

Quarterly Report Q4 2017

Full-year summary 2017

6 February 2018

ASSA ABLOY

The global leader in
door opening solutions

A strong finish to 2017

Fourth quarter

- Net sales increased by 3% to SEK 20,109 M (19,484), with organic growth of 5% (1) and acquired net growth of 3% (2)
- Strong growth has been exhibited by Global Technologies and EMEA and good growth by Americas, Entrance Systems and Asia Pacific
- Contracts have been signed for the acquisition of two companies with combined expected annual sales of about SEK 400 M
- Operating income¹⁾ (EBIT) was SEK 3,359 M (2,913), corresponding to an operating margin of 16.7% (15.0)
- Net income¹⁾ amounted to SEK 2,385 M (2,088)
- Earnings per share¹⁾ amounted to SEK 2.15 (1.88)
- Operating cash flow remained strong and amounted to SEK 4,876 M (4,620)
- Nico Delvaux has been appointed as the new President and CEO of ASSA ABLOY with effect from 15 March 2018
- The Board of Directors proposes a dividend of SEK 3.30 (3.00) per share for 2017.

Organic growth

+5%

Operating income¹⁾

+15%

Earnings per share¹⁾

+14%

Sales and income

	Fourth quarter			January-December		
	2016	2017	Δ	2016	2017	Δ
Sales, SEK M	19,484	20,109	3%	71,293	76,137	7%
Of which:						
Organic growth	120	878	5%	1,428	2,834	4%
Acquisitions and divestments	455	480	3%	1,967	1,753	2%
Exchange-rate effects	609	-733	-5%	-201	257	1%
Operating income¹⁾ (EBIT), SEK M	2,913	3,359	15%	11,254	12,341	10%
Operating margin ¹⁾ (EBITA), %	15.2%	17.1%		16.1%	16.5%	
Operating margin¹⁾ (EBIT), %	15.0%	16.7%		15.8%	16.2%	
Income before tax ¹⁾ , SEK M	2,767	3,226	17%	10,549	11,673	11%
Net income ¹⁾ , SEK M	2,088	2,385	14%	7,874	8,635	10%
Operating cash flow, SEK M	4,620	4,876	6%	10,467	10,929	4%
Earnings per share¹⁾, SEK	1.88	2.15	14%	7.09	7.77	10%

¹⁾ Excluding costs for a new restructuring program for the fourth quarter and full year 2016, totaling SEK -1,597 M before tax, corresponding to SEK -1,221 M after tax.

Comments by the President and CEO

"ASSA ABLOY ended 2017 with strong growth in the fourth quarter," says Johan Molin, President and CEO. "Organically we grew by 5%, with positive trends for all divisions. Global Technologies and EMEA had strong growth of 9% and 5% respectively, and Americas, Entrance Systems and Asia Pacific all had good growth of 3-4%. Demand was positive for nearly all regions and business units, with strong demand for our electromechanical products and smart door locks. In EMEA we saw sales increase in all regions. All business units in Americas also showed growth – even Brazil. In Asia Pacific we had growth in Pacific, South Korea and Southern Asia, while sales in China were stable. Our digital and mobile solutions continue to be very successful on the market. We saw strong growth in Global Technologies for access control products and mobile keys for both hotels and companies. In Entrance Systems we had strong growth for door automation, industrial doors and high-speed doors, among others.



During the quarter our leadership in smart door locks was confirmed by our collaboration with Amazon, where they chose our Yale locks for their new investment in home deliveries. Collaboration in smart door locks was also initiated with Walmart and Google during the quarter, to start in 2018. I am confident that the majority of all private residences will be converted to smart door locks during the next decade. A gigantic market is opening up! Our acquisition during the third quarter of August Home, a leading supplier of smart door solutions for the residential market in the USA, was therefore of strategic importance.

Our acquisition activity remained high during the fourth quarter with two acquisitions. We have signed a strategic contract to acquire Phoniro, a Swedish specialist in smart locks, personal alarms and access-control systems adapted to the care of the elderly – a growth segment that is rapidly being digitalized. We have also acquired Dale & Excel, which complements very well our market offer in the UK.

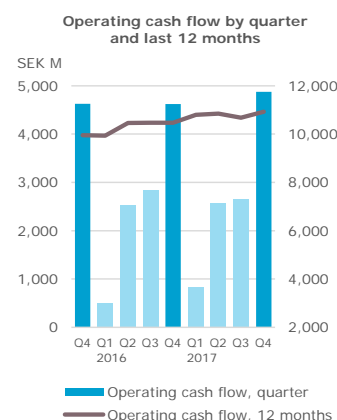
Operating income for the quarter increased by 5%* and amounted to SEK 3,359 M with an operating margin of 16.7% (16.5*). The margin improved in EMEA, Global Technologies and Entrance Systems but was lower for Americas and for Asia Pacific.

My judgment is that the global economic trend has improved to some degree compared with last year. On most markets, especially in Europe, there is a positive trend, but on some markets, such as China and Brazil, demand remains weak. However, our strategy of expanding our market presence, even on the emerging markets, remains unchanged. We are also continuing our investments in new products, especially in the growth area of electromechanics.

In December Nico Delvaux was named as the new President and CEO of ASSA ABLOY AB. He began his employment with us on 3 February and during the next six weeks I will ensure a good handover to him before he takes over as CEO on 15 March. Nico is a strong and experienced leader of global businesses and I am confident that ASSA ABLOY's journey of profitable growth will continue under Nico's leadership.

With these comments I want to express my own thanks to all ASSA ABLOY's employees and to wish them and my successor Nico Delvaux a continuing successful journey".

* Excluding restructuring costs and the write-down in China in Q4 2016.



Fourth quarter

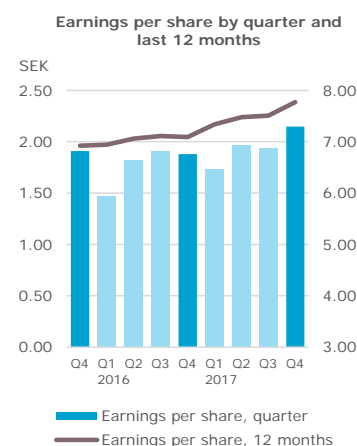
The Group's sales increased by 3% to SEK 20,109 M (19,484). Organic growth amounted to 5% (1). Acquisitions and divestments were 3% (2), of which 5% (3) were acquisitions and -2% (-1) were divestments. Exchange-rate effects affected sales by -5% (3).

The Group's operating income, EBIT, excluding restructuring costs, amounted to SEK 3,359 M (2,913) a rise of 15%. The operating margin, excluding restructuring costs, was 16.7% (15.0).

Operating income before amortizations from acquisitions, EBITA, excluding restructuring costs, amounted to SEK 3,446 M (2,965). The corresponding EBITA margin was 17.1% (15.2).

Net financial items amounted to SEK -133 M (-146). The Group's income before tax, excluding restructuring costs, was SEK 3,226 M (2,767), an increase of 17% compared with last year. Exchange-rate effects had an impact of SEK -130 M (148) on income before tax. The profit margin, excluding restructuring costs, was 16.0% (14.2).

The effective tax rate on an annual basis was 26.0% (26.0) and was affected positively by 0.8 of a percentage point by the new tax reforms in the USA. Earnings per share, excluding restructuring costs, amounted to SEK 2.15 (1.88), an increase of 14% compared with last year.



Full year

The Group's sales for the full year 2017 increased by 7% to SEK 76,137 M (71,293). Organic growth was 4% (2). Acquisitions and divestments contributed 2% (3), of which 3% (4) came from acquisitions and -1% (-1) from divestments. Exchange-rate effects affected sales by 1% (0).

The Group's operating income, EBIT, excluding restructuring costs, amounted to SEK 12,341 M (11,254), which was an increase of 10% compared with last year. The corresponding EBIT operating margin was 16.2% (15.8).

Operating income before amortizations from acquisitions, EBITA, excluding restructuring costs, amounted to SEK 12,584 M (11,450). The corresponding EBITA margin, excluding restructuring costs, was 16.5% (16.1).

Earnings per share, excluding restructuring costs, amounted to SEK 7.77 (7.09), an increase of 10% compared with last year. Operating cash flow totaled SEK 10,929 M (10,467), an increase of 4%.

Restructuring measures

Payments related to all restructuring programs amounted to SEK 286 M (235) in the quarter. The restructuring programs proceeded according to plan and led to a reduction in personnel of 723 people during the quarter and 13,564 people since the projects began in 2006.

At the end of the year provisions of SEK 944 M remained in the balance sheet for carrying out the programs.

Organization

Nico Delvaux has been named as the new President and CEO of ASSA ABLOY with effect from 15 March 2018. Nico Delvaux was until recently President and CEO of Metso Corporation in Finland and has previously held management positions in Atlas Copco for more than two decades. Nico Delvaux has a M.Sc. in Engineering and an MBA from Handelshogeschool Antwerp in Belgium.

Thanasis Molokotos, Executive Vice President and Head of Americas Division, has decided to leave ASSA ABLOY during 2018 after nearly 14 years' service as a Divisional Head. Recruitment of a successor has begun.

Chris Bone has been appointed Executive Vice President and Technical Director with effect from 1 March 2018. He succeeds Ulf Södergren, who retires this year. Chris Bone has worked at ASSA ABLOY since 2010 and has acted as Head of the Digital and Access Solutions business unit in EMEA Division. Chris Bone is an engineer and holds a degree from the University of New South Wales in Australia.

Tax matters

In the USA a comprehensive new tax reform has recently come into force, whose provisions include a lower rate of income tax for companies. The initial positive one-off effect of the tax reform on the effective tax rate for ASSA ABLOY in 2017 was 0.8 percentage points, equivalent to SEK 91 M. Based on currently known information, the new tax rules in the USA, considered in isolation and all other things being equal, will reduce the Group's effective tax rate by one percentage point. Underlying effective tax rate 2017 was 26.8 percent and the estimated effective tax rate for 2018 is therefore around 26 percent.

The Finnish Tax Administration decided in 2015 not to allow tax relief for interest costs in ASSA ABLOY's Finnish business for the years 2008-2012. The decision was appealed to a superior court and a new judgment, in ASSA ABLOY's favor, was delivered during the third quarter. During the fourth quarter repayment was made to ASSA ABLOY of advance tax payments made earlier, which affected cash flow positively by just over SEK 800 M. The latest judgment in ASSA ABLOY's favor has been appealed to a superior court by the Finnish Tax Administration during the fourth quarter.

Comments by division

EMEA

Sales for the quarter in EMEA division totaled SEK 4,869 M (4,557), with organic growth of 5% (3). Growth was strong in Finland, Britain, France, Southern Europe, Eastern Europe and Africa / Middle East, and was good in Germany. Scandinavia and Benelux also showed growth. Electromechanical products showed strong growth, and demand was especially strong for smart door locks for the private residential market. Acquired growth was 2%. Operating income excluding restructuring costs totaled SEK 842 M (766), which represents an operating margin (EBIT) of 17.3% (16.8). Return on capital employed amounted to 22.9% (21.2). Operating cash flow before interest paid totaled SEK 1,489 M (1,407).

Americas

Sales for the quarter in Americas division totaled SEK 4,243 M (4,362), with organic growth of 4% (1). Growth was strong for Electromechanical and High-security products, for the Private residential market in the USA, and for Canada, Mexico and South America apart from Brazil. Traditional lock products, Security fencing and Security doors, and also Brazil, showed growth. Acquired growth was 1%. Operating income excluding restructuring costs totaled SEK 847 M (908), which represents an operating margin (EBIT) of 19.9% (20.8). Return on capital employed amounted to 21.6% (23.3). Operating cash flow before interest paid totaled SEK 1,085 M (1,031).

Asia Pacific

Sales for the quarter in Asia Pacific division totaled SEK 2,400 M (2,427), with organic growth of 3% (-8). Strong growth was achieved in South Korea, Southern Asia and Pacific. Sales in China were stable, with a positive trend for lock products while sales of fire and security doors continued to decrease. Smart door-locks grew strongly in the region. Acquired growth was 0%. Operating income excluding restructuring costs totaled SEK 232 M (-47), which represents an operating margin (EBIT) of 9.7% (-2.0). Return on capital employed amounted to 7.5% (-1.8). Operating cash flow before interest paid totaled SEK 742 M (769).

Global Technologies

Sales for the quarter in Global Technologies division totaled SEK 2,835 M (2,687), with organic growth of 9% (1). Access control, Secure issuance, Citizen ID and Identification technology had strong growth within HID Global, while Logical access had a slightly negative sales trend. Hospitality showed continued strong growth. Sales of cellphone-based solutions continued to grow strongly. Acquired/divested growth was 2%. Operating income excluding restructuring costs amounted to SEK 608 M (500), which represents an operating margin (EBIT) of 21.5% (18.6). Return on capital employed amounted to 17.5% (18.0). Operating cash flow before interest paid totaled SEK 791 M (778).

Entrance Systems

Sales for the quarter in Entrance Systems division totaled SEK 6,072 M (5,772), with organic growth of 3% (4). Door automation, Door components and Industrial and High-speed doors showed strong growth. Garage doors showed good growth, while solutions for warehouses and logistics in the USA showed negative sales trends. Acquired growth was 5%. Operating income excluding restructuring costs totaled SEK 966 M (888), which represents an operating margin (EBIT) of 15.9% (15.4). Return on capital employed amounted to 20.2% (18.9). Operating cash flow before interest paid totaled SEK 1,174 M (1,062).

Acquisitions and divestments

A total of two acquisitions were consolidated during the quarter. The combined acquisition price for the 16 companies acquired during the year amounted to SEK 6,862 M, and preliminary acquisition analyses indicate that goodwill and other intangible assets with indefinite useful life amount to SEK 5,111 M. The acquisition price is adjusted for acquired net debt and estimated deferred considerations. Estimated deferred considerations amounted to SEK 365 M.

On 2 February it was announced that ASSA ABLOY has signed a contract to acquire Phoniro, the largest player within integrated digital key management solutions and alarm for homecare and nursing homes in the Nordic region. Phoniro has about 80 employees and its sales in 2018 are expected to amount to about SEK 175 M.

On 5 February it was announced that ASSA ABLOY has signed a contract to acquire Dale & Excel, the leading suppliers of architectural hardware to builder's merchants in the UK. Dale & Excel have about 70 employees and their sales in 2018 are expected to amount to SEK 210 M.

Sustainable development

The demand for sustainable products is growing. For ASSA ABLOY this provides a commercial opportunity since customers are choosing energy-effective solutions and products with Environmental Product Declarations to an ever-increasing degree. The Group is continuing to launch environmentally friendly products at a high rate.

Traditionally, many visible parts of locks are manufactured of brass, which requires surface treatment to protect the surface. The surface-treatment processes often involve environmentally hazardous substances, and the processes are energy-intensive and also prolong the lead-time. To create more environmentally friendly products, ASSA ABLOY Hospitality has progressively replaced brass with stainless steel for many important lock components. During 2016 and 2017, 50 percent of the handles for hotel locks have been replaced by stainless steel, and the remainder of the volume will be converted during 2018. The changeover to stainless steel has reduced consumption of materials by 5 percent, energy consumption by 28 percent and calculated carbon-dioxide emissions by 9 percent. The change gives products improved quality and longer durability, eliminates one production process and reduces consumption of resources and lead times.

The Sustainability Report for 2017, with reviews of the Group's targets and other information about sustainable development, will be available from 21 March 2018 on the company's website, www.assaabloy.com.

Parent company

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 4,063 M (4,023) for the full year. Operating income for the same period amounted to SEK 1,701 M (1,687). Investments in tangible and intangible assets totaled SEK 3,291 M (224). Liquidity is good and the equity ratio was 43.0% (45.8).

Dividend and Annual General meeting

The Board of Directors proposes a dividend of SEK 3.30 (3.00) per share for the 2017 financial year, an increase of 10%. The Annual General Meeting will be held on 26 April 2018. The Annual Report for 2017 will be available from 21 March 2018 on the company's website, www.assaabloy.com.

Accounting principles

ASSA ABLOY applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. Significant accounting and valuation principles are detailed on pages 68-73 of the 2016 Annual Report. This Report was prepared in accordance with IAS 34 'Interim Financial Reporting' and the Annual Accounts Act. The Interim Report for the Parent company was prepared in accordance with the Annual Accounts Act and RFR 2 'Reporting by a Legal Entity'.

IFRS 9 and IFRS 15 came into force on 1 January 2018 and are being adopted by the Group from that date. The project that began in 2016 in response to the introduction of IFRS 15 has progressed according to plan during 2017 with evaluation and analysis of its effects on the Group's financial reports. The Group's judgment of the financial effects has been regularly reported in ASSA ABLOY's quarterly reports during the course of the project. The project was brought to an end in the fourth quarter of 2017 with the conclusion that the present reporting of revenues is in accordance with IFRS 15 in all important respects. The new Standard will thus have no impact on the Group's income or financial position.

IFRS 9 deals with the classification, valuation and reporting of financial assets and liabilities, and replaces those parts of IAS 39 that deal with the classification and valuation of financial instruments. The Group has analyzed the standard and concludes that it will have no significant impact on the Group's income or financial position. No impact on equity due to changes in accounting principles related to IFRS 9 will be reported in 2018. The part of the Standard that has the greatest impact on the Group is the new writing-down model that is being introduced and that is based on expected credit losses instead of actual losses. For the Group, the new model requires a partly new process for the assessment of credit losses.

IFRS 16 will apply to the accounting year that begins on 1 January 2019. Earlier application is permitted but the Group has chosen not to take up this option.

ASSA ABLOY makes use of a number of financial performance measures that are not defined in the reporting rules that the company uses – so-called 'alternative performance measures'. For definitions of financial performance measures, refer to Page 17 of this Quarterly Report and to the company's latest Annual Report.

To check how the financial measurements have been calculated for current and earlier periods, refer to the tabulated figures in this Quarterly Report and to the company's Annual Report. The Annual Reports for the years 1994 to 2016 appear on the company's website www.assaabloy.com.

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

Transactions with related parties

No transactions that significantly affected the company's position and income have taken place between ASSA ABLOY and related parties.

Risks and uncertainty factors

As an international Group with a wide geographic spread, ASSA ABLOY is exposed to a number of business, financial and tax-related risks. The business risks can be divided into strategic, operational and legal risks. The financial risks are related to such factors as exchange rates, interest rates, liquidity, the giving of credit, raw materials and financial instruments. Risk management in ASSA ABLOY aims to identify, control and reduce risks. This work begins with an assessment of the probability of risks occurring and their potential effect on the Group. For a more detailed description of particular risks and risk management, see the 2016 Annual Report.

Review

The Company's Auditors have not carried out any review of this Report for the fourth quarter of 2017.

Stockholm, 6 February 2018

Johan Molin
President and CEO

Financial information

The Interim Report for the first quarter of 2018 will be published on 26 April 2018.

The Annual General meeting will be held on 26 April 2018 at the Museum of Modern Art in Stockholm, Sweden.

Further information can be obtained from:

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ASSA ABLOY is holding an **analysts' meeting at 10.00 today**
at Operaterrassen in Stockholm, Sweden.

The analysts' meeting can also be followed on the Internet at www.assaabloy.com.

It is possible to submit questions by telephone on:
+46 8 5055 6476, +44 203 364 5371 or +1 877 679 2993

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No.04/2018

Financial information – Group

CONSOLIDATED INCOME STATEMENT

SEK M	Q4		Q1-Q4	
	2016	2017	2016	2017
Sales	19,484	20,109	71,293	76,137
Cost of goods sold	-12,975	-12,185	-44,319	-46,148
Gross income	6,509	7,924	26,974	29,988
Selling, administrative and R&D costs	-5,223	-4,608	-17,444	-17,777
Share of earnings in associates	30	43	127	129
Operating income	1,316	3,359	9,657	12,341
Finance net	-146	-133	-705	-668
Income before tax	1,170	3,226	8,952	11,673
Tax on income	-304	-842	-2,328	-3,038
Profit from discontinued operations	1	-	28	-
Net income for the period	867	2,385	6,653	8,635
Net income for the period attributable to:				
Parent company's shareholders	866	2,384	6,651	8,633
Non-controlling interest	1	1	1	2
Earnings per share				
before and after dilution, SEK	0.78	2.15	5.99	7.77
before and after dilution and excluding items affecting comparability, SEK	1.88	2.15	7.09	7.77

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q4		Q1-Q4	
	2016	2017	2016	2017
Net income for the period	867	2,385	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, net after tax	243	-41	-102	-51
Total	243	-41	-102	-51
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates	-11	58	126	50
Cashflow hedges, net investment hedges and tax	10	57	-5	26
Exchange rate differences	1,121	889	1,955	-1,864
Total	1,119	1,003	2,077	-1,788
Total comprehensive income for the period	2,230	3,347	8,627	6,796
Total comprehensive income for the period attributable to:				
Parent company's shareholders	2,229	3,346	8,627	6,794
Non-controlling interest	1	1	1	2

Financial information – Group

CONSOLIDATED BALANCE SHEET

SEK M	31 Dec	
	2016	2017
ASSETS		
Non-current assets		
Intangible assets	57,096	61,409
Property, plant and equipment	8,066	8,065
Investments in associates	2,109	2,243
Other financial assets	86	227
Deferred tax assets	1,899	1,355
Total non-current assets	69,257	73,299
Current assets		
Inventories	9,565	9,430
Trade receivables	12,648	13,068
Other current receivables and investments	3,062	3,188
Cash and cash equivalents	750	459
Total current assets	26,025	26,145
TOTAL ASSETS	95,282	99,444
EQUITY AND LIABILITIES		
Equity		
Equity attributable to Parent company's shareholders	47,220	50,648
Non-controlling interest	5	9
Total equity	47,224	50,657
Non-current liabilities		
Long-term loans	16,901	16,859
Deferred tax liabilities	2,344	2,218
Other non-current liabilities and provisions	6,701	5,217
Total non-current liabilities	25,945	24,293
Current liabilities		
Short-term loans	3,929	6,151
Trade payables	7,443	7,811
Other current liabilities and provisions	10,741	10,531
Total current liabilities	22,112	24,494
TOTAL EQUITY AND LIABILITIES	95,282	99,444

CHANGES IN CONSOLIDATED EQUITY

SEK M	Equity attributable to:		Total equity
	Parent company's shareholders	Non-controlling interest	
Opening balance 1 January 2016	41,575	4	41,579
Net income for the period	6,651	1	6,653
Other comprehensive income	1,975	0	1,975
Total comprehensive income	8,627	1	8,627
Dividend	-2,944	-	-2,944
Stock purchase plans	-39	-	-39
Total transactions with parent company's shareholders	-2,982	-	-2,982
Closing balance 31 December 2016	47,220	5	47,224
Opening balance 1 January 2017	47,220	5	47,224
Net income for the period	8,633	2	8,635
Other comprehensive income	-1,839	0	-1,839
Total comprehensive income	6,794	2	6,796
Dividend	-3,332	-	-3,332
Stock purchase plans	-33	-	-33
Change in non-controlling interest	0	3	3
Total transactions with parent company's shareholders	-3,366	3	-3,363
Closing balance 31 December 2017	50,648	9	50,657

Financial information – Group

CONSOLIDATED CASH FLOW STATEMENT

SEK M	Q4		Q1-Q4	
	2016	2017	2016	2017
OPERATING ACTIVITIES				
Operating income	1,316	3,359	9,657	12,341
Depreciation and amortization	403	430	1,580	1,688
Reversal of restructuring costs	1,597	-	1,597	-
Restructuring payments	-235	-286	-442	-612
Other non-cash items	-45	-224	-354	-221
Cash flow before interest and tax	3,036	3,279	12,037	13,196
Interest paid and received	-179	-189	-597	-557
Tax paid on income	-629	203	-2,928	-3,044
Cash flow before changes in working capital	2,228	3,293	8,512	9,595
Changes in working capital	1,939	2,061	62	-347
Cash flow from operating activities	4,167	5,354	8,575	9,248
INVESTING ACTIVITIES				
Net investments in intangible assets and property, plant and equipment	-411	-561	-1,478	-1,975
Investments in subsidiaries	-901	-4,351	-2,640	-6,825
Investments in associates	-	0	-1	0
Disposals of subsidiaries	2	40	55	139
Other investments and disposals	0	0	0	0
Cash flow from investing activities	-1,310	-4,872	-4,063	-8,661
FINANCING ACTIVITIES				
Dividends	-	-	-2,944	-3,332
Acquisition of non-controlling interest	-3	34	-40	-130
Net cash effect of changes in borrowings	-2,706	-437	-1,287	2,601
Cash flow from financing activities	-2,709	-471	-4,271	-861
CASH FLOW FOR THE PERIOD	149	11	240	-274
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period	604	440	501	750
Cash flow for the period	149	11	240	-274
Effect of exchange rate differences	-3	8	9	-17
Cash and cash equivalents at end of period	750	459	750	459

KEY RATIOS

	Q1-Q4	
	2016	2017
Return on capital employed, %	14.1	16.6
Return on capital employed excluding items affecting comparability, %	16.5	16.6
Return on shareholders' equity, %	15.0	17.6
Equity ratio, %	49.6	50.9
Interest coverage ratio, times	14.1	19.1
Total number of shares, thousands	1,112,576	1,112,576
Number of shares outstanding, thousands	1,110,776	1,110,776
Weighted average number of outstanding shares before and after dilution, thousands	1,110,776	1,110,776
Average number of employees	46,928	47,426

Financial information – Parent company

INCOME STATEMENT

SEK M	Q1-Q4	
	2016	2017
Operating income	1,687	1,701
Income before appropriations and tax	2,952	4,238
Net income for the period	3,619	4,670

BALANCE SHEET

SEK M	31 Dec	
	2016	2017
Non-current assets	35,670	39,579
Current assets	10,548	12,740
Total assets	46,218	52,319
Equity	21,190	22,494
Untaxed reserves	-	565
Non-current liabilities	8,894	10,581
Current liabilities	16,134	18,679
Total equity and liabilities	46,218	52,319

Quarterly information – Group

THE GROUP IN SUMMARY	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
SEK M	2016	2016	2016	2016	2016	2017	2017	2017	2017	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 depr. & amort. (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%
Depr. & amort. excl amort. 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 ¹⁾	-	-	-	-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 for the period	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 interest	0	0	0	1	1	0	1	1	1	2
OPERATING CASH FLOW										
SEK M	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Year 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	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 flow²⁾	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 ¹⁾	0.23	0.92	0.99	1.67	0.99	0.32	0.87	0.91	1.51	0.94
CHANGE IN NET DEBT										
SEK M	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Year 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	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	1,298	478	523	629	2,928	629	961	1,656	-203	3,044
Acquisitions and disposals	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 obligation	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 and other	-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 ratio	0.58	0.64	0.57	0.49	0.49	0.48	0.54	0.53	0.50	0.50
NET DEBT										
SEK M	Q1 2016	Q2 2016	Q3 2016	Q4 2016		Q1 2017	Q2 2017	Q3 2017	Q4 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										
SEK M	Q1 2016	Q2 2016	Q3 2016	Q4 2016		Q1 2017	Q2 2017	Q3 2017	Q4 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 interest	4	3	4	5		4	5	5	9	
Shareholders' equity	42,551	42,449	44,981	47,220		48,989	46,374	47,292	50,648	
DATA PER SHARE										
SEK	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Year 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	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 ¹⁾	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

Reporting by division

Q4 and 31 Dec

	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	4,479	4,767	4,347	4,228	2,240	2,251	2,671	2,817	5,747	6,046	0	0	19,484	20,109
Sales, internal	77	102	15	16	187	150	16	18	25	26	-321	-310	-	-
Sales	4,557	4,869	4,362	4,243	2,427	2,400	2,687	2,835	5,772	6,072	-321	-310	19,484	20,109
Organic growth	3%	5%	1%	4%	-8%	3%	1%	9%	4%	3%	-	-	1%	5%
Share of earnings in associates	-	-	-	-	9	9	-	-	21	34	-	-	30	43
Operating income (EBIT) excl. items affecting comparability	766	842	908	847	-47	232	500	608	888	966	-102	-136	2,913	3,359
Operating margin (EBIT) excl. items affecting comparability	16.8%	17.3%	20.8%	19.9%	-2.0%	9.7%	18.6%	21.5%	15.4%	15.9%	-	-	15.0%	16.7%
Items affecting comparability ¹⁾	-781	-	-34	-	-258	-	-148	-	-207	-	-168	-	-1,597	-
Operating income (EBIT)	-15	842	874	847	-306	232	352	608	681	966	-269	-136	1,316	3,359
Operating margin (EBIT)	-0.3%	17.3%	20.0%	19.9%	-12.6%	9.7%	13.1%	21.5%	11.8%	15.9%	-	-	6.8%	16.7%
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	21.2%	22.9%	23.3%	21.6%	-1.8%	7.5%	18.0%	17.5%	18.9%	20.2%	-	-	16.4%	18.0%
Operating income (EBIT)	-15	842	874	847	-306	232	352	608	681	966	-269	-136	1,316	3,359
Restructuring costs	781	-	34	-	258	-	148	-	207	-	168	-	1,597	-
Depreciation and amortization	104	101	77	83	75	80	75	109	69	54	3	4	403	430
Net capital expenditure	-169	-175	-89	-123	-37	-61	-65	-92	-25	-106	-25	-4	-411	-561
Change in working capital	707	721	136	279	778	491	267	165	130	260	-79	144	1,939	2,061
Cash flow²⁾	1,407	1,489	1,031	1,085	769	742	778	791	1,062	1,174	-202	9	4,844	5,289
Non-cash items	-	-	-	-	-	-	-	-	-	-	-45	-224	-45	-224
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-179	-189	-179	-189
Operating cash flow²⁾													4,620	4,876

Q1-Q4 and 31 Dec

	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	-1,249	-	-
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) excl. 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) excl. 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%
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
Net capital expenditure	-472	-571	-372	-466	-211	-337	-238	-297	-157	-273	-28	-30	-1,478	-1,975
Change in working capital	-75	136	-152	-191	705	-48	-86	-271	-141	-4	-188	30	62	-347
Cash flow²⁾	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 flow²⁾													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.

Financial information - Notes

NOTE 1 SALES BY CONTINENT

SEK M	Q4		Q1-Q4	
	2016	2017	2016	2017
Europe	7,537	7,948	26,869	28,961
North America	7,645	7,707	28,427	30,635
Central- and South America	558	578	2,012	2,176
Africa	272	372	923	1,099
Asia	2,816	2,837	10,573	10,617
Pacific	655	667	2,490	2,649
Total	19,484	20,109	71,293	76,137

NOTE 2 BUSINESS COMBINATIONS

SEK M	Q4		Q1-Q4	
	2016	2017	2016	2017
Purchase prices				
Cash paid for acquisitions during the year	1,001	4,345	2,388	6,501
Holdbacks and deferred considerations for acquisitions during the year	365	146	568	365
Adjustment of purchase prices for acquisitions in prior years	0	14	-91	18
Total	1,365	4,504	2,866	6,885
Acquired assets and liabilities at fair value				
Intangible assets	0	1,690	69	1,843
Property, plant and equipment	76	4	355	94
Financial assets	12	9	83	34
Inventories	150	70	251	232
Current receivables and investments	155	97	291	416
Cash and cash equivalents	118	3	263	187
Non-controlling interest	-	-3	-	-3
Non-current liabilities	-48	-100	-233	-289
Current liabilities	-312	-92	-665	-592
Total	151	1,678	415	1,922
Goodwill	1,214	2,826	2,451	4,962
Change in cash and cash equivalents due to acquisitions				
Cash paid for acquisitions during the year	1,001	4,345	2,388	6,501
Cash and cash equivalents in acquired subsidiaries	-118	-3	-263	-187
Paid holdbacks and deferred considerations for acquisitions in previous years	18	9	515	511
Total	901	4,351	2,640	6,825

Fair value adjustments of acquired net assets from acquisitions made in previous periods are included in the above table.

NOTE 3 FAIR VALUE AND CARRYING AMOUNT ON FINANCIAL ASSETS AND LIABILITIES

31 December 2017

SEK M	Carrying amount	Fair value	Financial instruments at fair value		
			Level 1	Level 2	Level 3
Financial assets					
Financial assets at fair value through profit and loss	39	39		39	
Available-for-sale financial assets	11	11			
Loans and other receivables	13,785	13,785			
Derivative instruments - hedge accounting	68	68		68	
Financial liabilities					
Financial liabilities at fair value through profit and loss	1,660	1,660		100	1,559
Financial liabilities at amortized cost	30,821	30,831			
Derivative instruments - hedge accounting	11	11		11	

31 December 2016

SEK M	Carrying amount	Fair value	Financial instruments at fair value		
			Level 1	Level 2	Level 3
Financial assets					
Financial assets at fair value through profit and loss	78	78		78	
Available-for-sale financial assets	11	11			
Loans and other receivables	13,476	13,476			
Derivative instruments - hedge accounting	88	88		88	
Financial liabilities					
Financial liabilities at fair value through profit and loss	2,366	2,366		116	2,250
Financial liabilities at amortized cost	28,272	28,381			
Derivative instruments - hedge accounting	21	21		21	

Definitions of financial performance measures

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. For relationship between operating cash flow and cash flow from operating activities see the company's last Annual Report.

Net capital expenditure

Investments in tangible and intangible assets less disposals of tangible and intangible assets.

Depreciation

Depreciation and amortization of intangible and tangible assets.

Net debt

Interest-bearing liabilities less interest-bearing assets.

Capital employed

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

Equity ratio

Shareholders' equity as a percentage of total assets.

Interest coverage ratio

Income before tax plus net interest divided by net interest.

Return on shareholders' equity

Net income 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.