

Quarterly Report

Q3 2018

19 October 2018

ASSA ABLOY

The global leader in
door opening solutions

Strong organic sales growth

Third quarter

- Net sales increased by 15% to SEK 21,191 M (18,499), with organic growth of 5% (3) and acquired net growth of 2% (2)
- Strong sales growth in Global Technologies and Americas and good growth in Entrance Systems. Sales in EMEA and Asia Pacific were stable
- Three acquisitions have been signed with combined expected annual sales of about SEK 1,200 M
- Operating income (EBIT) amounted to SEK 3,424 M (3,080), with an operating margin of 16.2% (16.7)
- Net income amounted to SEK 2,384 M (2,153)
- Earnings per share amounted to SEK 2.15 (1.94)
- Operating cash flow increased by 13% to SEK 3,004 M (2,654).

Organic growth

+5%

Operating income

+11%

Earnings per share

+11%

Sales and income

	Third quarter			January-September		
	2017	2018	Δ	2017	2018	Δ
Sales, SEK M	18,499	21,191	15 %	56,028	60,881	9 %
Of which:						
Organic growth	590	960	5 %	1,956	2,620	5 %
Acquisitions and divestments	373	446	2 %	1,273	1,079	2 %
Exchange-rate effects	-488	1,286	8 %	990	1,154	2 %
Operating income (EBIT) ¹⁾, SEK M	3,080	3,424	11 %	8,982	9,164	2 %
Operating margin (EBITA) ¹⁾ , %	16.9 %	16.6 %		16.3 %	15.5 %	
Operating margin (EBIT) ¹⁾, %	16.7 %	16.2 %		16.0 %	15.1 %	
Income before tax ¹⁾ , SEK M	2,910	3,221	11 %	8,447	8,595	2 %
Net income ¹⁾ , SEK M	2,153	2,384	11 %	6,250	6,396	2 %
Operating cash flow, SEK M	2,654	3,004	13 %	6,053	6,435	6 %
Earnings per share ¹⁾, SEK	1.94	2.15	11 %	5.63	5.76	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 third quarter continued with strong organic growth of 5%. Organic growth was very strong in Global Technologies (12%) and Americas (10%) and continued to be good in Entrance Systems (4%), while EMEA and Asia Pacific reported stable organic sales growth of 2% and 1% respectively.

Accelerated growth in Global Technologies and continued strong growth in Americas

The demand for our products continued to grow at a good level in most of our markets during the third quarter and in the Global Technologies and Americas divisions in particular. Following a strong start to the year for Global Technologies, the growth accelerated during the third quarter.

During the last five years ASSA ABLOY Hospitality's performance has been very impressive, with innovative new solutions, combined with a solid financial development. The business has expanded from offering solutions for hotels and marine cruise ships into solutions for other verticals such as elderly care, student accommodation and logistics. As a result of this transformation, the Hospitality organization will now evolve under a new name, ASSA ABLOY Global Solutions, where we will develop the existing business and look for new opportunities to build global solutions for our customers.

HID Global is also developing positively. Two years ago ASSA ABLOY set a target to double HID's revenue in five years' time through organic sales and acquisitions. With the recent announcement of the acquisition of Crossmatch, we are on track to reach this target. Crossmatch allows us to offer biometric identity in critical applications and complements our total offering.

In Americas the growth was mainly driven by the development in the US. It is very encouraging that both the commercial and residential markets grew well during the quarter. In both segments our electromechanical products are market leaders and we note a strong demand for our innovative new solutions.

Strong operating income and cash flow

The third quarter's operating income improved strongly by 11% year-on-year to SEK 3,424 M, corresponding to an operating margin of 16.2%. Due to higher raw material costs and negative currency effects the margin declined compared to last year, but we continue to work hard on further offsetting these material price increases.

Operating cash flow was strong in the third quarter and increased by 13% to SEK 3,004 M.

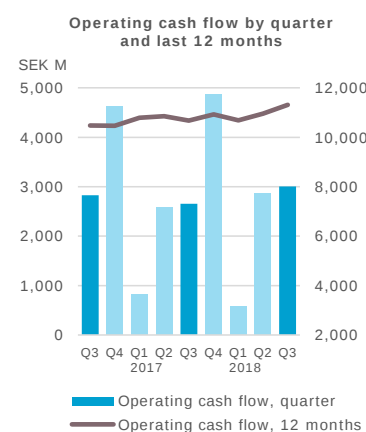
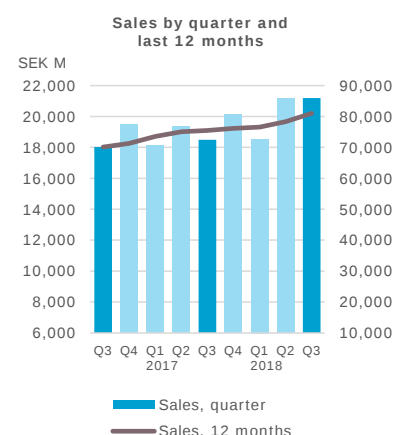
New CFO appointed

Last but not least, we have recently announced that Erik Pieder has been appointed as Chief Financial Officer. He will join ASSA ABLOY in January 2019. I would like to thank Carolina Dybeck Happe for her invaluable contribution to ASSA ABLOY over the last 16 years and wish her great success in her new position.

Stockholm, 19 October 2018



Nico Delvaux
President and CEO



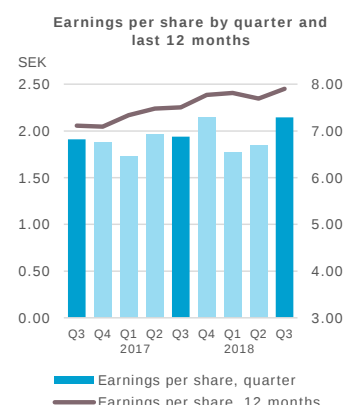
Third quarter

The Group's sales increased by 15% to SEK 21,191 M (18,499). Organic growth amounted to 5% (3). Acquisitions and disposals were 2% (2), of which 4% (3) were acquisitions and –2% (–1) were disposals. Exchange-rates affected sales by 8% (–2).

The Group's operating income, EBIT amounted to SEK 3,424 M (3,080) an increase of 11%. The operating margin was 16.2% (16.7). Operating income before amortizations from acquisitions, EBITA, amounted to SEK 3,516 M (3,132). The corresponding EBITA margin was 16.6% (16.9).

Net financial items amounted to SEK –203 M (–171). The Group's income before tax was SEK 3,221 M (2,910), an increase of 11% compared with last year. The corresponding profit margin was 15.2% (15.7). Exchange-rates had an impact of SEK 166 M (–74) on income before tax.

The estimated effective tax rate, excluding impairment of goodwill, was 26% (26) on an annual basis. Earnings per share amounted to SEK 2.15 (1.94), an increase of 11% compared to last year.



First nine months of the year

The Group's sales for the first nine months of 2018 totaled SEK 60,881 M (56,028), representing an increase of 9%. Organic growth was 5% (4). Acquisitions and disposals were 2% (2), of which 4% (3) were acquisitions and –2% (–1) were disposals. Exchange-rate effects affected sales by 2% (2).

The Group's operating income, EBIT excluding impairment of intangible assets amounted to SEK 9,164 M (8,982), an increase of 2% compared with last year. The operating margin was 15.1% (16.0). Operating income before amortizations from acquisitions, EBITA, excluding impairment of intangible assets, amounted to SEK 9,444 M (9,139). The corresponding EBITA margin was 15.5% (16.3).

Earnings per share excluding impairment of intangible assets amounted to SEK 5.76 (5.63), an increase of 2% compared with last year. Operating cash flow totaled SEK 6,435 M (6,053).

Restructuring measures

Payments related to all restructuring programs amounted to SEK 103 M (106) in the quarter. The restructuring programs proceeded according to plan and led to a reduction in personnel of 165 people during the quarter and 14,400 people since the projects began in 2006. At the end of the quarter provisions of SEK 507 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 total estimated cost of the restructuring program is in line with previous programs, with an expected payback time of around three years. The restructuring cost will be expensed over two years.

Organization

Erik Pieder has been appointed Chief Financial Officer (CFO) and Executive Vice President of ASSA ABLOY effective January 14, 2019. He succeeds Carolina Dybeck Happe who will take up a new position outside the company. Erik is currently Vice President Business Control at Atlas Copco Compressor Technique and has previously held various management positions in the Atlas Copco Group.

Comments by division

EMEA

Sales for the quarter in EMEA division totaled SEK 4,872 M (4,278), with organic sales growth of 2% (4). Growth was strong in Finland and Scandinavia and good in Germany, Eastern Europe and South Europe. Sales in the UK and France were stable while Benelux and Africa & Middle East had negative sales growth. Electromechanical products continued to show strong growth. Acquired growth net was 5%. Operating income totaled SEK 774 M (717), which represents an operating margin (EBIT) of 15.9% (16.8). Return on capital employed amounted to 17.4% (19.2). Operating cash flow before interest paid totaled SEK 627 M (640).

Americas

Sales for the quarter in Americas division totaled SEK 5,211 M (4,426), with organic sales growth of 10% (3). The growth was very strong in the US Residential market and for Electromechanical & High-security products while Canada, Brazil and the US markets for Perimeter Protection, Architectural Hardware and Security doors all showed strong growth. Growth in Mexico was good, but was negative in Colombia. The demand for electromechanical products in the USA continued to be very strong. Acquired growth net was 0%. Operating income totaled SEK 1,046 M (966), which represents an operating margin (EBIT) of 20.1% (21.8). Return on capital employed amounted to 23.8% (25.9). Operating cash flow before interest paid totaled SEK 1,203 M (1,046).

Asia Pacific

Sales for the quarter in Asia Pacific division totaled SEK 2,627 M (2,448), with organic sales growth of 1% (2). Growth was strong in South Korea and Japan and stable in Pacific and South Asia. In China sales of both lock products and security doors declined. The implementation of a new strategy and new organization is ongoing in China. Electromechanical locks continued to grow strongly. Acquired growth was 0%. Operating income totaled SEK 242 M (277), which represents an operating margin (EBIT) of 9.2% (11.3). Return on capital employed amounted to 12.3% (9.3). Operating cash flow before interest paid totaled SEK 120 M (155).

Global Technologies

Sales for the quarter in Global Technologies division totaled SEK 3,001 M (2,417), with organic sales growth of 12% (6). The growth was driven by very strong development in Extended Access, Identification Technology, Identity & Access Solutions, Citizen ID and Physical Access Control, but growth for Secure Issuance was negative. ASSA ABLOY Global Solutions also grew very strongly. Acquired growth net was 4%. Operating income totaled SEK 641 M (431), which represents an operating margin (EBIT) of 21.4% (17.8). Return on capital employed amounted to 14.4% (14.6). Operating cash flow before interest paid totaled SEK 674 M (373).

Entrance Systems

Sales for the quarter in Entrance Systems division totaled SEK 5,909 M (5,242), with organic growth of 4% (2). US Residential Doors grew strongly and Industrial Doors had good growth. Sales for Pedestrian Doors and Door Components were stable, while High Performance Doors and Residential Doors in Europe had a negative development. Acquired growth was 1%. Operating income totaled SEK 831 M (762), which represents an operating margin (EBIT) of 14.1% (14.5). Return on capital employed amounted to 15.6% (15.7). Operating cash flow before interest paid totaled SEK 593 M (593).

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 4,765 M. The acquisition price for these companies on a cash and debt free basis amounted to SEK 5,306 M. Preliminary acquisition analyses indicate that goodwill and other intangible assets with indefinite useful life amount to SEK 4,241 M. Estimated deferred considerations amounted to SEK 764 M.

On September 24 it was announced that ASSA ABLOY had acquired Crossmatch, a leader in biometric identity management and secure authentication solutions. The company has about 270 employees and its sales in 2018 are expected to amount to SEK 1,150 M.

Sustainable development

Reduced energy consumption in the Group's factories and sales companies is a priority area for achieving a reduced environmental impact and lower costs. The improvement project is driven locally in the Group's units, often with support from Kaizen methodology to identify and prioritize different activities.

To further drive improvements, EMEA has certified three major production plants to the International Standard for Energy Management Systems, ISO 50001:2011. The Standard specifies the requirements for maintaining and improving an energy management system. The Standard will enable the plants to follow a systematic approach in achieving continual improvements in energy performance, efficiency and cost. Two of the plants are located in Germany and one in France. The plants have energy-intensive production processes involving for instance machining and die-casting. The three plants account for approximately 3% of the Group's total energy consumption.

The Group's ambition is to improve its energy efficiency by 20% between 2015 and 2020. At the end of 2017 the like-for-like energy consumption had been reduced by 17% compared to 2015. Further improvements are expected during the coming years.

Parent company

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 2,965 M (2,620) for the first nine months of the year. Operating income for the same period amounted to SEK 829 M (940). Investments in tangible and intangible assets totaled SEK 21 M (14). Liquidity is good and the equity ratio is 38.2% (42.5).

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 18. 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 19 of this Report and to the company's latest Annual Report. To check how the financial measurements have been calculated for current and earlier periods, refer to the tabulated figures in this Quarterly Report and to the company's Annual Report. The Annual Reports for the years 1994 to 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.

Review

The Company's Auditors have not carried out any review of this Report for the third quarter of 2018.

Stockholm, 19 October 2018

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

Nico Delvaux
President and CEO

Financial information

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

A capital markets day will be held on 14 November 2018 in Stockholm, Sweden.

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

It is possible to submit questions by telephone on:
+46 8-566 193 53, +44 203 008 9806 or +1 855 831 5945

This information is information that ASSA ABLOY AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 08.00 CEST on 19 October 2018.

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

Visiting address
Klarabergsviadukten 90, Stockholm,
Sweden

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

Corporate identity number: 556059-3575

No. 22/2018

Financial information – Group

CONSOLIDATED INCOME STATEMENT

SEK M	Q3		Q1-Q3	
	2017	2018	2017	2018
Sales	18,499	21,191	56,028	60,881
Cost of goods sold	-11,206	-12,799	-33,964	-36,773
Gross income	7,293	8,392	22,064	24,108
Selling, administrative and R&D costs	-4,243	-5,006	-13,169	-15,077
Impairment of goodwill and other intangible assets	-	-	-	-5,595
Share of earnings in associates	30	38	86	132
Operating income	3,080	3,424	8,982	3,569
Finance net	-171	-203	-535	-569
Income before tax	2,910	3,221	8,447	3,000
Tax on income	-757	-838	-2,196	-1,872
Net income for the period	2,153	2,384	6,250	1,128
Net income for the period attributable to:				
Parent company's shareholders	2,153	2,384	6,249	1,126
Non-controlling interests	1	0	1	2
Earnings per share				
Before and after dilution, SEK	1.94	2.15	5.63	1.01
Before and after dilution and excluding items affecting comparability, SEK	1.94	2.15	5.63	5.76

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q3		Q1-Q3	
	2017	2018	2017	2018
Net income for the period	2,153	2,384	6,250	1,128
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Actuarial gain/loss on post-employment benefit obligations, net after tax	34	-5	-10	6
Total	34	-5	-10	6
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates	-78	-40	-8	66
Cashflow hedges and net investment hedges	6	21	-31	-8
Exchange rate differences	-1,206	-595	-2,753	1,883
Total	-1,278	-614	-2,791	1,941
Total comprehensive income for the period	909	1,764	3,449	3,075
Total comprehensive income for the period attributable to:				
Parent company's shareholders	909	1,764	3,448	3,073
Non-controlling interests	1	0	1	2

Financial information – Group

CONSOLIDATED BALANCE SHEET

	31 Dec	30 Sep	
SEK M	2017	2017	2018
ASSETS			
Non-current assets			
Intangible assets	61,409	55,764	62,831
Property, plant and equipment	8,065	7,841	8,389
Investments in associates	2,243	2,147	2,383
Other financial assets	227	255	148
Deferred tax assets	1,355	1,651	1,922
Total non-current assets	73,299	67,658	75,674
Current assets			
Inventories	9,430	9,593	11,601
Trade receivables	13,068	12,695	14,613
Other current receivables and investments	3,188	3,746	4,149
Cash and cash equivalents	459	440	559
Total current assets	26,145	26,473	30,922
TOTAL ASSETS	99,444	94,131	106,596
EQUITY AND LIABILITIES			
Equity			
Equity attributable to Parent company's shareholders	50,648	47,292	50,030
Non-controlling interests	9	5	11
Total equity	50,657	47,297	50,040
Non-current liabilities			
Long-term loans	16,859	16,728	19,067
Deferred tax liabilities	2,218	2,179	2,267
Other non-current liabilities and provisions	5,217	4,467	5,519
Total non-current liabilities	24,293	23,374	26,852
Current liabilities			
Short-term loans	6,151	6,200	10,164
Trade payables	7,811	6,374	7,704
Other current liabilities and provisions	10,531	10,886	11,836
Total current liabilities	24,494	23,460	29,703
TOTAL EQUITY AND LIABILITIES	99,444	94,131	106,596

CHANGES IN CONSOLIDATED EQUITY

	Equity attributable to:		
SEK M	Parent company's shareholders	Non-controlling interests	Total equity
Opening balance 1 January 2017	47,220	5	47,224
Net income for the period	6,249	1	6,250
Other comprehensive income	-2,801	0	-2,801
Total comprehensive income	3,448	1	3,449
Dividend	-3,332	-	-3,332
Stock purchase plans	-44	-	-44
Total transactions with shareholders	-3,376	-	-3,376
Closing balance 30 September 2017	47,292	5	47,297
Opening balance 1 January 2018	50,648	9	50,657
Net income for the period	1,126	2	1,128
Other comprehensive income	1,947	0	1,947
Total comprehensive income	3,073	2	3,075
Dividend	-3,666	-	-3,666
Stock purchase plans	-26	-	-26
Total transactions with shareholders	-3,692	-	-3,692
Closing balance 30 September 2018	50,030	11	50,040

Financial information – Group

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK M	Q3		Q1-Q3	
	2017	2018	2017	2018
OPERATING ACTIVITIES				
Operating income	3,080	3,424	8,982	3,569
Depreciation and amortization	407	488	1,258	1,452
Impairment of goodwill and other intangible assets	-	-	-	5,595
Restructuring payments	-106	-103	-326	-442
Other non-cash items	11	-78	4	-234
Cash flow before interest and tax	3,393	3,731	9,917	9,940
Interest paid and received	-77	-105	-368	-446
Tax paid on income	-1,656	-576	-3,247	-2,171
Cash flow before changes in working capital	1,660	3,049	6,303	7,323
Changes in working capital	-319	-296	-2,408	-2,306
Cash flow from operating activities	1,340	2,753	3,894	5,017
INVESTING ACTIVITIES				
Net investments in intangible assets and property, plant and equipment	-448	-429	-1,414	-1,195
Investments in subsidiaries	-1,759	-1,864	-2,475	-3,895
Investments in associates	0	-	0	0
Disposals of subsidiaries	98	-	99	382
Other investments and disposals	0	0	0	0
Cash flow from investing activities	-2,109	-2,292	-3,789	-4,708
FINANCING ACTIVITIES				
Dividends	-	-	-3,332	-3,666
Acquisition of non-controlling interests	-96	-10	-96	-229
Net cash effect of changes in borrowings	472	-385	3,038	3,673
Cash flow from financing activities	376	-394	-391	-221
CASH FLOW FOR THE PERIOD	-393	67	-285	88
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period	844	496	750	459
Cash flow for the period	-393	67	-285	88
Effect of exchange rate differences	-11	-4	-25	12
Cash and cash equivalents at end of period	440	559	440	559

KEY RATIOS

	Year	Q1-Q3	
	2017	2017	2018
Return on capital employed, %	16.6	16.4	8.3
Return on capital employed excluding items affecting comparability, %	16.6	16.4	15.4
Return on shareholders' equity, %	17.6	17.6	6.5
Equity ratio, %	50.9	50.2	46.9
Interest coverage ratio, times	19.1	18.5	6.4
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	47,393	48,273

Financial information – Parent company

INCOME STATEMENT

	Year	Q1-Q3	
SEK M	2017	2017	2018
Operating income	1,701	940	829
Income before appropriations and tax	4,238	1,850	1,888
Net income for the period	4,670	1,855	1,764

BALANCE SHEET

	31 Dec	30 Sep	
SEK M	2017	2017	2018
Non-current assets	39,579	35,786	39,661
Current assets	12,740	10,545	14,224
Total assets	52,319	46,331	53,885
Equity	22,494	19,669	20,567
Untaxed reserves	565	-	565
Non-current liabilities	10,581	9,398	12,804
Current liabilities	18,679	17,264	19,949
Total equity and liabilities	52,319	46,331	53,885

Quarterly information – Group

THE GROUP IN SUMMARY											
SEK M	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q3 2017	Year 2017	Q1 2018	Q2 2018	Q3 2018	Q1-Q3 2018	Last 12 months
Sales	18,142	19,387	18,499	20,109	56,028	76,137	18,550	21,140	21,191	60,881	80,990
Organic growth	6%	2%	3%	5%	4%	4%	4%	5%	5%	5%	
Gross income excluding items affecting comparability	7,190	7,581	7,293	7,924	22,064	29,988	7,372	8,345	8,392	24,108	32,032
Gross margin excluding items affecting comparability	39.6%	39.1%	39.4%	39.4%	39.4%	39.4%	39.7%	39.5%	39.6%	39.6%	39.6%
Operating income before depr. & amort. (EBITDA) excluding items affecting comparability	3,208	3,543	3,488	3,789	10,239	14,029	3,297	3,407	3,912	10,616	14,406
Operating margin (EBITDA)	17.7%	18.3%	18.9%	18.8%	18.3%	18.4%	17.8%	16.1%	18.5%	17.4%	17.8%
Depreciation and amortization excl. amortization attributable to business combinations	-370	-376	-355	-344	-1,101	-1,444	-376	-400	-396	-1,173	-1,516
Operating income before amortization (EBITA) excluding items affecting comparability	2,839	3,168	3,132	3,446	9,139	12,584	2,921	3,007	3,516	9,444	12,890
Operating margin (EBITA)	15.6%	16.3%	16.9%	17.1%	16.3%	16.5%	15.7%	14.2%	16.6%	15.5%	15.9%
Amortization attributable to business combinations	-52	-54	-52	-87	-157	-244	-92	-97	-91	-280	-367
Operating income (EBIT) excluding items affecting comparability	2,787	3,114	3,080	3,359	8,982	12,341	2,829	2,911	3,424	9,164	12,523
Operating margin (EBIT)	15.4%	16.1%	16.7%	16.7%	16.0%	16.2%	15.3%	13.8%	16.2%	15.1%	15.5%
Items affecting comparability ¹⁾	-	-	-	-	-	-	-	-5,595	-	-5,595	-5,595
Operating income (EBIT)	2,787	3,114	3,080	3,359	8,982	12,341	2,829	-2,685	3,424	3,569	6,928
Operating margin (EBIT)	15.4%	16.1%	16.7%	16.7%	16.0%	16.2%	15.3%	-12.7%	16.2%	5.9%	8.6%
Net financial items	-195	-170	-171	-133	-535	-668	-175	-191	-203	-569	-702
Income before tax (EBT)	2,593	2,944	2,910	3,226	8,447	11,673	2,654	-2,876	3,221	3,000	6,226
Profit margin (EBT)	14.3%	15.2%	15.7%	16.0%	15.1%	15.3%	14.3%	-13.6%	15.2%	4.9%	7.7%
Tax on income	-674	-765	-757	-842	-2,196	-3,038	-690	-344	-838	-1,872	-2,713
Net income for the period	1,918	2,179	2,153	2,385	6,250	8,635	1,964	-3,220	2,384	1,128	3,513
Net income attributable to:											
Parent company's shareholders	1,919	2,178	2,153	2,384	6,249	8,633	1,964	-3,222	2,384	1,126	3,510
Non-controlling interests	0	1	1	1	1	2	0	2	0	2	2
OPERATING CASH FLOW											
SEK M	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q3 2017	Year 2017	Q1 2018	Q2 2018	Q3 2018	Q1-Q3 2018	Last 12 months
Operating income (EBIT)	2,787	3,114	3,080	3,359	8,982	12,341	2,829	-2,685	3,424	3,569	6,928
Impairment of goodwill and other intangible assets	-	-	-	-	-	-	-	5,595	-	5,595	5,595
Depreciation and amortization	421	429	407	430	1,258	1,688	468	497	488	1,452	1,883
Net capital expenditure	-373	-593	-448	-561	-1,414	-1,975	-356	-411	-429	-1,195	-1,756
Change in working capital	-1,882	-207	-319	2,061	-2,408	-347	-2,136	127	-296	-2,306	-245
Interest paid and received	-93	-198	-77	-189	-368	-557	-122	-220	-105	-446	-635
Non-cash items	-36	28	11	-224	4	-221	-107	-49	-78	-234	-459
Operating cash flow	824	2,575	2,654	4,876	6,053	10,929	575	2,855	3,004	6,435	11,311
Operating Cash flow/Income before tax excluding items affecting comparability ¹⁾	0.32	0.87	0.91	1.51	0.72	0.94	0.22	1.05	0.93	0.75	0.96
CHANGE IN NET DEBT											
SEK M	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q3 2017	Year 2017	Q1 2018	Q2 2018	Q3 2018	Q1-Q3 2018	
Net debt at beginning of period	23,127	23,339	24,970	25,180	23,127	23,127	25,275	27,219	31,454	25,275	
Operating cash flow	-824	-2,575	-2,654	-4,876	-6,053	-10,929	-575	-2,855	-3,004	-6,435	
Restructuring payments	84	136	106	286	326	612	173	166	103	442	
Tax paid on income	629	961	1,656	-203	3,247	3,044	609	986	576	2,171	
Acquisitions and divestments	461	268	1,741	4,319	2,470	6,790	986	1,097	2,610	4,693	
Dividend	-	3,332	-	-	3,332	3,332	-	3,666	-	3,666	
Actuarial gain/loss on post-employment benefit obligations	-34	99	-50	-40	14	-26	-35	20	-21	-36	
Exchange rate differences, etc.	-104	-590	-590	608	-1,284	-676	787	1,157	-348	1,597	
Net debt at end of period	23,339	24,970	25,180	25,275	25,180	25,275	27,219	31,454	31,372	31,372	
Net debt/Equity	0.48	0.54	0.53	0.50	0.53	0.50	0.50	0.65	0.63	0.63	
NET DEBT											
SEK M	Q1 2017	Q2 2017	Q3 2017	Q4 2017				Q1 2018	Q2 2018	Q3 2018	
Non-current interest-bearing receivables	-41	-39	-212	-171				-113	-120	-96	
Current interest-bearing investments including derivatives	-113	-211	-161	-150				-277	-284	-211	
Cash and cash equivalents	-697	-844	-440	-459				-551	-496	-559	
Pension provisions	3,058	3,109	2,929	2,933				2,971	3,102	2,873	
Other non-current interest-bearing liabilities	16,232	17,450	16,728	16,859				18,425	20,194	19,067	
Current interest-bearing liabilities including derivatives	4,901	5,505	6,336	6,263				6,763	9,059	10,297	
Total	23,339	24,970	25,180	25,275				27,219	31,454	31,372	
CAPITAL EMPLOYED AND FINANCING											
SEK M	Q1 2017	Q2 2017	Q3 2017	Q4 2017				Q1 2018	Q2 2018	Q3 2018	
Capital employed	72,333	71,349	72,477	75,932				81,139	79,733	81,412	
- of which goodwill	47,438	46,252	46,573	50,330				51,956	50,590	52,169	
- of which other intangible assets and property, plant and equipment	17,595	17,309	17,032	19,144				20,019	19,011	19,052	
- of which investments in associates	2,176	2,193	2,147	2,243				2,385	2,391	2,383	
Net debt	23,339	24,970	25,180	25,275				27,219	31,454	31,372	
Non-controlling interests	4	5	5	9				9	11	11	
Equity attributable to the Parent company´s shareholders	48,989	46,374	47,292	50,648				53,911	48,268	50,030	
DATA PER SHARE											
SEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q3 2017	Year 2017	Q1 2018	Q2 2018	Q3 2018	Q1-Q3 2018	
Earnings per share before and after dilution	1.73	1.96	1.94	2.15	5.63	7.77	1.77	-2.90	2.15	1.01	
Earnings per share before and after dilution and excluding items affecting comparability ¹⁾	1.73	1.96	1.94	2.15	5.63	7.77	1.77	1.84	2.15	5.76	
Shareholders' equity per share after dilution	44.10	41.75	42.58	45.60	42.58	45.60	48.53	43.45	45.04	45.04	

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

Reporting by division

Q3 and 30 Sep

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Sales, external	4,187	4,793	4,409	5,190	2,281	2,342	2,400	2,981	5,223	5,886	0	0	18,499	21,191
Sales, internal	91	79	17	21	167	285	17	20	19	23	-311	-428	-	-
Sales	4,278	4,872	4,426	5,211	2,448	2,627	2,417	3,001	5,242	5,909	-311	-428	18,499	21,191
Organic growth	4%	2%	3%	10%	2%	1%	6%	12%	2%	4%	-	-	3%	5%
Share of earnings in associates	-	-	-	-	5	6	-	-	25	31	-	-	30	38
Operating income (EBIT) excl. items affecting comparability	717	774	966	1,046	277	242	431	641	762	831	-72	-111	3,080	3,424
Operating margin (EBIT) excl. items affecting comparability	16.8%	15.9%	21.8%	20.1%	11.3%	9.2%	17.8%	21.4%	14.5%	14.1%	-	-	16.7%	16.2%
Items affecting comparability ¹⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating income (EBIT)	717	774	966	1,046	277	242	431	641	762	831	-72	-111	3,080	3,424
Operating margin (EBIT)	16.8%	15.9%	21.8%	20.1%	11.3%	9.2%	17.8%	21.4%	14.5%	14.1%	-	-	16.7%	16.2%
Capital employed	14,254	17,414	14,750	17,533	11,870	7,650	12,137	18,783	18,882	21,110	584	-1,078	72,477	81,412
- of which goodwill	8,332	10,330	10,016	11,876	7,441	3,751	9,229	13,966	11,554	12,246	-	-	46,573	52,169
- of which other intangible assets and property, plant and equipment	3,395	4,003	3,194	3,796	3,777	2,406	2,370	4,263	4,156	4,435	140	148	17,032	19,052
- of which investments in associates	9	9	-	-	503	568	12	17	1,623	1,788	-	-	2,147	2,383
Return on capital employed excluding items affecting comparability	19.2%	17.4%	25.9%	23.8%	9.3%	12.3%	14.6%	14.4%	15.7%	15.6%	-	-	17.0%	16.8%
Operating income (EBIT)	717	774	966	1,046	277	242	431	641	762	831	-72	-111	3,080	3,424
Impairment of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	100	114	79	97	78	67	85	129	62	75	4	5	407	488
Net capital expenditure	-135	-148	-128	-78	-65	-52	-66	-81	-50	-64	-6	-5	-448	-429
Change in working capital	-42	-113	128	137	-135	-137	-76	-15	-182	-249	-12	81	-319	-296
Cash flow	640	627	1,046	1,203	155	120	373	674	593	593	-86	-29	2,720	3,187
Non-cash items	-	-	-	-	-	-	-	-	-	-	11	-78	11	-78
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-77	-105	-77	-105
Operating cash flow													2,654	3,004

Q1-Q3 and 30 sep

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Sales, external	12,962	14,499	13,645	14,586	6,302	6,437	7,484	8,285	15,635	17,075	0	0	56,028	60,881
Sales, internal	250	217	52	57	508	757	54	64	74	71	-938	-1,166	-	-
Sales	13,212	14,716	13,697	14,644	6,811	7,193	7,538	8,349	15,709	17,146	-938	-1,166	56,028	60,881
Organic growth	3%	2%	4%	7%	0%	2%	6%	8%	4%	5%	-	-	4%	5%
Share of earnings in associates	-	-	-	-	16	19	-	-	70	113	-	-	86	132
Operating income (EBIT) excl. items affecting comparability	2,148	2,345	2,968	2,913	702	228	1,338	1,671	2,121	2,360	-296	-354	8,982	9,164
Operating margin (EBIT) excl. items affecting comparability	16.3%	15.9%	21.7%	19.9%	10.3%	3.2%	17.8%	20.0%	13.5%	13.8%	-	-	16.0%	15.1%
Items affecting comparability ¹⁾	-	-	-	-	-	-5,595	-	-	-	-	-	-	-	-5,595
Operating income (EBIT)	2,148	2,345	2,968	2,913	702	-5,367	1,338	1,671	2,121	2,360	-296	-354	8,982	3,569
Operating margin (EBIT)	16.3%	15.9%	21.7%	19.9%	10.3%	-74.6%	17.8%	20.0%	13.5%	13.8%	-	-	16.0%	5.9%
Capital employed	14,254	17,414	14,750	17,533	11,870	7,650	12,137	18,783	18,882	21,110	584	-1,078	72,477	81,412
- of which goodwill	8,332	10,330	10,016	11,876	7,441	3,751	9,229	13,966	11,554	12,246	-	-	46,573	52,169
- of which other intangible assets and property, plant and equipment	3,395	4,003	3,194	3,796	3,777	2,406	2,370	4,263	4,156	4,435	140	148	17,032	19,052
- of which investments in associates	9	9	-	-	503	568	12	17	1,623	1,788	-	-	2,147	2,383
Return on capital employed excluding items affecting comparability	19.8%	19.1%	25.9%	23.0%	7.8%	2.9%	15.0%	13.0%	14.9%	15.6%	-	-	16.4%	15.4%
Operating income (EBIT)	2,148	2,345	2,968	2,913	702	-5,367	1,338	1,671	2,121	2,360	-296	-354	8,982	3,569
Impairment of intangible assets	-	-	-	-	-	5,595	-	-	-	-	-	-	-	5,595
Depreciation and amortization	320	344	251	275	230	226	244	375	201	217	11	15	1,258	1,452
Net capital expenditure	-396	-361	-343	-239	-276	-156	-205	-214	-168	-203	-26	-23	-1,414	-1,195
Change in working capital	-585	-832	-470	-261	-539	-92	-437	-316	-264	-825	-115	20	-2,408	-2,306
Cash flow	1,488	1,496	2,406	2,689	117	206	941	1,517	1,891	1,549	-426	-342	6,417	7,115
Non-cash items	-	-	-	-	-	-	-	-	-	-	4	-234	4	-234
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-368	-446	-368	-446
Operating cash flow													6,053	6,435
Average number of employees	11,186	11,826	8,924	8,776	11,665	11,437	4,257	4,580	11,085	11,364	276	290	47,393	48,273

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 Q3

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Europe	3,669	4,231	12	12	133	132	655	709	2,458	2,696	-155	-158	6,771	7,622
North America	159	158	3,988	4,779	136	263	1,081	1,519	2,311	2,725	-99	-193	7,575	9,251
Central- and South America	20	26	401	394	11	14	76	129	14	22	-7	-11	514	574
Africa	176	211	5	3	3	5	84	78	14	11	-8	-9	275	299
Asia	231	215	18	20	1,702	1,742	453	498	310	322	-19	-29	2,696	2,768
Oceania	23	31	3	2	463	470	68	68	134	134	-22	-27	669	677
Total	4,278	4,872	4,426	5,211	2,448	2,627	2,417	3,001	5,242	5,909	-311	-428	18,499	21,191

Sales by continent Q1-Q3

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Övrigt		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Europe	11,466	12,833	37	33	372	415	2,037	2,136	7,550	8,167	-449	-497	21,013	23,087
North America	441	440	12,354	13,353	421	634	3,269	4,030	6,749	7,574	-307	-453	22,928	25,578
Central- and South America	67	71	1,218	1,178	30	38	260	338	47	70	-23	-28	1,599	1,666
Africa	477	611	19	7	7	12	201	273	43	43	-19	-20	728	927
Asia	692	675	64	68	4,632	4,752	1,536	1,364	931	912	-75	-95	7,780	7,676
Oceania	68	86	5	5	1,349	1,342	235	209	390	380	-65	-72	1,981	1,948
Total	13,212	14,716	13,697	14,644	6,811	7,193	7,538	8,349	15,709	17,146	-938	-1,166	56,028	60,881

Sales by product group Q3

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Mechanical locks, lock systems and fittings	2,217	2,426	1,798	2,011	1,209	1,298	-29	-7	2	3	-168	-172	5,029	5,559
Electromechanical and electronic locks	1,336	1,597	650	1,009	494	632	2,446	3,006	171	250	-107	-213	4,990	6,282
Security doors and hardware	648	754	1,972	2,180	742	699	-	1	-	-	-15	-19	3,348	3,616
Entrance automation	76	95	5	11	3	-2	-	-	5,070	5,656	-21	-25	5,132	5,735
Total	4,278	4,872	4,426	5,211	2,448	2,627	2,417	3,001	5,242	5,909	-311	-428	18,499	21,191

Sales by product group Q1-Q3

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Mechanical locks, lock systems and fittings	6,926	7,430	5,540	5,691	3,519	3,679	23	8	5	7	-497	-514	15,517	16,302
Electromechanical and electronic locks	4,072	4,750	1,956	2,681	1,343	1,627	7,515	8,339	515	667	-321	-521	15,080	17,543
Security doors and hardware	1,990	2,256	6,170	6,215	1,941	1,879	-	1	-	-	-42	-55	10,058	10,295
Entrance automation	223	280	31	57	8	8	-	-	15,189	16,472	-78	-76	15,373	16,741
Total	13,212	14,716	13,697	14,644	6,811	7,193	7,538	8,349	15,709	17,146	-938	-1,166	56,028	60,881

NOTE 2 BUSINESS COMBINATIONS

	Q3		Q1-Q3	
SEK M	2017	2018	2017	2018
Purchase prices				
Cash paid for acquisitions during the year	1,631	2,051	2,156	4,001
Holdbacks and deferred considerations for acquisitions during the year	63	24	220	766
Adjustment of purchase prices for acquisitions in prior years	0	-1	4	-2
Total	1,693	2,074	2,380	4,765
Acquired assets and liabilities at fair value				
Intangible assets	20	296	153	726
Property, plant and equipment	72	59	90	145
Financial assets	22	7	25	219
Inventories	94	249	163	462
Current receivables and investments	191	253	318	500
Cash and cash equivalents	147	216	184	366
Non-current liabilities	-120	-145	-189	-305
Current liabilities	-406	-1,060	-499	-1,389
Total	19	-125	244	724
Goodwill	1,675	2,199	2,136	4,041
Change in cash and cash equivalents due to acquisitions				
Cash paid for acquisitions during the year	1,631	2,051	2,156	4,001
Cash and cash equivalents in acquired subsidiaries	-147	-216	-184	-366
Paid considerations for acquisitions in prior years	275	28	502	259
Total	1,759	1,864	2,475	3,895

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 September 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	75	75		75	
Available-for-sale financial assets	9	9			
Loans and other receivables	15,397	15,397			
Derivative instruments - hedge accounting	51	51		51	
Financial liabilities					
Financial liabilities at fair value through profit and loss	1,757	1,757		96	1,661
Financial liabilities at amortized cost	36,934	36,869			
Derivative instruments - hedge accounting	38	38		38	

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; Determine the transaction price; Allocate the transaction price to the performance obligations, and finally Recognize the revenues assignable to each of the performance obligations.

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

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

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

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

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

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

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

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

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

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

Adjustment of opening balances in 2018

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

IFRS 16 'Leasing'

IFRS 16 will apply to the accounting year that begins on 1 January 2019. Earlier application is permitted but the Group has chosen not to take up this option. Application of the new Standard means that ASSA ABLOY will recognize all significant lease contracts in the balance sheet. The Group's lease contracts mainly concern leased premises, company cars and production and office equipment. Preparatory work prior to implementation is in progress, but the Group has not yet evaluated the financial effects of the Standard.

Definitions of financial performance measures

Organic growth

Change in sales for comparable units after adjustments for acquisitions and exchange rate effects.

Operating margin (EBITDA)

Operating income before depreciation and amortization as a percentage of sales.

Operating margin (EBITA)

Operating income before amortization of intangible assets recognized in business combinations, as a percentage of sales.

Operating margin (EBIT)

Operating income as a percentage of sales.

Profit margin (EBT)

Income before tax as a percentage of sales.

Operating cash flow

See the table on operating cash flow for detailed information. For relationship between operating cash flow and cash flow from operating activities see the company's last Annual Report.

Net capital expenditure

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

Depreciation and amortization

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

Net debt

Interest-bearing liabilities less interest-bearing assets.

Capital employed

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

Equity ratio

Shareholders' equity as a percentage of total assets.

Interest coverage ratio

Income before tax plus net interest divided by net interest.

Return on shareholders' equity

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

Return on capital employed

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

Earnings per share after tax and dilution

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