

Quarterly Report

Q2 2019

17 July 2019

ASSA ABLOY

Experience a safer and more open world

Good growth and improved operating margin

Second quarter

- Net sales increased by 11% to SEK 23,544 M (21,140), with organic growth of 3% (5) and acquired net growth of 4% (2)
- Strong growth in Americas and Global Technologies, good growth in EMEA and Asia Pacific and growth in Entrance Systems
- Three acquisitions signed with combined expected annual sales of about SEK 800 M
- Operating income (EBIT)¹⁾ increased by 28% and amounted to SEK 3,733 M (2,911), corresponding to an operating margin of 15.9% (13.8)
- Net income¹⁾ amounted to SEK 2,562 M (2,049)
- Earnings per share¹⁾ amounted to SEK 2.31 (1.84)
- Operating cash flow increased by 27% to SEK 3,636 M (2,855)

Organic growth

+3%

Operating income¹⁾

+28%

Earnings per share¹⁾

+25%

Sales and income

	Second quarter			First half-year		
	2018	2019	Δ	2018	2019	Δ
Sales, SEK M	21,140	23,544	11%	39,690	45,048	14%
Of which:						
Organic growth	954	692	3%	1,659	1,698	4%
Acquisitions and divestments	366	790	4%	633	1,478	4%
Exchange-rate effects	433	922	4%	-131	2,182	6%
Operating income (EBIT)¹⁾, SEK M	2,911	3,733	28%	5,740	6,978	22%
Operating margin (EBITA) ¹⁾ , %	14.2%	16.4%		14.9%	16.0%	
Operating margin (EBIT)¹⁾, %	13.8%	15.9%		14.5%	15.5%	
Income before tax ¹⁾ , SEK M	2,720	3,462	27%	5,374	6,459	20%
Net income ¹⁾ , SEK M	2,049	2,562	25%	4,013	4,780	19%
Operating cash flow, SEK M	2,855	3,636	27%	3,431	4,807	40%
Earnings per share¹⁾, SEK	1.84	2.31	25%	3.61	4.30	19%

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

Good growth and improved operating margin

Following a good start to 2019, the positive performance continued during the second quarter. Total sales grew by 11% with an improved operating margin. Sales growth in the quarter was driven by organic growth of 3%, acquired net growth of 4% and positive currency movements of 4%. Growth was strong in Americas (6%) and Global Technologies (5%). Asia Pacific and EMEA reported good growth, while growth in Entrance Systems was stable.

Operating income excluding non-comparable items in 2018² increased by 13% to SEK 3,733 M, driven by good operating leverage. This contributed to an operating margin improved by 20 basis points. The Group has now offset the previous headwind from the higher raw material costs.

Operating cash flow was very strong and improved by 27% to SEK 3,636 M, driven by the improved earnings and positive evolution from working capital. Our cash conversion in the quarter was stable at 105%².

Our strategic objectives guide us

Demand has generally been good in 2019, but with variations between different markets. In some markets, uncertainty has increased at the same time due to weaker construction indices and geopolitical challenges. To retain our leadership in the short and long term, it is important to be agile and to focus on our strategic objectives.

It is encouraging to see how *cost efficiency in everything we do* is driving results. During the second quarter our efficiency programs and other savings generated more than SEK 200 M in efficiencies. We continuously work to identify opportunities for saving across the entire Group, which is critical for our competitive advantage.

We also continue to invest in *product leadership through innovation as an enabler* of sustainable profitable growth. Our investments in innovation have driven our strong sales growth in electromechanical products during the last year, including 20% growth in the second quarter. Today, we have more than 2,600 people working in R&D and 9,000 patents across our product segments. These resources provide a solid platform for our continuing developments of new solutions that will make life easier and more secure for our customers. Because *people are our most important asset*, we will continue to invest in training and skills development to stay ahead and lead the development in our industry.

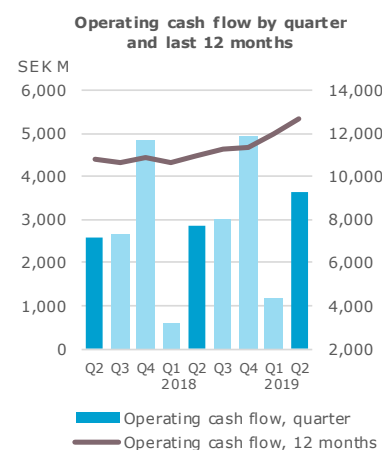
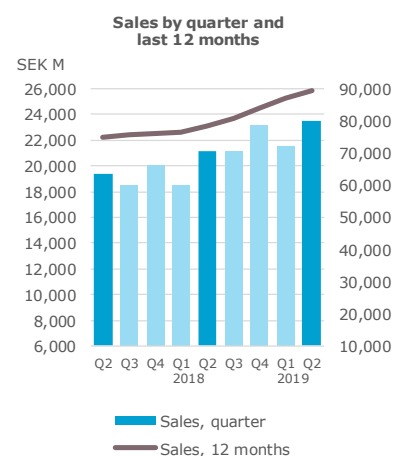
Another driver of growth is the increasing demand for sustainable solutions. With our strong range of products that are both environmentally suited and innovative, we are well positioned to capture these opportunities and *grow through customer relevance*. This will enable us to continue to create shareholder value while contributing to a greener world.

Stockholm, 17 July 2019



Nico Delvaux
President and CEO

²) Excluding impairment of goodwill and other intangible assets, totaling SEK -5,595 M and write down of operating assets in China of SEK -400 M in Q2 2018.



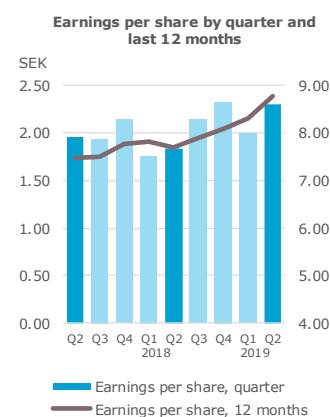
Second quarter

The Group's sales increased by 11% to SEK 23,544 M (21,140). Organic growth amounted to 3% (5). Acquisitions and divestments were 4% (2), of which 4% (4) were acquisitions and 0% (-2) were divestments. Exchange-rates affected sales by 4% (2).

The Group's operating income, EBIT excluding impairment of intangible assets amounted to SEK 3,733 M (2,911) an increase of 28%. The corresponding operating margin was 15.9% (13.8). Exchange-rates had an impact of SEK 165 M (37) on EBIT. Operating income before amortizations from acquisitions, EBITA, excluding impairment of intangible assets amounted to SEK 3,852 M (3,007). The corresponding EBITA margin was 16.4% (14.2).

Net financial items amounted to SEK -271 M (-191). The Group's income before tax excluding impairment of intangible assets was SEK 3,462 M (2,720), an increase of 27% compared with last year. Exchange-rates had an impact of SEK 151 M (42) on income before tax. The profit margin was 14.7% (12.9).

The estimated effective tax rate on an annual basis, excluding impairment of goodwill, was 26% (26). Earnings per share excluding impairment of intangible assets amounted to SEK 2.31 (1.84), an increase of 25% compared with last year. Operating cash flow amounted to SEK 3,636 M (2,855).



First half-year

The Group's sales for the first half of 2019 totaled SEK 45,048 M (39,690), representing an increase of 14%. 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 6% (-1).

The Group's operating income, EBIT excluding impairment of intangible assets amounted to SEK 6,978 M (5,740), an increase of 22% compared with last year. The corresponding operating margin was 15.5% (14.5). Operating income before amortizations from acquisitions, EBITA, excluding impairment of intangible assets amounted to SEK 7,204 M (5,928). The corresponding EBITA margin was 16.0% (14.9).

Earnings per share for the first half-year excluding impairment of intangible assets amounted to SEK 4.30 (3.61), an increase of 19% compared with last year. Operating cash flow totaled SEK 4,807 M (3,431).

Restructuring measures

Payments related to all restructuring programs amounted to SEK 123 M (166) in the quarter. The restructuring programs proceeded according to plan and led to a reduction in personnel of 158 people during the quarter and 15,740 people since the projects began in 2006. At the end of the quarter provisions of SEK 934 M remained in the balance sheet for carrying out the programs.

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

Comments by division

EMEA

Sales for the quarter in EMEA totaled SEK 5,291 M (5,069), with organic growth of 3% (2). The growth was strong in Middle East/Africa, Benelux and Finland and good in East Europe, France and Germany. In Scandinavia, sales were flat while sales declined in South Europe and in the UK. Acquired growth net was 0%. Operating income totaled SEK 849 M (807), which represents an operating margin (EBIT) of 16.0% (15.9). Return on capital employed amounted to 16.7% (19.0). Operating cash flow before interest paid totaled SEK 659 M (607).

Americas

Sales for the quarter in Americas totaled SEK 5,861 M (5,078), with organic growth of 6% (9). Sales growth continued to be very strong for US Smart Residential and strong for Architectural Hardware, Security Doors and US Residential Group. Sales growth was good for Electromechanical & High-security Products and stable in Canada. Sales declined in Latin America and for Perimeter Security in the USA. Acquired growth net was 1%. Operating income totaled SEK 1,203 M (1,022), which represents an operating margin (EBIT) of 20.5% (20.1). Return on capital employed amounted to 23.8% (23.7). Operating cash flow before interest paid totaled SEK 1,536 M (1,245).

Asia Pacific

Sales for the quarter in Asia Pacific totaled SEK 2,919 M (2,608), with organic growth of 3% (2). The sales growth was strong in India and Pacific. Sales were stable in South Asia and China but declined in South Korea and Japan. Acquired growth was 6%. Operating income excluding impairment of intangible assets in 2018 totaled SEK 270 M (-168), which represents an operating margin (EBIT) of 9.3% (-6.5). Return on capital employed amounted to 12.1% (-6.6). Operating cash flow before interest paid totaled SEK 261 M (244).

Global Technologies

Sales for the quarter in Global Technologies totaled SEK 3,706 M (2,871), with organic growth of 5% (6). Sales growth was very strong for Secure Issuance and Physical Access Control and strong for Identity & Access Solutions. Sales declined for Citizen ID, Extended Access and Identification Technology. ASSA ABLOY Global Solutions reported good growth. Acquired growth was 17%. Operating income totaled SEK 682 M (564), which represents an operating margin (EBIT) of 18.4% (19.6). Return on capital employed amounted to 13.1% (13.5). Operating cash flow before interest paid totaled SEK 980 M (642).

Entrance Systems

Sales for the quarter in Entrance Systems totaled SEK 6,310 M (5,914), with organic growth of 1% (6). Sales growth was strong in Pedestrian Doors and EU Residential Doors while the growth for Door Components was good. Sales were stable for US Residential Doors, Industrial Doors and Logistics Solutions but declined for High Performance Doors. Service showed strong growth. Acquired growth net was 1%. Operating income totaled SEK 875 M (819), which represents an operating margin (EBIT) of 13.9% (13.8). Return on capital employed amounted to 15.1% (15.7). Operating cash flow before interest paid totaled SEK 725 M (577).

Acquisitions and divestments

A total of two 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 1,568 M. The acquisition price on a cash and debt free basis totaled SEK 1,984 M. Preliminary acquisition analyses indicate that goodwill and other intangible assets with indefinite useful life amount to SEK 1,570 M. Estimated deferred considerations amounted to SEK 36 M.

On June 12 it was announced that ASSA ABLOY had signed an agreement to acquire the international identity solutions business of De La Rue, a leading passport manufacturer based in the UK. The acquisition is subject to regulatory approval and customary closing conditions and is expected to close during the third quarter of 2019. The business has about 200 employees and its sales in the fiscal year to 30 March 2019 amounted to around SEK 460 M.

Sustainable development

ASSA ABLOY has set a target to reduce the injury rate (injuries per million hours worked) by 55% between 2015 and 2020. In 2018 the injury rate was 3.7 which represents a reduction of 45% compared to the 2015 level.

ASSA ABLOY's health and safety focus for 2019 is to further reduce workplace hazards. One initiative is the launch of a major health and safety campaign in ASSA ABLOY Entrance Systems targeting its field service engineers. The field service engineer installs and services products at customers' sites and may visit many sites during a working day. In this varied work environment, the campaign aims to strengthen the importance of having a strong inherent safety culture and of ensuring that risk assessments and standardized operating safety procedures are carried out on every service assignment.

Parent company

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 2,445 M (2,272) for the first half-year. Operating income for the same period amounted to SEK 671 M (878). Investments in tangible and intangible assets totaled SEK 13 M (16). Liquidity is good and the equity ratio is 36.3% (36.4).

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 19. 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 19.

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 20 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.

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 2019

Lars Renström
Chairman

Carl Douglas
Vice Chairman

Nico Delvaux
President and CEO

Eva Karlsson
Board member

Birgitta Klasén
Board member

Lena Olving
Board member

Sofia Schörling Högberg
Board member

Jan Svensson
Board member

Rune Hjälms
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 2019 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 2019
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 18 October 2019.

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

Further information can be obtained from:

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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
17 July 2019**

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

It is possible to submit questions by telephone on:
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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 17 July 2019.

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Corporate identity number: 556059-3575

No.10/2019

Financial information – Group

CONDENSED INCOME STATEMENT	Q2		Q1-Q2	
	2018	2019	2018	2019
SEK M				
Sales	21,140	23,544	39,690	45,048
Cost of goods sold	-12,796	-14,044	-23,973	-26,953
Gross income	8,345	9,500	15,716	18,096
Selling, administrative and R&D costs	-5,496	-5,790	-10,071	-11,177
Impairment of goodwill and other intangible assets	-5,595	-	-5,595	-
Share of earnings in associates	62	22	95	60
Operating income	-2,685	3,733	144	6,978
Finance net	-191	-271	-366	-519
Income before tax	-2,876	3,462	-222	6,459
Tax on income	-344	-900	-1,034	-1,679
Net income for the period	-3,220	2,562	-1,256	4,780
Net income for the period attributable to:				
Parent company's shareholders	-3,222	2,561	-1,257	4,780
Non-controlling interests	2	0	2	-1
Earnings per share				
Before and after dilution, SEK	-2.90	2.31	-1.13	4.30
Before and after dilution and excluding items affecting comparability, SEK	1.84	2.31	3.61	4.30
CONDENSED STATEMENT OF COMPREHENSIVE INCOME				
SEK M				
Net income for the period	-3,220	2,562	-1,256	4,780
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Actuarial gain/loss on post-employment benefit obligations, net after tax	-15	-167	11	-288
Total	-15	-167	11	-288
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates	3	70	106	102
Cashflow hedges and net investment hedges	-11	3	-28	-17
Exchange rate differences	1,276	0	2,478	1,361
Total	1,267	73	2,555	1,446
Total comprehensive income for the period	-1,967	2,468	1,311	5,938
Total comprehensive income for the period attributable to:				
Parent company's shareholders	-1,969	2,468	1,309	5,938
Non-controlling interests	2	0	2	0

Financial information – Group

CONDENSED BALANCE SHEET	31 Dec	30 Jun	
	2018	2018	2019
SEK M			
ASSETS			
Non-current assets			
Intangible assets	64,861	61,133	68,239
Property, plant and equipment	8,070	8,330	8,326
Right-of-use assets	119	139	3,705
Investments in associates	2,434	2,391	2,534
Other financial assets	152	173	91
Deferred tax assets	1,354	2,052	1,546
Total non-current assets	76,991	74,219	84,442
Current assets			
Inventories	11,316	11,117	12,319
Trade receivables	14,496	14,636	15,508
Other current receivables and investments	3,227	3,803	4,375
Cash and cash equivalents	538	496	355
Total current assets	29,577	30,052	32,556
TOTAL ASSETS	106,568	104,271	116,998
EQUITY AND LIABILITIES			
Equity			
Equity attributable to Parent company's shareholders	51,890	48,268	53,708
Non-controlling interests	10	11	6
Total equity	51,900	48,279	53,714
Non-current liabilities			
Long-term loans	19,398	20,135	20,269
Non-current lease liabilities	91	59	2,746
Deferred tax liabilities	1,764	2,465	2,115
Other non-current liabilities and provisions	5,030	5,688	5,365
Total non-current liabilities	26,283	28,348	30,496
Current liabilities			
Short-term loans	7,594	8,789	10,958
Current lease liabilities	-	16	948
Trade payables	7,893	7,830	7,586
Other current liabilities and provisions	12,898	11,010	13,296
Total current liabilities	28,385	27,644	32,788
TOTAL EQUITY AND LIABILITIES	106,568	104,271	116,998
CHANGES IN EQUITY			
	Equity attributable to:		
	Parent	Non-	Total
	company's	controlling	equity
	shareholders	interests	
SEK M			
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
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	4,780	-1	4,780
Other comprehensive income	1,157	1	1,158
Total comprehensive income	5,938	0	5,938
Dividend	-3,888	-	-3,888
Stock purchase plans	3	-	3
Change in non-controlling interest	-1	-4	-5
Total transactions with shareholders	-3,886	-4	-3,890
Closing balance 30 June 2019	53,708	6	53,714

Financial information – Group

CONDENSED STATEMENT OF CASH FLOWS	Q2		Q1-Q2	
	2018	2019	2018	2019
SEK M				
OPERATING ACTIVITIES				
Operating income	-2,685	3,733	144	6,978
Depreciation and amortization	497	835	965	1,624
Impairment of goodwill and other intangible assets	5,595	-	5,595	-
Restructuring payments	-166	-123	-339	-284
Other non-cash items	-49	-210	-156	-263
Cash flow before interest and tax	3,192	4,236	6,209	8,055
Interest paid and received	-220	-277	-341	-456
Tax paid on income	-986	-942	-1,595	-1,645
Cash flow before changes in working capital	1,987	3,017	4,273	5,954
Changes in working capital	127	242	-2,009	-1,806
Cash flow from operating activities	2,114	3,259	2,264	4,148
INVESTING ACTIVITIES				
Net investments in intangible assets and property, plant and equipment	-411	-406	-767	-727
Investments in subsidiaries	-1,064	-704	-2,031	-1,931
Investments in associates	0	16	0	16
Disposals of subsidiaries	392	23	382	37
Other investments and disposals	0	0	0	0
Cash flow from investing activities	-1,082	-1,071	-2,416	-2,605
FINANCING ACTIVITIES				
Dividends	-3,666	-3,888	-3,666	-3,888
Acquisition of non-controlling interests	-219	-5	-219	-5
Repayment of lease liabilities	-5	-281	-9	-543
Net cash effect of changes in borrowings	2,793	1,927	4,067	2,704
Cash flow from financing activities	-1,097	-2,247	173	-1,731
CASH FLOW FOR THE PERIOD	-65	-59	21	-188
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period	551	414	459	538
Cash flow for the period	-65	-59	21	-188
Effect of exchange rate differences	11	0	16	5
Cash and cash equivalents at end of period	496	355	496	355
KEY RATIOS				
	Year	Q1-Q2		
	2018	2018	2019	
Return on capital employed, %	7.6	7.5	15.9	
Return on capital employed excluding items affecting comparability, %	16.2	14.6	15.9	
Return on shareholders' equity, %	5.4	6.2	18.1	
Equity ratio, %	48.7	46.3	45.9	
Interest coverage ratio, times	8.0	0.4	14.1	
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	48,070	49,218	

Financial information – Parent company

CONDENSED INCOME STATEMENT

SEK M	Year	Q1-Q2	
	2018	2018	2019
Operating income	1,801	878	671
Income before appropriations and tax	3,951	1,054	1,418
Net income for the period	4,796	890	1,340

CONDENSED BALANCE SHEET

SEK M	31 Dec	30 Jun	
	2018	2018	2019
Non-current assets	39,554	39,779	39,956
Current assets	17,195	14,282	18,004
Total assets	56,749	54,061	57,960
Equity	23,610	19,695	21,065
Untaxed reserves	678	565	678
Non-current liabilities	13,821	13,599	15,392
Current liabilities	18,641	20,202	20,826
Total equity and liabilities	56,749	54,061	57,960

Quarterly information – Group

THE GROUP IN SUMMARY										
SEK M	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q2 2018	Year 2018	Q1 2019	Q2 2019	Q1-Q2 2019	Last 12 months
Sales	18,550	21,140	21,191	23,167	39,690	84,048	21,505	23,544	45,048	89,407
Organic growth	4%	5%	5%	6%	5%	5%	5%	3%	4%	
Gross income excluding items affecting comparability	7,372	8,345	8,392	9,134	15,716	33,243	8,596	9,500	18,096	35,622
Gross margin excluding items affecting comparability	39.7%	39.5%	39.6%	39.4%	39.6%	39.6%	40.0%	40.4%	40.2%	39.8%
Operating income before depr. & amort. (EBITDA) excluding items affecting comparability	3,297	3,407	3,912	4,256	6,704	14,872	4,034	4,568	8,602	16,770
Operating margin (EBITDA)	17.8%	16.1%	18.5%	18.4%	16.9%	17.7%	18.8%	19.4%	19.1%	18.8%
Depreciation and amortization excl. amortization attributable to business combinations	-376	-400	-396	-397	-776	-1,570	-682	-716	-1,398	-2,192
Operating income before amortization (EBITA) excluding items affecting comparability	2,921	3,007	3,516	3,858	5,928	13,302	3,352	3,852	7,204	14,578
Operating margin (EBITA)	15.7%	14.2%	16.6%	16.7%	14.9%	15.8%	15.6%	16.4%	16.0%	16.3%
Amortization attributable to business combinations	-92	-97	-91	-113	-188	-393	-106	-120	-225	-429
Operating income (EBIT) excluding items affecting comparability	2,829	2,911	3,424	3,746	5,740	12,909	3,246	3,733	6,978	14,148
Operating margin (EBIT)	15.3%	13.8%	16.2%	16.2%	14.5%	15.4%	15.1%	15.9%	15.5%	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	144	6,096	3,246	3,733	6,978	12,930
Operating margin (EBIT)	15.3%	-12.7%	16.2%	10.9%	0.4%	7.3%	15.1%	15.9%	15.5%	14.5%
Net financial items	-175	-191	-203	-230	-366	-799	-248	-271	-519	-952
Income before tax (EBT)	2,654	-2,876	3,221	2,297	-222	5,297	2,997	3,462	6,459	11,978
Profit margin (EBT)	14.3%	-13.6%	15.2%	9.9%	-0.6%	6.3%	13.9%	14.7%	14.3%	13.4%
Tax on income	-690	-344	-838	-670	-1,034	-2,542	-779	-900	-1,679	-3,187
Net income for the period	1,964	-3,220	2,384	1,627	-1,256	2,755	2,218	2,562	4,780	8,791
Net income attributable to:										
Parent company's shareholders	1,964	-3,222	2,384	1,627	-1,257	2,753	2,219	2,561	4,780	8,791
Non-controlling interests	0	2	0	0	2	2	-1	0	-1	-1
OPERATING CASH FLOW										
SEK M	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q2 2018	Year 2018	Q1 2019	Q2 2019	Q1-Q2 2019	Last 12 months
Operating income (EBIT)	2,829	-2,685	3,424	2,528	144	6,096	3,246	3,733	6,978	12,930
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	965	1,963	788	835	1,624	2,622
Net capital expenditure	-356	-411	-429	-124	-767	-1,319	-321	-406	-727	-1,279
Change in working capital	-2,136	127	-296	1,229	-2,009	-1,076	-2,048	242	-1,806	-874
Interest paid and received	-122	-220	-105	-215	-341	-662	-179	-277	-456	-777
Repayment of lease liabilities	-	-	-	-	-	-	-262	-281	-543	-543
Non-cash items	-107	-49	-78	-224	-156	-458	-53	-210	-263	-565
Operating cash flow	575	2,855	3,004	4,923	3,431	11,357	1,171	3,636	4,807	12,733
Operating Cash flow/Income before tax excluding items affecting comparability	0.22	1.05	0.93	1.40	0.64	0.94	0.39	1.05	0.74	0.96
CHANGE IN NET DEBT										
SEK M	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q2 2018	Year 2018	Q1 2019	Q2 2019	Q1-Q2 2019	
Net debt at beginning of period	25,275	27,219	31,454	31,372	25,275	25,275	29,246	35,100	29,246	
Impact from transition to IFRS 16	-	-	-	-	-	-	3,711	-	3,711	
Operating cash flow	-575	-2,855	-3,004	-4,923	-3,431	-11,357	-1,171	-3,636	-4,807	
Restructuring payments	173	166	103	351	339	793	161	123	284	
Tax paid on income	609	986	576	487	1,595	2,658	703	942	1,645	
Acquisitions and divestments	986	1,097	2,610	1,697	2,083	6,390	1,357	964	2,322	
Dividend	-	3,666	-	-	3,666	3,666	-	3,888	3,888	
Actuarial gain/loss on post-employment benefit obligations	-35	20	-21	-3	-15	-39	179	210	389	
Change to lease liabilities	-	-	-	-	-	-	-127	-111	-237	
Exchange rate differences, etc.	787	1,157	-348	266	1,944	1,862	1,039	140	1,179	
Net debt at end of period	27,219	31,454	31,372	29,246	31,454	29,246	35,100	37,620	37,620	
Net debt/Equity	0.50	0.65	0.63	0.56	0.65	0.56	0.64	0.70	0.70	
NET DEBT										
SEK M	Q1 2018	Q2 2018	Q3 2018	Q4 2018			Q1 2019	Q2 2019		
Interest-bearing assets	-218	-189	-181	-177			-168	-144		
Cash and cash equivalents	-551	-496	-559	-538			-414	-355		
Derivative financial instruments, net	32	40	8	0			43	-127		
Pension provisions	2,971	3,102	2,873	2,880			3,105	3,324		
Lease liabilities	78	75	86	91			3,776	3,694		
Interest-bearing liabilities	24,907	28,923	29,144	26,992			28,758	31,228		
Total	27,219	31,454	31,372	29,246			35,100	37,620		
CAPITAL EMPLOYED AND FINANCING										
SEK M	Q1 2018	Q2 2018	Q3 2018	Q4 2018			Q1 2019	Q2 2019		
Capital employed	81,139	79,733	81,412	81,146			90,227	91,334		
- of which goodwill	51,956	50,590	52,169	53,413			55,731	56,179		
- of which other intangible assets and property, plant and equipment	19,878	18,873	18,903	19,518			19,911	20,386		
- of which right-of-use assets	141	139	149	119			3,805	3,705		
- of which investments in associates	2,385	2,391	2,383	2,434			2,510	2,534		
Net debt	27,219	31,454	31,372	29,246			35,100	37,620		
Non-controlling interests	9	11	11	10			10	6		
Equity attributable to the Parent company's shareholders	53,911	48,268	50,030	51,890			55,117	53,708		
DATA PER SHARE										
SEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q2 2018	Year 2018	Q1 2019	Q2 2019	Q1-Q2 2019	
Earnings per share before and after dilution	1.77	-2.90	2.15	1.46	-1.13	2.48	2.00	2.31	4.30	
Earnings per share before and after dilution and excluding items affecting comparability	1.77	1.84	2.15	2.33	3.61	8.09	2.00	2.31	4.30	
Shareholders' equity per share after dilution	48.53	43.45	45.04	46.71	43.45	46.71	49.62	48.35	48.35	

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

Reporting by division

Q2 and 30 Jun

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
SEK M														
Sales, external	5,011	5,176	5,060	5,838	2,332	2,570	2,848	3,682	5,889	6,278	0	-	21,140	23,544
Sales, internal	58	115	18	23	276	349	23	24	25	33	-400	-543	-	-
Sales	5,069	5,291	5,078	5,861	2,608	2,919	2,871	3,706	5,914	6,310	-400	-543	21,140	23,544
Organic growth	2%	3%	9%	6%	2%	3%	6%	5%	6%	1%	-	-	5%	3%
Acquisitions and disposals	5%	0%	0%	1%	1%	6%	2%	17%	1%	1%	-	-	2%	4%
Exchange-rate effects	5%	1%	-1%	8%	4%	3%	1%	7%	3%	5%	-	-	2%	4%
Share of earnings in associates	-	-	-	-	6	5	-	-	56	17	-	-	62	22
Operating income (EBIT) excl. items affecting comparability	807	849	1,022	1,203	-168	270	564	682	819	875	-132	-146	2,911	3,733
Operating margin (EBIT) excl. items affecting comparability ¹⁾	15.9%	16.0%	20.1%	20.5%	-6.5%	9.3%	19.6%	18.4%	13.8%	13.9%	-	-	13.8%	15.9%
Impairment of goodwill etc	-	-	-	-	-5,595	-	-	-	-	-	-	-	-5,595	-
Operating income (EBIT)	807	849	1,022	1,203	-5,764	270	564	682	819	875	-132	-146	-2,685	3,733
Operating margin (EBIT)	15.9%	16.0%	20.1%	20.5%	-221.0%	9.3%	19.6%	18.4%	13.8%	13.9%	-	-	-12.7%	15.9%
Capital employed	17,232	19,848	17,817	19,938	7,848	8,765	16,863	21,287	20,800	22,799	-826	-1,303	79,733	91,334
- of which goodwill	10,264	11,006	12,029	13,568	3,915	4,265	12,238	14,713	12,144	12,629	-	-	50,590	56,179
- of which other intangible assets and property, plant and equipment	3,724	4,121	3,868	4,226	2,513	2,447	4,191	5,040	4,428	4,407	148	144	18,873	20,386
- of which right-of-use assets	107	1,064	-	464	-	303	-	356	32	1,492	-	25	139	3,705
- of which investments in associates	9	0	-	-	583	631	18	19	1,781	1,884	-	-	2,391	2,534
Return on capital employed excluding items affecting comparability	19.0%	16.7%	23.7%	23.8%	-6.6%	12.1%	13.5%	13.1%	15.7%	15.1%	-	-	14.3%	16.2%
Operating income (EBIT)	807	849	1,022	1,203	-5,764	270	564	682	819	875	-132	-146	-2,685	3,733
Impairment of intangible assets	-	-	-	-	5,595	-	-	-	-	-	-	-	5,595	-
Depreciation and amortization	118	204	91	140	81	96	128	192	74	194	5	9	497	835
Net capital expenditure	-137	-126	-88	-98	-48	-43	-73	-65	-60	-72	-5	-2	-411	-406
Repayment of lease liabilities	-	-74	-	-34	-	-23	-	-30	-	-115	-	-4	-	-281
Change in working capital	-181	-193	220	325	379	-39	24	201	-256	-157	-58	105	127	242
Cash flow	607	659	1,245	1,536	244	261	642	980	577	725	-191	-37	3,124	4,123
Non-cash items	-	-	-	-	-	-	-	-	-	-	-49	-210	-49	-210
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-220	-277	-220	-277
Operating cash flow													2,855	3,636

Q1-Q2 and 30 Jun

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
SEK M														
Sales, external	9,706	10,299	9,396	11,132	4,095	4,443	5,304	7,006	11,189	12,169	0	-	39,690	45,048
Sales, internal	138	200	36	41	472	696	44	49	48	64	-737	-1,050	-	-
Sales	9,844	10,499	9,432	11,173	4,567	5,139	5,348	7,054	11,236	12,233	-737	-1,050	39,690	45,048
Organic growth	3%	3%	6%	8%	3%	4%	7%	7%	6%	2%	-	-	5%	4%
Acquisitions and disposals	4%	1%	1%	1%	1%	4%	0%	16%	1%	1%	-	-	2%	4%
Exchange-rate effects	3%	3%	-5%	9%	1%	5%	-3%	9%	0%	6%	-	-	-1%	6%
Share of earnings in associates	-	-	-	-	12	10	-	-	82	50	-	0	95	60
Operating income (EBIT) excl. items affecting comparability	1,571	1,690	1,867	2,243	-14	385	1,030	1,280	1,529	1,654	-243	-274	5,740	6,978
Operating margin (EBIT) excl. items affecting comparability ¹⁾	16.0%	16.1%	19.8%	20.1%	-0.3%	7.5%	19.3%	18.2%	13.6%	13.5%	-	-	14.5%	15.5%
Impairment of goodwill etc	-	-	-	-	-5,595	-	-	-	-	-	-	-	-5,595	-
Operating income (EBIT)	1,571	1,690	1,867	2,243	-5,610	385	1,030	1,280	1,529	1,654	-243	-274	144	6,978
Operating margin (EBIT)	16.0%	16.1%	19.8%	20.1%	-122.8%	7.5%	19.3%	18.2%	13.6%	13.5%	-	-	0.4%	15.5%
Capital employed	17,232	19,848	17,817	19,938	7,848	8,765	16,863	21,287	20,800	22,799	-826	-1,303	79,733	91,334
- of which goodwill	10,264	11,006	12,029	13,568	3,915	4,265	12,238	14,713	12,144	12,629	-	-	50,590	56,179
- of which other intangible assets and property, plant and equipment	3,724	4,121	3,868	4,226	2,513	2,447	4,191	5,040	4,428	4,407	148	144	18,873	20,386
- of which right-of-use assets	107	1,064	-	464	-	303	-	356	32	1,492	-	25	139	3,705
- of which investments in associates	9	0	-	-	583	631	18	19	1,781	1,884	-	-	2,391	2,534
Return on capital employed excluding items affecting comparability	19.5%	17.8%	22.4%	22.8%	-0.3%	9.0%	12.7%	12.8%	15.3%	14.8%	-	-	14.6%	15.9%
Operating income (EBIT)	1,571	1,690	1,867	2,243	-5,610	385	1,030	1,280	1,529	1,654	-243	-274	144	6,978
Impairment of intangible assets	-	-	-	-	5,595	-	-	-	-	-	-	-	5,595	-
Depreciation and amortization	229	396	178	274	159	188	247	368	142	380	10	18	965	1,624
Net capital expenditure	-213	-246	-161	-171	-104	-86	-133	-132	-139	-88	-17	-4	-767	-727
Repayment of lease liabilities	-	-144	-	-66	-	-47	-	-61	-	-223	-	-2	-	-543
Change in working capital	-718	-749	-398	-483	45	-302	-300	-131	-576	-103	-61	-40	-2,009	-1,806
Cash flow	870	948	1,486	1,797	86	138	843	1,324	956	1,620	-312	-301	3,928	5,526
Non-cash items	-	-	-	-	-	-	-	-	-	-	-156	-263	-156	-263
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-341	-456	-341	-456
Operating cash flow													3,431	4,807
Average number of employees	11,707	11,687	8,876	9,093	11,337	11,488	4,551	5,327	11,317	11,302	282	322	48,070	49,218

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	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	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 Q2

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Europe	4,388	4,613	10	15	158	154	803	1,017	2,828	2,895	-187	-195	7,999	8,497
North America	177	146	4,615	5,418	211	307	1,318	1,805	2,594	2,930	-135	-242	8,781	10,364
Central- and South America	26	26	429	399	16	10	117	108	27	21	-11	-8	604	557
Africa	209	195	2	6	5	4	106	91	19	15	-6	-7	335	305
Asia	238	273	21	22	1,754	1,797	453	600	316	326	-38	-46	2,744	2,973
Oceania	31	38	1	1	464	645	75	85	130	123	-23	-45	678	848
Total	5,069	5,291	5,078	5,861	2,608	2,919	2,871	3,706	5,914	6,311	-400	-543	21,140	23,544

Sales by continent Q1-Q2

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Europe	8,602	9,183	21	24	283	304	1,427	1,925	5,471	5,788	-338	-391	15,465	16,834
North America	282	288	8,574	10,301	371	601	2,511	3,490	4,849	5,536	-260	-482	16,327	19,732
Central- and South America	44	45	784	776	24	21	209	195	48	38	-17	-15	1,092	1,060
Africa	401	387	4	12	7	5	195	185	32	28	-12	-9	627	609
Asia	460	523	48	57	3,010	3,087	866	1,097	590	615	-66	-80	4,908	5,299
Oceania	55	74	3	3	872	1,121	140	161	246	228	-45	-74	1,271	1,514
Total	9,844	10,499	9,432	11,173	4,567	5,139	5,348	7,054	11,236	12,233	-737	-1,050	39,690	45,048

Sales by product group Q2

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Mechanical locks, lock systems and fittings	2,549	2,575	1,982	2,215	1,311	1,291	7	33	2	2	-177	-173	5,674	5,943
Electromechanical and electronic locks	1,637	1,692	914	1,312	576	720	2,864	3,676	207	155	-177	-302	6,022	7,253
Security doors and hardware	782	903	2,150	2,313	715	904	-	-4	-	-	-20	-32	3,628	4,085
Entrance automation	100	122	32	20	5	3	-	-	5,705	6,154	-27	-36	5,816	6,262
Total	5,069	5,291	5,078	5,861	2,608	2,919	2,871	3,706	5,914	6,310	-400	-543	21,140	23,544

Sales by product group Q1-Q2

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Mechanical locks, lock systems and fittings	5,004	5,160	3,680	4,235	2,382	2,412	15	35	4	4	-342	-351	10,743	11,496
Electromechanical and electronic locks	3,153	3,370	1,672	2,592	995	1,294	5,333	7,006	416	364	-308	-577	11,260	14,049
Security doors and hardware	1,502	1,764	4,035	4,311	1,180	1,426	-	12	-	-	-37	-53	6,680	7,461
Entrance automation	185	205	46	35	10	7	-	-	10,816	11,865	-51	-69	11,007	12,043
Total	9,844	10,499	9,432	11,173	4,567	5,139	5,348	7,054	11,236	12,233	-737	-1,050	39,690	45,048

NOTE 2 BUSINESS COMBINATIONS

SEK M	Q2		Q1-Q2	
	2018	2019	2018	2019
Purchase prices				
Cash paid for acquisitions during the year	1,013	628	1,950	1,536
Holdbacks and deferred considerations for acquisitions during the year	522	27	742	36
Adjustment of purchase prices for acquisitions in prior years	0	-5	-2	-5
Total	1,535	650	2,691	1,568
Acquired assets and liabilities at fair value				
Intangible assets	38	558	430	558
Property, plant and equipment and right-of-use assets	25	15	86	120
Other non-current assets	1	79	212	81
Inventories	133	38	213	114
Current receivables and investments	122	44	248	185
Cash and cash equivalents	34	10	150	-5
Non-current liabilities	-1	-237	-160	-386
Current liabilities	-226	-302	-329	-417
Total	126	205	849	250
Goodwill	1,409	446	1,842	1,318
Change in cash and cash equivalents due to acquisitions				
Cash paid for acquisitions during the year	1,013	628	1,950	1,536
Cash and cash equivalents in acquired subsidiaries	-34	-10	-150	5
Paid considerations for acquisitions in prior years	85	86	231	390
Total	1,064	704	2,031	1,931

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 June 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	16,045	16,045			
Financial assets at fair value through profit and loss	8	8			
Derivatives - hedge accounting	106	106		106	
Derivatives - held for trading	110	110		110	
Financial liabilities					
Financial liabilities at amortized cost	42,508	42,864			
Financial liabilities at fair value through profit and loss	1,278	1,278			1,278
Derivatives - hedge accounting	0	0		0	
Derivatives - held for trading	89	89		89	

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 the 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 is 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.