

Quarterly Report

Q3 2019

18 October 2019

ASSA ABLOY

Experience a safer and more open world

Strong performance in the third quarter

Third quarter

- Net sales increased by 13% to SEK 24,034 M (21,191), with organic growth of 4% (5) and acquired net growth of 4% (2)
- Strong growth in Global Technologies and Americas and good growth in EMEA and Entrance Systems, while sales declined in Asia Pacific
- Five acquisitions signed with combined expected annual sales of about SEK 1,000 M
- Operating income (EBIT) increased by 14% and amounted to SEK 3,894 M (3,424), corresponding to an operating margin of 16.2% (16.2)
- Net income amounted to SEK 2,697 M (2,384)
- Earnings per share amounted to SEK 2.43 (2.15)
- Operating cash flow increased by 47% to SEK 4,401 M (3,004)

Organic growth

+4%

Operating income

+14%

Earnings per share

+13%

Sales and income

	Third quarter			January-September		
	2018	2019	Δ	2018	2019	Δ
Sales, SEK M	21,191	24,034	13%	60,881	69,082	13%
Of which:						
Organic growth	960	807	4%	2,620	2,505	4%
Acquisitions and divestments	446	825	4%	1,079	2,303	4%
Exchange-rate effects	1,286	1,211	5%	1,154	3,393	5%
Operating income (EBIT)¹, SEK M	3,424	3,894	14%	9,164	10,873	19%
Operating margin (EBITA) ¹ , %	16.6%	16.7%		15.5%	16.2%	
Operating margin (EBIT)¹, %	16.2%	16.2%		15.1%	15.7%	
Income before tax ¹ , SEK M	3,221	3,645	13%	8,595	10,104	18%
Net income ¹ , SEK M	2,384	2,697	13%	6,396	7,477	17%
Operating cash flow, SEK M	3,004	4,401	47%	6,435	9,208	43%
Earnings per share¹, SEK	2.15	2.43	13%	5.76	6.73	17%

¹ Excluding impairment of goodwill and other intangible assets in Q2 2018, totaling SEK -5,595 M before tax, corresponding to SEK -5,268 M after tax.

Comments by the President and CEO

Strong performance in the third quarter

The positive earnings development continued during the third quarter. Total sales grew by 13% with an improved underlying operating margin. Sales growth in the quarter was driven by organic growth of 4%, acquired net growth of 4% and positive currency movements of 5%. Organic growth was strong in Americas (6%) and Global Technologies (6%). Entrance Systems and EMEA reported good growth (3%), while sales in Asia Pacific declined (-1%).

Operating income increased by 14% to SEK 3,894 M, driven by good operating leverage. The operating margin was unchanged at 16.2%, but if adjusted for acquisition costs of SEK 55 M related to agta record, the margin increased by 20 basis points. The underlying improvement was driven by lower raw material costs, prices increases and operational improvements.

Operating cash flow was very strong and improved by 47% to SEK 4,401 M, driven by the improved earnings and working capital reductions. Our cash conversion in the quarter was 113%.

Good execution in the quarter

Overall, the underlying growth slowed somewhat in the quarter. As new construction indices continue to trend down in some of our more important markets and geopolitical challenges remain, the market conditions have become more challenging and uncertain.

Against that background I am pleased with our strong operational execution. It is encouraging to see that the mitigating actions we initiated last year to compensate for higher raw material costs, have resulted in strong improvements in operating leverage generally and for Entrance Systems, Americas and EMEA in particular.

The negative organic sales growth in Asia Pacific during the quarter was mainly driven by a weak South Korean market and negative growth in China. We are continuing the implementation of our new Chinese business plan where margins are now stabilizing and where we are seeing the first small results from the actions initiated.

Our restructuring programs also continued to advance well and generated savings of around SEK 200 M in the quarter. Due to the high speed of implementation of the most recent program, this level will slow down from the next quarter and in 2020 we expect the savings to be about SEK 300 M.

Acquisitions will add growth

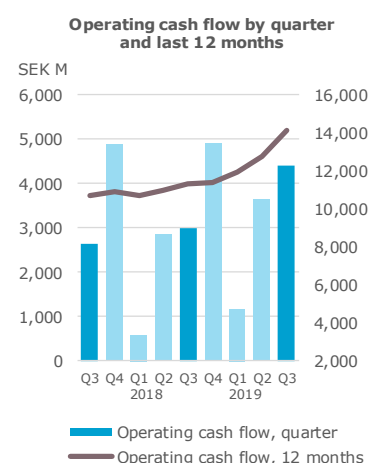
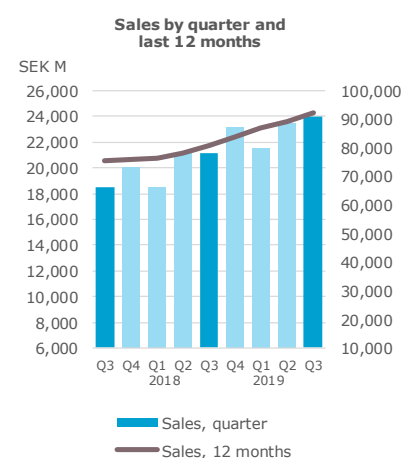
With the acquisitions already announced, and assuming the consolidation of agta record, we have reached our acquisition target of 5% for 2020. Nevertheless, we will continue to work actively on our acquisition pipeline.

Finally, I would like to thank you for your interest in ASSA ABLOY and take this opportunity to inform you that we will host our next Capital Markets Day on 13 May 2020 in London.

Stockholm, 18 October 2019



Nico Delvaux
President and CEO



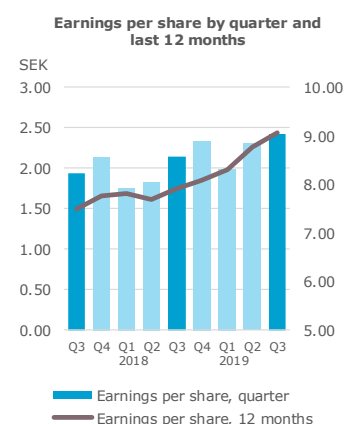
Third quarter

The Group's sales increased by 13% to SEK 24,034 M (21,191). Organic growth amounted to 4% (5). Acquisitions and divestments were 4% (2), of which 4% (4) were acquisitions and 0% (-2) were divestments. Exchange-rates affected sales by 5% (8).

The Group's operating income (EBIT) amounted to SEK 3,894 M (3,424) an increase of 14%. The corresponding operating margin was 16.2% (16.2). Exchange-rates had an impact of SEK 192 M (165) on EBIT. Operating income before amortizations from acquisitions (EBITA) amounted to SEK 4,010 M (3,516). The corresponding EBITA margin was 16.7% (16.6).

Net financial items amounted to SEK -250 M (-203). The Group's income before tax was SEK 3,645 M (3,221), an increase of 13% compared with last year. Exchange-rates had an impact of SEK 180 M (166) on income before tax. The profit margin was 15.2% (15.2).

The estimated effective tax rate on an annual basis was 26% (26), excluding impairment of goodwill in 2018. Earnings per share amounted to SEK 2.43 (2.15), an increase of 13% compared with last year. Operating cash flow totaled SEK 4,401 M (3,004).



First nine months of the year

The Group's sales for the first nine months of 2019 totaled SEK 69,082 M (60,881), representing an increase of 13%. Organic growth was 4% (5). Acquisitions and divestments were 4% (2), of which 4% (4) were acquisitions and 0% (-2) were divestments. Exchange-rate effects affected sales by 5% (2).

The Group's operating income (EBIT) in 2019 amounted to SEK 10,873 M (9,164²), an increase of 19% compared with last year. The corresponding operating margin was 15.7% (15.1). Operating income before amortizations from acquisitions (EBITA) in 2019 amounted to SEK 11,213 M (9,444²). The corresponding EBITA margin was 16.2% (15.5).

Earnings per share in 2019 amounted to SEK 6.73 (5.76²), an increase of 17% compared with last year. Operating cash flow totaled SEK 9,208 M (6,435).

Restructuring measures

Payments related to all restructuring programs amounted to SEK 181 M (103) in the quarter. The restructuring programs proceeded according to plan and led to a reduction in personnel of 343 people during the quarter and 16,083 people since the projects began in 2006. At the end of the quarter provisions of SEK 762 M remained in the balance sheet for carrying out the programs.

No restructuring costs were reported during the quarter. Additional restructuring costs of about SEK 300 M for the seventh manufacturing footprint program launched in 2018 are expected to be reported in the fourth quarter of 2019.

² Excluding impairment of goodwill and other intangible assets in Q2 2018, totaling SEK -5,595 M before tax, corresponding to SEK -5,268 M after tax.

Organization

Chris Bone has decided to leave his position as Executive Vice President and Technical Director at ASSA ABLOY and will return to the UK.

Comments by division

Opening Solutions EMEA

Sales for the quarter in EMEA totaled SEK 5,120 M (4,872), with organic growth of 3% (2). The growth was very strong in the Middle East, strong in East Europe and good in Benelux, Scandinavia and Germany. Sales growth was stable in France and Africa but negative in Finland, the UK and South Europe. Acquired growth net was -1%. Operating income totaled SEK 822 M (774), which represents an operating margin (EBIT) of 16.1% (15.9). Return on capital employed amounted to 15.9% (17.4). Operating cash flow before interest paid totaled SEK 838 M (627).

Opening Solutions Americas

Sales for the quarter in Americas totaled SEK 6,099 M (5,211), with organic growth of 6% (10). Sales growth continued to be very strong for US Smart Residential and for Architectural Hardware, and was strong for Access & High Security, Electromechanical Solutions, Security Doors and US Residential Group. Sales growth was good in Canada and stable in Latin America. Sales growth for Perimeter Security in the US was negative. Acquired growth net was 2%. Operating income totaled SEK 1,249 M (1,046), which represents an operating margin (EBIT) of 20.5% (20.1). Return on capital employed amounted to 24.1% (23.8). Operating cash flow before interest paid totaled SEK 1,854 M (1,203).

Opening Solutions Asia Pacific

Sales for the quarter in Asia Pacific totaled SEK 2,874 M (2,627), with organic growth of -1% (1). The sales growth was strong in South Asia and stable in Pacific. For China, India, South Korea and Japan growth was negative. Acquired growth net was 6%. Operating income totaled SEK 274 M (242), which represents an operating margin (EBIT) of 9.5% (9.2). Return on capital employed amounted to 11.6% (12.3). Operating cash flow before interest paid totaled SEK 337 M (120).

Global Technologies

Sales for the quarter in Global Technologies totaled SEK 3,991 M (3,001), with organic growth of 6% (12). Sales growth was very strong for Secure Issuance and Global Solutions and stable for Physical Access Control and Citizen ID. For Extended Access, Identification Technology and Identity & Access Solutions growth was negative. Acquired growth net was 18%. Operating income totaled SEK 810 M (641), which represents an operating margin (EBIT) of 20.3% (21.4). Return on capital employed amounted to 14.7% (14.4). Operating cash flow before interest paid totaled SEK 775 M (674).

Entrance Systems

Sales for the quarter in Entrance Systems totaled SEK 6,427 M (5,909), with organic growth of 3% (4). Sales growth was strong for Pedestrian Doors and High Performance Doors and good for Industrial Doors and Logistics Solutions. Growth was stable for Door Components and US Residential Doors but negative for EU Residential Doors. Acquired growth net was 0%. Operating income totaled SEK 873 M (831), which represents an operating margin (EBIT) of 13.6% (14.1). Return on capital employed amounted to 14.3% (15.6). Operating cash flow before interest paid totaled SEK 949 M (593).

Acquisitions and divestments

A total of four acquisitions were consolidated during the quarter. The combined acquisition price for the companies acquired during the year, including adjustments from prior year acquisitions, amounted to SEK 2,805 M. The acquisition price on a cash and debt free basis totaled SEK 3,525 M. Preliminary acquisition analyses indicate that goodwill and other intangible assets with indefinite useful life amount to SEK 2,707 M. Estimated deferred considerations amounted to SEK 190 M.

On September 4 it was announced that ASSA ABLOY had acquired LifeSafety Power, a leading US supplier of smart integrated access control power solutions for OEMs, integrators and end-users. The company has about 65 employees and its expected sales in 2019 amount to around SEK 290 M.

On September 30 it was announced that ASSA ABLOY had acquired Placard, Australia's largest manufacturer of secure cards. The company has about 170 employees and its expected sales in 2019 amount to around SEK 420 M.

On October 3 it was announced that ASSA ABLOY had signed an agreement to acquire Lux-IDent, a leading provider of radio frequency identification (RFID) components based in the Czech Republic. The company has about 145 employees and its expected sales in 2019 amount to around SEK 180 M. The acquisition is expected to close during the fourth quarter of 2019.

On 14 October, the acquisition of De La Rue was completed.

Sustainable development

ASSA ABLOY is continuing its sustainability efforts. As an example, the new HID Global retransfer printer for ID card personalization is the first and only retransfer printing solution for ID card personalization that has GreenCircle® certification. The printer's power-efficient design enables users to reduce their annual energy cost and cuts the costs of consumables for printed and laminated cards by nearly half.

Parent company

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 3,197 M (2,965) for the first nine months of the year. Operating income for the same period amounted to SEK 540 M (829). Investments in tangible and intangible assets totaled SEK 33 M (89). Liquidity is good and the equity ratio is 36.0% (38.2).

Accounting principles

ASSA ABLOY applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. The same accounting and valuation principles as in the latest Annual Report have been applied, with the exception of new and changed standards and interpretations that came into force on 1 January 2019 and are described briefly on page 18. This Report was prepared in accordance with IAS 34 'Interim Financial Reporting' and the Annual Accounts Act. The Report for the Parent company was prepared in accordance with the Annual Accounts Act and RFR 2 'Reporting by a Legal Entity'.

From 1 January 2019 ASSA ABLOY is applying IFRS 16 'Leases' and IFRIC 23 'Uncertainty over Income Tax Treatments'. The financial effects of applying these standards are described in more detail on page 18.

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 19 of this 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 2018 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 2018 Annual Report.

Review

The Company's Auditors have not carried out any review of this Report for the third quarter of 2019.

Stockholm, 18 October 2019

A handwritten signature in black ink, appearing to read 'Nico Delvaux', written in a cursive style.

Nico Delvaux
President and CEO

Financial information

The Year-end Report and Quarterly Report for the fourth quarter will be published on 6 February 2020.

Further information can be obtained from:

Nico Delvaux,
President and CEO, tel. no: +46 8 506 485 82

Erik Pieder,
Executive Vice President and CFO, tel.no: +46 8 506 485 72

ASSA ABLOY is holding a **telephone and web conference at 09.30 on 18 October 2019**

which can be followed on the Internet at www.assaabloy.com.

It is possible to submit questions by telephone on:
+46 8-566 427 07, +44 333 300 9267 or +1 833 526 8383

This information is information that ASSA ABLOY AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 08.00 CEST on 18 October 2019.

ASSA ABLOY AB (publ)
Box 703 40
107 23 Stockholm

Visiting address

Klarabergsviadukten 90, Stockholm,
Sweden

Tel +46 (0)8 506 485 00
Fax +46 (0)8 506 485 85
www.assaabloy.com

Corporate identity number: 556059-3575

No.15/2019

Financial information – Group

CONDENSED INCOME STATEMENT

SEK M	Q3		Q1-Q3	
	2018	2019	2018	2019
Sales	21,191	24,034	60,881	69,082
Cost of goods sold	-12,799	-14,408	-36,773	-41,361
Gross income	8,392	9,625	24,108	27,721
Selling, administrative and R&D costs	-5,006	-5,774	-15,077	-16,951
Impairment of goodwill and other intangible assets	-	-	-5,595	-
Share of earnings in associates	38	43	132	103
Operating income	3,424	3,894	3,569	10,873
Finance net	-203	-250	-569	-769
Income before tax	3,221	3,645	3,000	10,104
Tax on income	-838	-948	-1,872	-2,627
Net income for the period	2,384	2,697	1,128	7,477
Net income for the period attributable to:				
Parent company's shareholders	2,384	2,696	1,126	7,476
Non-controlling interests	0	1	2	0
Earnings per share				
Before and after dilution, SEK	2.15	2.43	1.01	6.73
Before and after dilution and excluding items affecting comparability, SEK	2.15	2.43	5.76	6.73

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q3		Q1-Q3	
	2018	2019	2018	2019
Net income for the period	2,384	2,697	1,128	7,477
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Actuarial gain/loss on post-employment benefit obligations, net after tax	-5	-214	6	-502
Total	-5	-214	6	-502
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates	-40	64	66	166
Cashflow hedges and net investment hedges	21	-11	-8	-28
Exchange rate differences	-595	1,686	1,883	3,047
Total	-614	1,739	1,941	3,185
Total comprehensive income for the period	1,764	4,222	3,075	10,160
Total comprehensive income for the period attributable to:				
Parent company's shareholders	1,764	4,221	3,073	10,158
Non-controlling interests	0	1	2	2

Financial information – Group

CONDENSED BALANCE SHEET	31 Dec	30 Sep	
	2018	2018	2019
SEK M			
ASSETS			
Non-current assets			
Intangible assets	64,861	62,831	71,773
Property, plant and equipment	8,070	8,240	8,657
Right-of-use assets	119	149	3,746
Investments in associates	2,434	2,383	2,643
Other financial assets	152	148	104
Deferred tax assets	1,354	1,922	1,498
Total non-current assets	76,991	75,674	88,421
Current assets			
Inventories	11,316	11,601	12,592
Trade receivables	14,496	14,613	16,115
Other current receivables and investments	3,227	4,149	4,719
Cash and cash equivalents	538	559	459
Total current assets	29,577	30,922	33,885
TOTAL ASSETS	106,568	106,596	122,306
EQUITY AND LIABILITIES			
Equity			
Equity attributable to Parent company's shareholders	51,890	50,030	57,946
Non-controlling interests	10	11	8
Total equity	51,900	50,040	57,954
Non-current liabilities			
Long-term loans	19,398	19,005	21,179
Non-current lease liabilities	91	62	2,732
Deferred tax liabilities	1,764	2,267	2,199
Other non-current liabilities and provisions	5,030	5,519	5,603
Total non-current liabilities	26,283	26,852	31,713
Current liabilities			
Short-term loans	7,594	10,139	8,764
Current lease liabilities	-	24	1,014
Trade payables	7,893	7,704	7,866
Other current liabilities and provisions	12,898	11,836	14,995
Total current liabilities	28,385	29,703	32,639
TOTAL EQUITY AND LIABILITIES	106,568	106,596	122,306

CHANGES IN EQUITY	Equity attributable to:		
	Parent company's shareholders	Non-controlling interests	Total equity
SEK M			
Opening balance 1 January 2018	50,648	9	50,657
Net income for the period	1,126	2	1,128
Other comprehensive income	1,947	0	1,947
Total comprehensive income	3,073	2	3,075
Dividend	-3,666	-	-3,666
Stock purchase plans	-26	-	-26
Total transactions with shareholders	-3,692	-	-3,692
Closing balance 30 September 2018	50,030	11	50,040
Opening balance 1 January 2019 according to adopted Annual Report	51,890	10	51,900
Change in accounting policies	-234	-	-234
New opening balance 1 January 2019	51,656	10	51,666
Net income for the period	7,476	0	7,477
Other comprehensive income	2,682	1	2,683
Total comprehensive income	10,158	2	10,160
Dividend	-3,888	-	-3,888
Stock purchase plans	15	-	15
Change in non-controlling interest	5	-4	1
Total transactions with shareholders	-3,868	-4	-3,872
Closing balance 30 September 2019	57,946	8	57,954

Financial information – Group

CONDENSED STATEMENT OF CASH FLOWS	Q3		Q1-Q3	
	2018	2019	2018	2019
SEK M				
OPERATING ACTIVITIES				
Operating income	3,424	3,894	3,569	10,873
Depreciation and amortization	488	842	1,452	2,465
Impairment of goodwill and other intangible assets	-	-	5,595	-
Restructuring payments	-103	-181	-442	-465
Other non-cash items	-78	-37	-234	-300
Cash flow before interest and tax	3,731	4,518	9,940	12,573
Interest paid and received	-105	-179	-446	-636
Tax paid on income	-576	-577	-2,171	-2,222
Cash flow before changes in working capital	3,049	3,761	7,323	9,716
Changes in working capital	-296	591	-2,306	-1,215
Cash flow from operating activities	2,753	4,353	5,017	8,500
INVESTING ACTIVITIES				
Net investments in intangible assets and property, plant and equipment	-429	-410	-1,195	-1,136
Investments in subsidiaries	-1,864	-1,049	-3,895	-2,979
Disposals of subsidiaries	-	38	382	75
Investments in and disposals of associates	-	0	0	16
Other investments and disposals	0	0	0	0
Cash flow from investing activities	-2,292	-1,421	-4,708	-4,025
FINANCING ACTIVITIES				
Dividends	-	-	-3,666	-3,888
Acquisition of non-controlling interests	-10	-14	-229	-19
Repayment of lease liabilities	-3	-300	-13	-843
Net cash effect of changes in borrowings	-381	-2,521	3,686	183
Cash flow from financing activities	-394	-2,835	-221	-4,567
CASH FLOW FOR THE PERIOD	67	97	88	-92
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period	496	355	459	538
Cash flow for the period	67	97	88	-92
Effect of exchange rate differences	-4	7	12	13
Cash and cash equivalents at end of period	559	459	559	459
KEY RATIOS				
	Year	Q1-Q3		
	2018	2018	2019	
Return on capital employed, %	7.6	8.3	16.2	
Return on capital employed excluding items affecting comparability, %	16.2	15.4	16.2	
Return on shareholders' equity, %	5.4	6.5	18.2	
Equity ratio, %	48.7	46.9	47.4	
Interest coverage ratio, times	8.0	6.4	14.8	
Total number of shares, thousands	1,112,576	1,112,576	1,112,576	
Number of shares outstanding, thousands	1,110,776	1,110,776	1,110,776	
Weighted average number of outstanding shares before and after dilution, thousands	1,110,776	1,110,776	1,110,776	
Average number of employees	48,353	48,273	49,136	

Financial information – Parent company

CONDENSED INCOME STATEMENT

SEK M	Year	Q1-Q3	
	2018	2018	2019
Operating income	1,801	829	540
Income before appropriations and tax	3,951	1,888	1,504
Net income for the period	4,796	1,764	1,479

CONDENSED BALANCE SHEET

SEK M	31 Dec	30 Sep	
	2018	2018	2019
Non-current assets	39,554	39,661	39,785
Current assets	17,195	14,224	19,098
Total assets	56,749	53,885	58,883
Equity	23,610	20,567	21,215
Untaxed reserves	678	565	678
Non-current liabilities	13,821	12,804	16,083
Current liabilities	18,641	19,949	20,907
Total equity and liabilities	56,749	53,885	58,883

Quarterly information – Group

THE GROUP IN SUMMARY											
SEK M	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q3 2018	Year 2018	Q1 2019	Q2 2019	Q3 2019	Q1-Q3 2019	Last 12 months
Sales	18,550	21,140	21,191	23,167	60,881	84,048	21,505	23,544	24,034	69,082	92,249
Organic growth	4%	5%	5%	6%	5%	5%	5%	3%	4%	4%	
Gross income excluding items affecting comparability	7,372	8,345	8,392	9,134	24,108	33,243	8,596	9,500	9,625	27,721	36,855
Gross margin excluding items affecting comparability	39.7%	39.5%	39.6%	39.4%	39.6%	39.6%	40.0%	40.4%	40.0%	40.1%	40.0%
Operating income before depr. & amort. (EBITDA) excluding items affecting comparability	3,297	3,407	3,912	4,256	10,616	14,872	4,034	4,568	4,736	13,338	17,594
Operating margin (EBITDA)	17.8%	16.1%	18.5%	18.4%	17.4%	17.7%	18.8%	19.4%	19.7%	19.3%	19.1%
Depreciation and amortization excl. amortization attributable to business combinations	-376	-400	-396	-397	-1,173	-1,570	-682	-716	-726	-2,125	-2,522
Operating income before amortization (EBITA) excluding items affecting comparability	2,921	3,007	3,516	3,858	9,444	13,302	3,352	3,852	4,010	11,213	15,072
Operating margin (EBITA)	15.7%	14.2%	16.6%	16.7%	15.5%	15.8%	15.6%	16.4%	16.7%	16.2%	16.3%
Amortization attributable to business combinations	-92	-97	-91	-113	-280	-393	-106	-120	-115	-341	-453
Operating income (EBIT) excluding items affecting comparability	2,829	2,911	3,424	3,746	9,164	12,909	3,246	3,733	3,894	10,873	14,618
Operating margin (EBIT)	15.3%	13.8%	16.2%	16.2%	15.1%	15.4%	15.1%	15.9%	16.2%	15.7%	15.8%
Items affecting comparability ¹⁾	-	-5,595	-	-1,218	-5,595	-6,813	-	-	-	-	-1,218
Operating income (EBIT)	2,829	-2,685	3,424	2,528	3,569	6,096	3,246	3,733	3,894	10,873	13,400
Operating margin (EBIT)	15.3%	-12.7%	16.2%	10.9%	5.9%	7.3%	15.1%	15.9%	16.2%	15.7%	14.5%
Net financial items	-175	-191	-203	-230	-569	-799	-248	-271	-250	-769	-999
Income before tax (EBT)	2,654	-2,876	3,221	2,297	3,000	5,297	2,997	3,462	3,645	10,104	12,401
Profit margin (EBT)	14.3%	-13.6%	15.2%	9.9%	4.9%	6.3%	13.9%	14.7%	15.2%	14.6%	13.4%
Tax on income	-690	-344	-838	-670	-1,872	-2,542	-779	-900	-948	-2,627	-3,297
Net income for the period	1,964	-3,220	2,384	1,627	1,128	2,755	2,218	2,562	2,697	7,477	9,104
Net income attributable to:											
Parent company's shareholders	1,964	-3,222	2,384	1,627	1,126	2,753	2,219	2,561	2,696	7,476	9,104
Non-controlling interests	0	2	0	0	2	2	-1	0	1	0	0
OPERATING CASH FLOW											
SEK M	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q3 2018	Year 2018	Q1 2019	Q2 2019	Q3 2019	Q1-Q3 2019	Last 12 months
Operating income (EBIT)	2,829	-2,685	3,424	2,528	3,569	6,096	3,246	3,733	3,894	10,873	13,400
Restructuring costs	-	-	-	1,218	-	1,218	-	-	-	-	1,218
Impairment of goodwill and other intangible assets	-	5,595	-	-	5,595	5,595	-	-	-	-	-
Depreciation and amortization	468	497	488	510	1,452	1,963	788	835	842	2,465	2,975
Net capital expenditure	-356	-411	-429	-124	-1,195	-1,319	-321	-406	-410	-1,136	-1,260
Change in working capital	-2,136	127	-296	1,229	-2,306	-1,076	-2,048	242	591	-1,215	14
Interest paid and received	-122	-220	-105	-215	-446	-662	-179	-277	-179	-636	-851
Repayment of lease liabilities	-	-	-	-	-	-	-262	-281	-300	-843	-843
Non-cash items	-107	-49	-78	-224	-234	-458	-53	-210	-37	-300	-524
Operating cash flow	575	2,855	3,004	4,923	6,435	11,357	1,171	3,636	4,401	9,208	14,130
Operating Cash flow/Income before tax excluding items affecting comparability	0.22	1.05	0.93	1.40	0.75	0.94	0.39	1.05	1.21	0.91	1.04
CHANGE IN NET DEBT											
SEK M	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q3 2018	Year 2018	Q1 2019	Q2 2019	Q3 2019	Q1-Q3 2019	
Net debt at beginning of period	25,275	27,219	31,454	31,372	25,275	25,275	29,246	35,100	37,620	29,246	
Impact from transition to IFRS 16	-	-	-	-	-	-	3,711	-	-	3,711	
Operating cash flow	-575	-2,855	-3,004	-4,923	-6,435	-11,357	-1,171	-3,636	-4,401	-9,208	
Restructuring payments	173	166	103	351	442	793	161	123	181	465	
Tax paid on income	609	986	576	487	2,171	2,658	703	942	577	2,222	
Acquisitions and divestments	986	1,097	2,610	1,697	4,693	6,390	1,357	964	1,425	3,746	
Dividend	-	3,666	-	-	3,666	3,666	-	3,888	-	3,888	
Actuarial gain/loss on post-employment benefit obligations	-35	20	-21	-3	-36	-39	179	210	289	678	
Change to lease liabilities	-	-	-	-	-	-	-127	-111	-51	-288	
Exchange rate differences, etc.	787	1,157	-348	266	1,597	1,862	1,039	140	1,203	2,383	
Net debt at end of period	27,219	31,454	31,372	29,246	31,372	29,246	35,100	37,620	36,843	36,843	
Net debt/Equity	0.50	0.65	0.63	0.56	0.63	0.56	0.64	0.70	0.64	0.64	
NET DEBT											
SEK M	Q1 2018	Q2 2018	Q3 2018	Q4 2018			Q1 2019	Q2 2019	Q3 2019		
Interest-bearing assets	-218	-189	-181	-177			-168	-144	-113		
Cash and cash equivalents	-551	-496	-559	-538			-414	-355	-459		
Derivative financial instruments, net	32	40	8	0			43	-127	8		
Pension provisions	2,971	3,102	2,873	2,880			3,105	3,324	3,717		
Lease liabilities	78	75	86	91			3,776	3,694	3,746		
Interest-bearing liabilities	24,907	28,923	29,144	26,992			28,758	31,228	29,944		
Total	27,219	31,454	31,372	29,246			35,100	37,620	36,843		
CAPITAL EMPLOYED AND FINANCING											
SEK M	Q1 2018	Q2 2018	Q3 2018	Q4 2018			Q1 2019	Q2 2019	Q3 2019		
Capital employed	81,139	79,733	81,412	81,146			90,227	91,334	94,796		
- of which goodwill	51,956	50,590	52,169	53,413			55,731	56,179	59,134		
- of which other intangible assets and property, plant and equipment	19,878	18,873	18,903	19,518			19,911	20,386	21,296		
- of which right-of-use assets	141	139	149	119			3,805	3,705	3,746		
- of which investments in associates	2,385	2,391	2,383	2,434			2,510	2,534	2,643		
Net debt	27,219	31,454	31,372	29,246			35,100	37,620	36,843		
Non-controlling interests	9	11	11	10			10	6	8		
Equity attributable to the Parent company's shareholders	53,911	48,268	50,030	51,890			55,117	53,708	57,946		
DATA PER SHARE											
SEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q3 2018	Year 2018	Q1 2019	Q2 2019	Q3 2019	Q1-Q3 2019	
Earnings per share before and after dilution	1.77	-2.90	2.15	1.46	1.01	2.48	2.00	2.31	2.43	6.73	
Earnings per share before and after dilution and excluding items affecting comparability	1.77	1.84	2.15	2.33	5.76	8.09	2.00	2.31	2.43	6.73	
Shareholders' equity per share after dilution	48.53	43.45	45.04	46.71	45.04	46.71	49.62	48.35	52.17	52.17	

¹⁾ Items affecting comparability consist of restructuring costs and impairment of goodwill and other intangible assets in 2018.

Reporting by division

Q3 and 30 Sep	Opening Solutions												Global		Entrance		Other		Total	
	EMEA		Americas		Asia Pacific		Technologies		Systems											
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019				
SEK M																				
Sales, external	4,793	5,004	5,190	6,073	2,342	2,584	2,981	3,966	5,886	6,407	0	-	21,191	24,034						
Sales, internal	79	117	21	26	285	289	20	25	23	20	-428	-478	-	-						
Sales	4,872	5,120	5,211	6,099	2,627	2,874	3,001	3,991	5,909	6,427	-428	-478	21,191	24,034						
Organic growth	2%	3%	10%	6%	1%	-1%	12%	6%	4%	3%	-	-	5%	4%						
Acquisitions and disposals	5%	-1%	0%	2%	0%	6%	4%	18%	1%	0%	-	-	2%	4%						
Exchange-rate effects	7%	3%	8%	9%	6%	4%	8%	9%	8%	6%	-	-	8%	5%						
Share of earnings in associates	-	-	-	-	6	5	-	-	31	37	-	-	38	43						
Operating income (EBIT) excl. items affecting comparability	774	822	1,046	1,249	242	274	641	810	831	873	-111	-134	3,424	3,894						
Operating margin (EBIT) excl. items affecting comparability ¹⁾	15.9%	16.1%	20.1%	20.5%	9.2%	9.5%	21.4%	20.3%	14.1%	13.6%	-	-	16.2%	16.2%						
Impairment of goodwill etc	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Operating income (EBIT)	774	822	1,046	1,249	242	274	641	810	831	873	-111	-134	3,424	3,894						
Operating margin (EBIT)	15.9%	16.1%	20.1%	20.5%	9.2%	9.5%	21.4%	20.3%	14.1%	13.6%	-	-	16.2%	16.2%						
Capital employed	17,414	20,114	17,533	20,431	7,650	9,154	18,783	22,494	21,110	23,762	-1,078	-1,159	81,412	94,796						
- of which goodwill	10,330	11,267	11,876	14,982	3,751	4,349	13,966	15,646	12,246	12,890	-	-	52,169	59,134						
- of which other intangible assets and property, plant and equipment	3,896	4,163	3,796	4,441	2,406	2,473	4,263	5,566	4,393	4,499	148	154	18,903	21,296						
- of which right-of-use assets	107	1,017	-	518	-	276	-	374	42	1,540	-	21	149	3,746						
- of which investments in associates	9	0	-	-	568	672	17	19	1,788	1,952	-	-	2,383	2,643						
Return on capital employed excluding items affecting comparability	17.4%	15.9%	23.8%	24.1%	12.3%	11.6%	14.4%	14.7%	15.6%	14.3%	-	-	16.8%	16.5%						
Operating income (EBIT)	774	822	1,046	1,249	242	274	641	810	831	873	-111	-134	3,424	3,894						
Impairment of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Depreciation and amortization	114	199	97	144	67	96	129	189	75	205	5	9	488	842						
Net capital expenditure	-148	-63	-78	-89	-52	-61	-81	-104	-64	-76	-5	-16	-429	-410						
Repayment of lease liabilities	-	-74	-	-40	-	-25	-	-32	-	-125	-	-3	-	-300						
Change in working capital	-113	-46	137	591	-137	53	-15	-88	-249	72	81	9	-296	591						
Cash flow	627	838	1,203	1,854	120	337	674	775	593	949	-29	-135	3,187	4,617						
Non-cash items	-	-	-	-	-	-	-	-	-	-	-78	-37	-78	-37						
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-105	-179	-105	-179						
Operating cash flow													3,004	4,401						

Q1-Q3 and 30 Sep	Opening Solutions												Global		Entrance		Other		Total	
	EMEA		Americas		Asia Pacific		Technologies		Systems											
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019				
SEK M																				
Sales, external	14,499	15,303	14,586	17,205	6,437	7,027	8,285	10,971	17,075	18,576	0	-	60,881	69,082						
Sales, internal	217	317	57	68	757	986	64	74	71	84	-1,166	-1,528	-	-						
Sales	14,716	15,620	14,644	17,272	7,193	8,013	8,349	11,045	17,146	18,660	-1,166	-1,528	60,881	69,082						
Organic growth	2%	3%	7%	7%	2%	2%	8%	7%	5%	2%	-	-	5%	4%						
Acquisitions and disposals	4%	1%	1%	1%	1%	5%	2%	17%	1%	1%	-	-	2%	4%						
Exchange-rate effects	5%	2%	-1%	10%	3%	4%	1%	8%	3%	6%	-	-	2%	5%						
Share of earnings in associates	-	-	-	-	19	15	-	-	113	88	-	-	132	103						
Operating income (EBIT) excl. items affecting comparability	2,345	2,513	2,913	3,491	228	659	1,671	2,090	2,360	2,526	-354	-407	9,164	10,873						
Operating margin (EBIT) excl. items affecting comparability ¹⁾	15.9%	16.1%	19.9%	20.2%	3.2%	8.2%	20.0%	18.9%	13.8%	13.5%	-	-	15.1%	15.7%						
Impairment of goodwill etc	-	-	-	-	-5,595	-	-	-	-	-	-	-	-5,595	-						
Operating income (EBIT)	2,345	2,513	2,913	3,491	659	1,671	2,090	2,360	2,526	2,526	-354	-407	3,569	10,873						
Operating margin (EBIT)	15.9%	16.1%	19.9%	20.2%	-74.6%	8.2%	20.0%	18.9%	13.8%	13.5%	-	-	5.9%	15.7%						
Capital employed	17,414	20,114	17,533	20,431	7,650	9,154	18,783	22,494	21,110	23,762	-1,078	-1,159	81,412	94,796						
- of which goodwill	10,330	11,267	11,876	14,982	3,751	4,349	13,966	15,646	12,246	12,890	-	-	52,169	59,134						
- of which other intangible assets and property, plant and equipment	3,896	4,163	3,796	4,441	2,406	2,473	4,263	5,566	4,393	4,499	148	154	18,903	21,296						
- of which right-of-use assets	107	1,017	-	518	-	276	-	374	42	1,540	-	21	149	3,746						
- of which investments in associates	9	0	-	-	568	672	17	19	1,788	1,952	-	-	2,383	2,643						
Return on capital employed excluding items affecting comparability	19.1%	17.6%	23.0%	23.8%	2.9%	10.2%	13.0%	13.5%	15.6%	14.9%	-	-	15.4%	16.2%						
Operating income (EBIT)	2,345	2,513	2,913	3,491	-5,367	659	1,671	2,090	2,360	2,526	-354	-407	3,569	10,873						
Impairment of intangible assets	-	-	-	-	5,595	-	-	-	-	-	-	-	5,595	-						
Depreciation and amortization	344	594	275	418	226	285	375	557	217	585	15	27	1,452	2,465						
Net capital expenditure	-361	-309	-239	-261	-156	-147	-214	-237	-203	-164	-23	-19	-1,195	-1,136						
Repayment of lease liabilities	-	-218	-	-106	-	-73	-	-92	-	-348	-	-5	-	-843						
Change in working capital	-832	-794	-261	109	-92	-249	-316	-219	-825	-31	20	-31	-2,306	-1,215						
Cash flow	1,496	1,786	2,689	3,651	206	475	1,517	2,099	1,549	2,569	-342	-436	7,115	10,143						
Non-cash items	-	-	-	-	-	-	-	-	-	-	-234	-300	-234	-300						
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-446	-636	-446	-636						
Operating cash flow													6,435	9,208						
Average number of employees	11,826	11,594	8,776	9,255	11,437	11,064	4,580	5,421	11,364	11,477	290	325	48,273	49,136						

¹⁾ Items affecting comparability consist of impairment of goodwill and other intangible assets in 2018.

Reporting by division

Q1-Q4 and 31 Dec

SEK M	Opening Solutions								Global		Entrance		Other		Total	
	EMEA		Americas		Asia Pacific		Technologies		Systems							
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018		
Sales, external	17,729	19,908	17,873	19,737	8,553	8,875	10,301	11,864	21,681	23,665	0	0	76,137	84,048		
Sales, internal	351	293	67	79	658	1,074	72	87	100	97	-1,249	-1,631	-	-		
Sales	18,081	20,201	17,940	19,817	9,211	9,949	10,373	11,951	21,781	23,762	-1,249	-1,630	76,137	84,048		
Organic growth	4%	2%	4%	9%	0%	4%	7%	8%	4%	4%	-	-	4%	5%		
Acquisitions and disposals	3%	5%	1%	1%	0%	1%	0%	4%	6%	1%	-	-	2%	2%		
Exchange-rate effects	0%	5%	0%	0%	0%	3%	0%	3%	0%	4%	-	-	1%	3%		
Share of earnings in associates	-	-	-	-	25	17	-	3	104	147	-	-	129	167		
Operating income (EBIT) excl. items affecting comparability	2,990	3,256	3,815	3,941	934	492	1,946	2,387	3,087	3,358	-432	-525	12,341	12,909		
Operating margin (EBIT) excl. items affecting comparability ¹⁾	16.5%	16.1%	21.3%	19.9%	10.1%	4.9%	18.8%	20.0%	14.2%	14.1%	-	-	16.2%	15.4%		
Restructuring costs	-	-438	-	-225	-	-130	-	-218	-	-108	-	-100	-	-1,218		
Impairment of goodwill etc	-	-	-	-	-	-5,595	-	-	-	-	-	-	-	-5,595		
Operating income (EBIT)	2,990	2,818	3,815	3,716	934	-5,233	1,946	2,170	3,087	3,250	-432	-625	12,341	6,096		
Operating margin (EBIT)	16.5%	13.9%	21.3%	18.8%	10.1%	-52.6%	18.8%	18.2%	14.2%	13.7%	-	-	16.2%	7.3%		
Capital employed	13,865	16,883	16,095	18,506	12,048	7,455	15,615	18,511	18,379	20,742	-71	-951	75,932	81,146		
- of which goodwill	8,571	10,709	11,190	13,327	7,752	3,892	11,121	13,245	11,696	12,240	-	-	50,330	53,413		
- of which other intangible assets and property, plant and equipment	3,567	4,041	3,310	3,813	3,789	2,345	4,064	4,866	4,273	4,422	140	151	19,144	19,637		
- of which investments in associates	9	9	-	-	519	587	17	19	1,699	1,819	-	-	2,243	2,434		
Return on capital employed excluding items affecting comparability	21.4%	20.1%	24.2%	22.5%	7.8%	4.8%	14.4%	14.0%	16.4%	16.9%	-	-	16.6%	16.2%		
Operating income (EBIT)	2,990	2,818	3,815	3,716	934	-5,233	1,946	2,170	3,087	3,250	-432	-625	12,341	6,096		
Restructuring costs	-	438	-	225	-	130	-	218	-	108	-	100	-	1,218		
Impairment of intangible assets	-	-	-	-	-	5,595	-	-	-	-	-	-	-	5,595		
Depreciation and amortization	421	464	333	367	310	292	353	522	255	294	15	24	1,688	1,963		
Net capital expenditure	-571	-500	-466	-327	-337	-6	-297	-281	-273	-170	-30	-36	-1,975	-1,319		
Change in working capital	136	-401	-191	-78	-48	33	-271	-165	-4	-709	30	244	-347	-1,076		
Cash flow	2,977	2,819	3,491	3,903	859	811	1,732	2,463	3,065	2,772	-417	-293	11,706	12,477		
Non-cash items											-221	-458	-221	-458		
Interest paid and received											-557	-662	-557	-662		
Operating cash flow													10,929	11,357		
Average number of employees	11,033	11,717	8,836	8,768	11,756	11,492	4,328	4,624	11,211	11,463	264	288	47,426	48,353		

¹⁾ Items affecting comparability consist of restructuring costs and impairment of goodwill and other intangible assets.

Financial information - Notes

NOTE 1 DISAGGREGATION OF REVENUE

Sales by continent Q3

SEK M	Sales by continent Q3													
	EMEA		Opening Solutions				Global Technologies		Entrance Systems		Other		Total	
	2018	2019	Americas		Asia Pacific		2018	2019	2018	2019	2018	2019	2018	2019
Europe	4,231	4,427	12	9	132	133	709	900	2,696	2,810	-158	-177	7,622	8,103
North America	158	150	4,779	5,641	263	260	1,519	2,070	2,725	3,096	-193	-201	9,251	11,015
Central- and South America	26	29	394	420	14	12	129	155	22	28	-11	-8	574	635
Africa	211	220	3	5	5	6	78	96	11	14	-9	-7	299	333
Asia	215	261	20	24	1,742	1,821	498	676	322	339	-29	-51	2,768	3,069
Oceania	31	34	2	2	470	642	68	95	134	139	-27	-33	677	879
Total	4,872	5,120	5,211	6,099	2,627	2,874	3,001	3,991	5,909	6,427	-428	-478	21,191	24,034

Sales by continent Q1-Q3

SEK M	Sales by continent Q1-Q3													
	EMEA		Opening Solutions				Global Technologies		Entrance Systems		Other		Total	
	2018	2019	Americas		Asia Pacific		2018	2019	2018	2019	2018	2019	2018	2019
Europe	12,833	13,611	33	33	415	438	2,136	2,826	8,167	8,598	-497	-568	23,087	24,937
North America	440	437	13,353	15,941	634	861	4,030	5,559	7,574	8,632	-453	-683	25,578	30,748
Central- and South America	71	74	1,178	1,195	38	32	338	350	70	66	-28	-23	1,666	1,695
Africa	611	607	7	18	12	11	273	281	43	41	-20	-16	927	942
Asia	675	783	68	81	4,752	4,908	1,364	1,773	912	955	-95	-131	7,676	8,368
Oceania	86	108	5	4	1,342	1,763	209	256	380	368	-72	-107	1,948	2,393
Total	14,716	15,620	14,644	17,272	7,193	8,013	8,349	11,045	17,146	18,660	-1,166	-1,528	60,881	69,082

Sales by product group Q3

SEK M	Sales by product group Q3													
	EMEA		Opening Solutions				Global Technologies		Entrance Systems		Other		Total	
	2018	2019	Americas		Asia Pacific		2018	2019	2018	2019	2018	2019	2018	2019
Mechanical locks, lock systems and fittings	2,426	2,483	2,011	2,307	1,298	1,329	-7	66	3	2	-172	-187	5,559	6,000
Electromechanical and electronic locks	1,597	1,544	1,009	1,333	632	612	3,006	3,843	250	184	-213	-241	6,282	7,275
Security doors and hardware	754	942	2,180	2,425	699	925	1	82	-	-	-19	-26	3,616	4,348
Entrance automation	95	152	11	34	-2	7	-	-	5,656	6,242	-25	-24	5,735	6,411
Total	4,872	5,120	5,211	6,099	2,627	2,874	3,001	3,991	5,909	6,427	-428	-478	21,191	24,034

Sales by product group Q1-Q3

SEK M	Sales by product group Q1-Q3													
	EMEA		Opening Solutions				Global Technologies		Entrance Systems		Other		Total	
	2018	2019	Americas		Asia Pacific		2018	2019	2018	2019	2018	2019	2018	2019
Mechanical locks, lock systems and fittings	7,430	7,643	5,691	6,543	3,679	3,741	8	102	7	6	-514	-538	16,302	17,496
Electromechanical and electronic locks	4,750	4,913	2,681	3,925	1,627	1,906	8,339	10,850	667	548	-521	-818	17,543	21,324
Security doors and hardware	2,256	2,706	6,215	6,736	1,879	2,351	1	94	-	-	-55	-79	10,295	11,809
Entrance automation	280	358	57	69	8	14	-	-	16,472	18,106	-76	-93	16,741	18,454
Total	14,716	15,620	14,644	17,272	7,193	8,013	8,349	11,045	17,146	18,660	-1,166	-1,528	60,881	69,082

NOTE 2 BUSINESS COMBINATIONS

SEK M	Business Combinations			
	Q3		Q1-Q3	
	2018	2019	2018	2019
Purchase prices				
Cash paid for acquisitions during the year	2,051	1,083	4,001	2,620
Holdbacks and deferred considerations for acquisitions during the year	24	155	766	191
Adjustment of purchase prices for acquisitions in prior years	-1	-2	-2	-6
Total	2,074	1,237	4,765	2,805
Acquired assets and liabilities at fair value				
Intangible assets	296	294	726	852
Property, plant and equipment and right-of-use assets	59	88	145	208
Other non-current assets	7	0	219	81
Inventories	249	38	462	152
Current receivables and investments	253	168	500	353
Cash and cash equivalents	216	67	366	62
Non-current liabilities	-145	2	-305	-384
Current liabilities	-1,060	-523	-1,389	-940
Total	-125	135	724	385
Goodwill	2,199	1,102	4,041	2,420
Change in cash and cash equivalents due to acquisitions				
Cash paid for acquisitions during the year	2,051	1,083	4,001	2,620
Cash and cash equivalents in acquired subsidiaries	-216	-67	-366	-62
Paid considerations for acquisitions in prior years	28	32	259	422
Total	1,864	1,049	3,895	2,979

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

30 September 2019

SEK M	Carrying amount	Fair value	Financial instruments at fair value		
			Level 1	Level 2	Level 3
Financial assets					
Financial assets at amortized cost	16,738	16,738			
Financial assets at fair value through profit and loss	6	6			
Derivatives - hedge accounting	131	131		131	
Derivatives - held for trading	171	171		171	
Financial liabilities					
Financial liabilities at amortized cost	41,556	42,044			
Financial liabilities at fair value through profit and loss	1,422	1,422			1,422
Derivatives - hedge accounting	0	0		0	
Derivatives - held for trading	310	310		310	

31 December 2018

SEK M	Carrying amount	Fair value	Financial instruments at fair value		
			Level 1	Level 2	Level 3
Financial assets					
Loans and other receivables	15,248	15,248			
Financial assets at fair value through profit and loss	8	8			
Available-for-sale financial assets	68	68		68	
Derivative instruments - hedge accounting	49	49		49	
Financial liabilities					
Financial liabilities at amortized cost	34,976	35,006			
Financial liabilities at fair value through profit and loss	1,899	1,899			1,899
Derivatives - hedge accounting	18	18		18	
Derivatives - held for trading	99	99		99	

New accounting standards

IFRS 16 Leases

Within the Group there are a large number of current lease contracts, mostly relating to offices, premises and vehicles. The Group reports a right-of-use asset and a lease liability representing the present value of future lease payments in the balance sheet on the day that the leased asset is made available for use. In calculating the present value, the Group's incremental borrowing rate by currency is used.

The right-of-use asset is depreciated on a straight-line basis over the lease term, or over the period of use of the underlying asset if the lease transfers ownership of the underlying asset to the Group by the end of the lease term. The depreciations are reported as costs within operating income while interest expenses relating to the lease liability are reported in finance net.

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

Financial effects of the transition to IFRS 16

The Group applies IFRS 16 from 1 January 2019. For the transition to the new standard, the Group's liability arising from obligations for operating leases is SEK 3,718 M. Adjusted for advance lease payments, the liability is SEK 3,711 M. The Group's total lease liability at the beginning of 2019, including financial lease liability recognized in accordance with IAS 17, is SEK 3,802 M. The total value of the Group's right-of-use assets, including rights of use recognized in accordance with IAS 17, amounted to SEK 3,837 M on 1 January 2019.

The new standard thus results in an increase in the Group's capital employed and a corresponding increase in net debt. The standard also has a slight positive effect on operating income because part of the lease payments are reported as interest expenses in finance net. The new standard had no significant effect on net income in the quarter and is not expected to have any significant effect on the year's net income going forward.

In the statement of cash flows the lease payments are split between interest paid in cash flow from operating activities and repayment of lease liabilities in financing activities. This means that the standard has a positive effect on the Group's cash flow from operating activities.

In the operating cash flow, the Group has chosen to include repayment of lease liabilities as an operating component from 1 January 2019. The Group's operating cash flow will therefore continue to be comparable with earlier periods.

In the transition to IFRS 16, the Group has applied the cumulative catch-up approach as transition method and does not restate any comparative information. However, the Group has chosen to report right-of-use assets and lease liabilities on separate lines in the balance sheet from 2019. As a result of this, assets and liabilities relating to finance leases accounted for in accordance with IAS 17 are being reclassified to the new balance sheet lines in the comparison periods.

In ASSA ABLOY's Annual Report for 2018, under Note 6, there is a detailed explanation of how the lease liability on 1 January 2019 is derived from the Group's operating lease obligations on 31 December 2018.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 explains how an entity should determine the method with which a transaction should be measured and recognized when there is uncertainty over income tax treatments. The Group applies the new guidance commencing on 1 January 2019. In conjunction with the application, the Group reassessed its uncertain tax positions based on the new guidance, which resulted in an increased provision for uncertain income taxes of SEK 234 M. The Group has chosen a modified retrospective approach for initial application of the interpretation, in which comparative figures are not restated. The effect of initial application is recognized as an adjustment to equity in 2019.

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

Cash Flow from operating activities excluding restructuring payments and tax paid on income minus net capital expenditure and repayment of lease liabilities.

Net capital expenditure

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

Depreciation and amortization

Depreciation and amortization of intangible assets, property, plant and equipment and right-of-use assets.

Net debt

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

Capital employed

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

Equity ratio

Shareholders' equity as a percentage of total assets.

Interest coverage ratio

Income before tax plus net interest divided by net interest.

Return on shareholders' equity

Net income attributable to parent company's shareholders as a percentage of average parent company's shareholders equity.

Return on capital employed

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

Earnings per share after tax and dilution

Net income excluding non-controlling interests divided by weighted average number of outstanding shares after any potential dilution.