

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

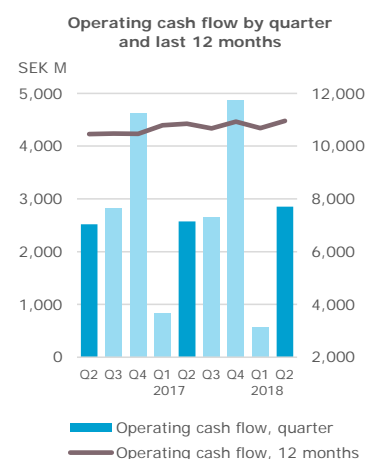
I am very proud and pleased to see that ASSA ABLOY is again on the Forbes list of the top 100 most innovative companies in the world. I am convinced that our strong focus on innovation in both products and processes is the best way for us to continue to be the leader in our industry.

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

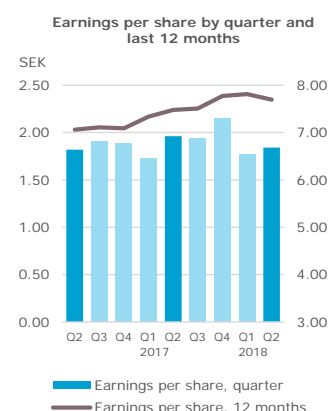
The Group's sales increased by 9% to SEK 21,140 M (19,387). Organic growth amounted to 5% (2). Acquisitions and disposals were 2% (2), of which 4% (2) were acquisitions and –2% (0) were disposals. Exchange-rates affected sales by 2% (4).

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 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 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:
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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 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 | |
|--|---------------|---------------|----------------|
| | 2017 | 2017 | 2018 |
| SEK M | | | |
| 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: | | |
|---|-------------------------------|---------------------------|---------------|
| | Parent company's shareholders | Non-controlling interests | Total equity |
| SEK M | | | |
| 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 | Q2 | | Q1-Q2 | |
|--|---------------|---------------|---------------|---------------|
| | 2017 | 2018 | 2017 | 2018 |
| SEK M | | | | |
| 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 | |
|--|--------------|--------------|--------------|--------------|--------------|---------------|---------------------|--------------|------------------|--------------|-------------|-------------|---------------|---------------|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| SEK M | | | | | | | | | | | | | | |
| 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 | |
|--|--------------|--------------|--------------|--------------|--------------|---------------|---------------------|--------------|------------------|---------------|-------------|-------------|---------------|---------------|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| SEK M | | | | | | | | | | | | | | |
| 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

| 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 |
| 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

| SEK M | EMEA | | Americas | | Asia Pacific | | Global Technologies | | Entrance Systems | | Övrigt | | Total | |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|--------------|------------------|---------------|-------------|-------------|---------------|---------------|
| | 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

| 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 |
| 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

| 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 |
| 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

| SEK M | Q2 | | Q1-Q2 | |
|--|------------|--------------|------------|--------------|
| | 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 fulfills 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.