

Interim Report

Q2 2017

19 July 2017

ASSA ABLOY

The global leader in
door opening solutions

Another good quarter for ASSA ABLOY

Second quarter

- Net sales increased by 8% to SEK 19,387 M (17,894), with organic growth of 2% (4) and acquired growth of 2% (4)
- Good growth was shown by EMEA, Americas, Global Technologies and Entrance Systems and negative growth by Asia Pacific
- Contracts have been signed for the acquisition of five companies with expected combined annual sales of about SEK 900 M
- Operating income (EBIT) increased by 7% to SEK 3,114 M (2,910). The operating margin was 16.1% (16.3)
- Net income amounted to SEK 2,179 M (2,026)
- Earnings per share increased by 8% and amounted to SEK 1.96 (1.82)
- Operating cash flow increased by 2% to SEK 2,575 M (2,519).

Organic growth

+2%

Operating income

+7%

Earnings per share

+8%

Sales and income

	Second quarter			First half-year		
	2016	2017	Δ	2016	2017	Δ
Sales, SEK M	17,894	19,387	8%	33,785	37,529	11%
Of which:						
Organic growth ¹⁾	602	344	2%	1,002	1,366	4%
Acquisitions	593	451	2%	1,083	900	3%
Exchange-rate effects ¹⁾	-383	698	4%	-633	1,478	4%
Operating income (EBIT), SEK M	2,910	3,114	7%	5,321	5,901	11%
Operating margin (EBIT), %	16.3%	16.1%		15.7%	15.7%	
Income before tax, SEK M	2,729	2,944	8%	4,938	5,537	12%
Net income, SEK M	2,026	2,179	8%	3,664	4,097	12%
Operating cash flow, SEK M	2,519	2,575	2%	3,017	3,399	13%
Earnings per share (EPS), SEK	1.82	1.96	8%	3.30	3.69	12%

¹⁾ The sales components Organic growth and Exchange-rate effects have been restated for the first half-year of 2016. No effect on sales figures.

Comments by the President and CEO

“The second quarter was another good quarter for ASSA ABLOY,” says Johan Molin, President and CEO. Organic growth was 2% because of the fewer working days resulting from Easter during the quarter. This means that we have an organic growth of 4% for the first half-year. Sales in North America continued to develop well. In Europe the underlying demand is good but we have not seen any appreciable improvement. Sales in China fell once again, and disappointingly they also continued to decrease in Brazil and in the Middle East.

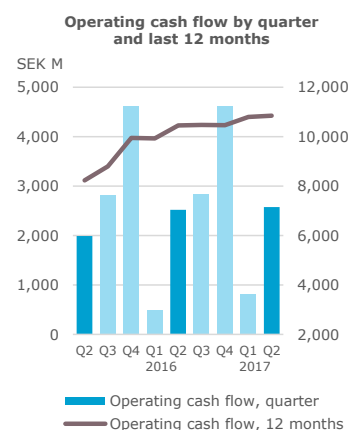
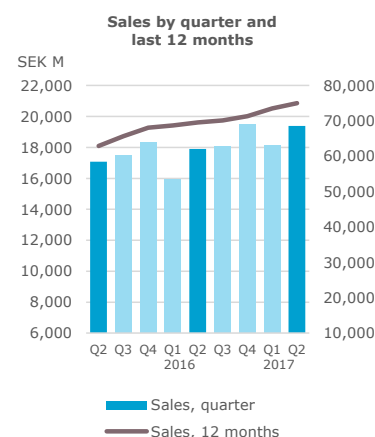
“Entrance Systems, Global Technologies and Americas all produced 3% organic growth, while EMEA grew by 2%. However, Asia Pacific showed negative growth because of weak demand in China.

“It is pleasing to see that our investments in software solutions to support architects and others who specify door solutions are leading to more inquiries and increased sales. It is also very gratifying that we are launching so many new and exciting products, primarily electronic and digital solutions. One example is a new smart handle for inner doors which provides full RFID compatibility and can be installed and integrated cost-effectively with virtually all access control systems on the market, but can also be used as a freestanding unit.

“During the quarter contracts were signed for the acquisition of five companies, including Arjo, a leading supplier of physical and digital identity solutions for national ID documents. The company strengthens our present offering of secure identity solutions and offers complementary growth opportunities.

“Operating income for the quarter increased by 7% and amounted to SEK 3,114 M, with an operating margin of 16.1% (16.3). The margin increased in EMEA and Entrance Systems divisions and remained stable for Americas and Global Technologies, but as expected Asia Pacific was weak. The operating cash flow improved by 2%.

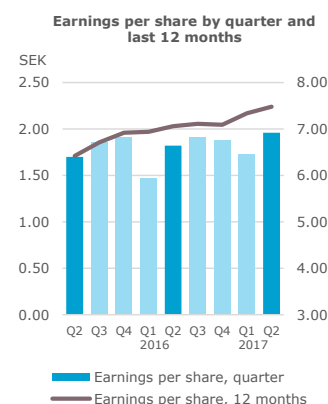
“My judgment is that the global economic trend has improved to some degree compared with last year. On most markets in North and South America and in parts of Europe there is a positive trend, but on some markets, chiefly in Asia and the Middle East, the trend is weak. However, our strategy of expanding 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 electromechanics.”



Second quarter

The Group's sales amounted to SEK 19,387 M (17,894). Organic growth for comparable units was 2% (4). Acquired units contributed 2% (4). Exchange-rate effects affected sales by SEK 698 M (-383), equivalent to 4% (-3). Operating income before depreciation and amortization, EBITDA, amounted to SEK 3,543 M (3,305). The corresponding EBITDA margin was 18.3% (18.5). The Group's operating income, EBIT, amounted to SEK 3,114 M (2,910). The operating margin was 16.1% (16.3).

Net financial items amounted to SEK -170 M (-181). The Group's income before tax was SEK 2,944 M (2,729), an increase of 8% compared with last year. Exchange-rate effects had an impact of SEK 96 M (-77) on income before tax. The profit margin was 15.2% (15.2). The underlying estimated effective tax rate on an annual basis was 26% (26). Earnings per share amounted to SEK 1.96 (1.82), an increase of 8% compared with last year.



First half-year

The Group's sales for the first half of 2017 totaled SEK 37,529 M (33,785), representing an increase of 11%. Organic growth was 4% (3). Acquired units contributed 3% (3). Exchange-rate effects affected sales positively by SEK 1,478 M (-633), equivalent to 4% (-2), compared with the first half of 2016.

Operating income before depreciation and amortization, EBITDA, for the half-year amounted to SEK 6,752 M (6,092). The corresponding margin was 18.0% (18.0). The Group's operating income, EBIT, amounted to SEK 5,901 M (5,321), which was an increase of 11% compared with last year. The operating margin was 15.7% (15.7).

Earnings per share for the first half-year increased to SEK 3.69 (3.30), an increase of 12% compared with last year. Operating cash flow totaled SEK 3,399 M (3,017).

Restructuring measures

Payments related to all current restructuring programs amounted to SEK 136 M (50) in the quarter. The restructuring programs proceeded according to plan and led to a reduction in personnel of 158 people during the quarter and 12,477 people since the projects began in 2006.

At the end of the half-year provisions of SEK 1,342 M remained in the balance sheet for carrying out the programs.

Organization

Magnus Kagevik, Executive Vice President and Head of Asia Pacific Division, has decided to leave ASSA ABLOY after ten years' service in various management positions in the Group. Recruitment of a replacement has begun. Magnus Kagevik will remain in his present job until a successor is in post.

Juan Vargues, Executive Vice President and Head of Entrance Systems Division, has after a long and successful service time decided to leave ASSA ABLOY for a new position as CEO of a Swedish listed company. Juan Vargues will remain in his position until the beginning of 2018 and the process of finding his successor has been initiated.

Tax matters

The Stockholm Administrative Court of Appeal decided in June 2017 not to allow tax deductions for interest expenses relating to one of the Group's subsidiaries for the years 2008-2012 on the grounds that the deductions were wrongly allocated. The decision will be appealed.

Including additional tax and other charges, the judgment involves a total tax payment of SEK 847 M. The judgment will have no impact on ASSA ABLOY's net income for the second quarter or for the full year 2017, but will affect cash flow negatively in the third quarter by the same sum as the payment made.

Comments by division

EMEA

Sales for the quarter in EMEA division totaled SEK 4,529 M (4,234), with organic growth of 2% (6). Growth was strong in Great Britain and in eastern Europe. Southern Europe and Israel had good growth. Scandinavia, Finland, Germany, France and Benelux were stable, while Africa and the Middle East had negative sales growth. The positive trend for electromechanical products continued. Acquired growth was 2%. Exchange-rate effects on sales were 3%. Operating income totaled SEK 713 M (649), which represented an operating margin (EBIT) of 15.7% (15.3). Return on capital employed amounted to 19.0% (18.4). Operating cash flow before interest paid totaled SEK 461 M (581).

Americas

Sales for the quarter in Americas division totaled SEK 4,704 M (4,291), with organic growth of 3% (8). Growth was strong for Security doors, Security fencing and High-security products in the USA, and also for Mexico and Latin America apart from Brazil. Sales growth was good for Electromechanical products and in Canada, and stable for Traditional lock products and for the Private residential market in the USA. Brazil continued to show a negative sales development. Acquired growth was 1%. Exchange-rate effects on sales were 6%. Operating income totaled SEK 1,041 M (949), which represented an operating margin (EBIT) of 22.1% (22.1). Return on capital employed amounted to 26.1% (26.0). Operating cash flow before interest paid totaled SEK 1,163 M (1,127).

Asia Pacific

Sales for the quarter in Asia Pacific division totaled SEK 2,445 M (2,518), with organic growth of -6% (-8). Strong growth was achieved in Japan and South Asia. Sales growth was good in South Korea and in Pacific. Digital door locks grew strongly in the region. However, sales in China fell, mainly because of a strong decline for fire and security doors. Acquired growth was 0%. Exchange-rate effects on sales were 3%. Operating income totaled SEK 274 M (355), which represented an operating margin (EBIT) of 11.2% (14.1). Return on capital employed amounted to 9.0% (11.5). Operating cash flow before interest paid totaled SEK 116 M (362).

Global Technologies

Sales for the quarter in Global Technologies division totaled SEK 2,640 M (2,424), with organic growth of 3% (5). Access control, Identification technology and Project business had strong growth within HID Global. However, Secure issuance, Logical access and Government ID all had a negative development. Hospitality showed continued strong growth. Acquired growth was 2%. Exchange-rate effects on sales were 4%. Operating income amounted to SEK 486 M (447), which represented an operating margin (EBIT) of 18.4% (18.5). Return on capital employed amounted to 17.0% (17.4). Operating cash flow before interest paid totaled SEK 511 M (320).

Entrance Systems

Sales for the quarter in Entrance Systems division totaled SEK 5,381 M (4,767), with organic growth of 3% (4). Door components had strong growth, as did Industrial and garage doors in the USA. Door automation, High-speed doors and Gate automation showed good growth, while sales of Industrial doors in Europe were stable. Acquired growth was 5%. Exchange-rate effects on sales were 5%. Operating income totaled SEK 720 M (628), which represented an operating margin (EBIT) of 13.4% (13.2). Return on capital employed amounted to 14.7% (13.7). Operating cash flow before interest paid totaled SEK 638 M (632).

Acquisitions and disposals

A total of two minor acquisitions were consolidated during the quarter. The combined acquisition price for the seven companies acquired during the half-year amounted to SEK 671 M, and preliminary acquisition analyses indicate that goodwill and other intangible assets with indefinite useful life amount to SEK 535 M. The acquisition price is adjusted for acquired net debt and estimated deferred considerations. Estimated deferred considerations amounted to SEK 157 M.

On 29 May it was announced that ASSA ABLOY had signed a contract to acquire IDS, the leading South African manufacturer and distributor of electronic security solutions. Its sales in 2017 are expected to amount to SEK 210 M and the acquisition is expected to be completed during the third quarter of 2017.

On 4 July it was announced that ASSA ABLOY had acquired Arjo Systems SAS, a leading supplier of physical and digital identity solutions for national ID documents. The company has 100 employees and its sales in 2017 are expected to amount to SEK 550 M.

Sustainable development

The demand for sustainable products is increasing. For ASSA ABLOY this provides a commercial opportunity since customers are choosing energy-efficient solutions and environmentally labeled products to an ever increasing extent. The Group is continuing to develop and launch environmentally friendly products at a rapid pace. During the second quarter Entrance Systems division launched a new energy-efficient version of its '1042' overhead door. The product is one of the division's big sellers and is used in environments with frequent openings, where at the same time a door with a high insulation effect is required. The new overhead door opens and closes four times as fast as the standard model. The increased speed means that the door is open for a shorter time which, together with improved insulation, is calculated to reduce customers' energy consumption by up to 12% compared with a traditional overhead door. The faster opening and closing sequence also produces less draught and thus improves comfort for the people occupying the building.

Parent company

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 2,113 M (1,963) for the first half-year. Operating income for the first half-year amounted to SEK 950 M (875). Investments in tangible and intangible assets totaled SEK 12 M (7). Liquidity is good and the equity ratio was 41.8% (42.9).

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 the first half-year of 2017 with evaluation and analysis of possible effects on each division. The Group's judgment is that the standard will have little or no impact on the Group's income or financial position.

ASSA ABLOY makes use of a number of financial performance measures that are not defined in the reporting rules that the company uses – so-called 'alternative performance measures'. For definitions of financial performance measures, refer to Page 19 of this 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.

Certification

The Board of Directors and the President and CEO declare that this half-year report gives an accurate picture of the Parent Company's and the Group's operations, position and income and describes significant risks and uncertainty factors faced by the Parent Company and the companies making up the Group.

Stockholm, 18 July 2017

Lars Renström
Chairman

Carl Douglas
Vice Chairman

Ulf Ewaldsson
Board member

Eva Karlsson
Board member

Birgitta Klasén
Board member

Eva Lindqvist
Board member

Johan Molin
President and CEO

Sofia Schörling Högberg
Board member

Jan Svensson
Board member

Rune Hjälms
Employee representative

Mats Persson
Employee representative

Report of Review of Interim Financial Information

Introduction

We have reviewed the condensed Interim Financial Information (interim report) of ASSA ABLOY AB (publ.) as of 30 June 2017 and the six-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of the Interim Financial Information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this Interim Report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 18 July 2017

PricewaterhouseCoopers

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Linda Corneliusson
Authorized Public Accountant

Financial information

The Interim Report for the third quarter will be published on 20 October 2017.

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

Further information can be obtained from:

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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 is information that ASSA ABLOY AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 08.00 CEST on 19 July 2017.

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Corporate identity number: 556059-3575

No. 12/2017

Financial information – Group

CONSOLIDATED INCOME STATEMENT

SEK M	Q2		Q1-Q2	
	2016	2017	2016	2017
Sales	17,894	19,387	33,785	37,529
Cost of goods sold	-10,863	-11,806	-20,459	-22,757
Gross income	7,031	7,581	13,326	14,771
Selling, administrative and R&D costs	-4,153	-4,494	-8,070	-8,926
Share of earnings in associates	33	27	65	56
Operating income	2,910	3,114	5,321	5,901
Finance net	-181	-170	-383	-365
Income before tax	2,729	2,944	4,938	5,537
Tax on income	-709	-765	-1,284	-1,440
Profit from discontinued operations	7	-	10	-
Net income for the period	2,026	2,179	3,664	4,097
Net income for the period attributable to:				
Parent company's shareholders	2,026	2,178	3,664	4,096
Non-controlling interest	0	1	0	1
Earnings per share				
before and after dilution, SEK	1.82	1.96	3.30	3.69

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q2		Q1-Q2	
	2016	2017	2016	2017
Net income for the period	2,026	2,179	3,664	4,097
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Actuarial gain/loss on post-employment benefit obligations, net after tax	-126	-67	-275	-43
Total	-126	-67	-275	-43
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates	75	31	109	70
Cashflow hedges, net investment hedges and other hedges	-10	-27	-5	-37
Exchange rate differences	890	-1,382	383	-1,547
Total	956	-1,378	487	-1,514
Total comprehensive income for the period	2,856	734	3,875	2,540
Total comprehensive income for the period attributable to:				
Parent company's shareholders	2,856	734	3,876	2,540
Non-controlling interest	0	0	-1	0

Financial information – Group

CONSOLIDATED BALANCE SHEET SEK M	31 Dec	30 Jun	
	2016	2016	2017
ASSETS			
Non-current assets			
Intangible assets	57,096	53,539	55,652
Property, plant and equipment	8,066	7,884	7,909
Investments in associates	2,109	2,037	2,193
Other financial assets	86	87	85
Deferred tax assets	1,899	1,712	1,758
Total non-current assets	69,257	65,259	67,596
Current assets			
Inventories	9,565	8,907	10,090
Trade receivables	12,648	12,833	12,847
Other current receivables and investments	3,062	3,446	3,607
Cash and cash equivalents	750	564	844
Asset of disposal group classified as held for sale	-	235	-
Total current assets	26,025	25,984	27,387
TOTAL ASSETS	95,282	91,243	94,984
EQUITY AND LIABILITIES			
Equity			
Equity attributable to Parent company's shareholders	47,220	42,449	46,374
Non-controlling interest	5	3	5
Total equity	47,224	42,452	46,379
Non-current liabilities			
Long-term loans	16,901	15,805	17,450
Deferred tax liabilities	2,344	2,050	2,226
Other non-current liabilities and provisions	6,701	6,239	5,919
Total non-current liabilities	25,945	24,094	25,596
Current liabilities			
Short-term loans	3,929	8,736	5,388
Trade payables	7,443	6,336	6,832
Other current liabilities and provisions	10,741	9,516	10,790
Liabilities of disposal group classified as held for sale	-	109	-
Total current liabilities	22,112	24,697	23,009
TOTAL EQUITY AND LIABILITIES	95,282	91,243	94,984

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	3,664	0	3,664
Other comprehensive income	212	0	212
Total comprehensive income	3,876	-1	3,875
Dividend	-2,944	-	-2,944
Stock purchase plans	-59	-	-59
Total transactions with parent company's shareholders	-3,002	-	-3,002
Closing balance 30 June 2016	42,449	3	42,452
Opening balance 1 January 2017	47,220	5	47,224
Net income for the period	4,096	1	4,097
Other comprehensive income	-1,557	0	-1,557
Total comprehensive income	2,540	0	2,540
Dividend	-3,332	0	-3,332
Stock purchase plans	-54	0	-54
Total transactions with parent company's shareholders	-3,386	0	-3,386
Closing balance 30 June 2017	46,374	5	46,379

Financial information – Group

CONSOLIDATED CASH FLOW STATEMENT SEK M	Q2		Q1-Q2	
	2016	2017	2016	2017
OPERATING ACTIVITIES				
Operating income	2,910	3,114	5,321	5,901
Depreciation and amortization	395	429	771	850
Restructuring payments	-50	-136	-146	-220
Other non-cash items	-26	28	-43	-7
Cash flow before interest and tax	3,229	3,436	5,904	6,524
Interest paid and received	-228	-198	-322	-291
Tax paid on income	-478	-961	-1,777	-1,590
Cash flow before changes in working capital	2,523	2,277	3,805	4,643
Changes in working capital	-139	-207	-1,975	-2,089
Cash flow from operating activities	2,384	2,070	1,830	2,554
INVESTING ACTIVITIES				
Net investments in intangible assets and property, plant and equipment	-394	-593	-736	-965
Investments in subsidiaries	-485	-270	-1,462	-716
Investments in associates	-	-	-1	0
Disposals of subsidiaries	-50	0	-50	1
Other investments and disposals	0	0	0	0
Cash flow from investing activities	-927	-863	-2,248	-1,680
FINANCING ACTIVITIES				
Dividends	-2,944	-3,332	-2,944	-3,332
Acquisition of non-controlling interest	-27	-	-27	-
Net cash effect of changes in borrowings	1,489	2,284	3,448	2,565
Cash flow from financing activities	-1,481	-1,049	477	-767
CASH FLOW FOR THE PERIOD	-25	159	60	107
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period	578	697	501	750
Cash flow for the period	-25	159	60	107
Effect of exchange rate differences	10	-12	3	-13
Cash and cash equivalents in disposal group held for sale	0	-	0	-
Cash and cash equivalents at end of period	564	844	564	844
KEY RATIOS				
		Year	Q1-Q2	
		2016	2016	2017
Return on capital employed, %		14.1	15.8	16.2
Return on capital employed excluding items affecting comparability, %		16.5	15.8	16.2
Return on shareholders' equity, %		15.0	17.4	17.5
Equity ratio, %		49.6	46.5	48.8
Interest coverage ratio, times		14.1	15.0	18.2
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	46,998	46,791

Financial information – Parent company

INCOME STATEMENT

SEK M	Year	Q1-Q2	
	2016	2016	2017
Operating income	1,687	875	950
Income before appropriations and tax	2,952	1,497	1,691
Net income for the period	3,619	1,332	1,688

BALANCE SHEET

SEK M	31 Dec	30 Jun	
	2016	2016	2017
Non-current assets	35,670	35,694	35,834
Current assets	10,548	8,315	10,829
Total assets	46,218	44,009	46,663
Equity	21,190	18,883	19,492
Non-current liabilities	8,894	7,931	9,844
Current liabilities	16,134	17,195	17,327
Total equity and liabilities	46,218	44,009	46,663

Quarterly information – Group

THE GROUP IN SUMMARY	Q1	Q2	Q3	Q4	Q1-Q2	Year	Q1	Q2	Q1-Q2	Last 12
SEK M	2016	2016	2016	2016	2016	2016	2017	2017	2017	months
Sales	15,891	17,894	18,025	19,484	33,785	71,293	18,142	19,387	37,529	75,037
Organic growth	3%	4%	2%	1%	3%	2%	6%	2%	4%	
Gross income excluding items affecting comparability	6,295	7,031	7,139	7,660	13,326	28,125	7,190	7,581	14,771	29,571
Gross margin excluding items affecting comparability	39.6%	39.3%	39.6%	39.3%	39.4%	39.5%	39.6%	39.1%	39.4%	39.4%
Operating income before depr. & amort. (EBITDA) excluding items affecting comparability	2,787	3,305	3,425	3,316	6,092	12,833	3,208	3,543	6,752	13,493
Operating margin (EBITDA)	17.5%	18.5%	19.0%	17.0%	18.0%	18.0%	17.7%	18.3%	18.0%	18.0%
Depreciation and amortization	-376	-395	-406	-403	-771	-1,580	-421	-429	-850	-1,659
Operating income (EBIT) excluding items affecting comparability	2,411	2,910	3,020	2,913	5,321	11,254	2,787	3,114	5,901	11,834
Operating margin (EBIT)	15.2%	16.3%	16.8%	15.0%	15.7%	15.8%	15.4%	16.1%	15.7%	15.8%
Items affecting comparability ¹⁾	-	-	-	-1,597	-	-1,597	-	-	-	-1,597
Operating income (EBIT)	2,411	2,910	3,020	1,316	5,321	9,657	2,787	3,114	5,901	10,237
Operating margin (EBIT)	15.2%	16.3%	16.8%	6.8%	15.7%	13.5%	15.4%	16.1%	15.7%	13.6%
Net financial items	-201	-181	-175	-146	-383	-705	-195	-170	-365	-686
Income before tax (EBT)	2,209	2,729	2,844	1,170	4,938	8,952	2,593	2,944	5,537	9,551
Profit margin (EBT)	13.9%	15.2%	15.8%	6.0%	14.6%	12.6%	14.3%	15.2%	14.8%	12.7%
Tax on income	-574	-709	-739	-304	-1,284	-2,328	-674	-765	-1,440	-2,483
Profit from discontinued operations	3	7	17	1	10	28	-	-	-	19
Net income for the period	1,638	2,026	2,122	867	3,664	6,653	1,918	2,179	4,097	7,086
Net income attributable to:										
Parent company's shareholders	1,638	2,026	2,122	866	3,664	6,651	1,919	2,178	4,096	7,084
Non-controlling interest	0	0	0	1	0	1	0	1	1	2
OPERATING CASH FLOW	Q1	Q2	Q3	Q4	Q1-Q2	Year	Q1	Q2	Q1-Q2	Last 12
SEK M	2016	2016	2016	2016	2016	2016	2017	2017	2017	months
Operating income (EBIT)	2,411	2,910	3,020	1,316	5,321	9,657	2,787	3,114	5,901	10,237
Restructuring costs	-	-	-	1,597	-	1,597	-	-	-	1,597
Depreciation and amortization	376	395	406	403	771	1,580	421	429	850	1,659
Net capital expenditure	-342	-394	-331	-411	-736	-1,478	-373	-593	-965	-1,708
Change in working capital	-1,836	-139	98	1,939	-1,975	62	-1,882	-207	-2,089	-52
Interest paid and received	-94	-228	-96	-179	-322	-597	-93	-198	-291	-566
Non-cash items	-17	-26	-266	-45	-43	-354	-36	28	-7	-319
Operating Cash flow²⁾	498	2,519	2,830	4,620	3,017	10,467	824	2,575	3,399	10,849
Operating Cash flow/Income before tax excluding items affecting comparability ¹⁾	0.23	0.92	0.99	1.67	0.61	0.99	0.32	0.87	0.61	1.14
CHANGE IN NET DEBT	Q1	Q2	Q3	Q4	Q1-Q2	Year	Q1	Q2	Q1-Q2	
SEK M	2016	2016	2016	2016	2016	2016	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	23,127	
Operating cash flow	-498	-2,519	-2,830	-4,620	-3,017	-10,467	-824	-2,575	-3,399	
Restructuring payments	95	50	61	235	146	442	84	136	220	
Tax paid	1,298	478	523	629	1,777	2,928	629	961	1,590	
Acquisitions and disposals	1,345	556	145	991	1,900	3,037	461	268	729	
Dividend	-	2,944	-	-	2,944	2,944	-	3,332	3,332	
Actuarial gain/loss on post-employment benefit obligation	221	186	105	-374	407	138	-34	99	64	
Net debt of disposal group classified as held for sale	0	0	0	-	0	-	-	-	-	
Exchange rate differences and other	-49	746	444	695	697	1,836	-104	-590	-694	
Net debt at end of period	24,681	27,122	25,571	23,127	27,122	23,127	23,339	24,970	24,970	
Net debt/Equity ratio	0.58	0.64	0.57	0.49	0.64	0.49	0.48	0.54	0.54	
NET DEBT	Q1	Q2	Q3	Q4			Q1	Q2		
SEK M	2016	2016	2016	2016			2017	2017		
Non-current interest-bearing receivables	-34	-36	-41	-41			-41	-39		
Current interest-bearing investments including derivatives	-270	-222	-168	-169			-113	-211		
Cash and cash equivalents	-578	-564	-604	-750			-697	-844		
Pension provisions	3,002	3,258	3,406	3,121			3,058	3,109		
Other non-current interest-bearing liabilities	15,668	15,805	16,205	16,901			16,232	17,450		
Current interest-bearing liabilities including derivatives	6,893	8,881	6,773	4,065			4,901	5,505		
Total	24,681	27,122	25,571	23,127			23,339	24,970		
CAPITAL EMPLOYED AND FINANCING	Q1	Q2	Q3	Q4			Q1	Q2		
SEK M	2016	2016	2016	2016			2017	2017		
Capital employed	67,124	69,449	70,555	70,351			72,333	71,349		
- of which goodwill	43,098	44,387	45,077	47,544			47,438	46,252		
- of which other intangible assets and property, plant and equipment	16,613	17,036	17,264	17,618			17,595	17,309		
- of which investments in associates	1,970	2,037	2,095	2,109			2,176	2,193		
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		
Non-controlling interest	4	3	4	5			4	5		
Shareholders' equity	42,551	42,449	44,981	47,220			48,989	46,374		
DATA PER SHARE	Q1	Q2	Q3	Q4	Q1-Q2	Year	Q1	Q2	Q1-Q2	
SEK	2016	2016	2016	2016	2016	2016	2017	2017	2017	
Earnings per share before and after dilution	1.47	1.82	1.91	0.78	3.30	5.99	1.73	1.96	3.69	
Earnings per share before and after dilution and excluding items affecting comparability ¹⁾	1.47	1.82	1.91	1.88	3.30	7.09	1.73	1.96	3.69	
Shareholders' equity per share after dilution	38.31	38.22	40.50	42.51	38.22	42.51	44.10	41.75	41.75	

Reporting by division

Q2 and 30 Jun

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
SEK M														
Sales, external	4,152	4,450	4,268	4,689	2,332	2,271	2,402	2,621	4,740	5,355	0	0	17,894	19,387
Sales, internal	83	79	23	15	186	174	21	19	27	26	-341	-313	-	-
Sales	4,234	4,529	4,291	4,704	2,518	2,445	2,424	2,640	4,767	5,381	-341	-313	17,894	19,387
Organic growth	6%	2%	8%	3%	-8%	-6%	5%	3%	4%	3%	-	-	4%	2%
Share of earnings in associates	-	-	-	-	5	6	-	-	28	22	-	-	33	27
Operating income (EBIT)	649	713	949	1,041	355	274	447	486	628	720	-118	-121	2,910	3,114
Operating margin (EBIT)	15.3%	15.7%	22.1%	22.1%	14.1%	11.2%	18.5%	18.4%	13.2%	13.4%	-	-	16.3%	16.1%
Capital employed	14,053	14,365	14,900	15,542	12,434	11,804	10,483	11,030	17,640	18,833	-61	-225	69,449	71,349
- of which goodwill	7,953	8,360	10,300	10,399	7,683	7,607	7,545	8,222	10,905	11,664	-	-	44,387	46,252
- of which other intangible assets and property, plant and equipment	3,214	3,360	3,304	3,328	3,898	3,809	2,296	2,450	4,214	4,224	111	138	17,036	17,309
- of which investments in associates	8	9	-	-	495	522	-	-	1,533	1,662	-	-	2,037	2,193
Return on capital employed	18.4%	19.0%	26.0%	26.1%	11.5%	9.0%	17.4%	17.0%	13.7%	14.7%	-	-	16.9%	16.9%
Operating income (EBIT)	649	713	949	1,041	355	274	447	486	628	720	-118	-121	2,910	3,114
Depreciation and amortization	102	113	79	86	68	76	82	81	62	70	2	3	395	429
Net capital expenditure	-104	-190	-103	-120	-59	-126	-67	-69	-55	-73	-5	-14	-394	-593
Change in working capital	-67	-174	203	156	-1	-108	-143	14	-4	-80	-127	-14	-139	-207
Cash flow¹⁾	581	461	1,127	1,163	362	116	320	511	632	638	-248	-146	2,772	2,744
Non-cash items											-26	28	-26	28
Interest paid and received											-228	-198	-228	-198
Operating cash flow²⁾													2,519	2,575

Q1-Q2 and 30 Jun

	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
SEK M														
Sales, external	8,090	8,775	8,212	9,236	3,947	4,021	4,534	5,084	9,002	10,412	0	0	33,785	37,529
Sales, internal	149	159	49	35	329	342	36	37	56	55	-619	-628	-	-
Sales	8,238	8,934	8,260	9,271	4,276	4,363	4,570	5,121	9,058	10,467	-618	-627	33,785	37,529
Organic growth	4%	3%	7%	5%	-7%	-2%	3%	6%	4%	5%	-	-	3%	4%
Share of earnings in associates	-	-	-	-	9	11	-	-	56	45	-	-	65	56
Operating income (EBIT)	1,283	1,431	1,773	2,002	528	425	810	908	1,157	1,359	-230	-224	5,321	5,901
Operating margin (EBIT)	15.6%	16.0%	21.5%	21.6%	12.4%	9.7%	17.7%	17.7%	12.8%	13.0%	-	-	15.7%	15.7%
Capital employed	14,053	14,365	14,900	15,542	12,434	11,804	10,483	11,030	17,640	18,833	-61	-225	69,449	71,349
- of which goodwill	7,953	8,360	10,300	10,399	7,683	7,607	7,545	8,222	10,905	11,664	-	-	44,387	46,252
- of which other intangible assets and property, plant and equipment	3,214	3,360	3,304	3,328	3,898	3,809	2,296	2,450	4,214	4,224	111	138	17,036	17,309
- of which investments in associates	8	9	-	-	495	522	-	-	1,533	1,662	-	-	2,037	2,193
Return on capital employed excl. items affecting comparability	18.7%	19.7%	24.8%	25.4%	8.7%	7.1%	16.0%	16.1%	13.3%	14.2%	-	-	15.8%	16.2%
Operating income (EBIT)	1,283	1,431	1,773	2,002	528	425	810	908	1,157	1,359	-230	-224	5,321	5,901
Depreciation and amortization	201	220	156	172	136	152	150	160	126	139	3	8	771	850
Net capital expenditure	-196	-261	-196	-216	-127	-211	-108	-139	-102	-118	-7	-21	-736	-965
Change in working capital	-520	-542	-335	-598	-396	-404	-422	-360	-146	-82	-156	-103	-1,975	-2,089
Cash flow²⁾	768	848	1,397	1,360	142	-38	430	568	1,034	1,298	-390	-340	3,381	3,697
Non-cash items											-43	-7	-43	-7
Interest paid and received											-322	-291	-322	-291
Operating cash flow²⁾													3,017	3,399
Average number of employees	10,921	10,972	8,953	8,859	12,753	11,474	3,823	4,184	10,315	11,033	234	269	46,998	46,791

¹⁾ Items affecting comparability consist of restructuring costs.

²⁾ Excluding restructuring payments.

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	Q2		Q1-Q2	
	2016	2017	2016	2017
Europe	6,679	7,201	12,935	14,242
North America	7,016	7,925	13,354	15,353
Central- and South America	484	538	925	1,084
Africa	213	224	404	453
Asia	2,888	2,829	5,006	5,084
Pacific	613	671	1,160	1,312
Total	17,894	19,387	33,785	37,529

NOTE 2 BUSINESS COMBINATIONS

SEK M	Q2		Q1-Q2	
	2016	2017	2016	2017
Purchase prices				
Cash paid for acquisitions during the year	327	221	1,171	526
Holdbacks and deferred considerations for acquisitions during the year	55	54	178	157
Adjustment of purchase prices for acquisitions in prior years	0	4	-91	4
Total	382	279	1,259	687
Acquired assets and liabilities at fair value				
Intangible assets	2	12	2	133
Property, plant and equipment	40	8	280	18
Financial assets	14	2	71	3
Inventories	28	33	87	68
Current receivables and investments	58	26	116	128
Cash and cash equivalents	29	11	141	37
Non-current liabilities	55	-56	-184	-68
Current liabilities	-90	-18	-338	-93
Total	136	18	175	226
Goodwill	246	261	1,084	462
Change in cash and cash equivalents due to acquisitions				
Cash paid for acquisitions during the year	327	221	1,171	526
Cash and cash equivalents in acquired subsidiaries	-29	-11	-141	-37
Paid holdbacks and deferred considerations for acquisitions in previous years	186	61	432	227
Total	485	271	1,462	716

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

SEK M	Carrying amount	Fair value	Financial instruments at fair value		
			Level 1	Level 2	Level 3
30 June 2017					
Financial assets					
Financial assets at fair value through profit and loss	132	132		132	
Available-for-sale financial assets	12	12			
Loans and other receivables	13,768	13,768			
Derivative instruments - hedge accounting	76	76		76	
Financial liabilities					
Financial liabilities at fair value through profit and loss	2,129	2,129		108	2,021
Financial liabilities at amortized cost	29,670	29,709			
Derivative instruments - hedge accounting	10	10		10	
31 December 2016					
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 excluding restructuring reserves.