



2019

INTERIM REPORT  
JANUARY - SEPTEMBER

 LATOUR

# Interim report January - September 2019

## NET ASSET VALUE AND THE LATOUR SHARE

- The net asset value rose to SEK 127 per share, compared with SEK 100 per share at the start of the year. This is an increase of 29.9 per cent, adjusted for dividends. By comparison, the Stockholm Stock Exchange's Total Return Index (SIXRX) increased by 23.0 per cent. The net asset value was SEK 133 per share at 4 November.<sup>1</sup>
- The total return on the Latour share was 17.9 per cent during the period measured against the SIXRX, which rose 23.0 per cent.

## INDUSTRIAL OPERATIONS

### Third quarter

- The industrial operations' order intake rose 13 per cent to SEK 3,134 m (2,787 m), which represents a 4 per cent increase for comparable entities adjusted for foreign exchange effects.
- The industrial operations' net sales rose 15 per cent to SEK 3,276 m (2,857 m), which represents a 6 per cent increase for comparable entities adjusted for foreign exchange effects.
- The operating profit increased by 16 per cent to SEK 464 m (399 m), which equates to an operating margin of 14.2 (14.0) per cent for continuing operations.
- Swegon acquired the Norwegian company Klimax AS on 13 August. Hultafors Group acquired Custom LeatherCraft Mfg. LLC (CLC) based in Los Angeles, USA, on 16 September. Proidual within Latour Industries acquired the UK company SyxthSense Ltd on 3 September.

### January - September

- The industrial operations' order intake rose 15 per cent to SEK 10,031 m (8,701 m), which represents a 6 per cent increase for comparable entities adjusted for foreign exchange effects.
- The industrial operations' net sales rose 19 per cent to SEK 9,928 m (8,371 m), which represents an 8 per cent increase for comparable entities adjusted for foreign exchange effects.
- The operating profit increased by 29 per cent to SEK 1,382 m (1,075 m), which equates to an operating margin of 13.9 (12.8) per cent for continuing operations.

## THE GROUP

- Consolidated net sales totalled SEK 10,091 m (8,517 m), and profit after financial items was SEK 4,399 m (1,952 m). Capital gains and other items impacting comparability amounting to SEK 849 m (-570 m) are recognised in the income statement.
- Consolidated profit after tax was SEK 4,063 m (1,697 m), which is equivalent to SEK 6.35 (2.66) per share.
- Net debt, excluding impacts of IFRS 16, was SEK 5,268 m (5,233 m) and is equivalent to 6 per cent of the market value of total assets. Recognised Group net debt, where IFRS 16 had full impact, amounted to SEK 5,913 m.

## INVESTMENT PORTFOLIO

- During the first three quarters, the value of the investment portfolio increased by 27.6 per cent adjusted for dividends and net investments. The benchmark index (SIXRX) rose 23.0 per cent.
- In the first quarter, all of the class A shares in Loomis were divested.
- In the second quarter, the investment in Fagerhult increased by SEK 995 m in connection with a preference share issue.

## EVENTS AFTER THE REPORTING PERIOD

- On 11 October, Latour signed an agreement for the acquisition of Caljan, a company based in Denmark, which generates net sales of EUR 100 m and has 450 employees. The acquisition is subject to approval by European authorities and closing is expected to take place at the end of the year. Caljan will become a new wholly-owned business area once the acquisition is completed.
- On 22 October, Bemsig in Latour Industries acquired S+S Regeltechnik in Germany. The company generates net sales of EUR 16.3 m and has 65 employees.
- On 2 October, the maximum amount for an existing Medium Term Note (MTN) programme was increased from SEK 4 billion to SEK 6 billion.

<sup>1</sup> The calculation of the net asset value on 4 November was based on the value of the investment portfolio at 1 p.m. on 4 November, and the same values as at 30 September were used for the unlisted portfolio.

## LATOUR AT A GLANCE

Investment AB Latour is a mixed investment company consisting primarily of wholly-owned industrial operations and an investment portfolio of listed holdings in which Latour is the principal owner or one of the principal owners. The investment portfolio consists of nine substantial holdings that had a market value of SEK 59 billion as at 30 September 2019. The wholly-owned industrial operations are grouped into four business areas: Hultafors Group, Latour Industries, Nord-Lock Group and Swegon. They generate a turnover of SEK 13 billion.

## Comments from the CEO

“It is with great confidence and also with great humility that I have taken over the reins of one of Sweden's finest companies. This is evinced not least by the fact that Latour's industrial operations have seen continued positive growth during the third quarter despite signs of a global economic slowdown. Our wholly-owned holdings are reporting organic growth in both their order intakes and sales. However, it should be noted that our growth has slowed down from its previous high rate and some segments are experiencing a decline in demand, with customers reducing stock levels and becoming far more cautious. The fact that our operations as a whole nevertheless continue to report positive growth is confirmation that we are well positioned and prepared for a more widespread downturn in the economy.

During the third quarter, the order intake grew by 13 per cent and, excluding acquisitions and foreign exchange effects, growth was 4 per cent. Sales rose 15 per cent during the quarter and, excluding acquisitions and foreign exchange effects, growth was 6 per cent. At the end of the quarter, the order backlog amounted to SEK 2,169 m (1,556 m) and was thus up 39 per cent on the previous year's value. The operating profit for the quarter increased by 16 per cent to SEK 464 m (399 m) with an operating margin of 14.2 (14.0) per cent, which we are very pleased with.

We continue to take a forward-looking perspective and are investing with undiminished strength in product development, sales and marketing in our business areas to drive growth and further strengthen the positions of our operations. Sustainability is a key aspect and critical to underpinning further growth, and we focus sharply on it in all of our business operations. Our portfolio today comprises companies with long-term sustainable businesses that offer the market products that contribute to the building of a better world. We are committed to the daily challenge of continuously developing sustainable practices.

Our level of acquisition activity during the quarter has been high and our determination to seek out and evaluate new interesting companies has yielded excellent results. We acquired three new companies for our industrial operations in August and September. Swegon acquired the Norwegian company Klimax AS, Hultafors Group acquired CLC based in Los Angeles, USA, and Produal in Latour Industries acquired SyxthSense in the UK. In October, we also signed an agreement for the acquisition of Caljan, which will become a new business area, and for the acquisition of S+S Regeltechnik to Latour Industries. Read more about our acquisitions on page 4.

Growth in the stock market was slower in the third quarter compared with the very strong growth seen in the first six months of the year. Since the beginning of the year, our investment portfolio has increased by 27.6 per cent, adjusted for dividends and changes in the portfolio, while the benchmark index SIXRX increased by 23.0 per cent. The net asset value in Latour increased by 29.9 per cent to SEK 127 per share in the same period.

Several of our listed holdings have, at this point, already reported their results. With a couple of exceptions, these reports are good and stable, which again corroborates the high quality of the companies in our portfolio. Following a relatively high level of activity in the first six months, the third quarter was marked by slightly less acquisition activity.”

*Johan Hjertonsson  
President and Chief Executive Officer*

# Industrial operations

## Order intake, billed sales and earnings

In the third quarter, the order intake increased by 13 per cent to SEK 3,134 m (2,787 m), with organic growth accounting for 4 per cent of this. Billed sales rose 15 per cent to SEK 3,276 m (2,857 m), with organic growth accounting for 6 per cent of this. The operating profit in the wholly-owned industrial operations increased by 16 per cent to SEK 464 m (399 m) in the quarter. The operating margin was 14.2 (14.0) per cent.

The order intake increased in the nine-month period by 15 per cent to SEK 10,031 m (8,701 m), which is equivalent to 6 per cent organic growth. Billed sales rose 19 per cent to SEK 9,928 m (8,371 m), which is equivalent to 8 per cent organic growth. The operating profit in the wholly-owned industrial operations increased by 29 per cent to SEK 1,382 m (1,075 m) in the nine-month period. The operating margin was 13.9 (12.8) per cent.

The above figures only include subsidiaries of the wholly-owned business areas. See the separate report on page 5.

## Acquisitions/disposals

In the third quarter, three transactions were made in the wholly-owned industrial operations. Swegon acquired Klimax AS on 13 August. The company is a leading distributor of products for heating and cooling indoor climate in Norway. The acquisition gives Swegon a strong platform on which to grow, by being able to offer its range of heating and cooling products through Klimax's regional offices in Norway. Klimax has 12 employees and generated sales of NOK 66 m in 2018.

On 16 September, Hultafors Group acquired Custom LeatherCraft Mfg. LLC ("CLC") based in Los Angeles, California, USA. CLC is an industry leading designer, developer and marketer of work gear (e.g. tool belts and softside tool carriers), personal protective equipment (e.g. knee pads and gloves) and outdoor gear. The acquisition is part of Hultafors Group's strategy to strengthen its presence in North America and broaden its portfolio within attractive product categories. Through the acquisition, Hultafors Group will strengthen its sales and marketing capabilities in North America, as well as reinforcing the relationships with key customers within the distribution channel. In 2018, the company generated net sales of USD 53 m and it has some 60 employees.

On 3 September, Produl, in the Latour Industries business area, acquired SyxthSense Ltd, a UK company with a comprehensive range of field devices and room controllers for building automation. The acquisition strengthens Produl's product offering to the building automation segment and expands the Group's geographical reach with a strong base in the UK. In 2018, SyxthSense generated sales of approximately GBP 2 m.

Earlier in the year, one transaction has taken place within our wholly-owned industrial operations. Aritco Group, within the Latour Industries business area, acquired the Norwegian company TKS Heis AS. The effective date of the acquisition was 31 January. TKS Heis is a leading Norwegian manufacturer and installer of platform lifts and installer of passenger lifts, with development and manufacturing operations at its head office in Nærbø. It has a sales, installation and aftermarket organisation serving most of the Norwegian market. In 2018, the company generated sales of approximately NOK 155 m. It has 74 employees. The acquisition complements Aritco's product portfolio and strengthens its already strong position in the Norwegian market.

The entire shareholding in partially-owned Diamorph was sold for just over SEK 290 m in March. The entire shareholding in partially-owned Terratech was sold on 25 April and Latour realised a return of about 300 per cent on the sale.

## *After the reporting period*

On 11 October, Latour signed an agreement for the acquisition of Caljan based in Århus, Denmark. The acquisition is subject to approval by European authorities and closing is expected to take place at the end of the year. Caljan will become a new wholly-owned business area once the acquisition is completed. Caljan is a leading supplier of automation technology for parcel handling in the logistics and e-commerce sectors. It generates net sales of approximately EUR 100 m with just over 15 per cent in operating margin and good growth. The company has 450 employees. As a consequence of the acquisition, net debt (excluding IFRS 16) in Investment AB Latour is expected to increase by about EUR 250 m.

On 22 October, Bemsig AB within Latour Industries signed an agreement for the acquisition of German S+S Regeltechnik. The company is a pan-European leader in advanced sensor technology, with 65 employees and a turnover of about EUR 16 m with a good profit level.

# Industrial operations summary

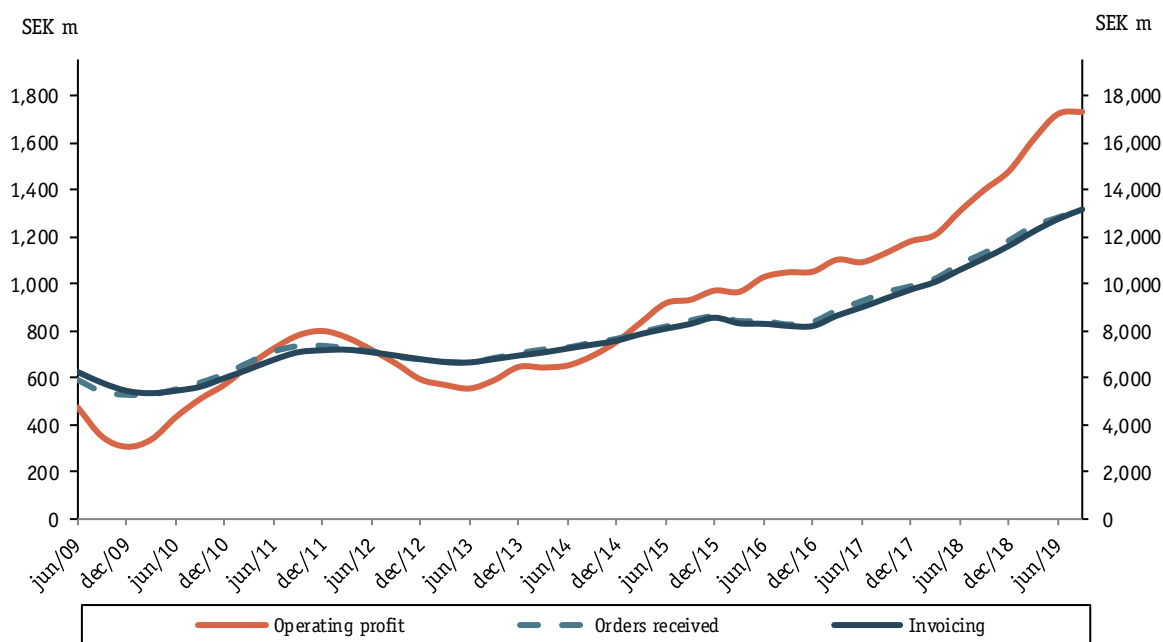
## Business area results

SEK m	Net sales				Operating profit				Operating margin %			
	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths
Hultafors Group	693	618	2,030	1,690	97	93	274	256	13.9	15.1	13.5	15.2
Latour Industries	739	660	2,269	1,990	74	57	197	135	10.0	8.6	8.7	6.8
Nord-Lock Group	340	332	1,118	976	94	106	340	308	27.8	31.9	30.4	31.5
Swegon	1,505	1,248	4,513	3,716	199	144	571	376	13.2	11.5	12.7	10.1
Eliminations	-1	-1	-2	-1	-	-1	-	-	-	-	-	-
	3,276	2,857	9,928	8,371	464	399	1,382	1,075	14.2	14.0	13.9	12.8
Part-owned subsidiaries	63	46	163	124	2	-5	4	-16	3.3	-11.5	2.3	-12.9
	3,339	2,903	10,091	8,495	466	394	1,386	1,059	13.9	13.5	13.7	12.4
Gain/loss from sale/purchase of business	-	-	-	-	-15	-10	92	-21				
Other companies and items	-	-	-	22	-8	-10	-25	-26				
	3,339	2,903	10,091	8,517	443	374	1,453	1,012				
Changed accounting policies	-	-	-	-	-	-	2	-				
	3,339	2,903	10,091	8,517	443	374	1,455	1,012				

SEK m	Operating capital <sup>1</sup>		Return on operating capital %		Growth in net sales, 2019 %			
	2019 Trailing 12	2018 Trailing 12	2019 Trailing 12	2018 Trailing 12	Total	Organic	Currency	Acquisitions
Hultafors Group	2,456	1,722	16.0	20.2	20.1	4.7	3.1	11.2
Latour Industries	3,032	3,063	8.3	6.1	14.0	5.8	1.7	6.0
Nord-Lock Group	1,092	1,007	39.3	38.1	14.6	7.9	5.5	0.7
Swegon	3,262	3,028	21.7	15.7	21.5	11.7	2.5	6.1
Total	9,842	8,820	18.1	15.8	18.6	8.4	2.8	6.5

<sup>1</sup> Calculated as total assets less cash and other interest-bearing assets and less non-interest-bearing liabilities. Calculated on the average for the past 12 months.

## Industrial operations trailing 12 months



# Development by business area

## HULTAFORS GROUP

(SEK m)	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	2018 Full Year	Trailing 12 mths
Net sales	693	618	2,030	1,690	2,407	2,746
EBITDA	104		307			433
EBITDA <sup>1</sup>	102	99	291	270	395	417
EBITA <sup>1</sup>	97	94	277	257	378	398
EBIT <sup>1</sup>	97	93	274	256	375	394
EBITA % <sup>1</sup>	14.1	15.3	13.7	15.2	15.7	14.5
EBIT % <sup>1</sup>	13.9	15.1	13.5	15.2	15.6	14.3
Total growth %	12.1	36.0	20.1	24.4	26.6	
Organic %	3.2	8.6	4.7	9.8	8.9	
Exchange effects %	2.5	4.8	3.1	3.1	3.3	
Acquisitions %	6.0	19.5	11.2	10.8	12.5	
Average number of employees	859	820	854	776	821	

<sup>1</sup> Excl. IFRS 16.

### Highlights

- Continued growth during the quarter in both our product areas, especially in PPE/Workwear despite increased uncertainty in some markets.
- A combination of good performance and cost control results in a continuation of strong earnings in the quarter.
- To drive further growth, we are maintaining a high rate of investment in product development, sales and digitalisation.
- Custom LeatherCraft Mfg. LLC was acquired in August. More details can be found on page 4.

### Breakdown of net sales

(SEK m)	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	2018 Full Year	Trailing 12 mths
PPE/Workwear	382	327	1,151	971	1,415	1,595
Hardware	311	291	879	719	992	1,151
	693	618	2,030	1,690	2,407	2,746
Pro forma adjustment <sup>1</sup>						436
Trailing 12 month pro forma						3,182

<sup>1</sup> Pro forma for completed acquisitions.



(SEK m)	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	2018 Full Year	Trailing 12 mths
Net sales	739	660	2,269	1,990	2,737	3,016
EBITDA	93		271			345
EBITDA <sup>1</sup>	89	72	240	180	254	314
EBITA <sup>1</sup>	78	62	210	151	216	274
EBIT <sup>1</sup>	74	57	197	135	190	251
EBITA % <sup>1</sup>	10.6	9.5	9.2	7.6	7.9	9.1
EBIT % <sup>1</sup>	10.0	8.6	8.7	6.8	6.9	8.3
Total growth %	12.1	17.5	14.0	31.7	25.5	
Organic %	4.0	7.7	5.8	8.2	7.3	
Exchange effects %	1.4	4.5	1.7	3.3	3.2	
Acquisitions %	6.3	4.3	6.0	17.8	13.3	
Average number of employees	1,463	1,455	1,474	1,421	1,412	

<sup>1</sup> Excl. IFRS 16.

### Highlights

- Good growth during the quarter with a 12 per cent increase in net sales, 4 per cent of which is organic.
- The companies in Accessibility and Building Automation continue their positive development.
- Profitability continues to gradually improve, fully in line with what we previously communicated.
- Pro dual acquired SyxthSense Ltd in September. More details can be found on page 4.

### Breakdown of net sales

(SEK m)	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	2018 Full Year	Trailing 12 mths
Bemsiq	114	105	364	328	442	478
Aritco Group	201	130	568	376	527	720
VIMEC	136	116	382	357	505	530
REAC	128	135	411	385	525	551
LSAB	114	129	406	424	570	552
DENSIQ	48	45	145	120	168	193
Elimination	-2	-	-7	-	-1	-8
	739	660	2,269	1,990	2,737	3,016
Pro forma adjustment <sup>1</sup>						85
Trailing 12 month pro forma						3,101

<sup>1</sup> Pro forma for completed acquisitions.

**Hultafors Group** offers products in the Personal Protective Equipment/Workwear and Hardware segments. The products are marketed under brands with strong positions in their respective markets: Snickers Workwear, Dunderdon, CLC, Kuny's Leather, Solid Gear, Toe Guard, Hultafors, Wibe Ladders, Johnson and Hellberg. Hultafors Group is also a distributor for the German manufacturing company Fein in the Swedish market.

**Latour Industries** consists of a number of operating areas, each with its own business concept and business model. Our ambition is to develop independent entities within the business area, so that they are eventually able to become established as separate business areas within Latour.

(SEK m)	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	2018 Full Year	Trailing 12 mths
Net sales	340	332	1,118	976	1,309	1,451
EBITDA	106		380			478
EBITDA <sup>1</sup>	103	114	366	333	431	464
EBITA <sup>1</sup>	97	108	347	314	406	438
EBIT <sup>1</sup>	94	106	340	308	397	429
EBITA % <sup>1</sup>	28.5	32.6	31.0	32.2	31.0	30.2
EBIT % <sup>1</sup>	27.8	31.9	30.4	31.5	30.3	29.5
Total growth %	2.6	19.7	14.6	15.4	17.5	
Organic %	-1.6	10.5	7.9	11.8	13.0	
Exchange effects %	4.1	8.0	5.5	3.1	3.7	
Acquisitions %	0.3	0.3	0.7	0.1	0.2	
Average number of employees	568	531	588	531	542	

<sup>1</sup> Excl. IFRS 16.

### Highlights

- The order intake increase by 12 per cent during the quarter, of which 7 per cent is organic growth.
- At the same time, we notice a slowdown in demand, sales increase by 3 per cent. However, organic growth is slightly negative.
- Asia Pacific has an 8 per cent increase in billed sales in the quarter, of which 2 per cent is organic growth.
- An unfavourable customer and product mix are one of the factors adversely affecting profitability.
- The "Export Hermes" award was presented to Nord-Lock Group by the Swedish foundation "Fonden för Exportutveckling" (Export Development Fund) in October.

### Breakdown of net sales

(SEK m)	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	2018 Full Year	Trailing 12 mths
EMEA	167	160	512	496	655	672
Americas	89	94	292	247	340	386
Asia Pacific	84	78	314	234	314	393
	340	332	1,118	976	1,309	1,451
Pro forma adjustment <sup>1</sup>						-
Trailing 12 month pro forma						1,451

<sup>1</sup> Pro forma for completed acquisitions.

**Nord-Lock Group** is a world leader in secure bolting solutions. The Group offers a wide range of innovative technologies including Nord-Lock wedge-locking, Superbolt multi-jackbolt tensioning, Boltight hydraulic tensioning and Expander System pivot technology. With a global sales organization and international partners the customers benefit from bolting expertise and the optimum solution for any bolting challenge.

(SEK m)	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	2018 Full Year	Trailing 12 mths
Net sales	1,505	1,248	4,513	3,716	5,137	5,934
EBITDA	228		679			836
EBITDA <sup>1</sup>	222	164	640	442	599	796
EBITA <sup>1</sup>	203	147	584	386	528	725
EBIT <sup>1</sup>	199	144	571	376	514	709
EBITA % <sup>1</sup>	13.5	11.8	12.9	10.4	10.3	12.2
EBIT % <sup>1</sup>	13.2	11.5	12.7	10.1	10.0	11.9
Total growth %	20.6	19.6	21.5	14.4	17.3	
Organic %	9.8	12.7	11.7	9.8	11.5	
Exchange effects %	2.0	6.1	2.5	4.0	4.0	
Acquisitions %	7.6	-0.0	6.1	0.2	1.2	
Average number of employees	2,473	2,368	2,472	2,328	2,293	

<sup>1</sup> Excl. IFRS 16.

### Highlights

- Organic growth remains high in most markets, driven by the successful launch of new products.
- Increasing volumes and active pricing lead to strong earnings performance.
- Performance in North America remains strong.
- Despite uncertainty over Brexit, Fire & Smoke is experiencing particularly positive growth in the UK market.
- Klimax AS was acquired in August. More details can be found on page 4.

### Breakdown of net sales

(SEK m)	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	2018 Full Year	Trailing 12 mths
Sweden	266	247	899	842	1,137	1,193
Rest of Nordic region	255	232	790	694	969	1,065
Rest of world	984	769	2,825	2,180	3,031	3,676
	1,505	1,248	4,513	3,716	5,137	5,934
Pro forma adjustment <sup>1</sup>						85
Trailing 12 month pro forma						6,019

<sup>1</sup> Pro forma for completed acquisitions.

(SEK m)	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	2018 Full Year	Trailing 12 mths
Cooling	449	397	1,308	1,086	1,502	1,724
Home Solutions	117	99	354	300	413	467
Light Commercial	64	53	191	170	225	247
Commercial Ventilation	630	559	1,944	1,758	2,388	2,574
North America	84	72	253	197	281	337
UK	175	142	511	433	583	662
Eliminations	-14	-74	-48	-228	-255	-77
	1,505	1,248	4,513	3,716	5,137	5,934

**Swegon** provides components and innovative system solutions that create a good indoor climate and contribute to significant energy savings in all types of buildings. Swegon's products constitute a turnkey solution for the perfect indoor climate.

## The Latour share's net asset value

In order to facilitate the evaluation of Latour's net asset value, Latour provides an estimated range of the value (Enterprise Value) for each business area based on EBIT multiples. These multiples have been calculated by comparing valuations of listed companies in comparable industries. Since there are variations in the listed companies' valuations these are reflected in the tables by valuing each business area in a range. Deductions are then made for the Group's net debt. The evaluation of comparable companies is based on the share price on the balance sheet date. Any price changes after the balance sheet date have not been taken into consideration.

A more detailed description can be found on page 25 in Latour's Annual Report for 2018.

In some cases, the valuation multiples for comparable companies span over a very big range. For this reason, the multiples may be adjusted in order to avoid unreasonable values. The indicative value stated below is not a complete market valuation of Latour's holdings.

During the period, the net asset value increased to SEK 127 per share from SEK 100 at the start of the year. The net asset value consequently increased by 29.9 per cent, adjusted for dividends, measured against SIXRX which increased by 23.0 per cent.

SEK m	Net sales <sup>1</sup>	EBIT <sup>1</sup>	EBIT multiple	Valuation <sup>2</sup> Range	Valuation <sup>2</sup> Average	Valuation <sup>2</sup> SEK/share <sup>3</sup> Range
Hultafors Group	3,182	486	11 - 15	5,346 - 7,290	6,318	8 - 11
Latour Industries	3,101	258	12 - 16	3,096 - 4,128	3,612	5 - 7
Nord-Lock Group	1,451	429	12 - 16	5,148 - 6,864	6,006	8 - 11
Swegon	6,019	715	13 - 17	9,295 - 12,155	10,725	15 - 19
	13,753	1,888		22,885 - 30,437		36 - 48
Industrial operations valuation, average					26,661	42
Listed shares (see table on page 9 for breakdown)					59,262	93
<i>Unlisted part-owned holdings</i>						
Neuffer <sup>5</sup> , 66.1 %					166	0
Oxeon <sup>4</sup> , 31.6 %					15	0
<i>Other assets</i>						
Short trading portfolio					-1	0
Dilution effect of option programme					9	0
Nobia shares					-43	0
Consolidated net debt (excl IFRS 16)					226	0
					-5,268	-8
Estimated value					81,027	127
					(77 251 - 84 803)	(121 - 133)

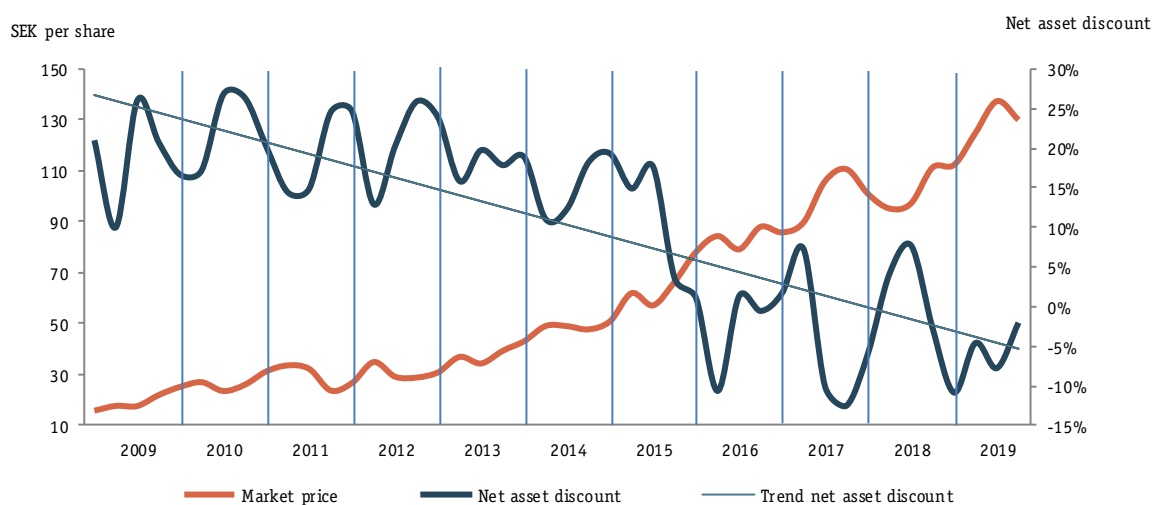
<sup>1</sup> Trailing 12 months for current company structure (proforma). EBIT is, as appropriate, reported before restructuring costs.

<sup>2</sup> EBIT and EV/sales recalculated taking into consideration the listed share price on 30 of September 2019 for comparable companies in each business area.

<sup>3</sup> Calculated on the basis of the number of outstanding shares.

<sup>4</sup> Valued according to the latest transaction.

<sup>5</sup> Valued according to Latour's latest acquisition price.





## The investment portfolio at 30 September 2019

In the nine-month period, the value of the investment portfolio increased by 27.6 per cent, adjusted for dividends and net investments, while the benchmark index (SIXRX) increased by 23.0 per cent. No changes were made to the portfolio in the third quarter. In the first quarter, all

2,528,520 class A shares in Loomis were sold. This represents 3.4 per cent of the capital and 23.8 per cent of the voting rights. In the second quarter, investment in Fagerhult increased by SEK 995 m in connection with the holding's preference share issue to finance the acquisition of iGuzzini.

Share <sup>1</sup>	Number	Cost SEK m	Listed share price <sup>2</sup> SEK	Market value SEK m	Share of votes %	Share of equity %
Alimak Group	15,806,809	2,113	130	2,055	29.2	29.2
Assa Abloy <sup>3</sup>	105,495,729	1,697	219	23,114	29.5	9.5
Fagerhult	78,410,480	1,566	53	4,179	44.5	44.3
HMS Networks	12,109,288	250	127	1,538	26.0	25.9
Nederman	10,538,487	306	117	1,231	30.0	30.0
Securitas <sup>3</sup>	39,732,600	1,081	151	5,992	29.6	10.9
Sweco <sup>3 4</sup>	32,622,480	479	280	9,121	21.3	26.9
Tomra <sup>5</sup>	39,000,000	2,000	243 NOK	10,235	26.4	26.3
Troax	18,060,000	397	100	1,797	30.1	30.1
Total		9,889		59,262		

<sup>1</sup> All holdings are reported as associated companies in the balance sheet.

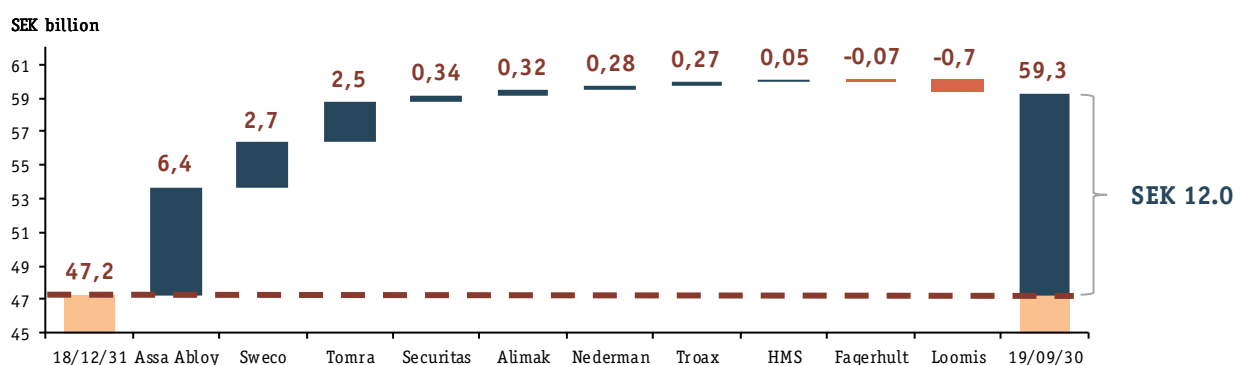
<sup>2</sup> The last price paid is used as the listed share price.

<sup>3</sup> Due to the limited trading in class A shares in Sweco, and the fact that the class A shares in Assa Abloy and Securitas are unlisted, they have been given the same listed share price as the companies' class B shares. Holdings consisting of both class A and B shares are reported in the table as unit.

<sup>4</sup> The cost of the class B shares are SEK 34 m higher than in the parent company through the exercise of call options.

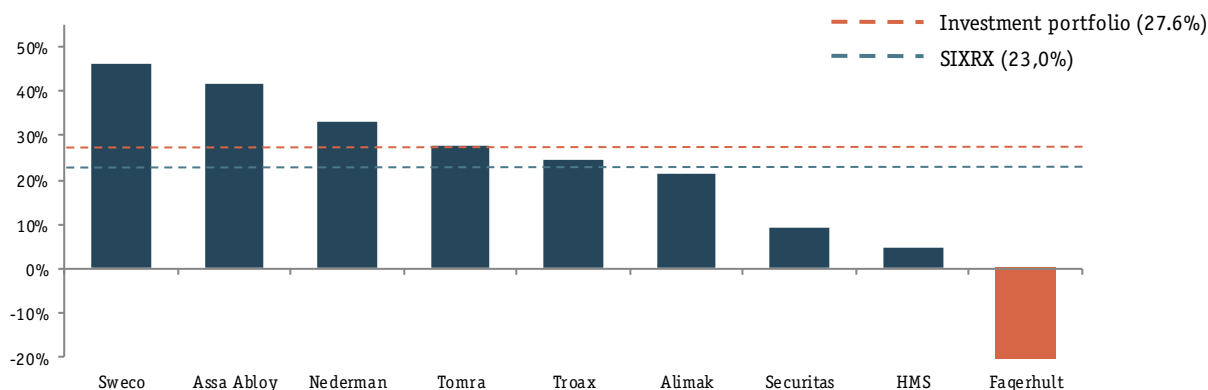
<sup>5</sup> At the end of the report period, the listed share price was NOK 243 which has been translated to SEK at the exchange rate on the balance sheet date.

### Investment portfolio during 2019



Movements in investment portfolio values (SEK billion). These figures include acquired and divested shares but not dividends.

### Total return 2019 for the portfolio companies



# Results and financial position

## The Group

The Group's profit after financial items was SEK 4,399 m (1,952 m). Profit after tax was SEK 4,063 m (1,697 m), which is equivalent to SEK 6.35 (2.66) per share. There has been a positive impact on earnings from a reversal of previous impairment of the holding in Alimak of SEK 234 m along with capital gains of SEK 615 m.

The Group's cash in hand and liquid investments reached SEK 891 m (677 m). Interest-bearing debt, excluding pension liabilities and lease liabilities, totalled SEK 6,101 m (5,870 m). The Group's net debt, including pension liabilities, was SEK 5,913 m. Net debt, excluding lease liabilities, was SEK 5,268 m (5,233 m). The equity ratio was 87 (87) per cent calculated on reported equity in relation to total assets, including undisclosed surpluses in associated companies.

There have been no transactions with related parties that have had a material effect on the results or financial position of the Group.

## Investments

During the period, SEK 98 m (152 m) was invested in property, plant and equipment, of which SEK 79 m (102 m) was machinery and equipment, SEK 13 m (30 m) was vehicles, and SEK 6 m (20 m) was buildings. Fixed assets in newly acquired companies account for SEK 9 m (35 m) of investments for the year.

## Parent company

The parent company's profit/loss after financial items was SEK 1,378 m (1,411 m). The parent company's equity ratio was 66 (76) per cent.

The number of class A shares issued is 47,642,248 and the number of class B shares is 592,197,752. Not including repurchased shares, the number of outstanding shares at 30 September 2019 amounted to 639,282,500. At the end of the period, Latour holds 557,500 repurchased class B shares.

The total number of issued call options is 1,834,000, which give the right to purchase 2,330,500 shares.

## Events after the reporting period

On 11 October, Latour signed an agreement for the acquisition of Caljan, a company based in Denmark, which generates net sales of EUR 100 m and has 450 employees. The acquisition is subject to approval by European authorities and closing is expected to take place in December.

On 22 October, Bemsig in Latour Industries acquired S+S Regeltechnik in Germany. The company generates net sales of EUR 16.3 m and has 65 employees.

On 2 October, the maximum amount for an existing Medium Term Note (MTN) programme was increased from SEK 4 billion to SEK 6 billion.

## Risks and uncertainties

The main risk to which the Group and the parent company are exposed is the risk attributable to adverse changes in the values of financial instruments, including a general decline in

the stock market or in the value of an individual holding. This includes uncertainties relating to changes in exchange rates and interest rates. Latour has a well-diversified holding of shares, spread across nine listed holdings and four wholly-owned business areas. This means that the development and performance of an individual holding will not have a drastic impact on the portfolio as a whole. As the wholly-owned industrial operations have increased in size, Latour as a whole is influenced to a higher degree by changes attributable to these operations. On the whole, Latour is deemed to have a good risk diversification in its portfolio, which covers several industries, with a certain emphasis on sectors linked to the construction industry. Construction can also be divided into several dimensions, such as new builds or government-subsidised repair, conversion or extension work, locally or globally, and housing, office and industrial premises or infrastructure projects. No material risks are deemed to have arisen other than those described in Note 35 of Latour's 2018 Annual Report.

## Accounting policies

This interim report has been prepared in accordance with the Swedish Annual Accounts Act and IAS 34 Interim Reporting in respect of the Group, and in accordance with the Annual Accounts Act and Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board in respect of the parent company.

The Latour Group uses a number of economic indicators that are not defined in the set of accounting rules used by the Group, so-called alternative performance measures. Definitions of the economic indicators can be found on page 20 of this report and in Latour's latest Annual Report. For an explanation of how the financial performance measures have been calculated for the current and prior periods, please see the table in this report and Latour's latest Annual Report.

The Annual Reports for 1986 to 2018 are available for viewing on Latour's website [www.latour.se](http://www.latour.se).

## New accounting policies

IFRS 16 Leases applies for accounting periods starting on or after 1 January 2019 and replaces IAS 17 Leases.

Reconciliation from IAS 17 to IFRS 16	SEK m
Operating lease commitment under IAS 17 at 31 December 2018	852
Impact of discounting	-36
Finance leases reported 31 December 2018	62
Short-term leases and leases of low-value assets	-87
Lease liability under IFRS 16 at 1 January 2019	791

Latour has elected to transition to the new standard using the simplified approach which does not require a restatement of comparatives. The main impact for Latour relates to recognition of leases for premises. The opening effect on the consolidated balance sheet is shown in the table below.

<b>Analysis OB/CB</b>			
<b>SEK m</b>	<b>CB 1812</b>	<b>IFRS 16 effect</b>	<b>OB 1901</b>
<b>Assets</b>			
Property, plant and equipment	959	729	1,688
<b>Total assets</b>	<b>30,167</b>	<b>729</b>	<b>30,896</b>
<b>Liabilities and equity</b>			
Equity	21,863	-	21,863
Liabilities	8,304	729	8,304
<b>Total liabilities and equity</b>	<b>30,167</b>	<b>729</b>	<b>30,896</b>

In the income statement, the straight-line expense for operating leases is replaced by a depreciation charge for the right-of-use asset and interest expense on the lease liability. For the first nine months of 2019, the operating profit was impacted positively by SEK 2 m, and net profit was impacted adversely by SEK -3 m. Lease payments of SEK 104 m were reversed, while depreciation of SEK -102 m and interest expense of SEK -5 m have been recognised in the income statement. The equity ratio fell 1 percentage point due to an increase in total assets.

A discount rate has been set for each country and is adjusted annually based on the Group's borrowing rate. Leases of right-of-use assets with a term of less than 12 months and leases for assets with a value of less than SEK 0.2 m are not included in the recognised liabilities or the right-of-use assets.

Since 1 January 2019, Latour recognises leases in accordance with IFRS 16 and the following accounting policies are applied:

The Group's leases mainly comprise the right-of-use regarding premises and equipment. The leases are recognised as a right-of-use asset with a corresponding lease liability when the leased asset is available for use by the Group. Short-term leases and leases for which the underlying asset is of low value are exempted.

Each lease payment is apportioned between the reduction of the outstanding liability and the finance charge. The finance charge should be allocated to periods during the lease term so as to produce a constant periodic rate of interest on the outstanding balance of the liability for each period.

The lease term is defined as the non-cancellable period, plus periods covered by a lessee's extension option if extension is reasonably certain and periods covered by a lessee's termination option if the lessee is reasonably certain not to terminate.

The Group's lease liabilities are reported at the present value of the Group's fixed payments (including in-substance fixed payments). The payments include purchase options if the lessee is reasonably certain to exercise those options to acquire the underlying asset. Penalties for terminating the lease are included if the lease term reflects the lessee exercising an option to terminate the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If not, the Group's incremental borrowing rate is used.

The Group's right-of-use assets are recognised at cost and include initial present value of the lease liability, adjusted for any lease payments made at or before the commencement date and any initial direct costs. Restoration costs are included in the asset if a corresponding provision for restoration costs exists. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term.

#### **Nomination Committee**

The Nomination Committee for the Annual General Meeting on 11 May 2020 comprises the following members.

Jan Svensson, Chairman (the Douglas family with companies)

Fredrik Palmstierna (the Palmstierna family with companies)

Olle Nordström (Skirner AB)

Per Trygg (SEB Fonder)

The Nomination Committee can be contacted through Latour's website [www.latour.se](http://www.latour.se) under Corporate Governance, Nomination Committee.

Gothenburg, 5 November 2019

Johan Hjertonsson

*President and CEO*

## Auditor's report on review of interim condensed financial statements (interim report) prepared and presented in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act

### Introduction

We have conducted a review of the interim report for Investment AB Latour (publ) corporate registration number 556026-3237 as at 30 September 2019 and the nine-month period ending on this date. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this 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 Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making enquiries, 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 and generally accepted auditing practice. The review procedures that are undertaken 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, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the parent company in accordance with the Annual Accounts Act.

Gothenburg, 5 November 2019

Öhrlings PricewaterhouseCoopers AB

Bo Karlsson  
Authorised Public Accountant

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### For further information please contact:

Johan Hjertonsson, President and CEO, tel. +46 (0)702-29 77 93.

Anders Mörck, Chief Financial Officer, tel. +46 (0)706 46 52 11 or +46 (0)31 89 17 90.

### Conference call

Investment AB Latour invites you to participate in a conference call with Johan Hjertonsson and Anders Mörck commencing today at 10.00.

The number to call is +46 (0)8 566 426 92. The conference will be broadcast on the Internet.

To follow the presentation, please visit our website, [www.latour.se](http://www.latour.se).

*The 2019 Year-End Report will be published on 14 February 2020*

*The interim report for the period January – March 2020 will be published on 28 April 2020*

*The Annual General Meeting will be held on 11 May 2020 at Radisson Blu Scandinavia in Gothenburg*

*The interim report for the period January – June 2020 will be published on 20 August 2020*

*The interim report for the period January – September 2020 will be published on 5 November 2020*

*The information contained in this report constitutes information which Investment AB Latour (publ) is required to disclose under the EU Market Abuse Regulation. The information was provided by the above contact persons for publication on 5 November 2019, at 08.30 CET.*

## Consolidated income statement

SEK m	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	12 mths Oct-Sep 2018/2019	Full Year 2018
Net sales	3,339	2,903	10,091	8,517	13,359	11,785
Cost of goods sold	-2,041	-1,743	-6,082	-5,089	-8,066	-7,073
Gross profit	1,298	1,160	4,009	3,428	5,293	4,712
Sales costs	-535	-490	-1,657	-1,508	-2,212	-2,063
Administrative costs	-247	-221	-781	-688	-1,046	-953
Research and development costs	-70	-70	-241	-240	-329	-328
Other operating income	17	16	158	69	232	143
Other operating expenses	-20	-21	-33	-49	-98	-114
Operating profit	443	374	1,455	1,012	1,840	1,397
Income from interests in associates	357	482	2,925	944	3,259	1,278
Income from portfolio management	-2	-4	28	31	20	23
Management costs	-5	-5	-17	-16	-22	-21
Profit before financial items	793	847	4,391	1,971	5,097	2,677
Finance income	48	87	71	199	-84	44
Finance expense	-17	-101	-63	-218	80	-75
Profit after financial items	824	833	4,399	1,952	5,093	2,646
Taxes	-133	-90	-336	-255	-403	-322
Profit for the period <sup>1</sup>	691	743	4,063	1,697	4,690	2,324
Attributable to:						
Parent company shareholders	691	742	4,062	1,700	4,698	2,336
Non-controlling interests	-	1	1	-3	-8	-12
Earnings per share regarding profit attributable to parent company shareholders						
Basic share, SEK	1.08	1.16	6.35	2.66	7.35	3.66
Diluted share, SEK	1.08	1.16	6.33	2.65	7.33	3.64
Average number of basic shares outstanding	639,282,500	639,117,500	639,190,632	638,804,679	639,172,199	639,005,270
Average number of diluted shares outstanding	641,030,500	641,463,500	641,271,584	641,151,152	641,319,958	641,229,881
Number of outstanding shares	639,282,500	639,117,500	639,282,500	639,117,500	639,282,500	639,117,500

<sup>1</sup> Profit for the period 2019 has been negatively affected by SEK -3 m through the introduction of IFRS 16.

## Consolidated statement of comprehensive income

SEK m	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	12 mths Oct-Sep 2018/2019	Full Year 2018
Profit for the period	691	743	4,063	1,697	4,690	2,324
Other comprehensive income:						
Items that will not be recycled to the income statement						
Restatement of net pension obligations	-	-	-	-	-7	-7
	0	0	0	0	-7	-7
Items that may subsequently be recycled to the income statement						
Change in translation reserve for the period	117	-39	280	225	251	196
Change in fair value reserve for the period	-12	-28	11	-30	-53	-94
Change in hedging reserve for the period	2	22	1	-24	2	-23
Change in associated companies' equity	-1	211	271	873	-77	525
	106	166	563	1,044	123	604
Other comprehensive income, net after tax	106	166	563	1,044	116	597
Comprehensive income for the period	797	909	4,626	2,741	4,806	2,921
Attributable to:						
Parent company shareholders	797	908	4,625	2,744	4,814	2,933
Non-controlling interests	-	1	1	-3	-8	-12

## Consolidated cash flow

SEK m	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	12 mths Oct-Sep 2018/2019	Full Year 2018
Operating cash flows before movements in working capital	430	366	1,370	935	1,761	1,326
Movements in working capital	35	83	-258	-380	-90	-212
Operating cash flows	465	449	1,112	555	1,671	1,114
Acquisitions of subsidiaries	-1,106	-143	-1,168	-904	-1,321	-1,057
Sale of subsidiaries	-	-	-	38	34	72
Other investments	-44	-68	-133	-148	-199	-214
Portfolio management	38	-58	1,468	868	1,449	849
Cash flow after investments	-647	180	1,279	409	1,634	764
Financial payments	769	-158	-1,199	-415	-1,481	-697
Cash flow for the period	122	22	80	-6	153	67

## Consolidated balance sheet

SEK m	2019/09/30	2018/09/30	2018/12/31
<b>ASSETS</b>			
Goodwill	7,810	6,706	6,565
Other intangible assets	222	226	216
Property, plant and equipment <sup>1</sup>	1,633	940	959
Financial assets	19,325	17,471	17,448
Inventories etc.	2,105	1,825	1,770
Current receivables	2,988	2,545	2,465
Cash and bank	891	677	744
<b>Total assets<sup>1</sup></b>	<b>34,974</b>	<b>30,390</b>	<b>30,167</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves attributable to parent company shareholders	24,781	21,550	21,768
Non-controlling interests	100	104	95
<b>Total equity</b>	<b>24,881</b>	<b>21,654</b>	<b>21,863</b>
Interest-bearing long-term liabilities <sup>1</sup>	6,064	3,679	3,563
Non-interest-bearing long-term liabilities	433	402	424
Interest-bearing current liabilities <sup>1</sup>	774	2,267	2,029
<b>Non-interest-bearing current liabilities</b>	<b>2,822</b>	<b>2,388</b>	<b>2,288</b>
<b>Equity and liabilities<sup>1</sup></b>	<b>34,974</b>	<b>30,390</b>	<b>30,167</b>

<sup>1</sup> Through the introduction of IFRS 16, fixed assets have increased by SEK 656 m and interest-bearing liabilities have increased by SEK 642 m on 30 September.

## Consolidated changes in equity

SEK m	Share capital	Repurchased treasury shares	Other reserves	Profit brought forward	Non-controlling interests	Total
Closing balance 31 Dec 2017	133	-72	357	19,827	102	20,347
Adjustment for changed accounting policies				29		29
Opening balance 1 Jan 2018	133	-72	357	19,856	102	20,376
Total comprehensive income for the period			75	2,853	-7	2,921
Issued call options				5		5
Exercise of call options		42		-14		28
Own shares repurchase		-30				-30
Dividends				-1,437		-1,437
Closing balance 31 December 2018	133	-60	432	21,263	95	21,863
Adjustment for changed accounting policies				0		0
Opening balance 1 Jan 2019	133	-60	432	21,263	95	21,863
Total comprehensive income for the period			288	4,333	5	4,626
Issued call options				8		8
Exercise of call options		49		-11		38
Own shares repurchase		-56				-56
Dividends				-1,598		-1,598
Closing balance 30 September 2019	133	-67	720	23,995	100	24,881

## Key ratios, Group

	2019/09/30	2018/09/30	2018/12/31
Return on equity (%)	23	11	11
Return on total capital (%)	18	10	9
Equity ratio, incl IFRS 16 (%)	71		
Equity ratio, excl IFRS 16 (%)	72	71	72
Adjusted equity ratio, incl IFRS 16 <sup>1</sup> (%)	87		
Adjusted equity ratio, excl IFRS 16 <sup>1</sup> (%)	87	87	86
Adjusted equity <sup>1</sup> (SEK m)	65,229	58,490	52,395
Surplus value in associated companies <sup>2</sup> (SEK m)	40,348	36,836	30,532
Net debt/equity ratio 1 (%) <sup>3</sup>	9.1	8.9	9.2
Net debt/equity ratio 2 (%) <sup>4</sup>	6.9	7.0	7.0
Listed share price (SEK)	130	111	112
Repurchased shares	557,500	722,500	722,500
Average number of repurchased shares	649,368	767,174	834,730
Average number of employees	5,441	5,160	5,128
Issued call options corresponds to number of shares	2,330,500	2,346,000	2,346,000

<sup>1</sup> Incl. fair value gain in associated companies.

<sup>2</sup> The difference between the carrying amount and market value.

<sup>3</sup> The ratio of net debt to adjusted equity.

<sup>4</sup> The ratio of net debt to the market value of total assets.

## Parent company income statement

SEK m	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	12 mths Oct-Sep 2018/2019	Full Year 2018
Income from interests i Group companies	-	-	440	625	440	625
Income from interest in associates companies	-	-	953	800	951	798
Income from portfolio management	-	-	-	-	-	-
Management costs	-5	-4	-13	-12	-16	-15
Profit before financial items	-5	-4	1,380	1,413	1,375	1,408
Interest income and similar items	4	-	11	-	17	6
Interest expense and similar items	-6	-	-13	-2	-17	-6
Profit after financial items	-7	-4	1,378	1,411	1,375	1,408
Taxes	-	-	-	-	-	-
Profit for the period	-7	-4	1,378	1,411	1,375	1,408

## Parent company statement of comprehensive income

SEK m	2019 Q3	2018 Q3	2019 9 mths	2018 9 mths	12 mths Oct-Sep 2018/2019	Full Year 2018
Profit for the period	-7	-4	1,378	1,411	1,375	1,408
Change in fair value reserve for the period	-	-	-	-	-	-
Total other comprehensive income	0	0	0	0	0	0
Comprehensive income for the period	-7	-4	1,378	1,411	1,375	1,408

## Parent company balance sheet

SEK m	2019/09/30	2018/09/30	2018/12/31
<b>ASSETS</b>			
Financial assets	10,937	9,831	9,831
Long-term receivables from Group companies	4,000	-	3,100
Current receivables from Group companies	-	3,356	252
Other current liabilities	8	5	6
Cash and bank	-	-	-
Total assets	14,945	13,192	13,189
<b>EQUITY AND LIABILITIES</b>			
Equity	9,851	10,084	10,081
Interese-bearing long-term lilabilities	4,003	3,100	3,100
Non-interest-bearing long-term liabilities	-	-	-
Interese-bearing current liabilities	1,082	-	-
Non-interest-bearing current liabilities	9	8	8
Equity and liabilities	14,945	13,192	13,189

## Parent company statement of changes in equity

SEK m	2019/09/30	2018/09/30	2018/12/31
Amount at beginning of year	10,081	10,107	10,107
Total comprehensive income for the period	1,378	1,411	1,408
Issued call options	8	5	5
Exercise of call options	39	28	28
Repurchased treasury shares	-57	-30	-30
Dividends	-1,598	-1,437	-1,437
Amount at end of year	9,851	10,084	10,081

## Segment reporting:

### Development by business area 1 Jan 2019 – 30 Sept 2019

SEK m	Industrial operations					Portfolio management	Total
	Hultafors Group	Latour Industries	Nord-Lock Group	Swegon	Other		
<b>INCOME</b>							
External sales	2,030	2,267	1,118	4,513	163		10,091
Internal sales		2					2
<b>RESULT</b>							
Operating profit	274	197	340	571	73		1,455
Income from portfolio management						2,936	2,936
Finance income							71
Finance expense							-63
Taxes							-336
Profit for the period							4,063
<b>OTHER DISCLOSURES</b>							
Investments in:							
property, plant and equipment	12	34	14	25	13		98
intangible assets	874	95	1	52			1,022
Depreciation/amortisation	17	43	26	68	16		170

### Development by business area 1 Jan 2018 – 30 Sept 2018

SEK m	Industrial operations					Portfolio management	Total
	Hultafors Group	Latour Industries	Nord-Lock Group	Swegon	Other		
<b>INCOME</b>							
External sales	1,690	1,989	976	3,716	146		8,517
Internal sales		1					1
<b>RESULTS</b>							
Operating result	256	135	308	376	-63		1,012
Income from portfolio management						959	959
Finance income							199
Finance expense							-218
Taxes							-255
Profit for the period							1,697
<b>OTHER DISCLOSURES</b>							
Investments in:							
property, plant and equipment	44	34	22	22	30		152
intangible assets	718	85	9	12	1		825
Depreciation/amortisation	13	45	25	66	16		165

## Change in consolidated interest-bearing net debt

SEK m	2018/12/31	Change in cash	Change in loans	IFRS 16	Other changes	2019/09/30
Interest-bearing receivables	36				-2	34
Cash	744	147				891
Pensions provisions	-89				-3	-92
Long-term liabilities	-3,474		-2,012	-486		-5,972
Utilised bank overdraft facilities	-72		-76			-148
Interest-bearing current liabilities	-1,957		1,490	-159		-626
Interest-bearing net debt	-4,812	147	-598	-645	-5	-5,913



## Five-year overview

SEK m	Oct-Sep 2018/2019	2018	2017	2016	2015
Net sales, SEK m	13,359	11,785	9,930	8,344	8,555
Operating profit, SEK m	1,840	1,397	1,125	1,021	975
Income from interest in associated companies, SEK m	3,259	1,278	2,006	2,676	1,952
Income from portfolio management, SEK m	-2	2	-8	101	1,493
Profit after finance items, SEK m	5,097	2,646	3,069	3,754	4,405
Earnings per share, SEK <sup>1</sup>	7	4	4	6	6
Return on equity, %	20	11	14	21	28
Return on total capital, %	16	9	13	17	22
Adjusted equity ratio, %	87	86	88	91	89
Net debt/equity ratio, %	9	9	8	3	5
Listed share price, SEK <sup>1</sup>	130	112	101	86	78

<sup>1</sup> Comparative years recalculated with regard to the 4:1 share split carried out in June 2017.

## Note 1 Business combinations

### Specification of acquisitions

Transfer date		Country	Business area	Number of employees
31 January 2019	TKS Heis AS	Norway	Latour Industries	74
13 August 2019	Klimax AS	Norway	Swegon	12
3 September 2019	SyxthSense Ltd.	Switzerland	Latour Industries	6
16 September 2019	Custom LeatherCraft Mfg. LLC	USA	Hultafors Group	60

### Assets and liabilities in acquisitions

	Consolidated carrying amount
Intangible assets	18
Property, plant and equipment	9
Inventories	127
Account receivable	113
Other receivable	35
Cash	36
Long-term liabilities	-4
Current liabilities	-94
Net identifiable assets and liabilities	240
Group goodwill	982
Total purchase price	1,222
Additional purchase price	-22
Cash settlement purchase price	1,200
Acquisition of non-cash items	4
Acquired cash	-36
Effect of Group cash	1,168

In 2019, Latour acquired the entire shareholdings of TKS Heis AS, Klimax AS, SyxthSense Ltd. and Custom LeatherCraft Mfg. LLC. TKS has contributed SEK 29 m in income and SEK 1 m in operating profit during the period. Klimax AS has contributed SEK 8 m in income and SEK -2 m in operating profit during the period. SyxthSense Ltd. has contributed SEK 2 m in income and SEK 0 m in operating profit during the period. Custom LeatherCraft has contributed SEK 38 m in income and SEK 6 m in operating profit during the period. The acquisition has been made with the aim of strengthening and developing the Latour Group's existing operations. Transaction costs for acquisitions made during the period amount to SEK 15 m.

## Note 2 Disclosures about financial assets and liabilities

### Classification of financial instruments

THE GROUP 30 Sept 2019

	Available-for-sales financial assets	Financial assets values at fair value via profit and loss	Derivatives used for hedging purposes	Total carrying amount
<b>FINANCIAL ASSETS</b>				
Listed shares, management	226 <sup>1</sup>			226
Other long-term securities holdings	3 <sup>2</sup>			3
Other long-term receivables			35 <sup>3</sup>	35
Listed shares, trading		12 <sup>1</sup>		12
Unrealised gains, currency derivatives	2 <sup>2</sup>			2
Other current receivables			2 590 <sup>3</sup>	2,590
Cash			891 <sup>3</sup>	891
<b>Total</b>	<b>231</b>	<b>12</b>	<b>3,516</b>	<b>3,759</b>
<b>FINANCIAL LIABILITIES</b>				
Long-term loans			5 486 <sup>3</sup>	5,486
Bank overdraft facilities			148 <sup>3</sup>	148
Current loans			467 <sup>3</sup>	467
Other liabilities			1 527 <sup>3</sup>	1,527
Unrealised gains, currency derivatives	0 <sup>2</sup>			0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>7,628</b>	<b>7,628</b>

<sup>1</sup> Level 1 – valued at fair value based on quoted prices on an active market for identical assets.

<sup>2</sup> Level 2 – valued at fair value based on other observable inputs for assets and liabilities than quoted price included in level 1.

<sup>3</sup> Level 3 – valued at fair value based on inputs for assets and liabilities unobservable to the market.

The basis of fair value for listed financial assets is the quoted market price at the balance sheet date. The basis of fair value for unlisted financial assets is determined using valuation techniques, such as recent transactions, the price of comparable instruments or discounted cash flows.

Hedging instruments consist of forward exchange contracts and interest rate swaps and are included in level 2. Valuation at fair value of the forward exchange contracts is based on levels established by the bank on an active market.

The fair value of accounts receivable and other receivables, current receivables, cash and other liquid funds, accounts payable and other liabilities as well as long-term liabilities are estimated to have the same value as their carrying amount. Market interest is not believed to materially deviate from the discount rate for interest-bearing long-term liabilities and therefore the carrying amount is considered in essence equal to the fair value.

The Group's valuation process is carried out by the Group finance and treasury department where a team works with valuation of the financial assets and liabilities held by the Group.

## Note 3 Breakdown of revenues

### Revenue by category

THE GROUP 30 Sept 2019

SEK m	2019 9 mths	2018 9 mths	2018 Full Year
Revenue from goods	9,509	8,112	10,528
Revenue from services	582	406	1,247
	10,091	8,517	11,785
Fix-price contract	7,279	6,691	9,107
Time-and-materials contracts	2,812	1,827	2,678
	10,091	8,517	11,785
Sold directly to consumers	5,341	4,973	6,135
Sold through intermediaries	4,750	3,544	5,650
	10,091	8,517	11,785

Latour's revenues are derived from a variety of operations that are conducted in hundreds of subsidiaries.

# Information by quarter

SEK m	2019			2018					2017				
	Q3	Q2	Q1	Full Year	Q4	Q3	Q2	Q1	Full Year	Q4	Q3	Q2	Q1
<b>INCOME STATEMENT</b>													
Net sales	3,339	3,567	3,185	11,785	3,268	2,903	3,024	2,590	9,930	2,699	2,423	2,538	2,269
Cost of goods sold	-2,041	-2,137	-1,904	-7,073	-1,984	-1,743	-1,802	-1,544	-5,885	-1,600	-1,445	-1,512	-1,327
Gross profit	1,298	1,430	1,281	4,712	1,284	1,160	1,222	1,046	4,045	1,099	978	1,026	942
Costs etc. for the operation	-855	-831	-868	-3,315	-899	-786	-851	-779	-2,920	-802	-669	-747	-702
Operating profit	443	599	413	1,397	385	374	371	267	1,125	297	309	279	240
Total portfolio management	350	1,209	1,377	1,280	321	473	106	380	1,998	506	514	597	381
Profit before financial items	793	1,808	1,790	2,677	706	847	477	647	3,123	803	823	876	621
Net financial items	31	-24	1	-31	-12	-14	-14	9	-54	-22	-11	-11	-10
Profit after financial items	824	1,784	1,791	2,646	694	833	463	656	3,069	781	812	865	611
Taxes	-133	-113	-90	-322	-67	-90	-95	-70	-281	-83	-73	-68	-57
Profit for the period	691	1,671	1,701	2,324	627	743	368	586	2,788	698	739	797	554
<b>KEY RATIOS</b>													
Earnings per share, SEK <sup>1</sup>	1.08	2.61	2.66	3.66	1.00	1.16	0.58	0.92	4.37	1.09	1.16	1.25	3.48
Cash flow for the period	122	-1171	1129	67	73	22	25	-53	-697	-60	-135	-241	-261
Adjusted equity ratio, %	87	88	87	86	86	87	87	88	88	88	88	90	92
Adjusted equity	65,229	66,481	62,720	52,395	52,395	58,490	56,880	54,105	51,758	51,758	54,343	53,222	51,995
Net asset value	81,027	81,276	76,054	63,980	63,980	69,105	66,841	63,016	60,521	60,521	62,625	61,450	60,742
Net asset value per share, SEK <sup>1</sup>	127	127	119	100	100	108	105	99	95	95	98	96	95
Listed share price, SEK <sup>1</sup>	130	137	125	112	112	111	97	95	101	101	110	105	90
<b>NET SALES</b>													
Hultafors Group	693	689	648	2,407	716	618	596	477	1,901	542	454	460	444
Latour Industries	739	790	740	2,758	747	660	700	652	2,314	706	601	571	479
Nord-Lock Group	340	395	384	1,309	333	332	341	303	1,114	268	277	286	283
Swegon	1,505	1,639	1,370	5,137	1,421	1,248	1,347	1,121	4,378	1,130	1,043	1,177	1,029
	3,276	3,512	3,142	11,611	3,217	2,858	2,984	2,553	9,707	2,646	2,375	2,494	2,235
Other companies and eliminations	63	55	43	174	51	45	40	37	223	53	49	44	34
	3,339	3,567	3,185	11,785	3,268	2,903	3,024	2,590	9,930	2,699	2,424	2,538	2,269
<b>OPERATING PROFIT</b>													
Hultafors Group	97	90	88	375	119	93	98	65	287	92	68	64	62
Latour Industries	74	67	56	191	55	57	48	31	171	55	49	36	33
Nord-Lock Group	94	124	121	397	89	106	108	94	340	76	88	86	89
Swegon	199	226	147	514	138	144	143	89	381	98	104	110	68
	464	507	412	1,477	401	399	397	279	1,179	321	309	297	252
Gain/loss from sale/purchase of business	-15	108	-1	-38	-17	-10	-10	-1	-30	-10	-5	-10	-5
Other companies and items	-6	-17	2	-42	1	-15	-16	-11	-24	-14	5	-8	-7
	443	598	413	1,397	385	374	371	267	1,125	297	309	279	240
<b>OPERATING MARGIN (%)</b>													
Hultafors Group	13.9	13.3	13.6	15.6	16.6	15.1	13.6	13.6	15.1	17.0	15.0	14.0	14.0
Latour Industries	10.0	7.7	7.6	6.9	7.3	8.6	4.7	4.7	7.4	7.7	8.2	6.3	6.9
Nord-Lock Group	27.8	40.8	31.4	30.3	26.8	31.9	30.9	30.9	30.5	28.3	31.8	30.2	31.5
Swegon	13.2	10.7	10.7	10.0	9.7	11.5	8.0	8.0	8.7	8.7	10.0	9.4	6.6
	14.2	13.1	13.1	12.7	12.5	14.0	10.9	10.9	12.1	12.1	13.1	11.9	11.3

<sup>1</sup> Comparative years recalculated with regard to the 4:1 share split carried out in June 2017.

## Definitions of key ratios

### **Organic growth**

Change in sales in comparable entities after adjustment for acquisitions and foreign exchange effects.

### **Operating profit (EBITDA)**

Earnings before interest, tax, depreciation of property, plant and equipment and amortisation of acquisition-related intangible assets, acquisition-related costs and income, and items impacting comparability.

### **Operating profit (EBITA)**

Earnings before interest, tax, amortisation of acquisition-related intangible assets, acquisition-related costs and income, and items impacting comparability.

### **Operating margin (EBITA) %**

Earnings before interest, tax, amortisation of acquisition-related intangible assets, acquisition-related costs and income, and items impacting comparability, as a percentage of net sales.

### **Operating profit (EBIT)**

Earnings before interest and tax.

### **Operating margin (EBIT) %**

Operating profit divided by net sales.

### **Operating capital**

Total assets less cash and cash equivalents, other interest-bearing assets and non-interest-bearing liabilities. Calculated on the average for the past 12 months.

### **Total growth**

Increase in revenue for the period as a percentage of the previous year's revenue.

### **Currency-driven growth**

Increase in revenue due to currency changes for the period as a percentage of the previous year's revenue.

### **Organic growth**

Increase in revenue for the period, adjusted for acquisitions/divestments and exchange rate changes, as a percentage of the previous year's revenue adjusted for acquisitions and divestments.

### **Basic earnings per share**

Profit for the period divided by the number of outstanding shares in the period.

Calculations:

Jan-Sept 2019:  $4,063/639,190,632 \times 1,000=6.35$

Jan-Sept 2018:  $1,697/638,804,679 \times 1,000=2.66$

### **Diluted earnings per share**

Calculations:

Jan-Sept 2019:  $4,063/641,271,584 \times 1,000=6.33$

Jan-Sept 2018:  $1,697/641,151,152 \times 1,000=2.65$

### **Equity ratio**

The ratio of shareholder equity to total assets.

### **Adjusted equity ratio**

The ratio of shareholder equity plus gains in associated companies to total assets including gains in associated companies.

### **Net borrowings**

Interest-bearing liabilities less cash and cash equivalents and interest-bearing receivables.

### **Net debt/equity ratio**

The ratio of net borrowings to either adjusted equity or the market value of total assets.

### **Return on equity**

The ratio of net income booked in the income statement to average equity.

### **Return on total capital**

The ratio of profit/loss after financial items plus finance expense to average total assets.

### **Return on operating capital**

The ratio of operating profit to average operating capital.

### **Direct return**

Dividends as a percentage of the share purchase price.

### **EBIT multiple**

The ratio of operating profit to market value adjusted for net debt.

### **Net asset value**

The difference between the company's assets and liabilities, when the investment portfolio (incl. associated companies) is recognised at market value and operative subsidiaries that are owned at the end of the period are recognised in an interval based on EBIT multiples for comparable listed companies in each business area.

### **Voting rights**

Percentage of voting rights is calculated after deduction for repurchased shares.

### **Equity**

Percentage of equity is calculated on total number of issued shares.

### **Other**

The amounts in tables and other charts have each been rounded off. There may therefore be minor differences in the totals due to rounding-off.

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