

Quarterly Report

Q1 2019

25 April 2019

ASSA ABLOY

Experience a safer and more open world

Good start to 2019

First quarter

- Net sales increased by 16% to SEK 21,505 M (18,550), with organic growth of 5% (4) and acquired net growth of 3% (2)
- Strong growth in Americas, Global Technologies and Asia Pacific, good growth in Entrance Systems and EMEA
- Agreement signed to acquire a 54% holding in agta record, a Swiss manufacturer of automatic pedestrian doors with sales of SEK 3.9 billion in 2018. Closing is conditional upon authorities approval
- Three other acquisitions signed with combined expected annual sales of about SEK 650 M
- Operating income (EBIT) increased by 15% and amounted to SEK 3,246 M (2,829), corresponding to an operating margin of 15.1% (15.3)
- Net income amounted to SEK 2,218 M (1,964)
- Earnings per share amounted to SEK 2.00 (1.77)
- Operating cash more than doubled to SEK 1,171 M (575)

Organic growth

+5%

Operating income

+15%

Earnings per share

+13%

Sales and income

	Full year			First quarter		
	2017	2018	Δ	2018	2019	Δ
Sales, SEK M	76,137	84,048	10%	18,550	21,505	16%
Of which:						
Organic growth	2,834	3,901	5%	705	1,006	5%
Acquisitions and divestments	1,753	1,793	2%	268	689	3%
Exchange-rate effects	257	2,217	3%	-565	1,260	8%
Operating income (EBIT), SEK M	12,341	12,909¹⁾	5%	2,829	3,246	15%
Operating margin (EBITA), %	16.5%	15.8% ¹⁾		15.7%	15.6%	
Operating margin (EBIT), %	16.2%	15.4%¹⁾		15.3%	15.1%	
Income before tax, SEK M	11,673	12,110 ¹⁾	4%	2,654	2,997	13%
Net income, SEK M	8,635	8,984 ¹⁾	4%	1,964	2,218	13%
Operating cash flow, SEK M	10,929	11,357	4%	575	1,171	104%
Earnings per share, SEK	7.77	8.09¹⁾	4%	1.77	2.00	13%

¹⁾ Excluding costs for a new manufacturing footprint program in Q4 2018, totaling SEK -1,218 M before tax, corresponding to SEK -961 M after tax. Excluding impairment of goodwill and other intangible assets in Q2 2018, totaling SEK -5,595 M before tax, corresponding to SEK -5,268 M after tax.

Comments by the President and CEO

Strong growth and doubled cash flow

We had a good start to 2019 with the first quarter's sales growing by 16% to SEK 21,505 M. This resulted from strong organic growth of 5%, acquired net growth of 3%, and positive currency effects of 8%.

All divisions reported organic growth. Growth continued to be particularly strong in the Americas and Global Technologies divisions. Entrance Systems and EMEA reported good growth while Asia Pacific's external growth was flat. Sales growth for electromechanical products remains particularly strong and now represents 31% of total sales.

Operating income increased by 15% to SEK 3,246 M, driven primarily by good operating leverage in Americas and Global Technologies. This was partly offset by weaker performance in Asia Pacific due to flat external growth, increasing low-margin intra-group sales and build-up of the new Chinese organization.

Seasonal effects always impact the operating cash flow in the first quarter, but this year cash flow more than doubled versus last year. The improvement was driven by the higher earnings combined with actions taken in Q4 2018 to balance the seasonal variations between Q4 and Q1.

Innovation enables growth and leadership

One of ASSA ABLOY's strategic objectives is product leadership through innovation. To maintain our leading position, more than 2,000 engineers are dedicated to continuously developing new solutions for our customers, and this is reflected in that close to 4% of our sales were invested in R&D in the quarter.

Customer focus and innovation efforts pay off in growth and leadership. Sales of electromechanical products increased 30% in the quarter, driven by strong sales in the commercial/institutional segment and by smart locks in the US residential segment. The global sales potential for smart locks is significant, but we expect the growth rate to slow down from the second quarter onwards due to tougher comparatives. Our innovation efforts are also recognized by independent parties. In March, for instance, our new Tanzanian e-Passport, which has been designed and delivered by HID, won an award at the High Security Printing conference in Europe.

ASSA ABLOY to acquire majority stake in agta record

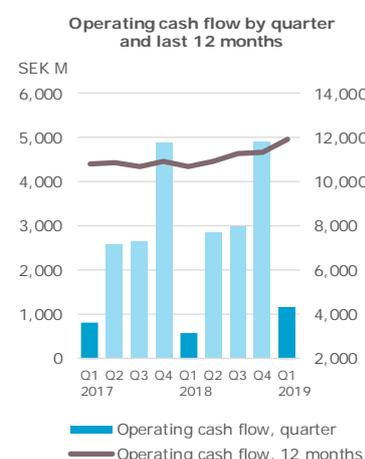
In March we announced the intention to acquire a majority stake in agta record. Subject to anti-trust approval, this will be ASSA ABLOY's largest acquisition in eight years, and it is expected to add 5% to the revenue base. ASSA ABLOY and agta record complement each other very well, and I am confident that our customers and shareholders will benefit from the strong value we can create together. Our intention is to keep the 'record' brand and operate it as a separate unit within Entrance Systems Division.

As a final note, I would once again like to emphasize that ASSA ABLOY's employees make the difference. In February, we completed the "Together we grow" leadership conference. The focus was on how we can further grow ASSA ABLOY and remain the global leader in access solutions. We have a strong team and we will continue to deliver innovative and smart solutions to our customers.

Stockholm, 25 April 2019



Nico Delvaux
President and CEO



First quarter

The Group's sales increased by 16% to SEK 21,505 M (18,550). Organic growth amounted to 5% (4). Acquisitions and divestments were 3% (2), of which 4% (3) were acquisitions and –1% (–1) were divestments. Exchange-rates affected sales by 8% (–4).

The Group's operating income, EBIT amounted to SEK 3,246 M (2,829) an increase of 15%. The operating margin was 15.1% (15.3). Exchange-rates had an impact of SEK 183 M (–89) on EBIT. Operating income before amortizations from acquisitions, EBITA amounted to SEK 3,352 M (2,921). The corresponding EBITA margin was 15.6% (15.7).

Net financial items amounted to SEK –248 M (–175). The Group's income before tax was SEK 2,997 M (2,654), an increase of 13% compared with last year. Exchange-rates had an impact of SEK 169 M (–80) on income before tax. The profit margin was 13.9% (14.3).

The estimated effective tax rate on an annual basis was 26% (26). Earnings per share amounted to SEK 2.00 (1.77), an increase of 13% compared with last year. Operating cash flow amounted to SEK 1,171 M (575).



Restructuring measures

Payments related to all restructuring programs amounted to SEK 161 M (173) in the quarter. The restructuring programs proceeded according to plan and led to a reduction in personnel of 220 people during the quarter and 15,582 people since the projects began in 2006. At the end of the quarter provisions of SEK 1,054 M remained in the balance sheet for carrying out the programs.

Comments by division

EMEA

Sales for the quarter in EMEA totaled SEK 5,208 M (4,775), with organic growth of 3% (3). The growth was strong in Scandinavia, Finland, Germany and Middle East/Africa and good in East Europe, Benelux and the UK. Sales also grew in South Europe, but decreased in France. Acquired growth net was 3%. Operating income totaled SEK 841 M (764), which represents an operating margin (EBIT) of 16.2% (16.0). Return on capital employed amounted to 17.9% (20.0). Operating cash flow before interest paid totaled SEK 289 M (262).

Americas

Sales for the quarter in Americas totaled SEK 5,312 M (4,354), with organic growth of 10% (3). The growth was very strong for US Smart Residential, Electromechanical & High-security and Architectural Hardware and in Brazil, while sales were strong for US Security Doors and the Residential Group. Growth was good in Canada and stable in Mexico, while sales decreased in Colombia and Chile and for Perimeter Security in the USA. Acquired growth net was 1%. Operating income totaled SEK 1,040 M (845), which represents an operating margin (EBIT) of 19.6% (19.4). Return on capital employed amounted to 21.5% (21.0). Operating cash flow before interest paid totaled SEK 260 M (241).

Asia Pacific

Sales for the quarter in Asia Pacific totaled SEK 2,221 M (1,959), with organic growth of 6% (4) due to strong intra-group sales. The external sales growth was flat. In Japan, the growth was strong. There was good sales growth in Pacific and South Korea, while the growth in India and China was stable. In South Asia sales declined. Acquired growth was 2%. Operating income totaled SEK 115 M (154), which represents an operating margin (EBIT) of 5.2% (7.9). Return on capital employed amounted to 5.5% (4.9). Operating cash flow before interest paid totaled SEK –122 M (–158).

Global Technologies

Sales for the quarter in Global Technologies totaled SEK 3,348 M (2,477), with organic growth of 9% (6). The growth was driven by very strong development in Citizen ID, Secure Issuance and Physical Access Control and by strong sales growth for Identity & Access Solutions. Sales declined in Identification Technology and for Extended Access. ASSA ABLOY Global Solutions grew strongly. Acquired growth was 15%. Operating income totaled SEK 598 M (466), which represents an operating margin (EBIT) of 17.9% (18.8). Return on capital employed amounted to 12.2% (11.6). Operating cash flow before interest paid totaled SEK 345 M (201).

Entrance Systems

Sales for the quarter in Entrance Systems totaled SEK 5,922 M (5,322), with organic growth of 3% (5). The growth was strong in Pedestrian Doors, EU Residential Doors and Industrial Doors while sales for Door components were good. Sales for High Performance Doors were stable while US Residential Doors had a slight negative sales development. Growth for service accelerated. Acquired growth was 1%. Operating income totaled SEK 779 M (710), which represents an operating margin (EBIT) of 13.2% (13.3). Return on capital employed amounted to 14.1% (14.5). Operating cash flow before interest paid totaled SEK 895 M (379).

Acquisitions and divestments

A total of three acquisitions were consolidated during the quarter. The combined acquisition price for these companies, including adjustments from prior year acquisitions, amounted to SEK 917 M. The acquisition price on a cash and debt free basis amounted to SEK 1,076 M. Preliminary acquisition analyses indicate that goodwill and other intangible assets with indefinite useful life amount to SEK 872 M. Estimated deferred considerations amounted to SEK 9 M.

On March 6 it was announced that ASSA ABLOY signed an agreement to acquire a 54% holding in agta record, a well-established manufacturer and service organization dedicated to automatic pedestrian entrance systems. The company has about 2,600 employees and its sales in 2018 amounted to SEK 3.9 billion. After completion, ASSA ABLOY will own around 93% of the share capital and voting rights of the company and will launch a public tender offer for the remaining shares. The acquisition is conditional upon authorities approval and is expected to close during the fourth quarter. The purchase price for the 54% holding amounts to approximately EUR 502 M. As part of the transaction, ASSA ABLOY's existing 39% ownership in agta record, a shareholding in an associate company, will be revalued at fair value through the income statement at closing. The expected non-cash income in EBIT amounts to around SEK 2 billion.

On March 29 it was announced that ASSA ABLOY had acquired Spence Doors, a leading manufacturer of commercial doors in Australia. The company has about 260 employees and its expected sales in 2019 amount to around SEK 435 M.

On January 14 it was announced that ASSA ABLOY had signed an agreement to acquire KEYper Systems, a leading supplier of electronic and mechanical key management systems in the US with a strong presence in the automotive segment. The acquisition was completed during the first quarter. The company has about 25 employees and its expected sales in 2019 amount to around SEK 195 M.

Sustainable development

ASSA ABLOY's Sustainability Report for 2018 was published on 21 March 2019 and the report shows that the Group had a positive development across a majority of the reporting areas. The Group's materiality analysis was updated during the year with input from employees, customers and suppliers. The result confirms that the Group is working with the right priorities. The increased focus on Health and Safety has led to a decrease of 11% in the injury rate. The Group's water consumption has decreased by 10% and its energy consumption has decreased by 5% during the year. The consumption of organic solvents continued to decrease by switching to more environmentally friendly processes.

The Group carried out 1,055 sustainability audits of suppliers in low cost countries during 2018. The extensive auditing program has increased the portion of spend in low-cost countries represented by sustainability audited suppliers from 93% to 96%. ASSA ABLOY had 332 verified and published Environmental Product Declarations by the end of 2018.

Parent company

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 373 M (431) for the interim period. Operating income for the same period amounted to SEK -467 M (-261). Investments in tangible and intangible assets totaled SEK 6 M (12). Liquidity is good and the equity ratio is 40.6% (41.5).

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 2019 and are described briefly on page 16. This Report was prepared in accordance with IAS 34 'Interim Financial Reporting' and the Annual Accounts Act. The Report for the Parent company was prepared in accordance with the Annual Accounts Act and RFR 2 'Reporting by a Legal Entity'.

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

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 17 of this Report and to the company's latest Annual Report. To check how the financial measurements have been calculated for current and earlier periods, refer to the tabulated figures in this Quarterly Report and to the company's Annual Report. The Annual Reports for the years 1994 to 2018 appear on the company's website www.assaabloy.com.

Totals quoted in tables and statements may not always be the exact sum of the individual items because of rounding differences. The aim is that each line item should correspond to its source, and rounding differences may therefore arise.

Transactions with related parties

No transactions that significantly affected the company's position and income have taken place between ASSA ABLOY and related parties.

Risks and uncertainty factors

As an international Group with a wide geographic spread, ASSA ABLOY is exposed to a number of business, financial and tax-related risks. The business risks can be divided into strategic, operational and legal risks. The financial risks are related to such factors as exchange rates, interest rates, liquidity, the giving of credit, raw materials and financial instruments. Risk management in ASSA ABLOY aims to identify, control and reduce risks. This work begins with an assessment of the probability of risks occurring and their potential effect on the Group. For a more detailed description of particular risks and risk management, see the 2018 Annual Report.

Review

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

Stockholm, 25 April 2019

Nico Delvaux
President and CEO

Financial information

The Interim Report for the second quarter will be published on 17 July 2019.

The Interim Report for the third quarter will be published on 18 October 2019.

Further information can be obtained from:

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ASSA ABLOY is holding a **telephone and web conference at 09.30 today**

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

It is possible to submit questions by telephone on:
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This 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 25 April 2019.

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No.07/2019

Financial information – Group

CONDENSED INCOME STATEMENT

SEK M	Year	Q1	
	2018	2018	2019
Sales	84,048	18,550	21,505
Cost of goods sold	-51,345	-11,178	-12,909
Gross income	32,703	7,372	8,596
Selling, administrative and R&D costs	-21,178	-4,575	-5,388
Impairment of goodwill and other intangible assets	-5,595	-	-
Share of earnings in associates	167	32	38
Operating income	6,096	2,829	3,246
Finance net	-799	-175	-248
Income before tax	5,297	2,654	2,997
Tax on income	-2,542	-690	-779
Net income for the period	2,755	1,964	2,218
Net income for the period attributable to:			
Parent company's shareholders	2,753	1,964	2,219
Non-controlling interests	2	0	-1
Earnings per share			
Before and after dilution, SEK	2.48	1.77	2.00
Before and after dilution and excluding items affecting comparability, SEK	8.09	1.77	2.00

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Year	Q1	
Net income for the period	2018	2018	2019
Net income for the period	2,755	1,964	2,218
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gain/loss on post-employment benefit obligations, net after tax	6	26	-121
Total	6	26	-121
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of associates	87	103	32
Cashflow hedges and net investment hedges	-14	-17	-20
Exchange rate differences	2,089	1,202	1,361
Total	2,163	1,288	1,373
Total comprehensive income for the period	4,923	3,278	3,471
Total comprehensive income for the period attributable to:			
Parent company's shareholders	4,923	3,278	3,470
Non-controlling interests	1	0	0

Financial information – Group

CONDENSED BALANCE SHEET	31 Dec	31 Mar	
	2018	2018	2019
SEK M			
ASSETS			
Non-current assets			
Intangible assets	64,861	63,614	67,312
Property, plant and equipment	8,070	8,221	8,330
Right-of-use assets	119	141	3,805
Investments in associates	2,434	2,385	2,510
Other financial assets	152	169	91
Deferred tax assets	1,354	2,012	1,402
Total non-current assets	76,991	76,540	83,450
Current assets			
Inventories	11,316	10,363	12,304
Trade receivables	14,496	13,596	15,103
Other current receivables and investments	3,227	3,817	3,930
Cash and cash equivalents	538	551	414
Total current assets	29,577	28,327	31,751
TOTAL ASSETS	106,568	104,867	115,201
EQUITY AND LIABILITIES			
Equity			
Equity attributable to Parent company's shareholders	51,890	53,911	55,117
Non-controlling interests	10	9	10
Total equity	51,900	53,920	55,127
Non-current liabilities			
Long-term loans	19,398	18,364	20,349
Non-current lease liabilities	91	61	2,831
Deferred tax liabilities	1,764	2,843	1,861
Other non-current liabilities and provisions	5,030	5,164	5,041
Total non-current liabilities	26,283	26,433	30,081
Current liabilities			
Short-term loans	7,594	6,543	8,409
Current lease liabilities	-	16	945
Trade payables	7,893	7,106	7,375
Other current liabilities and provisions	12,898	10,850	13,264
Total current liabilities	28,385	24,515	29,993
TOTAL EQUITY AND LIABILITIES	106,568	104,867	115,201

CHANGES IN EQUITY	Equity attributable to:		
	Parent company's shareholders	Non-controlling interests	Total equity
SEK M			
Opening balance 1 January 2018	50,648	9	50,657
Net income for the period	1,964	0	1,964
Other comprehensive income	1,314	0	1,314
Total comprehensive income	3,278	0	3,278
Stock purchase plans	-16	-	-16
Total transactions with shareholders	-16	-	-16
Closing balance 31 March 2018	53,911	9	53,920
Opening balance 1 January 2019 according to adopted Annual Report	51,890	10	51,900
Change in accounting policies	-234	-	-234
New opening balance 1 January 2019	51,656	10	51,666
Net income for the period	2,219	-1	2,218
Other comprehensive income	1,251	1	1,252
Total comprehensive income	3,470	0	3,471
Stock purchase plans	-9	-	-9
Total transactions with shareholders	-9	-	-9
Closing balance 31 March 2019	55,117	10	55,127

Financial information – Group

CONDENSED STATEMENT OF CASH FLOWS	Year		Q1	
	2018	2018	2018	2019
SEK M				
OPERATING ACTIVITIES				
Operating income	6,096	2,829		3,246
Depreciation and amortization	1,963	468		788
Impairment of goodwill and other intangible assets	5,595	-		-
Reversal of restructuring costs	1,218	-		-
Restructuring payments	-793	-173		-161
Other non-cash items	-458	-107		-53
Cash flow before interest and tax	13,621	3,017		3,819
Interest paid and received	-662	-122		-179
Tax paid on income	-2,658	-609		-703
Cash flow before changes in working capital	10,302	2,286		2,937
Changes in working capital	-1,076	-2,136		-2,048
Cash flow from operating activities	9,225	150		889
INVESTING ACTIVITIES				
Net investments in intangible assets and property, plant and equipment	-1,319	-356		-321
Investments in subsidiaries	-5,503	-967		-1,227
Investments in associates	0	0		0
Disposals of subsidiaries	395	-11		14
Other investments and disposals	0	0		0
Cash flow from investing activities	-6,427	-1,334		-1,533
FINANCING ACTIVITIES				
Dividends	-3,666	-		-
Acquisition of non-controlling interests	-229	-		-
Repayment of lease liabilities	-18	-4		-262
Net cash effect of changes in borrowings	1,185	1,274		777
Cash flow from financing activities	-2,728	1,270		516
CASH FLOW FOR THE PERIOD	70	87		-129
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period	459	459		538
Cash flow for the period	70	87		-129
Effect of exchange rate differences	9	6		5
Cash and cash equivalents at end of period	538	551		414
KEY RATIOS				
	Year	Q1		
	2018	2018	2019	
Return on capital employed, %	7.6	14.2	14.9	
Return on capital employed excluding items affecting comparability, %	16.2	14.2	14.9	
Return on shareholders' equity, %	5.4	15.0	16.6	
Equity ratio, %	48.7	51.4	47.9	
Interest coverage ratio, times	8.0	16.6	13.9	
Total number of shares, thousands	1,112,576	1,112,576	1,112,576	
Number of shares outstanding, thousands	1,110,776	1,110,776	1,110,776	
Weighted average number of outstanding shares before and after dilution, thousands	1,110,776	1,110,776	1,110,776	
Average number of employees	48,353	47,910	48,941	

Financial information – Parent company

CONDENSED INCOME STATEMENT

	Year	Q1	
SEK M	2018	2018	2019
Operating income	1,801	-261	-467
Income before appropriations and tax	3,951	-162	137
Net income for the period	4,796	-86	272

CONDENSED BALANCE SHEET

	31 Dec	31 Mar	
SEK M	2018	2018	2019
Non-current assets	39,554	39,936	40,099
Current assets	17,195	13,997	18,731
Total assets	56,749	53,934	58,830
Equity	23,610	22,393	23,873
Untaxed reserves	678	565	678
Non-current liabilities	13,821	12,062	14,531
Current liabilities	18,641	18,914	19,748
Total equity and liabilities	56,749	53,934	58,830

Quarterly information – Group

THE GROUP IN SUMMARY	Q1	Q2	Q3	Q4	Year	Q1	Last 12
SEK M	2018	2018	2018	2018	2018	2019	months
Sales	18,550	21,140	21,191	23,167	84,048	21,505	87,003
Organic growth	4%	5%	5%	6%	5%	5%	
Gross income excluding items affecting comparability	7,372	8,345	8,392	9,134	33,243	8,596	34,467
Gross margin excluding items affecting comparability	39.7%	39.5%	39.6%	39.4%	39.6%	40.0%	39.6%
Operating income before depr. & amort. (EBITDA) excluding items affecting comparability	3,297	3,407	3,912	4,256	14,872	4,034	15,609
Operating margin (EBITDA)	17.8%	16.1%	18.5%	18.4%	17.7%	18.8%	17.9%
Depreciation and amortization excl. amortization attributable to business combinations	-376	-400	-396	-397	-1,570	-682	-1,876
Operating income before amortization (EBITA) excluding items affecting comparability	2,921	3,007	3,516	3,858	13,302	3,352	13,733
Operating margin (EBITA)	15.7%	14.2%	16.6%	16.7%	15.8%	15.6%	15.8%
Amortization attributable to business combinations	-92	-97	-91	-113	-393	-106	-406
Operating income (EBIT) excluding items affecting comparability	2,829	2,911	3,424	3,746	12,909	3,246	13,326
Operating margin (EBIT)	15.3%	13.8%	16.2%	16.2%	15.4%	15.1%	15.3%
Items affecting comparability ¹⁾	-	-5,595	-	-1,218	-6,813	-	-6,813
Operating income (EBIT)	2,829	-2,685	3,424	2,528	6,096	3,246	6,513
Operating margin (EBIT)	15.3%	-12.7%	16.2%	10.9%	7.3%	15.1%	7.5%
Net financial items	-175	-191	-203	-230	-799	-248	-872
Income before tax (EBT)	2,654	-2,876	3,221	2,297	5,297	2,997	5,640
Profit margin (EBT)	14.3%	-13.6%	15.2%	9.9%	6.3%	13.9%	6.5%
Tax on income	-690	-344	-838	-670	-2,542	-779	-2,631
Net income for the period	1,964	-3,220	2,384	1,627	2,755	2,218	3,009
Net income attributable to:							
Parent company's shareholders	1,964	-3,222	2,384	1,627	2,753	2,219	3,008
Non-controlling interests	0	2	0	0	2	-1	1
OPERATING CASH FLOW	Q1	Q2	Q3	Q4	Year	Q1	Last 12
SEK M	2018	2018	2018	2018	2018	2019	months
Operating income (EBIT)	2,829	-2,685	3,424	2,528	6,096	3,246	6,513
Restructuring costs	-	-	-	1,218	1,218	-	1,218
Impairment of goodwill and other intangible assets	-	5,595	-	-	5,595	-	5,595
Depreciation and amortization	468	497	488	510	1,963	788	2,283
Net capital expenditure	-356	-411	-429	-124	-1,319	-321	-1,284
Change in working capital	-2,136	127	-296	1,229	-1,076	-2,048	-988
Interest paid and received	-122	-220	-105	-215	-662	-179	-719
Repayment of lease liabilities	-	-	-	-	-	-262	-262
Non-cash items	-107	-49	-78	-224	-458	-53	-404
Operating cash flow	575	2,855	3,004	4,923	11,357	1,171	11,952
Operating Cash flow/Income before tax excluding items affecting comparability	0.22	1.05	0.93	1.40	0.94	0.39	0.96
CHANGE IN NET DEBT	Q1	Q2	Q3	Q4	Year	Q1	
SEK M	2018	2018	2018	2018	2018	2019	
Net debt at beginning of period	25,275	27,219	31,454	31,372	25,275	29,246	
Impact from transition to IFRS 16	-	-	-	-	-	3,711	
Operating cash flow	-575	-2,855	-3,004	-4,923	-11,357	-1,171	
Restructuring payments	173	166	103	351	793	161	
Tax paid on income	609	986	576	487	2,658	703	
Acquisitions and divestments	986	1,097	2,610	1,697	6,390	1,357	
Dividend	-	3,666	-	-	3,666	-	
Actuarial gain/loss on post-employment benefit obligations	-35	20	-21	-3	-39	179	
Change to lease liabilities	-	-	-	-	-	-127	
Exchange rate differences, etc.	787	1,157	-348	266	1,862	1,039	
Net debt at end of period	27,219	31,454	31,372	29,246	29,246	35,100	
Net debt/Equity	0.50	0.65	0.63	0.56	0.56	0.64	
NET DEBT	Q1	Q2	Q3	Q4	Q1		
SEK M	2018	2018	2018	2018	2019		
Interest-bearing assets	-218	-189	-181	-177	-	-168	
Cash and cash equivalents	-551	-496	-559	-538	-	-414	
Derivative financial instruments, net	32	40	8	0	-	43	
Pension provisions	2,971	3,102	2,873	2,880	-	3,105	
Lease liabilities	78	75	86	91	-	3,776	
Interest-bearing liabilities	24,907	28,923	29,144	26,992	-	28,758	
Total	27,219	31,454	31,372	29,246	-	35,100	
CAPITAL EMPLOYED AND FINANCING	Q1	Q2	Q3	Q4	Q1		
SEK M	2018	2018	2018	2018	2019		
Capital employed	81,139	79,733	81,412	81,146	-	90,227	
- of which goodwill	51,956	50,590	52,169	53,413	-	55,731	
- of which other intangible assets and property, plant and equipment	19,878	18,873	18,903	19,518	-	19,911	
- of which right-of-use assets	141	139	149	119	-	3,805	
- of which investments in associates	2,385	2,391	2,383	2,434	-	2,510	
Net debt	27,219	31,454	31,372	29,246	-	35,100	
Non-controlling interests	9	11	11	10	-	10	
Equity attributable to the Parent company's shareholders	53,911	48,268	50,030	51,890	-	55,117	
DATA PER SHARE	Q1	Q2	Q3	Q4	Year	Q1	
SEK	2018	2018	2018	2018	2018	2019	
Earnings per share before and after dilution	1.77	-2.90	2.15	1.46	2.48	2.00	
Earnings per share before and after dilution and excluding items affecting comparability	1.77	1.84	2.15	2.33	8.09	2.00	
Shareholders' equity per share after dilution	48.53	43.45	45.04	46.71	46.71	49.62	

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

Reporting by division

Q1 and 31 Mar

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Sales, external	4,696	5,123	4,336	5,294	1,763	1,873	2,455	3,324	5,300	5,891	0	-	18,550	21,505
Sales, internal	79	85	18	18	196	347	21	25	23	31	-337	-507	-	-
Sales	4,775	5,208	4,354	5,312	1,959	2,221	2,477	3,348	5,322	5,922	-337	-507	18,550	21,505
Organic growth	3%	3%	3%	10%	4%	6%	6%	9%	5%	3%	-	-	4%	5%
Acquisitions and disposals	3%	3%	1%	1%	1%	2%	-1%	15%	2%	1%	-	-	2%	3%
Exchange-rate effects	2%	3%	-9%	11%	-3%	5%	-5%	11%	-2%	7%	-	-	-4%	8%
Share of earnings in associates	-	-	-	-	6	5	-	-	26	33	-	-	32	38
Operating income (EBIT)	764	841	845	1,040	154	115	466	598	710	779	-111	-128	2,829	3,246
Operating margin (EBIT)	16.0%	16.2%	19.4%	19.6%	7.9%	5.2%	18.8%	17.9%	13.3%	13.2%	-	-	15.3%	15.1%
Capital employed	15,310	19,009	16,637	19,971	13,060	8,789	16,564	20,396	19,303	22,376	265	-314	81,139	90,227
- of which goodwill	9,346	11,046	10,935	13,778	8,054	4,332	11,727	14,173	11,894	12,403	-	-	51,956	55,731
- of which other intangible assets and property, plant and equipment	3,661	4,037	3,720	3,917	3,911	2,511	4,092	4,910	4,347	4,389	148	147	19,878	19,911
- of which right-of-use assets	107	1,103	-	486	-	310	-	371	33	1,505	-	28	141	3,805
- of which investments in associates	9	9	-	-	558	609	17	19	1,800	1,872	-	-	2,385	2,510
Return on capital employed excluding items affecting comparability	20.0%	17.9%	21.0%	21.5%	4.9%	5.5%	11.6%	12.2%	14.5%	14.1%	-	-	14.2%	14.9%
Operating income (EBIT)	764	841	845	1,040	154	115	466	598	710	779	-111	-128	2,829	3,246
Depreciation and amortization	112	192	87	133	78	92	119	176	68	186	5	9	468	788
Net capital expenditure	-76	-119	-72	-73	-56	-43	-60	-67	-79	-16	-12	-2	-356	-321
Repayment of lease liabilities	-	-70	-	-32	-	-24	-	-30	-	-108	-	2	-	-262
Change in working capital	-538	-556	-618	-808	-334	-263	-324	-332	-320	54	-3	-145	-2,136	-2,048
Cash flow	262	289	241	260	-158	-122	201	345	379	895	-122	-263	805	1,403
Non-cash items											-107	-53	-107	-53
Interest paid and received											-122	-179	-122	-179
Operating cash flow													575	1,171
Average number of employees	11,587	11,621	8,902	9,053	11,316	11,152	4,524	5,201	11,302	11,603	280	311	47,910	48,941

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

Reporting by division

Q1-Q4 and 31 Dec

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

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

Financial information - Notes

NOTE 1 DISAGGREGATION OF REVENUE

Sales by continent Q1

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Europe	4,214	4,571	11	10	125	150	624	908	2,643	2,893	-151	-196	7,466	8,337
North America	105	141	3,959	4,883	160	294	1,193	1,685	2,255	2,605	-125	-240	7,546	9,369
Central- and South America	18	19	354	377	8	10	92	87	21	17	-6	-7	488	503
Africa	192	192	2	6	2	1	89	94	13	12	-5	-2	293	304
Asia	222	249	27	35	1,256	1,290	413	497	274	289	-28	-34	2,164	2,326
Oceania	24	35	1	1	408	476	65	77	116	105	-21	-28	593	666
Total	4,775	5,208	4,354	5,312	1,959	2,221	2,477	3,348	5,322	5,922	-337	-507	18,550	21,505

Sales by product group Q1

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Mechanical locks, lock systems and fittings	2,455	2,585	1,699	2,020	1,071	1,121	7	2	2	2	-165	-177	5,070	5,553
Electromechanical and electronic locks	1,516	1,678	757	1,280	418	573	2,469	3,330	209	209	-131	-275	5,238	6,796
Security doors and hardware	720	861	1,884	1,997	465	522	-	16	-	-	-17	-21	3,052	3,375
Entrance automation	85	84	14	15	5	4	-	-	5,111	5,711	-24	-33	5,190	5,781
Total	4,775	5,208	4,354	5,312	1,959	2,221	2,477	3,348	5,322	5,922	-337	-507	18,550	21,505

NOTE 2 BUSINESS COMBINATIONS

SEK M	Year		Q1	
	2018	2019	2018	2019
Purchase prices				
Cash paid for acquisitions during the year		5,602	937	908
Holdbacks and deferred considerations for acquisitions during the year		1,152	221	9
Adjustment of purchase prices for acquisitions in prior years		-2	-2	-
Total		6,752	1,156	917
Acquired assets and liabilities at fair value				
Intangible assets		1,428	392	0
Property, plant and equipment		214	61	105
Financial assets		222	211	1
Inventories		555	80	76
Current receivables and investments		643	126	141
Cash and cash equivalents		437	116	-14
Non-current liabilities		-258	-160	-149
Current liabilities		-1,521	-103	-116
Total		1,720	723	46
Goodwill		5,032	433	872
Change in cash and cash equivalents due to acquisitions				
Cash paid for acquisitions during the year		5,602	937	908
Cash and cash equivalents in acquired subsidiaries		-437	-116	14
Paid considerations for acquisitions in prior years		339	146	304
Total		5,503	967	1,227

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

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

31 March 2019	SEK M	Carrying amount	Fair value	Financial instruments at fair value		
				Level 1	Level 2	Level 3
Financial assets						
Financial assets at amortized cost		15,722	15,722			
Financial assets at fair value through profit and loss		8	8			
Derivatives - hedge accounting		95	95		95	
Derivatives - held for trading		55	55		55	
Financial liabilities						
Financial liabilities at amortized cost		39,908	40,080			
Financial liabilities at fair value through profit and loss		1,621	1,621			1,621
Derivatives - hedge accounting		3	3		3	
Derivatives - held for trading		189	189		189	
31 December 2018						
Financial assets						
Loans and other receivables		15,248	15,248			
Financial assets at fair value through profit and loss		8	8			
Available-for-sale financial assets		68	68		68	
Derivative instruments - hedge accounting		49	49		49	
Financial liabilities						
Financial liabilities at amortized cost		34,976	35,006			
Financial liabilities at fair value through profit and loss		1,899	1,899			1,899
Derivatives - hedge accounting		18	18		18	
Derivatives - held for trading		99	99		99	

New accounting standards

IFRS 16 Leases

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

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

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

Financial effects of the change to IFRS 16

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

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

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

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

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

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

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 explains how companies should judge the way in which a transaction should be valued and reported when there is uncertainty about income taxes. The Group is adopting the new guidance from 1 January 2019. At the time of the adoption the Group's uncertain tax positions were revalued in accordance with the new guidance, which resulted in an increased provision of SEK 234 M for income tax uncertainties. The Group has chosen to apply the recommended interpretation through a modified retroactive adoption where the comparative figures are not recalculated. The outcome is reported as an adjustment to shareholders' equity in the first quarter of 2019.

Definitions of financial performance measures

Organic growth

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

Operating margin (EBITDA)

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

Operating margin (EBITA)

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

Operating margin (EBIT)

Operating income as a percentage of sales.

Profit margin (EBT)

Income before tax as a percentage of sales.

Operating cash flow

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

Net capital expenditure

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

Depreciation and amortization

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

Net debt

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

Capital employed

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

Equity ratio

Shareholders' equity as a percentage of total assets.

Interest coverage ratio

Income before tax plus net interest divided by net interest.

Return on shareholders' equity

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

Return on capital employed

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

Earnings per share after tax and dilution

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