

Interim Report

Q3 2017

20 October 2017

ASSA ABLOY

The global leader in
door opening solutions

Organic growth in all divisions for ASSA ABLOY

Third quarter

- Net sales increased by 3% to SEK 18,499 M (18,025), with organic growth of 3% (2) and acquired growth of 2% (2)
- Strong growth was shown by Global Technologies and good growth by EMEA, Americas, Entrance Systems and Asia Pacific, despite weak China
- Contracts have been signed for the acquisition of five companies with expected combined annual sales of about SEK 1,200 M
- Global Technologies' project business, AdvanIDe, has been sold. The business had annual sales of about SEK 1,250 M
- Operating income (EBIT) increased by 2% to SEK 3,080 M (3,020). The operating margin was 16.7% (16.8)
- Net income amounted to SEK 2,153 M (2,122)
- Earnings per share increased by 1% to SEK 1.94 (1.91)
- Operating cash flow decreased by 6% to SEK 2,654 M (2,830)
- President and CEO Johan Molin is considering leaving ASSA ABLOY during 2018.

Organic growth

+3%

Operating income

+2%

Earnings per share

+1%

Sales and income

	Third quarter			January-September		
	2016	2017	Δ	2016	2017	Δ
Sales, SEK M	18,025	18,499	3%	51,809	56,028	8%
Of which:						
Organic growth	307	590	3%	1,308	1,956	4%
Acquisitions and divestments	429	373	2%	1,512	1,273	2%
Exchange-rate effects	-176	-488	-2%	-810	990	2%
Operating income (EBIT), SEK M	3,020	3,080	2%	8,340	8,982	8%
Operating margin (EBIT), %	16.8%	16.7%		16.1%	16.0%	
Income before tax, SEK M	2,844	2,910	2%	7,782	8,447	9%
Net income, SEK M	2,122	2,153	1%	5,786	6,250	8%
Operating cash flow, SEK M	2,830	2,654	-6%	5,846	6,053	4%
Earnings per share (EPS), SEK	1.91	1.94	1%	5.21	5.63	8%

Comments by the President and CEO

“ASSA ABLOY grew organically by 3% in the third quarter,” says Johan Molin, President and CEO. This is good growth considering that we had one working day less in the quarter. Global Technologies had strong organic growth of 6%. EMEA grew by 4%, Americas by 3%, Entrance Systems by 2% and Asia Pacific by 2%. In general, demand continues to be good. In Europe we saw a strong sales trend in areas including eastern Europe, southern Europe and France. In Asia Pacific we achieved strong growth in Pacific, South Korea and southern Asia. However, China remains challenging and our sales continued to decline.

“The positive trend for our electromechanical solutions is continuing, with strong growth on most markets. Our mobile key systems for both hotels and companies are achieving great success, and sales of smart door locks for the private residential market are also showing good growth.

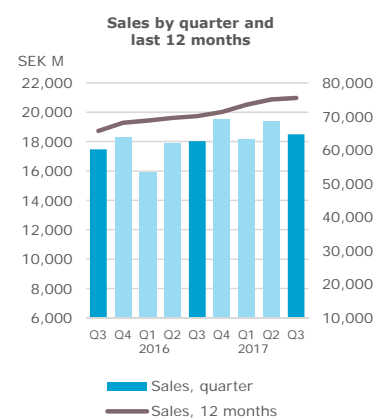
“I am pleased to report that we are continuing to launch a large number of new products and solutions, many with energy-efficiency features. One example is our new electromechanical cylinder which auto-generates the electricity needed for a secure passage. These new locking solutions have very large potential, and we are seeing just the start of a long period of growth in electromechanical solutions

“We have also signed contracts for the acquisition of five companies, including Mercury Security, a leading OEM supplier of control equipment for access-control systems, and August Home, a leading smart lock business in the US. Mercury significantly strengthens the ASSA ABLOY Group’s position in access-control systems. August constitutes a strategic addition to the Group and reinforces our position in the residential smart door market. During the quarter too, the project business AdvanIDe, which has limited synergies with the rest of our business, was sold.

“Operating income for the quarter increased by 2% and amounted to SEK 3,080 M, with an operating margin of 16.7% (16.8). The margin improved in EMEA, Americas and Entrance Systems but was lower for Global Technologies and for Asia Pacific.

“My judgment is that the global economic trend has improved to some degree compared with last year. On most markets there is a positive trend, but on some markets, such as China and Brazil, demand remains weak. However, our strategy of expanding our market presence, even on the emerging markets, remains unchanged. We are also continuing our investments in new products, especially in the growth area of electromechanicals.”

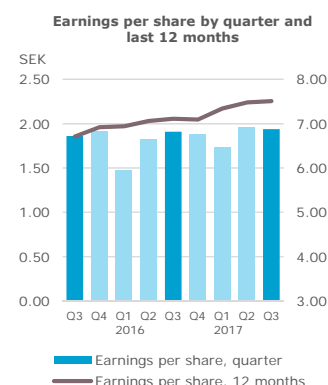
“I have informed the Board of Directors that I am considering passing on the baton as President and CEO of ASSA ABLOY to someone else during 2018. It has been wonderfully stimulating to have been able to lead ASSA ABLOY for more than twelve years on the journey of acquisition and change that we have undertaken. Today ASSA ABLOY is the market leader in the whole field of door opening solutions as a result of our clear strategy, innovative products and competent employees.”



Third quarter

The Group's sales amounted to SEK 18,499 M (18,025). Organic growth amounted to 3% (2). Acquisitions and disposals contributed a net 2% (2). Exchange-rate effects affected sales by SEK -488 M (-176), equivalent to -2% (-1). Operating income before depreciation and amortization, EBITDA, amounted to SEK 3,488 M (3,425). The corresponding EBITDA margin was 18.9% (19.0). The Group's operating income, EBIT, amounted to SEK 3,080 M (3,020), an increase of 2%. The operating margin was 16.7% (16.8).

Net financial items amounted to SEK -171 M (-175). The Group's income before tax was SEK 2,910 M (2,844), an increase of 2% compared with last year. Exchange-rate effects had an impact of SEK -74 M (1) on income before tax. The profit margin was 15.7% (15.8). The underlying estimated effective tax rate on an annual basis was 26% (26). Earnings per share amounted to SEK 1.94 (1.91), an increase of 1% compared with last year.



First nine months of the year

The Group's sales for the first nine months of 2017 totaled SEK 56,028 M (51,809), representing an increase of 8%. Organic growth was 4% (3). Acquisitions and disposals contributed a net 2% (3). Exchange-rate effects affected sales by SEK 990 M (-810), equivalent to 2% (-2), compared with the previous year.

Operating income before depreciation and amortization, EBITDA, amounted to SEK 10,239 M (9,517). The corresponding margin was 18.3% (18.4). The Group's operating income, EBIT, amounted to SEK 8,982 M (8,340), which was an increase of 8% compared with last year. The corresponding operating margin was 16.0% (16.1).

Earnings per share amounted to SEK 5.63 (5.21), an increase of 8% compared with last year. Operating cash flow totaled SEK 6,053 M (5,846).

Restructuring measures

Payments related to all current restructuring programs amounted to SEK 106 M (61) in the quarter. The restructuring programs proceeded according to plan and led to a reduction in personnel of 364 people during the quarter and 12,841 people since the projects began in 2006.

At the end of the period, provisions of SEK 1,212 M remained in the balance sheet for carrying out the programs.

Organization

Johan Molin, President and CEO of ASSA ABLOY, has informed the Board of Directors that he is considering leaving his post as President and CEO of ASSA ABLOY during 2018. The Board has begun the task of assessing possible successors to Johan Molin.

Anders Maltesen has been appointed Executive Vice President and Head of Asia Pacific Division from 1 September 2017. He succeeds Magnus Kagevik, who is leaving the ASSA ABLOY Group. Anders Maltesen has worked in Asia for more than 25 years, principally in China, and has served in various posts in GE Energy, Power Services and Alstom Thermal Services. Anders Maltesen has Bachelor degrees in both marketing and financial and management accounting.

Mogens Jensen has been appointed Executive Vice President and Head of Entrance Systems Division from 1 January 2018. He succeeds Juan Vargues, who is leaving the ASSA ABLOY Group for another post. Mogens Jensen has worked at ASSA ABLOY since 2003 and has recently served as Head of the IDDS business unit within Entrance Systems. Mogens Jensen is a mechanical engineer and has an MBA.

Ulf Södergren, Executive Vice President and Technical Director, has decided to retire during 2018 when he reaches the age of 65. The process of finding his successor has begun.

Tax matters

The Finnish Tax Administration decided in 2015 not to allow tax relief for interest costs in ASSA ABLOY's Finnish business for the years 2008-2012.

The decision was appealed to a superior court and a new judgment, in ASSA ABLOY's favor, has now been received. The total exposure to tax amounts to about SEK 750 M. ASSA ABLOY's opinion is that the judgment will not affect the Group's income.

The Stockholm Administrative Court of Appeal decided in June 2017 not to allow tax deductions for interest costs relating to one of the Group's subsidiaries for the years 2008-2012 on the grounds that the deductions were wrongly allocated. The judgment will have no impact on the year's net income, but related tax payments of SEK 847 M have been made during the third quarter.

Comments by division

EMEA

Sales for the quarter in EMEA division totaled SEK 4,278 M (4,042), with organic growth of 4% (2). Growth was strong in Finland, United Kingdom and eastern Europe. Scandinavia, Germany, Benelux, France, southern Europe and Africa had good growth, while the Middle East had negative sales growth. The positive trend for electromechanical products continued. Acquired growth was 3%. Operating income totaled SEK 717 M (673), which represented an operating margin (EBIT) of 16.8% (16.7). Return on capital employed amounted to 19.2% (18.5). Operating cash flow before interest paid totaled SEK 640 M (402).

Americas

Sales for the quarter in Americas division totaled SEK 4,426 M (4,422), with organic growth of 3% (5). Growth was strong for Perimeter protection, for Canada and for South America apart from Brazil. Sales growth was good for Traditional lock products, High-security products and Security doors. Sales in Mexico were stable, but growth was negative in Brazil and for the Private residential market in the USA. Acquired growth was 1%. Operating income totaled SEK 966 M (959), which represented an operating margin (EBIT) of

21.8% (21.7). Return on capital employed amounted to 25.9% (25.9). Operating cash flow before interest paid totaled SEK 1,046 M (1,018).

Asia Pacific

Sales for the quarter in Asia Pacific division totaled SEK 2,448 M (2,486), with organic growth of 2% (-7). Strong growth was achieved in Japan, South Korea, southern Asia and Pacific. Sales in China fell, mainly because of a significant decline for fire and security doors. Smart door-locks grew strongly in the region. Acquired growth was 0%. Operating income totaled SEK 277 M (306), which represented an operating margin (EBIT) of 11.3% (12.3). Return on capital employed amounted to 9.3% (9.8). Operating cash flow before interest paid totaled SEK 155 M (653).

Global Technologies

Sales for the quarter in Global Technologies division totaled SEK 2,417 M (2,439), with organic growth of 6% (7). Access control, Secure issuance and Citizen ID had strong growth within HID Global. Identification technology was unchanged and Identity & Access Management had a negative trend. Hospitality showed continued strong growth. Acquired/disposed growth was -3% net. Operating income amounted to SEK 431 M (442), which represented an operating margin (EBIT) of 17.8% (18.1). Return on capital employed amounted to 14.6% (16.6). Operating cash flow before interest paid totaled SEK 373 M (517).

Entrance Systems

Sales for the quarter in Entrance Systems division totaled SEK 5,242 M (4,960), with organic growth of 2% (4). Door automation, Door components and Industrial doors in the USA had strong growth. High-speed doors and Garage doors in the USA had good growth. Sales of Industrial doors and Gate automation in Europe were stable. Acquired growth was 6%. Operating income totaled SEK 762 M (709), which represented an operating margin (EBIT) of 14.5% (14.3). Return on capital employed amounted to 15.7% (15.2). Operating cash flow before interest paid totaled SEK 593 M (617).

Acquisitions and disposals

A total of seven acquisitions were consolidated during the quarter. The combined acquisition price for the 14 companies acquired during the year so far amounted to SEK 2,400 M, and preliminary acquisition analyses indicate that goodwill and other intangible assets with indefinite useful life amount to SEK 2,209 M. The acquisition price is adjusted for acquired net debt and estimated deferred considerations. Estimated deferred considerations amounted to SEK 220 M.

On 19 October it was announced that ASSA ABLOY had signed a contract to acquire August Home, a leading smart lock business in the US. August has approximately 90 employees and sales in 2018 are expected to amount to USD 60 million (approx. SEK 500 million).

On 19 September it was announced that ASSA ABLOY had signed a contract to acquire Mercury Security in the USA, a leading OEM supplier of control systems for physical access control. The company has 45 employees and its sales in 2017 are expected to amount to SEK 500 M.

On 10 August it was announced that ASSA ABLOY had sold its project business within Global Technologies, AdvanIDe. The business's annual sales total about SEK 1,250 M. The disposal will have a positive effect on the Group's operating margin in the future.

Sustainable development

Sustainability is an integral part of the Group's various working processes. In order to spread good attitudes and increase workers' involvement and knowledge, HID Global has gradually introduced a working method called HID Green Team Program during a period of just over a year. The program takes a practical approach and focuses on some important areas for the Group's environmental work, such as reduced energy consumption, water consumption and waste generation together with recycling. There is a manual for each area, with good examples and suggestions of what can be done to reduce environmental impact. Workers in sales companies, offices and factories can register their interest in taking part in their groups' activities. At present HID Global has 22 Green Teams active in various sales companies and factories around the world. Their activities have led to increased involvement from workers and reduced environmental impact.

HID Global's Green Team Program has aroused great interest from the Group's Divisions. It has therefore been decided to convert HID Global's manual into a Group-wide manual during 2017. Each Division individually will prioritize the offices, sales companies and factories where Green Teams will be started up, with the aim of reducing environmental impact in the Group as a whole.

Parent company

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 2,620 M (2,428) for the first nine months of the year. Operating income for the same period amounted to SEK 940 M (787). Investments in tangible and intangible assets totaled SEK 14 M (196). Liquidity is good and the equity ratio was 42.5% (42.3).

Accounting principles

ASSA ABLOY applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. Significant accounting and valuation principles are detailed on pages 68-73 of the 2016 Annual Report. This Report was prepared in accordance with IAS 34 'Interim Financial Reporting' and the Annual Accounts Act. The Interim Report for the Parent company was prepared in accordance with the Annual Accounts Act and RFR 2 'Reporting by a Legal Entity'.

The new standards IFRS 9 (Financial instruments) and IFRS 15 (Revenue from Contracts with Customers) are to be applied from the financial year beginning 1 January 2018, while IFRS 16 (Leases) takes effect on 1 January 2019. Earlier application is allowed for all standards. The project that began last year because of the introduction of IFRS 15 has proceeded according to plan during 2017 with evaluation and analysis of possible effects on each division. The Group's earlier judgment that the standards will have little or no impact on the Group's income and financial position remains unchanged.

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 Quarterly 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 2016 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 2016 Annual Report.

Review

The Company’s Auditors have not carried out any review of this Report for the third quarter of 2017.

Stockholm, 20 October 2017

Johan Molin
President and CEO

Financial information

The Year-end Report and Quarterly Report for the fourth quarter will be published on 6 February 2018.

A capital markets day will be held on 15 November 2017 in Stockholm, Sweden.

Further information can be obtained from:

Johan Molin,
President and CEO, Tel: +46 8 506 485 42

Carolina Dybeck Happe,
Chief Financial Officer, Tel: +46 8 506 485 72

ASSA ABLOY is holding an **analysts' meeting at 10.00 today**
at Operaterrassen in Stockholm, Sweden.

The analysts' meeting can also be followed on the Internet at www.assaabloy.com.

It is possible to submit questions by telephone on:
+46 8 5055 6476, +44 203 364 5371 or +1 877 679 2993.

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 20 October 2017.

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

Klarabergsviadukten 90, Stockholm,
Sweden

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

Corporate identity number: 556059-3575

No. 18/2017

Financial information – Group

CONSOLIDATED INCOME STATEMENT

SEK M	Q3		Q1-Q3	
	2016	2017	2016	2017
Sales	18,025	18,499	51,809	56,028
Cost of goods sold	-10,885	-11,206	-31,344	-33,964
Gross income	7,139	7,293	20,465	22,064
Selling, administrative and R&D costs	-4,151	-4,243	-12,221	-13,169
Share of earnings in associates	31	30	97	86
Operating income	3,020	3,080	8,340	8,982
Finance net	-175	-171	-558	-535
Income before tax	2,844	2,910	7,782	8,447
Tax on income	-739	-757	-2,023	-2,196
Profit from discontinued operations	17	-	27	-
Net income for the period	2,122	2,153	5,786	6,250
Net income for the period attributable to:				
Parent company's shareholders	2,122	2,153	5,786	6,249
Non-controlling interest	0	1	0	1
Earnings per share before and after dilution, SEK	1.91	1.94	5.21	5.63

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q3		Q1-Q3	
	2016	2017	2016	2017
Net income for the period	2,122	2,153	5,786	6,250
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Actuarial gain/loss on post-employment benefit obligations, net after tax	-71	34	-345	-10
Total	-71	34	-345	-10
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates	29	-78	138	-8
Cashflow hedges, net investment hedges and other hedges	-10	6	-15	-31
Exchange rate differences	452	-1,206	834	-2,753
Total	471	-1,278	957	-2,791
Total comprehensive income for the period	2,522	909	6,398	3,449
Total comprehensive income for the period attributable to:				
Parent company's shareholders	2,522	909	6,398	3,448
Non-controlling interest	0	1	0	1

Financial information – Group

CONSOLIDATED BALANCE SHEET SEK M	31 Dec	30 Sep	
	2016	2016	2017
ASSETS			
Non-current assets			
Intangible assets	57,096	54,386	55,764
Property, plant and equipment	8,066	7,955	7,841
Investments in associates	2,109	2,095	2,147
Other financial assets	86	89	255
Deferred tax assets	1,899	1,776	1,651
Total non-current assets	69,257	66,300	67,658
Current assets			
Inventories	9,565	9,738	9,593
Trade receivables	12,648	12,759	12,695
Other current receivables and investments	3,062	3,631	3,746
Cash and cash equivalents	750	604	440
Total current assets	26,025	26,732	26,473
TOTAL ASSETS	95,282	93,032	94,131
EQUITY AND LIABILITIES			
Equity			
Equity attributable to Parent company's shareholders	47,220	44,981	47,292
Non-controlling interest	5	4	5
Total equity	47,224	44,985	47,297
Non-current liabilities			
Long-term loans	16,901	16,205	16,728
Deferred tax liabilities	2,344	2,163	2,179
Other non-current liabilities and provisions	6,701	6,297	4,467
Total non-current liabilities	25,945	24,664	23,374
Current liabilities			
Short-term loans	3,929	6,654	6,200
Trade payables	7,443	6,560	6,374
Other current liabilities and provisions	10,741	10,169	10,886
Total current liabilities	22,112	23,383	23,460
TOTAL EQUITY AND LIABILITIES	95,282	93,032	94,131

CHANGES IN CONSOLIDATED EQUITY SEK M	Equity attributable to:		
	Parent company's shareholders	Non-controlling interest	Total equity
Opening balance 1 January 2016	41,575	4	41,579
Net income for the period	5,786	0	5,786
Other comprehensive income	612	0	612
Total comprehensive income	6,398	0	6,398
Dividend	-2,944	-	-2,944
Stock purchase plans	-49	-	-49
Total transactions with parent company's shareholders	-2,992	-	-2,992
Closing balance 30 September 2016	44,981	4	44,985
Opening balance 1 January 2017	47,220	5	47,224
Net income for the period	6,249	1	6,250
Other comprehensive income	-2,801	0	-2,801
Total comprehensive income	3,448	1	3,449
Dividend	-3,332	-	-3,332
Stock purchase plans	-44	-	-44
Change in non-controlling interest	0	0	0
Total transactions with parent company's shareholders	-3,376	0	-3,376
Closing balance 30 September 2017	47,292	5	47,297

Financial information – Group

CONSOLIDATED CASH FLOW STATEMENT	Q3		Q1-Q3	
	2016	2017	2016	2017
SEK M				
OPERATING ACTIVITIES				
Operating income	3,020	3,080	8,340	8,982
Depreciation and amortization	406	407	1,177	1,258
Restructuring payments	-61	-106	-207	-326
Other non-cash items	-266	11	-309	4
Cash flow before interest and tax	3,098	3,393	9,001	9,917
Interest paid and received	-96	-77	-418	-368
Tax paid on income	-523	-1,656	-2,299	-3,247
Cash flow before changes in working capital	2,479	1,660	6,284	6,303
Changes in working capital	98	-319	-1,877	-2,408
Cash flow from operating activities	2,577	1,340	4,407	3,894
INVESTING ACTIVITIES				
Net investments in intangible assets and property, plant and equipment	-331	-448	-1,067	-1,414
Investments in subsidiaries	-277	-1,759	-1,739	-2,475
Investments in associates	-	0	-1	0
Disposals of subsidiaries	102	98	53	99
Other investments and disposals	0	0	0	0
Cash flow from investing activities	-506	-2,109	-2,753	-3,789
FINANCING ACTIVITIES				
Dividends	0	-	-2,944	-3,332
Acquisition of non-controlling interest	-11	-96	-38	-96
Net cash effect of changes in borrowings	-2,028	472	1,419	3,038
Cash flow from financing activities	-2,040	376	-1,562	-391
CASH FLOW FOR THE PERIOD	32	-393	92	-285
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period	564	844	501	750
Cash flow for the period	32	-393	92	-285
Effect of exchange rate differences	9	-11	12	-25
Cash and cash equivalents in disposal group held for sale	0	-	0	-
Cash and cash equivalents at end of period	604	440	604	440
KEY RATIOS				
		Year	Q1-Q3	
		2016	2016	2017
Return on capital employed, %		14.1	16.4	16.4
Return on capital employed excluding items affecting comparability, %		16.5	16.4	16.4
Return on shareholders' equity, %		15.0	17.8	17.6
Equity ratio, %		49.6	48.4	50.2
Interest coverage ratio, times		14.1	15.9	18.5
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		46,928	46,966	47,393

Financial information – Parent company

INCOME STATEMENT	Year	Q1-Q3	
	2016	2016	2017
SEK M			
Operating income	1,687	787	940
Income before appropriations and tax	2,952	1,741	1,850
Net income for the period	3,619	1,617	1,855

BALANCE SHEET	31 Dec	30 Sep	
	2016	2016	2017
SEK M			
Non-current assets	35,670	35,772	35,786
Current assets	10,548	9,573	10,545
Total assets	46,218	45,346	46,331
Equity	21,190	19,178	19,669
Non-current liabilities	8,894	8,267	9,398
Current liabilities	16,134	17,901	17,264
Total equity and liabilities	46,218	45,346	46,331

Quarterly information – Group

THE GROUP IN SUMMARY	Q1	Q2	Q3	Q4	Q1-Q3	Year	Q1	Q2	Q3	Q1-Q3	Last 12
SEK M	2016	2016	2016	2016	2016	2016	2017	2017	2017	2017	months
Sales	15,891	17,894	18,025	19,484	51,809	71,293	18,142	19,387	18,499	56,028	75,512
Organic growth	3%	4%	2%	1%	3%	2%	6%	2%	3%	4%	
Gross income excluding items affecting comparability	6,295	7,031	7,139	7,660	20,465	28,125	7,190	7,581	7,293	22,064	29,725
Gross margin excluding items affecting comparability	39.6%	39.3%	39.6%	39.3%	39.5%	39.5%	39.6%	39.1%	39.4%	39.4%	39.4%
Operating income before depr. & amort. (EBITDA) excluding items affecting comparability	2,787	3,305	3,425	3,316	9,517	12,833	3,208	3,543	3,488	10,239	13,556
Operating margin (EBITDA)	17.5%	18.5%	19.0%	17.0%	18.4%	18.0%	17.7%	18.3%	18.9%	18.3%	18.0%
Depreciation and amortization	-376	-395	-406	-403	-1,177	-1,580	-421	-429	-407	-1,258	-1,661
Operating income (EBIT) excluding items affecting comparability	2,411	2,910	3,020	2,913	8,340	11,254	2,787	3,114	3,080	8,982	11,895
Operating margin (EBIT)	15.2%	16.3%	16.8%	15.0%	16.1%	15.8%	15.4%	16.1%	16.7%	16.0%	15.8%
Items affecting comparability ¹⁾	-	-	-	-1,597	-	-1,597	-	-	-	-	-1,597
Operating income (EBIT)	2,411	2,910	3,020	1,316	8,340	9,657	2,787	3,114	3,080	8,982	10,298
Operating margin (EBIT)	15.2%	16.3%	16.8%	6.8%	16.1%	13.5%	15.4%	16.1%	16.7%	16.0%	13.6%
Net financial items	-201	-181	-175	-146	-558	-705	-195	-170	-171	-535	-681
Income before tax (EBT)	2,209	2,729	2,844	1,170	7,782	8,952	2,593	2,944	2,910	8,447	9,617
Profit margin (EBT)	13.9%	15.2%	15.8%	6.0%	15.0%	12.6%	14.3%	15.2%	15.7%	15.1%	12.7%
Tax on income	-574	-709	-739	-304	-2,023	-2,328	-674	-765	-757	-2,196	-2,500
Profit from discontinued operations	3	7	17	1	27	28	-	-	-	-	1
Net income for the period	1,638	2,026	2,122	867	5,786	6,653	1,918	2,179	2,153	6,250	7,117
Net income attributable to:											
Parent company's shareholders	1,638	2,026	2,122	866	5,786	6,651	1,919	2,178	2,153	6,249	7,115
Non-controlling interest	0	0	0	1	0	1	0	1	1	1	3
OPERATING CASH FLOW	Q1	Q2	Q3	Q4	Q1-Q3	Year	Q1	Q2	Q3	Q1-Q3	Last 12
SEK M	2016	2016	2016	2016	2016	2016	2017	2017	2017	2017	months
Operating income (EBIT)	2,411	2,910	3,020	1,316	8,340	9,657	2,787	3,114	3,080	8,982	10,298
Restructuring costs	-	-	-	1,597	-	1,597	-	-	-	-	1,597
Depreciation and amortization	376	395	406	403	1,177	1,580	421	429	407	1,258	1,661
Net capital expenditure	-342	-394	-331	-411	-1,067	-1,478	-373	-593	-448	-1,414	-1,825
Change in working capital	-1,836	-139	98	1,939	-1,877	62	-1,882	-207	-319	-2,408	-469
Interest paid and received	-94	-228	-96	-179	-418	-597	-93	-198	-77	-368	-547
Non-cash items	-17	-26	-266	-45	-309	-354	-36	28	11	4	-42
Operating Cash flow²⁾	498	2,519	2,830	4,620	5,846	10,467	824	2,575	2,654	6,053	10,673
Operating Cash flow/Income before tax excluding items affecting comparability ¹⁾	0.23	0.92	0.99	1.67	0.75	0.99	0.32	0.87	0.91	0.72	0.95
CHANGE IN NET DEBT	Q1	Q2	Q3	Q4	Q1-Q3	Year	Q1	Q2	Q3	Q1-Q3	
SEK M	2016	2016	2016	2016	2016	2016	2017	2017	2017	2017	
Net debt at beginning of period	22,269	24,681	27,122	25,571	22,269	22,269	23,127	23,339	24,970	23,127	
Operating cash flow	-498	-2,519	-2,830	-4,620	-5,846	-10,467	-824	-2,575	-2,654	-6,053	
Restructuring payments	95	50	61	235	207	442	84	136	106	326	
Tax paid	1,298	478	523	629	2,299	2,928	629	961	1,656	3,247	
Acquisitions and disposals	1,345	556	145	991	2,045	3,037	461	268	1,741	2,470	
Dividend	-	2,944	-	-	2,944	2,944	-	3,332	-	3,332	
Actuarial gain/loss on post-employment benefit obligation	221	186	105	-374	511	138	-34	99	-50	14	
Net debt of disposal group classified as held for sale	0	0	0	-	-	-	-	-	-	-	
Exchange rate differences and other	-49	746	444	695	1,142	1,836	-104	-590	-590	-1,284	
Net debt at end of period	24,681	27,122	25,571	23,127	25,571	23,127	23,339	24,970	25,180	25,180	
Net debt/Equity ratio	0.58	0.64	0.57	0.49	0.57	0.49	0.48	0.54	0.53	0.53	
NET DEBT	Q1	Q2	Q3	Q4			Q1	Q2	Q3		
SEK M	2016	2016	2016	2016			2017	2017	2017		
Non-current interest-bearing receivables	-34	-36	-41	-41			-41	-39	-212		
Current interest-bearing investments including derivatives	-270	-222	-168	-169			-113	-211	-161		
Cash and cash equivalents	-578	-564	-604	-750			-697	-844	-440		
Pension provisions	3,002	3,258	3,406	3,121			3,058	3,109	2,929		
Other non-current interest-bearing liabilities	15,668	15,805	16,205	16,901			16,232	17,450	16,728		
Current interest-bearing liabilities including derivatives	6,893	8,881	6,773	4,065			4,901	5,505	6,336		
Total	24,681	27,122	25,571	23,127			23,339	24,970	25,180		
CAPITAL EMPLOYED AND FINANCING	Q1	Q2	Q3	Q4			Q1	Q2	Q3		
SEK M	2016	2016	2016	2016			2017	2017	2017		
Capital employed	67,124	69,449	70,555	70,351			72,333	71,349	72,477		
- of which goodwill	43,098	44,387	45,077	47,544			47,438	46,252	46,573		
- of which other intangible assets and property, plant and equipment	16,613	17,036	17,264	17,618			17,595	17,309	17,032		
- of which investments in associates	1,970	2,037	2,095	2,109			2,176	2,193	2,147		
Assets and liabilities of disposal group classified as held for sale	111	126	-	-			-	-	-		
Net debt	24,681	27,122	25,571	23,127			23,339	24,970	25,180		
Non-controlling interest	4	3	4	5			4	5	5		
Shareholders' equity	42,551	42,449	44,981	47,220			48,989	46,374	47,292		
DATA PER SHARE	Q1	Q2	Q3	Q4	Q1-Q3	Year	Q1	Q2	Q3	Q1-Q3	
SEK	2016	2016	2016	2016	2016	2016	2017	2017	2017	2017	
Earnings per share before and after dilution	1.47	1.82	1.91	0.78	5.21	5.99	1.73	1.96	1.94	5.63	
Earnings per share before and after dilution and excluding items affecting comparability ¹⁾	1.47	1.82	1.91	1.88	5.21	7.09	1.73	1.96	1.94	5.63	
Shareholders' equity per share after dilution	38.31	38.22	40.50	42.51	40.50	42.51	44.10	41.75	42.58	42.58	

Reporting by division

Q3 and 30 Sep

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Sales, external	3,966	4,187	4,404	4,409	2,305	2,281	2,414	2,400	4,936	5,223	0	0	18,025	18,499
Sales, internal	75	91	17	17	181	167	25	17	24	19	-323	-311	-	-
Sales	4,042	4,278	4,422	4,426	2,486	2,448	2,439	2,417	4,960	5,242	-323	-311	18,025	18,499
Organic growth	2%	4%	5%	3%	-7%	2%	7%	6%	4%	2%	-	-	2%	3%
Share of earnings in associates	-	-	-	-	5	5	-	-	26	25	-	-	31	30
Operating income (EBIT)	673	717	959	966	306	277	442	431	709	762	-69	-72	3,020	3,080
Operating margin (EBIT)	16.7%	16.8%	21.7%	21.8%	12.3%	11.3%	18.1%	17.8%	14.3%	14.5%	-	-	16.8%	16.7%
Capital employed	14,241	14,254	14,589	14,750	12,578	11,870	10,813	12,137	18,598	18,882	-264	584	70,555	72,477
- of which goodwill	8,071	8,332	10,400	10,016	7,810	7,441	7,791	9,229	11,005	11,554	-	-	45,077	46,573
- of which other intangible assets and property, plant and equipment	3,279	3,395	3,325	3,194	3,928	3,777	2,386	2,370	4,238	4,156	108	140	17,264	17,032
- of which investments in associates	9	9	-	-	495	503	-	12	1,591	1,623	-	-	2,095	2,147
Return on capital employed	18.5%	19.2%	25.9%	25.9%	9.8%	9.3%	16.6%	14.6%	15.2%	15.7%	-	-	17.1%	17.0%
Operating income (EBIT)	673	717	959	966	306	277	442	431	709	762	-69	-72	3,020	3,080
Depreciation and amortization	97	100	97	79	72	78	72	85	63	62	5	4	406	407
Net capital expenditure	-107	-135	-86	-128	-48	-65	-65	-66	-29	-50	4	-6	-331	-448
Change in working capital	-261	-42	47	128	323	-135	68	-76	-125	-182	46	-12	98	-319
Cash flow²⁾	402	640	1,018	1,046	653	155	517	373	617	593	-15	-86	3,192	2,720
Non-cash items	-	-	-	-	-	-	-	-	-	-	-266	11	-266	11
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-96	-77	-96	-77
Operating cash flow²⁾													2,830	2,654

Q1-Q3 and 30 Sep

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Sales, external	12,056	12,962	12,616	13,645	6,251	6,302	6,948	7,484	13,938	15,635	0	0	51,809	56,028
Sales, internal	224	250	66	52	510	508	62	54	79	74	-941	-938	-	-
Sales	12,280	13,212	12,682	13,697	6,762	6,811	7,009	7,538	14,018	15,709	-941	-938	51,809	56,028
Organic growth	3%	3%	6%	4%	-5%	0%	4%	6%	4%	4%	-	-	3%	4%
Share of earnings in associates	-	-	-	-	14	16	-	-	83	70	-	-	97	86
Operating income (EBIT)	1,957	2,148	2,732	2,968	835	702	1,252	1,338	1,865	2,121	-300	-296	8,340	8,982
Operating margin (EBIT)	15.9%	16.3%	21.5%	21.7%	12.3%	10.3%	17.9%	17.8%	13.3%	13.5%	-	-	16.1%	16.0%
Capital employed	14,241	14,254	14,589	14,750	12,578	11,870	10,813	12,137	18,598	18,882	-264	584	70,555	72,477
- of which goodwill	8,071	8,332	10,400	10,016	7,810	7,441	7,791	9,229	11,005	11,554	-	-	45,077	46,573
- of which other intangible assets and property, plant and equipment	3,279	3,395	3,325	3,194	3,928	3,777	2,386	2,370	4,238	4,156	108	140	17,264	17,032
- of which investments in associates	9	9	-	-	495	503	-	12	1,591	1,623	-	-	2,095	2,147
Return on capital employed	18.8%	19.8%	25.7%	25.9%	9.2%	7.8%	16.3%	15.0%	14.2%	14.9%	-	-	16.4%	16.4%
Operating income (EBIT)	1,957	2,148	2,732	2,968	835	702	1,252	1,338	1,865	2,121	-300	-296	8,340	8,982
Depreciation and amortization	298	320	253	251	208	230	221	244	189	201	8	11	1,177	1,258
Net capital expenditure	-303	-396	-282	-343	-174	-276	-173	-205	-131	-168	-4	-26	-1,067	-1,414
Change in working capital	-782	-585	-288	-470	-73	-539	-354	-437	-271	-264	-109	-115	-1,877	-2,408
Cash flow²⁾	1,170	1,488	2,415	2,406	795	117	946	941	1,652	1,891	-405	-426	6,573	6,417
Non-cash items	-	-	-	-	-	-	-	-	-	-	-309	4	-309	4
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-418	-368	-418	-368
Operating cash flow²⁾													5,846	6,053
Average number of employees	10,908	11,186	8,943	8,924	12,665	11,665	3,844	4,257	10,367	11,085	238	276	46,966	47,393

Reporting by division

Year and 31 Dec

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Sales, external	16,220	16,535	15,588	16,963	9,401	8,491	9,031	9,619	17,858	19,685	0	0	68,099	71,293
Sales, internal	304	302	76	81	770	698	69	78	98	104	-1,317	-1,262	-	-
Sales	16,524	16,837	15,665	17,044	10,171	9,189	9,100	9,697	17,957	19,789	-1,317	-1,262	68,099	71,293
Organic growth	4%	3%	7%	5%	-3%	-9%	7%	3%	5%	4%	-	-	4%	2%
Share of earnings in associates	-	-	-	-	16	23	-	-	118	104	-	-	134	127
Operating income (EBIT) excl. items affecting comparability	2,620	2,722	3,363	3,640	1,436	787	1,647	1,752	2,436	2,753	-422	-401	11,079	11,254
Operating margin (EBIT) excl. items affecting comparability	15.9%	16.2%	21.5%	21.4%	14.1%	8.6%	18.1%	18.1%	13.6%	13.9%	-	-	16.3%	15.8%
Capital employed	12,916	13,275	13,908	15,749	11,689	11,803	9,815	11,331	16,030	18,291	-509	-98	63,848	70,351
- of which goodwill	7,857	8,348	9,903	11,012	7,690	7,920	7,437	8,784	9,891	11,480	-	-	42,777	47,544
- of which other intangible assets and property, plant and equipment	3,210	3,296	3,184	3,516	3,908	3,900	2,300	2,499	3,939	4,282	107	125	16,649	17,618
- of which investments in associates	8	9	0	-	452	496	-	-	1,450	1,605	-	-	1,910	2,109
Return on capital employed excl. items affecting comparability	20.4%	19.9%	24.1%	25.0%	12.6%	6.6%	18.8%	16.6%	14.9%	15.7%	-	-	17.8%	16.5%
Operating income (EBIT)	2,620	1,942	3,363	3,606	1,436	529	1,647	1,603	2,436	2,546	-422	-569	11,079	9,657
Depreciation and amortization	398	402	300	330	268	283	232	296	231	257	4	11	1,433	1,580
Net capital expenditure	-349	-472	-326	-372	-238	-211	-212	-238	-94	-157	-24	-28	-1,241	-1,478
Change in working capital	-47	-75	-120	-152	-231	705	-110	-86	63	-141	-57	-188	-502	62
Cash flow²⁾	2,622	2,577	3,217	3,447	1,235	1,564	1,557	1,724	2,637	2,713	-499	-607	10,770	11,418
Non-cash items											-269	-354	-269	-354
Interest paid and received											-548	-597	-548	-597
Operating cash flow²⁾													9,952	10,467
Average number of employees	10,886	10,835	7,957	8,961	13,651	12,481	3,583	3,907	9,686	10,505	231	240	45,994	46,928

¹⁾ Items affecting comparability consist of restructuring costs.

²⁾ Excluding restructuring payments.

Financial information - Notes

NOTE 1 SALES BY CONTINENT

SEK M	Q3		Q1-Q3	
	2016	2017	2016	2017
Europe	6,397	6,771	19,332	21,013
North America	7,427	7,575	20,781	22,928
Central- and South America	529	514	1,454	1,599
Africa	246	275	650	728
Asia	2,751	2,696	7,757	7,780
Pacific	674	669	1,835	1,981
Total	18,025	18,499	51,809	56,028

NOTE 2 BUSINESS COMBINATIONS

SEK M	Q3		Q1-Q3	
	2016	2017	2016	2017
Purchase prices				
Cash paid for acquisitions during the year	216	1,631	1,388	2,156
Holdbacks and deferred considerations for acquisitions during the year	25	63	203	220
Adjustment of purchase prices for acquisitions in prior years	0	0	-91	4
Total	241	1,693	1,500	2,380
Acquired assets and liabilities at fair value				
Intangible assets	67	20	69	153
Property, plant and equipment	-1	72	279	90
Financial assets	0	22	71	25
Inventories	14	94	101	163
Current receivables and investments	20	191	136	318
Cash and cash equivalents	5	147	146	184
Non-current liabilities	-1	-120	-185	-189
Current liabilities	-16	-406	-354	-499
Total	88	19	263	244
Goodwill	153	1,675	1,237	2,136
Change in cash and cash equivalents due to acquisitions				
Cash paid for acquisitions during the year	216	1,631	1,388	2,156
Cash and cash equivalents in acquired subsidiaries	-5	-147	-146	-184
Paid holdbacks and deferred considerations for acquisitions in previous years	65	275	497	502
Total	277	1,759	1,739	2,475

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

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

30 September 2017

SEK M	Carrying amount	Fair value	Financial instruments at fair value		
			Level 1	Level 2	Level 3
Financial assets					
Financial assets at fair value through profit and loss	50	50		50	
Available-for-sale financial assets	11	11			
Loans and other receivables	13,430	13,430			
Derivative instruments - hedge accounting	72	72		72	
Financial liabilities					
Financial liabilities at fair value through profit and loss	1,723	1,723		125	1,598
Financial liabilities at amortized cost	29,301	29,336			
Derivative instruments - hedge accounting	11	11		11	

31 December 2016

SEK M	Carrying amount	Fair value	Financial instruments at fair value		
			Level 1	Level 2	Level 3
Financial assets					
Financial assets at fair value through profit and loss	78	78		78	
Available-for-sale financial assets	11	11			
Loans and other receivables	13,476	13,476			
Derivative instruments - hedge accounting	88	88		88	
Financial liabilities					
Financial liabilities at fair value through profit and loss	2,366	2,366		116	2,250
Financial liabilities at amortized cost	28,272	28,381			
Derivative instruments - hedge accounting	21	21		21	

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 (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 tangible and intangible assets less disposals of tangible and intangible assets.

Depreciation

Depreciation and amortization of intangible and tangible assets.

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.