

# Interim Report

## Q3 2016

21 October 2016

ASSA ABLOY

The global leader in  
door opening solutions

## Stable progress for ASSA ABLOY during the quarter

### Third quarter

- Sales totaled SEK 18,025 M (17,465), with 2% (3) organic growth and 2% (4) acquired growth
- Strong growth for Global Technologies and Americas
- Good growth for Entrance Systems and growth for EMEA
- Negative growth for Asia Pacific due to weak demand in China
- Trojan in the UK was acquired, with expected annual sales of SEK 220 M
- Operating income (EBIT) was SEK 3,020 M (2,970). The operating margin was 16.8% (17.0)
- Net income amounted to SEK 2,122 M (2,069)
- Earnings per share amounted to SEK 1.91 (1.86)
- Operating cash flow increased by 1% to SEK 2,830 M (2,816)

Organic growth

+2%

Operating income

+2%

Earnings per share

+3%

### Sales and income

	Third quarter			January-September		
	2015	2016	Δ	2015	2016	Δ
<b>Sales, SEK M</b>	<b>17,465</b>	<b>18,025</b>	<b>3%</b>	<b>49,799</b>	<b>51,809</b>	<b>4%</b>
Of which:						
Organic growth	471	307	2%	1,807	1,308	3%
Acquisitions and divestments	606	429	2%	1,435	1,512	3%
Exchange-rate effects	1,661	-176	-1%	5,561	-810	-2%
<b>Operating income (EBIT), SEK M</b>	<b>2,970</b>	<b>3,020</b>	<b>2%</b>	<b>8,041</b>	<b>8,340</b>	<b>4%</b>
Operating margin (EBIT), %	17.0%	16.8%		16.1%	16.1%	
Income before tax, SEK M	2,796	2,844	2%	7,531	7,782	3%
Net income, SEK M	2,069	2,122	3%	5,573	5,786	4%
Operating cash flow, SEK M	2,816	2,830	1%	5,327	5,846	10%
<b>Earnings per share (EPS), SEK</b>	<b>1.86</b>	<b>1.91</b>	<b>3%</b>	<b>5.02</b>	<b>5.21</b>	<b>4%</b>

## Comments by the President and CEO

"The third quarter of the year showed satisfactory growth for ASSA ABLOY generally, with the exception of Asia Pacific," says Johan Molin, President and CEO. "In general the mature markets made good progress while the growth markets continued to show subdued demand, apart from Latin America and India.

"In Global Technologies and Americas there was strong growth during the quarter, driven by successful marketing efforts and the launch of innovative new products. Entrance Systems showed good growth. EMEA showed growth despite some impact from a negative calendar effect. Growth in Asia Pacific remained negative because of the weak demand in China.

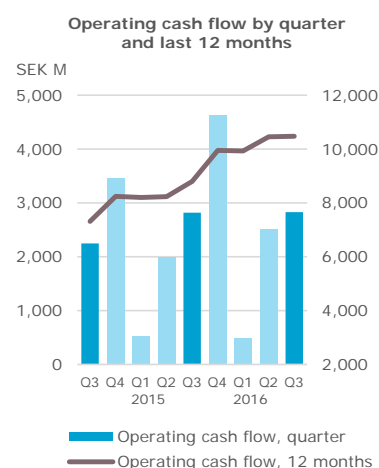
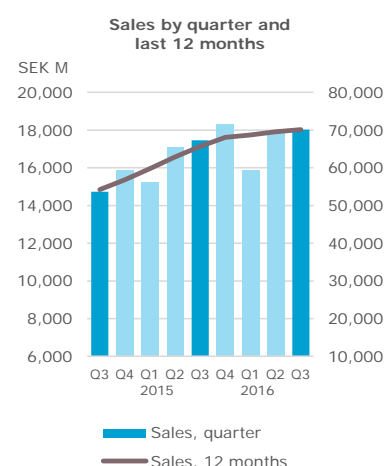
"The organic growth was rather weaker this quarter and amounted to 2%. Operating income remained strong and the operating margin was 16.8% (17.0).

"A number of major exhibitions have taken place during the quarter, with gratifying results. The Group's innovations have once again been honored by the award of several prestigious prizes. The launches of The Security Continuum (a platform-independent series of commercial electronic locks) and Accentra (a cloud-based electronic system for multi-family buildings) were especially acclaimed. Another interesting new series of products that was launched was HID Global's virtual authentication and identification solutions, by which, for example, future driver's licenses can be securely stored on an ordinary smartphone.

"The English company Trojan was acquired during the quarter. The company is a typical example of a complementary acquisition providing high synergies, by which the company's specialized door and window products allow us to offer the British market complete lock and fittings solutions with good profitability.

"Operating income for the quarter amounted to SEK 3,020 M, with an operating margin of 16.8%, mainly due to positive organic growth, lower raw-material costs and other significant savings. Operating cash flow remained strong.

"My judgment is that the global economic trend remains weak, but with a positive trend in America and parts of Europe. Elsewhere, many of the emerging markets are stagnating. However, our strategy of expanding on the emerging markets remains unchanged, since in the long term they are expected to achieve very good economic growth. We are also continuing our investments in new products, especially in the growth area of electromechanics."

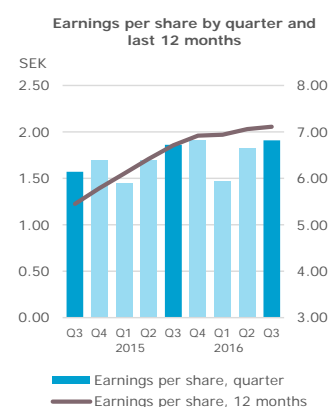


## Third quarter

The Group's sales totaled SEK 18,025 M (17,465). Organic growth amounted to 2% (3). Acquired units contributed 2% (4). Exchange-rate effects had an impact of SEK -176 M (1,661) on sales, equivalent to -1% (12). Operating income before depreciation and amortization, EBITDA, amounted to SEK 3,425 M (3,330). The corresponding EBITDA margin was 19.0% (19.1).

The Group's operating income, EBIT, amounted to SEK 3,020 M (2,970) a rise of 2%. The operating margin was 16.8% (17.0). Adjustment of financial reporting from prior periods for the Chinese operations affected operating income by SEK -260 M. The reversal of deferred acquisition payments in primarily China has been recognized as income of SEK 268 M since the payments are not expected to take place.

Net financial items amounted to SEK -175 M (-174). The Group's income before tax was SEK 2,844 M (2,796), an increase of 2% compared with last year. Exchange-rate effects had an impact of SEK 1 M (220) on income before tax. The profit margin was 15.8% (16.0). The estimated underlying effective tax rate on an annual basis was 26% (26). Earnings per share amounted to SEK 1.91 (1.86), an increase of 3% compared with last year.



## First nine months of the year

The Group's sales for the first nine months of 2016 totaled SEK 51,809 M (49,799), representing an increase of 4%. Organic growth was 3% (4). Acquired units contributed 3% (3). Exchange-rate effects affected sales by SEK -810 M (5,561), equivalent to -2% (14), compared with last year.

Operating income before depreciation and amortization, EBITDA, amounted to SEK 9,517 M (9,106). The corresponding margin was 18.4% (18.3). The Group's operating income, EBIT, amounted to SEK 8,340 M (8,041), which was an increase of 4% compared with last year. The corresponding EBIT operating margin was 16.1% (16.1).

Earnings per share amounted to SEK 5.21 (5.02), a rise of 4% compared with last year. Operating cash flow totaled SEK 5,846 M (5,327).

## Restructuring measures

The planning of a new restructuring program has proceeded during the year. The launch is scheduled for the fourth quarter. The closing of about fifty offices and factories is expected to take place over a period of three years. The cost of the restructuring is estimated to amount to just over SEK 1,500 M, with a payback time (inclusive of investments) of less than three years.

Payments related to all currently existing restructuring programs amounted to SEK 61 M in the quarter. The restructuring programs proceeded according to plan and led to a reduction in personnel of 560 people during the quarter and 11,916 people since the projects began in 2006. At the end of the quarter provisions of SEK 339 M remained in the balance sheet for carrying out the programs.

## Comments by division

### EMEA

Sales for the quarter in EMEA division totaled SEK 4,042 M (4,100), with organic growth of 2% (5). The markets in Scandinavia, Britain and Israel showed strong growth. Germany, Iberia, Benelux and Italy showed good growth. France, Finland, eastern Europe and Africa showed negative growth. The positive trend for electromechanical products continued. Acquired/disposed growth amounted to -2% (5). Operating income totaled SEK 673 M (676), which represented an operating margin (EBIT) of 16.7% (16.5). Return on capital employed amounted to 18.5% (18.3). Operating cash flow before interest paid totaled SEK 402 M (642).

### Americas

Sales for the quarter in Americas division totaled SEK 4,422 M (4,064), with organic growth of 5% (6). Growth was strong for Security doors, Electromechanical products, Mexico and South America, apart from Brazil which showed negative growth. The Residential market, High-security products and Canada showed good growth. Traditional lock products showed growth. Acquired growth amounted to 3% (2). Operating income totaled SEK 959 M (884), which represented an operating margin (EBIT) of 21.7% (21.8). Return on capital employed amounted to 25.9% (25.5). Operating cash flow before interest paid totaled SEK 1,018 M (944).

### Asia Pacific

Sales for the quarter in Asia Pacific division totaled SEK 2,486 M (2,951), with organic growth of -7% (-3). The Pacific showed good growth, while the trend was positive in Korea and stable in South-East Asia. In China demand diminished, with organic growth of -12%. Acquired growth amounted to 0% (10). Operating income totaled SEK 306 M (464), which represented an operating margin (EBIT) of 12.3% (15.7). Return on capital employed amounted to 9.8% (15.1). Operating cash flow before interest paid totaled SEK 653 M (317).

### Global Technologies

Sales for the quarter in Global Technologies division totaled SEK 2,439 M (2,210), with organic growth of 7% (0). IAM Solutions, Government ID, AdvanIDe and Identification Technology (IDT) showed strong growth within HID Global. Access Control (PACS) showed good growth. Hospitality showed a stable sales level. Acquired growth amounted to 5% (0). Operating income amounted to SEK 442 M (410), which represented an operating margin (EBIT) of 18.1% (18.6). Return on capital employed amounted to 16.6% (16.3). Operating cash flow before interest paid totaled SEK 517 M (566).

## Entrance Systems

Sales for the quarter in Entrance Systems division totaled SEK 4,960 M (4,494), with organic growth of 4% (6). Door automation, Amarr, High-speed doors and FlexiForce showed strong growth while growth for Industrial doors and 4Front was good. Sales weakened for Ditec and Private residential doors in Europe. Acquired growth amounted to 6% (1). Operating income totaled SEK 709 M (623), which represented an operating margin (EBIT) of 14.3% (13.9). Return on capital employed amounted to 15.2% (14.7). Operating cash flow before interest paid totaled SEK 617 M (590).

## Acquisitions and disposals

A total of two minor acquisitions were consolidated during the quarter. The combined acquisition price for the companies acquired in the first nine months of the year amounted to SEK 1,687 M, and preliminary acquisition analyses indicate that goodwill and other intangible assets with indefinite useful life amount to SEK 1,196 M. The acquisition price is adjusted for acquired net debt and estimated deferred considerations. Estimated deferred considerations amount to SEK 203 M.

On 20 October it was announced that ASSA ABLOY acquired Trojan in the UK, a leading company in the door and window segment for the residential market. The company has 65 employees and its sales in 2016 are expected to amount to SEK 220 M.

The contract for the sale of the Group's Car Locks business was signed with the Japanese company Alpha Corporation in March. The transaction was completed in September 2016 after approval by the appropriate authorities. From 1 January the business was reclassified under 'Assets held for sale' in accordance with IFRS 5. As a result, sales for the year fell by SEK 424 M compared with the previous year. The disposal involves a small capital gain, which is reported as net income of disposal group classified as held for sale.

## Sustainable development

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

Several units have introduced improved systems to measure and control the temperature of their buildings. At the beginning of 2015 a new control system was installed at EMEA's factory in Portobello in the UK. Accurate measurement of both indoor and outdoor temperatures produces control by means of many small adjustments towards the target values for each section of the factory. The system reuses warm air in the ventilation system and automatically reduces the temperature when the factory is not in operation. The system is aware when external doors or shutters are open, and closes down the heating temporarily in order to minimize energy losses. The new system has reduced energy consumption for heating by over 30%.

A similar system was installed in February 2016 at ASSA ABLOY's factory in Cheltenham in the UK. The energy usage for heating the 5,500-square-meter premises has been reduced by over 30% this year.

## Parent company

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 2,428 M (1,980) for the first nine months of the year. Operating income for the same period amounted to SEK 787 M (508). Investments in tangible and intangible assets totaled SEK 196 M (18). Liquidity is good and the equity ratio was 42.3% (41.6).

## 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 92-97 of the 2015 Annual Report. This Interim Report was prepared in accordance with IAS 34 'Interim Financial Reporting' and the Annual Accounts Act. The Interim Report for the Parent company was prepared in accordance with the Annual Accounts Act and RFR 2 'Reporting by a Legal Entity'.

ASSA ABLOY makes use of a number of financial performance measures that are not defined in the reporting rules that the company uses – so-called 'alternative performance measures'. For definitions of financial performance measures, refer to Page 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 2015 appear on the company's website [www.assaabloy.com](http://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 2015 Annual Report.

## Review

The Company's Auditors have not carried out any review of this Report for the third quarter of 2016.

Stockholm, 21 October 2016

Johan Molin  
President and CEO

## Financial information

The Year-end Report and Quarterly Report for the fourth quarter will be published on 2 February 2017.

A capital markets day will be held on 16 November 2016 in Stockholm, Sweden.

## Further information can be obtained from:

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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](http://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 21 October 2016.*

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No. 14/2016



## Financial information – Group

## CONSOLIDATED INCOME STATEMENT

SEK M	Q3		Q1-Q3	
	2015	2016	2015	2016
Sales	17,465	18,025	49,799	51,809
Cost of goods sold	-10,707	-10,885	-30,449	-31,344
<b>Gross income</b>	<b>6,758</b>	<b>7,139</b>	<b>19,349</b>	<b>20,465</b>
Selling, administrative and R&D costs	-3,817	-4,151	-11,413	-12,221
Share of earnings in associates	30	31	106	97
<b>Operating income</b>	<b>2,970</b>	<b>3,020</b>	<b>8,041</b>	<b>8,340</b>
Financial items	-174	-175	-510	-558
<b>Income before tax</b>	<b>2,796</b>	<b>2,844</b>	<b>7,531</b>	<b>7,782</b>
Tax on income	-727	-739	-1,958	-2,023
Net income of disposal group classified as held for sale	-	17	-	27
<b>Net income for the period</b>	<b>2,069</b>	<b>2,122</b>	<b>5,573</b>	<b>5,786</b>
<b>Net income attributable to:</b>				
Parent company's shareholders	2,069	2,122	5,573	5,786
Non-controlling interest	0	0	0	0
<b>Earnings per share</b>				
before dilution, SEK	1.86	1.91	5.02	5.21
after dilution, SEK	1.86	1.91	5.02	5.21

## STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q3		Q1-Q3	
	2015	2016	2015	2016
<b>Net income</b>	<b>2,069</b>	<b>2,122</b>	<b>5,573</b>	<b>5,786</b>
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Actuarial gain/loss on post-employment benefit obligations, net after tax	133	-71	22	-345
<b>Total</b>	<b>133</b>	<b>-71</b>	<b>22</b>	<b>-345</b>
<b>Items that may be reclassified subsequently to profit or loss</b>				
Share of other comprehensive income of associates	49	29	22	138
Net investment and cashflow hedges	-42	-10	23	-15
Exchange rate differences	-388	452	697	834
<b>Total</b>	<b>-382</b>	<b>471</b>	<b>742</b>	<b>957</b>
<b>Total comprehensive income for the period</b>	<b>1,820</b>	<b>2,522</b>	<b>6,337</b>	<b>6,398</b>
<b>Total comprehensive income attributable to:</b>				
Parent company's shareholders	1,820	2,522	6,337	6,398
Non-controlling interest	0	0	0	0

## Financial information – Group

## CONSOLIDATED BALANCE SHEET

	31 Dec	30 Sep	
SEK M	2015	2015	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	51,863	51,581	54,386
Property, plant and equipment	7,562	7,517	7,955
Investments in associates	1,910	1,934	2,095
Other financial assets	77	78	89
Deferred tax assets	1,434	1,447	1,776
<b>Total non-current assets</b>	<b>62,847</b>	<b>62,557</b>	<b>66,300</b>
<b>Current assets</b>			
Inventories	8,348	8,798	9,738
Trade receivables	11,775	12,204	12,759
Other current receivables and investments	2,707	3,295	3,631
Cash and cash equivalents	501	648	604
<b>Total current assets</b>	<b>23,330</b>	<b>24,945</b>	<b>26,732</b>
<b>TOTAL ASSETS</b>	<b>86,177</b>	<b>87,502</b>	<b>93,032</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Parent company's shareholders	41,575	39,935	44,981
Non-controlling interest	4	4	4
<b>Total equity</b>	<b>41,579</b>	<b>39,940</b>	<b>44,985</b>
<b>Non-current liabilities</b>			
Long-term loans	15,568	17,453	16,205
Deferred tax liabilities	2,031	1,768	2,163
Other non-current liabilities and provisions	6,567	7,738	6,297
<b>Total non-current liabilities</b>	<b>24,166</b>	<b>26,959</b>	<b>24,664</b>
<b>Current liabilities</b>			
Short-term loans	4,574	5,484	6,654
Trade payables	6,553	5,749	6,560
Other current liabilities and provisions	9,305	9,370	10,169
<b>Total current liabilities</b>	<b>20,432</b>	<b>20,603</b>	<b>23,383</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>86,177</b>	<b>87,502</b>	<b>93,032</b>

## CHANGES IN CONSOLIDATED EQUITY

	Equity attributable to:		
SEK M	Parent company's shareholders	Non-controlling interest	Total equity
<b>Opening balance 1 January 2015</b>	<b>36,096</b>	<b>2</b>	<b>36,098</b>
Net income	5,573	0	5,573
Other comprehensive income	765	0	764
<b>Total comprehensive income</b>	<b>6,337</b>	<b>0</b>	<b>6,337</b>
Dividend	-2,407	-	-2,407
Stock purchase plans	-93	-	-93
Change in non-controlling interest	1	2	3
<b>Total transactions with parent company's shareholders</b>	<b>-2,498</b>	<b>2</b>	<b>-2,496</b>
<b>Closing balance 30 September 2015</b>	<b>39,935</b>	<b>4</b>	<b>39,940</b>
<b>Opening balance 1 January 2016</b>	<b>41,575</b>	<b>4</b>	<b>41,579</b>
Net income	5,786	0	5,786
Other comprehensive income	612	0	612
<b>Total comprehensive income</b>	<b>6,398</b>	<b>0</b>	<b>6,398</b>
Dividend	-2,944	-	-2,944
Stock purchase plans	-49	-	-49
<b>Total transactions with parent company's shareholders</b>	<b>-2,992</b>	<b>-</b>	<b>-2,992</b>
<b>Closing balance 30 September 2016</b>	<b>44,981</b>	<b>4</b>	<b>44,985</b>

## Financial information – Group

### CONSOLIDATED CASH FLOW STATEMENT

SEK M	Q3		Q1-Q3	
	2015	2016	2015	2016
<b>OPERATING ACTIVITIES</b>				
Operating income	2,970	3,020	8,041	8,340
Depreciation and amortization	360	406	1,065	1,177
Restructuring payments	-80	-61	-230	-207
Other non-cash items	28	-266	-48	-309
<b>Cash flow before interest and tax</b>	<b>3,278</b>	<b>3,098</b>	<b>8,828</b>	<b>9,001</b>
Interest paid and received	-84	-96	-354	-418
Tax paid on income	-217	-523	-1,299	-2,299
<b>Cash flow before changes in working capital</b>	<b>2,978</b>	<b>2,479</b>	<b>7,175</b>	<b>6,284</b>
Changes in working capital	-115	98	-2,363	-1,877
<b>Cash flow from operating activities</b>	<b>2,863</b>	<b>2,577</b>	<b>4,812</b>	<b>4,407</b>
<b>INVESTING ACTIVITIES</b>				
Net investments in intangible assets and property, plant and equipment	-344	-331	-1,014	-1,067
Investments in subsidiaries	-470	-277	-2,228	-1,739
Investments in associates	-	-	-	-1
Disposals of subsidiaries	-	102	-	53
Other investments and disposals	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-813</b>	<b>-506</b>	<b>-3,241</b>	<b>-2,753</b>
<b>FINANCING ACTIVITIES</b>				
Dividends	-	0	-2,407	-2,944
Acquisition of non-controlling interest	-218	-11	-975	-38
Net cash effect of changes in borrowings	-1,821	-2,028	1,774	1,419
<b>Cash flow from financing activities</b>	<b>-2,039</b>	<b>-2,040</b>	<b>-1,607</b>	<b>-1,562</b>
<b>CASH FLOW</b>	<b>10</b>	<b>32</b>	<b>-36</b>	<b>92</b>
<b>CASH AND CASH EQUIVALENTS</b>				
<b>Cash and cash equivalents at beginning of period</b>	<b>646</b>	<b>564</b>	<b>667</b>	<b>501</b>
Cash flow	10	32	-36	92
Effect of exchange rate differences	-8	9	18	12
Cash and cash equivalents in disposal group held for sale	-	0	-	0
<b>Cash and cash equivalents at end of period</b>	<b>648</b>	<b>604</b>	<b>648</b>	<b>604</b>

### KEY RATIOS

	Year	Q1-Q3	
	2015	2015	2016
Return on capital employed, %	17.8	17.1	16.4
Return on shareholders' equity, %	19.8	19.5	17.8
Equity ratio, %	48.2	45.6	48.4
Interest coverage ratio, times	16.7	16.7	15.9
Total number of shares at the end of period, thousands	1,112,576	1,112,576	1,112,576
Number of shares outstanding at the end of period, thousands	1,110,776	1,110,776	1,110,776
Weighted average number of outstanding shares, thousands	1,110,776	1,110,776	1,110,776
Weighted average number of outstanding shares after dilution, thousands	1,110,776	1,110,776	1,110,776
Average number of employees	45,994	45,925	46,966

## Financial information – Parent company

### INCOME STATEMENT

	Year	Q1-Q3	
SEK M	2015	2015	2016
Operating income	1,351	508	787
Income before appropriations and tax	2,193	617	1,741
Net income	2,725	530	1,617

### BALANCE SHEET

	31 Dec	30 Sep	
SEK M	2015	2015	2016
Non-current assets	35,138	35,168	35,772
Current assets	9,410	8,257	9,573
<b>Total assets</b>	<b>44,548</b>	<b>43,425</b>	<b>45,346</b>
Equity	20,553	18,077	19,178
Non-current liabilities	8,153	9,257	8,267
Current liabilities	15,842	16,091	17,901
<b>Total equity and liabilities</b>	<b>44,548</b>	<b>43,425</b>	<b>45,346</b>

# Quarterly information – Group

THE GROUP IN SUMMARY											
SEK M	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-Q3 2015	Year 2015	Q1 2016	Q2 2015	Q3 2016	Q1-Q3 2016	Last 12 months
Sales	15,252	17,082	17,465	18,301	49,799	68,099	15,891	17,894	18,025	51,809	70,110
Organic growth	5%	4%	3%	5%	4%	4%	3%	4%	2%	3%	3%
<b>Gross income</b>	<b>5,969</b>	<b>6,623</b>	<b>6,758</b>	<b>7,046</b>	<b>19,349</b>	<b>26,395</b>	<b>6,295</b>	<b>7,031</b>	<b>7,139</b>	<b>20,465</b>	<b>27,511</b>
Gross margin	39.1%	38.8%	38.7%	38.5%	38.9%	38.8%	39.6%	39.3%	39.6%	39.5%	39.2%
<b>Operating income before depr. &amp; amort. (EBITDA)</b>	<b>2,659</b>	<b>3,117</b>	<b>3,330</b>	<b>3,406</b>	<b>9,106</b>	<b>12,512</b>	<b>2,787</b>	<b>3,305</b>	<b>3,425</b>	<b>9,517</b>	<b>12,924</b>
Operating margin (EBITDA)	17.4%	18.2%	19.1%	18.6%	18.3%	18.4%	17.5%	18.5%	19.0%	18.4%	18.4%
Depreciation and amortization	-331	-374	-360	-368	-1,065	-1,433	-376	-395	-406	-1,177	-1,545
<b>Operating income (EBIT)</b>	<b>2,329</b>	<b>2,742</b>	<b>2,970</b>	<b>3,038</b>	<b>8,041</b>	<b>11,079</b>	<b>2,411</b>	<b>2,910</b>	<b>3,020</b>	<b>8,340</b>	<b>11,379</b>
Operating margin (EBIT)	15.3%	16.1%	17.0%	16.6%	16.1%	16.3%	15.2%	16.3%	16.8%	16.1%	16.2%
Net financial items	-145	-191	-174	-187	-510	-697	-201	-181	-175	-558	-745
<b>Income before tax (EBT)</b>	<b>2,184</b>	<b>2,551</b>	<b>2,796</b>	<b>2,851</b>	<b>7,531</b>	<b>10,382</b>	<b>2,209</b>	<b>2,729</b>	<b>2,844</b>	<b>7,782</b>	<b>10,633</b>
Profit margin (EBT)	14.3%	14.9%	16.0%	15.6%	15.1%	15.2%	13.9%	15.2%	15.8%	15.0%	15.2%
Tax on income	-568	-663	-727	-731	-1,958	-2,689	-574	-709	-739	-2,023	-2,754
Net income of disposal group classified as held for sale	-	-	-	-	-	-	3	7	17	27	27
<b>Net income for the period</b>	<b>1,616</b>	<b>1,888</b>	<b>2,069</b>	<b>2,120</b>	<b>5,573</b>	<b>7,693</b>	<b>1,638</b>	<b>2,026</b>	<b>2,122</b>	<b>5,786</b>	<b>7,906</b>
<b>Net income attributable to:</b>											
Parent company's shareholders	1,616	1,888	2,069	2,120	5,573	7,693	1,638	2,026	2,122	5,786	7,906
Non-controlling interest	0	0	0	0	0	0	0	0	0	0	0
<b>OPERATING CASH FLOW</b>											
SEK M	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-Q3 2015	Year 2015	Q1 2016	Q2 2015	Q3 2016	Q1-Q3 2016	Last 12 months
Operating income (EBIT)	2,329	2,742	2,970	3,038	8,041	11,079	2,411	2,910	3,020	8,340	11,379
Depreciation and amortization	331	374	360	368	1,065	1,433	376	395	406	1,177	1,545
Net capital expenditure	-344	-327	-344	-227	-1,014	-1,241	-342	-394	-331	-1,067	-1,294
Change in working capital	-1,722	-526	-115	1,861	-2,363	-502	-1,836	-139	98	-1,877	-15
Interest paid and received	-71	-200	-84	-195	-354	-548	-94	-228	-96	-418	-613
Non-cash items	-2	-74	28	-221	-48	-269	-17	-26	-266	-309	-530
<b>Operating Cash flow</b>	<b>520</b>	<b>1,991</b>	<b>2,816</b>	<b>4,625</b>	<b>5,327</b>	<b>9,952</b>	<b>498</b>	<b>2,519</b>	<b>2,830</b>	<b>5,846</b>	<b>10,471</b>
Operating Cash flow/Income before tax	0.24	0.78	1.01	1.62	0.71	0.96	0.23	0.92	0.99	0.75	0.98
<b>CHANGE IN NET DEBT</b>											
SEK M	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-Q3 2015	Year 2015	Q1 2016	Q2 2016	Q3 2016	Q1-Q3 2016	
Net debt at beginning of period	22,327	25,184	26,579	25,131	22,327	22,327	22,269	24,681	27,122	22,269	
Operating cash flow	-520	-1,991	-2,816	-4,625	-5,327	-9,952	-498	-2,519	-2,830	-5,846	
Restructuring payments	90	60	80	145	230	375	95	50	61	207	
Tax paid	711	371	217	948	1,299	2,247	1,298	478	523	2,299	
Acquisitions and disposals	978	1,536	688	959	3,202	4,161	1,345	556	145	2,045	
Dividend	-	2,407	-	-	2,407	2,407	-	2,944	-	2,944	
Actuarial gain/loss on post-employment benefit obligations	206	-274	70	-152	2	-150	221	186	105	511	
Net debt of disposal group classified as held for sale	-	-	-	-	-	-	0	0	0	-	
Exchange rate differences and other	1,392	-713	313	-136	991	855	-49	746	444	1,142	
<b>Net debt at end of period</b>	<b>25,184</b>	<b>26,579</b>	<b>25,131</b>	<b>22,269</b>	<b>25,131</b>	<b>22,269</b>	<b>24,681</b>	<b>27,122</b>	<b>25,571</b>	<b>25,571</b>	
Net debt/Equity ratio	0.64	0.70	0.63	0.54	0.63	0.54	0.58	0.64	0.57	0.57	
<b>NET DEBT</b>											
SEK M	Q1 2015	Q2 2015	Q3 2015	Q4 2015			Q1 2016	Q2 2016	Q3 2016		
Non-current interest-bearing receivables	-31	-29	-32	-30			-34	-36	-41		
Current interest-bearing investments including derivatives	-263	-217	-265	-182			-270	-222	-168		
Cash and cash equivalents	-515	-646	-648	-501			-578	-564	-604		
Pension provisions	3,260	2,984	2,954	2,761			3,002	3,258	3,406		
Other non-current interest-bearing liabilities	16,497	16,495	17,453	15,568			15,668	15,805	16,205		
Current interest-bearing liabilities including derivatives	6,235	7,992	5,669	4,653			6,893	8,881	6,773		
<b>Total</b>	<b>25,184</b>	<b>26,579</b>	<b>25,131</b>	<b>22,269</b>			<b>24,681</b>	<b>27,122</b>	<b>25,571</b>		
<b>CAPITAL EMPLOYED AND FINANCING</b>											
SEK M	Q1 2015	Q2 2015	Q3 2015	Q4 2015			Q1 2016	Q2 2016	Q3 2016		
Capital employed	64,699	64,689	65,070	63,848			67,124	69,449	70,555		
- of which goodwill	43,092	41,818	42,404	42,777			43,098	44,387	45,077		
- of which other intangible assets and property, plant and equipment	16,324	16,512	16,693	16,649			16,613	17,036	17,264		
- of which investments in associates	1,890	1,901	1,934	1,910			1,970	2,037	2,095		
Assets and liabilities of disposal group classified as held for sale	-	-	-	-			111	126	-		
Net debt	25,184	26,579	25,131	22,269			24,681	27,122	25,571		
Non-controlling interest	2	4	4	4			4	3	4		
Shareholders' equity	39,513	38,105	39,935	41,575			42,551	42,449	44,981		
<b>DATA PER SHARE</b>											
SEK	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-Q3 2015	Year 2015	Q1 2016	Q2 2016	Q3 2016	Q1-Q3 2016	
Earnings per share after tax and before dilution	1.45	1.70	1.86	1.91	5.02	6.93	1.47	1.82	1.91	5.21	
Earnings per share after tax and dilution	1.45	1.70	1.86	1.91	5.02	6.93	1.47	1.82	1.91	5.21	
Shareholders' equity per share after dilution	35.57	34.31	35.95	37.43	35.95	37.43	38.31	38.22	40.50	40.50	

# Reporting by division

## Q3 and 30 Sep

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Sales, external	4,021	3,966	4,047	4,404	2,727	2,305	2,195	2,414	4,475	4,936	0	0	17,465	18,025
Sales, internal	79	75	17	17	224	181	15	25	19	24	-354	-323	-	-
<b>Sales</b>	<b>4,100</b>	<b>4,042</b>	<b>4,064</b>	<b>4,422</b>	<b>2,951</b>	<b>2,486</b>	<b>2,210</b>	<b>2,439</b>	<b>4,494</b>	<b>4,960</b>	<b>-354</b>	<b>-323</b>	<b>17,465</b>	<b>18,025</b>
Organic growth <sup>2)</sup>	5%	2%	6%	5%	-3%	-7%	0%	7%	6%	4%	-	-	3%	2%
Share of earnings in associates	-	-	-	-	6	5	-	-	24	26	-	-	30	31
<b>Operating income (EBIT)</b>	<b>676</b>	<b>673</b>	<b>884</b>	<b>959</b>	<b>464</b>	<b>306</b>	<b>410</b>	<b>442</b>	<b>623</b>	<b>709</b>	<b>-87</b>	<b>-69</b>	<b>2,970</b>	<b>3,020</b>
Operating margin (EBIT)	16.5%	16.7%	21.8%	21.7%	15.7%	12.3%	18.6%	18.1%	13.9%	14.3%	-	-	17.0%	16.8%
Capital employed	14,237	14,241	13,239	14,589	12,016	12,578	9,902	10,813	16,715	18,598	-1,039	-264	65,070	70,555
- of which goodwill	7,949	8,071	9,447	10,400	7,847	7,810	7,395	7,791	9,767	11,005	-	-	42,404	45,077
- of which other intangible assets and property, plant and equipment	3,243	3,279	3,112	3,325	3,995	3,928	2,253	2,386	3,987	4,238	103	108	16,693	17,264
- of which investments in associates	8	9	-	-	459	495	-	-	1,466	1,591	-	-	1,934	2,095
Return on capital employed	18.3%	18.5%	25.5%	25.9%	15.1%	9.8%	16.3%	16.6%	14.7%	15.2%	-	-	18.1%	17.1%
Operating income (EBIT)	676	673	884	959	464	306	410	442	623	709	-87	-69	2,970	3,020
Depreciation and amortization	97	97	74	97	66	72	62	72	60	63	0	5	360	406
Net capital expenditure	-98	-107	-80	-86	-77	-48	-48	-65	-30	-29	-11	4	-344	-331
Change in working capital	-33	-261	65	47	-135	323	141	68	-63	-125	-90	46	-115	98
<b>Cash flow</b>	<b>642</b>	<b>402</b>	<b>944</b>	<b>1,018</b>	<b>317</b>	<b>653</b>	<b>566</b>	<b>517</b>	<b>590</b>	<b>617</b>	<b>-187</b>	<b>-15</b>	<b>2,872</b>	<b>3,192</b>
Non-cash items	-	-	-	-	-	-	-	-	-	-	28	-266	28	-266
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-84	-96	-84	-96
<b>Operating cash flow<sup>1)</sup></b>													<b>2,816</b>	<b>2,830</b>

## Q1-Q3 and 30 Sep

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Sales, external	11,874	12,056	11,625	12,616	6,968	6,251	6,544	6,948	12,788	13,938	0	0	49,799	51,809
Sales, internal	238	224	56	66	623	510	51	62	72	79	-1,042	-941	-	-
<b>Sales</b>	<b>12,112</b>	<b>12,280</b>	<b>11,681</b>	<b>12,682</b>	<b>7,591</b>	<b>6,762</b>	<b>6,596</b>	<b>7,009</b>	<b>12,860</b>	<b>14,018</b>	<b>-1,042</b>	<b>-941</b>	<b>49,799</b>	<b>51,809</b>
Organic growth <sup>2)</sup>	4%	3%	6%	6%	-3%	-5%	7%	4%	5%	4%	-	-	4%	3%
Share of earnings in associates	-	-	-	-	16	14	-	-	89	83	-	-	106	97
<b>Operating income (EBIT)</b>	<b>1,915</b>	<b>1,957</b>	<b>2,525</b>	<b>2,732</b>	<b>1,055</b>	<b>835</b>	<b>1,187</b>	<b>1,252</b>	<b>1,665</b>	<b>1,865</b>	<b>-307</b>	<b>-300</b>	<b>8,041</b>	<b>8,340</b>
Operating margin (EBIT)	15.8%	15.9%	21.6%	21.5%	13.9%	12.3%	18.0%	17.9%	12.9%	13.3%	-	-	16.1%	16.1%
Capital employed	14,237	14,241	13,239	14,589	12,016	12,578	9,902	10,813	16,715	18,598	-1,039	-264	65,070	70,555
- of which goodwill	7,949	8,071	9,447	10,400	7,847	7,810	7,395	7,791	9,767	11,005	-	-	42,404	45,077
- of which other intangible assets and property, plant and equipment	3,243	3,279	3,112	3,325	3,995	3,928	2,253	2,386	3,987	4,238	103	108	16,693	17,264
- of which investments in associates	8	9	-	-	459	495	-	-	1,466	1,591	-	-	1,934	2,095
Return on capital employed	19.0%	18.8%	24.7%	25.7%	12.3%	9.2%	17.5%	16.3%	13.3%	14.2%	-	-	17.1%	16.4%
Operating income (EBIT)	1,915	1,957	2,525	2,732	1,055	835	1,187	1,252	1,665	1,865	-307	-300	8,041	8,340
Depreciation and amortization	301	298	222	253	199	208	168	221	173	189	3	8	1,065	1,177
Net capital expenditure	-345	-303	-221	-282	-191	-174	-170	-173	-68	-131	-18	-4	-1,014	-1,067
Change in working capital	-657	-782	-471	-288	-697	-73	-334	-354	-114	-271	-90	-109	-2,363	-1,877
<b>Cash flow<sup>1)</sup></b>	<b>1,214</b>	<b>1,170</b>	<b>2,055</b>	<b>2,415</b>	<b>366</b>	<b>795</b>	<b>851</b>	<b>946</b>	<b>1,656</b>	<b>1,652</b>	<b>-412</b>	<b>-405</b>	<b>5,729</b>	<b>6,573</b>
Non-cash items	-	-	-	-	-	-	-	-	-	-	-48	-309	-48	-309
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-354	-418	-354	-418
<b>Operating cash flow<sup>1)</sup></b>													<b>5,327</b>	<b>5,846</b>
Average number of employees	11,009	10,908	7,908	8,943	13,721	12,665	3,479	3,844	9,574	10,367	233	238	45,925	46,966

<sup>1)</sup> Excluding restructuring payments.

<sup>2)</sup> Comparative period adjusted for organic growth calculation 2016 Asia Pacific.

# Reporting by division

## Full year and 31 Dec

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
SEK M	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Sales, external	14,519	16,220	12,096	15,588	7,755	9,401	7,147	9,031	15,325	17,858	0	0	56,843	68,099
Sales, internal	233	304	60	76	581	770	59	69	84	98	-1,017	-1,317	-	-
<b>Sales</b>	<b>14,753</b>	<b>16,524</b>	<b>12,156</b>	<b>15,665</b>	<b>8,336</b>	<b>10,171</b>	<b>7,207</b>	<b>9,100</b>	<b>15,409</b>	<b>17,957</b>	<b>-1,017</b>	<b>-1,317</b>	<b>56,843</b>	<b>68,099</b>
Organic growth	3%	4%	4%	7%	1%	-3%	1%	7%	4%	5%	-	-	3%	4%
Share of earnings in associates	-	-	-	-	23	16	-	-	109	118	-	-	132	134
<b>Operating income (EBIT)</b>	<b>2,432</b>	<b>2,620</b>	<b>2,613</b>	<b>3,363</b>	<b>1,187</b>	<b>1,436</b>	<b>1,368</b>	<b>1,647</b>	<b>2,054</b>	<b>2,436</b>	<b>-398</b>	<b>-422</b>	<b>9,257</b>	<b>11,079</b>
Operating margin (EBIT)	16.5%	15.9%	21.5%	21.5%	14.2%	14.1%	19.0%	18.1%	13.3%	13.6%	-	-	16.3%	16.3%
Capital employed	12,299	12,916	12,909	13,908	9,810	11,689	8,239	9,815	16,245	16,030	-1,077	-509	58,425	63,848
- of which goodwill	7,247	7,857	9,000	9,903	7,931	7,690	5,984	7,437	9,615	9,891	-	-	39,778	42,777
- of which other intangible and property, plant and equipment	3,051	3,210	2,982	3,184	3,137	3,908	1,711	2,300	4,021	3,939	87	107	14,990	16,649
- of which investments in associates	9	8	-	0	414	452	-	-	1,438	1,450	-	-	1,861	1,910
Return on capital employed	21.0%	20.4%	23.1%	24.1%	14.2%	12.6%	19.6%	18.8%	13.1%	14.9%	-	-	16.9%	17.8%
Operating income (EBIT)	2,432	2,620	2,613	3,363	1,187	1,436	1,368	1,647	2,054	2,436	-398	-422	9,257	11,079
Depreciation and amortization	351	398	237	300	183	268	182	232	212	231	-2	4	1,163	1,433
Net capital expenditure	-397	-349	-243	-326	-275	-238	-204	-212	-141	-94	-11	-24	-1,271	-1,241
Change in working capital	-98	-47	31	-120	-164	-231	-63	-110	-118	63	109	-57	-303	-502
<b>Cash flow<sup>1)</sup></b>	<b>2,288</b>	<b>2,622</b>	<b>2,637</b>	<b>3,217</b>	<b>931</b>	<b>1,235</b>	<b>1,282</b>	<b>1,557</b>	<b>2,007</b>	<b>2,637</b>	<b>-302</b>	<b>-499</b>	<b>8,845</b>	<b>10,770</b>
Non-cash items											-150	-269	-150	-269
Interest paid and received											-457	-548	-457	-548
<b>Operating cash flow<sup>1)</sup></b>													<b>8,238</b>	<b>9,952</b>
Average number of employees	10,678	10,886	7,193	7,957	13,439	13,651	3,331	3,583	9,420	9,686	208	231	44,269	45,994

<sup>1)</sup> Excluding restructuring payments.

# Financial information - Notes

## NOTE 1 SALES BY CONTINENT

	Q3		Q1-Q3	
	2015	2016	2015	2016
<b>SEK M</b>				
Europe	6,159	6,397	18,465	19,332
North America	6,889	7,427	19,405	20,781
Central- and South America	377	529	1,126	1,454
Africa	219	246	627	650
Asia	3,191	2,751	8,338	7,757
Pacific	630	674	1,838	1,835
<b>Total</b>	<b>17,465</b>	<b>18,025</b>	<b>49,799</b>	<b>51,809</b>

## NOTE 2 BUSINESS COMBINATIONS

	Q3		Q1-Q3	
	2015	2016	2015	2016
<b>SEK M</b>				
<b>Purchase prices</b>				
Cash paid for acquisitions during the period	446	216	1,763	1,388
Holdbacks and deferred considerations for acquisitions during the period	322	25	1,048	203
Adjustment of purchase prices for acquisitions in prior years	-1	0	-12	-91
<b>Total</b>	<b>767</b>	<b>241</b>	<b>2,799</b>	<b>1,500</b>
<b>Acquired assets and liabilities at fair value</b>				
Intangible assets	139	67	1,257	69
Property, plant and equipment	19	-1	133	279
Financial assets	21	0	37	71
Inventories	90	14	185	101
Current receivables and investments	142	20	313	136
Cash and cash equivalents	1	5	93	146
Non-controlling interests	0	-	-3	-
Non-current liabilities	-18	-1	-429	-185
Current liabilities	-243	-16	-375	-354
<b>Total</b>	<b>151</b>	<b>88</b>	<b>1,212</b>	<b>263</b>
<b>Goodwill</b>	<b>616</b>	<b>153</b>	<b>1,587</b>	<b>1,237</b>
<b>Change in cash and cash equivalents due to acquisitions</b>				
Cash paid for acquisitions during the period	446	216	1,763	1,388
Cash and cash equivalents in acquired subsidiaries	-1	-5	-93	-146
Paid holdbacks and deferred considerations for acquisitions in previous years	24	65	558	497
<b>Total</b>	<b>470</b>	<b>277</b>	<b>2,228</b>	<b>1,739</b>

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 2016

	Carrying amount	Fair value	Financial instruments at fair value		
			Level 1	Level 2	Level 3
<b>SEK M</b>					
<b>Financial assets</b>					
Financial assets at fair value through profit and loss	46	46		46	
Available-for-sale financial assets	11	11			
Loans and other receivables	15,460	15,460			
Derivative instruments - hedge accounting	120	120		120	
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit and loss	1,986	1,986		100	1,886
Financial liabilities at amortized cost	29,419	29,723			
Derivative instruments - hedge accounting	18	18		18	

### 31 December 2015

	Carrying amount	Fair value	Financial instruments at fair value		
			Level 1	Level 2	Level 3
<b>SEK M</b>					
<b>Financial assets</b>					
Financial assets at fair value through profit and loss	27	27		27	
Available-for-sale financial assets	11	11			
Loans and other receivables	14,219	14,219			
Derivative instruments - hedge accounting	121	121		121	
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit and loss	2,695	2,695		55	2,640
Financial liabilities at amortized cost	26,695	26,890			
Derivative instruments - hedge accounting	25	25		25	



## 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.