

Quarterly Report Q2 2018

18 July 2018

ASSA ABLOY

The global leader in
door opening solutions

Solid underlying performance for ASSA ABLOY

Second quarter

- Net sales increased by 9% to SEK 21,140 M (19,387), with organic growth of 5% (2) and acquired net growth of 2% (2)
- Strong growth was shown by Americas, Global Technologies and Entrance Systems and stable growth by Asia Pacific and EMEA
- One-off costs in Asia Pacific during the quarter amounted to SEK –5,595 M for impairment of goodwill and other intangible assets and SEK –400 M for write-downs of operating assets
- Contracts have been signed for the acquisition of eight companies with expected combined annual sales of about SEK 1,200 M. The Wood Door business in the USA, with annual sales of about SEK 600 M, has been divested
- Operating income (EBIT) ¹⁾ amounted to SEK 2,911 M (3,114), with an operating margin of 13.8% (16.1)
- Net income ¹⁾ amounted to SEK 2,049 M (2,179)
- Earnings per share ¹⁾ amounted to SEK 1.84 (1.96)
- Operating cash flow increased by 11% to SEK 2,855 M (2,575).

Organic growth

+5%

Operating income ¹⁾

–6%

Earnings per share ¹⁾

–6%

Sales and income

	Second quarter			First half-year		
	2017	2018	Δ	2017	2018	Δ
Sales, SEK M	19,387	21,140	9%	37,529	39,690	6%
Of which:						
Organic growth	344	954	5%	1,366	1,659	5%
Acquisitions and divestments	451	366	2%	900	633	2%
Exchange-rate effects	698	433	2%	1,478	–131	–1%
Operating income (EBIT) ¹⁾, SEK M	3,114	2,911	–6%	5,901	5,740	–3%
Operating margin (EBITA) ¹⁾ , %	16.3%	14.2%		16.0%	14.9%	
Operating margin (EBIT) ¹⁾, %	16.1%	13.8%		15.7%	14.5%	
Income before tax ¹⁾ , SEK M	2,944	2,720	–8%	5,537	5,374	–3%
Net income ¹⁾ , SEK M	2,179	2,049	–6%	4,097	4,013	–2%
Operating cash flow, SEK M	2,575	2,855	11%	3,399	3,431	1%
Earnings per share ¹⁾, SEK	1.96	1.84	–6%	3.69	3.61	–2%

1) Excluding impairment of goodwill and other intangible assets of SEK –5,595 M in the second quarter of 2018. The effect on net income from the impairment of intangible assets was SEK –5,268 M.

Comments by the President and CEO

Strong organic sales growth in the quarter

The second quarter continued with strong organic growth of 5%. Organic growth was strong in Americas (9%), Global Technologies (6%) and Entrance Systems (6%), while Asia Pacific and EMEA reported stable organic sales growth of 2%.

The second quarter's operating income declined by 6% year-on-year to SEK 2,911 M, corresponding to an operating margin of 13.8%. The Group's adjusted operating income, excluding write-downs of operating assets of SEK –400 M, was SEK 3,311 M corresponding to a stable operating margin of 15.7%.

Operating cash flow was strong in the second quarter and increased by 11% to SEK 2,855 M. We are continuing with full focus on our current restructuring programs and, as previously announced, we expect to launch a new program by the end of 2018.

Strategic overview in China

Since the peak in 2014 we have been exposed to a general market decline in China. This decline has been particularly evident in the regions where we had our strongest market presence and we have had to adapt to the challenging market conditions.

The market situation in China continues to be difficult, as previously reported. We expect the operating margin to remain low in the Chinese market for the next few years and this has resulted in a required write-down of SEK 5,595 M for impairment of goodwill and other intangible assets. We also made provisions of SEK 400 M for receivables and inventory in the quarter.

After the events of 2016, our focus was internal and directed to stabilizing the organization. We are now building a focused China organization around our main brands: PanPan, Yale and ASSA ABLOY. China will remain very important to us, and we remain firmly committed to the market. In China we are now seeing continued urbanization, a growing aftermarket for our products, and increasing demand for more advanced security solutions. We are convinced that with our new business strategy in place China will give us good returns in the longer term.

Our innovation recognized

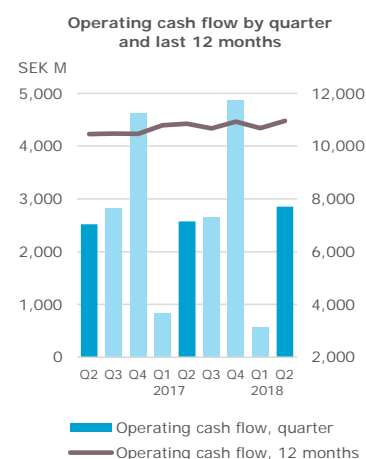
I am very proud and pleased to see that ASSA ABLOY is again on the Forbes list of the top 100 most innovative companies in the world. I am convinced that our strong focus on innovation in both products and processes is the best way for us to continue to be the leader in our industry.

We have the right people and the right culture to make a difference and the organization's ability to innovate is clearly reflected in the strong demand for our new products.

Stockholm, 18 July 2018



Nico Delvaux
President and CEO



Second quarter

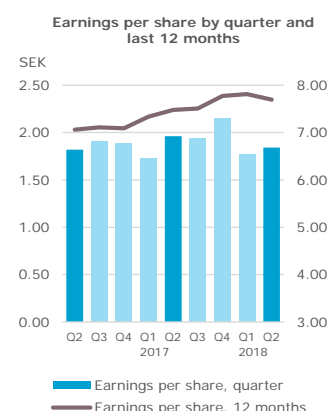
The Group's sales increased by 9% to SEK 21,140 M (19,387). Organic growth amounted to 5% (2). Acquisitions and disposals were 2% (2), of which 4% (2) were acquisitions and –2% (0) were disposals. Exchange-rates affected sales by 2% (4).

The Group's operating income, EBIT excluding impairment of intangible assets amounted to SEK 2,911 M (3,114) a decrease of 6%. The operating result was impacted by a write-down of operating assets in Asia Pacific amounting to SEK –400 M. The operating margin was 13.8% (16.1).

Operating income before amortizations from acquisitions, EBITA, excluding impairment of intangible assets, amounted to SEK 3,007 M (3,168). The corresponding EBITA margin was 14.2% (16.3).

Net financial items amounted to SEK –191 M (–170). The Group's income before tax, excluding impairment of intangible assets, was SEK 2,720 M (2,944), a decrease of 8% compared with last year. The corresponding profit margin was 12.9% (15.2). Exchange-rates had an impact of SEK 42 M (96) on income before tax.

The estimated effective tax rate, excluding impairment of goodwill, was 26% (26) on an annual basis. Earnings per share excluding impairment of intangible assets amounted to SEK 1.84 (1.96), a decrease of 6% compared to last year.



First half-year

The Group's sales for the first half of 2018 totaled SEK 39,690 M (37,529), representing an increase of 6%. Organic growth was 5% (4). Acquisitions and disposals were 2% (3), of which 4% (3) were acquisitions and –2% (0) were disposals. Exchange-rate effects affected sales by –1% (4).

The Group's operating income, EBIT excluding impairment of intangible assets amounted to SEK 5,740 M (5,901), a decrease of 3% compared with last year. The operating margin was 14.5% (15.7). Operating income before amortizations from acquisitions, EBITA, excluding impairment of intangible assets, amounted to SEK 5,928 M (6,006). The corresponding EBITA margin was 14.9% (16.0).

Earnings per share for the first half-year excluding impairment of intangible assets amounted to SEK 3.61 (3.69), a decrease of 2% compared with last year. Operating cash flow totaled SEK 3,431 M (3,399).

Restructuring measures

Payments related to all restructuring programs amounted to SEK 166 M (136) in the quarter. The restructuring programs proceeded according to plan and led to a reduction in personnel of 163 people during the quarter and 14,235 people since the projects began in 2006. At the end of the quarter provisions of SEK 619 M remained in the balance sheet for carrying out the programs.

The planning of a new restructuring program continues. The launch is scheduled for the fourth quarter and the program is expected to take place over a period of three years. The cost of the restructuring is estimated to be in line with previous programs, with an expected payback time of around three years.

Organization

Carolina Dybeck Happe, Executive Vice President and Chief Financial Officer (CFO) has decided to leave ASSA ABLOY at year-end 2018 after six years' service as Group CFO to take up a post elsewhere. Recruitment of a successor has begun.

Neil Vann has been appointed Executive Vice President and Head of the EMEA Division. Neil Vann joined ASSA ABLOY with the Group's acquisition of Yale in 2000 and for the past four years has served as Market Region Manager for ASSA ABLOY UK within EMEA. He succeeds Tzachi Wiesenfeld who has decided to leave ASSA ABLOY after 12 years' service as Head of the EMEA Division.

Comments by division

EMEA

Sales for the quarter in EMEA division totaled SEK 5,069 M (4,529), with organic sales growth of 2% (2). Growth was strong in Finland, Scandinavia, Germany and Eastern Europe, and was good in Southern Europe. The UK and Africa/Middle East also showed growth while Benelux and France had negative sales development. Electromechanical products showed strong growth, and demand was especially strong for smart door locks for the residential market. Acquired growth net was 5%. Operating income totaled SEK 807 M (713), which represents an operating margin (EBIT) of 15.9% (15.7). Return on capital employed amounted to 19.0% (19.0). Operating cash flow before interest paid totaled SEK 607 M (461).

Americas

Sales for the quarter in Americas division totaled SEK 5,078 M (4,704), with organic sales growth of 9% (3). Growth was strong for Architectural Hardware, Perimeter Protection, Electromechanical and High-security products and the Residential market in the USA and in Canada, Mexico and for South America apart from Colombia. Security Doors showed stable growth. The demand for smart door locks for the residential market in the USA was very high. Acquired growth net was 0%. Operating income totaled SEK 1,022 M (1,041), which represents an operating margin (EBIT) of 20.1% (22.1). Return on capital employed amounted to 23.7% (26.1). Operating cash flow before interest paid totaled SEK 1,245 M (1,163).

Asia Pacific

Sales for the quarter in Asia Pacific division totaled SEK 2,608 M (2,445), with organic sales growth of 2% (–6). Strong growth was achieved in South Korea, Pacific and Japan, while South Asia had negative sales development. Sales in China were weak and declined for both lock products and security doors. Smart door-locks grew strongly in the region. Acquired growth was 1%. Operating income, including write-down of operating assets of SEK 400 M, totaled SEK –168 M (274), which represents an operating margin (EBIT) of –6.5% (11.2). Return on capital employed amounted to –6.6% (9.0). Operating cash flow before interest paid totaled SEK 244 M (116).

Global Technologies

Sales for the quarter in Global Technologies division totaled SEK 2,871 M (2,640), with organic sales growth of 6% (3). Physical Access control, Citizen ID, Extended Access and Identity & Access Solutions showed strong sales growth, while Secure Issuance and Identification Technology had stable sales development. Hospitality showed continued strong growth. Sales of mobile key solutions continued to grow strongly. Acquired growth net was 2%. Operating income totaled SEK 564 M (486), which represents an operating margin (EBIT) of 19.6% (18.4). Return on capital employed amounted to 13.5% (17.0). Operating cash flow before interest paid totaled SEK 642 M (511).

Entrance Systems

Sales for the quarter in Entrance Systems division totaled SEK 5,914 M (5,381), with organic growth of 6% (3). Pedestrian doors, Industrial doors, US Garage doors and Logistic solutions in the USA showed strong growth while High-speed doors showed growth. EU residential doors and Door Components showed negative sales development. Acquired growth was 1%. Operating income totaled SEK 819 M (720), which represents an operating margin (EBIT) of 13.8% (13.4). Return on capital employed amounted to 15.7% (14.7). Operating cash flow before interest paid totaled SEK 577 M (638).

Acquisitions and disposals

A total of five 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 2,691 M. The acquisition price for these companies on a cash and debt free basis amounted to SEK 2,710 M. Preliminary acquisition analyses indicate that goodwill and other intangible assets with indefinite useful life amount to SEK 2,042 M. Estimated deferred considerations amounted to SEK 741 M.

On July 13 it was announced that ASSA ABLOY had signed a contract to acquire Planet GDZ, a leading Swiss supplier of drop down seals and finger protection covers for doors. The acquisition is expected to be completed during the third quarter. The company has approximately 55 employees and its sales in 2018 are expected to amount to SEK 160 M.

On July 3 it was announced that ASSA ABLOY had acquired Door Systems, an American distributor in industrial doors, residential sectional doors, high speed doors and docking solutions. The company has approximately 100 employees and its sales in 2018 are expected to amount to SEK 230 M.

On June 11 it was announced that ASSA ABLOY had acquired HKC, a leading Irish manufacturer of alarms and cloud based monitoring solutions. The company has approximately 45 employees and its sales in 2018 are expected to amount to SEK 180 M.

On June 4 it was announced that ASSA ABLOY had sold its Wood Door business in the USA to Masonite. The business has approximately 275 employees and its sales in 2017 totaled approximately SEK 600 M. The disposal will have a positive effect on ASSA ABLOY's future operating margin.

On May 9 it was announced that ASSA ABLOY had signed a contract to acquire Pioneer Industries, an American supplier of steel doors and frames for commercial applications. The acquisition was completed during the second quarter. The company has approximately 100 employees and its sales in 2018 are expected to amount to SEK 180 M.

On May 9 it was announced that ASSA ABLOY had acquired Brücken, a leading Mexican company in glass- and aluminum hardware. It has approximately 80 employees and its sales in 2018 are expected to amount to SEK 260 M.

Sustainable development

In the USA, Entrance Systems Division has converted a production line for manufacturing door panels, making use of more environmentally friendly materials. The new process will reduce the Group's total greenhouse gas emissions by 16 000 tons of CO₂ equivalents during 2018, which represents an improvement across the Group of about 5%. The Entrance Systems Division plans to convert another similar production line in the same way early in 2019.

Parent company

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 2,272 M (2,113) for the first half-year. Operating income for the same period amounted to SEK 878 M (950). Investments in tangible and intangible assets totaled SEK 16 M (12). Liquidity is good and the equity ratio is 36.4% (41.8).

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 2018 and are described briefly on page 20. 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'.

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 21 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 2017 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 2017 Annual Report.

Certification

The Board of Directors and the President and CEO declare that this half-year report gives an accurate picture of the Parent Company's and the Group's operations, position and income and describes significant risks and uncertainty factors faced by the Parent Company and the companies making up the Group.

Stockholm, 17 July 2018

Lars Renström
Chairman

Carl Douglas
Vice Chairman

Nico Delvaux
President and CEO

Ulf Ewaldsson
Board member

Eva Karlsson
Board member

Birgitta Klasén
Board member

Lena Olving
Board member

Sofia Schörling Högberg
Board member

Jan Svensson
Board member

Rune Hjältn
Employee representative

Mats Persson
Employee representative

Report of Review of Interim Financial Information

Introduction

We have reviewed the condensed Interim Financial Information (interim report) of ASSA ABLOY AB (publ.) as of 30 June 2018 and the six-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of the Interim Financial Information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this Interim Report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 17 July 2018
PricewaterhouseCoopers

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Linda Corneliussen
Authorized Public Accountant

Financial information

The Interim Report for the third quarter will be published on 19 October 2018

The Year-end Report and Quarterly Report for the fourth quarter will be published on 5 February 2019.

Further information can be obtained from:

Nico Delvaux,
President and CEO, Tel: +46 8 506 485 82

Carolina Dybeck Happe,
Chief Financial Officer, Tel: +46 8 506 485 72

ASSA ABLOY is holding a **telephone and web conference at 10.00 today** the analysts' meeting can be followed on the Internet at www.assaabloy.com.

It is possible to submit questions by telephone on:
+46 8 566 19 353, +44 203 008 9806 or +1 855 831 5945

This is information that ASSA ABLOY AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 08.00 CEST on 18 July 2018.

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Corporate identity number: 556059-3575

No.19/2018

Financial information – Group

CONSOLIDATED INCOME STATEMENT

SEK M	Q2		Q1-Q2	
	2017	2018	2017	2018
Sales	19,387	21,140	37,529	39,690
Cost of goods sold	-11,806	-12,796	-22,757	-23,973
Gross income	7,581	8,345	14,771	15,716
Selling, administrative and R&D costs	-4,494	-5,496	-8,926	-10,071
Impairment of goodwill and other intangible assets	-	-5,595	-	-5,595
Share of earnings in associates	27	62	56	95
Operating income	3,114	-2,685	5,901	144
Finance net	-170	-191	-365	-366
Income before tax	2,944	-2,876	5,537	-222
Tax on income	-765	-344	-1,440	-1,034
Net income for the period	2,179	-3,220	4,097	-1,256
Net income for the period attributable to:				
Parent company's shareholders	2,178	-3,222	4,096	-1,257
Non-controlling interests	1	2	1	2
Earnings per share				
Before and after dilution, SEK	1.96	-2.90	3.69	-1.13
Before and after dilution and excluding items affecting comparability, SEK	1.96	1.84	3.69	3.61

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q2		Q1-Q2	
	2017	2018	2017	2018
Net income for the period	2,179	-3,220	4,097	-1,256
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Actuarial gain/loss on post-employment benefit obligations, net after tax	-67	-15	-43	11
Total	-67	-15	-43	11
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates	31	3	70	106
Cashflow hedges and net investment hedges	-27	-11	-37	-28
Exchange rate differences	-1,382	1,276	-1,547	2,478
Total	-1,378	1,267	-1,514	2,555
Total comprehensive income for the period	734	-1,967	2,540	1,311
Total comprehensive income for the period attributable to:				
Parent company's shareholders	734	-1,969	2,540	1,309
Non-controlling interests	0	2	0	2

Financial information – Group

CONSOLIDATED BALANCE SHEET

	31 Dec	30 Jun	
SEK M	2017	2017	2018
ASSETS			
Non-current assets			
Intangible assets	61,409	55,652	61,133
Property, plant and equipment	8,065	7,909	8,469
Investments in associates	2,243	2,193	2,391
Other financial assets	227	85	173
Deferred tax assets	1,355	1,758	2,052
Total non-current assets	73,299	67,596	74,219
Current assets			
Inventories	9,430	10,090	11,117
Trade receivables	13,068	12,847	14,636
Other current receivables and investments	3,188	3,607	3,803
Cash and cash equivalents	459	844	496
Total current assets	26,145	27,387	30,052
TOTAL ASSETS	99,444	94,984	104,271
EQUITY AND LIABILITIES			
Equity			
Equity attributable to Parent company's shareholders	50,648	46,374	48,268
Non-controlling interests	9	5	11
Total equity	50,657	46,379	48,279
Non-current liabilities			
Long-term loans	16,859	17,450	20,194
Deferred tax liabilities	2,218	2,226	2,465
Other non-current liabilities and provisions	5,217	5,919	5,688
Total non-current liabilities	24,293	25,596	28,348
Current liabilities			
Short-term loans	6,151	5,388	8,804
Trade payables	7,811	6,832	7,830
Other current liabilities and provisions	10,531	10,790	11,010
Total current liabilities	24,494	23,009	27,644
TOTAL EQUITY AND LIABILITIES	99,444	94,984	104,271

CHANGES IN CONSOLIDATED EQUITY

	Equity attributable to:		
SEK M	Parent company's shareholders	Non-controlling interests	Total equity
Opening balance 1 January 2017	47,220	5	47,224
Net income for the period	4,096	1	4,097
Other comprehensive income	-1,557	0	-1,557
Total comprehensive income	2,540	0	2,540
Dividend	-3,332	-	-3,332
Stock purchase plans	-54	-	-54
Total transactions with shareholders	-3,386	-	-3,386
Closing balance 30 June 2017	46,374	5	46,379
Opening balance 1 January 2018	50,648	9	50,657
Net income for the period	-1,257	2	-1,256
Other comprehensive income	2,566	0	2,567
Total comprehensive income	1,309	2	1,311
Dividend	-3,666	-	-3,666
Stock purchase plans	-23	-	-23
Total transactions with shareholders	-3,689	-	-3,689
Closing balance 30 June 2018	48,268	11	48,279

Financial information – Group

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK M	Q2		Q1-Q2	
	2017	2018	2017	2018
OPERATING ACTIVITIES				
Operating income	3,114	-2,685	5,901	144
Depreciation and amortization	429	497	850	965
Impairment of goodwill and other intangible assets	-	5,595	-	5,595
Restructuring payments	-136	-166	-220	-339
Other non-cash items	28	-49	-7	-156
Cash flow before interest and tax	3,436	3,192	6,524	6,209
Interest paid and received	-198	-219	-291	-341
Tax paid on income	-961	-986	-1,590	-1,595
Cash flow before changes in working capital	2,277	1,987	4,643	4,273
Changes in working capital	-207	127	-2,089	-2,009
Cash flow from operating activities	2,070	2,114	2,554	2,264
INVESTING ACTIVITIES				
Net investments in intangible assets and property, plant and equipment	-593	-411	-965	-767
Investments in subsidiaries	-270	-1,064	-716	-2,031
Investments in associates	-	0	0	0
Disposals of subsidiaries	0	392	1	382
Other investments and disposals	0	0	0	0
Cash flow from investing activities	-863	-1,082	-1,680	-2,416
FINANCING ACTIVITIES				
Dividends	-3,332	-3,666	-3,332	-3,666
Acquisition of non-controlling interests	-	-219	-	-219
Net cash effect of changes in borrowings	2,284	2,788	2,565	4,058
Cash flow from financing activities	-1,049	-1,097	-767	173
CASH FLOW FOR THE PERIOD	159	-65	107	21
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period	697	551	750	459
Cash flow for the period	159	-65	107	21
Effect of exchange rate differences	-12	11	-13	16
Cash and cash equivalents at end of period	844	496	844	496

KEY RATIOS

	Year	Q1-Q2	
	2017	2017	2018
Return on capital employed, %	16.6	16.2	7.5
Return on capital employed excluding items affecting comparability, %	16.6	16.2	14.6
Return on shareholders' equity, %	17.6	17.5	6.2
Equity ratio, %	50.9	48.8	46.3
Interest coverage ratio, times	19.1	18.2	0.4
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	47,426	46,791	48,070

Financial information – Parent company

INCOME STATEMENT

	Year	Q1-Q2	
SEK M	2017	2017	2018
Operating income	1,701	950	878
Income before appropriations and tax	4,238	1,691	1,054
Net income for the period	4,670	1,688	890

BALANCE SHEET

	31 Dec	30 Jun	
SEK M	2017	2017	2018
Non-current assets	39,579	35,834	39,779
Current assets	12,740	10,829	14,282
Total assets	52,319	46,663	54,061
Equity	22,494	19,492	19,695
Untaxed reserves	565	-	565
Non-current liabilities	10,581	9,844	13,599
Current liabilities	18,679	17,327	20,202
Total equity and liabilities	52,319	46,663	54,061

Quarterly information – Group

THE GROUP IN SUMMARY										
SEK M	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q2 2017	Year 2017	Q1 2018	Q2 2018	Q1-Q2 2018	Last 12 months
Sales	18,142	19,387	18,499	20,109	37,529	76,137	18,550	21,140	39,690	78,298
Organic growth	6%	2%	3%	5%	4%	4%	4%	5%	5%	
Gross income excluding items affecting comparability	7,190	7,581	7,293	7,924	14,771	29,988	7,372	8,345	15,716	30,933
Gross margin excluding items affecting comparability	39.6%	39.1%	39.4%	39.4%	39.4%	39.4%	39.7%	39.5%	39.6%	39.5%
Operating income before depr. & amort. (EBITDA) excluding items affecting comparability	3,208	3,543	3,488	3,789	6,752	14,029	3,297	3,407	6,704	13,982
Operating margin (EBITDA)	17.7%	18.3%	18.9%	18.8%	18.0%	18.4%	17.8%	16.1%	16.9%	17.9%
Depreciation and amortization excl. amortization attributable to business combinations	-370	-376	-355	-344	-745	-1,444	-376	-400	-776	-1,475
Operating income before amortization (EBITA) excluding items affecting comparability	2,839	3,168	3,132	3,446	6,006	12,584	2,921	3,007	5,928	12,506
Operating margin (EBITA)	15.6%	16.3%	16.9%	17.1%	16.0%	16.5%	15.7%	14.2%	14.9%	16.0%
Amortization attributable to business combinations	-52	-54	-52	-87	-105	-244	-92	-97	-188	-327
Operating income (EBIT), excluding items affecting comparability	2,787	3,114	3,080	3,359	5,901	12,341	2,829	2,911	5,740	12,179
Operating margin (EBIT)	15.4%	16.1%	16.7%	16.7%	15.7%	16.2%	15.3%	13.8%	14.5%	15.6%
Items affecting comparability ¹⁾	-	-	-	-	-	-	-	-5,595	-5,595	-5,595
Operating income (EBIT)	2,787	3,114	3,080	3,359	5,901	12,341	2,829	-2,685	144	6,584
Operating margin (EBIT)	15.4%	16.1%	16.7%	16.7%	15.7%	16.2%	15.3%	-12.7%	0.4%	8.4%
Net financial items	-195	-170	-171	-133	-365	-668	-175	-191	-366	-669
Income before tax (EBT)	2,593	2,944	2,910	3,226	5,537	11,673	2,654	-2,876	-222	5,915
Profit margin (EBT)	14.3%	15.2%	15.7%	16.0%	14.8%	15.3%	14.3%	-13.6%	-0.6%	7.6%
Tax on income	-674	-765	-757	-842	-1,440	-3,038	-690	-344	-1,034	-2,632
Net income for the period	1,918	2,179	2,153	2,385	4,097	8,635	1,964	-3,220	-1,256	3,282
Net income attributable to:										
Parent company's shareholders	1,919	2,178	2,153	2,384	4,096	8,633	1,964	-3,222	-1,257	3,279
Non-controlling interests	0	1	1	1	1	2	0	2	2	3
OPERATING CASH FLOW										
SEK M	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q2 2017	Year 2017	Q1 2018	Q2 2018	Q1-Q2 2018	Last 12 months
Operating income (EBIT)	2,787	3,114	3,080	3,359	5,901	12,341	2,829	-2,685	144	6,584
Impairment of goodwill and other intangible assets	-	-	-	-	-	-	-	5,595	5,595	5,595
Depreciation and amortization	421	429	407	430	850	1,688	468	497	965	1,802
Net capital expenditure	-373	-593	-448	-561	-965	-1,975	-356	-411	-767	-1,776
Change in working capital	-1,882	-207	-319	2,061	-2,089	-347	-2,136	127	-2,009	-267
Interest paid and received	-93	-198	-77	-189	-291	-557	-122	-220	-341	-608
Non-cash items	-36	28	11	-224	-7	-221	-107	-49	-156	-370
Operating cash flow	824	2,575	2,654	4,876	3,399	10,929	575	2,855	3,431	10,961
Operating Cash flow/Income before tax excluding items affecting comparability ¹⁾	0.32	0.87	0.91	1.51	0.61	0.94	0.22	1.05	0.64	0.95
CHANGE IN NET DEBT										
SEK M	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q2 2017	Year 2017	Q1 2018	Q2 2018	Q1-Q2 2018	
Net debt at beginning of period	23,127	23,339	24,970	25,180	23,127	23,127	25,275	27,219	25,275	
Operating cash flow	-824	-2,575	-2,654	-4,876	-3,399	-10,929	-575	-2,855	-3,431	
Restructuring payments	84	136	106	286	220	612	173	166	339	
Tax paid on income	629	961	1,656	-203	1,590	3,044	609	986	1,595	
Acquisitions and divestments	461	268	1,741	4,319	729	6,790	986	1,097	2,083	
Dividend	-	3,332	-	-	3,332	3,332	-	3,666	3,666	
Actuarial gain/loss on post-employment benefit obligations	-34	99	-50	-40	64	-26	-35	20	-15	
Exchange rate differences, etc.	-104	-590	-590	608	-694	-676	787	1,157	1,944	
Net debt at end of period	23,339	24,970	25,180	25,275	24,970	25,275	27,219	31,454	31,454	
Net debt/Equity	0.48	0.54	0.53	0.50	0.54	0.50	0.50	0.65	0.65	
NET DEBT										
SEK M	Q1 2017	Q2 2017	Q3 2017	Q4 2017			Q1 2018	Q2 2018		
Non-current interest-bearing receivables	-41	-39	-212	-171			-113	-120		
Current interest-bearing investments including derivatives	-113	-211	-161	-150			-277	-284		
Cash and cash equivalents	-697	-844	-440	-459			-551	-496		
Pension provisions	3,058	3,109	2,929	2,933			2,971	3,102		
Other non-current interest-bearing liabilities	16,232	17,450	16,728	16,859			18,425	20,194		
Current interest-bearing liabilities including derivatives	4,901	5,505	6,336	6,263			6,763	9,059		
Total	23,339	24,970	25,180	25,275			27,219	31,454		
CAPITAL EMPLOYED AND FINANCING										
SEK M	Q1 2017	Q2 2017	Q3 2017	Q4 2017			Q1 2018	Q2 2018		
Capital employed	72,333	71,349	72,477	75,932			81,139	79,733		
- of which goodwill	47,438	46,252	46,573	50,330			51,956	50,590		
- of which other intangible assets and property, plant and equipment	17,595	17,309	17,032	19,144			20,019	19,011		
- of which investments in associates	2,176	2,193	2,147	2,243			2,385	2,391		
Net debt	23,339	24,970	25,180	25,275			27,219	31,454		
Non-controlling interests	4	5	5	9			9	11		
Equity attributable to the Parent company's shareholders	48,989	46,374	47,292	50,648			53,911	48,268		
DATA PER SHARE										
SEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q2 2017	Year 2017	Q1 2018	Q2 2018	Q1-Q2 2018	
Earnings per share before and after dilution	1.73	1.96	1.94	2.15	3.69	7.77	1.77	-2.90	-1.13	
Earnings per share before and after dilution and excluding items affecting comparability ¹⁾	1.73	1.96	1.94	2.15	3.69	7.77	1.77	1.84	3.61	
Shareholders' equity per share after dilution	44.10	41.75	42.58	45.60	41.75	45.60	48.53	43.45	43.45	

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

Reporting by division

Q2 and 30 Jun

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Sales, external	4,450	5,011	4,689	5,060	2,271	2,332	2,621	2,848	5,355	5,889	0	0	19,387	21,140
Sales, internal	79	58	15	18	174	276	19	23	26	25	-313	-400	-	-
Sales	4,529	5,069	4,704	5,078	2,445	2,608	2,640	2,871	5,381	5,914	-313	-400	19,387	21,140
Organic growth	2%	2%	3%	9%	-6%	2%	3%	6%	3%	6%	-	-	2%	5%
Share of earnings in associates	-	-	-	-	6	6	-	-	22	56	-	-	27	62
Operating income (EBIT) excl. items affecting comparability	713	807	1,041	1,022	274	-168	486	564	720	819	-121	-132	3,114	2,911
Operating margin (EBIT) excl. items affecting comparability	15.7%	15.9%	22.1%	20.1%	11.2%	-6.5%	18.4%	19.6%	13.4%	13.8%	-	-	16.1%	13.8%
Items affecting comparability ¹⁾	-	-	-	-	-	-5,595	-	-	-	-	-	-	-	-5,595
Operating income (EBIT)	713	807	1,041	1,022	274	-5,764	486	564	720	819	-121	-132	3,114	-2,685
Operating margin (EBIT)	15.7%	15.9%	22.1%	20.1%	11.2%	-221.0%	18.4%	19.6%	13.4%	13.8%	-	-	16.1%	-12.7%
Capital employed	14,365	17,232	15,542	17,817	11,804	7,848	11,030	16,863	18,833	20,800	-225	-826	71,349	79,733
- of which goodwill	8,360	10,264	10,399	12,029	7,607	3,915	8,222	12,238	11,664	12,144	-	-	46,252	50,590
- of which other intangible assets and property, plant and equipment	3,360	3,831	3,328	3,868	3,809	2,513	2,450	4,191	4,224	4,460	138	148	17,309	19,011
- of which investments in associates	9	9	-	-	522	583	-	18	1,662	1,781	-	-	2,193	2,391
Return on capital employed excluding items affecting comparability	19.0%	19.0%	26.1%	23.7%	9.0%	-6.6%	17.0%	13.5%	14.7%	15.7%	-	-	16.9%	14.3%
Operating income (EBIT)	713	807	1,041	1,022	274	-5,764	486	564	720	819	-121	-132	3,114	-2,685
Impairment of intangible assets	-	-	-	-	-	5,595	-	-	-	-	-	-	-	5,595
Depreciation and amortization	113	118	86	91	76	81	81	128	70	74	3	5	429	497
Net capital expenditure	-190	-137	-120	-88	-126	-48	-69	-73	-73	-60	-14	-5	-593	-411
Change in working capital	-174	-181	156	220	-108	379	14	24	-80	-256	-14	-58	-207	127
Cash flow	461	607	1,163	1,245	116	244	511	642	638	577	-146	-191	2,744	3,124
Non-cash items	-	-	-	-	-	-	-	-	-	-	28	-49	28	-49
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-198	-220	-198	-220
Operating cash flow													2,575	2,855

Q1-Q2 and 30 jun

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Sales, external	8,775	9,706	9,236	9,396	4,021	4,095	5,084	5,304	10,412	11,189	0	0	37,529	39,690
Sales, internal	159	138	35	36	342	472	37	44	55	48	-628	-737	-	-
Sales	8,934	9,844	9,271	9,432	4,363	4,567	5,121	5,348	10,467	11,236	-627	-737	37,529	39,690
Organic growth	3%	3%	5%	6%	-2%	3%	6%	7%	5%	6%	-	-	4%	5%
Share of earnings in associates	-	-	-	-	11	12	-	-	45	82	-	-	56	95
Operating income (EBIT) excl. items affecting comparability	1,431	1,571	2,002	1,867	425	-14	908	1,030	1,359	1,529	-224	-243	5,901	5,740
Operating margin (EBIT) excl. items affecting comparability	16.0%	16.0%	21.6%	19.8%	9.7%	-0.3%	17.7%	19.3%	13.0%	13.6%	-	-	15.7%	14.5%
Items affecting comparability ¹⁾	-	-	-	-	-	-5,595	-	-	-	-	-	-	-	-5,595
Operating income (EBIT)	1,431	1,571	2,002	1,867	425	-5,610	908	1,030	1,359	1,529	-224	-243	5,901	144
Operating margin (EBIT)	16.0%	16.0%	21.6%	19.8%	9.7%	-122.8%	17.7%	19.3%	13.0%	13.6%	-	-	15.7%	0.4%
Capital employed	14,365	17,232	15,542	17,817	11,804	7,848	11,030	16,863	18,833	20,800	-225	-826	71,349	79,733
- of which goodwill	8,360	10,264	10,399	12,029	7,607	3,915	8,222	12,238	11,664	12,144	-	-	46,252	50,590
- of which other intangible assets and property, plant and equipment	3,360	3,831	3,328	3,868	3,809	2,513	2,450	4,191	4,224	4,460	138	148	17,309	19,011
- of which investments in associates	9	9	-	-	522	583	-	18	1,662	1,781	-	-	2,193	2,391
Return on capital employed excluding items affecting comparability	19.7%	19.5%	25.4%	22.4%	7.1%	-0.3%	16.1%	12.7%	14.2%	15.3%	-	-	16.2%	14.6%
Operating income (EBIT)	1,431	1,571	2,002	1,867	425	-5,610	908	1,030	1,359	1,529	-224	-243	5,901	144
Impairment of intangible assets	-	-	-	-	-	5,595	-	-	-	-	-	-	-	5,595
Depreciation and amortization	220	229	172	178	152	159	160	247	139	142	8	10	850	965
Net capital expenditure	-261	-213	-216	-161	-211	-104	-139	-133	-118	-139	-21	-17	-965	-767
Change in working capital	-542	-718	-598	-398	-404	45	-360	-300	-82	-576	-103	-61	-2,089	-2,009
Cash flow	848	870	1,360	1,486	-38	86	568	843	1,298	956	-340	-312	3,697	3,928
Non-cash items	-	-	-	-	-	-	-	-	-	-	-7	-156	-7	-156
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-291	-341	-291	-341
Operating cash flow													3,399	3,431
Average number of employees	10,972	11,707	8,859	8,876	11,474	11,337	4,184	4,551	11,033	11,317	269	282	46,791	48,070

¹⁾ Items affecting comparability consist of impairment of goodwill and other immaterial assets

Reporting by division

Year and 31 Dec

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	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 flow	2,577	2,977	3,447	3,491	1,564	859	1,724	1,732	2,713	3,065	-607	-417	11,418	11,706
Non-cash items											-354	-221	-354	-221
Interest paid and received											-597	-557	-597	-557
Operating cash flow													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 in 2016 consist of restructuring costs.

Financial information - Notes

NOTE 1 DISAGGREGATION OF REVENUE

Sales by continent Q2

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Europe	3,933	4,388	15	10	126	158	708	803	2,570	2,828	-151	-187	7,201	7,999
North America	171	177	4,254	4,615	147	211	1,136	1,318	2,318	2,594	-102	-135	7,925	8,781
Central- and South America	22	26	405	429	11	16	92	117	15	27	-8	-11	538	604
Africa	151	209	9	2	2	5	54	106	13	19	-5	-6	224	335
Asia	231	238	22	21	1,719	1,754	557	453	328	316	-29	-38	2,829	2,744
Oceania	22	31	1	1	440	464	93	75	135	130	-19	-23	671	678
Total	4,529	5,069	4,704	5,078	2,445	2,608	2,640	2,871	5,381	5,914	-313	-400	19,387	21,140

Sales by continent Q1-Q2

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Övrigt		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Europe	7,798	8,602	25	21	238	283	1,382	1,427	5,092	5,471	-294	-338	14,242	15,465
North America	283	282	8,366	8,574	285	371	2,189	2,511	4,438	4,849	-208	-260	15,353	16,327
Central- and South America	47	44	817	784	19	24	184	209	33	48	-16	-17	1,084	1,092
Africa	300	401	15	4	4	7	117	195	29	32	-12	-12	453	627
Asia	461	460	46	48	2,930	3,010	1,083	866	620	590	-56	-66	5,084	4,908
Oceania	45	55	2	3	886	872	167	140	256	246	-43	-45	1,312	1,271
Total	8,934	9,844	9,271	9,432	4,363	4,567	5,121	5,348	10,467	11,236	-627	-737	37,529	39,690

Sales by product group Q2

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Mechanical locks, lock systems and fittings	2,390	2,549	1,884	1,982	1,263	1,311	31	7	2	2	-172	-177	5,397	5,674
Electromechanical and electronic locks	1,391	1,637	671	914	465	576	2,609	2,864	150	207	-100	-177	5,187	6,022
Security doors and hardware	686	782	2,136	2,150	715	715	0	0	0	0	-15	-20	3,523	3,628
Entrance automation	62	100	13	32	3	5	0	0	5,229	5,705	-27	-27	5,280	5,816
Total	4,529	5,069	4,704	5,078	2,445	2,608	2,640	2,871	5,381	5,914	-313	-400	19,387	21,140

Sales by product group Q1-Q2

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Mechanical locks, lock systems and fittings	4,709	5,004	3,742	3,680	2,310	2,382	53	15	4	4	-329	-342	10,488	10,743
Electromechanical and electronic locks	2,736	3,153	1,306	1,672	849	995	5,069	5,333	344	416	-214	-308	10,090	11,260
Security doors and hardware	1,341	1,502	4,198	4,035	1,198	1,180	0	0	0	0	-27	-37	6,710	6,680
Entrance automation	148	185	26	46	5	10	0	0	10,119	10,816	-57	-51	10,241	11,007
Total	8,934	9,844	9,271	9,432	4,363	4,567	5,121	5,348	10,467	11,236	-627	-737	37,529	39,690

NOTE 2 BUSINESS COMBINATIONS

	Q2		Q1-Q2	
SEK M	2017	2018	2017	2018
Purchase prices				
Cash paid for acquisitions during the year	221	1,013	526	1,950
Holdbacks and deferred considerations for acquisitions during the year	54	522	157	742
Adjustment of purchase prices for acquisitions in prior years	4	0	4	-2
Total	279	1,535	687	2,691
Acquired assets and liabilities at fair value				
Intangible assets	12	38	133	430
Property, plant and equipment	8	25	18	86
Financial assets	2	1	3	212
Inventories	33	133	68	213
Current receivables and investments	26	122	128	248
Cash and cash equivalents	11	34	37	150
Non-current liabilities	-56	-1	-68	-160
Current liabilities	-18	-226	-93	-329
Total	18	126	226	849
Goodwill	261	1,409	462	1,842
Change in cash and cash equivalents due to acquisitions				
Cash paid for acquisitions during the year	221	1,013	526	1,950
Cash and cash equivalents in acquired subsidiaries	-11	-34	-37	-150
Paid considerations for acquisitions in prior years	61	85	227	231
Total	271	1,064	716	2,031

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

Financial information – Notes

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

30 June 2018

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	157	157		157	
Available-for-sale financial assets	9	9			
Loans and other receivables	15,366	15,366			
Derivative instruments - hedge accounting	59	59		59	
Financial liabilities					
Financial liabilities at fair value through profit and loss	2,019	2,019		227	1,793
Financial liabilities at amortized cost	36,829	36,790			
Derivative instruments - hedge accounting	28	28		28	

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	

New accounting standards and standards not yet effective

IFRS 9 'Financial Instruments'

IFRS 9 addresses the classification, measurement and recognition of financial liabilities and assets and replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. With IFRS 9 a new impairment model is being implemented, based on expected credit losses rather than incurred losses. For the Group, the new model will entail a partly new process for the measurement of credit losses, but the Standard will have no material impact on the Group's performance and financial position.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 supersedes IAS 11 'Construction Contracts' and IAS 18 'Revenues' and includes a new single model for revenue recognition related to customer contracts. The new Standard introduces a five-step model as the basis for the recognition of revenues from contracts with customers. The Standard prescribes that a company shall recognize revenues when the company fulfills a performance obligation by transferring a promised good or service to a customer. The good or service is transferred when the customer acquires control over the asset, which may happen either over time or at a particular point in time. In all important respects the Group's previous revenue recognition practices conform with IFRS 15 and the new Standard will therefore have no impact on the Group's performance and financial position. However, additional information about the disaggregation of revenue is given in Note 1.

According to the five-step model, a company should carry out the following steps of revenue recognition: Identify the customer contract; Identify the performance obligations; determining the transaction price; Allocate the transaction price to the performance obligations, and finally recognize the revenues assignable to each of the performance obligations.

At the start of a customer contract, ASSA ABLOY decides whether the goods and/or services that are promised comprise a single performance obligation or several separate performance obligations. A performance obligation is defined as a distinct promise to transfer a good or service to the customer. A promised good or service is distinct if both the following criteria are met:

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

When setting the transaction price, which is the payment promised in the contract, the Group takes account of possible payment variations such as cash discounts, volume discounts and rights to return goods. Payment variations are included in the transaction price only if it is highly probable that no significant return of revenues is expected to occur in a future period.

ASSA ABLOY receives advance payments from customers to a limited extent. None of the Group's customer contracts concerning the sale of goods or services is thought to incorporate a significant financing component. The Group reports no contract assets because it adopts the practical solution permitted by the Standard which means that moneys for paying a customer contract are reported as costs at the time when they arise if the write-off period for the asset that the Group would otherwise have reported is no more than one year.

ASSA ABLOY allocates the transaction price to each performance obligation on the basis of a stand-alone selling price. The stand-alone selling price is the price at which the Group would sell the good or service separately to a customer. If a stand-alone selling price is not directly observable, it is usually calculated either by the method of adjusted market assessment or from expected costs plus a profit margin.

Any rebates are allocated proportionately to all performance obligations in the contract unless there is clear evidence that the rebates do not apply to all performance obligations.

ASSA ABLOY recognizes revenues when the Group fulfils a performance obligation by delivering a good or service to a customer, i.e. when the customer acquires control over the asset. A performance obligation may either be fulfilled over time or at a particular point in time. ASSA ABLOY recognizes the revenues over time if any of the following criteria are met:

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

Revenues that are not recognized over time are recognized at a particular point in time: i.e. the time when the customer acquires control over the asset.

ASSA ABLOY's revenues come mainly from sales of products. Service related to products sold provides only a limited part of the revenues. Reporting of revenues resulting from sale of the Group's products is made at a particular point in time when the customer acquires control of the product – normally upon delivery. ASSA ABLOY also provides installation services which are recognized over time. For shorter installation contracts, revenues are in practice recognized when the installation is completed. Revenues from service contracts are recognized as income over time.

Adjustment of opening balances in 2018

Since IFRS 9 and IFRS 15 have no material impacts on the financial reports, no new opening balance is presented in 2018.

IFRS 16 'Leasing'

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. Application of the new Standard means that ASSA ABLOY will recognize all significant lease contracts in the balance sheet. The Group's lease contracts mainly concern leased premises, company cars and production and office equipment. Preparatory work prior to implementation is in progress, but the Group has not yet evaluated the financial effects of the Standard.

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

Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment.

Net debt

Interest-bearing liabilities less interest-bearing assets.

Capital employed

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

Equity ratio

Shareholders' equity as a percentage of total assets.

Interest coverage ratio

Income before tax plus net interest divided by net interest.

Return on shareholders' equity

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

Return on capital employed

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

Earnings per share after tax and dilution

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