding items affecting comparability.

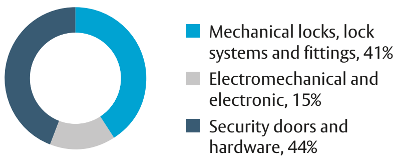
See key figures for Americas ▶ p59

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability 2013 and 2016.

SALES BY PRODUCT GROUP



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

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

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

Acquisitions 2017: August Home and Jerith Aluminium Fence, both in the US.

Strong growth in APAC with the exception of China

The division's sales returned to organic growth just over 0 percent. Growth was strong in most markets in the region, but China continued to be challenging and showed decreased sales. Streamlining measures in China are proceeding according to plan. The number of new products continues at a high level with strong demand for smart door locks and other digital solutions.

Market trend

Demand in large parts of the region was good and sales were strong in the Pacific region, South Korea, Southeast Asia, Japan and India. In India the division is building a market-leading position that was strengthened with in-house production with the acquisition of SMI. This leading manufacturer of locks and door hardware, with sales of approximately SEK 140 million and 960 employees, has a high potential for product development and increased sales. However, demand in China, which accounts for about half of the division's sales, remained weak, especially in the residential segment and in the northern parts of the country where the division has its largest market. Sales declined sharply for fire and security doors. Organic sales in China declined with –4 percent. The commercial segment had low growth, but accounts for a smaller portion of the business.

Demand for digital and mobile solutions is strong and rapidly growing in the region, with Korea leading the way as a global pioneer. Digital, smart door locks are also an extremely popular product and continued to grow with double-digit figures. Demand for sustainable and climate-smart solutions go hand in hand with the digital trend and increased sharply from a low level, especially in China where the desire to address environmental problems has now become an important driver. The division is developing its market leadership with clear market segmentation, investments in specifications and increased customer focus.

Product leadership

The division continued to launch new products at a high pace. The share of products launched in the past three years increased to 38 percent of total sales, compared with the Group target of 25 percent. The region has a large generation of young consumers who are extremely interested in technology. The division is strengthening its product leadership by increasing investments in innovation and new products. The number of development engineers continued to increase in the division's 15 development centers, including in China, where products are also developed for the entire region. Interest in sustainable products is rapidly growing, especially in China, where regulatory requirements promote for environmentally rated and energy-efficient products. The division has the widest range of "green" products with a rapidly growing number of environmental product declarations.

Cost-efficiency

The sharp decline in demand in the Chinese market after a prolonged construction boom in the residential segment has been ongoing for three years. In addition, accounting errors were found at some companies in 2016, which has led to improved and increased control. The division has sharply cut back on staff and in 2017 the number of employees declined by about 1,000 in China to a total of 8,900 or a 10 percent reduction. As a result the number of employees in the division have been reduced by 23 percent, excluding acquisitions, in the last three years. For several years the division has been working intensively on streamlining the production structure, increased outsourcing, greater efficiency throughout the value chain, robotics and expanded Lean programs. These efforts provide continuous results that pointed in a positive direction during the year, though the gains were partially offset by higher commodity prices.

The Seamless Flow initiative also continued. Over 60 percent of the division is now working in a common business system. Streamlining of administrative information flows broadened to include more processes such as product data, order and billing systems, as well as marketing with the expansion of e-commerce.

FACTS ON ASIA PACIFIC

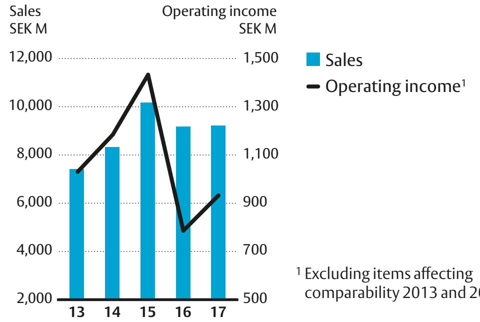
Financials in brief 2017

- Sales: SEK 9,211 million (9,189) with 0 percent organic growth.
- Operating income (EBIT): SEK 934 million (787).[1]
- Operating margin: 10.1 percent (8.6).[1]

[1] Excluding items affecting comparability.

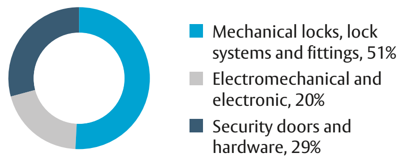
See key figures for Asia Pacific p59

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability 2013 and 2016.

SALES BY PRODUCT GROUP



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

Markets: The Asian countries are predominately emerging markets without established security standards. New construction accounts for around three-quarters of sales. In the Chinese market the same types of lock, handle and hardware are often used in both homes and workplaces. The production units in China also produce for ASSA ABLOY's other divisions. Australia and New Zealand are mature markets with established lock standards, where renovations and upgrades account for the majority of sales.

Acquisitions 2017: SMI (Shree Mahavir Metalcraft) in India.

Global Technologies

Strong sales and earnings trend

Global Technologies, which consists of HID Global and ASSA ABLOY Hospitality, achieved strong organic sales growth of 7 percent. Demand for HID Global's products and services grew in most markets and within most product segments. Strong growth continued for ASSA ABLOY Hospitality due to growing demand for hotel locks with mobile keys.

HID GLOBAL

Underlying global demand continued to be strong with growing security needs and upgrades to electromechanical technology with digital and mobile solutions. The year showed good sales growth in Europe and North America. Even in the emerging markets, sales growth was solid, with slightly weaker growth in China and Latin America.

Market growth is driven by rapid developments toward digital and mobile solutions. Demand from government agencies and institutional customers took off once again after several years of relatively weak growth. Sales increased in access management and identification technology, where the Group has launched several new solutions. Secure Issuance, which offers printing products, showed strong sales growth, as did Citizen ID, due to several projects for national identity documents during the year.

Two strategically important acquisitions were completed during the year: Mercury Security in the US, a leading OEM provider of control systems for physical access management with sales of about SEK 500 million, and Arjo Systems in France, a leading supplier of physical and digital identity solutions, with sales of about SEK 550 million. The division also sold the project business AdvanIDe with sales of about SEK 1,250 million.

HID Global's innovation and product development continued on a high level. The share of products launched in the past three years is about 34 percent, compared with the Group average of 25 percent. One strong driver is the technology shift to digital and mobile solutions with increased software content. These products have a shorter service life and require updates and modifications in response to technological developments.

The division's identity and access management products undergo constant development with new features and adaptations to different mobile platforms. In the field of printers, new products were launched with better sustainability performance, lower operating costs and higher resolution. During the year HID Location Services was launched. This service solution locates people in buildings, which increases security and makes it possible to map the flow of people in workplaces and commercial premises.

Efficiency initiatives continued, both through streamlining of operations, but also by improving processes. The relocation of passport and ID card production from Ireland to Malaysia was completed, resulting in cost savings and greater flexibility. The consolidation of development units made major advances with new units in Krakow, Poland, and in Chennai and Bangalore, India. The aim is to create fewer units with larger critical mass for product development, while increasing engineering capacity in emerging markets.

ASSA ABLOY HOSPITALITY

ASSA ABLOY Hospitality continued to have strong sales growth with high operating income and very good margin growth. Demand continues to be stronger in the mature markets than in emerging markets, where the decline in China began to level off. Demand for renovations, upgrades, systems and software also continues to be high. The main driver is the rapid growth of demand for electromechanical door opening solutions using mobile technology. Several major global hotel chains have installed and continue to install ASSA ABLOY Hospitality's high-end systems with both hardware and software that enable guests to check in by mobile phone, as well as integration with other mobile applications. ASSA ABLOY Hospitality has also begun to offer solutions for student housing, hospitals and senior housing, as well as multi-family buildings.

FACTS ON GLOBAL TECHNOLOGIES

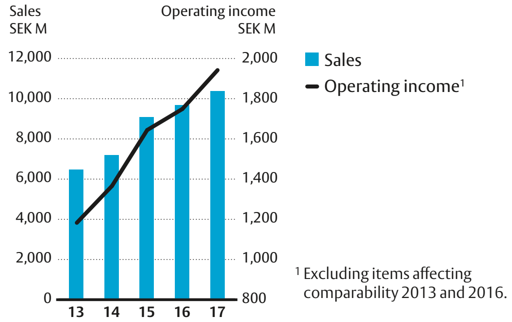
Financials in brief 2017

- Sales: SEK 10,373 million (9,697) with 7 percent organic growth.
- Operating income (EBIT): SEK 1,946 million (1,752).[1]
- Operating margin: 18.8 percent (18.1).[1]

[1] Excluding items affecting comparability.

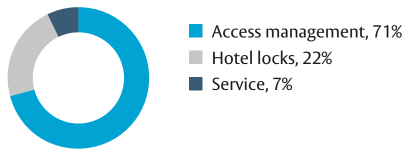
See key figures for Global Technologies ▶ p59

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability 2013 and 2016.

SALES BY PRODUCT GROUP



Offering: HID Global is a worldwide leader in trusted identity solutions, powering the trusted identities of the world's people, places and things. Millions of people around the world use HID products and services to navigate their everyday lives, and over 2 billion things are connected through HID-technology. Customers comprise companies, healthcare, education, financial, government and state institutions.

ASSA ABLOY Hospitality manufactures and sells electronic lock systems, safes, energy management systems and minibars for hotels and cruise ships under the VingCard and Elsafe product brands. It is the world's best-known brands for lock systems and in-room safes, with products installed in over seven million hotel rooms in more than 42,000 hotels worldwide.

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

Acquisitions 2017: Mercury Security in the US and Arjo Systems in France.

Continued good growth and efficiency improvement

Demand showed a positive trend in 2017, with continued good sales growth in North America and Pacific, an improvement to good growth in Western Europe and a return to high growth in emerging markets. Innovation and product development continued to focus on effective and sustainable solutions. The restructuring programs for a more efficient production structure proceeded according to plan, and other efficiency measures continued to give results.

Market trend

The division's sales grew organically by 4 percent. Good demand continued in North America in most market segments. In Europe, demand strengthened, with sales in Northern and Central Europe continuing to grow at about the same rate as last year, while it increased to a good level in Western and Southern Europe. In the emerging markets, sales increased strongly, except in China, where demand continued to be weak. The division continues to invest in an increased presence in emerging markets with the aim of increasing the share of sales from the current 12 percent to 25 percent.

Sustainability and energy savings are strong drivers of demand in all product segments. The division has a competitive and comprehensive offer, such as in entrance automation, industrial doors and high-performance doors, all products that are achieving good or strong growth, especially in Europe. Another driving force is the growth in e-commerce that is driving demand for warehouse and logistics solutions. For garage doors, growth was strong in the US, while growth was negative in Europe.

The service offering, which accounts for 27 percent of the division's sales, continued to perform well. New service concepts based on long-term contracts, with an efficient information flow and analysis for preventive maintenance and modernization, strengthen customer relationships and provide good opportunities for upselling.

Acquisitions are an important part of growth. During the year five companies were acquired: Southeastern Dock & Door, Atlantic Door Control and OHD Nashville in the US, Reco Port in Sweden, and Dimension Engineering in Ireland.

Product leadership

Innovation and product development continued at a high level. New products launched in the past three years accounted for 26 percent of sales. The Group target is 25 percent. Launches of new products and solutions encompass essentially all product segments and include a complete system for swing doors, a new generation of revolving doors, new garage products for the US market with smart digital app-based solutions, new solutions for high-performance doors and sliding doors. The division has a large and growing range of energy-saving solutions. Important product features include the ability to be quickly opened and closed, good insulation and various intelligent solutions with sensors and digital technology to monitor energy consumption.

Cost-efficiency

Consolidation of the production structure continued according to plan. The division continued to pursue efficiency initiatives with investments in robotics, implementation of Lean practices and by reducing purchasing and production costs through VA/VE analyses. The division took a major step forward in its Seamless Flow initiative, implementing a new common ERP system. The division's Commercial Excellence initiative includes improvements in its work with customer segmentation, specification projects and sales processes, including increased digitization. In addition, a transition to use only the ASSA ABLOY brand in direct sales channels is also underway.

FACTS ON ENTRANCE SYSTEMS

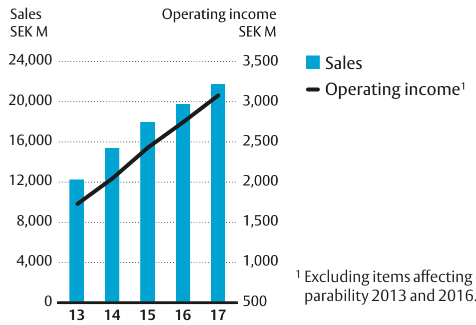
Financials in brief 2017

- Sales: SEK 21,781 million (19,789) with 4 percent organic growth.
- Operating income (EBIT): SEK 3,087 million (2,753).[1]
- Operating margin: 14.2 percent (13.9).[1]

[1] Excluding items affecting comparability.

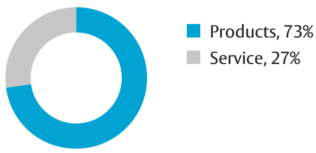
See key figures for Entrance Systems p59

SALES AND OPERATING INCOME



[1] Excluding items affecting comparability 2013 and 2016.

SALES BY PRODUCT GROUP



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

Markets: Entrance Systems is a global leader with sales worldwide. It has sales companies in 35 countries and distributors in 90 countries. Service operations account for nearly one-third of sales. The products are sold through three channels. In the direct channel, new equipment and comprehensive service are sold directly to end-customers under the ASSA ABLOY brand. The indirect channel mainly targets large and medium-sized distributors under the Entrematic brand. The third channel, Cardo, sells components and fittings for industrial doors in the industrial and residential segments, as well as sensors for the door and elevator industries.

Acquisitions 2017: Southeastern Dock & Door, Atlantic Door Control and OHD Nashville in the US, Reco Port in Sweden, and Dimension Engineering in Ireland.

Practical examples of ASSA ABLOY's security solutions

Luxury Parisian property enhances classic design with installation of Mobile Access

■ **CUSTOMER**: The five-star hotel Park Hyatt Paris-Vendôme is located in the heart of Paris. With 153 bedrooms, 43 of the luxury hotel's suites are decorated in a refined and contemporary style and guests can enjoy an array of onsite amenities, including the hotel's three restaurants.

■ **CHALLENGE**: Desiring to renovate Park Hyatt Paris-Vendôme with an innovative design solution, the Hyatt Group wanted to install security technologies that would not only adapt to the amenities offered by the hotel, but would also respond to the demands of its sophisticated guests. These innovative technologies needed to meet the requirements of a palace, in terms of both functionality and design.

■ **SOLUTION**: ASSA ABLOY Hospitality provided the property with the latest in locking technology to enhance both the design aesthetic and the guest experience, while optimizing the management of its rooms. Hotel guests can now enjoy a seamless experience by bypassing the front desk and accessing their rooms immediately upon arrival with the use of their mobile device. In addition to having the ability to book their room directly via their smartphone, they can now use it to retrieve their digital room key immediately upon arrival and have it automatically removed from their mobile device as soon as they are ready for check-out. Operating with secure Seos technology, a digitally encrypted key is delivered directly to a guests' mobile device, providing unsurpassed security with the hotel management system.

Northwestern University achieves an advanced degree of access control

■ **CUSTOMER**: Northwestern University is a private research university based in Evanston, Illinois with an enrollment of 21,000 students.

■ **CHALLENGE**: Northwestern University wanted an online access control system that could be implemented without hardwiring infrastructure or a proprietary wireless network.

■ **SOLUTION**: An interconnected web of wireless access control locks weaves a thorough system of doorway security throughout Northwestern University. The common thread connecting these doorways is WiFi locks from ASSA ABLOY Group brand Sargent.

The locks form the base of the access control system along with Sargent exit devices, mortise locks and a mix of access control components, hardware and a key system from HID Global, ASSA ABLOY Architectural Door Accessories and Group brand Medeco.

Installing an online access control system can be costly, requiring either labor-intensive hardwiring of doorways or a separate proprietary wireless network. But the IN120 WiFi locks provided a cost savings for the university by leveraging the school's existing IT infrastructure to deliver advanced access control to more locations.

"We are a longstanding Sargent customer and believe in the quality and integrity of the ASSA ABLOY family of products," said Anthony Hicks, head locksmith for the University's Evanston and Chicago campuses. "Thanks to our wireless access control system, we have a higher level of security on campus."

Smart locks for smart homes

■ **CUSTOMER**: Future Park Istanbul is a complex of several high-rise buildings covering 35,000 square meters, and comprised of an estimated 1,700 smart homes, a 5-star hotel, a shopping mall, banks, multi-sports facilities, offices and restaurants.

■ **CHALLENGE**: The apartments are designed around a 'smart home' concept with the most advanced technologies – including for access control. Solutions such as mechanical keys and locks were not an option for such an investment.

■ **SOLUTION**: Project developer Hiper Gayrimenku chose a smart door lock (model YDM 3168) from ASSA ABLOY brand Yale, with around 1,700 smart locks installed on the front door to every residential apartment. The locks provide the highest level of security at a cost-effective price.

The energy-efficient smart door lock enables residents to open the door to their apartment via their smart home system, with a secure PIN or RFID smart card. The lock's easy operation and design contributed to the choice of ASSA ABLOY's solution.

Integration of the smart door lock with the apartment's smart home system was straightforward and wire-free. RF communication allows remote opening of the entrance door using Future Park's smart home app.

Stylish security for new theater

CUSTOMER: The newly-completed Jiangsu Grand Theater in Nanjing, China, spans over 270,000 square meters and was constructed at a cost of around EUR 250 million. Its intricate design includes an opera house, a theater, a concert hall and a multifunctional hall, which can accommodate up to 8,000 people.

CHALLENGE: The hardware for the building had to adhere to stringent product configuration requirements: as well as being functional, the solutions had to have excellent visual appeal. It was also necessary to specify different hardware for different locations and applications such as the auditoriums, shops and offices.

SOLUTION: ASSA ABLOY Guoqiang therefore supplied hardware with customized colors to fit the various applications, as well as spider fittings for glass curtain walls and aluminum alloy hardware for windows and doors. In total, ASSA ABLOY Guoqiang supplied 1,000 window, facade and door hardware sets.

Despite the complexity associated with supplying such a large quantity of different solutions combined with a short lead time, Jingfang Li, general manager of ASSA ABLOY Guoqiang, says that the people involved in the project ensured its success.

"The R&D, production and sales teams worked closely together to accomplish the project," Jingfang says.

Entrematic chosen for North America's largest automated freezer facility

CUSTOMER: Preferred Freezer Services offers full service temperature controlled warehouses in 37 locations in the United States and Asia. The new 42,000 square meter facility in Richland, Washington is the largest automated freezer building in North America with over one million cubic meter of storage capacity; turning over 135 million kg of frozen potato products per quarter.

CHALLENGE: This high volume facility includes a 2,2 degrees Celsius loading dock area adjacent to the freezer building so the customer required a dock design solution that provided the highest degree of sealing capability and energy efficiency. Washington gets warm during the summer months and the temperature differential between outside and inside can be as much as 18 degrees Celsius. Additionally, the dock and door controls had to be integrated into singular panels and sequenced so product would operate only in the proper order for safety and energy efficiency.

SOLUTION: The Entrematic team worked very closely with the Preferred Freezer Services design staff to collaborate on how to seal the building effectively. The loading dock solution with Kelley dock levelers now provides a very tight seal around the trailer and the proper level of activation sequencing for safety and efficiency. The dock door selected was the TKO Verticool, which was the natural selection to eliminate condensation often present in these applications. This package has since become the standard for Preferred Freezer Services facilities worldwide.

Mobile Access for India's largest broadcaster

CUSTOMER: Star India is the country's largest multimedia entertainment company, with over 50 channels in its network and programs that are broadcast to over 100 countries.

CHALLENGE: Star India sought a solution to provide advanced and convenient access control for the staff at its Mumbai headquarters. The solution needed to be easier to manage. With the company's existing access card system, cards were easily damaged and misplaced. Each new or replacement card had to be provisioned manually.

SOLUTION: HID Global's Mobile Access solution provided a total of 2,500 mobile IDs to staff member smartphones, with iCLASS SE contactless readers at gates and doors throughout the building.

Mobile IDs are at the center of the solution. Because they are provisioned via an online portal, mobile IDs can be easily changed, issued or revoked by administrators at a moment's notice. HID's breakthrough Seos credential technology ensures that end-user identity data stored on mobile IDs is protected using secure data encryption.

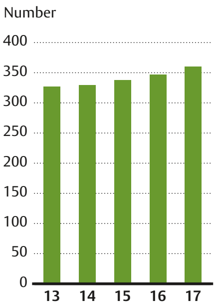
In addition to making it possible for staff members to use their own smart device of choice, Star TV India no longer has to maintain an inventory of physical access cards, which saves the company time and money while reducing its environmental footprint.

Continued good progress in sustainability

ASSA ABLOY's sustainability initiatives continued to make good progress in 2017, with advances in line with the five-year sustainability plan, with many new sustainable products, improved water and energy efficiency, more plants with certified environmental management systems (ISO 14001) and fewer workplace accidents.

Read more about ASSA ABLOY's sustainability initiatives in the 2017 Sustainability Report.

THE GROUP'S REPORTING UNITS



The number of reporting units in the Group is now 360 (347).

276

The number of products with environmental product declarations at the end of 2017 was 276.

Commercial driver

Global demand for environmentally certified products and products with improved environmental performance is growing. Customers are increasingly choosing sustainable security solutions, especially when it comes to energy consumption and health aspects for the building's users.

Sustainability initiatives are integrated into all of ASSA ABLOY's business processes, from product development to purchasing, production and logistics, and finally to sales. The goal is to reduce the impact on the environment, conserve resources and lead developments to meet the rapidly growing demand for sustainable products. Substantial sustainability gains can be achieved in the Group's product development, streamlining of the Group's production structure, investments in modern equipment and other efficiency programs such as Seamless Flow and smarter IT systems.

Governance

Responsibility for operational sustainability lies with the divisions. Governance is based on the Group's Code of Conduct for all employees and the Code of Conduct for business partners, as well as a series of policy documents that comprise the Group's sustainability commitment. A global sustainability council collects, inspires and spreads common experiences and ideas. The Group's sustainability performance is reported in detail in its Sustainability Report, which is prepared in accordance with GRI Standards: Core.

Results and focus areas

ASSA ABLOY's operational work is based on its five-year sustainability program through 2020, with more indicators and broader and faster follow-up than previous programs. Energy consumption is an important area with investments in more efficient processes and control systems. The results in 2017 are favorable and in line with the plan. Efforts to increase the share of renewable energy with the goal of 20 percent of total energy consumption in 2020 faced constraints in many countries with difficulties finding this type of energy at competitive prices. The percentage of renewables in 2017 was 12 percent of total energy consumption.

Water consumption is following the plan in the sustainability program with progress in recovery due to technology and facility investments, especially in various surface treatment processes. The use of solvents when painting products also continues to decline due to the introduction of more environmentally friendly alternatives.

ASSA ABLOY is investing more in careful sorting and recycling of waste, and as a result in some cases clean waste fractions can be sold and generate revenue. The Group is also working to find smarter production methods and more environmentally friendly packaging.

The Group's initiative to implement environmental management systems in all divisions with significant environmental impact is making progress. At the end of 2017, 131 units had environmental management systems, which means that the system now covers approximately 79 percent of employees in the Group's plants. These practices are gradually being implemented in all acquired companies with production facilities.

To spread commitment and increase activity in sustainability efforts, employees are also encouraged to form "Green Teams" at workplaces throughout the Group. They are formed through local initiatives and work concretely and practically with everyday sustainability, health and safety issues.

ASSA ABLOY is working systematically with its suppliers to improve sustainability performance across the supply chain. Evaluation and improvement of the supplier base is a continuous process, with a special focus on suppliers in low-cost countries. The number of supplier audits continues to increase and was 919 in 2017. To verify the quality of the audits, external auditors have assessed the work processes and confirmed the audit outcomes.

Strong safety culture

In 2017 a new Group-wide strategy was implemented to reduce the injury rate. The initiative is being conducted for preventive purposes. The results show a positive trend, based on a systematic approach to education, risk identification and in-depth reporting of accidents and incidents. New analytical tools and indicators have been developed to be able to quickly monitor the trend in greater detail.

Sustainable products

ASSA ABLOY is a world leader in innovation, product development and sales of climate-smart and environmentally certified products. The Group has an increased proportion of products with industry-leading sustainability characteristics, several of which are certified by a third party, such as the "Green Circle." ASSA ABLOY has a system for internal measurement of sales of sustainable products where each division defines the criteria to be included in the measurement. The objective is to stimulate development and sales of sustainable products.

Focus on employee commitment and development

Employee commitment and competence are crucial for ASSA ABLOY's success. The basic beliefs of transparency, accountability and valuing results and performance along with a clear innovation culture are the main features of the Group's role as an employer. The aim is to offer stimulating work tasks and good development opportunities, where all employees feel they are making a contribution.

ASSA ABLOY actively invests worldwide in an array of common programs for increased commitment and development for all employees. Focus areas include increased internal mobility, diversity and health and safety. The programs are decentralized and run in a decentralized manner and are harmonized with local regulations and standards and coordinated at Group level.

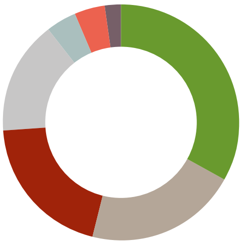
Recruitment and internal mobility

ASSA ABLOY's recruitment policy gives priority to internal candidates provided they have equal qualifications to external applicants. All job vacancies are advertised on the Group's global intranet. Recruitment takes place locally in the majority of cases. The focus on development aims to meet the demands that the digital transformation not the least place on the future organization. All employees complete an introduction program and ongoing training online. To increase internal mobility, the Group offers a variety of programs, for example the possibility to trade jobs with colleagues, or to work together for periods of time.

Diversity and gender equality

ASSA ABLOY's Code of Conduct states that gender, nationality, social or ethnic origin, age, religion, physical disability, sexual orientation and political opinion must not be the basis for negative discrimination. A key concept is "diversity of perspectives," an aspiration for an open exchange of ideas and more perspectives that promote creativity and change. The Group operates on all levels in order to achieve increased diversity. During recruitment, managers are expected to prioritize the underrepresented gender in the case of equal qualifications, provided compliance with local legislation, and to have at least one person from the underrepresented gender among the final candidates. One target is to have 30 percent of management positions held by women. In 2017 the share was 23 percent. The Group currently has 28 different nationalities in the senior management structure.

NATIONALITIES – ASSA ABLOY's MANAGEMENT TEAMS



- Europe excl. Sweden, 33%
- Sweden, 21%
- North America, 20%
- Asia, 16%
- Africa and Middle East, 4%
- South America, 4%
- Pacific, 2%

WOMEN AT DIFFERENT LEVELS OF THE ORGANIZATION

	Share of women, %				
Level	2013[1]	2014	2015	2016	2017
2 – reports to CEO	27	27	27	27	27
3 – reports to level 2	12	16	17	18	17
4 – reports to level 3	19	17	16	16	16
5 – reports to level 4	24	24	25	24	25
Levels 2–5	22	22	23	22	23
All employees	31	31	31	31	30

[1] The definition of management positions was revised in 2014. 2013 was restated for comparability with 2014.

Health and safety

A new health and safety program was launched during the year for all business entities with at least 10 employees. The goal is to significantly reduce injuries and injury incidents, improve working conditions and strengthen the safety culture of the Group. The initiative involves a Group-wide structured process with greatly expanded reporting, documentation and indicators that provide the basis for analysis of safety risks and injuries. The program includes employee training with a strong emphasis on prevention and showed positive results during the year. ASSA ABLOY's employee survey is a tool for reporting on the work environment, skills development and career opportunities and is conducted every second year. The most recent survey in 2016 had a very high response rate of 92 percent.

Development and career

ASSA ABLOY is guided by a vision to be an attractive employer for our all employees. The annual performance reviews, during which managers and employees monitor and plan the employee's professional development, are a foundation in the effort to obtain and inspire commitment and continuous development.

Leadership development aims to promote active leadership, where each employee is seen as an individual according to the motto "know your people," and based on continuous feedback. The Group has a well-established global development process for senior managers, the Talent Management Process, which aims to ensuring that the Group has the expertise it needs to meet the demands of the future.

The foundation consists of two development programs for senior managers: ASSA ABLOY MMT and ASSA ABLOY IMD, "Leading the future". MMT has three modules based on the Group's three basic strategies: market presence, product leadership and cost-efficiency. The IMD training program is conducted in cooperation with the world-famous Swiss management school IMD in Lausanne. The collaborative effort also includes a customized IMD program with about 30 participants per session. Its aim is to support the implementation of the Group's strategies, with a focus on problem solving and activities based on an analysis of various case studies. Over 500 of the Group's senior managers from 35 countries have participated in the IMD training program.

Report of the Board of Directors and Financial statements

Contents

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 January 1 through December 31, 2017. ASSA ABLOY is the global leader in door opening solutions, dedicated to satisfying end-user needs for security, safety and convenience.

Significant events

Sales and income

Sales increased by 7 percent and totaled SEK 76,137 M (71,293). The increase consisted of organic growth of 4 percent (2), acquired growth of 3 percent (3) and discontinued growth of –1 percent (0). The exchange rate impact on sales was 1 percent (0).

Operating income (EBIT) excluding items affecting comparability increased by 10 percent to SEK 12,341 M (11,254), equivalent to an operating margin of 16.2 percent (15.8). There were no items affecting comparability for 2017, while for the comparative year there were costs for the restructuring program that was launched.

Net financial items were SEK –668 M (–705). Income before tax excluding items affecting comparability totaled SEK 11,673 M (10,549). Operating cash flow increased by 4 percent to SEK 10,929 M (10,467). Earnings per share after full dilution, excluding items affecting comparability, increased 10 percent to SEK 7.77 (7.09).

Restructuring

During the year, the restructuring program that was launched the previous year involving the closure of about fifty factories and offices made progress and was effective. The savings rate has been favorable and as expected. Activities were also carried out within the framework of previously launched structural programs.

At year-end 2017, 13,564 employees had left the Group, of which 1,402 employees during the year, as a result of the changes in the production structure since the restructuring programs began in 2006. A total of 77 plant closures have been implemented, including one closure in 2017. A large number of plants in high-cost countries have switched from production to final assembly.

The Group's production is increasingly concentrated in its own plants in China, central and eastern Europe and to external suppliers in low-cost countries.

Payments for the restructuring programs totaled SEK 612 M (442) for the year. At year-end 2017, the remaining provisions for restructuring measures amounted to SEK 944 M (1,572).

Acquisitions and divestments

In July 2017, ASSA ABLOY acquired 100 percent of the share capital in the French company Arjo Systems, a leading provider of physical and digital identity solutions for national ID documents. The acquisition strengthens the current offering of secure identity solutions and will strengthen the Group's position in national ID documents, while offering additional growth opportunities. Arjo Systems operates in France, Italy and Hong Kong.

In August 2017, ASSA ABLOY acquired 76 percent of the share capital in Shree Mahavir Metalcraft (SMI), one of India's leading manufacturers of locks and hardware. In connection to the acquisition, an agreement was signed on future acquisition of outstanding interests, and the company is therefore consolidated 100 percent from the acquisition date. The acquisition strengthens the Group's position in the Indian market. SMI also offers opportunities to develop market-specific and competitive products and is a good fit with ASSA ABLOY's other operations in India. The company's headquarters are located in Jamnagar in India.

In October 2017, ASSA ABLOY acquired 100 percent of the share capital of Mercury Security, a leading US OEM supplier of control systems for physical access control. The acquisition strengthens the current offering in physical access management where Mercury Security considerably strengthens the Group's position in physical access management and offers complementary growth opportunities Mercury Security is headquartered in Long Beach, California.

In November 2017, ASSA ABLOY acquired 100 percent of the share capital of August Home Inc., a leading US supplier of smart digital locks. The acquisition of August Home further strengthens the strategy for smart door solutions aimed at the residential market with additional smart digital locks, doorbells with camera and complete home delivery solutions. August Home is headquartered in San Francisco, California.

Other acquisitions during the year included Southeastern Dock & Door in the US, which strengthens the leading position in entrance automation, and Jerith in the US, a leading provider of aluminum fences for private, commercial and industrial applications.

A total of 16 businesses, including minor acquisitions, were consolidated during the year. The total purchase price of these acquisitions was SEK 6,862 M on a debt-free basis, and acquisition analyses indicate that goodwill and other intangible assets with an indefinite useful life amounted to SEK 5,111 M. Net financial items were SEK 365 M.

Additional acquisitions of non-controlling interests occurred during the year for SEK 130 M (40). The holdings were previously 100 percent consolidated.

In August 2017, operations at AdvanIDe, a leading provider of products such as semiconductors and chip cards, were sold to a Singapore holding company with the Japanese South East Asia Fund as the principal owner. The operation, with headquarters in Singapore, was expected to have sales of about SEK 1,250 M in 2017. The disposal resulted in a small capital loss and had a positive impact on ASSA ABLOY's operating margin moving forward, all else being equal.

Research and development

ASSA ABLOY's expenditure on research and development during the year totaled SEK 2,244 M (2,218), equivalent to 2.9 percent (3.1) of sales.

The pace of innovation remained high throughout the year, including in areas such as digital door opening solutions, products with increased sustainability and energy-saving products. New products launched in the past three years accounted for 28 percent of sales for the year.

Sustainable development

ASSA ABLOY's operations in Gothenburg, Sweden, carry on licensable and notifiable activities under the Swedish Environmental Code. The affected operation is part of the Entrance Systems division in Gothenburg.

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

In accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, ASSA ABLOY opted to prepare the Sustainability Report as a separate report from the Annual Report. The Sustainability Report has been submitted to the auditor at the same time as the Annual Report. The 2017 Sustainability Report, reporting on the Group's prioritized environmental activities and providing other information on sustainable development, is available on the company's website, www.assaabloy.com.

Internal control and financial reporting

ASSA ABLOY strengthened the internal audit and internal control functions in terms of staffing during the year. More reviews were conducted, and work continued during the year to strengthen internal control and compliance in the business in general. Special emphasis has been placed on financial reporting and internal control compliance issues related to the internal control framework that has been in effect for some time.

Tax matters

In 2016 the Administrative Court in Sweden decided not to allow tax deductions for interest expenses relating to one of the Group's subsidiaries for the years 2008–2012 on the grounds that the deductions were misallocated. The decision was appealed to the Administrative Court of Appeal. In 2017 the Administrative Court of Appeal ruled not to change the previous decision. Tax payment that resulted from the Court's decision totaled SEK 928 M.

In 2015 the Finnish Tax Administration decided not to allow tax deductions for interest expenses in the Finnish operations for the years 2008–2012. The decision was appealed to a higher court. In 2017, the earlier decision was reconsidered to ASSA ABLOY's advantage. The decision has since been appealed by the Finnish tax authority. The total tax exposure amounts to around SEK 800 M.

Transactions with related parties

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

Significant events after the financial year-end

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

Proposed distribution of earnings

The Board of Directors and the President propose that the 2018 Annual General Meeting should approve a dividend of SEK 3.30 (3.00) per share, representing an increase of 10 percent. The proposal for profit distribution can be found in its entirety on page 98 of the Annual Report.

Outlook

Long-term outlook

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

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

Significant risks and risk management

Risk management

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

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

Organization

ASSA ABLOY's Board of Directors has overall responsibility for risk management within the Group and determines the Group's strategic focus based on recommendations from the Executive Team. In view of the decentralized structure of ASSA ABLOY, and to keep risk analysis and risk management as close as possible to the actual risks, a large proportion of operational risk management takes place at division and business unit levels.

Responsibility

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

Review process

Strategic risks, such as competitors, brand positioning and so on, are regularly reviewed at ASSA ABLOY AB's board meetings. The Group's operational risk management is continuously monitored by the Executive Team through divisional reporting and divisional board meetings. For further information on monitoring and management of operational risks, see page 43.

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

Significant risks and risk management

ASSA ABLOY's risks

STRATEGIC RISKS	OPERATIONAL RISKS	FINANCIAL 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	Risks directly attributable to business operations with a potential impact on financial position and performance. • Legal risks • 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	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

Strategic risks
The risks of this nature encountered by ASSA ABLOY include various forms of business environment risks with an impact on the security market in general, mainly changes in customer behavior, competitors and brand positioning. In addition, there are country-specific risks.

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 relating to 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 customer dependence. Risks relating to compliance with laws and regulations and to internal control and financial reporting are also included in this category.

The table on page 43 describes in more detail the management of these risks.

ASSA ABLOY's operational risks and risk management

Operational risks	Risk management	Comments
Legal risks	The Group continuously monitors anticipated and implemented changes in legislation in the countries in which it operates. Ongoing and potential disputes and other legal matters are reported regularly to the Group's central legal function. Policies and guidelines on compliance with current competition, export control and anti-corruption legislation have been implemented.	At year-end 2017, 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 2017, there are considered to be no ongoing tax cases with a significant impact on the Group's earnings. A tax-related case in Finland has been appealed to a higher court. For further information see the Report of the Board of Directors.
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 ASSA ABLOY acquired 16 businesses. The Group's acquisitions in 2017 are reported in the Report of the Board of Directors and in Note 30, Business combinations.
Restructuring measures The restructuring programs mainly entail some production units changing direction principally to final assembly, while certain units are closed.	The restructuring programs are carried on as a series of projects with stipulated activities and schedules. The various projects in the respective restructuring program are systematically monitored on a regular basis.	During the year, the restructuring program that was launched at the end of the previous year involving the closure of about fifty factories and offices made progress and was effective in 2017. The scope, costs and savings of the restructuring programs are presented in more detail in the Report of the Board of Directors.
Price fluctuations and availability of raw materials	Raw materials are purchased and handled primarily at division and business unit level. Regional committees coordinate these activities with the help of senior coordinators for selected material components.	For further information about procurement of materials, see Note 7, Expenses by nature.
Credit losses	Trade receivables are spread across a large number of customers in many markets. No individual customer in the Group accounts for more than 1 percent of sales. Commercial credit risks are managed locally at company level and monitored at division level.	Receivables from each customer are relatively small in relation to total trade receivables. The risk of significant credit losses for the Group is considered to be limited, but has increased somewhat in pace with the Group's increased share of operations in emerging markets, mainly regarding China.
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	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. Instructions about the allocation of responsibilities, authorization and procedures for ordering, sourcing and plant management are laid down in an internal control manual. Compliance is evaluated annually for all operating companies, combined with an action plan for concrete improvements. An annual internal audit of financial reporting is performed for selected Group companies on a rotating basis.	ASSA ABLOY strengthened the internal audit and internal control functions in terms of staffing in 2017 and the number of audits was increased, in part because of the previously discovered errors in the financial reporting in China during the previous year. Internal control and other related issues are reported in more detail in the Report of the Board of Directors, section on Corporate governance. 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.

Significant risks and risk management

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 34, as well as Note 24, Post-employment employee benefits.

Financing risk

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

Currency risk

Since ASSA ABLOY sells its products in countries worldwide and has companies in a large number of countries, the Group is exposed to the effects of exchange rate fluctuations. These fluctuations affect Group earnings when the income statements of foreign subsidiaries are translated to Swedish kronor (translation exposure), and when products are exported and sold in countries outside the country of production (transaction exposure). Translation exposure is primarily related to earnings in USD and EUR. This type of exposure is not hedged. Currency risk in the form of transaction exposure, i.e. the relative values of exports and imports of goods, is expected to increase over time due to rationalization of production and sourcing. In accordance with financial policy, the Group only hedged a very limited part of current currency flows in 2017. As a result, exchange rate fluctuations had a direct impact on business operations.

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

Interest rate risk

With respect to interest rate risks, interest rate changes have a direct impact on ASSA ABLOY's net interest expense. The net interest expense is also impacted by the size of the Group's net debt and its currency composition. Net debt was SEK 25,275 M (23,127) at year-end 2017. 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 derivatives 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 2017, ASSA ABLOY had obligations for pensions and other post-employment benefits of SEK 8,014 M (8,184). The Group manages pension assets valued at SEK 5,081 M (5,063). Provisions in the balance sheet for defined benefit and defined contribution plans and post-employment medical benefits totaled SEK 2,933 M (3,121). Changes in the value of assets and liabilities from year to year are due partly to the development of equity and debt capital markets and partly to the actuarial assumptions made. Significant remeasurement of obligations and plan assets is recognized on a current basis in the balance sheet and in other comprehensive income. The assumptions made include discount rates and anticipated inflation and salary increases.

Aperio gives access for students at Lund's University

CUSTOMER: Lund University, Sweden, among the top 100 universities in the world, is also one of Scandinavia's largest: with a single smart access card for its 42,000 students and 7,500 staff.

CHALLENGE: The Faculty of Law sought a replacement for its 20-year-old access control system. It needed a modern, user-friendly system, so security staff could focus on service rather than administration.

There was a need to update faculty access rights without thousands of users having to return smart cards for reprogramming. Security managers needed to block lost cards centrally, without technicians having to visit every door.

SOLUTION: The solution is based on seamless integration between ASSA ABLOY Aperio wireless locks and PACOM's Unison security management platform, which is already installed at Lund. The installed Aperio locks with integrated card readers are opened with existing student and staff cards.

With Aperio, security managers can block lost cards centrally, and it is easy to de-authorize staff and students who leave the university – an operator simply removes them from the user database and their smart card is disabled. There's no longer any security threat from lost or copied physical keys. Security staff focus on security rather than user management and system administration.

Mobile Access provides seamless solution

CUSTOMER: The Mohammed Bin Rashid Housing Establishment (MRHE) is a public company with around 200 employees. It provides housing solutions for Dubai's residents.

CHALLENGE: MRHE needed to upgrade its employee access control to an advanced solution where a mix of smart cards, smartphones and wearables could be used to open doors throughout its facilities. The company wanted a seamless upgrade and a secure and easy to use solution.

SOLUTION : MRHE chose HID Global's Seos smart cards and HID Mobile Access, enabling employees to use any combination of mobile devices and smart cards for access control. Mobile-ready iCLASS SE readers were already installed at MHRE in a phased upgrade plan.

The solution enables a new level of convenience for both users and in access management. HID Mobile Access provides employees with the option to use HID Global's patented 'Twist and Go' gesture technology or to simply tap their smartphone or wearable at a mobile-ready iCLASS SE reader to open doors.

Employee feedback has been positive and 'Twist and Go,' where users twist their phone to gain access, is very popular.

The solution enabled MRHE to simplify access management for administrators with the HID Mobile Access portal for issuing, managing and revoking Mobile IDs to smartphones and wearables.

Corporate governance

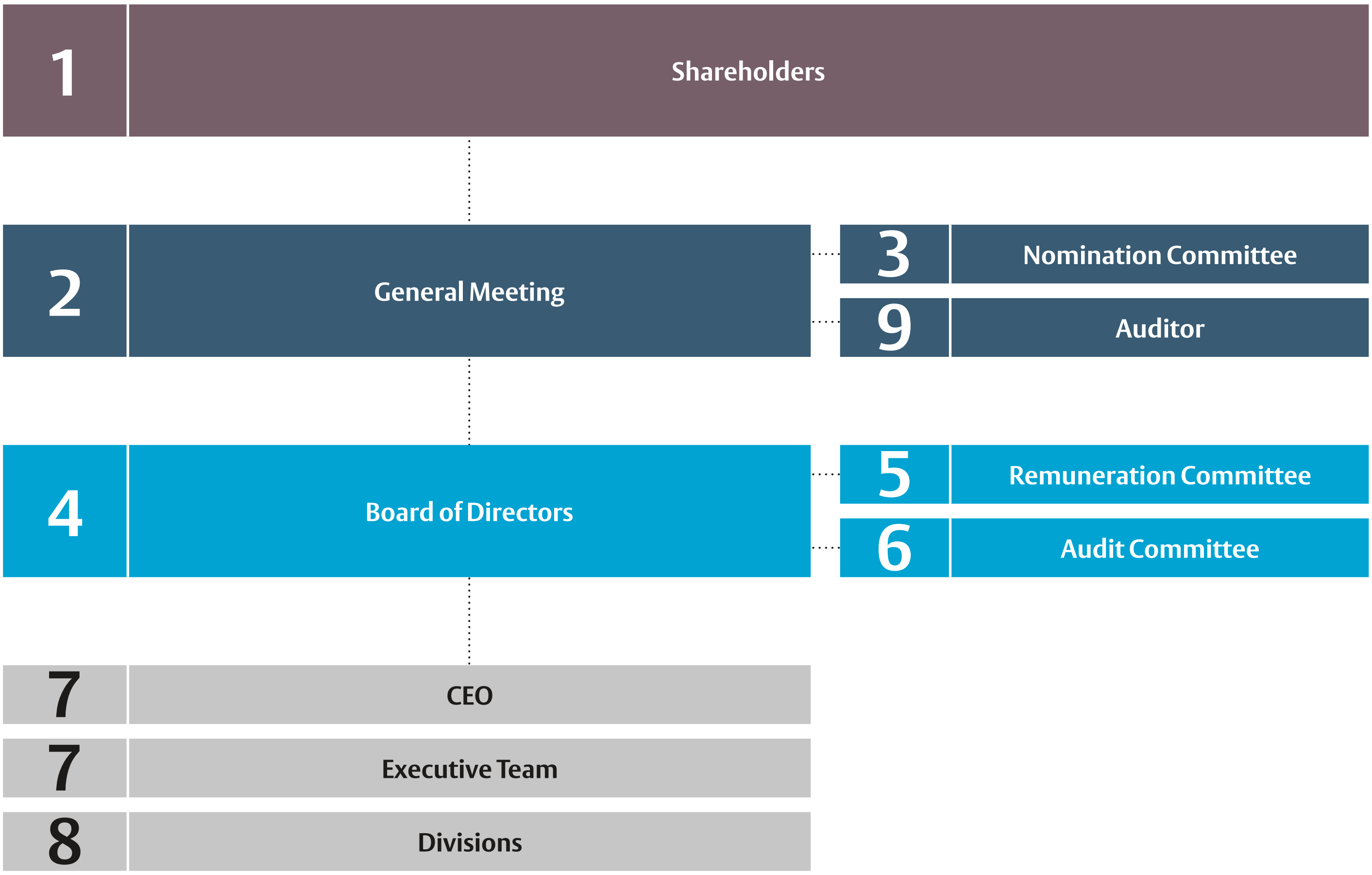
ASSA ABLOY is a Swedish public limited liability company with registered office in Stockholm, Sweden, whose Series B share is listed on the Nasdaq Stockholm.

The Group's corporate governance is based on the Swedish Companies Act, the Annual Accounts Act, the Nasdaq Stockholm Rule Book for Issuers and the Swedish Corporate Governance 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 Swedish Corporate Governance Code. The report is audited by ASSA ABLOY's auditor.

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

Corporate governance structure



Important external rules and regulations

- Swedish Companies Act
- Annual Accounts Act
- Nasdaq Stockholm 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 Trading Policy
- Internal control procedures
- Code of Conduct and Anti-Bribery Policy

1 Shareholders

At the end of 2017, ASSA ABLOY had 33,811 shareholders (27,638). The principal shareholders are Investment AB Latour (9.5 percent of the share capital and 29.5 percent of the votes) and Melker Schörling AB (3.9 percent of the share capital and 11.4 percent of the votes). Foreign shareholders accounted for 66.6 percent (64.0) of the share capital and 45.4 percent (43.7) of the votes. The ten largest shareholders accounted for 40.3 percent (39.5) of the share capital and 59.3 percent (58.7) of the votes. For further information on shareholders, see page 105.

ASSA ABLOY's Articles of Association contains a pre-emption clause for owners of Series A shares regarding Series A shares. A shareholders' agreement exists between Gustaf Douglas, Melker Schörling and related companies and includes an agreement on right of first refusal if any party disposes of Series A shares. The Board of Directors of ASSA ABLOY is not aware of any other shareholders' agreements or other agreements between shareholders in ASSA ABLOY.

Share capital and voting rights

ASSA ABLOY's share capital at the end of 2017 amounted to SEK 370,858,778 distributed among a total of 1,112,576,334 shares, comprising 57,525,969 Series A shares and 1,055,050,365 Series B shares. The total number of votes amounted to 1,630,310,055. Each Series A share carries ten votes and each Series B share one vote. All shares have a par value of around SEK 0.33 and give shareholders equal rights to the company's assets and earnings.

Repurchase of own shares

Since 2010, the Board of Directors has requested and received a mandate from the Annual General Meeting to repurchase and transfer ASSA ABLOY Series B shares. The aim has been, among other things, to secure the company's undertakings in connection with its long-term incentive programs (LTI). The 2017 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 (1,800,000) Series B shares after repurchase. These shares account for around 0.2 percent (0.2) of the share capital and each share has a par value of around SEK 0.33. The purchase consideration amounted to SEK 103 M (103). No shares were repurchased in 2017.

Share and dividend policy

ASSA ABLOY's Series B share is listed on the Nasdaq Stockholm Large Cap list. At the end of 2017, ASSA ABLOY's market capitalization amounted to SEK 189,276 M, calculated based on shares of both Series A and Series B. The Board of Directors' objective is that, in the long term, the dividend should be equivalent to 33–50 percent of income after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

2 General Meeting

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

The Annual General Meeting should be held within six months of the end of the company's financial year. Matters considered at the Annual General Meeting include: dividend; adoption of the income statement and balance sheet; discharge of the Board of Directors and the CEO from liability; election of members of the Board of Directors and Chairman of the Board of Directors; appointment of the Nomination Committee and auditors; and determination of remuneration guidelines for senior management and fees for the Board of Directors and auditors. An Extraordinary General Meeting may be held if the Board of Directors considers this necessary or if ASSA ABLOY's auditors or shareholders holding at least 10 percent of the shares so request.

2017 Annual General Meeting

The Annual General Meeting in April 2017 was attended by shareholders representing 55.3 percent of the share capital and 69.6 percent of the votes. The Annual General Meeting's resolutions included the following.

- Dividend of SEK 3.00 per share.
- Lars Renström, Carl Douglas, Ulf Ewaldsson, Eva Karlsson, Birgitta Klasén, Eva Lindqvist, Johan Molin and Jan Svensson were re-elected as members of the Board of Directors and Sofia Schörling Högberg was elected as new member of the Board of Directors. Further, Lars Renström was re-elected as Chairman of the Board of Directors, and Carl Douglas was re-elected as Vice Chairman.
- PricewaterhouseCoopers AB (PwC) was re-appointed as the company's auditor.
- Remuneration of the Board of Directors.
- Remuneration guidelines for senior management.
- 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 staff in the Group (LTI 2017).
- Members of the Nomination Committee prior to the 2018 Annual General Meeting and determination of the assignment of the Nomination Committee.

For more information about the Annual General Meeting, including the minutes, please see www.assaabloy.com.

3 Nomination Committee

The Nomination Committee prior to the 2018 Annual General Meeting comprises Carl Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur fonder) and Anders Oscarsson (AMF and AMF fonder). Carl Douglas is Chairman of the Nomination Committee. Carl Douglas is also Vice Chairman of ASSA ABLOY's Board of Directors. The Nomination Committee thus deviates from the Swedish Corporate Governance Code in that the Vice Chairman of the Board of Directors is Chairman of the Nomination Committee. The reason for this deviation is that the major shareholders consider it to be important to have the representative from the largest shareholder as Chairman of the Nomination Committee.

If a shareholder represented by one of the members of the Nomination Committee ceases to be among the major shareholders in ASSA ABLOY, the Committee has the right to appoint another representative of one of the major shareholders to replace such a member. The same applies if a member of the Nomination Committee ceases to be employed by such a shareholder or leaves the Nomination Committee before the 2018 Annual General Meeting.

The Nomination Committee has the task of preparing and recommending, on behalf of the shareholders, proposals for the election of the Chairman of the Annual General Meeting, the election of the Chairman, the Vice Chairman and other members of the Board of Directors, the appointment of the auditor, resolution on fees to the auditor and to the Board of Directors (including division between the Chairman, Vice Chairman and other members of the Board of Directors, as well as remuneration for committee work), as well as the appointment of members to the Nomination Committee and determination of the assignment of the Nomination Committee. The Audit Committee assists the Nomination Committee in work associated with the proposal regarding the appointment of the auditor.

Prior to the 2018 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 has applied ASSA ABLOY's diversity policy for the Board of Directors, which is based on Rule 4.1

Corporate governance

of the Swedish Corporate Governance Code, when preparing its proposal for election of members of the Board of Directors. The search for suitable board members is carried on throughout the year and proposals for new board members are based in each individual case on a profile of requirements established by the Nomination Committee.

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

The Nomination Committee's proposals for the 2018 Annual General Meeting are published at the latest in conjunction with the formal notification of the Annual General Meeting, which is expected to be issued around 21 March 2018.

4 Board of Directors

In accordance with the Swedish Companies Act, the Board of Directors is responsible for the organization and administration of the Group and for ensuring satisfactory control of bookkeeping, asset management and other financial circumstances. The Board of Directors decides on the Group's overall objectives, strategies, significant policies, acquisitions and divestments as well as investments of major importance. Acquisitions and divestments with a value (on a debt-free basis) exceeding SEK 200 M are decided by the Board of Directors. This 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 the Annual Report and Interim Reports, proposes a dividend and remuneration guidelines for senior management to the Annual General Meeting, and makes decisions concerning the Group's financial structure.

The Board of Directors' other ongoing duties include:

- appointing, evaluating and if necessary dismissing the CEO,
- approving the CEO's significant assignments outside 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 monitoring and control of 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 the Chairman of the Board. In addition to organizing and leading the work of the Board of Directors, the Chairman's duties include maintaining contact with the CEO to continuously monitor the Group's operations and development, consulting with the CEO on strategic issues, representing the company in matters concerning the ownership structure, ensuring that the Board receives satisfactory information and data on which to base decisions and ensuring that Board decisions are implemented. In addition, the Chairman should ensure that the work of the Board of Directors is evaluated annually.

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

The Board of Directors has a Remuneration Committee and an Audit Committee. The purpose of these Committees is to deepen and streamline the work of the Board of Directors and to prepare matters in these areas. The members of the Committees are appointed annually by the Board of Directors at the statutory board meeting.

Board of Directors' composition

The Board of Directors is elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting and shall, according to the Articles of Association, comprise a minimum of six and a maximum of ten members elected by the Meeting. Two of the members are appointed by the employee organizations in accordance with Swedish law. The employee organizations also appoint two deputies. The Board of Directors has consisted of nine elected members and two employee representatives since the 2017 Annual General Meeting. With the exception of the CEO, none of the board members are members of the Executive Team. The CEO has no significant shareholdings or partnerships in companies with significant business relationships with ASSA ABLOY.

The diversity policy that ASSA ABLOY applies with respect to the company's Board of Directors is based on Rule 4.1 of the Swedish Corporate Governance Code. The objective is that the composition of the Board of Directors, taking into account the company's operations, phase 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 2017 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 2017 Annual General Meeting, which resulted in the current Board, which in the opinion of the Nomination Committee is essentially appropriate for the purpose with respect to both the diversity policy and the company's operations, phase of development and other circumstances. After the election at the 2017 Annual General Meeting, four of nine elected members of the Board of Directors are women. In addition, in-depth reviews of operations were conducted during the year at selected divisions and the Group's common development center, Shared Technologies, in order to broaden the expertise of the Board of Directors within ASSA ABLOY. As a result of the Board's evaluation, the Board will complete training at Shared Technologies in early 2018 to gain further understanding of ASSA ABLOY's new technological solutions.

SUMMARY OF BOARD OF DIRECTORS' WORK AND COMMITTEE MEETINGS IN 2017

	January	February	March	April	May	June
Above timeline		**Ordinary board meeting** Year-end results Proposed distribution of earnings Approval Annual Report Final Audit Report Proposals to Annual General Meeting Evaluation Executive Team Acquisitions		**Ordinary board meeting** Interim Report Q1 Acquisitions Presentation Entrance Systems		
Below timeline	**Remuneration Committee meeting**	**Audit Committee meeting**	**Extraordinary board meeting** Notice Annual General Meeting	**Audit Committee meeting** **Statutory board meeting** Appointment committee members Adoption Board of Directors' rules of procedure and significant policies Signatory powers		**Extraordinary board meeting** Acquisitions

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

Board of Directors' work in 2017

The Board of Directors held twelve meetings during the year. At the ordinary board meetings the CEO reported on the Group's performance and financial position, including the outlook for the coming quarters. Acquisitions and divestments were also discussed to the extent they arose.

More important matters dealt with by the Board of Directors during the year comprised recruiting a new CEO, a number of acquisitions, including Arjo Systems, August Home and Mercury Security, and the divestment of business operations of AdvanIDe. During the year, the Board of Directors also conducted in-depth reviews of the Group's operations in the Entrance Systems division, Americas division, EMEA division, and Global Technologies division's HID Global business unit, and visited the EMEA division's operations in Birmingham, England. The Board of Directors' work is summarized in the timeline on pages 48–49.

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. The 2017 evaluation focused on the field of skills development for the Board of Directors within ASSA ABLOY's areas of operation. A summary of the results is reported to the Board of Directors at the board meeting in November. 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 2017 the Remuneration Committee comprised Lars Renström (Chairman) and Jan Svensson.

The Remuneration Committee has the task of drawing up remuneration guidelines for senior management, which the Board of Directors proposes to the Annual General Meeting for resolution. The Board of Directors' proposal for guidelines prior to the 2018 Annual General Meeting is set out on page 55.

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

The Committee held two meetings in 2017. Its work included preparing a proposal for the remuneration of the Executive Team, evaluating existing incentive programs, and preparing a proposal for a long-term incentive program for 2018. 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*

From the 2017 Annual General Meeting, the Audit Committee has consisted of Jan Svensson (Chairman), Birgitta Klasén and Sofia Schörling Högberg.

The duties of the Audit Committee include continuous monitoring and quality assurance of ASSA ABLOY's financial reporting. Regular communication is maintained with the company's auditor, including 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 auditors. Furthermore, the Audit Committee shall review and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides the company with services other than auditing services. The Audit Committee establishes guidelines for procurement of services other than audit services from the company's auditor, but otherwise, the Committee has no decision-making powers.

The Audit Committee held four meetings in 2017, which were attended by committee members, the company's auditor and representatives of senior management. More important matters dealt with by the Audit Committee during the year included internal control, financial statements and valuation matters, tax matters, insurance and risk management matters, IT 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 Annual General Meeting passes a resolution on the remuneration to be paid to board members. The 2017 Annual General Meeting passed a resolution on board fees totaling SEK 6,450,000 (excluding remuneration for committee work) to be allocated between the members as follows: SEK 2,000,000 to the Chairman, SEK 850,000 to the Vice Chairman, and SEK 600,000 to each of the other members elected by the Annual General Meeting and not employed by the company. As remuneration for committee work, the Chairman of the Audit Committee is to receive SEK 250,000, the Chairman of the Remuneration Committee SEK 150,000, members of the Audit Committee (except the Chairman) SEK 200,000 each, and members of the Remuneration Committee (except the Chairman) SEK 75,000 each.

The Chairman and other board members have no pension benefits or severance pay agreements. The CEO and employee representatives do not receive board fees. For further information on the remuneration of board members in 2017, see Note 33.

Attendance 2017, Board of Directors and Committees

Name	Board of Directors	Audit Committee	Remuneration Committee
Lars Renström	12/12		2/2
Carl Douglas	12/12		
Ulf Ewaldsson	9/12		
Eva Karlsson	12/12		
Birgitta Klasén	12/12	4/4	
Eva Lindqvist	12/12		
Johan Molin	11/12		
Sofia Schörling Högberg	8/9	2/2	
Jan Svensson	12/12	4/4	2/2
Bert Arleros	3/3		
Rune Hjälm	9/9		
Mats Persson	11/12		

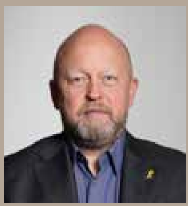
The maximum number of meetings varies due to appointment and resignation in 2017.

July	August	September	October	November	December
Ordinary board meeting Interim Report Q2 Acquisitions	**Ordinary board meeting** Presentation Americas Acquisitions		**Ordinary board meeting and visit to operations** Visit EMEA Presentation HID Acquisitions **Ordinary board meeting** Interim Report Q3	**Ordinary board meeting** Presentation Entrance Systems Evalution Board of Directors work Acquisitions	
Audit Committee meeting			**Audit Committee meeting**	**Remuneration Committee meeting**	**Extraordinary board meetings** CEO recruitment

Board of Directors

Board members elected by the 2017 Annual General Meeting


Lars Renström


Carl Douglas


Ulf Ewaldsson


Eva Karlsson


Birgitta Klasén


Eva Lindqvist


Johan Molin

Lars Renström
Chairman.
Board member since 2008.
Born 1951.
Master of Science in Engineering and Master of Science in Business and Economics.
President and CEO of Alfa Laval AB 2004–2016. President and CEO of Seco Tools AB 2000–2004. President and Head of Division of Atlas Copco Rock Drilling Tools 1997–2000. Previously a number of senior positions at ABB and Ericsson.
Other appointments: Chairman of Tetra Laval Group.
Shareholdings (including through companies and related natural parties): 30,000 Series B shares.

Carl Douglas
Vice Chairman.
Board member since 2004.
Born 1965.
BA (Bachelor of Arts) and D. Litt (h.c.) (Doctor of Letters).
Self-employed.
Other appointments: Vice Chairman of Securitas AB. Board member of Investment AB Latour.
Shareholdings (including through companies and related natural parties): 41,595,729 Series A shares and 63,900,000 Series B shares through Investment AB Latour.

Ulf Ewaldsson
Board member since 2016.
Born 1965.
Master of Science in Engineering and Business Management.
Senior Vice President and Head of Business Area Digital Services at Ericsson since 1 April 2017. Various managerial positions within the Ericsson Group since 1990, including Chief Technology Officer, Head of Strategy and Head of Group Function Strategy and Technology (September 2016–March 2017), Chief Technology Officer and Head of Group Function Technology (2012–september 2016), and Head of Product Area Radio within Business unit Networks (2007–2012). Ulf has worked internationally for over 11 years (China, Japan and Eastern Europe).
Other appointments: Chairman of KTH Royal Institute of Technology. Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Shareholdings (including through companies and related natural parties): –

Eva Karlsson
Board member since 2015.
Born 1966.
Master of Science in Engineering.
President and CEO of Armatec AB since 2014. 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 mainly in Manufacturing Management.
Other appointments: Board member of Bräcke diakoni.
Shareholdings (including through companies and related natural parties): –

Birgitta Klasén
Board member since 2008.
Born 1949.
Master of Science in Engineering and degree in Business and Economics.
Independent IT consultant (Senior IT Advisor). CIO and Head of Information Management at EADS (European Aeronautics Defence and Space Company) 2004–2005. CIO and Senior Vice President at Pharmacia 1996–2001 and previously CIO at Telia. Various positions at IBM 1976–1994.
Other appointments: Board member of Avanza.
Shareholdings (including through companies and related natural parties): 21,000 Series B shares.

Eva Lindqvist
Board member since 2008.
Born 1958.
Master of Science in Engineering and Master of Science in Business and Economics.
Senior Vice President of Mobile Business at TeliaSonera AB 2006–2007. Previously several senior positions at TeliaSonera AB, including President and Head of Business Operation International Carrier, and various positions in the Ericsson Group 1981–1999.
Other appointments: Board member of Caverion Oy, Sweco AB, Com Hem, Alimak Group AB, Mr Green & Co AB, Keller group plc and Bodycote plc. Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Shareholdings (including through companies and related natural parties): 7,650 Series B shares.

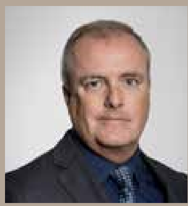
Johan Molin
Board member since 2006.
Born 1959.
Master of Science in Business and Economics.
President and CEO of ASSA ABLOY AB since 2005. CEO of Nilfisk-Advance (2001–2005). Various positions mainly in Finance and Marketing, later divisional head in the Atlas Copco Group (1983–2001).
Other appointments: Chairman of Sandvik AB.
Shareholdings (including through companies and related natural parties): 2,000,000 Series B shares.

Appointments and shareholdings as at 31 December 2017.

Board members appointed by employee organizations


Sofia Schörling Högberg


Jan Svensson


Rune Hjälm


Mats Persson


Bjarne Johansson


Nadja Wikström

Sofia Schörling Högberg
Board member since 2017.
Born 1978.
BSc (Bachelor of Science) in Business Administration.
Other appointments: Board member of Melker Schörling AB, Securitas AB and Hexagon AB.
Shareholdings (including through companies and related natural parties): 15,930,240 Series A shares and 26,882,608 Series B shares through Melker Schörling AB and 514,500 Series B shares through Edeby-Ripsa Skogsförvaltning Aktiebolag.

Jan Svensson
Board member since 2012.
Born 1956.
Degree in Mechanical Engineering and Master of Science in Business and Economics.
President and CEO of Investment AB Latour since 2003. Previously CEO of AB Sigfrid Stenberg 1986–2002.
Other appointments: Chairman of AB Fagerhult, Nederman Holding AB, Troax Group AB and Tomra Systems ASA. Board member of Loomis AB, Oxeon AB, Alimak Group AB and Investment AB Latour.
Shareholdings (including through companies and related natural parties): 6,000 Series B shares.

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

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

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

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

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

Independence of the Board of Directors

Name	Position	Independent of the company and its management	Independent of the company's major shareholders
Lars Renström	Chairman	Yes	Yes
Carl Douglas	Vice Chairman	Yes	No
Ulf Ewaldsson	Board member	Yes	Yes
Eva Karlsson	Board member	Yes	Yes
Birgitta Klasén	Board member	Yes	Yes
Eva Lindqvist	Board member	Yes	Yes
Johan Molin	Board member, President and CEO	No	–
Sofia Schörling Högberg	Board member	Yes	No
Jan Svensson	Board member	Yes	No

The Board of Directors' composition and shareholdings

Name	Position	Elected	Born	Remuneration Committee	Audit Committee	Series A shares[1]	Series B shares[1]
Lars Renström	Chairman	2008	1951	Chairman	–	–	30,000
Carl Douglas	Vice Chairman	2004	1965	–	–	41,595,729	63,900,000
Ulf Ewaldsson	Board member	2016	1965	–	–	–	–
Eva Karlsson	Board member	2015	1966	–	–	–	–
Birgitta Klasén	Board member	2008	1949	–	Member	–	21,000
Eva Lindqvist	Board member	2008	1958	–	–	–	7,650
Johan Molin	Board member, President and CEO	2006	1959	–	–	–	2,000,000
Sofia Schörling Högberg	Board member	2017	1978	–	Member	15,930,240	27,397,108
Jan Svensson	Board member	2012	1956	Member	Chairman	–	6,000
Rune Hjälm	Board member, employee representative	2017	1964	–	–	–	–
Mats Persson	Board member, employee representative	1994	1955	–	–	–	–
Bjarne Johansson	Deputy, employee representative	2015	1966	–	–	–	–
Nadja Wikström	Deputy, employee representative	2017	1959	–	–	–	–

[1] Shareholdings through companies and related natural parties.

Appointments and shareholdings as at 31 December 2017.

Executive Team

Executive Team


Johan Molin


Carolina Dybeck Happe


Mogens Jensen


Anders Maltesen

Johan Molin
President and CEO since 2005 and Head of Global Technologies division since 2007.
Born 1959.
Master of Science in Business and Economics.
Previous positions: CEO of Nilfisk-Advance 2001–2005. Various positions mainly in Finance and Marketing, later divisional head in the Atlas Copco Group 1983–2001.
Other appointments: Chairman of Sandvik AB.
Shareholdings (including through companies and related natural parties): 2,000,000 Series B shares.

Carolina Dybeck Happe
Executive Vice President and Chief Financial Officer (CFO) since 2012.
Born 1972.
Master of Science in Business and Economics.
Previous positions: CFO of Trelleborg AB 2011–2012. Previously various positions in the ASSA ABLOY Group, including CFO of ASSA ABLOY EMEA 2007–2011 and ASSA ABLOY Central Europe 2002–2006. Previous to that various positions in finance at EF Education First.
Other appointments: Member of the Supervisory Board of E.ON.
Shareholdings: 21,360 Series B shares.

Mogens Jensen
Executive Vice President and Head of Entrance Systems division since 1 January 2018.
Born 1958.
Master of Science in Mechanical Engineering, MBA.
Previous positions: Various positions in the ASSA ABLOY Group, including BA President Industrial Door and Docking Solutions, Entrance Systems division 2016–2017, Market Region Manager Scandinavia, EMEA division 2006–2016 and Managing Director Ruko A/S Denmark. Previously various Managing Director positions.
Shareholdings: 12,439 Series B shares.

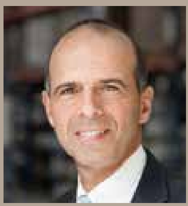
Anders Maltesen
Executive Vice President and Head of Asia Pacific division since 1 September 2017.
Born 1965.
Bachelor's degree in Marketing and Bachelor's degree in Financial and Management Accounting.
Previous positions: Regional General Manager och President, Asia Pacific, GE Energy, Power Services 2015–2017, Managing Director, Asia Pacific, Alstom Thermal Services 2014–2015, Vice President, East Asia, Alstom Thermal Services 2011–2014, General Manager, board member, Tianjin Alstom Hydro Co., Ltd. 2003–2011. Previously various positions within Alstom.
Shareholdings: –

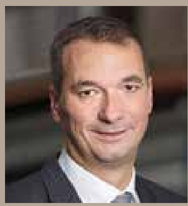
7 **Organization**
CEO and Executive Team
The Executive Team consists of the CEO, the Heads of the Group's divisions, the Chief Financial Officer and the Chief Technology Officer. For a presentation of the CEO and the other members of the Executive Team, see pages 52–53.

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

ASSA ABLOY's operating structure is designed to create maximum transparency, to facilitate financial and operational monitoring, and to promote the flow of information and communication across the Group. The five divisions are divided into around 50 business units. These consist in turn of a large number of sales and production units, depending on the structure of the business unit concerned. Apart from monitoring by unit, monitoring of products and markets is also carried out.

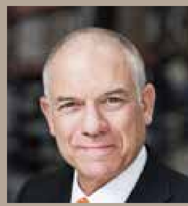
Policies and guidelines
Significant policies and guidelines in the Group include financial control, communication issues, insider issues, the Group's brands, environmental issues, business ethics, data protection and export control. ASSA ABLOY's financial policy and accounting manual provide the framework for financial control and monitoring. The Group'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 individu-


Thanasis Molokotos


Christophe Sut


Ulf Södergren


Stefan Widing


Tzachi Wiesenfeld

Thanasis Molokotos
Executive Vice President and Head of Americas division since 2004.
Born 1958.
Master of Science in Engineering.
Previous positions: President of ASSA ABLOY Architectural Hardware 2001–2004. Previously various positions and later President of Sargent Manufacturing 1993–2001.
Shareholdings: 169,010 Series B shares.

Christophe Sut
Executive Vice President and Head of Global Technologies business unit ASSA ABLOY Hospitality since 2016.
Born 1973.
Master of Science in Business and Marketing, Bachelor of Science in Language and Mathematics.
Previous positions: Various positions in the ASSA ABLOY Group, 2001–2010 and 2012–2014, including CTO and Vice President Business Development ASSA ABLOY Hospitality and Platform Director for ASSA ABLOY AB. Niscayah Group 2010–2012. SPIT France (ITW group) 1999–2001 and SAM Outillage 1997–1999.
Shareholdings: 3,498 Series B shares.

Ulf Södergren
Executive Vice President and Chief Technology Officer (CTO) since 2006.
Born 1953.
Master of Science in Engineering and Master of Science in Business and Economics.
Previous positions: Various positions in the ASSA ABLOY Group, including Regional Manager of ASSA ABLOY Scandinavia 2003–2006 and COO and Senior Vice President ASSA ABLOY 2000–2003. Previously various senior positions in Electrolux 1984–2000.
Other appointments: Board member of Mantex AB.
Shareholdings: 133,630 Series B shares.

Stefan Widing
Executive Vice President and Head of Global Technologies business unit HID Global since 2015.
Born 1977.
Master of Science in Applied Physics and Electrical Engineering and Bachelor of Social Science in Business Administration.
Previous positions: Various positions in the ASSA ABLOY Group, including Director of Product Management and General Manager of Shared Technologies Unit 2006–2015. Previously various positions in the Saab Group 2001–2006.
Shareholdings: 10,082 Series B shares.

Tzachi Wiesenfeld
Executive Vice President and Head of EMEA division since 2006.
Born 1958.
Bachelor of Science in Industrial Engineering, MBA.
Previous positions: Various positions in the ASSA ABLOY Group, including Market Region Manager and Managing Director ASSA ABLOY UK 2004–2006, and President and CEO of Mul-T-Lock Ltd. 2000–2003. Previously various senior positions at Mul-T-Lock 1990–2000.
Shareholdings: 50,962 Series B shares.

Changes in the Executive Team

Nico Delvaux has been appointed to serve as new President and CEO for ASSA ABLOY with effect from 15 March 2018. He succeeds Johan Molin, who has requested to leave the position.

Thanasis Molokotos, Executive Vice President and Head of Americas division has announced that he will leave ASSA ABLOY during 2018. Recruitment of a successor has begun.

Chris Bone has been appointed Executive Vice President and CTO with effect from 1 March 2018. He succeeds Ulf Södergren, who retires in 2018.

In 2017 Magnus Kagevik and Juan Vargues left the Executive Team.

Appointments and shareholdings as at 31 December 2017.

als in managerial positions at ASSA ABLOY AB (including subsidiaries) as well as certain other categories of employees. Brand guidelines aim to protect and develop the major assets that the Group's brands represent.

ASSA ABLOY had adopted a Code of Conduct for employees and a separate ASSA ABLOY Code of Conduct for business partners. The Codes, which are based on a set of internationally accepted conventions, define the values and guidelines that should apply both within the Group and for ASSA ABLOY's business partners with regard to business ethics, human rights and working conditions, as well as the environment, health and safety. ASSA ABLOY has also adopted an anti-bribery policy and an export control policy that apply to the whole Group. In 2017 ASSA ABLOY adopted a new data protection policy that applies to the entire Group.

9 Auditor

At the 2017 Annual General Meeting, PricewaterhouseCoopers (PwC) was re-appointed as the company's external auditor up to the end of the 2018 Annual General Meeting. In connection with the 2017 Annual General Meeting, PwC notified that the authorized public accountant Bo Karlsson would remain the auditor in charge. In addition to ASSA ABLOY, Bo Karlsson, born 1966, is responsible for auditing SKF, Scania and Investment AB Latour.

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

The external audit is conducted in accordance with International Standards in Auditing (ISA), 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 2016, Note 3.

Internal control – financial reporting

ASSA ABLOY's internal control process for financial reporting is designed to provide reasonable assurance of reliable financial reporting, which is in compliance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies.

Control environment

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

All units in the Group apply uniform accounting and reporting instructions. Internal control guidelines have been established and are reviewed annually for all operating companies. These Group-wide guidelines have a relatively broad scope and concern various processes such as ordering, sourcing, financial statements, plant management, compliance with various policies, legal matters, and HR matters.

The Code of Conduct was most recently reviewed and updated in 2016, and compliance is monitored systematically in operations.

Risk assessment

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

Control activities

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

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

In 2017 ASSA ABLOY strengthened the internal audit and internal control functions in terms of staffing, which in turn has resulted in an expanded number of audits at the division level. Each division will employ full-time internal auditors who will audit the companies and monitor internal control.

Information and communication

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

Review process

The Board of Directors and the Audit Committee evaluate and review the Annual Report and Interim Reports prior to publication. The Audit Committee monitors the financial reporting and other related issues, and regularly discusses these issues with the external auditors. All business units report their financial results monthly in accordance with the Group's accounting principles. This reporting serves as the basis for quarterly reports and a monthly legal and operating review. Operating reviews conform to a structure in which sales, earnings, cash flow, capital employed and other important key figures and trends for the Group are compiled, and form the basis for analysis and actions by management and controllers at different levels.

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

The Group-wide internal control guidelines are reviewed during the year in all operating companies through self-assessment and in some cases a second opinion from external auditors. An action plan focused on concrete measures was implemented a few years ago to further improve basic processes with an impact on the company's financial position.

Remuneration guidelines to senior management

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

The Board of Directors of ASSA ABLOY proposes that the Annual General Meeting adopts the following guidelines for the remuneration and other employment conditions of the President and CEO and other members of the ASSA ABLOY Executive Team (the Executive Team). Except for certain adjustments to the long-term incentive program for 2018, the proposed guidelines below do not involve any material change, compared with the guidelines adopted by the 2017 Annual General Meeting. The basic principle is that remuneration and other employment conditions should be in line with market conditions and be competitive. ASSA ABLOY takes into account both global remuneration practice and practice in the home country of each member of the Executive Team. The total remuneration of the Executive Team should consist of base salary, variable components in the form of annual and long term variable remuneration, other benefits and pension.

The total expensed remuneration of the Executive Team, including previous commitments not yet due for payment, is reported in Note 33.

Fixed and variable remuneration

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

In addition, the Executive Team should, within the framework of the Board of Directors' proposal for a long-term incentive program, be able to receive variable remuneration in the form of shares, based on the annual development of ASSA ABLOY's earnings per share in relation to target levels, as defined by the Board of Directors, during the measurement period 1 January 2018 – 31 December 2020, where each year during the measurement period is compared to the previous year. The outcome is calculated yearly, whereby one third of the maximum outcome is measured against the outcome for 2018, one third is measured against the outcome for 2019 and one third is measured against the outcome for 2020. The remuneration shall, if the share price is unchanged, be equivalent to a maximum of 90 percent of the base salary (excluding social security costs).

The company's annual cost of variable remuneration for the Executive Team as above, assuming maximum outcome, can total around SEK 63 M (excluding social security costs and financing cost). This calculation is made on the basis of the current members of the Executive Team.

Other benefits and pension

Other benefits, such as company car, extra health insurance or occupational healthcare, should be payable to the extent this is considered to be in line with market conditions in the market concerned. All members of the Executive Team should be covered by defined contribution pension plans, for which pension premiums are based on the executive's base salary and paid by the company during the period of employment. In addition, the Swedish participants may be given the possibility to use the outcomes from the company's long-term incentive program for pension savings according to a pension obligation. The obligation will be secured by depositing a gross amount in an endowment insurance owned by ASSA ABLOY. The pension amount must be invested in shares in ASSA ABLOY during the time the participant is employed by the Group.

Notice and severance pay

If the CEO is given notice, the company is liable to pay the equivalent 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 of six months' base salary and other employment benefits plus an additional twelve months' base salary.

Deviation from guidelines

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

Sales and income

- Net sales increased by 7 percent to SEK 76,137 M (71,293). Organic growth was 4 percent (2). Growth from acquisitions and divestments amounted to 2 percent (3).
- Operating income (EBIT) excluding items affecting comparability increased by 10 percent to SEK 12,341 M (11,254), equivalent to an operating margin of 16.2 percent (15.8).
- Earnings per share after full dilution and excluding items affecting comparability increased by 10 percent till SEK 7.77 (7.09).

Sales

The Group's sales totaled SEK 76,137 M (71,293), representing a 7-percent increase.

Change in sales

%	2016	2017
Organic growth	2	4
Acquisitions and divestments	3	2
Exchange rate effects	0	1
Total	**5**	**7**

The total change in sales for 2017 was 7 percent (5). Organic growth was 4 percent (2) and acquired growth and divestments contributed 3 percent (4) and –1 percent (–1). The exchange rate impact on sales was 1 percent (0).

Sales by product group

Mechanical locks, lock systems and fittings accounted for 27 percent (28) of total sales. Electromechanical and electronic locks rose to 27 percent (26) of sales and entrance automation accounted for 28 percentage points (28). Security doors and hardware accounted for 17 percent (18) of sales.

Cost structure

Total wage costs, including social security expenses and pension expenses, amounted to SEK 21,618 M (21,231), equivalent to 28 percent (30) of sales. The average number of employees was 47,426 (46,928).

The Group's material costs amounted to SEK 27,630 M (26,067), equivalent to 36 percent (37) of sales.

Other purchasing costs totaled SEK 13,144 M (12,675), equivalent to 17 percent (18) of sales.

Depreciation and amortization of non-current assets amounted to SEK 1,688 M (1,580), equivalent to 2 percent (2) of sales.

Operating income

Operating income (EBIT) excluding items affecting comparability increased by 10 percent to SEK 12,341 M (11,254), due to efficiency improvements and continued growth in operations. The operating margin was 16.2 percent (15.8). The exchange rate effects in operating income amounted to SEK 37 M (–12).

Operating income before amortization of intangible assets recognized in business combinations (EBITA), excluding items affecting comparability, was SEK 12,584 M (11,450) The corresponding margin was 16.5 percent (16.1).

Items affecting comparability

No items affecting comparability of material significance occurred in 2017. In 2016 a restructuring program was launched for a cost of SEK 1,597 M before tax. The program involves the closure of about fifty plants and offices over a three-year period.

Income before tax

Income before tax excluding items affecting comparability totaled SEK 11,673 M (10,549). The exchange rate effect before taxes amounted to SEK 17 M (–2). Net financial items were SEK –668 M (–705). The profit margin was 15.3 percent (14.8).

The Parent company's operating income for 2017 was SEK 1,701 M (1,687).

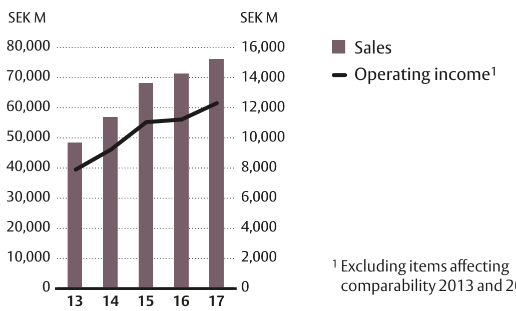
Taxes

The Group's tax expense totaled SEK 3,038 M (2,328), equivalent to an effective tax rate of 26 percent (26). The effective tax rate for 2017 included a positive impact corresponding to 0.8 percentage points attributable to the new tax reform in the US.

Earnings per share

Earnings per share before and after full dilution and excluding items affecting comparability amounted to SEK 7.77 (7.09), an increase of 10 percent.

SALES AND OPERATING INCOME



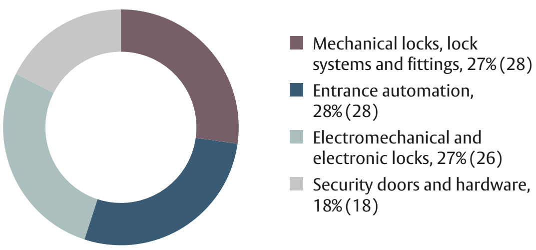
[1] Excluding items affecting comparability 2013 and 2016.

Consolidated income statement and Statement of comprehensive income

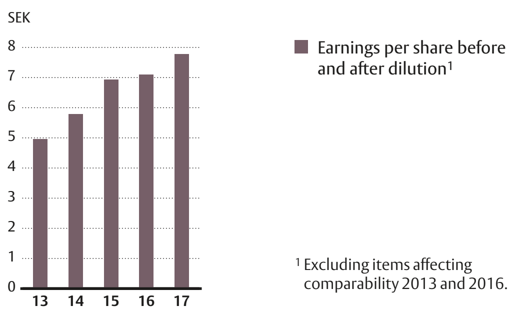
Income statement, SEK M	Note	2016	2017
Sales	2	71,293	76,137
Cost of goods sold		–44,319	–46,148
Gross income		**26,974**	**29,988**
Selling expenses		–11,543	–12,008
Administrative expenses	3	–3,473	–3,680
Research and development costs		–2,218	–2,244
Other operating income and expenses	4	–210	156
Share of earnings in associates	5	127	129
Operating income	6–9, 24, 33	**9,657**	**12,341**
Financial income	10	9	19
Financial expenses	9, 11, 24	–714	–687
Income before tax		**8,952**	**11,673**
Tax on income	12	–2,328	–3,038
Net income for the year from continuing operations		**6,625**	**8,635**
Profit from discontinued operations	31	28	–
Net income		**6,653**	**8,635**
Net income attributable to:			
Parent company's shareholders		6,651	8,633
Non-controlling interests		1	2
Earnings per share			
Before and after dilution, SEK	13	5.99	7.77
Before and after dilution and excluding items affecting comparability, SEK	13	7.09	7.77

Statement of comprehensive income, SEK M	Note	2016	2017
Net income		**6,653**	**8,635**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gain/loss on post-employment benefit obligations	24	–138	26
Deferred tax from actuarial gain/loss on post-employment benefit obligations		36	–77
Total		**–102**	**–51**
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of associates		126	50
Cash flow hedges		7	8
Net investment hedges		–39	15
Other hedges		23	–
Exchange rate differences		1,955	–1,864
Tax attributable to items that may be reclassified subsequently to profit or loss		3	4
Total		**2,077**	**–1,788**
Total comprehensive income		**8,627**	**6,796**
Total comprehensive income attributable to:			
Parent company's shareholders		8,627	6,794
Non-controlling interests		1	2

SALES BY PRODUCT GROUP, 2017



EARNINGS PER SHARE BEFORE AND AFTER DILUTION



[1] Excluding items affecting comparability 2013 and 2016.

Comments by division

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

EMEA

Sales totaled SEK 18,081 M (16,837), with organic growth of 4 percent (3). Acquired units contributed 3 percent (0) to sales. Operating income excluding items affecting comparability amounted to SEK 2,990 M (2,722), with an operating margin (EBIT) of 16.5 percent (16.2). Return on capital employed was 21.4 percent (19.9). Operating cash flow before interest paid was SEK 2,977 M (2,577).

Growth was strong or robust in the region for most markets. Sales of electromechanical locks with digital and mobile solutions increased sharply during the year. A continuing focus on innovation and new products, as well as improved efficiency and streamlining initiatives contributed to EMEA's continued good growth and high operating margin.

Americas

Sales totaled SEK 17,940 M (17,044), with organic growth of 4 percent (5). Acquired units contributed 1 percent (3) to sales. Operating income excluding items affecting comparability amounted to SEK 3,815 M (3,640), with an operating margin (EBIT) of 21.3 percent (21.4). Return on capital employed was 24.2 percent (25.0). Operating cash flow before interest paid was SEK 3,491 M (3,447).

Growth was robust in the Americas with continued positive demand in the important commercial and institutional customer segments in the US, in part due to the high pace of innovation and new product launches. Canada, Mexico and most markets in South America showed strong growth. Profitability remained strong due to robust growth in key customer segments and continuous streamlining initiatives.

Asia Pacific

Sales totaled SEK 9,211 M (9,189), with organic growth of 0 percent (–9). Acquired units contributed 0 percent (1) to sales. Operating income excluding items affecting comparability amounted to SEK 934 M (787), with an operating margin (EBIT) of 10.1 percent (8.6). Impairment of operating assets, etc., reduced operating income for the comparative year, 2016, by a total of SEK 300 M. Return on capital employed was 7.8 percent (6.6). Operating cash flow before interest paid was SEK 859 M (1,564).

The division's growth was strong in most markets in the region, with the exception of China. Pacific, South Korea and Southeast Asia all showed strong growth. The market position in India was strengthened through acquisitions. Meanwhile, demand remained weak in China with declining sales primarily in the residential segment and in the northern parts of the country. The division's operating margin increased due to stabilized sales, continued streamlining initiatives and improved efficiency.

Global Technologies

Sales totaled SEK 10,373 M (9,697), with organic growth of 7 percent (3). Acquired and divested units contributed 5 percent (3) and –5 percent (–) to sales, respectively. Operating income excluding items affecting comparability amounted to SEK 1,946 M (1,752), with an operating margin (EBIT) of 18.8 percent (18.1). Return on capital employed was 14.4 percent (16.6). Operating cash flow before interest paid was SEK 1,732 M (1,724).

Growth for the HID Global business unit was generally robust for Europe and the US, but emerging markets also showed good growth in general, albeit with a somewhat weaker trend in China and Latin America. ASSA ABLOY Hospitality showed strong growth and good profitability, driven by continued increased demand for electromechanical door opening solutions with mobile technology.

Entrance Systems

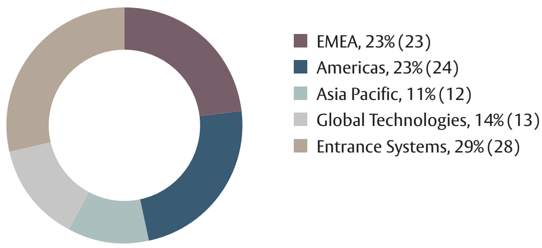
Sales totaled SEK 21,781 M (19,789), with organic growth of 4 percent (4). Acquired units contributed 6 percent (6) to sales. Operating income excluding items affecting comparability amounted to SEK 3,087 M (2,753), with an operating margin (EBIT) of 14.2 percent (13.9). Return on capital employed was 16.4 percent (15.7). Operating cash flow before interest paid was SEK 3,065 M (2,713).

Most market segments in North America reported continued robust growth. In Europe growth increased, primarily in western and southern Europe. Sales rose sharply in most emerging markets with the exception of China. New product launches, a strong service offering and consolidation of the production structure were contributing factors to the trend of continued robust growth, cash flow and increasing operating margins.

Other

The costs of Group-wide functions, such as corporate management, accounting and finance, supply management and Group-wide product development, totaled SEK 432 M (401). Elimination of sales between the Group's segments is included in 'Other'.

EXTERNAL SALES, 2017



Results by division

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Sales, external	16,535	17,729	16,963	17,873	8,491	8,553	9,619	10,301	19,685	21,681	0	0	71,293	76,137
Sales, internal	302	351	81	67	698	658	78	72	104	100	–1,262[3]	–1,249[3]	–	–
Sales	**16,837**	**18,081**	**17,044**	**17,940**	**9,189**	**9,211**	**9,697**	**10,373**	**19,789**	**21,781**	**–1,262**	**–1,249**	**71,293**	**76,137**
Organic growth	3%	4%	5%	4%	–9%	0%	3%	7%	4%	4%	–	–	2%	4%
Share of earnings in associates	–	–	–	–	23	25	–	–	104	104	–	–	127	129
Operating income (EBIT) excluding items affecting comparability	**2,722**	**2,990**	**3,640**	**3,815**	**787**	**934**	**1,752**	**1,946**	**2,753**	**3,087**	**–401**	**–432**	**11,254**	**12,341**
Operating margin (EBIT) excluding items affecting comparability	16.2%	16.5%	21.4%	21.3%	8.6%	10.1%	18.1%	18.8%	13.9%	14.2%	–	–	15.8%	16.2%
Items affecting comparability[1]	–781	–	–34	–	–258	–	–148	–	–207	–	–168	–	–1,597	–
Operating income (EBIT)	**1,942**	**2,990**	**3,606**	**3,815**	**529**	**934**	**1,603**	**1,946**	**2,546**	**3,087**	**–569**	**–432**	**9,657**	**12,341**
Operating margin (EBIT)	11.5%	16.5%	21.2%	21.3%	5.8%	10.1%	16.5%	18.8%	12.9%	14.2%	–	–	13.5%	16.2%
Net financial items													–705	–668
Tax on income													–2,328	–3,038
Profit from discontinued operations													28	–
Net income													**6,653**	**8,635**
Capital employed	13,275	13,865	15,749	16,095	11,803	12,048	11,331	15,615	18,291	18,379	–98	–71	70,351	75,932
– of which goodwill	8,348	8,571	11,012	11,190	7,920	7,752	8,784	11,121	11,480	11,696	–	–	47,544	50,330
– of which other intangible assets and property, plant and equipment	3,296	3,567	3,516	3,310	3,900	3,789	2,499	4,064	4,282	4,273	125	140	17,618	19,144
– of which investments in associates	9	9	–	–	496	519	–	17	1,605	1,699	–	–	2,109	2,243
Return on capital employed excluding items affecting comparability	19.9%	21.4%	25.0%	24.2%	6.6%	7.8%	16.6%	14.4%	15.7%	16.4%	–	–	16.5%	16.6,%
Operating income (EBIT)	1,942	2,990	3,606	3,815	529	934	1,603	1,946	2,546	3,087	–569	–432	9,657	12,341
Restructuring costs	781	–	34	–	258	–	148	–	207	–	168	–	1,597	–
Depreciation and amortization	402	421	330	333	283	310	296	353	257	255	11	15	1,580	1,688
Investments in property, plant and equipment and intangible assets	–480	–659	–385	–479	–221	–353	–239	–296	–222	–288	–28	–30	–1,575	–2,105
Sales of property, plant and equipment and intangible assets	8	88	13	13	9	16	1	–1	65	14	–	–	97	130
Change in working capital	–75	136	–152	–191	705	–48	–86	–271	–141	–4	–188	30	62	–347
Cash flow[2]	**2,577**	**2,977**	**3,447**	**3,491**	**1,564**	**859**	**1,724**	**1,732**	**2,713**	**3,065**	**–607**	**–417**	**11,418**	**11,706**
Non-cash items											–354	–221	–354	–221
Interest paid and received											–597	–557	–597	–557
Operating cash flow[2]													**10,467**	**10,929**
Average number of employees	10,835	11,033	8,961	8,836	12,481	11,756	3,907	4,328	10,505	11,211	240	264	46,928	47,426

[1] Items affecting comparability consist of restructuring costs.
[2] Excluding restructuring payments
[3] Of which eliminations SEK –1,249 M (–1,262).

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

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

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

For further information on sales, see Note 2.

OPERATING INCOME, 2017[1, 2]

[1] "Other" is not included in the calculation. See section Comments by division for what is included in "Other".
[2] Excluding items affecting comparability.

AVERAGE NUMBER OF EMPLOYEES, 2017

Financial position

- Capital employed amounted to SEK 75,932 M (70,351).
- Return on capital employed remained high at 16.6 percent (16.5).
- The net debt/equity ratio was 0.50 (0.49).

SEK M	2016	2017
Capital employed	70,351	75,932
– of which goodwill	47,544	50,330
Net debt	23,127	25,275
Equity	47,224	50,657
– of which non-controlling interests	5	9

Capital employed

Capital employed in the Group, defined as total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liabilities, amounted to SEK 75,932 M (70,351). The return on capital employed excluding items affecting comparability was 16.6 percent (16.5).

Intangible assets amounted to SEK 61,409 M (57,096). The increase is mainly due to the effects of completed acquisitions. During the year, goodwill and other intangible assets with an indefinite useful life have arisen to a preliminary value of SEK 5,063 M as a result of completed acquisitions and adjustments of acquisitions made in previous years. A valuation model, based on discounted future cash flows, is used for impairment testing of goodwill and other intangible assets with an indefinite useful life.

Property, plant and equipment amounted to SEK 8,065 M (8,066). Capital expenditure on property, plant and equipment and intangible assets, less sales of property, plant and equipment and intangible assets, totaled SEK 1,975 M (1,478). Total depreciation and amortization amounted to SEK 1,688 M (1,580).

Trade receivables amounted to SEK 13,068 M (12,648) and inventories totaled SEK 9,430 M (9,565). The average collection period for trade receivables was 54 days (56). Material throughput time was 92 days (95). The Group is making systematic efforts to increase capital efficiency.

Net debt

Net debt amounted to SEK 25,275 M (23,127), of which pension commitments and other post-employment benefits accounted for SEK 2,933 M (3,121).

Net debt was increased by acquisitions and the dividend to shareholders during the year, while it was reduced by a continued strong positive operating cash flow, as well as from exchange rate effects. Over the whole period net debt changed marginally although it fluctuated during the year.

External financing

The Group's long-term loan financing mainly consists of a Private Placement Program in the US totaling USD 442 M, of which USD 320 M (442) is long-term, a GMTN program of SEK 10,700 M (9,976), of which SEK 9,329 M (8,585) is long-term, a loan from the European Investment Bank of EUR 55 M (73) and USD 137 M (154), and a loan from the Nordic Investment Bank of EUR 110 M (110). During the year, ten new issues were made under the GMTN program for a total amount of SEK 2,157 M. In addition, a new long-term bank loan of EUR 90 M was obtained. Other changes in long-term loans are mainly due to some of the originally long-term loans now having less than 1 year to maturity. The size of the loans decreased because of currency fluctuations, in particular regarding the USD. A total of SEK 3,226 M was raised in new long-term loans, while SEK 2,637 M in originally long-term loans matured during the year.

The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 1,307 M (455) of the Commercial Paper Programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility of EUR 900 M (900), which was wholly unutilized at year-end. The interest coverage ratio, defined as income before tax plus net interest, divided by net interest, was 19.1 (14.1). Fixed interest terms increased during the year, with an average term of 25 months (28) at year-end.

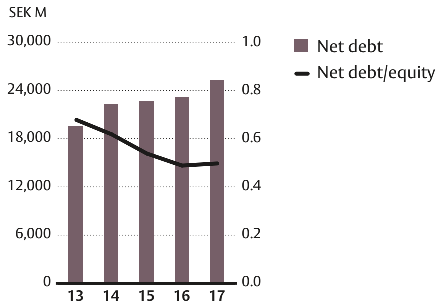
Cash and cash equivalents amounted to SEK 459 M (750). and are invested in banks with high credit ratings.

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.

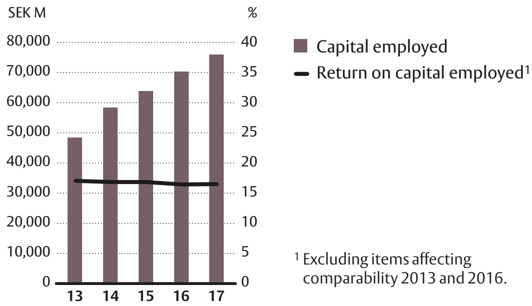
Equity

Consolidated equity was SEK 50,657 M (47,224) at year-end. The return on equity was 17.6 percent (15.0). The equity ratio was 50.9 percent (49.6). The debt/equity ratio, defined as net debt divided by equity, was 0.50 (0.49).

NET DEBT



CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



[1] Excluding items affecting comparability 2013 and 2016.

Consolidated balance sheet

SEK M	Note	2016	2017
ASSETS			
Non-current assets			
Intangible assets	14	57,096	61,409
Property, plant and equipment	15	8,066	8,065
Investments in associates	17	2,109	2,243
Other financial assets	19	86	227
Deferred tax assets	18	1,899	1,355
Total non-current assets		**69,257**	**73,299**
Current assets			
Inventories	20	9,565	9,430
Trade receivables	21	12,648	13,068
Current tax receivables		497	472
Other current receivables		1,273	1,552
Prepaid expenses and accrued income		1,123	1,015
Derivative financial instruments	34	167	107
Short-term investments	34	2	43
Cash and cash equivalents	34	750	459
Total current assets		**26,025**	**26,145**
TOTAL ASSETS		**95,282**	**99,444**
EQUITY AND LIABILITIES			
Equity			
Parent company's shareholders			
Share capital	23	371	371
Other contributed capital		9,675	9,675
Reserves		2,540	2,489
Retained earnings		34,634	38,113
Equity attributable to the Parent company's shareholders		**47,220**	**50,648**
Non-controlling interests		5	9
Total equity		**47,224**	**50,657**
Non-current liabilities			
Long-term loans	34	16,901	16,859
Deferred tax liabilities	18	2,344	2,218
Pension provisions	24	3,121	2,933
Other non-current provisions	25	1,945	1,447
Other non-current liabilities		1,634	836
Total non-current liabilities		**25,945**	**24,293**
Current liabilities			
Short-term loans	34	3,929	6,151
Derivative financial instruments	34	137	112
Trade payables		7,443	7,811
Current tax liabilities		1,142	751
Current provisions	25	797	699
Other current liabilities	26	3,190	3,446
Accrued expenses and deferred income	27	5,474	5,524
Total current liabilities		**22,112**	**24,494**
TOTAL EQUITY AND LIABILITIES		**95,282**	**99,444**

Cash flow

- Operating cash flow remained strong and amounted to SEK 10,929 M (10,467).
- Net capital expenditure totaled SEK 1,975 M (1,478).

Operating cash flow

SEK M	2016	2017
Operating income (EBIT)	9,657	12,341
Restructuring costs	1,597	–
Depreciation and amortization	1,580	1,688
Net capital expenditure	–1,478	–1,975
Change in working capital	62	–347
Interest paid and received	–597	–557
Non-cash items	–354	–221
Operating cash flow[1]	**10,467**	**10,929**
Operating cash flow/Income before tax	0.99[2]	0.94

[1] Excluding restructuring payments
[2] Excluding restructuring costs.

The Group's operating cash flow amounted to SEK 10,929 M (10,467), equivalent to 94 percent (99) of income before tax excluding restructuring costs.

Net capital expenditure

Net capital expenditure on intangible assets and property, plant and equipment totaled SEK 1,975 M (1,478), equivalent to 117 percent (94) of amortization and depreciation on intangible assets and property, plant and equipment. The higher net capital expenditure compared with the previous year can largely be explained by somewhat larger investments in property and facilities in China and the US.

Change in working capital

SEK M	2016	2017
Inventories	–551	–158
Trade receivables	–61	–696
Trade payables	461	454
Other working capital	213	52
Change in working capital	**62**	**–347**

The material throughput time was 92 days (95) at year-end. Capital tied up in working capital increased somewhat during the year, which had an impact on cash flow of SEK –347 M (62) overall.

Relationship between cash flow from operating activities and operating cash flow

SEK M	2016	2017
Cash flow from operating activities	8,575	9,248
Restructuring payments	442	612
Net capital expenditure	–1,478	–1,975
Reversal of tax paid	2,928	3,044
Operating cash flow	**10,467**	**10,929**

Investments in subsidiaries

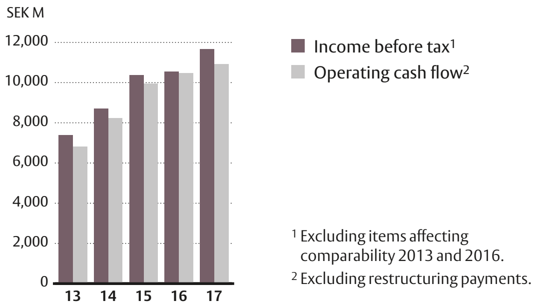
The total purchase price of investments in subsidiaries amounted to SEK 6,885 M (2,866), of which the cash flow effect was SEK 6,825 M (2,640). Acquired cash and cash equivalents totaled SEK 187 M (263).

Change in net debt

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

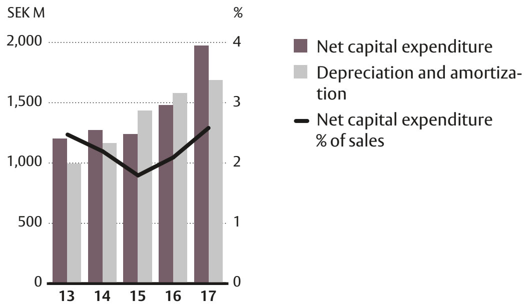
SEK M	2016	2017
Net debt at 1 January	22,269	23,127
Operating cash flow	–10,467	–10,929
Restructuring payments	442	612
Tax paid on income	2,928	3,044
Acquisitions/Divestments	3,037	6,790
Dividend	2,944	3,332
Actuarial gain/loss on post-employment benefit obligations	138	–26
Exchange rate differences, etc.	1,836	–675
Net debt at 31 December	**23,127**	**25,275**

INCOME BEFORE TAX AND OPERATING CASH FLOW



[1] Excluding items affecting comparability 2013 and 2016.
[2] Excluding restructuring payments.

CAPITAL EXPENDITURE



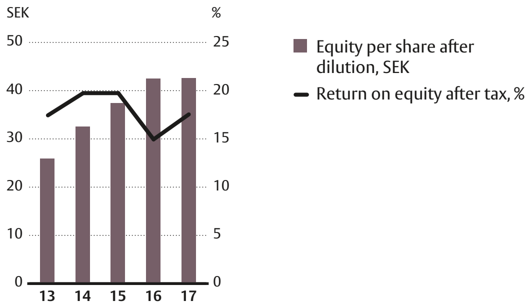
Consolidated statement of cash flows

SEK M	Note	2016	2017
OPERATING ACTIVITIES			
Operating income		9,657	12,341
Depreciation and amortization	8	1,580	1,688
Reversal of restructuring costs		1,597	–
Restructuring payments		–442	–612
Other non-cash items	32	–354	–221
Cash flow before interest and tax		**12,037**	**13,196**
Interest paid		–613	–570
Interest received		16	13
Tax paid on income		–2,928	–3,044
Cash flow before changes in working capital		**8,512**	**9,595**
Change in working capital	32	62	–347
Cash flow from operating activities		**8,575**	**9,248**
INVESTING ACTIVITIES			
Investments in property, plant and equipment and intangible assets	14, 15	–1,575	–2,105
Sales of property, plant and equipment and intangible assets	14, 15	97	130
Investments in subsidiaries	30	–2,640	–6,825
Investments in associates		–1	0
Divestments of subsidiaries	32	55	139
Other investments		0	0
Cash flow from investing activities		**–4,063**	**–8,661**
FINANCING ACTIVITES			
Dividend		–2,944	–3,332
Long-term loans raised		2,876	3,226
Long-term loans repaid		–2,223	–2,637
Purchase of shares in subsidiaries from non-controlling interest		–40	–130
Stock purchase plans		–80	–74
Change in short-term loans, etc.		–1,859	2,085
Cash flow from financing activities		**–4,271**	**–861**
CASH FLOW		**240**	**–274**
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		**501**	**750**
Cash flow		240	–274
Effect of exchange rate differences		9	–17
Cash and cash equivalents at 31 December	34	**750**	**459**

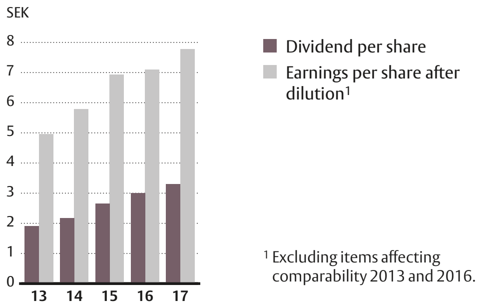
Changes in consolidated equity

		Parent company's shareholders					
SEK M	Note	Share capital	Other contributed capital	Reserves	Retained earnings	Non-controlling interests	Total
Opening balance 1 January 2016		**371**	**9,675**	**2,642**	**28,888**	**4**	**41,579**
Net income					6,651	1	6,653
Other comprehensive income				–102	2,077	0	1,975
Total comprehensive income				**–102**	**8,729**	**1**	**8,627**
Dividend for 2015	23				–2,944	–	–2,944
Stock purchase plans					–39	–	–39
Total contributions by and distributions to parent company's shareholders					**–2,982**	**–**	**–2,982**
Change in non-controlling interests					–	–	–
Total transactions with shareholders					**–2,982**	**–**	**–2,982**
Closing balance 31 December 2016	23	**371**	**9,675**	**2,540**	**34,634**	**5**	**47,224**
Opening balance 1 January 2017		**371**	**9,675**	**2,540**	**34,634**	**5**	**47,224**
Net income					8,633	2	8,635
Other comprehensive income				–51	–1,788	0	–1,839
Total comprehensive income				**–51**	**6,845**	**2**	**6,796**
Dividend for 2016	23				–3,332	–	–3,332
Stock purchase plans					–33	–	–33
Total contributions by and distributions to parent company's shareholders					**–3,366**	**–**	**–3,366**
Change in non-controlling interests					0	3	3
Total transactions with shareholders					**–3,366**	**3**	**–3,363**
Closing balance 31 December 2017	23	**371**	**9,675**	**2,489**	**38,113**	**9**	**50,657**

EQUITY PER SHARE AFTER DILUTION AND RETURN ON EQUITY AFTER TAX



DIVIDEND AND EARNINGS PER SHARE



[1] Excluding items affecting comparability 2013 and 2016.

ASSA ABLOY secures Chinese skyscraper

■ **CUSTOMER**: Ping An International Finance Center is the second highest skyscraper in China and the fourth highest in the world. The center is 599 meters high with 118 stories. The headquarters of China Ping An Insurance, it also houses offices, a hotel, a conference center and a shopping mall.

■ **CHALLENGE**: The customer needed a supplier who could provide a cost-efficient door opening solution and was able to provide technical advice and recommend hardware at the design stage. As a landmark building, the hardware was required to present good visual appeal on top of its functionality, security and convenient access control.

■ **SOLUTION**: ASSA ABLOY has delivered door opening solutions to optimize the security and aesthetic needs. The hardware solution meets ANSI and EN-standards for the various security needs around the building. Electromechanical locks matching convenience and aesthetic appeal have been provided in selected areas where access control is critical.

Mobile Access works across international offices

■ **CUSTOMER**: CafeX Communications develops software for web and mobile applications. Headquartered in New York City, it has offices in the United States, Canada and the UK.

■ **CHALLENGE**: CafeX needed to modernize its access control system to work across its international locations. The company wanted a centralized solution enabled on smartphones and wearables with speedy issuance of employee and visitor digital IDs.

■ **SOLUTION**: CafeX chose HID Mobile Access, which enables employees to easily and securely open doors in the company's offices using their smartphones or wearable devices, such as the Apple Watch.

Employees use HID Global's patented 'Twist and Go' feature or simply tap their smartphone on the HID Global readers to access the building or other sensitive entrances within the offices.

With the HID Global Mobile Access app, which holds the digital credentials, employee and visitor passes can be issued within minutes.

The solution has enabled the company to streamline its access control processes, thereby reducing administration costs and saving money. This is because it is very simple to issue, manage and revoke mobile IDs to smartphones and wearables.

Parent company financial statements

Income statement – Parent company

SEK M	Note	2016	2017
Administrative expenses	3, 6, 8, 9	–1,464	–1,524
Research and development costs	6, 8, 9	–872	–911
Capitalized work for own account		–	73
Other operating income and expenses	4	4,023	4,063
Operating income	9, 33	**1,687**	**1,701**
Financial income	10	1,697	2,955
Financial expenses	9, 11	–433	–418
Income before appropriations and tax		**2,952**	**4,238**
Group contributions		1,240	1,300
Change in excess depreciation and amortization		–	–565
Tax on income	12	–573	–303
Net income		**3,619**	**4,670**

Statement of comprehensive income – Parent company

SEK M	2016	2017
Net income	**3,619**	**4,670**
Other comprehensive income	–	–
Total comprehensive income	**3,619**	**4,670**

Balance sheet – Parent company

SEK M	Note	2016	2017
ASSETS			
Non-current assets			
Intangible assets	14	408	3,497
Property, plant and equipment	15	30	32
Shares in subsidiaries	16	33,611	34,242
Other financial assets	19	1,621	1,808
Total non-current assets		**35,670**	**39,579**
Current assets			
Receivables from subsidiaries		10,329	12,716
Other current receivables		44	14
Prepaid expenses and accrued income		175	10
Cash and cash equivalents		0	0
Total current assets		**10,548**	**12,740**
TOTAL ASSETS		**46,218**	**52,319**
EQUITY AND LIABILITIES			
Equity	22		
Restricted equity			
Share capital	23	371	371
Revaluation reserve		275	275
Statutory reserve		8,905	8,905
Fund for development expenses		–	139
Non-restricted equity			
Share premium reserve		787	787
Retained earnings including net income for the year		10,852	12,017
Total equity		**21,190**	**22,494**
Untaxed reserves		**–**	**565**
Non-current liabilities			
Long-term loans	34	8,786	10,491
Other non-current liabilities		108	90
Total non-current liabilities		**8,894**	**10,581**
Current liabilities			
Short-term loans	34	1,404	1,371
Trade payables		91	116
Current liabilities to subsidiaries		14,144	16,805
Current tax liabilities		170	5
Other current liabilities		5	10
Accrued expenses and deferred income	27	319	372
Total current liabilities		**16,134**	**18,679**
TOTAL EQUITY AND LIABILITIES		**46,218**	**52,319**

Cash flow statement – Parent company

SEK M	Note	2016	2017
OPERATING ACTIVITIES			
Operating income		1,687	1,701
Depreciation and amortization	8	448	339
Cash flow before interest and tax		**2,135**	**2,040**
Interest paid and received		–279	–285
Dividends received		1,601	2,832
Tax paid and received		–541	–614
Cash flow before changes in working capital		**2,916**	**3,973**
Changes in working capital		–263	1,431
Cash flow from operating activities		**2,653**	**5,404**
INVESTING ACTIVITIES			
Investments in property, plant and equipment and intangible assets		–203	–3,431
Investments in subsidiaries		–669	–630
Other investments		–1	0
Cash flow from investing activities		**–873**	**–4,061**
FINANCING ACTIVITIES			
Dividends		–2,944	–3,332
Loans raised		2,637	2,977
Loans repaid		–1,473	–988
Cash flow from financing activities		**–1,780**	**–1,343**
CASH FLOW		**0**	**0**
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at January 1		**0**	**0**
Cash flow		0	0
Cash and cash equivalents at December 31		**0**	**0**

Change in equity – Parent company

	Restricted equity				Non-restricted equity		
SEK M	Share capital	Revaluation reserve	Statutory reserve	Fund for development expenses	Share premium reserve	Retained earnings	Total
Opening balance January 1, 2016	**371**	**275**	**8,905**	**–**	**787**	**10,215**	**20,553**
Net income						3,619	3,619
Total comprehensive income						**3,619**	**3,619**
Dividend for 2015						–2,944	–2,944
Stock purchase plans						–39	–39
Total transactions with shareholders						**–2,982**	**–2,982**
Closing balance December 31, 2016	**371**	**275**	**8,905**	**–**	**787**	**10,852**	**21,190**
Opening balance January 1, 2017	**371**	**275**	**8,905**	**–**	**787**	**10,852**	**21,190**
Net income						4,670	4,670
Total comprehensive income						**4,670**	**4,670**
Dividend for 2016						–3,332	–3,332
Stock purchase plans						–33	–33
Reclassifications				139		–139	–
Total transactions with shareholders				**139**		**–3,505**	**–3,366**
Closing balance December 31, 2017	**371**	**275**	**8,905**	**139**	**787**	**12,017**	**22,494**

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 2017 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 39–98.

Basis of preparation

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

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

Key estimates and assessments for accounting purposes

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

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

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

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

New and revised standards applied by the Group

None of the standards and interpretations to be applied for the first time for the financial year beginning 1 January 2017 had a significant impact on the consolidated financial statements.

New and revised IFRS not yet effective

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers
- IFRS 16 Leases

IFRS 9 and 15 came into force 1 January 2018 and the Group applies them from this date. IFRS 16 is applicable for financial years beginning on 1 January 2019. Early application is permitted, but the Group has chosen not to make use of this opportunity.

IFRS 15 supersedes IAS 11 Construction contracts and IAS 18 Revenue and includes a new single model for revenue recognition related to customer contracts. The project initiated in 2016 relating to the implementation of IFRS 15 has proceeded according to plan in 2017 with evaluation and analysis of the effects on the Group's financial statements. The Group's assessment of the financial effects over the course of the project have been communicated in the consolidated quarterly reports. Upon completion of the project in the fourth quarter of 2017 the Group concluded that its current revenue recognition practices are essentially in accordance with IFRS 15. The new standard will therefore have no impact on the Group's performance and financial position, though the Group's future financial statements will be affected by the expanded disclosure requirements that accompany IFRS 15.

IFRS 9 addresses classification, measurement and recognition of financial liabilities and assets and replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The Group has analyzed the standard and concluded that it will not have any material impact on the Group's performance and financial position. No effects of changes in accounting policies as a result of IFRS 9 will be recognized in equity in 2018. The part of the standard that has the greatest impact on the Group is the new impairment model that is being implemented, based on expected credit losses rather than incurred losses. For the Group, the new model will entail a new procedure for measurement of credit losses.

In 2017 the Group started preparing for IFRS 16, which is applicable from 1 January 2019, but it has not yet assessed the financial impact of the standard.

Consolidated financial statements

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

The consolidated financial statements have been prepared in accordance with the purchase method, which means that the cost of shares in subsidiaries was eliminated against their equity at the acquisition date. In this context, equity in subsidiaries is determined on the basis of the fair value of assets, liabilities and contingent liabilities at the acquisition date. Consequently, only that part of the equity in subsidiaries that has arisen after the acquisition date is included in consolidated equity. The Group determines on

Note 1 cont.

an individual basis for each acquisition whether a non-controlling interest in the acquired company shall be recognized at fair value or at the interest's proportional share of the acquired company's net assets. Any negative difference, negative goodwill, is recognized as revenue immediately after determination.

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

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

Non-controlling interests

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

Associates

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

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

Segment reporting

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

Foreign currency translation

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

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

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

		Average rate		Closing rate	
Country	**Currency**	**2016**	**2017**	**2016**	**2017**
Argentina	ARS	0.58	0.51	0.57	0.43
Australia	AUD	6.36	6.54	6.58	6.43
Brazil	BRL	2.47	2.67	2.80	2.49
Canada	CAD	6.46	6.57	6.75	6.57
Switzerland	CHF	8.67	8.67	8.91	8.44
Chile	CLP	0.013	0.013	0.014	0.013
China	CNY	1.29	1.27	1.31	1.27
Colombia	COP	0.0028	0.0029	0.0030	0.0028
Czech Republic	CZK	0.35	0.37	0.35	0.39
Denmark	DKK	1.27	1.30	1.29	1.32
Euro zone	EUR	9.44	9.64	9.58	9.86
United Kingdom	GBP	11.60	11.03	11.19	11.11
Hong Kong	HKD	1.11	1.10	1.17	1.06
Hungary	HUF	0.030	0.031	0.031	0.032
Israel	ILS	2.24	2.38	2.37	2.38
India	INR	0.127	0.131	0.134	0.129
Kenya	KES	0.084	0.083	0.089	0.080
South Korea	KRW	0.0074	0.0076	0.0076	0.0077
Mexico	MXN	0.46	0.45	0.44	0.42
Malaysia	MYR	2.06	1.99	2.03	2.03
Norway	NOK	1.02	1.03	1.05	1.00
New Zealand	NZD	5.97	6.07	6.33	5.86
Poland	PLN	2.16	2.26	2.17	2.36
Romania	RON	2.10	2.11	2.11	2.12
Russia	RUB	0.13	0.15	0.15	0.14
Singapore	SGD	6.19	6.19	6.30	6.17
Thailand	THB	0.24	0.25	0.25	0.25
Turkey	TRY	2.84	2.36	2.58	2.18
US	USD	8.58	8.55	9.11	8.25
South Africa	ZAR	0.59	0.64	0.67	0.67

Revenue

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

Intra-Group sales

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

Note 1 cont.

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

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

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

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

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

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

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

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

Note 1 cont.

Leasing

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

Impairment

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

For assets that are depreciated/amortized, impairment testing is carried out when events or circumstances indicate that the carrying amount many 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. A provision is recognized when there is objective evidence that the Group will not be able to collect recorded amounts. The year's change in such a provision is recognized in the income statement as selling expenses.

Financial assets

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

Financial assets at fair value through the income statement

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

Available-for-sale financial assets

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

Loans and receivables

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

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

Financial liabilities

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

Financial liabilities at fair value through the income statement

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

Loan liabilities

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

Trade payables

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

Recognition and measurement of financial assets and liabilities

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

Note 1 cont.

Derivative instruments and hedging

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

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

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

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

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

Fair value hedges

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

Cash flow hedges

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

Net investment hedges

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

Provisions

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

Assets and liabilities of 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.

Remuneration of employees

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

Equity-based incentive programs

The Group has equity-based remuneration plans in the form of ASSA ABLOY's long-term incentive program presented for the first time at the 2010 Annual General Meeting. For the long-term incentive program, personnel costs during the vesting period are recognized based on the shares' fair value

Note 1 cont.

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

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

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 Annual 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.

Pension obligations

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

Dividend

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

Research and development costs

Research and development costs are expensed as incurred.

Intangible assets

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

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 is 5–10 years for equipment and 4 years for IT equipment.

Leasing

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

Shares in subsidiaries

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

Financial instruments

Derivative instruments are recognized at fair value. Changes in the value of derivatives are recognized in profit or loss.

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

Customer sales by country

	Group	
SEK M	2016	2017
US	25,276	26,940
China	5,308	4,853
Sweden	3,895	4,203
France	3,510	3,714
Germany	2,949	3,193
United Kingdom	2,961	3,134
Canada	2,194	2,420
Australia	1,974	2,145
Netherlands	1,747	1,866
Finland	1,674	1,761
Norway	1,568	1,580
South Korea	1,395	1,556
Belgium	1,240	1,423
Denmark	1,066	1,308
Mexico	956	1,274
Spain	997	1,057
Brazil	822	922
Italy	762	811
Switzerland	829	784
Poland	639	697
Austria	596	632
India	521	621
United Arab Emirates	572	585
South Africa	384	488
New Zealand	498	484
Czech Republic	425	447
Saudi Arabia	420	406
Chile	328	365
Turkey	338	362
Singapore	261	300
Israel	258	297
Hong Kong	282	280
Ireland	181	278
Malaysia	274	251
Colombia	210	243
Philippines	199	221
Thailand	244	215
Russia	242	211
Japan	194	200
Portugal	159	189
Hungary	129	182
Romania	163	166
Estonia	136	161
Indonesia	137	158
Slovakia	121	138
Croatia	106	113
Taiwan	85	104
Kazakhstan	8	100
Vietnam	52	97
Guatemala	72	84
Other countries	1,940	2,116
Total	**71,293**	**76,137**

Sales by continent

	Group	
SEK M	2016	2017
Europe	26,869	28,961
North America	28,427	30,635
Central and South America	2,012	2,176
Africa	923	1,099
Asia	10,573	10,617
Oceania	2,490	2,649
Total	**71,293**	**76,137**

Sales by product group

	Group	
SEK M	2016	2017
Mechanical locks, lock systems and fittings	20,228	20,796
Entrance automation	19,693	21,220
Electromechanical and electronic locks	18,545	20,820
Security doors and hardware	12,828	13,301
Total	**71,293**	**76,137**

Note 3 Auditors' fees

	Group		Parent company	
SEK M	2016	2017	2016	2017
Audit assignment				
PwC	47	52	4	5
Others	13	16	–	–
Audit-related services in addition to audit assignment				
PwC	1	1	1	0
Tax advice				
PwC	9	10	1	1
Others	5	9	0	1
Other services				
PwC	20	32	1	1
Others	10	6	1	0
Total	**106**	**126**	**8**	**8**

The auditors' fee for PwC in Sweden during the year was SEK 8 M and the fee for extra services was SEK 8 M.

Note 4 Other operating income and expenses

	Group	
SEK M	2016	2017
Rental income	12	6
Business-related taxes	–33	–40
Profit on sales of non-current assets	29	45
Profit/loss on sales of subsidiaries	–33	–42
Transaction expenses from acquisitions	–82	–86
Exchange rate differences	–30	–2
Impairment operating assets, etc., in China	–708	–191
Revalued Earnout	440	300
Other, net	195	165
Total	**–210**	**156**

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

	Group	
SEK M	2016	2017
Agta Record AG	95	91
Goal Co., Ltd	23	25
SARA Loading Bay Ltd	–2	0
Saudi Crawford Doors Factory Ltd	10	12
Others	1	0
Total	**127**	**129**

The share of earnings in Agta Record AG has been estimated on the basis of the associated company's latest available financial report, which is the published Interim Report for the first half of 2017.

Note 6 Operating leases

	Group		Parent company	
SEK M	2016	2017	2016	2017
Lease payments during the year	895	1,029	14	19
Total	**895**	**1,029**	**14**	**19**
Nominal value of agreed future lease payments:				
Due for payment in:				
(2017) 2018	822	904	17	23
(2018) 2019	646	726	17	23
(2019) 2020	481	542	18	24
(2020) 2021	334	398	18	25
(2021) 2022	236	276	19	26
(2022) 2023 or later	316	373	19	26
Total	**2,835**	**3,218**	**107**	**147**

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

Note 7 Expenses by nature

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

	Group	
SEK M	2016	2017
Remuneration of employees (note 33)	21,231	21,618
Direct material costs	26,067	27,630
Depreciation and amortization (notes 8, 14, 15)	1,580	1,688
Other purchase expenses	12,675	13,144
Total	**61,553**	**64,081**

Note 8 Depreciation and amortization

	Group		Parent company	
SEK M	2016	2017	2016	2017
Intangible assets	483	598	445	329
Machinery	534	528	–	–
Equipment	322	334	3	10
Buildings	235	210	–	–
Land improvements	7	7	–	–
Finance leases	–	11	–	–
Total	**1,580**	**1,688**	**448**	**339**

Note 9 Exchange differences in the income statement

	Group		Parent company	
SEK M	2016	2017	2016	2017
Exchange differences recognized in operating income	–29	–2	–22	–13
Exchange differences recognized in financial expenses (note 11)	26	20	–33	8
Total	**–4**	**18**	**–55**	**–5**

Note 10 Financial income

	Group		Parent company	
SEK M	2016	2017	2016	2017
Earnings from investments in subsidiaries	–	–	1,556	2,783
Earnings from investments in associates	–	–	45	49
Intra-Group interest income	–	–	96	123
Other financial income	1	1	–	0
External interest income and similar items	8	18	–	0
Total	**9**	**19**	**1,697**	**2,955**

Note 11 Financial expenses

	Group		Parent company	
SEK M	2016	2017	2016	2017
Intra-Group interest expenses	–	–	–251	–263
Interest expenses, other liabilities[1]	–598	–584	–120	–132
Interest expenses, interest rate swaps	25	31	–	–4
Interest expenses, foreign exchange forwards	–120	–111	–	–
Exchange rate differences on financial instruments	26	20	–33	8
Fair value adjustments on shares and interests	–	–	1	0
Other financial expenses	–47	–43	–30	–27
Total	**–714**	**–687**	**–433**	**–418**

[1] Of which –23 (–14) is fair value adjustments on derivatives, non-hedge accounting, for the Group.

Note 12 Tax on income

	Group		Parent company	
SEK M	2016	2017	2016	2017
Current tax	–2,570	–3,025	–573	–484
Tax attributable to prior years	119	279	0	–
Foreign Coupon Tax	–28	–52	–	–6
Deferred tax	152	–240	–	187
Total	**–2,328**	**–3,038**	**–573**	**–303**

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

	Group		Parent company	
Percent	2016	2017	2016	2017
Swedish rate of tax on income	22	22	22	22
Effect of foreign tax rates	8	8	–	–
Non-taxable income/non-deductible expenses, net	–1	–1	–8	–16
Utilized loss carryforward not recognized in prior period	–1	–1	–	–
Other	–2	–2	–	–
Effective tax rate in income statement	**26**	**26**	**14**	**6**

Note 13 Earnings per share

Earnings per share before and after dilution

	Group	
SEK M	2016	2017
Earnings attributable to the Parent company's shareholders	6,651	8,633
Net profit	6,651	8,633
Weighted average number of shares issued (thousands)	1,110,776	1,110,776
Earnings per share (SEK)	**5.99**	**7.77**
of which from continuing operations	*5.96*	*7.77*
of which from discontinued operations	*0.03*	*–*

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

	Group	
SEK M	2016	2017
Earnings attributable to the Parent company's shareholders	6,651	8,633
Items affecting comparability, after tax[1]	1,221	–
Net profit	7,872	8,633
Weighted average number of shares issued (thousands)	1,110,776	1,110,776
Earnings per share excluding items affecting comparability (SEK)	**7.09**	**7.77**
of which from continuing operations	*7.06*	*7.77*
of which from discontinued operations	*0.03*	*–*

[1] Items affecting comparability consist of restructuring costs.

Note 14 Intangible assets

	Group				Parent company
2017, SEK M	Goodwill	Brands	Other intangible assets	Total	Intangible assets
Opening accumulated acquisition cost	**47,609**	**6,451**	**6,743**	**60,804**	**3,357**
Purchases	–	1	555	556	3,279
Acquisitions of subsidiaries	4,962	101	1,742	6,805	–
Divestments of subsidiaries	–76	–	–	–76	–
Sales, disposals and adjustments	–	0	–25	–25	–
Reclassifications	–	–	34	34	139
Exchange rate differences	–2,100	–209	–216	–2,527	–
Closing accumulated acquisition cost	**50,394**	**6,344**	**8,833**	**65,571**	**6,775**
Opening accumulated amortization/impairment	**–65**	**–98**	**–3,544**	**–3,708**	**–2,949**
Sales, disposals and adjustments	–	0	15	14	–
Reclassifications	–	–	–5	–5	–
Amortization	–	–2	–596	–598	–329
Exchange rate differences	2	0	133	135	–
Closing accumulated amortization/impairment	**–64**	**–101**	**–3,998**	**–4,163**	**–3,278**
Carrying amount	**50,330**	**6,243**	**4,835**	**61,409**	**3,497**

	Group				Parent company
2016, SEK M	Goodwill	Brands	Other intangible assets	Total	Intangible assets
Opening accumulated acquisition cost	**42,838**	**6,201**	**5,847**	**54,885**	**3,161**
Purchases	–	2	416	419	196
Acquisitions of subsidiaries	2,451	0	69	2,520	–
Sales, disposals and adjustments	–	–	–30	–30	–
Reclassifications	–	0	90	90	–
Exchange rate differences	2,321	247	352	2,920	–
Closing accumulated acquisition cost	**47,609**	**6,451**	**6,743**	**60,804**	**3,357**
Opening accumulated amortization/impairment	**–61**	**–98**	**–2,864**	**–3,022**	**–2,504**
Sales, disposals and adjustments	–	–	28	28	–
Reclassifications	–	–	–5	–5	–
Amortization	–	0	–482	–483	–445
Exchange rate differences	–5	0	–221	–227	–
Closing accumulated amortization/impairment	**–65**	**–98**	**–3,544**	**–3,708**	**–2,949**
Carrying amount	**47,544**	**6,353**	**3,199**	**57,096**	**408**

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 6,197 M (6,305) and relates to brands.

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

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

Impairment testing of goodwill and intangible assets with indefinite useful life

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

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

Material assumptions used to calculate values in use:

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

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

Note 14 cont.

2017

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

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

2017, SEK M	EMEA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	8,571	11,190	7,752	11,121	11,696	50,330
Intangible assets with indefinite useful life	223	735	1,813	665	2,762	6,197
Total	**8,793**	**11,924**	**9,566**	**11,786**	**14,458**	**56,528**

2016

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

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

2016, SEK M	EMEA	Americas	Asia Pacific	Global Technologies	Entrance Systems	Total
Goodwill	8,348	11,012	7,920	8,784	11,480	47,544
Intangible assets with indefinite useful life	218	809	1,862	623	2,793	6,305
Total	**8,566**	**11,821**	**9,782**	**9,407**	**14,273**	**53,849**

Sensitivity analysis

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

2017

If the estimated operating margin after the end of the budget period had been one percentage point lower than the management's estimate, the total recoverable amount would be 6 percent lower (EMEA 6 percent, Americas 4 percent, Asia Pacific 8 percent, Global Technologies 5 percent, and Entrance Systems 7 percent).

If the estimated growth rate used to extrapolate cash flows beyond the budget period had been one percentage point lower than the basic assumption of 3 percent, the total recoverable amount would be 15 percent lower (EMEA 15 percent, Americas 15 percent, Asia Pacific 13 percent, Global Technologies 15 percent, and Entrance Systems 15 percent).

If the estimated weighted capital cost used for the Group's discounted cash flows had been one percentage point higher than the basic assumption of 8.0 to 9.0 percent, the total recoverable amount would be 16 percent lower (EMEA 17 percent, Americas 17 percent, Asia Pacific 14 percent, Global Technologies 17 percent, and Entrance Systems 17 percent).

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

None of the hypothetical cases above would lead to an impairment of goodwill in an individual Cash Generating Unit, with the exception of Asia Pacific where the recovery value exceeds the reported value, though only to a minor extent. For Asia Pacific, a good future financial performance, in terms of growth and increasing operating margins, is essential for the carrying amount to be recoverable in the long term.

2016

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

If the estimated growth rate used to extrapolate cash flows beyond the budget period had been one percentage point lower than the basic assumption of 3 percent, the total recoverable amount would be 15 percent lower (EMEA 15 percent, Americas 15 percent, Asia Pacific 13 percent, Global Technologies 15 percent, and Entrance Systems 15 percent).

If the estimated weighted capital cost used for the Group's discounted cash flows had been one percentage point higher than the basic assumption of 8.0 to 9.0 percent, the total recoverable amount would be 17 percent lower (EMEA 17 percent, Americas 17 percent, Asia Pacific 15 percent, Global Technologies 17 percent, and Entrance Systems 17 percent).

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

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

Note 15 Property, plant and equipment

2017, SEK M	Group: Buildings	Land and land improve-ments	Machinery	Equipment	Construc-tion in progress	Finance leases	Total	Parent company: Equipment
Opening accumulated acquisition cost	**6,143**	**1,215**	**9,766**	**3,663**	**564**	**–**	**21,351**	**51**
Purchases	119	67	237	214	912	14	1,562	12
Acquisitions of subsidiaries	23	12	34	25	1	–	94	–
Divestments of subsidiaries	–	–	–3	0	–	–	–3	–
Sales and disposals	–251	–52	–412	–150	–8	–1	–873	–
Reclassifications	–14	–29	290	129	–589	181	–32	–
Exchange rate differences	–209	–23	–410	–119	–30	1	–790	–
Closing accumulated acquisition cost	**5,811**	**1,191**	**9,503**	**3,763**	**849**	**194**	**21,311**	**63**
Opening accumulated depreciation and impairment	**–2,937**	**–138**	**–7,399**	**–2,811**	**–**	**–**	**–13,286**	**–21**
Sales and disposals	141	0	388	137	–	1	667	–
Divestments of subsidiaries	–	–	–	0	–	–	0	–
Impairment incl. reversals	11	–6	–28	–7	–	–	–29	–
Depreciation	–210	–7	–528	–334	–	–11	–1,090	–10
Reclassifications	5	–	16	28	–	–46	3	–
Exchange rate differences	82	–1	311	96	–	1	488	–
Closing accumulated depreciation and impairment	**–2,909**	**–151**	**–7,241**	**–2,890**	**–**	**–55**	**–13,246**	**–31**
Carrying amount	**2,902**	**1,040**	**2,261**	**873**	**849**	**140**	**8,065**	**32**

2016, SEK M	Group: Buildings	Land and land improve-ments	Machinery	Equipment	Construc-tion in progress	Finance leases	Total	Parent company: Equipment
Opening accumulated acquisition cost	**5,326**	**1,106**	**8,578**	**3,168**	**636**	**–**	**18,814**	**23**
Purchases	90	3	188	210	665	–	1,156	28
Acquisitions of subsidiaries	248	17	53	33	5	–	355	–
Divestments of subsidiaries	–4	0	–82	–38	–11	–	–135	–
Sales and disposals	–63	–16	–36	–77	–17	–	–209	–
Reclassifications	186	40	333	104	–752	–	–89	–
Exchange rate differences	360	66	732	262	37	–	1,459	–
Closing accumulated acquisition cost	**6,143**	**1,215**	**9,766**	**3,663**	**564**	–	**21,351**	**51**
Opening accumulated depreciation and impairment	**–2,441**	**–135**	**–6,348**	**–2,327**	**–**	**–**	**–11,252**	**–18**
Sales and disposals	41	10	28	65	–	–	144	–
Divestments of subsidiaries	0	–	47	22	–	–	69	–
Impairment incl. reversals	–17	–	–94	–53	–	–	–165	–
Depreciation	–235	–7	–534	–322	–	–	–1,097	–3
Reclassifications	–102	0	85	21	–	–	4	–
Exchange rate differences	–183	–6	–583	–217	–	–	–989	–
Closing accumulated depreciation and impairment	**–2,937**	**–138**	**–7,399**	**–2,811**	**–**	**–**	**–13,286**	**–21**
Carrying amount	**3,205**	**1,078**	**2,366**	**853**	**564**	**–**	**8,066**	**30**

From 2017 property, plant and equipment related to financial leases are reported separately in the table above. Comparative year figures have not been restated. Finance leases primarily pertain to leases of buildings and were therefore reported under Buildings in 2016.

Impairment losses for the year totaled SEK 29 M (165), of which SEK 11 M (151) related to restructuring programs.

Note 16 Shares in subsidiaries

Company name	Corporate identity number, Registered office	Parent company: Number of shares	Share of equity	Carrying amount, SEK M
ASSA Sverige AB	556061-8455, Eskilstuna	70	100	197
ASSA ABLOY Entrance Systems AB	556204-8511, Landskrona	1,000	100	192
ASSA ABLOY Kredit AB	556047-9148, Stockholm	400	100	6,036
ASSA ABLOY Försäkrings AB	516406-0740, Stockholm	60,000	100	145
ASSA ABLOY Asia Holding AB	556602-4500, Stockholm	1,000	100	189
ASSA ABLOY OY	1094741-7, Joensuu	800,000	100	4,257
ASSA ABLOY Norge A/S	979207476, Moss	150,000	100	538
ASSA ABLOY Danmark A/S	CVR 10050316, Herlev	60,500	100	376
ASSA ABLOY Deutschland GmbH	HR B 66227, Berlin	1	100	1,086
ASSA ABLOY Nederland Holding B.V.	52153924, Raamsdonksveer	180	100	771
Pan Pan DOOR Co LTD	210800004058002, Dashiqiao	–	66[1]	2,228
ASSA ABLOY France SAS	412140907, R.C.S. Versailles	15,184,271	100	1,964
Interlock Holding AG	CH-020.3.913.588-8, Zürich	211,000	98[1]	0
HID Global Switzerland S.A.	CH-232-0730018-2, Granges	2,500	100	47
ASSA ABLOY Holding GmbH	FN 273601f, A-6175, Kematen	1	100	109
ASSA ABLOY Ltd	2096505, Willenhall	1,330,000	100	3,077
HID Global Ireland Teoranta	364896, Galway	501,000	100	293
Mul-T-Lock Ltd	520036583, Yavne	13,787,856	90[1]	901
ASSA ABLOY Holdings (SA) Ltd	1948/030356/06, Roodepoort	100,220	100	217
ASSA ABLOY Inc	039347-83, Oregon	100	100	2,546
Fleming Door Products, Ltd	147126, Ontario	25,846,600	100	0
ABLOY Canada Inc.	1148165260, Montreal	1	100	0
ASSA ABLOY Door Group, Inc.	814406948 RC0001, Ontario	1	100	17
ASSA ABLOY Australia Pacific Pty Ltd	ACN 095354582, Oakleigh, Victoria	48,190,000	100	242
Cerramex, S.A de C.V	CER8805099Y6, Mexico	4	0	0
ASSA ABLOY Mexico, S.A de CV	AAM961204CI1, Mexico	50,108,549	100	762
Cerraduras y Candados Phillips S.A de C.V	CCP910506LK2, Mexico	112	0	0
Cerraduras de Colombia S.A.	860009826-8, Bogota	2,201,670	71[1]	142
WHAIG Limited	EC21330, Bermuda	100,100	100	303
ASSA ABLOY Asia Pacific Ltd	53451, Hong Kong	1,000,000	100	72
Cardo AB	556026-8517, Malmö	27,000,000	100	5,093
ASSA ABLOY Portugal, Unipessoal, Lda (Portugal)	PT500243700, Alfragide	1	100	0
ASSA ABLOY Mobile Services AB	556909-5929, Stockholm	50,000	100	25
ASSA ABLOY Holding Italia S.p.A.	IT01254420597, Rome	650,000	100	974
HID SA (Argentina)	CUIT 30-61783980-2, Buenos Aires	2,400	2[1]	0
HID Global SAS	FR21341213411, Nanterre	1,000,000	100	679
CEDES Holding AG	CHE-101.321-677, Landquart	300,000	100	673
ASSA ABLOY East Africa Ltd	C.20402, Nairobi	13,500	100	90
Total				**34,242**

[1] The Group's holdings amount to 100 percent.

Note 17 Investments in associates

2017 Company name	Country of registration	Group: Number of shares	Share of equity, %	Carrying amount, SEK M
Agta Record AG	Switzerland	5,166,945	39	1,679
Goal Co., Ltd	Japan	2,778,790	46	519
PT Jasuindo Arjo Wiggins Security	Indonesia	1,533,412	49	17
SARA Loading Bay Ltd	United Kingdom	4,990	50	14
Talleres Agui S.A.	Spain	4,800	40	8
Saudi Crawford Doors Ltd	Saudi Arabia	800	40	5
Others				1
Total				**2,243**

The share of equity in Agta Record AG has been estimated on the basis of the associated company's latest available financial report, which is the published Interim Report for the first half of 2017. For the period January to June, the company's revenue totaled SEK 1,682 M (1,542) and income after tax was SEK 98 M (78). The company's assets totaled SEK 3,199 M (3,127) and total liabilities amounted to SEK 1,033 M (1,148).

2016 Company name	Country of registration	Group: Number of shares	Share of equity, %	Carrying amount, SEK M
Agta Record AG	Switzerland	5,166,945	39	1,586
Goal Co., Ltd	Japan	2,778,790	46	496
SARA Loading Bay Ltd	United Kingdom	4,990	50	14
Talleres Agui S.A.	Spain	4,800	40	8
Saudi Crawford Doors Ltd	Saudi Arabia	800	40	5
Others				1
Total				**2,109**

Note 18 Deferred tax

	Group	
SEK M	2016	2017
Deferred tax assets		
Non-current assets	120	–
Pension provisions	550	572
Tax losses and other tax credits	378	191
Other deferred tax assets	851	592
Deferred tax assets	1,899	1,355
Deferred tax liabilities		
Non-current assets	1,660	1,652
Other deferred tax liabilities	684	566
Deferred tax liabilities	2,344	2,218
Deferred tax assets, net	**–445**	**–862**

Change in deferred tax		
Opening balance	–597	–445
Acquisitions and divestments	15	–172
Recognized in income statement	152	–240
Deferred tax from actuarial gain/loss on post-employment benefit obligations	36	–77
Exchange rate differences	–51	71
Closing balance	**–445**	**–862**

The Group has tax loss carryforwards and other tax credits of SEK 2,562 M (1,291) for which deferred tax assets have not been recognized, as it is uncertain whether they can be offset against taxable income in future taxation.

Note 19 Other financial assets

	Group		Parent company	
SEK M	2016	2017	2016	2017
Investments in associates, parent company	–	–	1,621	1,621
Other shares and interests	11	11	–	–
Non-current interest-bearing receivables	41	171	–	–
Other non-current receivables	34	44	–	187
Total	**86**	**227**	**1,621**	**1,808**

Note 20 Inventories

	Group	
SEK M	2016	2017
Materials and supplies	2,744	2,750
Work in progress	1,959	1,861
Finished goods	4,531	4,563
Advances paid	331	256
Total	**9,565**	**9,430**

Impairment of inventories during the year amounted to SEK 269 M (278).

Note 21 Trade receivables

	Group	
SEK M	2016	2017
Trade receivables	13,608	14,228
Provision for bad debts	–959	–1,160
Total	**12,648**	**13,068**

Maturity analysis		
Trade receivables not due	**8,916**	**9,316**
Trade receivables due:		
<3 months	3,024	3,173
3–12 months	898	859
> 12 months	769	880
	4,691	**4,912**
Impaired trade receivables:		
<3 months	–111	–138
3–12 months	–171	–220
> 12 months	–677	–802
	–959	**–1,160**
Total	**12,648**	**13,068**

Trade receivables by currency	2016	2017
USD	4,320	4,201
EUR	2,979	3,335
CNY	1,480	1,310
GBP	514	599
SEK	595	589
KRW	361	399
AUD	219	312
CAD	324	219
Other currencies	1,856	2,104
Total	**12,648**	**13,068**

Current year change in provision for bad debts	2016	2017
Opening balance	758	959
Acquisitions and divestments	18	48
Receivables written off	–84	–103
Reversal of unused amounts	–80	–46
Provision for bad debts	299	335
Exchange rate differences	49	–33
Closing balance	**959**	**1,160**

Note 22 Parent company's equity

The Parent company's equity is split between restricted and non-restricted equity. Restricted equity consists of share capital, revaluation reserve, statutory reserve and the fund for development expenses. The statutory reserve contains premiums (amounts received from share issues that exceed the nominal value of the shares) relating to shares issued up to 2005.

Non-restricted equity consists of share premium reserves, retained earnings and net income for the year.

Note 23 Share capital, number of shares and dividend per share

	Number of shares, thousands			
	Series A shares	Series B shares	Total	Share capital, SEK K
Opening balance at 1 January 2016	57,525	1,055,052	1,112,576	370,859
Closing balance at 31 December 2016	**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 2017	57,525	1,055,052	1,112,576	370,859
Closing balance at 31 December 2017	**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 as at 31 December 2017 amounted to 1,800,000. No shares have been repurchased during the year.

Dividend per share

The dividend paid during the financial year totaled SEK 3,332 M (2,944), equivalent to SEK 3.00 (2.65) per share. A dividend for 2017 of SEK 3.30 per share, a total of SEK 3,666 M, will be proposed at the Annual General Meeting on Thursday, 26 April 2018.

Note 24 Post-employment employee benefits

Post-employment employee benefits include pensions and medical benefits. Pension plans are classified as either defined benefit plans or defined contribution plans. Pension obligations in the balance sheet mainly relate to defined benefit plans. ASSA ABLOY has defined benefit pension plans in a number of countries. 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 average term of these is normally somewhat shorter than the term of the underlying liability. Bonds should not account for less than 30 percent of assets. A small proportion of assets is also invested in real estate and alternative investments, mainly hedge funds.

As at 31 December 2017, shares accounted for 45 percent (44) and fixed income securities for 33 percent (33) of plan assets, while other assets accounted for 22 percent (23). The actual return on plan assets in 2017 was SEK 386 M (544).

Amounts recognized in the income statement

Pension costs, SEK M	2016	2017
Defined contribution pension plans	576	566
Defined benefit pension plans	168	147
Post-employment medical benefit plans	32	30
Total	**777**	**744**
of which, included in:		
Operating income	685	658
Net financial items	92	86

Amounts recognized in the balance sheet

Pension provisions, SEK M	2016	2017
Provisions for defined benefit pension plans	2,497	2,350
Provisions for post-employment medical benefit plans	610	573
Provisions for defined contribution pension plans	14	10
Total	**3,121**	**2,933**

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 2017 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 33 M (31), of which SEK 11 M (11) relates to the Parent company. Pension contributions are expected to remain largely unchanged in 2018.

Alecta's surplus can be distributed to policyholders and/or the insured. As at 31 December 2017, Alecta's surplus expressed as the collective consolidation level amounted preliminarily to 154 percent (149 percent as at 31 December 2016). The collective consolidation level consists of the market value of Alecta's assets as a percentage of its insurance commitments calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 percent. If the consolidation level deviates from this range, measures in the form of an adjustment of the premium level should be taken to return to the normal range.

Specification of defined benefit pension plans, post-employment medical benefits and plan assets by country

Specification of defined benefits, SEK M	United Kingdom		Germany		US		Other countries		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Present value of funded obligations	2,859	2,878	103	95	2,166	2,046	1,268	1,179	6,397	6,199
Fair value of plan assets	–2,543	–2,658	–23	–21	–1,629	–1,604	–870	–799	–5,063	–5,081
Net value of funded plans	*317*	*220*	*81*	*75*	*538*	*443*	*398*	*380*	*1,333*	*1,118*
Present value of unfunded obligations	–	–	680	689	–	–	484	543	1,164	1,232
Present value of unfunded medical benefits	–	–	–	–	606	568	5	5	610	573
Net value of defined benefit pension plans	**317**	**220**	**761**	**764**	**1,143**	**1,011**	**886**	**928**	**3,107**	**2,923**
Provisions for defined contribution pension plans	–	–	–	–	–	–	14	10	14	10
Total	**317**	**220**	**761**	**764**	**1,143**	**1,011**	**900**	**938**	**3,121**	**2,933**

Note 24 cont.

Movement in obligations

2017, SEK M	Post-employment medical benefits	Defined benefit pension plans	Plan assets	Total
Opening balance 1 January 2017	**610**	**7,560**	**–5,063**	**3,107**
Acquisitions/divestments	–	6	–	6
Recognized in the income statement:				
Current service cost	7	108	–	115
Past service cost	–	3	–	3
Impairment/reversal of pension receivables	–	–26	–	–26
Interest expense/income	23	199	–136	86
Total recognized in the income statement	**30**	**284**	**–136**	**178**
Recognized in other comprehensive income:				
Return on plan assets, excluding amounts included above	–	–	–254	–254
Gain/loss from change in demographic assumptions	22	87	–	109
Gain/loss from change in financial assumptions	–	116	–	116
Experience-based gains/losses	–	2	–	2
Remeasurement of net pension obligations	**22**	**206**	**–254**	**–26**
Exchange rate differences	–58	–248	214	–92
Total recognized in other comprehensive income	**–36**	**–43**	**–40**	**–118**
Contributions and payments:				
Employer contributions	–	–	–161	–161
Employee contributions	0	17	–17	0
Payments	–32	–351	294	–89
Controls	–	–43	43	–
Total payments	**–31**	**–377**	**158**	**–250**
Closing balance 31 December 2017	**573**	**7,431**	**–5,081**	**2,923**

2016, SEK M	Post-employment medical benefits	Defined benefit pension plans	Plan assets	Total
Opening balance 1 January 2016	**582**	**6,823**	**–4,660**	**2,745**
Acquisitions/divestments	–	166	–115	51
Reclassifications	–	27	–	27
Recognized in the income statement:				
Current service cost	6	115	–	121
Past service cost	0	–4	–	–3
Impairment/reversal of pension receivables	–	–9	–	–9
Interest expense/income	26	227	–161	92
Total recognized in the income statement	**32**	**329**	**–161**	**201**
Recognized in other comprehensive income:				
Return on plan assets, excluding amounts included above	–	–	–383	–383
Gain/loss from change in demographic assumptions	–19	–26	–	–45
Gain/loss from change in financial assumptions	–	663	–	663
Experience-based gains/losses	–	–97	–	–97
Remeasurement of net pension obligations	**–19**	**539**	**–383**	**138**
Exchange rate differences	51	24	50	125
Total recognized in other comprehensive income	**32**	**563**	**–333**	**263**
Contributions and payments:				
Employer contributions	–	–	–66	–66
Employee contributions	0	17	–23	–5
Payments	–37	–352	281	–108
Controls	–	–13	13	–
Total payments	**–37**	**–347**	**205**	**–179**
Closing balance 31 December 2016	**610**	**7,560**	**–5,063**	**3,107**

Plan assets allocation

Plan assets	2016	2017
Publicly traded shares	2,237	2,309
Government bonds	630	689
Corporate bonds	719	736
Inflation-linked bonds	297	250
Property	319	302
Cash and cash equivalents	40	22
Alternative investments	101	86
Other assets	720	687
Total	**5,063**	**5,081**

Note 24 cont.

Key actuarial assumptions

	United Kingdom		Germany		US	
Key actuarial assumptions (weighted average), %	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Discount rate	2.7	2.5	1.6	1.8	4.2	3.6
Expected annual salary increases	n/a	n/a	2.8	2.8	n/a	n/a
Expected annual pension increases	2.1	2.1	1.3	1.3	2.0	2.0
Expected annual medical benefit increases	n/a	n/a	n/a	n/a	6.6	6.9
Expected annual inflation	2.4	2.4	1.3	1.3	3.0	3.0

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

The effect on defined benefit obligations and post-employment medical benefits of a 1.0 percentage change in some actuarial assumptions, change in percent	**+1.0%**	**–1.0%**
Discount rate	–15.9%	14.7%
Expected annual medical benefit increases	11.2%	–9.3%

Note 25 Other provisions

	Group		
SEK M	**Restruc-turing reserve**	**Other**	**Total**
Opening balance at 1 January 2016	**551**	**1,773**	**2,324**
Provisions for the year	1,597	103	1,700
Reclassifications	–	–30	–30
Acquisitions of subsidiaries	–	–47	–47
Divestments of subsidiaries	–17	–24	–41
Reversal of non-utilized amounts	–	–214	–214
Payments	–442	–405	–847
Utilized during the year, without cash flow impact	–151	–	–151
Exchange rate differences	34	17	51
Closing balance at 31 December 2016	**1,572**	**1,170**	**2,742**

	Group		
SEK M	**Restruc-turing reserve**	**Other**	**Total**
Opening balance at 1 January 2017	**1,572**	**1,170**	**2,742**
Provisions for the year	–	848	848
Acquisitions of subsidiaries	–	–1	–1
Reversal of non-utilized amounts	–	–38	–38
Payments	–612	–772	–1,384
Utilized during the year, without cash flow impact	–11	–	–11
Exchange rate differences	–5	–6	–11
Closing balance at 31 December 2017	**944**	**1,202**	**2,146**

	Group	
Balance sheet breakdown:	**2016**	**2017**
Other non-current provisions	1,945	1,447
Other current provisions	797	699
Total	**2,742**	**2,146**

The restructuring reserve at year-end relates mainly to the ongoing restructuring program launched in 2016. The restructuring reserve is expected to be used over the next two years. The non-current part of the reserve totaled SEK 317 M. For further information on the restructuring programs, see the Report of the Board of Directors.

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

Note 26 Other current liabilities

	Group	
SEK M	**2016**	**2017**
VAT and excise duties	559	626
Employee withholding tax	100	110
Advances received	776	889
Social security contributions and other taxes	72	89
Deferred considerations	1,083	1,177
Other current liabilities	599	554
Total	**3,190**	**3,446**

Note 27 Accrued expenses and deferred income

	Group		Parent company	
SEK M	**2016**	**2017**	**2016**	**2017**
Personnel-related expenses	2,585	2,728	226	279
Customer-related expenses	992	972	–	–
Deferred income	439	352	–	–
Accrued interest expenses	107	113	51	54
Other	1,352	1,358	42	39
Total	**5,474**	**5,524**	**319**	**372**

Note 28 Contingent liabilities

	Group		Parent company	
SEK M	**2016**	**2017**	**2016**	**2017**
Guarantees	102	113	–	–
Guarantees on behalf of subsidiaries	–	–	12,048	11,015
Total	**102**	**113**	**12,048**	**11,015**

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.

	Group	
Maturity profile – guarantees, SEK M	**2016**	**2017**
<1 year	44	61
>1 <2 years	7	16
>2 <5 years	35	19
>5 years	17	17
Total	**102**	**113**

Note 29 Assets pledged against liabilities to credit institutions

	Group		Parent company	
SEK M	**2016**	**2017**	**2016**	**2017**
Real estate mortgages	148	114	–	–
Other mortgages	113	131	–	–
Total	**261**	**244**	**–**	**–**

Note 30 Business combinations

SEK M	2016	2017
Purchase prices		
Cash paid for acquisitions during the year	2,388	6,501
Holdbacks and deferred consideration for acquisitions during the year	568	365
Adjustment of purchase prices for acquisitions in prior years	–91	18
Total	**2,866**	**6,885**
Acquired assets and liabilities at fair value		
Intangible assets	69	1,843
Property, plant and equipment	355	94
Deferred tax assets	77	16
Other financial assets	6	18
Inventories	251	232
Current receivables and investments	291	416
Cash and cash equivalents	263	187
Non-controlling interests	–	–3
Deferred tax liabilities	–46	–188
Pension provisions	–51	–6
Other non-current liabilities	–136	–95
Current liabilities	–665	–592
Total	**415**	**1,922**
Goodwill	**2,451**	**4,962**
Cash paid for acquisitions during the year	2,388	6,501
Cash and cash equivalents in acquired subsidiaries	–263	–187
Paid deferred considerations for acquisitions in previous years	515	511
Change in cash and cash equivalents due to acquisitions	**2,640**	**6,825**
Net sales from acquisition date	1,067	1,250
EBIT from acquisition date	104	150
Net income from acquisition date	86	111

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

Acquisition analyses have been prepared for all acquisitions in 2017. The net sales of acquired units for 2017 totaled SEK 2,543 M (2,373) and net income amounted to SEK 232 M (186). Acquisition-related costs for 2017 totaled SEK 86 M (82) and have been reported as other operating expenses in the income statement.

See below for an account of some acquisitions completed in 2017 and 2016. No single acquisition is significant in terms of size and separate acquisition details are therefore not provided.

2017

Arjo Systems

On 3 July 2017, ASSA ABLOY acquired 100 percent of the share capital in the French company Arjo Systems SAS, a leading provider of physical and digital identity solutions for national ID documents.

The acquisition strengthens the current offering of secure identity solutions and will strengthen the Group's position in national ID documents, while offering additional growth opportunities. Arjo Systems operates in France, Italy and Hong Kong.

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

Mercury Security

On 18 October 2017, ASSA ABLOY acquired 100 percent of the share capital of Mercury Security, a leading US OEM supplier of control systems for physical access control.

The acquisition strengthens the current offering in physical access management where Mercury Security considerably strengthens the Group's position in physical access management and offers complementary growth opportunities Mercury Security is headquartered in Long Beach, California.

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

August Home

On 21 November 2017, ASSA ABLOY acquired 100 percent of the share capital of August Home Inc., a leading US supplier of smart digital locks.

The acquisition of August Home further strengthens the strategy for smart door solutions aimed at the residential market with additional smart digital locks, doorbells with camera and complete home delivery solutions. August Home is headquartered in San Francisco, California.

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

Other acquisitions

Other noteworthy acquisitions during the year include Shree Mahavir Metalcraft (India), Southeastern Dock & Door (US) and Jerith (US). Please see the Report of the Board of Directors for further information on these acquisitions.

2016

CEDES

On 10 February 2016, ASSA ABLOY acquired 100 percent of the share capital of the Swiss company CEDES, a leading supplier of sensor technology to the door and elevator industry.

The acquisition represents yet another important step in the strategy of providing more intelligence in entrance automation and is a strong addition to the current product portfolio. The combination of a variety of technologies will lead to highly innovative and integrated solutions for customers. CEDES is headquartered in Landquart, Switzerland.

The goodwill that arose in connection with the acquisition mainly relates to synergies and other intangible assets that do not meet the criteria for separate reporting.

Bluvision

On 30 November 2016, ASSA ABLOY acquired 100 percent of the share capital of Bluvision, a leading US supplier of solutions for Bluetooth Low Energy (BLE) solutions in the market for the Internet of Things (IoT).

The company reinforces the current offering of solutions for securely issuing cards. The acquisition will significantly strengthen the Group's position in the market for enterprise solutions in the IoT and provides additional growth opportunities. Bluvision is headquartered in Fort Lauderdale, Florida, USA.

Other acquisitions

Other noteworthy acquisitions during the year include Lighthouse (US), Trojan (UK) and Construction Specialties (US and Mexico).

Note 31 Profit from discontinued operations

	Group	
SEK M	2016	2017
Profit from discontinued operations		
Sales	449	–
Cost	–436	–
Profit from discontinued operations – before taxes	**14**	**–**
Tax on income	–0	–
Profit from discontinued operations – after taxes	**14**	**–**
Profit from sale of disposal group classified as held for sale	14	–
Profit from discontinued operations	**28**	**–**
Cash flow from discontinued operations		
Cash flow from operating activities	5	–
Cash flow from investing activities	–10	–
Cash flow from financing activities	35	–
Cash flow from discontinued operations	**30**	**–**

In September 2016 the Group sold its car locks business. The car locks business was an independent operation within ASSA ABLOY, clearly distinguishable from the rest of the Group. The business is recognized in the comparative year as a discontinued operation.

Note 32 Cash flow

	Group	
SEK M	2016	2017
Adjustments for non-cash items		
Profit on sales of non-current assets	–29	–45
Profit/loss on sales of subsidiaries	33	42
Change in pension provisions	109	92
Share of earnings in associates	–127	–129
Dividend from associates	45	61
Remeasurement of earn out provisions related to acquisitions	–440	–300
Other	54	58
Adjustments for non-cash items	**–354**	**–221**
Change in working capital		
Inventories increase/decrease (–/+)	–551	–158
Trade receivables increase/decrease (–/+)	–61	–696
Trade payables increase/decrease (+/–)	461	454
Other working capital increase/decrease (–/+)	213	52
Change in working capital	**62**	**–347**
Divestments of subsidiaries		
Purchase prices received, net	83	140
Cash and cash equivalents in acquired subsidiaries	–28	–1
Change in consolidated cash and cash equivalents due to divestments	**55**	**139**

Note 33 Employees

Salaries, wages, other remuneration and social security costs

	Group		Parent company	
SEK M	2016	2017	2016	2017
Salaries, wages and other remuneration	16,536	16,804	204	231
Social security costs	4,694	4,156	115	137
– of which pensions	685	658	33	36
Total	**21,231**	**21,618**	**319**	**368**

Fees to Board members in 2017 (including committee work), SEK thousand

Name and post	Board of Directors	Remuneration Committee	Audit Committee	Total
Lars Renström, Chairman	2,000	150	–	2,150
Carl Douglas, Vice Chairman	850	–	–	850
Ulf Ewaldsson, Member	600	–	–	600
Eva Karlsson, Member	600	–	–	600
Birgitta Klasén, Member	600	–	200	800
Eva Lindqvist, Member	600	–	–	600
Johan Molin, President and CEO	–	–	–	–
Sofia Schörling Högberg, Member	600	–	200	800
Jan Svensson, Member	600	75	250	925
Employee representatives (4)	–	–	–	–
Total	**6,450**	**225**	**650**	**7,325**

Total fees to Board members amounted to SEK 6.8 M in 2016.

Remuneration and other benefits of the Executive Team in 2017, SEK thousands

Name	Fixed salary	Variable salary	Stock-related benefits	Other benefits	Pension costs
Johan Molin, President and CEO	18,153	13,500	7,881	129	7,728
Other members of the Executive Team (8)	47,845	21,399	14,273	4,444	11,532
Total remuneration and benefits	**65,997**	**34,899**	**22,154**	**4,573**	**19,261**

Total remuneration and other benefits of the Executive Team amounted to SEK 136.8 M in 2016.

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

Salaries and other remuneration for the Board of Directors and the parent company's Executive Team totaled SEK 68 M (56), excluding pension costs and social security costs. Pension costs amounted to SEK 12 M (10). Pension obligations for several senior executives are secured through pledged endowment insurances.

Long-term incentive programs[1]

At the 2010 Annual General Meeting, it was decided to launch a long-term incentive program (LTI 2010) for senior executives and other key staff in the Group. The aim was to create the prerequisites for retaining and recruiting competent staff for the Group, providing competitive remuneration and aligning the interests of shareholders, senior executives and key staff.

At the 2011 to 2017 Annual General Meetings, it was decided to implement further long-term incentive programs for senior executives and other key staff in the Group. The new long-term incentive programs, named LTI 2011 to LTI 2017 have been drawn up with similar terms to LTI 2010.

For each Series B share acquired by the CEO within the framework of LTI 2015, LTI 2016 and LTI 2017, the company awards one matching share award and four performance-based share awards. For each Series B share acquired by other members of the Executive Team, the company awards one matching share award and three performance-based share awards. For other participants, the company awards one matching share award and one performance-based share award. In accordance with the terms of the incentive programs, employees have acquired a total of 376,926 shares in ASSA ABLOY AB, of which 126,777 shares were acquired in 2017 within the framework of LTI 2017.

Each matching share award entitles the holder to receive one free Series B share in the company after three years, provided that the holder, with certain exceptions, is still employed in the Group when the interim report for Q1 2018, 2019 and 2020 for the respective program (LTI 2015–LTI 2017) is published, and has retained the shares acquired within the framework of the long-term incentive programs. Each performance-based share award entitles the holder to receive one free Series B share in the company three years after allotment, provided that the above conditions have been fulfilled. In addition, the maximum level in a range determined by the Board of Directors for the performance of the company's earnings per share must have been fulfilled. The performance-based condition was 100 percent fulfilled for LTI 2015 and LTI 2017 and 67 percent for LTI 2016.

Outstanding matching and performance-based share awards for LTI 2017 total 288,382. The total number of outstanding matching and performance-based share awards for LTI 2015, LTI 2016 and LTI 2017 amounted to 761,976 on the reporting date of 31 December 2017.

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 adjusted for participants who do not retain their holding of shares for the duration of the respective program. In the case of performance-based shares, the company assesses the probability of the performance targets being met when calculating the compensation expense.

The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2017 of 26 May 2017 was SEK 192.10. The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2016, 26 May 2016, was SEK 171.24. The fair value of ASSA ABLOY's Series B share on the allotment date for LTI 2015, 28 May 2015, was SEK 169.50.

[1] Number of shares and fair values have been recalculated for all historical periods reflecting the stock split in 2015.

Note 33 cont.

The total cost of the Group's long-term incentive programs (LTI 2014–LTI 2017) excluding social security costs amounted to SEK 40 M (42) in 2017. In April 2017 a redemption of LTI 2014 took place and 395,304 shares (481,558) at a total market value of SEK 74 M (80) were transferred to the participants of the program. Parts of the redemption of LTI 2014 were settled through endowment insurances. The payment for the transferred shares in LT1 2014 was recognized in equity.

Other equity-based incentive programs
ASSA ABLOY has previously issued a number of convertible debentures to employees in the Group. At year-end 2017, there were no outstanding convertible debentures issued to employees in the Group.

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

Average number of employees per country, broken down by gender

	Group					
	2016			2017		
	Total	of which women	of which men	**Total**	of which women	of which men
China	11,439	5,399	6,040	10,337	4,552	5,784
US	9,711	2,567	7,143	10,188	2,723	7,464
Sweden	2,100	512	1,588	2,154	535	1,619
France	1,998	604	1,394	1,939	596	1,343
United Kingdom	1,577	510	1,067	1,688	508	1,180
Germany	1,623	473	1,150	1,611	471	1,141
Mexico	1,394	428	966	1,518	419	1,099
Brazil	1,648	519	1,130	1,435	663	773
Finland	1,278	368	910	1,216	348	868
Czech Republic	986	350	637	1,094	345	749
Netherlands	997	147	850	1,034	158	876
India	423	37	385	972	84	888
Malaysia	847	385	462	873	434	439
Canada	819	188	631	815	238	577
Romania	845	340	505	802	320	482
Norway	717	132	585	710	133	577
Poland	589	119	470	692	131	561
South Korea	712	267	445	676	257	418
Belgium	584	118	466	674	132	542
Australia	712	211	500	669	204	465
Denmark	471	118	353	595	171	424
South Africa	461	208	253	581	260	321
Switzerland	563	182	381	565	183	382
Spain	531	167	365	538	131	407
Italy	467	129	338	461	135	326
United Arab Emirates	475	34	441	416	32	384
Chile	357	98	259	336	99	237
Hungary	248	39	209	321	55	267
Israel	304	88	216	303	89	214
New Zealand	289	98	191	294	101	193
Colombia	204	52	152	215	145	70
Ireland	172	58	114	193	52	142
Others	1,392	346	1,046	1,512	419	1,092
Total	**46,928**	**15,290**	**31,638**	**47,426**	**15,122**	**32,304**

	Parent company					
	2016			2017		
	Total	of which women	of which men	**Total**	of which women	of which men
Sweden	183	42	141	208	49	159
Total	**183**	**42**	**141**	**208**	**49**	**159**

Gender distribution of Board of Directors and Executive Team

	2016			2017		
	Total	of which women	of which men	**Total**	of which women	of which men
Board of Directors[1]	9	3	6	9	4	5
Executive Team	9	1	8	9	1	8
– of which Parent company's Executive Team	3	1	2	4	1	3
Total	**18**	**4**	**14**	**18**	**5**	**13**

[1] Excluding employee representatives.

Note 34 Financial risk management and financial instruments

Financial risk management

ASSA ABLOY is exposed to a variety of financial risks due to its international business operations. Financial risk management for ASSA ABLOY's units has been implemented in accordance with the 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 as low as possible. The Group can adjust the capital structure based on the requirements that arise by varying the dividend paid to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debt. The capital requirement is assessed on the basis of factors such as the net debt/equity ratio.

Net debt is defined as interest-bearing liabilities, including negative market values of derivatives, plus pension provisions, less cash and cash equivalents, and other interest-bearing investments including positive market values of derivatives. The table 'Net debt and equity' shows the position as at December 31.

Net debt and equity

	Group	
SEK M	2016	2017
Non-current interest-bearing receivables	–41	–171
Current interest-bearing investments incl. positive market values of derivatives	–169	–150
Cash and cash equivalents	–750	–459
Pension provisions	3,121	2,933
Other non-current interest-bearing liabilities	16,901	16,859
Current interest-bearing liabilities incl. negative market values of derivatives	4,065	6,263
Total	**23,127**	**25,275**
Equity	**47,224**	**50,657**
Net debt/equity ratio, times	**0.49**	**0.50**

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. The Group's credit rating remained unchanged during the year.

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

Maturity profile – financial instruments[1]

	December 31, 2016				December 31, 2017			
SEK M[2]	<1 year	>1<2 years	>2<5 years	>5 years	<1 year	>1<2 years	>2<5 years	>5 years
Long-term bank loans	–459	–452	–3,093	–856	–343	–1,421	–2,904	–566
Long-term capital market loans	–2,626	–2,765	–4,745	–6,287	–2,694	–1,609	–5,659	–5,852
Short-term bank loans	–790	–	–	–	–1,907			
Commercial papers and short-term capital market loans	–455	–	–	–	–1,545			
Derivatives (outflow)	–8,032	–569	–54	–54	–9,295	–26	–75	–73
Total by period	**–12,363**	**–3,787**	**–7,892**	**–7,198**	**–15,784**	**–3,056**	**–8,638**	**–6,491**
Cash and cash equivalents incl. interest-bearing receivables	752	–	–	–	502			
Long-term interest-bearing receivables	41	–	–	–	90	57	30	
Derivatives (inflow)	8,013	547	121	110	9,242	56	143	148
Deferred considerations	–1,083	–1,023	–93	–50	–1,177	–264	–118	
Trade receivables	12,648	–	–	–	13,068			
Trade payables	–7,443	–	–	–	–7,811			
Net total	**565**	**–4,264**	**–7,864**	**–7,138**	**–1,870**	**–3,207**	**–8,584**	**–6343**
Confirmed credit facilities	8,620	–	–8,620	–	8,874		–8,874	
Credit facilities maturing <1 year	–715	–	–	–	–681			
Adjusted maturity profile[1]	**8,471**	**–4,264**	**–16,484**	**–7,138**	**6,322**	**–3,207**	**–17,457**	**–6,343**

[1] For maturity structure of guarantees, see Note 28.
[2] The amounts in the table are undiscounted and include future known interest payments. The exact amounts are therefore not found in the balance sheet.

Financing risk and maturity profile

Financing risk is defined as the risk of being unable to meet payment obligations as a result of inadequate liquidity or difficulties in obtaining external financing. ASSA ABLOY manages financing risk at Group level. Treasury is responsible for external borrowings and external investments. ASSA ABLOY strives to have access on every occasion to both short-term and long-term loan facilities. In accordance with financial policy, the available loan facilities, including available cash and cash equivalents, should include a reserve (facilities available but not utilized) equivalent to 10 percent of the Group's total annual sales.

Maturity profile

The table 'Maturity profile' 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, which matures in June 2020. This credit facility was wholly unutilized at year-end. Moreover, existing financial assets are also taken into account. The table shows undiscounted cash flows relating to the Group's financial instruments at the reporting date, and these amounts are therefore not found in the balance sheet.

Note 34 cont. *External financing/net debt*

Credit lines/facilities	Amount, SEK M	Maturity	Carrying amount, SEK M	Currency	Amount 2016	Amount 2017	Of which Parent company, SEK M
US Private Placement Program	206	Aug 2019	206	USD	25	25	
US Private Placement Program	577	May 2020	577	USD	70	70	
US Private Placement Program	1,245	Aug 2022	1,265	USD	150	150	
US Private Placement Program	618	Aug 2024	618	USD	75	75	
Multi-Currency RCF	8,874	Jun 2020	–	EUR	900	900	
Bank loan EIB	542	May 2020[2]	542	EUR	73	55	
Bank loan EIB	1,131	Apr 2022[2]	1,131	USD	154	137	
Bank loan NIB	542	Dec 2019	542	EUR	55	55	
Bank loan NIB	542	Dec 2021	542	EUR	55	55	
Global MTN Program	18,348	Jan 2019	82	USD	10	10	82
		Aug 2019	412	USD	50	50	412
		Sep 2019	165	USD	20	20	165
		Nov 2019	496	EUR		50	496
		Feb 2020	493	EUR	50	50	493
		Jun 2020	128	AUD	20	20	128
		Sep 2020	689	EUR	70	70	689
		Nov 2020	360[1]	EUR	35	35	
		Dec 2020	307[1]	EUR	30	30	295
		Feb 2021	412	USD	50	50	412
		Aug 2021	82	USD	10	10	82
		Oct 2021	148	EUR	15	15	148
		Mar 2022	493	EUR	50	50	493
		Apr 2022	82	USD		10	82
		Jun 2022	98	EUR		10	98
		Jul 2022	41	USD		5	41
		Nov 2023	213[1]	USD	25	25	
		May 2024	165	USD		20	165
		Jul 2024	248	USD		30	248
		Sep 2024	981	EUR	100	100	981
		Feb 2025	492	EUR	50	50	492
		Mar 2025	328[1]	EUR	30	30	296
		Dec 2025	406[1]	USD	50	50	412
		Feb 2027	295	EUR	30	30	295
		Jun 2027	149[1]	NOK		150	150
		Jun 2027	150	NOK		150	150
		Oct 2027	201[1]	NOK		200	200
		Oct 2029	272[1]	EUR		28	273
		Oct 2029	254	EUR		26	254
		Apr 2030	684	EUR	70	70	684
Other long-term loans	2,105		2,105				1,773
Total long-term loans/facilities	**34,663**		**16,859**				**10,492**
Global MTN Program	1,371	Mar 2018	493	EUR	50	50	493
		Jun 2018	500	SEK	500	500	500
		Sep 2018	82	USD	10	10	82
		Oct 2018	296	EUR	30	30	296
US Private Placement Program	1,006	Dec 2018	1,005	USD	122	122	
Global CP Program	8,248		206	USD	50	25	
Swedish CP Program	5,000		1,101	SEK		1,100	
Other bank loans	1,258		1,258				
Overdraft facility	2,153		1,210				
Total short-term loans/facilities	**19,037**		**6,151**				**1,371**
Total loans/facilities	**53,787**		**23,010**				**11,862**
Cash and cash equivalents			–459				
Current interest-bearing investments			–43				
Non-current interest-bearing receivables			–171				
Market value of derivatives			5				
Pension provisions			2,933				
Net debt			**25,275**				

[1] The loans are subject to hedge accounting.

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

SEK M	Long-term loans	Short-term loans	Total
Opening balance January 1, 2017	**16,901**	**3,929**	**20,829**
Cash flow from financing activities			
Long-term loans raised	3,226	–	3,226
Repayment of originally long-term loans	–	–2,637	–2,637
Other changes in cash flow short-term loans	–	2,414	2,414
Total	**3,226**	**–223**	**3,003**
Changes in non-cash items			
Acquisitions	93	83	176
Reclassifications	–2,698	2,698	–
Unrealized exchange rate differences	–663	–335	–998
Total	**–3,268**	**2,446**	**–822**
Closing balance December 31, 2017	**16,859**	**6,151**	**23,010**

Note 34 cont.

Interest-bearing liabilities

The Group's long-term loan financing mainly consists of a Private Placement Program in the US totaling USD 442 M, of which USD 320 M (442) is long-term, a GMTN program of SEK 10,700 M (9,976), of which SEK 9,329 M (8,585) is long-term, a loan from the European Investment Bank of EUR 55 M (73) and USD 137 M (154), and a loan from the Nordic Investment Bank of EUR 110 M (110). During the year, ten new issues were made under the GMTN program for a total amount of SEK 2,157 M. In addition, a new long-term bank loan of EUR 90 M was obtained. Other changes in long-term loans are mainly due to some of the originally long-term loans now having less than 1 year to maturity. The size of the loans decreased because of currency fluctuations, in particular the strengthening of the USD against SEK. A total of SEK 3,226 M was raised in new long-term loans, while SEK 2,637 M in originally long-term loans matured during the year.

The Group's short-term loan financing mainly consists of two Commercial Paper Programs for a maximum USD 1,000 M (1,000) and SEK 5,000 M (5,000) respectively. At year-end, SEK 1,307 M (455) of the Commercial Paper Programs had been utilized. In addition, substantial credit facilities are available, mainly in the form of a Multi-Currency Revolving Credit Facility of EUR 900 M (900). At year-end the average time to maturity for the Group's interest-bearing liabilities, excluding the pension provision, was 44 months (49).

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

Currency composition

The currency composition of ASSA ABLOY's borrowing depends on the currency composition of the Group's assets and other liabilities. Currency swaps are used to achieve the desired currency composition. See the table 'Net debt by currency' below.

Cash and cash equivalents and other interest-bearing receivables

Short-term interest-bearing investments totaled SEK 43 M (2) at year-end. In addition, ASSA ABLOY has long-term interest-bearing receivables of SEK 171 M (41) and financial derivatives with a positive market value of SEK 107 M (167) which, in addition to cash and cash equivalents, are included in the definition of net financial debt. Cash and cash equivalents are mainly invested in bank accounts or interest-bearing instruments with high liquidity from issuers with a credit rating of at least A–, according to Standard & Poor's or similar rating agency. The average term for cash and cash equivalents was 21 days (1) at year-end 2017.

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

	Group		Parent company	
SEK M	**2016**	**2017**	**2016**	**2017**
Cash and bank balances	689	362	0	0
Short-term investments with maturity less than 3 months	61	97	–	–
Cash and cash equivalents	**750**	**459**	**0**	**0**
Short-term investments with maturity more than 3 months	2	43	–	–
Long-term interest-bearing receivables	41	171	–	–
Positive market value of derivatives	167	107	–	–
Total	**960**	**321**	**0**	**0**

Net debt by currency

	December 31, 2016		December 31, 2017	
SEK M	**Net debt excluding currency swaps**	**Net debt including currency swaps**	**Net debt excluding currency swaps**	**Net debt including currency swaps**
USD	9,907	12,277	8,522	12,236
EUR	9,728	6,616	12,074	7,241
CNY	–199	928	451	1,764
SEK	1,315	–493	2,185	1,171
NOK	71	640	565	645
CZK	12	340	21	449
DKK	8	456	37	366
KRW	369	534	363	363
AUD	146	524	134	357
PLN	38	299	50	325
CHF	1,171	653	214	259
Other	562	352	658	99
Total	**23,127**	**23,127**	**25,275**	**25,275**

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. The term for the majority of these investments is three months or less, although the share with a longer maturity rose during the year. The fixed interest term for these short-term investments was 136 days (113) at year-end 2017. A downward change in the yield curve of one percentage point would reduce the Group's interest income by around SEK 6.8 M (1) and consolidated equity by SEK 5 M (1).

Note 34 cont.

Interest rate risks in borrowing

Changes in interest rates have a direct impact on ASSA ABLOY's net interest expense. Treasury is responsible for identifying and managing the Group's interest rate exposure. Treasury analyzes the Group's interest rate exposure and calculates the impact on income of changes in interest rates on a rolling 12-month basis. The Group strives for a mix of fixed rate and variable rate borrowings, and uses interest rate swaps to adjust the fixed interest term. The financial policy stipulates that the average fixed interest term should normally be 24 months. At year-end, the average fixed interest term on gross debt, excluding pension liabilities, was around 25 months (28). An upward change in the yield curve of one percentage point would increase the Group's interest expense by around SEK 118 M (102) and reduce consolidated equity by SEK 87 M (75).

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 exposure	
Currency, SEK M	**2016**	**2017**
AUD	522	535
CAD	764	766
CNY	–1,255	–1,316
DKK	267	160
EUR	1,833	2,033
GBP	565	438
RON	–321	–373
SEK	–2,194	–2,637
USD	291	979

Translation exposure in income

The table below shows the impact on the Group's income before tax of a 10 percent weakening of the Swedish krona (SEK) in relation to the major currencies, with all other variables constant.

Impact on income before tax of a 10 percent weakening of SEK

Currency, SEK M	2016	2017
AUD	36	43
CHF	27	30
CNY	18	28
EUR	131	151
GBP	19	22
HKD	59	76
KRW	20	18
NOK	14	12
USD	528	545

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 90 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 93 percent (91) of the Group's sales were settled through cash pools in 2017. However, the Group can in the short term invest surplus cash in banks to match borrowing and cash flow.

Derivative instruments are allocated between banks based on risk levels defined in the financial policy, in order to limit counterparty risk. Treasury only enters into derivative contracts with banks that have a good credit rating.

ISDA agreements (full netting of transactions in case of counterparty default) have been entered into with respect to interest rate and currency derivatives. The table on page 92 shows the impact of this netting.

Commercial credit risk

The Group's trade receivables are distributed across a large number of customers who are spread globally. No single customer accounts for more than 1 percent of the Group's sales. The concentration of credit risk associated with trade receivables is considered limited, but increased slightly in pace with increased activity in emerging markets, mainly with respect to China. The fair value of trade receivables is equivalent to the carrying amount. Credit risks relating to operating activities are managed locally at company level and monitored at division level.

Commodity risk

The Group is exposed to price risks relating to purchases of certain commodities (primarily metals) used in production. Forward contracts are not used to hedge commodity purchases.

Fair value of financial instruments

Derivative financial instruments such as forward exchange contracts and forward rate agreements are used to the extent necessary. The use of derivative instruments is limited to reducing exposure to financial risks.

The positive and negative fair values in the table 'Outstanding derivative financial instruments' on page 92 show the fair values of outstanding instruments at year-end, based on available fair values, and are the same as the carrying amounts in the balance sheet. The nominal value is equivalent to the gross value of the contracts.

For accounting purposes, financial instruments are classified into measurement categories in accordance with IAS 39. The table 'Financial instruments' on page 92 provides an overview of financial assets and liabilities, measurement category, and carrying amount and fair value per item.

Note 34 cont.

Disclosures of offsetting of financial assets and liabilities

	2016					2017				
SEK M	Gross amount	Amounts netted in the balance sheet	Net amounts in the balance sheet	Amount covered by netting agree-ment but not offset	Net amount	Gross amount	Amounts netted in the balance sheet	Net amounts in the balance sheet	Amount covered by netting agree-ment but not offset	Net amount
Financial assets	167	–	167	76	91	107	–	107	39	68
Financial liabilities	137	–	137	76	61	112	–	112	39	73

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

Outstanding derivative financial instruments at December 31

	December 31, 2016			December 31, 2017		
Instrument, SEK M	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value	Nominal value
Foreign exchange forwards, funding	78	–78	6,034	39	–45	7,076
Interest rate swaps [1]	88	–21	2,113	68	–12	2 710
Cross currency swaps	–	–38	519	–	–55	527
Total	**167**	**–137**	**8,666**	**107**	**–112**	**10,313**

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

Financial instruments: carrying amounts and fair values by measurement category

		2016		2017	
SEK M	IAS 39 category*	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Other shares and interests	3	11	11	11	11
Other financial assets	1	75	75	215	215
Trade receivables	1	12,648	12,648	13,068	13,068
Derivative instruments – hedge accounting	5	88	88	68	68
Derivative instruments – held for trading	2	78	78	39	39
Short-term investments	1	2	2	43	43
Cash and cash equivalents	1	750	750	459	459
Financial liabilities					
Long-term loans – hedge accounting	4	1,671	1,671	2,237	2,237
Long-term loans – not hedge accounting	4	15,230	15,336	14,622	14,632
Long-term loans, total		**16,901**	**17,010**	**16,859**	**16,869**
Short-term loans – hedge accounting	4	–	–	–	–
Short-term loans – not hedge accounting	4	3,929	3,929	6,151	6,151
Derivative instruments – hedge accounting	5	21	21	11	11
Derivative instruments – held for trading	2	116	116	100	100
Trade payables	4	7,443	7,443	7,811	7,811
Deferred considerations	2	2,250	2,250	1,559	1,559

* Applicable IAS 39 categories.
[1] = Loans and receivables
[2] = Financial instruments at fair value through profit or loss.
[3] = Available-for-sale financial assets.
[4] = Financial liabilities at amortized cost.
[5] = Derivative hedge accounting.

The fair value of long-term borrowing is based on observable data by discounting cash flows to market rate, while the fair value of current receivables and current liabilities is considered to correspond to the carrying amount.

Financial instruments: measured at fair value

	2016				2017			
SEK M	Carrying amounts	Quoted prices	Observable data	Non-observable data	Carrying amounts	Quoted prices	Observable data	Non-observable data
Financial assets								
Derivative financial instruments	167	–	167	–	107	–	107	–
Financial liabilities								
Derivative financial instruments	137	–	137	–	112	–	112	–
Deferred considerations [1]	2,250	–	–	2,250	1,559	–	–	1,559

[1] Deferred considerations often depend on the earnings trend of an acquired business over a certain period. Measurement of the deferred consideration is based on the management's best judgment. Discounting to present value takes place in the case of significant amounts.

ASSA ABLOY hits a home run at new ballpark

■ **CUSTOMER**: ASSA ABLOY has provided several product solutions for the new baseball park being developed for Atlanta. More than just a stadium, the complex also includes the Battery Entertainment District and the Comcast Building incorporating housing, restaurants and retail space.

■ **CHALLENGE**: While ASSA ABLOY was initially pleased to be providing hardware on the stadium, the sales team saw an opportunity to expand its involvement to include CECO doors, which would be a perfect complement to the existing manufacturer's hollow metal frames already on site. But some salesmanship was needed, since the specifications clearly called for the frames and doors to be from the same manufacturer.

■ **SOLUTION**: The team was able to demonstrate how the ASSA ABLOY doors would be the best fit for the customer for a variety of reasons. Making the manufacturer change would not impact cost or lead times, and it would provide better coordination for the in-door wiring and the electrified hardware mounted on the door. Wiring the doors at the factory allowed troubleshooting off-site, which led to a seamless install when the doors were delivered. In addition, the doors provide the best thermal rating in the industry; and ordering was both more efficient and faster through ASSA ABLOY's online portal. ASSA ABLOY was also able to meet the aesthetic needs of the project, with a sleek Sargent lever that's currently particularly popular on other marquee projects in Atlanta.

Building to the World's Most Advanced Green Building Standard

■ **CUSTOMER**: Hampshire College is a private liberal arts college in Amherst, Massachusetts, US. The college, being environmentally focused, sought to construct a new classroom and administration facility to reflect this ideal.

■ **CHALLENGE**: The R. W. Kern Center at Hampshire College is a USD 7.8 million, 17,000 square foot classroom and administration facility constructed to the sustainability-driven Living Building Challenge (LBC), the built environment's most rigorous sustainability performance standard. The intent of the LBC is to build structures that are free from harmful chemicals, protecting not only those that live and work within, but alsothe people constructing the building, the workersthat produce the building materials and the environmentas a whole. To achieve this designation, a structure must generate its own electricity, collect its own water and avoid building products – including door openings – that contain "red list" chemicals.

■ **SOLUTION**: Achieving this goal requires selection of building products with accompanying transparency statements that openly list the material ingredients of these products. Finding products with transparency labels can be a challenge. The construction firm building the Kern Center, Wright Builders, spent months sourcing components and ingredient lists from manufacturers. ASSA ABLOY made their job easier by providing Declare labels that list material ingredients for the door opening products used on the project including doors, locks and exit devices, hinges, door operators, accessories and pulls. "Having companies like ASSA ABLOY declare that they meet standards, and provide ingredient lists, was an incredible help," said Andrew Solem, assistant project manager for Wright Builders. "The labels allow architects, designers, specifiers and builders to know immediately whether or not that the product will meet most green building programs and guidelines, including the Living Building Challenge."

Comments on five years in summary

2013

Demand remained weak in Europe but leveled off during the year, combined with a continuing recovery in the USA and strong sales growth in emerging markets. Continued substantial investment in innovative new products further consolidated market leadership, with products launched in the past three years accounting for a record 27 percent of sales.

Operating income, excluding items affecting comparability, increased by 6 percent compared with 2012, and cash flow showed a positive trend. Earnings per share after full dilution, excluding items affecting comparability, increased 6 percent.

A total of 10 acquisitions were consolidated during the year, which mainly strengthened the position in entrance automation for overhead sectional doors and in high-security fencing and gates for the North American market. These acquisitions increase annual sales by a total of around SEK 3,700 M and provide important products and technology.

A new restructuring program was launched during the year for the purpose of continuing to increase the cost-efficiency of all divisions. Some 30 production plants and offices are set to close with an estimated payback period of just over three years.

2014

ASSA ABLOY continued to grow rapidly during the year, with total sales growth of 17 percent. Demand was strong in the USA, while growth in Europe was more unevenly distributed between the different regions. Emerging markets showed a slowdown, partly due to a credit crunch.

The Group's continued focus on market presence and innovation within ASSA ABLOY during the year took the form of a strengthened sales force and the launch of many new products. Integration of acquisitions made and continued efficiencies contributed to maintaining good earning capacity.

Operating income, excluding items affecting comparability, increased by 17 percent compared with 2013, and cash flow remained strong. Earnings per share after full dilution, excluding items affecting comparability, increased by 17 percent. A total of 20 acquisitions were consolidated during the year, which both strengthened the market position in key emerging markets such as China, India and Brazil, and complemented the customer offering in fast-growing new segments such as biometrics.

2015

ASSA ABLOY's good performance continued during the year despite challenging market conditions and relatively weak underlying growth worldwide. The Group's growth remained strong during the year, with total sales growth of 7 percent excluding exchange rate effects. The global market showed a divided picture with strong demand in the USA and much of Asia, while growth in Europe was more unevenly distributed. Emerging markets showed a slowdown, particularly China.

The focus in recent years on product development, innovation and sustainability yielded positive results during the year. ASSA ABLOY has established leadership in the ongoing industry shift from mechanical solutions to electronics, digitization and mobile. Growth remained strong for electromechanical products and entrance automation, whose share of sales exceeded 50 percent.

Operating income increased by 20 percent compared with 2014, and cash flow remained very strong. Earnings per share after full dilution increased by 20 percent.

A total of 16 acquisitions were consolidated during the year, which strengthened the market position in important emerging markets such as Brazil, and complemented the customer offering in key areas for the Group such as entrance automation and secure identity solutions.

2016

Demand for door opening solutions was relatively good during the year despite the weakened global economy. The Group's growth remained strong during the year, with total sales growth of 5 percent excluding exchange rate effects. The mature markets, primarily in Europe and the US, showed robust growth, while the trend in the emerging markets in Asia, Africa, the Middle East and parts of South America was more subdued in general, affected by factors such as the low prices for oil and other commodities. For ASSA ABLOY, the weak demand in these markets was most pronounced in China.

A new restructuring program was launched during the year. About fifty production plants and offices are set to close over a three-year period, with an estimated payback period of less than three years.

The focus in recent years on product development, innovation and sustainability continued at a high level during 2016. The ongoing technology shift toward an increased share of electromechanics with more digital and mobile solutions is expected to benefit ASSA ABLOY in the long term, and the proportion of sales of electromechanical products exceeded 50 percent.

Operating income for the year, excluding items affecting comparability, increased by 2 percent compared with 2015, and cash flow continued to be strong. Earnings per share after full dilution, excluding items affecting comparability, increased 2 percent.

A total of 13 acquisitions were consolidated during the year, which strengthened the market position for the Group in key areas such as entrance automation and secure identity solutions. ASSA ABLOY's car locks operation was sold.

2017

Sales growth continued to be robust during the year. Organic growth was 4%, driven by growing demand for electromechanical and digital door opening solutions. For ASSA ABLOY, the mature markets primarily in Europe and the US demonstrated continued robust growth, while the trend in the emerging markets was weaker, especially in China, Brazil and the Middle East. Growth in Asia outside China continued to be robust.

The Group-wide programs to improve efficiency in all processes continue to deliver good results according to plan, as do the restructuring programs.

Product development continues to focus on areas such as digital and mobile technologies, which are believed to provide substantial potential for robust profitable growth for some time to come. ASSA ABLOY also has a growing selection of products with environmental product declarations as part of its sustainable solutions initiative.

Operating income for the year, excluding items affecting comparability, increased by 10 percent compared with 2016, and cash flow remained strong. Earnings per share after full dilution, excluding items affecting comparability, increased 10 percent.

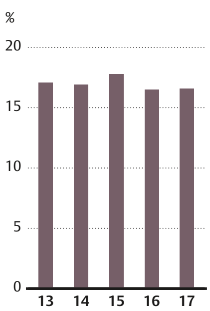
A total of 16 acquisitions were consolidated during the year, which strengthened the market position in areas such as smart door locks, physical access management and identity solutions. ASSA ABLOY divested its project operation within HID Global, AdvanIDe, in its entirety.

Five years in summary

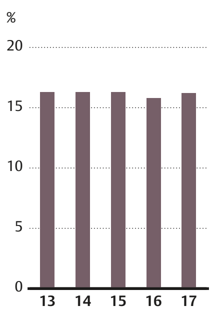
Amounts in SEK M unless stated otherwise	2013	2014	2015	2016	2017
Sales and income					
Sales	48,481	56,843	68,099	71,293	76,137
Organic growth, %	2	3	4	2	4
Acquired growth, %	4	9	3	3	2
Operating income before depreciation and amortization (EBITDA) [1]	8,917	10,419	12,512	12,833	14,029
Depreciation and amortization	–993	–1,163	–1,433	–1,580	–1,688
Operating income (EBIT) [1]	7,923	9,257	11,079	11,254	12,341
Income before tax (EBT)	6,381	8,698	10,382	8,952	11,673
Net income	4,775	6,436	7,693	6,653	8,635
Cash flow					
Cash flow from operating activities	6,224	6,679	8,572	8,575	9,248
Cash flow from investing activities	–6,030	–3,524	–4,412	–4,063	–8,661
Cash flow from financing activities	–731	–2,908	–4,335	–4,271	–861
Cash flow	–537	247	–175	240	–274
Operating cash flow[3]	6,803	8,238	9,952	10,467	10,929
Capital employed and financing					
Capital employed	48,408	58,425	63,848	70,351	75,932
– of which goodwill	31,817	39,778	42,777	47,544	50,330
– of which other intangible assets and property, plant and equipment	12,854	14,990	16,649	17,618	19,144
– of which investments in associates	1,675	1,861	1,910	2,109	2,243
Net debt	19,595	22,327	22,269	23,127	25,275
Non-controlling interests	0	2	4	5	9
Shareholders' equity, excluding non-controlling interest	28,812	36,096	41,575	47,220	50,648
Data per share, SEK [5]					
Earnings per share before and after dilution	4.30	5.79	6.93	5.99	7.77
Earnings per share before and after dilution and excluding items affecting comparability [1]	4.95	5.79	6.93	7.09	7.77
Shareholders' equity per share after dilution	25.94	32.50	37.43	42.51	45.60
Dividend per share	1.90	2.17	2.65	3.00	3.30[2]
Price of Series B share at year-end	113.27	138.27	178.00	169.10	170.40
Key figures					
Operating margin (EBITDA, % [1]	18.4	18.3	18.4	18.0	18.4
Operating margin (EBIT), % [1]	16.3	16.3	16.3	15.8	16.2
Profit margin (EBT), %	13.2	15.3	15.2	12.6	15.3
Return on capital employed, %	14.9	16.9	17.8	14.1	16.6
Return on capital employed excluding items affecting comparability, %	17.1	16.9	17.8	16.5	16.6
Return on shareholders' equity, %	17.5	19.8	19.8	15.0	17.6
Equity ratio, %	43.8	45.1	48.2	49.6	50.9
Net debt/equity ratio	0.68	0.62	0.54	0.49	0.50
Interest coverage ratio, times	13.5	17.4	16.7	14.1	19.1
Total number of shares, thousands [4]	1,112,576	1,112,576	1,112,576	1,112,576	1,112,576
Number of outstanding shares, thousands [4]	1,110,776	1,110,776	1,110,776	1,110,776	1,110,776
Weighted average number of shares issued, before and after dilution, thousands [4]	1,110,776	1,110,776	1,110,776	1,110,776	1,110,776
Average number of employees	42,556	44,269	45,994	46,928	47,426

[1] Excluding items affecting comparability 2013 and 2016.
[2] Dividend proposed by the Board of Directors.
[3] Excluding restructuring payments.
[4] Comparatives have been recalculated for all historical periods prior to 2015 reflecting the stock split (3:1) in 2015.

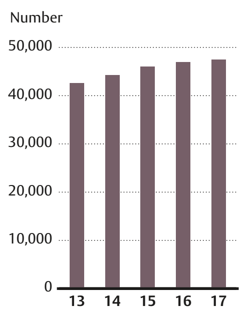
RETURN ON CAPITAL EMPLOYED[1]



OPERATING MARGIN (EBIT)[1]



AVERAGE NUMBER OF EMPLOYEES



[1] Excluding items affecting comparability 2013 and 2016.

Quarterly information

THE GROUP IN SUMMARY Amounts in SEK M unless stated otherwise	Q 1 2016	Q 2 2016	Q 3 2016	Q 4 2016	Full year 2016	Q 1 2017	Q 2 2017	Q 3 2017	Q 4 2017	Full year 2017
Sales	15,891	17,894	18,025	19,484	71,293	18,142	19,387	18,499	20,109	76,137
Organic growth	3%	4%	2%	1%	2%	6%	2%	3%	5%	4%
Gross income excluding items affecting comparability	**6,295**	**7,031**	**7,139**	**7,660**	**28,125**	**7,190**	**7,581**	**7,293**	**7,924**	**29,988**
Gross margin excluding items affecting comparability	39.6%	39.3%	39.6%	39.3%	39.5%	39.6%	39.1%	39.4%	39.4%	39.4%
Operating income before depreciation and amortization (EBITDA), excluding items affecting comparability	**2,787**	**3,305**	**3,425**	**3,316**	**12,833**	**3,208**	**3,543**	**3,488**	**3,789**	**14,029**
Operating margin (EBITDA)	17.5%	18.5%	19.0%	17.0%	18.0%	17.7%	18.3%	18.9%	18.8%	18.4%
Depreciation and amortization excl. amortization attributable to business combinations	–329	–349	–353	–352	–1,384	–370	–376	–355	–344	–1,444
Operating income before amortization (EBITA), excluding items affecting comparability	**2,457**	**2,956**	**3,072**	**2,965**	**11,450**	**2,839**	**3,168**	**3,132**	**3,446**	**12,584**
Operating margin (EBITA)	15.5%	16.5%	17.0%	15.2%	16.1%	15.6%	16.3%	16.9%	17.1%	16.5%
Amortization attributable to business combinations	–46	–46	–52	–51	–196	–52	–54	–52	–87	–244
Operating income (EBIT) excluding items affecting comparability	**2,411**	**2,910**	**3,020**	**2,913**	**11,254**	**2,787**	**3,114**	**3,080**	**3,359**	**12,341**
Operating margin (EBIT)	15.2%	16.3%	16.8%	15.0%	15.8%	15.4%	16.1%	16.7%	16.7%	16.2%
Items affecting comparability[2]	–	–	–	–1,597	–1,597	–	–	–	–	–
Operating income (EBIT)	**2,411**	**2,910**	**3,020**	**1,316**	**9,657**	**2,787**	**3,114**	**3,080**	**3,359**	**12,341**
Operating margin (EBIT)	15.2%	16.3%	16.8%	6.8%	13.5%	15.4%	16.1%	16.7%	16.7%	16.2%
Net financial items	–201	–181	–175	–146	–705	–195	–170	–171	–133	–668
Income before tax (EBT)	**2,209**	**2,729**	**2,844**	**1,170**	**8,952**	**2,593**	**2,944**	**2,910**	**3,226**	**11,673**
Profit margin (EBT)	13.9%	15.2%	15.8%	6.0%	12.6%	14.3%	15.2%	15.7%	16.0%	15.3%
Tax on income	–574	–709	–739	–304	–2,328	–674	–765	–757	–842	–3,038
Profit from discontinued operations	3	7	17	1	28	–	–	–	–	–
Net income	**1,638**	**2,026**	**2,122**	**867**	**6,653**	**1,918**	**2,179**	**2,153**	**2,385**	**8,635**
Net income attributable to:										
Parent company's shareholders	1,638	2,026	2,122	866	6,651	1,919	2,178	2,153	2,384	8,633
Non-controlling interests	0	0	0	1	1	0	1	1	1	2

OPERATING CASH FLOW	Q 1 2016	Q 2 2016	Q 3 2016	Q 4 2016	Full year 2016	Q 1 2017	Q 2 2017	Q 3 2017	Q 4 2017	Full year 2017
Operating income (EBIT)	2,411	2,910	3,020	1,316	9,657	2,787	3,114	3,080	3,359	12,341
Restructuring costs	–	–	–	1,597	1,597	–	–	–	–	–
Depreciation and amortization	376	395	406	403	1,580	421	429	407	430	1,688
Net capital expenditure	–342	–394	–331	–411	–1,478	–373	–593	–448	–561	–1,975
Change in working capital	–1,836	–139	98	1,939	62	–1,882	–207	–319	2,061	–347
Interest paid and received	–94	–228	–96	–179	–597	–93	–198	–77	–189	–557
Non-cash items	–17	–26	–266	–45	–354	–36	28	11	–224	–221
Operating cash flow[1]	**498**	**2,519**	**2,830**	**4,620**	**10,467**	**824**	**2,575**	**2,654**	**4,876**	**10,929**
Operating cash flow/Income before tax excluding items affecting comparability[2]	0.23	0.92	0.99	1.67	0.99	0.32	0.87	0.91	1.51	0.94

CHANGE IN NET DEBT	Q 1 2016	Q 2 2016	Q 3 2016	Q 4 2016	Full year 2016	Q 1 2017	Q 2 2017	Q 3 2017	Q 4 2017	Full year 2017
Net debt at beginning of period	22,269	24,681	27,122	25,571	22,269	23,127	23,339	24,970	25,180	23,127
Operating cash flow	–498	–2,519	–2,830	–4,620	–10,467	–824	–2,575	–2,654	–4,876	–10,929
Restructuring payments	95	50	61	235	442	84	136	106	286	612
Tax paid on income	1,298	478	523	629	2,928	629	961	1,656	–203	3,044
Acquisitions and divestments	1,345	556	145	991	3,037	461	268	1,741	4,319	6,790
Dividend	–	2,944	–	–	2,944	–	3,332	–	–	3,332
Actuarial gain/loss on post-employment benefit obligations	221	186	105	–374	138	–34	99	–50	–40	–26
Net debt of disposal group classified as held for sale	0	0	0	–	–	–	–	–	–	–
Exchange rate differences, etc.	–49	746	444	695	1,836	–104	–590	–590	608	–675
Net debt at end of period	**24,681**	**27,122**	**25,571**	**23,127**	**23,127**	**23,339**	**24,970**	**25,180**	**25,275**	**25,275**
Net debt/equity	0.58	0.64	0.57	0.49	0.49	0.48	0.54	0.53	0.50	0.50

NET DEBT	Q 1 2016	Q 2 2016	Q 3 2016	Q 4 2016	Q 1 2017	Q 2 2017	Q 3 2017	Q 4 2017
Non-current interest-bearing receivables	–34	–36	–41	–41	–41	–39	–212	–171
Current interest-bearing investments including derivatives	–270	–222	–168	–169	–113	–211	–161	–150
Cash and cash equivalents	–578	–564	–604	–750	–697	–844	–440	–459
Pension provisions	3,002	3,258	3,406	3,121	3,058	3,109	2,929	2,933
Other non-current interest-bearing liabilities	15,668	15,805	16,205	16,901	16,232	17,450	16,728	16,859
Current interest-bearing liabilities including derivatives	6,893	8,881	6,773	4,065	4,901	5,505	6,336	6,263
Total	**24,681**	**27,122**	**25,571**	**23,127**	**23,339**	**24,970**	**25,180**	**25,275**

CAPITAL EMPLOYED AND FINANCING	Q 1 2016	Q 2 2016	Q 3 2016	Q 4 2016	Q 1 2017	Q 2 2017	Q 3 2017	Q 4 2017
Capital employed	67,124	69,449	70,555	70,351	72,333	71,349	72,477	75,932
– of which goodwill	43,098	44,387	45,077	47,544	47,438	46,252	46,573	50,330
– of which other intangible assets and property, plant and equipment	16,613	17,036	17,264	17,618	17,595	17,309	17,032	19,144
– of which investments in associates	1,970	2,037	2,095	2,109	2,176	2,193	2,147	2,243
Assets and liabilities of disposal group classified as held for sale	111	126	–	–	–	–	–	–
Net debt	24,681	27,122	25,571	23,127	23,339	24,970	25,180	25,275
Non-controlling interests	4	3	4	5	4	5	5	9
Equity attributable to the Parent company's shareholders	42,551	42,449	44,981	47,220	48,989	46,374	47,292	50,648

DATA PER SHARE, SEK	Q 1 2016	Q 2 2016	Q 3 2016	Q 4 2016	Full year 2016	Q 1 2017	Q 2 2017	Q 3 2017	Q 4 2017	Full year 2017
Earnings per share before and after dilution	1.47	1.82	1.91	0.78	5.99	1.73	1.96	1.94	2.15	7.77
Earnings per share before and after dilution and excluding items affecting comparability[2]	1.47	1.82	1.91	1.88	7.09	1.73	1.96	1.94	2.15	7.77
Shareholders' equity per share after dilution	38.31	38.22	40.50	42.51	42.51	44.10	41.75	42.58	45.60	45.60

NUMBER OF SHARES	Mar 2016	Jun 2016	Sep 2016	Dec 2016	Full year 2016	Q 1 2017	Q 2 2017	Q 3 2017	Q 4 2017	Full year 2017
Total number of shares, millions	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
Weighted average number of outstanding shares, before and after dilution, millions	1,110 ,8	1,110 ,8	1,110 ,8	1,110.8	1,110.8	1,110.8	1,110.8	1,110.8	1,110.8	1,110.8

[1] Excluding restructuring payments.
[2] Items affecting comparability consist of restructuring costs.

Definitions of key ratios

Organic growth
Change in sales for comparable units after adjustments for acquisitions and exchange rate effects.

Operating margin (EBITDA)
Operating income before depreciation and amortization as a percentage of sales.

Operating margin (EBITA)
Operating income before amortization of intangible assets recognized in business combinations, as a percentage of sales.

Operating margin (EBIT)
Operating income as a percentage of sales.

Profit margin (EBT)
Income before tax as a percentage of sales.

Operating cash flow
See the table on operating cash flow for detailed information.

Net capital expenditure
Investments in, less disposals of, intangible assets and property, plant and equipment.

Depreciation and amortization
Depreciation and amortization of intangible assets and property, plant and equipment.

Net debt
Interest-bearing liabilities less interest-bearing assets.

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

Equity ratio
Shareholders' equity as a percentage of total assets.

Interest coverage ratio
Income before tax plus net interest divided by net interest.

Return on shareholders' equity
Net income attributable to parent company's shareholders as a percentage of average parent company's shareholders equity.

Return on capital employed
Income before tax plus net interest as a percentage of average capital employed excluding restructuring reserves.

Earnings per share after tax and before dilution
Net income excluding non-controlling interests divided by weighted average number of outstanding shares before dilution.

Earnings per share after tax and dilution
Net income excluding non-controlling interests divided by weighted average number of outstanding shares after any potential dilution.

Shareholders' equity per share after dilution
Equity excluding non-controlling interests divided by number of outstanding shares after any potential dilution.

Proposed distribution of earnings

The following earnings are at the disposal of the general meeting of shareholders:

Share premium reserve: SEK 787 M
Retained earnings brought forward: SEK 7,347 M
Net income for the year: SEK 4,670 M
TOTAL: SEK 12,804 M

The Board of Directors and the President and CEO propose that a dividend of SEK 3.30 per share, a total of SEK 3,666 M, be distributed to shareholders and that the remainder, SEK 9,139 M, be carried forward to the new financial year. The dividend amount is calculated on the number of outstanding shares as per 5 February 2018.

No dividend is payable on ASSA ABLOY AB's holding of treasury shares, the exact number of which is determined on the record date for payment of dividend. ASSA ABLOY AB held 1,800,000 treasury shares as at 5 February 2018.

Monday, 30 April 2018 has been proposed as the record date for dividends. If the Annual General Meeting approves this proposal, dividends are expected to be distributed by Euroclear Sweden AB on Friday, 4 May 2018.

The Board of Directors and the President and CEO declare that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and give a true and fair view of the Group's financial position and results. The Parent company's annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent company's financial position and results.

The Report of the Board of Directors for the Group and the Parent company gives a true and fair view of the development of the Group's and the Parent company's business operations, financial position and results, and describes material risks and uncertainties to which the Parent company and the other companies in the Group are exposed.

Stockholm, 5 February 2018

Lars Renström
Chairman

Carl Douglas
Vice Chairman

Ulf Ewaldsson
Board member

Eva Karlsson
Board member

Birgitta Klasén
Board member

Eva Lindqvist
Board member

Johan Molin
Board member and
President and CEO

Sofia Schörling Högberg
Board member

Jan Svensson
Board member

Rune Hjälm
Board member
Employee representative

Mats Persson
Board member
Employee representative

Our audit report was issued on 5 February 2018

PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Linda Corneliusson
Authorized public accountant

Auditor's report

To the general meeting of the shareholders of ASSA ABLOY AB (publ)
Corporate identity number 556059-3575

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of ASSA ABLOY AB (publ) for the year 2017 with the exception of the corporate governance report on pages 46–54. The annual accounts and consolidated accounts of the company are included in this document on pages 39–98.

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 2017 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 2017 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 46–54. 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 the shareholders adopt 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, except for a minor branch that was reported to the Audit Committee.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The ASSA ABLOY Group is comprised of a large number of companies. None of these companies have, individually, been deemed to be of major significance in the audit of the Group. For the Group audit, we have selected the Parent company and treasury company and some 70 companies spread across the Group's five divisions, which are audited according to a group-wide audit program. The audit program includes the assessment of the design and operating effectiveness of selected controls in processes significant to the financial reporting and also includes audit procedures in the form of test of details supplemented with analytical procedures applied to the Group's significant income statement and balance sheet items. The majority of the subsidiaries in the Group are also the subject of statutory audits according to local requirements. During 2017, the Auditor-in-Charge and co-signing auditor visited the audit teams in China and the US to participate, on site, in the audit, and to take part in the meetings with representatives from ASSA ABLOY's local companies and ASSA ABLOY's head office. The operations in China and the US have been selected as they are the countries with the largest external sales.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, 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.

Key audit matter	How our audit addressed the Key audit matter
Goodwill and other intangible assets with indefinite useful lives *Goodwill and other intangible assets with indefinite useful lives are described in the annual report in Note 14 and in the accounting principles in Note 1.* ASSA ABLOY is an acquisition-intensive company that has an established and structured acquisition process. During the 2017 financial year, a total of 16 acquisitions were consolidated. ASSA ABLOY's goodwill of SEK 50 billion and its intangible assets with indefinite useful lives of SEK 6 billion, are allocated to the Group's five cash-generating units which are equivalent to the Group's five divisions. We have specifically focused on the APAC division due to the low headroom at this division. In our audit, we have focused on the valuation of goodwill and intangible assets with indefinite useful lives as these items involve a large degree of judgement on behalf of management in assessing future cash flows.	ASSA ABLOY's annual test of goodwill and other intangible assets with indefinite useful lives can be traced to observable market data and to the company's own business plans and forecasts on future development. Through test of details we have examined whether ASSA ABLOY's assessment of whether there is any indication that an asset may be impaired, is based on the company's financial budgets approved by management. We have also assessed the growth rate that the company has used to forecast cash flows beyond the first three-year period. In conjunction with this, we have compared management's assumptions regarding the sustainable growth rate and the operating margin against actual growth and the actual operating margin during recent years. Our assessment of the discount rate applied in management's calculations reflects the specific risks found in the cash generating units. We have reconciled the data in the calculations and checked it against external sources and have found that the determination of the discount rate is based on established theory. In this part of the audit, we have utilized PwC's valuation experts. We have evaluated the company's sensitivity analysis of the valuation to changes in significant parameters, which, individually or on a collective basis, could imply the existence of an impairment requirement.

Key audit matter	How our audit addressed the Key audit matter
Provisions – restructuring program *The restructuring program is described in the Report of the Board of Directors in the annual report and in Note 25.* Restructuring programs were launched during the previous financial years and the closing provision balance amounts to SEK 944 million as of 31 December 2017. In our audit, we have focused on these restructuring programs as the determination of whether or not a present obligation exists, and the valuation of that obligation representing future expenditures, requires judgement and is dependent on management estimates.	We have examined the company's process for identifying projects and the estimated costs of these projects. Our audit measures include an evaluation of whether the restructuring programs comply, in all significant aspects, with the Group's accounting principles for reporting provisions. Furthermore, we have challenged management's assumptions that are the 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 calculations against supporting documentation. This includes, amongst other things, the examination of minutes, agreements, calculations and communication with employees. We have evaluated the management's assessments of remaining cash flows by reviewing their quarterly project updates.

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 in the sections Report on Operations, Divisions, Sustainability Report, and Shareholder Information. 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden (Inspectorate of Auditors) website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ASSA ABLOY AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the 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.

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 audit 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.

A further description of our responsibility for the audit of the administration is available on the Revisorsnämnden (Inspectorate of Auditors) website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 46–54 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of ASSA ABLOY AB (publ) by the General Meeting of shareholders on 26 April 2017 and has been the company's auditor since 1994.

Stockholm, 5 February 2018

PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Linda Corneliusson
Authorized public accountant

Energy efficient door opening solution for METRO Cash&Carry

■ **CUSTOMER**: METRO Cash & Carry is an international wholesale retailer founded 1963 in Germany. Metro has about 120.000 employees and 200 stores globally. In Austria Metro has about 12 shops with around 2100 employees. There are about 48.000 goods in each store.

■ **CHALLENGE**: For the building renewal-concept of METRO the architect was requested to create a zero-emission building for the retailer including sales area, goods receiving and dispatch for goods to other retailers. The building will have a BREEAM Outstanding certification and is a full new design concept for METRO.

■ **SOLUTION**: The building itself is a wood construction, the electrical energy is produced by photovoltaic modules. The new market is divided into cold-storage goods, the home equipment, the vegetables zone - all are separated by doors. ASSA ABLOY Entrance Systems supported the architect from the beginning of the project with product solutions and BIM objects. For the best solution in relation of usage and energy consumption / energy-lost ASSA ABLOY delivers six Isolated dock-levelers with sectional doors. At the fresh vegetable delivering zone, ASSA ABLOY built galvanized dock-levelers with telescopic lips. Inside the building, there are different climate zones, which are separated with high-speed doors and automatic sliding doors. The main entrance for the customers was built as air trap with two different door solutions. At the dispatching area there is also a manual dock-leveler type "emergency loading bay" in case of total energy loss of the building.

Flexible solution for multi-person housing

■ **CUSTOMER**: The Waites in Birmingham, Alabama, US, is a new multi-use housing development, with 14 two-bedroom apartments and 31 one-bedroom apartments, ideal for staff at the nearby hospital and university.

■ **CHALLENGE**: The Waites needed a flexible and easily manageable access solution for residents, maintenance staff and others requiring various combinations of access to both private and shared areas of the building.

■ **SOLUTION**: The customer chose Yale Accentra, a cloud-based access control system designed by ASSA ABLOY's Shared Technologies group. ASSA ABLOY was involved with the building project from the outset and provided the door opening solutions to utilize the platform.

Yale Accentra allows system administrators to manage access for residents, guests or staff easily and securely anytime, anywhere and from any internet-enabled device.

The solution is ideal for multi-person housing because access to both residential and common areas is managed by one system. This allows residents to access private and shared areas and permits delivery companies or maintenance people to enter specific parts of the building.

Yale Accentra provides a complete resident experience, with the security and convenience that residents expect at a cost the developer can embrace.

The ASSA ABLOY share

Share price trend

Once again, 2017 was a volatile year for the Stockholm Stock Exchange. A strong first half with price increases of around 11 percent was followed by a weak summer and fall with both upswings and downturns. The index for full-year 2017 ended at an increase of 6.4 percent, despite the weak conclusion to the year. ASSA ABLOY's Series B share increased slightly from the 2016 closing price of SEK 169.10 to the 2017 closing price of SEK 170.40. The upswing was 0.8 percent. The highest closing price during the year of SEK 197.10 was recorded on 9 May 2017 and the lowest of SEK 163.80 was recorded on 23 January 2017.

At year-end, market capitalization amounted to SEK 189,276 M (187,832), calculated on both Series A and Series B shares.

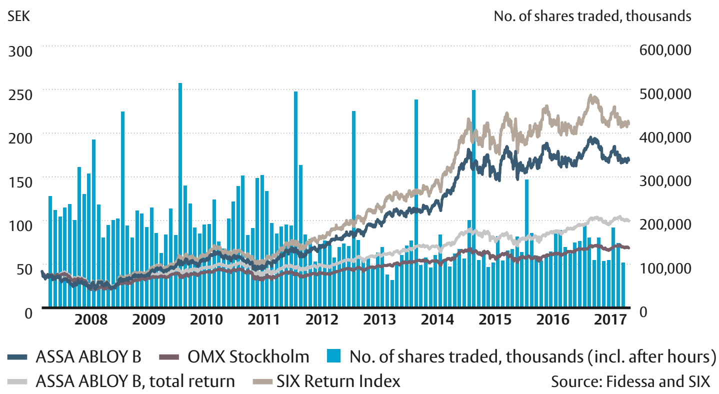
Listing and trading[1]

ASSA ABLOY's Series B share has been listed on Nasdaq Stockholm, Large Cap since 8 November 1994 under the code ASSA-B.ST. Total turnover of the Series B share on all markets amounted to 1,698 million shares (1,859) in 2017, equivalent to a turnover rate of 161 percent (167). Turnover of the Series B share on Nasdaq Stockholm amounted to 583 million shares (564), equivalent to a turnover rate of 55 percent (51).

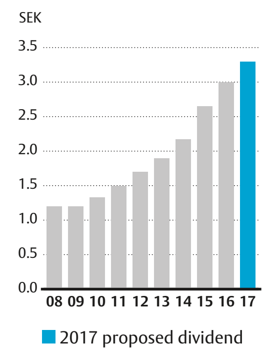
The trend of a slight decline in turnover for trading on Nasdaq Stockholm continued in 2017. Over the past few years, turnover on Nasdaq Stockholm has gradually declined from 78 percent in 2012 to 63 percent in 2017. The average turnover rate on Nasdaq Stockholm fell in 2017 to 63 percent (67). Even among the most frequently traded shares the average turnover rate dropped; the average turnover rate was 65 percent (70) on the Large Cap list in 2017.

Since the implementation of the EU's Markets in Financial Instruments Directive (MiFID) in late 2007 the structure of equity trading in Europe has totally changed. Share trading now takes place on both regulated markets and other trading platforms, and has thus become more fragmented. Consequently, an ever-increasing proportion of trading in shares in Swedish companies now takes place on markets other than Nasdaq Stockholm. In 2017 the ASSA ABLOY share was traded on more than ten different markets, with trading on Nasdaq Stockholm accounting for only around 30 percent of share turnover, compared with 65 percent in 2009. The diagram below shows the trend and distribution of trading in ASSA ABLOY's Series B share on various markets over the past five years.

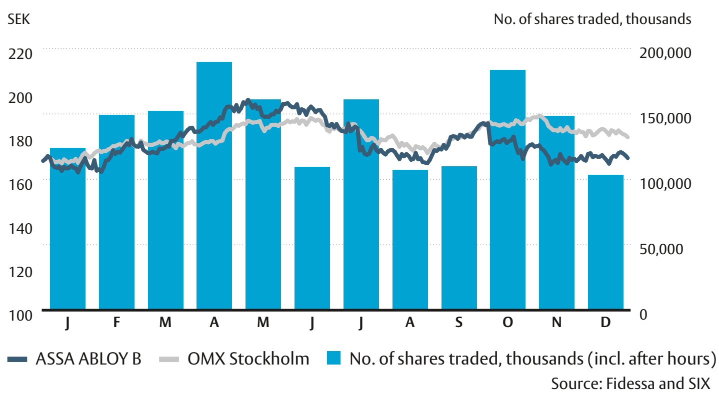
SHARE PRICE TREND AND TURNOVER 2008–2017[1]



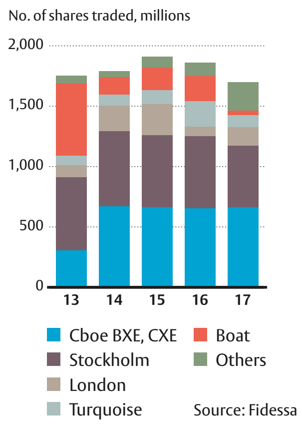
DIVIDEND PER SHARE 2008–2017



SHARE PRICE AND TURNOVER 2017



MARKETS FOR THE SHARE[1]



[1] Comparatives have been recalculated for all historical periods prior to 2015 reflecting the stock split (3:1) in 2015.

Data per share

SEK/share [1]	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Earnings after tax and dilution	3.07[2]	3.07[2]	3.63	4.10[2]	4.66	4.95[2]	5.79	6.93	7.09[2]	7.77
Dividend	1.20	1.20	1.33	1.50	1.70	1.90	2.17	2.65	3.00	3.30[3]
Dividend yield, % [4]	4.1	2.6	2.1	2.6	2.1	1.7	1.6	1.5	1.8	1.9
Dividend, % [5]	52.3	47.8	37.0	36.6	36.8	38.4	37.4	38.2	42.3	42.5
Share price at year-end	29.50	45.93	63.17	57.53	80.97	113.27	138.27	178.00	169.10	170.40
Highest share price	42.00	47.50	66.40	64.97	81.60	114.07	139.17	189.00	190.10	197.10
Lowest share price	23.25	23.83	42.20	44.50	57.23	79.33	105.63	135.00	148.40	163.80
Equity	18.64	18.25	19.55	21.85	23.29	25.94	32.50	37.43	42.51	45.60
Number of shares, millions [6]	1,142.1	1,118.8	1,118.2	1,113.6	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 2008, 2009, 2011, 2013 and 2016.
[3] Dividend proposed by the Board of Directors.
[4] Dividend as percentage of share price at year-end.
[5] Dividend as percentage of earnings per share after tax and dilution, excluding items affecting comparability.
[6] After full dilution.

Ownership structure

The number of shareholders at the end of 2017 was 33,811 (27,638) and the ten largest shareholders accounted for 40.3 percent (39.5) of the share capital and 59.3 percent (58.7) of the votes. Shareholders with more than 50,000 shares, a total of 422 shareholders, accounted for 97 percent (97) of the share capital and 98 percent (98) of the votes.

Investors outside Sweden owned 66.6 percent (64.0) of the share capital and accounted for 45.4 percent (43.7) of the votes, and were mainly in the US and the UK.

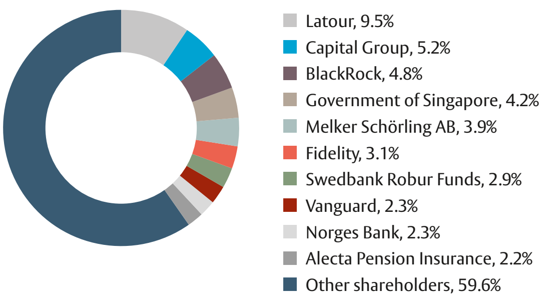
ASSA ABLOY's ten largest shareholders

Based on the share register at 30 December 2017.

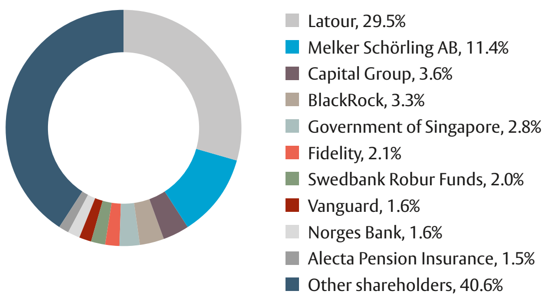
Shareholders	Series A shares	Series B shares	Total number of shares	Share capital[1], %	Votes[1], %
Latour	41,595,729	63,900,000	105,495,729	9.5	29.5
Melker Schörling AB	15,930,240	26,882,608	42,812,848	3.9	11.4
Capital Group		58,269,593	58,269,593	5.2	3.6
BlackRock		53,719,714	53,719,714	4.8	3.3
Government of Singapore		46,309,071	46,309,071	4.2	2.8
Fidelity		34,324,352	34,324,352	3.1	2.1
Swedbank Robur Funds		31,882,299	31,882,299	2.9	2.0
Vanguard		26,081,393	26,081,393	2.3	1.6
Norges Bank		25,361,931	25,361,931	2.3	1.6
Alecta Pension Insurance		24,495,000	24,495,000	2.2	1.5
Other shareholders		663,824,404	663,824,404	59.6	40.6
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 2017, 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 amounts 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 2017 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 (1,800,000) Series B shares after repurchase. These shares account for around 0.2 percent (0.2) of the share capital and each share has a par value of around SEK 0.33. The purchase consideration amounted to SEK 103 M.

No shares were repurchased in 2017.

Dividend and dividend policy

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

The Board of Directors and the President and CEO propose that the dividend to shareholders be raised by 10 percent to SEK 3.30 per share (3.00) for the 2017 financial year, equivalent to a dividend yield on the Series B share of 1.9 percent (1.8).

In 2017 the total return on the ASSA ABLOY share, defined as market price movement plus reinvested dividends, was 2.3 percent, compared with the reinvested SIX Return Index, which was up 9.5 percent. Over the ten-year period 2007–2017, the total return on ASSA ABLOY's Series B share was 599 percent, compared with a 127 percent rise in the SIX Return Index and a 51 percent rise in OMX Stockholm.

Changes in share capital

Year	Transaction	Series A shares	Series C shares	Series B shares	Share capital, SEK*
1989			20,000		2,000,000
1994	Split 100:1			2,000,000	2,000,000
1994	Bonus issue				
1994	Non-cash issue	1,746,005	1,428,550	50,417,555	53,592,110
1996	New share issue	2,095,206	1,714,260	60,501,066	64,310,532
1996	Conversion of Series C shares into Series A shares	3,809,466		60,501,066	64,310,532
1997	New share issue	4,190,412		66,541,706	70,732,118
1998	Converted debentures	4,190,412		66,885,571	71,075,983
1999	Converted debentures before split	4,190,412		67,179,562	71,369,974
1999	Bonus issue				
1999	Split 4:1	16,761,648		268,718,248	285,479,896
1999	New share issue	18,437,812		295,564,487	314,002,299
1999	Converted debentures after split and new share issues	18,437,812		295,970,830	314,408,642
2000	Converted debentures	18,437,812		301,598,383	320,036,195
2000	New share issue	19,175,323		313,512,880	332,688,203
2000	Non-cash issue	19,175,323		333,277,912	352,453,235
2001	Converted debentures	19,175,323		334,576,089	353,751,412
2002	New share issue	19,175,323		344,576,089	363,751,412
2002	Converted debentures	19,175,323		346,742,711	365,918,034
2010	Converted debentures	19,175,323		347,001,871	366,177,194
2011	Converted debentures	19,175,323		349,075,055	368,250,378
2012	Converted debentures	19,175,323		351,683,455	370,858,778
2015	Split 3:1	57,525,969		1,055,050,365	370,858,778

* 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).

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Information for shareholders

Annual General Meeting

The Annual General Meeting of ASSA ABLOY AB will be held at Moderna Museet (Museum of Modern Art), Skeppsholmen, Stockholm at 3.30 pm on Thursday, 26 April 2018. Shareholders wishing to attend the Annual General Meeting should:

- Be recorded in the share register kept by Euroclear Sweden AB by Friday, 20 April 2018.
- Notify ASSA ABLOY AB of their intent to attend no later than Friday, 20 April 2018.

Notice of attendance

- Website www.assaabloy.com
- Telephone +46 (0)8 506 485 14
- Address ASSA ABLOY AB, "Annual General Meeting 2018", c/o Euroclear Sweden AB
  Box 191, SE-101 23 Stockholm, Sweden

The notice of attendance should state:

- Name
- Personal or corporate identity number
- Address and daytime telephone number
- Number of shares
- Any assistants attending

If participation is by proxy, the proxy should be submitted in connection with the notice of attendance and the proxy must be presented in original at the latest at the Annual General Meeting. Proxy forms are available at: www. assaabloy.com.

Nominee-registered shares

In addition of giving notice to attend, shareholders whose shares are nominee-registered must be temporarily registered in their own name in the share register (so-called voting right registration) to be able to attend the Annual General Meeting. Such registration must be effected by Friday, 20 April 2018, and shareholders should contact their bank or nominee well in advance of this date.

Nomination Committee

The Nomination Committee has the task of preparing and recommending, on behalf of the shareholders, proposals for the election of the Chairman of the Annual General Meeting, the election of the Chairman, the Vice Chairman and other members of the Board of Directors, the appointment of the auditor, resolution on fees to the auditor and to the Board of Directors (including division between the Chairman, Vice Chairman and other members of the Board of Directors, as well as remuneration for committee work), as well as the appointment of the Nomination Committee and determination of the assignment of the Nomination Committee.

The Nomination Committee prior to the 2018 Annual General Meeting comprises Carl Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur funds) and Anders Oscarsson (AMF and AMF funds). Carl Douglas is Chairman of the Nomination Committee.

Dividend

Monday, 30 April 2018 has been proposed as the record date for dividends. If the Annual General Meeting approves the proposal, dividend is expected to be distributed by Euroclear Sweden AB on Friday, 4 May 2018.

Further information

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  SE-107 23 Stockholm

Financial reporting

First quarter: 26 April 2018
Second quarter: 18 July 2018
Third quarter: 19 October 2018
Fourth quarter and Year-end report: February 2019
Annual Report 2018: March 2019

The total door solution

ASSA ABLOY's security solutions are installed all over the world

ASSA ABLOY is the global leader in door opening solutions and offers mechanical and electromechanical locks, digital door locks, entrance automation, hotel security and secure identity solutions. The Group's products are important for people all over the world – in schools, hospitals, offices, stadiums, shops, museums, hotels, airports and private homes.

Multi-family buildings

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

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

Hospitality

1. Automatic sliding doors are particularly suitable for entrances and indoor areas with large pedestrian flows. Automatic sliding doors allow you to enter a building without manually open doors – and conveniently pass through even if you are pushing a shopping or carrying suitcases.

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

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

4. Doors, door closers, exit devices and masterkey systems.

Airports

1. Bollards and other safety devices protect pedestrians from motor vehicles. The various models can be permanently installed, portable or retractable, and they can be integrated in security and alarm systems.

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

3. High-security fences and gates protect against unauthorized entry at the airport. The doors can be integrated with security systems, sensors and surveillance cameras.

4 Loading stations provide efficient and safe handling of goods. Levelers, shelters, loading buildings and other accessories make loading and unloading easier and more energy efficient. ASSA ABLOY also has a complete offering for service, maintenance and modernization of automatic entrances and docks.

5 The boarding process places high demands on entrance automation and security control. ASSA ABLOY has total door solutions to ensure that the right person opens and closes doors, and that fire safety and climate control are maintained.

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

7 Identity solutions with related technology and services such as electronic passports.

8 High-performance doors are ideal for a variety of applications and offer excellent wind load resistance. The unique design essentially provides a perfect seal, which means that the doors are airtight and protect the environment against drafts, moisture and dirt. High opening and closing speeds guarantee maximum efficiency and help you save energy.

9 Total door opening solutions for retail premises.

10 Medicine cabinet with electronic locks connected to the access control system to ensure proper access and opening history.

11 Security room - mechanical and electromechanical key systems, software and solutions for access control. System to integrate all airport control systems for e.g. authorization, logistics, personnel, etc. Solutions for secure issuance and management of identities for access to various systems with specific security requirements, such as staff ID cards. Positioning solutions inform the building security system about who is at a certain place to ensure that no unauthorized individuals, temporary contractors, etc., have access to the wrong part of the building. At the same time, the staff can keep track of security personnel to see where they are located in the building.

We are the global leader in
total door opening solutions

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

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