Quarterly Report Q4 2018

ASSA ABLOY

Full-year summary 2018

5 February 2019

The global leader in door opening solutions

Strong sales growth

Fourth quarter

- Net sales increased by 15% to SEK 23,167 M (20,109), with organic growth of 6% (5) and acquired net growth of 3% (3)
- Very strong sales growth in Americas and Asia Pacific. Strong growth for Global Technologies, good growth in EMEA and growth in Entrance Systems
- Five acquisitions have been signed with combined expected annual sales of about SEK 800 M
- A new manufacturing footprint program was launched at year-end. The total estimated cost amounts to around SEK 1,500 M with a pay-back time of less than three years
- Operating income [2] (EBIT) amounted to SEK 3,746 M (3,359), with an operating margin of 16.2% (16.7)
- Net income [2] amounted to SEK 2,588 M (2,385)
- Earnings per share [2] amounted to SEK 2.33 (2.15)
- Operating cash flow amounted to SEK 4,923 M (4,876)
- The Board of Directors proposes a dividend of SEK 3.50 (3.30) per share for 2018.

Organic growth

+6%

Operating income [2]

+12%

Earnings per share [2]

+9%

Sales and income

	Fourth quarter			January-December		
	2017	**2018**	**Δ**	**2017**	**2018**	**Δ**
Sales, SEK M	**20,109**	**23,167**	**15%**	**76,137**	**84,048**	**10%**
Of which:						
Organic growth	878	1,281	6%	2,834	3,901	5%
Acquisitions and disposals	480	714	3%	1,753	1,793	2%
Exchange-rate effects	–733	1,063	6%	257	2,217	3%
Operating income (EBIT) [1] [2], SEK M	**3,359**	**3,746**	**12%**	**12,341**	**12,909**	**5%**
Operating margin (EBITA) [1] [2], %	17.1%	16.7%		16.5%	15.8%	
Operating margin (EBIT) [1] [2], %	**16.7%**	**16.2%**		**16.2%**	**15.4%**	
Income before tax [1] [2], SEK M	3,226	3,515	9%	11,673	12,110	4%
Net income [1] [2], SEK M	2,385	2,588	9%	8,635	8,984	4%
Operating cash flow, SEK M	4,876	4,923	1%	10,929	11,357	4%
Earnings per share [1] [2], SEK	**2.15**	**2.33**	**9%**	**7.77**	**8.09**	**4%**

1) Excluding impairment of goodwill and other intangible assets in the second quarter of 2018, totaling SEK –5,595 M before tax, corresponding to SEK –5,268 M after tax.
2) Excluding costs for a new manufacturing footprint program in the fourth quarter of 2018, totaling SEK –1,218 M before tax, corresponding to SEK –961 M after tax.

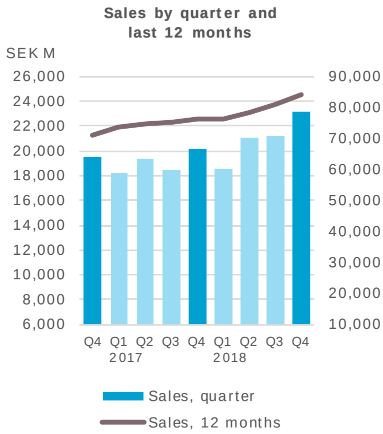
Comments by the President and CEO

Strong growth in the quarter

In the fourth quarter our organic growth accelerated to 6%, resulting in a strong organic sales growth of 5% for the full year. Acquired net growth was 3% during the quarter (2% for the full year). All divisions reported organic growth. The organic growth was very strong in Americas (14%) and Asia Pacific (11%), strong in Global Technologies (8%), while EMEA and Entrance Systems grew by 3% and 2% respectively.

Operating income for the quarter increased by 12% year-on-year to SEK 3,746 M, corresponding to an operating margin of 16.2%. The operating margin was stable in Americas and Asia Pacific, but declined in the other divisions mainly due to dilution from acquisitions and higher raw material costs.

Even with actions to balance the seasonal variations, cash flow came in strong at SEK 4,923 M, up 1% year-on-year.

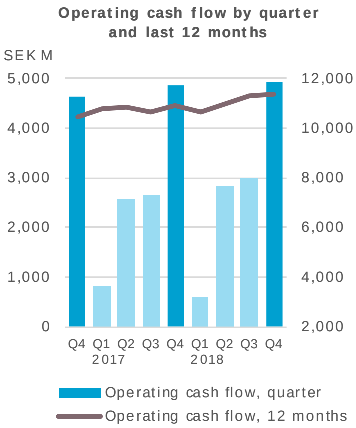


Strong growth in electromechanical products

One of ASSA ABLOY's value creation strategies is product leadership and we have invested in the development of electromechanical solutions over a long period. This is clearly generating results. Today, 30% of our sales are generated by electromechanical products and in the fourth quarter sales also increased by 30%. We are seeing gratifying improvements in both the commercial and residential segments.

High acquisition level

During the quarter we closed five acquisitions with total annualized sales of SEK 0.8 billion. With the acquisition of Luxer One, we will integrate a US market leader in the last mile delivery space, including 'click and collect' at retail stores. We also acquired Lorient, extending our door sealing portfolio alongside the innovative drop-down seals and finger protection solutions from Planet. The three other acquisitions were Exidor, Marenco and Pacific Door Systems. In the full year we acquired 19 companies with annualized sales of SEK 3.8 billion.



Launch of our next manufacturing footprint program

To maintain our market leadership, we are continuously working to optimize our operations. During the quarter, we launched our seventh manufacturing footprint program. As part of the program we will close about 50 offices and factories, outsource more non-core activities and further increase automation. The restructuring cost for the total program is estimated at SEK 1.5 billion, with a pay-back period of less than three years. SEK 1.2 billion was expensed in the fourth quarter and the remainder is expected to be expensed in Q4 2019.

Finally, I would like to welcome our new CFO Erik Pieder, who joined ASSA ABLOY in January. Erik has a solid finance and international industrial background and I look forward to working with him on ASSA ABLOY's continued journey of profitable growth.

Stockholm, 5 February 2019

Nico Delvaux
President and CEO

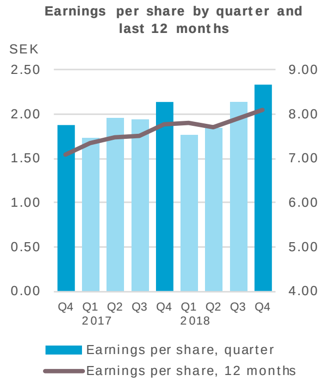
Fourth quarter

The Group's sales increased by 15% to SEK 23,167 M (20,109). Organic growth amounted to 6% (5). Acquisitions and disposals were 3% (3), of which 4% (5) were acquisitions and –1% (–2) were disposals. Exchange-rates affected sales by 6% (–5).

The Group's operating income, EBIT, excluding items affecting comparability, amounted to SEK 3,746 M (3,359) an increase of 12%. The corresponding operating margin was 16.2% (16.7). Exchange-rates had an impact of SEK 190 M (–130) on EBIT. Operating income before amortization from acquisitions, EBITA, excluding items affecting comparability, amounted to SEK 3,858 M (3,446). The corresponding EBITA margin was 16.7% (17.1).

Net financial items amounted to SEK –230 M (–133). The Group's income before tax, excluding items affecting comparability, was SEK 3,515 M (3,226), an increase of 9% compared with last year. The corresponding profit margin was 15.2% (16.0). Exchange-rates had an impact of SEK 187 M (–130) on income before tax.

The effective tax rate, excluding items affecting comparability, was 25.8% (26.0) on an annual basis. Earnings per share excluding items affecting comparability amounted to SEK 2.33 (2.15), an increase of 9% compared to last year.



Full year

The Group's sales for the full year 2018 totaled SEK 84,048 M (76,137), representing an increase of 10%. 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 3% (1).

The Group's operating income, EBIT, excluding items affecting comparability amounted to SEK 12,909 M (12,341), an increase of 5% compared with last year. The corresponding operating margin was 15.4% (16.2). Operating income before amortization from acquisitions, EBITA, excluding items affecting comparability amounted to SEK 13,302 M (12,584). The corresponding EBITA margin was 15.8% (16.5).

Earnings per share excluding items affecting comparability amounted to SEK 8.09 (7.77), an increase of 4% compared with last year. Operating cash flow totaled SEK 11,357 M (10,929).

Restructuring measures

A new manufacturing footprint program was launched at year-end 2018. The closing of more than 30 offices and 15 factories is expected to take place over a period of three years. The estimated cost of the manufacturing footprint program amounts to about SEK 1,500 M, with an expected payback time (inclusive of investments) of less than three years. The restructuring cost will be expensed over two years, of which SEK 1,218 M was expensed in the fourth quarter of 2018 and the remaining part is expected to be expensed in the fourth quarter 2019.

Payments related to all programs amounted to SEK 351 M (286) in the quarter. The manufacturing footprint programs proceeded according to plan and led to a reduction in personnel of 962 people during the quarter and 15,362 people since the projects began in 2006. At the end of the quarter provisions of SEK 1,190 M remained in the balance sheet for carrying out the programs.

Organization

Maria Romberg Ewerth has been appointed Chief Human Resources Officer and member of the Group Executive Team in ASSA ABLOY effective 1 February 2019. She has worked at ASSA ABLOY since 2008 and in recent years has held the position of SVP Human Resources ASSA ABLOY AB. Maria Romberg Ewerth holds an MBA from Blekinge Institute of Technology and a Bachelor's Degree in Human Resources from Kristianstad University, Sweden.

Comments by division

EMEA

Sales for the quarter in EMEA totaled SEK 5,485 M (4,869), with organic sales growth of 3% (5). The growth was strong in Finland, Germany, the UK and Africa/Middle East and good in Eastern Europe. Sales also grew in Benelux, Scandinavia and South Europe while there was a small decline in France. Acquired growth net was 5%. Operating income excluding restructuring costs totaled SEK 911 M (842), which represents an operating margin (EBIT) of 16.6% (17.3). Return on capital employed amounted to 20.6% (22.9). Operating cash flow before interest paid totaled SEK 1,323 M (1,489).

Americas

Sales for the quarter in Americas totaled SEK 5,173 M (4,243), with organic sales growth of 14% (4). The growth was very strong for US Residential, Electromechanical & High-security and Security doors. Sales were strong in Mexico, Chile and for US Architectural Hardware, while sales were stable in the other South American markets, Canada and for US Perimeter Protection. The demand for electromechanical products in the US in general, and for smart locks in particular, continued to be very strong. Acquired growth net was 0%. Operating income excluding restructuring costs totaled SEK 1,027 M (847), which represents an operating margin (EBIT) of 19.9% (19.9). Return on capital employed amounted to 22.4% (21.6). Operating cash flow before interest paid totaled SEK 1,214 M (1,085).

Asia Pacific

Sales for the quarter in Asia Pacific totaled SEK 2,756 M (2,400), with organic sales growth of 11% (3). The growth was very strong in Japan, India and South East Asia. The growth was also driven by very strong intra-group sales. There was good sales growth in South Korea and China, while the growth in Pacific was stable. The new organization in China was established at the end of 2018 and the implementation of the strategy is ongoing. Electromechanical products continued to grow strongly. Acquired growth was 0%. Operating income excluding restructuring costs totaled SEK 264 M (232), which represents an operating margin (EBIT) of 9.6% (9.7). Return on capital employed amounted to 13.5% (7.5). Operating cash flow before interest paid totaled SEK 606 M (742).

Global Technologies

Sales for the quarter in Global Technologies totaled SEK 3,602 M (2,835), with organic sales growth of 8% (9). The growth was driven by very strong development in Identity & Access Solutions and Secure Issuance. Sales growth for Physical Access Control was strong. Sales growth for Extended Access and Identification Technology was good, while growth was negative for Citizen ID. ASSA ABLOY Global Solutions grew strongly. Acquired growth net was 11%. Operating income excluding restructuring costs totaled SEK 716 M (608), which represents an operating margin (EBIT) of 19.9% (21.5). Return on capital employed amounted to 15.3% (17.5). Operating cash flow before interest paid totaled SEK 947 M (791).

Entrance Systems

Sales for the quarter in Entrance Systems totaled SEK 6,616 M (6,072), with organic growth of 2% (3). The sales growth in the quarter was negatively affected by one percentage point due to a change in the sales cut-off procedure in one business area. This has no impact on the full year's sales growth. US Residential Doors grew strongly, while Industrial Doors and Pedestrian Doors reported good growth. Sales for Door Components were stable, while High Performance Doors and Residential Doors in Europe had a negative development. Acquired growth was 1%. Operating income excluding restructuring costs totaled SEK 998 M (966), which represents an operating margin (EBIT) of 15.1% (15.9). Return on capital employed amounted to 18.8% (20.2). Operating cash flow before interest paid totaled SEK 1,224 M (1,174).

Acquisitions and disposals

A total of five acquisitions were consolidated during the quarter. The combined acquisition price for the businesses acquired during the year, including adjustments from prior-year acquisitions, amounted to SEK 6,752 M. The acquisition price for these companies on a cash and debt free basis amounted to SEK 7,300 M. Preliminary acquisition analyses indicate that goodwill and other intangible assets with indefinite useful life amount to SEK 5,329 M. Estimated deferred considerations amounted to SEK 1,150 M.

On December 17 it was announced that ASSA ABLOY had acquired Lorient, a leading designer and manufacturer of high performance door sealing systems based in the UK. The company has about 135 employees and its sales in 2018 are expected to amount to SEK 220 M.

On December 19 it was announced that ASSA ABLOY had acquired Luxer One, a leading US supplier of advanced locker systems for receiving packages. The company has about 130 employees and its sales in 2018 are expected to amount to SEK 335 M.

On December 20 it was announced that ASSA ABLOY had acquired Pacific Door Systems, a leading manufacturer of commercial door and window systems in New Zealand. The company has about 80 employees and its sales in 2018 are expected to amount to SEK 125 M.

Sustainable development

Reduction of the Group's water consumption is a prioritized activity. The greatest volume of water consumption is related to industrial processes in the Group's factories. New technology is continually being introduced with the aim of decreasing both water consumption and costs. Several units have recently introduced solutions for the cleaning and circulation of process water so that it can be reused in the same process or in other processes. Improved systems for measurement and control are also contributing to reduced consumption.

In the manufacturing of tubes for fences at Ameristar Perimeter Security's factory in Tulsa, USA, water is used for cooling. By introducing a system for efficient cleaning and smart control of the pH-value, the water can be reused in a closed loop system. Only the water that evaporates during the cooling process needs to be replaced. The new process reduces the annual water consumption by 1,300 cubic meters. The cost is reduced by USD 200,000 per year, primarily by eliminating the external cost of handling and cleaning the contaminated water.

The Sustainability Report for 2018, with reviews of the Group's targets and other information about sustainable development, will be available from 21 March 2019 on the company's website, www.assaabloy.com.

Parent company

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 4,750 M (4,063) for the full year. Operating income for the same period amounted to SEK 1,801 M (1,701). Investments in tangible and intangible assets totaled SEK 115 M (3,291). Liquidity is good and the equity ratio was 41.6% (43.0).

Dividend and Annual General meeting

The Board of Directors proposes a dividend of SEK 3.50 (3.30) per share for the 2018 financial year, an increase of 6%. The Annual General Meeting will be held on 25 April 2019. The Annual Report for 2018 will be available from 21 March 2019 on the company's website, www.assaabloy.com.

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 17. 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 will apply 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 17.

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 18 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 fourth quarter of 2018.

Stockholm, 5 February 2019

Nico Delvaux
President and CEO

Financial information

The Quarterly Report for the first quarter of 2019 will be published on 25 April 2019.

The Annual General meeting will be held on 25 April 2019 at the Museum of Modern Art in Stockholm, Sweden.

Further information can be obtained from:

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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:
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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 CET on 5 February 2019.

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No. 02/2019

Financial information – Group

CONSOLIDATED INCOME STATEMENT	Q4		Q1-Q4	
SEK M	**2017**	**2018**	**2017**	**2018**
Sales	20,109	23,167	76,137	84,048
Cost of goods sold	-12,185	-14,573	-46,148	-51,345
Gross income	**7,924**	**8,594**	**29,988**	**32,703**
Selling, administrative and R&D costs	-4,608	-6,101	-17,777	-21,178
Impairment of goodwill and other intangible assets	-	-	-	-5,595
Share of earnings in associates	43	35	129	167
Operating income	**3,359**	**2,528**	**12,341**	**6,096**
Finance net	-133	-230	-668	-799
Income before tax	**3,226**	**2,297**	**11,673**	**5,297**
Tax on income	-842	-670	-3,038	-2,542
Net income for the period	**2,385**	**1,627**	**8,635**	**2,755**
Net income for the period attributable to:				
Parent company's shareholders	2,384	1,627	8,633	2,753
Non-controlling interests	1	0	2	2
Earnings per share				
Before and after dilution, SEK	2.15	1.46	7.77	2.48
Before and after dilution and excluding items affecting comparability, SEK	2.15	2.33	7.77	8.09

STATEMENT OF COMPREHENSIVE INCOME	Q4		Q1-Q4	
SEK M	**2017**	**2018**	**2017**	**2018**
Net income for the period	**2,385**	**1,627**	**8,635**	**2,755**
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Actuarial gain/loss on post-employment benefit obligations, net after tax	-41	0	-51	6
Total	**-41**	**0**	**-51**	**6**
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates	58	21	50	87
Cashflow hedges and net investment hedges	57	-6	26	-14
Exchange rate differences	889	207	-1,864	2,089
Total	**1,003**	**222**	**-1,788**	**2,163**
Total comprehensive income for the period	**3,347**	**1,848**	**6,796**	**4,923**
Total comprehensive income for the period attributable to:				
Parent company's shareholders	3,346	1,849	6,794	4,923
Non-controlling interests	1	-1	2	1

Financial information – Group

CONSOLIDATED BALANCE SHEET	31 Dec	
SEK M	2017	2018
ASSETS		
Non-current assets		
Intangible assets	61,409	64,861
Property, plant and equipment	8,065	8,189
Investments in associates	2,243	2,434
Other financial assets	227	152
Deferred tax assets	1,355	1,354
Total non-current assets	**73,299**	**76,991**
Current assets		
Inventories	9,430	11,316
Trade receivables	13,068	14,496
Other current receivables and investments	3,188	3,227
Cash and cash equivalents	459	538
Total current assets	**26,145**	**29,577**
TOTAL ASSETS	**99,444**	**106,568**
EQUITY AND LIABILITIES		
Equity		
Equity attributable to Parent company's shareholders	50,648	51,890
Non-controlling interests	9	10
Total equity	**50,657**	**51,900**
Non-current liabilities		
Long-term loans	16,859	19,489
Deferred tax liabilities	2,218	1,764
Other non-current liabilities and provisions	5,217	5,030
Total non-current liabilities	**24,293**	**26,283**
Current liabilities		
Short-term loans	6,151	7,594
Trade payables	7,811	7,893
Other current liabilities and provisions	10,531	12,898
Total current liabilities	**24,494**	**28,385**
TOTAL EQUITY AND LIABILITIES	**99,444**	**106,568**

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	8,633	2	8,635
Other comprehensive income	-1,839	0	-1,839
Total comprehensive income	**6,794**	**2**	**6,796**
Dividend	-3,332	-	-3,332
Stock purchase plans	-33	-	-33
Change in non-controlling interest	0	3	3
Total transactions with shareholders	**-3,366**	**3**	**-3,363**
Closing balance 31 December 2017	**50,648**	**9**	**50,657**
Opening balance 1 January 2018	**50,648**	**9**	**50,657**
Net income for the period	2,753	2	2,755
Other comprehensive income	2,169	-1	2,168
Total comprehensive income	**4,923**	**1**	**4,923**
Dividend	-3,666	-	-3,666
Stock purchase plans	-15	-	-15
Total transactions with shareholders	**-3,681**	**-**	**-3,681**
Closing balance 31 December 2018	**51,890**	**10**	**51,900**

Financial information – Group

CONSOLIDATED STATEMENT OF CASH FLOWS	Q4		Q1-Q4	
SEK M	**2017**	**2018**	**2017**	**2018**
OPERATING ACTIVITIES				
Operating income	3,359	2,528	12,341	6,096
Depreciation and amortization	430	510	1,688	1,963
Impairment of goodwill and other intangible assets	-	-	-	5,595
Reversal of restructuring costs	-	1,218	-	1,218
Restructuring payments	-286	-351	-612	-793
Other non-cash items	-224	-224	-221	-458
Cash flow before interest and tax	**3,279**	**3,682**	**13,196**	**13,621**
Interest paid and received	-189	-215	-557	-662
Tax paid on income	203	-487	-3,044	-2,658
Cash flow before changes in working capital	**3,293**	**2,979**	**9,595**	**10,302**
Changes in working capital	2,061	1,229	-347	-1,076
Cash flow from operating activities	**5,354**	**4,208**	**9,248**	**9,225**
INVESTING ACTIVITIES				
Net investments in intangible assets and property, plant and equipment	-561	-124	-1,975	-1,319
Investments in subsidiaries	-4,351	-1,609	-6,825	-5,503
Investments in associates	0	-	0	0
Disposals of subsidiaries	40	13	139	395
Other investments and disposals	0	0	0	0
Cash flow from investing activities	**-4,872**	**-1,719**	**-8,661**	**-6,427**
FINANCING ACTIVITIES				
Dividends	-	-	-3,332	-3,666
Acquisition of non-controlling interests	-34	-	-130	-229
Net cash effect of changes in borrowings	-437	-2,507	2,601	1,166
Cash flow from financing activities	**-471**	**-2,507**	**-861**	**-2,728**
CASH FLOW FOR THE PERIOD	**11**	**-18**	**-274**	**70**
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period	**440**	**559**	**750**	**459**
Cash flow for the period	11	-18	-274	70
Effect of exchange rate differences	8	-3	-17	9
Cash and cash equivalents at end of period	**459**	**538**	**459**	**538**

KEY RATIOS	Q1-Q4	
	2017	**2018**
Return on capital employed, %	16.6	7.6
Return on capital employed excluding items affecting comparability, %	16.6	16.2
Return on shareholders' equity, %	17.6	5.4
Equity ratio, %	50.9	48.7
Interest coverage ratio, times	19.1	8.0
Total number of shares, thousands	1,112,576	1,112,576
Number of shares outstanding, thousands	1,110,776	1,110,776
Weighted average number of outstanding shares before and after dilution, thousands	1,110,776	1,110,776
Average number of employees	47,426	48,353

Financial information – Parent company

INCOME STATEMENT	Q1-Q4	
SEK M	**2017**	**2018**
Operating income	1,701	1,801
Income before appropriations and tax	4,238	3,951
Net income for the period	4,670	4,796

BALANCE SHEET	31 Dec	
SEK M	**2017**	**2018**
Non-current assets	39,579	39,554
Current assets	12,740	17,195
Total assets	**52,319**	**56,749**
Equity	22,494	23,610
Untaxed reserves	565	678
Non-current liabilities	10,581	13,821
Current liabilities	18,679	18,641
Total equity and liabilities	**52,319**	**56,749**

Quarterly information – Group

THE GROUP IN SUMMARY SEK M	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Year 2017**	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**	**Year 2018**
Sales	18,142	19,387	18,499	20,109	76,137	18,550	21,140	21,191	23,167	84,048
Organic growth	6%	2%	3%	5%	4%	4%	5%	5%	6%	5%
Gross income excluding items affecting comparability	**7,190**	**7,581**	**7,293**	**7,924**	**29,988**	**7,372**	**8,345**	**8,392**	**9,134**	**33,243**
Gross margin excluding items affecting comparability	39.6%	39.1%	39.4%	39.4%	39.4%	39.7%	39.5%	39.6%	39.4%	39.6%
Operating income before depr. & amort. (EBITDA) excluding items affecting comparability	**3,208**	**3,543**	**3,488**	**3,789**	**14,029**	**3,297**	**3,407**	**3,912**	**4,256**	**14,872**
Operating margin (EBITDA)	17.7%	18.3%	18.9%	18.8%	18.4%	17.8%	16.1%	18.5%	18.4%	17.7%
Depreciation and amortization excl. amortization attributable to business combinations	-370	-376	-355	-344	-1,444	-376	-400	-396	-397	-1,570
Operating income before amortization (EBITA) excluding items affecting comparability	**2,839**	**3,168**	**3,132**	**3,446**	**12,584**	**2,921**	**3,007**	**3,516**	**3,858**	**13,302**
Operating margin (EBITA)	15.6%	16.3%	16.9%	17.1%	16.5%	15.7%	14.2%	16.6%	16.7%	15.8%
Amortization attributable to business combinations	-52	-54	-52	-87	-244	-92	-97	-91	-113	-393
Operating income (EBIT) excluding items affecting comparability	**2,787**	**3,114**	**3,080**	**3,359**	**12,341**	**2,829**	**2,911**	**3,424**	**3,746**	**12,909**
Operating margin (EBIT)	15.4%	16.1%	16.7%	16.7%	16.2%	15.3%	13.8%	16.2%	16.2%	15.4%
Items affecting comparability[1]	-	-	-	-	-	-	-5,595	-	-1,218	-6,813
Operating income (EBIT)	**2,787**	**3,114**	**3,080**	**3,359**	**12,341**	**2,829**	**-2,685**	**3,424**	**2,528**	**6,096**
Operating margin (EBIT)	15.4%	16.1%	16.7%	16.7%	16.2%	15.3%	-12.7%	16.2%	10.9%	7.3%
Net financial items	-195	-170	-171	-133	-668	-175	-191	-203	-230	-799
Income before tax (EBT)	**2,593**	**2,944**	**2,910**	**3,226**	**11,673**	**2,654**	**-2,876**	**3,221**	**2,297**	**5,297**
Profit margin (EBT)	14.3%	15.2%	15.7%	16.0%	15.3%	14.3%	-13.6%	15.2%	9.9%	6.3%
Tax on income	-674	-765	-757	-842	-3,038	-690	-344	-838	-670	-2,542
Net income for the period	**1,918**	**2,179**	**2,153**	**2,385**	**8,635**	**1,964**	**-3,220**	**2,384**	**1,627**	**2,755**
Net income attributable to:										
Parent company's shareholders	1,919	2,178	2,153	2,384	8,633	1,964	-3,222	2,384	1,627	2,753
Non-controlling interests	0	1	1	1	2	0	2	0	0	2

OPERATING CASH FLOW SEK M	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Year 2017**	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**	**Year 2018**
Operating income (EBIT)	2,787	3,114	3,080	3,359	12,341	2,829	-2,685	3,424	2,528	6,096
Restructuring costs	-	-	-	-	-	-	-	-	1,218	1,218
Impairment of goodwill and other intangible assets	-	-	-	-	-	-	5,595	-	-	5,595
Depreciation and amortization	421	429	407	430	1,688	468	497	488	510	1,963
Net capital expenditure	-373	-593	-448	-561	-1,975	-356	-411	-429	-124	-1,319
Change in working capital	-1,882	-207	-319	2,061	-347	-2,136	127	-296	1,229	-1,076
Interest paid and received	-93	-198	-77	-189	-557	-122	-220	-105	-215	-662
Non-cash items	-36	28	11	-224	-221	-107	-49	-78	-224	-458
Operating cash flow	**824**	**2,575**	**2,654**	**4,876**	**10,929**	**575**	**2,855**	**3,004**	**4,923**	**11,357**
Operating Cash flow/Income before tax excluding items affecting comparability	0.32	0.87	0.91	1.51	0.94	0.22	1.05	0.93	1.40	0.94

CHANGE IN NET DEBT SEK M	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Year 2017**	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**	**Year 2018**
Net debt at beginning of period	23,127	23,339	24,970	25,180	23,127	25,275	27,219	31,454	31,372	25,275
Operating cash flow	-824	-2,575	-2,654	-4,876	-10,929	-575	-2,855	-3,004	-4,923	-11,357
Restructuring payments	84	136	106	286	612	173	166	103	351	793
Tax paid on income	629	961	1,656	-203	3,044	609	986	576	487	2,658
Acquisitions and divestments	461	268	1,741	4,319	6,790	986	1,097	2,610	1,697	6,390
Dividend	-	3,332	-	-	3,332	-	3,666	-	-	3,666
Actuarial gain/loss on post-employment benefit obligations	-34	99	-50	-40	-26	-35	20	-21	-3	-39
Exchange rate differences, etc.	-104	-590	-590	608	-676	787	1,157	-348	266	1,862
Net debt at end of period	**23,339**	**24,970**	**25,180**	**25,275**	**25,275**	**27,219**	**31,454**	**31,372**	**29,246**	**29,246**
Net debt/Equity	0.48	0.54	0.53	0.50	0.50	0.50	0.65	0.63	0.56	0.56

NET DEBT SEK M	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**
Non-current interest-bearing receivables	-41	-39	-212	-171	-113	-120	-96	-106
Current interest-bearing investments including derivatives	-113	-211	-161	-150	-277	-284	-211	-188
Cash and cash equivalents	-697	-844	-440	-459	-551	-496	-559	-538
Pension provisions	3,058	3,109	2,929	2,933	2,971	3,102	2,873	2,880
Other non-current interest-bearing liabilities	16,232	17,450	16,728	16,859	18,425	20,194	19,067	19,489
Current interest-bearing liabilities including derivatives	4,901	5,505	6,336	6,263	6,763	9,059	10,297	7,710
Total	**23,339**	**24,970**	**25,180**	**25,275**	**27,219**	**31,454**	**31,372**	**29,246**

CAPITAL EMPLOYED AND FINANCING SEK M	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**
Capital employed	72,333	71,349	72,477	75,932	81,139	79,733	81,412	81,146
- of which goodwill	47,438	46,252	46,573	50,330	51,956	50,590	52,169	53,413
- of which other intangible assets and property, plant and equipment	17,595	17,309	17,032	19,144	20,019	19,011	19,052	19,637
- of which investments in associates	2,176	2,193	2,147	2,243	2,385	2,391	2,383	2,434
Net debt	23,339	24,970	25,180	25,275	27,219	31,454	31,372	29,246
Non-controlling interests	4	5	5	9	9	11	11	10
Equity attributable to the Parent company´s shareholders	48,989	46,374	47,292	50,648	53,911	48,268	50,030	51,890

DATA PER SHARE SEK	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Year 2017**	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**	**Year 2018**
Earnings per share before and after dilution	1.73	1.96	1.94	2.15	7.77	1.77	-2.90	2.15	1.46	2.48
Earnings per share before and after dilution and excluding items affecting comparability	1.73	1.96	1.94	2.15	7.77	1.77	1.84	2.15	2.33	8.09
Shareholders' equity per share after dilution	44.10	41.75	42.58	45.60	45.60	48.53	43.45	45.04	46.71	46.71

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

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Reporting by division

Q4 and 31 Dec

	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	4,767	5,409	4,228	5,151	2,251	2,438	2,817	3,579	6,046	6,590	0	0	20,109	23,167
Sales, internal	102	76	16	22	150	317	18	23	26	26	-310	-465	-	-
Sales	**4,869**	**5,485**	**4,243**	**5,173**	**2,400**	**2,756**	**2,835**	**3,602**	**6,072**	**6,616**	**-310**	**-465**	**20,109**	**23,167**
Organic growth	5%	3%	4%	14%	3%	11%	9%	8%	3%	2%	-	-	5%	6%
Acquisitions and disposals	2%	5%	1%	0%	0%	0%	2%	11%	5%	1%	-	-	3%	3%
Exchange-rate effects	0%	5%	-8%	8%	-4%	4%	-6%	8%	-3%	6%	-	-	-5%	6%
Share of earnings in associates	-	-	-	-	9	-2	-	3	34	33	-	-	43	35
Operating income (EBIT) excl. items affecting comparability	**842**	**911**	**847**	**1,027**	**232**	**264**	**608**	**716**	**966**	**998**	**-136**	**-171**	**3,359**	**3,746**
Operating margin (EBIT) excl. items affecting comparability[1]	17.3%	16.6%	19.9%	19.9%	9.7%	9.6%	21.5%	19.9%	15.9%	15.1%	-	-	16.7%	16.2%
Restructuring costs	-	-438	-	-225	-	-130	-	-218	-	-108	-	-100	-	-1,218
Operating income (EBIT)	**842**	**472**	**847**	**803**	**232**	**135**	**608**	**499**	**966**	**891**	**-136**	**-271**	**3,359**	**2,528**
Operating margin (EBIT)	17.3%	8.6%	19.9%	15.5%	9.7%	4.9%	21.5%	13.8%	15.9%	13.5%	-	-	16.7%	10.9%
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	22.9%	20.6%	21.6%	22.4%	7.5%	13.5%	17.5%	15.3%	20.2%	18.8%	-	-	18.0%	18.1%
Operating income (EBIT)	842	472	847	803	232	135	608	499	966	891	-136	-271	3,359	2,528
Restructuring costs	-	438	-	225	-	130	-	218	-	108	-	100	-	1,218
Impairment of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	101	120	83	92	80	66	109	147	54	76	4	9	430	510
Net capital expenditure	-175	-139	-123	-88	-61	150	-92	-67	-106	33	-4	-13	-561	-124
Change in working capital	721	431	279	182	491	125	165	150	260	116	144	224	2,061	1,229
Cash flow	**1,489**	**1,323**	**1,085**	**1,214**	**742**	**606**	**791**	**947**	**1,174**	**1,224**	**9**	**49**	**5,289**	**5,361**
Non-cash items											-224	-224	-224	-224
Interest paid and received											-189	-215	-189	-215
Operating cash flow													**4,876**	**4,923**

Q1-Q4 and 31 Dec

	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	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 Q4

	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	4,211	4,765	12	10	114	137	688	880	3,061	3,230	-138	-166	7,948	8,854
North America	141	166	3,806	4,718	143	288	1,241	1,689	2,490	2,831	-114	-234	7,707	9,458
Central- and South America	31	29	401	405	12	10	104	155	37	20	-8	-7	578	612
Africa	210	229	4	6	2	3	147	168	14	17	-5	-7	372	416
Asia	251	275	19	31	1,679	1,857	570	644	339	390	-21	-31	2,837	3,167
Oceania	25	21	1	3	450	460	84	66	131	128	-25	-19	667	660
Total	**4,869**	**5,485**	**4,243**	**5,173**	**2,400**	**2,756**	**2,835**	**3,602**	**6,072**	**6,616**	**-310**	**-465**	**20,109**	**23,167**

Sales by continent Q1-Q4

	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	15,677	17,597	49	43	485	551	2,725	3,016	10,611	11,397	-587	-663	28,961	31,941
North America	582	606	16,160	18,071	563	923	4,510	5,718	9,239	10,405	-420	-688	30,635	35,036
Central- and South America	98	100	1,619	1,582	43	48	363	493	84	89	-31	-35	2,176	2,278
Africa	686	840	23	14	9	15	349	441	57	60	-24	-28	1,099	1,342
Asia	943	951	83	99	6,311	6,610	2,106	2,008	1,269	1,302	-95	-126	10,617	10,843
Oceania	93	106	6	8	1,800	1,802	319	275	521	508	-90	-91	2,649	2,608
Total	**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**

Sales by product group Q4

	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	2,465	2,646	1,764	1,959	1,192	1,298	9	3	4	2	-154	-164	5,279	5,744
Electromechanical and electronic locks	1,551	1,855	703	1,195	484	705	2,826	3,599	189	225	-116	-258	5,637	7,321
Security doors and hardware	770	899	1,766	2,005	721	749	-	0	-	-	-14	-15	3,243	3,638
Entrance automation	83	85	11	13	4	3	-	-	5,879	6,390	-27	-27	5,949	6,464
Total	**4,869**	**5,485**	**4,243**	**5,173**	**2,400**	**2,756**	**2,835**	**3,602**	**6,072**	**6,616**	**-310**	**-465**	**20,109**	**23,167**

Sales by product group Q1-Q4

	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	9,391	10,076	7,304	7,650	4,711	4,978	32	11	9	9	-651	-678	20,796	22,046
Electromechanical and electronic locks	5,624	6,605	2,659	3,876	1,827	2,332	10,340	11,938	704	891	-436	-779	20,717	24,863
Security doors and hardware	2,760	3,155	7,935	8,220	2,662	2,627	-	2	-	-	-56	-70	13,301	13,933
Entrance automation	306	365	42	70	12	12	-	-	21,068	22,862	-105	-103	21,322	23,205
Total	**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**

NOTE 2 BUSINESS COMBINATIONS

	Q4		Q1-Q4	
SEK M	**2017**	**2018**	**2017**	**2018**
Purchase prices				
Cash paid for acquisitions during the year	4,345	1,601	6,501	5,602
Holdbacks and deferred considerations for acquisitions during the year	146	387	365	1,152
Adjustment of purchase prices for acquisitions in prior years	14	0	18	-2
Total	**4,504**	**1,987**	**6,885**	**6,752**
Acquired assets and liabilities at fair value				
Intangible assets	1,690	702	1,843	1,428
Property, plant and equipment	4	69	94	214
Financial assets	9	3	34	222
Inventories	70	92	232	555
Current receivables and investments	97	143	416	643
Cash and cash equivalents	3	72	187	437
Non-controlling interests	-3	-	-3	-
Non-current liabilities	-100	48	-289	-258
Current liabilities	-92	-132	-592	-1,521
Total	**1,678**	**996**	**1,922**	**1,720**
Goodwill	**2,826**	**991**	**4,962**	**5,032**
Change in cash and cash equivalents due to acquisitions				
Cash paid for acquisitions during the year	4,345	1,601	6,501	5,602
Cash and cash equivalents in acquired subsidiaries	-3	-72	-187	-437
Paid considerations for acquisitions in prior years	9	79	511	339
Total	**4,351**	**1,609**	**6,825**	**5,503**

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

31 December 2018			Financial instruments at fair value		
SEK M	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets at amortized cost	15,248	15,248			
Financial assets at fair value through profit and loss	8	8			
Derivatives - hedge accounting	68	68		68	
Derivatives - held for trading	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	

31 December 2017			Financial instruments at fair value		
SEK M	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Loans and other receivables	13,785	13,785			
Financial assets at fair value through profit and loss	39	39		39	
Available-for-sale financial assets	11	11			
Derivative instruments - hedge accounting	68	68		68	
Financial liabilities					
Financial liabilities at amortized cost	30,821	30,831			
Financial liabilities at fair value through profit and loss	1,559	1,559			1,559
Derivatives - hedge accounting	11	11		11	
Derivatives - held for trading	100	100		100	

New accounting standards and standards not yet effective

IFRS 9 'Financial Instruments'

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities and replaces the parts of IAS 39 that relate to these areas. 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 costs 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 is being adopted by the Group from 1 January 2019. From this date, all lease contracts, except short-term contracts and lease contracts where the underlying asset is of low value, are to be reported in the Group's balance sheet. According to the standard, an asset, a right-to-use relating to the leased asset, and a financial liability representing the obligation to make lease payments should all be reported. The Group's total lease liability at 1 January 2019 amounts to about SEK 3.8 billion, including liability for financial lease contracts of SEK 91 M reported in accordance with IAS 17. The group has applied the cumulative catch-up approach as transition method and does not restate any comparative information.

The Group's assessment is that the new rules will have a slight positive impact on operating income. No significant effect on the year's net income is expected.

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 will be 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
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.