

Interim Report January - September 2026

Magnus Ahlqvist (00:03-09:49)

Good morning, everyone, and welcome to our Q3 report that Matteo and I are presenting from Stockholm this morning. So, let's go straight to the performance highlights. This is a quarter with clear positive developments, but also a few areas with some weakness. And the adjusted sales growth was 3%. At a high level, North America contributed with solid technology and solutions growth.

But Europe was weaker. The sales growth in technology and solutions improved sequentially to 6%, and this was supported by the performance in technology in North America. Similar to the last couple of quarters, the installations order entry growth was very strong in the technology business. We recorded record-level order entry in North America and Ibero-America. And from a strategy execution perspective, I am very pleased with the fact that we are increasing the share of technology and solutions across all segments.

The adjusted operating margin was 8.2%, and this was supported by the highest Q3 margin to date in North America. So, very good development. But aviation in Europe had a very negative impact. If we look at the underlying business performance. So that means when we exclude European aviation, the operating margin for the group is at 8.4%.

This represents a 20 basis points impact. And I will go through the main reasons in the European section. But given the poor performance, our team has initiated actions to ensure that the aviation performance returns to acceptable levels. Looking at the earnings growth, the aviation issues in Europe have been a burden. We recorded a flat operating margin in the quarter.

EPS improvement is 6% in the first nine months of the year, and the cash flow was healthy at 82%.

As previously commented, the active portfolio management activities in Europe and North America were finalized in Q2, but we expect a continued negative top-line impact from the terminated contracts during the coming quarters. The quality of the portfolio is significantly stronger today as we transition to driving profitable growth. Related to SCIS, the transfer of the last remaining contracts with the federal government is expected to be concluded by the end of October. So this month, and this means that there is no further government-related revenue recognized in that business. But as previously communicated, we keep the commercial cleared business and we are very glad to have this concluded a few months before the targeted end date. It also means that we can then focus on the core business. So let's then move to the performance in the business lines and the segments.

As a result of the technology momentum, the share of technology and solutions reached 35% in the quarter. The real sales growth in technology and solutions was 6%, as I mentioned before, and North America technology and solutions contributed, together with very strong performance in Ibero-America. The sales growth in security services was 1% in the quarter. When excluding the impact of the government business closed down in North America, we had decent growth in North America. But the main negative drivers were aviation and the impact of active portfolio management in Europe and Ibero-America.

When I look across the different segments, our security services offering continues to be well received in segments such as data centers, defense, and pharmaceuticals, where long-term partnerships and high-quality security services offerings are highly valued. But in certain markets and client segments, demand trends remain somewhat more cautious, and this is resulting in a more selective purchasing behavior with an emphasis on price and also with longer decision cycles. And we are managing this dynamic effectively in North America. While market conditions in Europe and Ibero-America remain somewhat more fragmented. And this is something that has impacted the top-line growth in the quarter.

So with that, we then move to the segments and we start with North America, where we recorded a continued sequential sales growth increase and margin improvement. Organic growth of 3% was driven by both the technology and the guarding business lines and technology installation. Sales were strong with continued record-level order intake and backlog growth. We have strong commercial momentum and a good portfolio. New sales also supported the organic sales growth.

Growth in guarding and the Pinkerton business is smaller, as you know, but continues to hamper the North America growth. As a result of the termination of a large temporary contract, that contract I mentioned is included in the comparatives until the end of this year. And the recent divestment of the GEG aviation business also had a negative impact on the real change in operating result in the quarter. But with good commercial

momentum, the sales growth in technology and solutions increased to 7% and the operating margin improved 20 basis points despite the weakness in Pinkerton. So all in all, very good delivery by our North America team.

And then we move to Europe where the total performance was below our expectations, primarily as a result of negative impact from the airport security business.

The organic sales growth was 2%, supported by price increases in Turkey and in the services business. As I mentioned before. Active portfolio management had a negative impact on the growth, but we recorded improved new sales activity in the quarter. Real sales growth in technology and solutions was also below expectations at 3%, with decent growth in technology but lower than expected in solutions, where we had some terminated contracts. The operating margin in Europe was 8.1% in the quarter.

This represents a 30 basis points decline versus a very strong comparative. The main issue was the airport security business, which had a negative impact on profitability. And just to give some better understanding of this, because this is somewhat of a surprise and definitely a disappointment. Also, from my perspective, there are three main factors behind the poor performance in aviation when comparing to Q3 last year, and as we commented last year, it was also a very strong third quarter in aviation. But the first one is the situation in the Middle East.

That burden has reduced the number of flights. And similar to last quarter, there was an approximately 20% demand reduction in key markets like Germany. And second, some contracts were converted last year in Germany from price per passenger to fixed hourly contracts. The changes were implemented at the beginning of this year, but the biggest impact of these changes happened during the summer season, which is the peak traveling season. And with the demand picture changing in combination with the new contracts, this had a significant negative impact on the profitability and associated negative leverage in the third quarter.

The third issue is related to a very challenging startup period of a new major contract in the Netherlands. And it goes without saying, this performance is disappointing and well below our expectations, but our team is now taking actions to drive improvement in aviation during the coming quarters. So all in all, weaker development in Europe in the third quarter. But as stated, actions are underway to improve. We then shift to Ibero-America, where we had stable development of the business.

Sales growth was 5%, and this was driven by very strong growth in technology and solutions and price increases in security services. So, similar to last quarter, there is a negative impact on the growth from active portfolio management. But our team is driving good conversions and new sales of technology solutions. And the sales growth in technology and solutions was very strong at 14%.

The operating margin was stable at 7.9%. Strong growth in technology and solutions contributed, but overall margin was held back by negative leverage on the cost base in security services. So overall, solid results from our Ibero-America team despite some of the near-term headwinds. And if we then look at the totality, we are driving disciplined execution of our strategy. And looking at Q3 as a whole, we are very pleased with North America with increasing sequential growth.

Continued margin improvement in Ibero-America was solid, and we delivered below expectations in Europe, but that was primarily related to the very significant impact from aviation. And similar to previous quarters, we recorded very good growth and margin development in the EMEA business, which is reported in the other segment. As commented earlier, we increased the share of technology and solutions to 35%, and client retention is stable at around 90%. So we turn to the finance section and welcome Matteo.

Matteo Dall'Ora (09:50-15:17)

Thank you, Magnus. And good morning all. As usual, we start with the income statement; reported organic sales growth was 0% and the operating margin improved by ten basis points to 8.2%. Adjusted for the SCIS government business being closed down, organic sales growth was 3%, while the adjusted operating margin was 8.2%, ten basis points below last year. Operating income was flat in real terms in the quarter and increased by 4% over the first nine months.

Looking below operating results, there are no material developments in amortization of acquisition-related intangibles, nor in the acquisition-related costs. IAC was 36 million in the quarter compared with 65 million in the corresponding period last year. The year-on-year comparison is heavily impacted by the SCIS Paragon close-down of 1.5 billion reported in Q3 2025; excluding the divestiture of the SCIS close-down, IAC amounted

to 46 million in the quarter, compared with 65 million in the corresponding period last year. The costs in the quarter were related to our transformation program in Europe and in line with our plans. We continue to expect total costs for 2026, excluding the capital gain for the divestment, to be in the range of 225 to 250 million.

We are currently adjusting the phasing of some elements of the European Transformation Program. This is expected to result in a lower activity level and lower program-related spend in the fourth quarter. However, during the fourth quarter, we expect to utilize part of the remaining amounts for additional restructuring and optimization actions across the group that qualify as items affecting comparability (IAC) year-to-date. IAC remains positive at 102 million due to the capital gain of 223 million, resulting mainly from the divestment of Global Elite Group in the US in the first quarter. Our finance net debt was 364 million, a reduction of 55 million compared to last year.

We continued the positive trend of reducing finance costs and interest rates on our debt. Leverage is decreasing, consistent with our previous communication. We expect net debt for 2026 to continue to improve and come below 1.6 billion, compared to the 1.8 billion for the full year 2025. Going forward, the year-on-year benefit is expected to moderate each quarter as leverage normalizes and comparatives become tougher. Now, moving to tax.

I want to start with some good news. The Supreme Court in Spain has ruled in our favor in the tax case, which dates back many years. While this is a non-cash item, it had a positive impact on our net income in the quarter through the reversal of the related tax provision. For the full year, we now forecast a tax rate of 27.9%, excluding the capital gain from the divestment of Global Elite Group and the reversal of the Spanish tax provision. This is slightly above our previous forecast of 27.5%, mainly due to the higher tax costs in the US.

EPS benefited in the quarter from both the lower net financial items and the reversal of the Spanish tax provision, which was treated as IAC. Earnings per share before IAC amounted to 3.28 SEK in the quarter, and the real EPS declined by 3% compared with last year. While we continue to see benefit from a lower financed net, this was more than offset by a higher tax charge in the quarter, with operating income remaining flat in real terms for the first nine months of 2026. Our currency-adjusted EPS, excluding IAC, increased 6% compared to last year. Now, moving to the effects in the quarter, currency had a positive translation effect on reported operating income in the quarter, while the real change was flat.

Turning now to cash flow, we delivered another solid quarter ending at 2.6 billion, corresponding to 82% of operating income for the first nine months. As Magnus said, cash generation is slightly below last year at 71% versus 74%. The cash flow in the third quarter was slower than last year, primarily due to higher CapEx and changes in operating payables. Trade receivables improved compared with the first quarter. Compared with the second quarter, although the improvement was partially offset by continued strong installation sales.

We remain well positioned to achieve our full-year cash flow at 80% to 90% of operating income before amortization. As mentioned, the capital expenditure was higher than last year at 2.9%, but remained below our target. The free cash flow ended at 2 billion, and year-to-date, it improved by 94 million compared to last year.

Matteo Dall'Ora (15:30-17:10)

So then we move and look at our net debt, which was 31.5 billion SEK at the end of the quarter.

This is a decrease of 1.2 billion compared to quarter two this year, despite 702 million in negative currency translation effects. Items affecting comparability remain according to plan. As anticipated during Q1, we are forecasting a cash flow for the full year 2026 in the range of 850 to 880 million. Looking at the right-hand side, our net debt to EBITDA is now at 2.1x, which is an improvement of 0.1 times compared to Q3 last year. We are below our target net debt to EBITDA of less than 2.5 times, and expect to continue to deleverage our balance sheet in the short term.

Looking at our financing position.

We continue to have a strong balance sheet, strong liquidity, and we remain without any financial covenants in our debt facilities. Now looking at the maturity chart. The 1.5 billion maturity was repaid in full at the beginning of October, leaving no further refinancing needs in 2026. We continue to focus on amortizing debt supported by a strong free cash flow generation. Finally, a further confirmation of our stronger financial position was the S&P upgrade of our long-term credit rating from BBB to BBB+.

And with that, Magnus, I hand it back to you.

Magnus Ahlqvist (17:11-20:48)

Thanks a lot, Matteo. So before we open the Q&A, just a few words regarding the longer-term developments. I also wanted to share some feedback on our strategy from our clients. I just need to confirm that we are now on the right path here.

Okay. A few months ago, we shared the new financial targets for the next phase. We decided to make our target sharper and more ambitious, and we are fully committed to delivering on these numbers in the coming years. One important change was the introduction of the target of 10% average EPS growth.

And the 10% comes from three main drivers. The first one is about growth, and we aim to grow organically by 4 to 6% per year, which will allow us to increase market share. Today, we have all the components required to deliver intelligence-led security at scale. Second, margin improvement is another important part of the mix, and we aim to expand margins by 20 to 30 basis points per year, driven by efficiency, mix, and cross-sell opportunities between our business units, as well as the possibility to sell more integrated services, which will improve our mix and therefore also the margins. And third, disciplined capital allocation, deleveraging, and value-accretive M&A.

On the M&A theme, we have been focused on building a quality pipeline during the last 12 months. We are now looking at attractive electronic security bolt-on targets that represent aggregate sales of around 2 billion SEK.

But since launching our strategy this summer, I have met with clients across three continents, and the response has been very positive, with both existing and prospective clients recognizing the value of our ambition to become the trusted partner in intelligence-led security. Our clients see compelling value in our emphasis on quality and in a more dynamic, intelligence-led approach. And while this represents a shift from established industry practices, there is also strong support for the direction, and clients increasingly recognize Securitas' unique ability to leverage AI, automation, and actionable risk intelligence to deliver greater value. We are already beginning to see all the signs of a shift in buying behavior towards intelligence-led security. As I have said before, I am expecting more change during the coming years in our industry compared to the last 25.

And we are encouraged by the positive feedback and expectations on the partnership from a number of leading companies around the world. And to ensure that we deliver the highest possible value to our clients and to our shareholders, we're also doubling down on strengthening our ability to win together with the clients. We are implementing simplified and enhanced incentive systems, enhancing coordination and account management, and leveraging the full range of capabilities that we have internally and together with our clients. So we are clearly on the right path to achieve our target position as the trusted partner in intelligence-led security and to deliver on our targets. So with that, let us open up the Q&A session.

Operator (20:53-21:12)

If you wish to ask a question, please dial star five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key on your telephone keypad.

The next question comes from Zach Alcaraz from Morgan Stanley. Please go ahead.

Zach Alcaraz (21:14-22:32)

Good morning. I have three questions, please. So firstly, just digging a little bit deeper on the margins, given they were down year-over-year when excluding SCIS, you called out that most of that was driven by aviation. Do you expect a similar impact from that business on the group margin development in Q4, given the tougher comp you called out last year? And as a follow-up to that, you noted you are taking some actions to improve the performance there.

So could you please share some further details on that? And then secondly, you called out some impacts from active portfolio management. My understanding was that the vast majority of that had been completed by now. Is there any further impact expected over the remainder of the year or perhaps into next year? And then the third question, just more broadly, when we look at the group growth profile, it still remains a little bit below the 4% to 6% medium-term ambition.

Could you help us better understand the bridge to get to that guidance and what needs to improve from here to accelerate towards that range? I know you called out better technology and solutions momentum that you're

seeing, but are there any more positive signals maybe in the manned guarding business that can help or in some of your data center exposure? Thank you.

Magnus Ahlqvist (22:34-27:08)

Thank you, Zach. So on the three questions, the impact for the entire group was 0.2% on the margin from aviation. It is essentially related to two countries in Europe, as I highlighted, our team is taking actions. And my view is that we are going to see improvement during the coming quarters. Some of the operational issues and the challenges that we have are not being solved overnight.

Very high attention is being paid, but we are taking actions to ensure that we are driving steady improvements. But over the coming quarters, as stated, if you look at the active portfolio management, this was more of a strategic program for us that we were driving over a number of years to ensure that all the portfolio is in good shape across the company. And we will obviously, with our business, continuously be evaluating and assessing all contracts. That is just good leadership and good management. But if you are looking at the impact and the reason that I say that there is an impact now and also in the coming quarters is that once we finalized that work, looking at Europe and Ibero-America, the numbers will be in the comparatives from Q2 for 12 months, essentially.

So that is why we are highlighting that there is some impact. The important thing that we need to do there, of course, is that we are also taking out costs so that we are not suffering from negative cost leverage in that type of a process. And then on the growth, we remain fully committed and also believe that we are going to be able to grow at 4 to 6% organically. If you look at the different parts, technology and solutions, as I highlighted, grew by 6%. That is a good sequential improvement over the last couple of quarters, with order entry and backlog on the technology side, especially in North America and Ibero-America, remaining very strong.

That is obviously important when we are looking at the next couple of quarters. I am also very glad about that because we invested a lot in technology. We have done great work in terms of building capabilities. And there I am also seeing that we are really building good traction. So I think that is the main part on the technology side.

Broadly speaking regarding technology and solutions, it is a matter of leveraging the different capabilities that we have. We had very good growth in North America, and continued very strong growth in Ibero-America. And when we are looking at the third quarter, we have a very strong offering, stronger than anyone else in the market because we have that capability to combine. And as I have said. Matteo and I also shared during the Capital Markets Day that we are enhancing incentive systems to ensure that we are aligning what is good for the client with what is good for Securitas and our shareholders.

And if you then look at the guarding part of the business here, we have been suffering for quite a number of years from the active portfolio management on the top line. But we have done that based on the conviction that it is good for us to build a quality portfolio. And there will, as I said, be some impact in the next couple of quarters. But the idea here is obviously that we are stabilizing this part of the business so that we are winning and retaining a very healthy part of the business so that we can also then get back to positive volume development. But always then with very clear profitability thresholds to ensure that it is sustainable business.

But there we had some good development, as I highlighted in North America. There was some portfolio volume growth also driving the improvement in North America. And that is obviously the ambition more broadly speaking across the group. So I think those are the main points. I hope that is helpful to your question in terms of how we're also then improving the growth rate, because right now it feels like we're all a bit in a transition between the last period, which was very much about operating profit margin improvement, which was the right thing to do.

And now shifting focus towards profitable growth.

Zach Alcaraz (27:11-27:12)

Great. Thank you very much.

Operator (27:17-27:21)

The next question comes from Andy Grobler from BNP. Please go ahead.

Andy Grobler (27:24-28:21)

Hi. Good morning. Three from me as well, if I may. Firstly, just on the cash flow, payables were weaker in the period. Could you just talk through the drivers of that and whether you expect it to reverse?

Secondly, around France and some of the issues that are going on in the country, have you seen any impact on your pretty large business in that country? And what are your expectations through the rest of this year? Thirdly, Magnus, you talked about some clients pushing harder on price. And the impact that was having on margins and growth, especially in Europe, can you just give a bit more depth to that commentary? What has changed?

How are you dealing with it? Do you think that is going to persist through the coming quarters? Thank you very much.

Matteo Dall'Ora (28:23-29:27)

So maybe I can start. Magnus. Good morning. Regarding the cash flow and payables-related question. If you look at the quarter.

The quarter. Yes, it is impacted by the change negatively on operating payables.

This is mainly related to a timing difference between the two quarters, quarter two and quarter three. As you can see, in the first nine months, our position on operating payables is still very positive and very good. There is also another point to raise, and this is related to the SCIS close-down as well. That was negatively impacted on the operating payables because of the acceleration we experienced in quarter three. As Magnus said, the positive news is that we are almost at the end of this.

We see that by the end of October, we are going to transfer the last contracts. So these are the two main issues. So the timing issue between quarter two and quarter three and the SCIS acceleration close down.

Magnus Ahlqvist (29:30-33:32)

And Andy, on the last two questions on France. We have a fairly significant business in France, but I would say there is a marginal impact from these really unfortunate riots and the situation that we have seen. And what I would highlight, though, is that if we lift the perspective a little bit from my viewpoint, there is more focus on security and more focus on risk more broadly speaking in society. So I think that security is higher up on the agenda. But that is not driving immediate demand.

One area where I see this is also what we are creating with the third area of our business, security risk management, is that there is also an increasing appetite and demand to really better understand and manage risk in a more structured, but also more dynamic way. But to the question about France, I would say marginal impact from a revenue perspective.

And then on the last question, we did highlight that. I think we have also had that discussion with some of you in the last six months as well. We have continuously said that we are very well positioned in a number of growing segments, such as tech companies and data center business. The same applies to defense, pharmaceuticals, etc. And that is obviously what I see; it is a bit of a diverging picture in terms of the type of dialogue that we see.

Part of it can be explained by patterns between different vertical segments, but it is also partly due to how progressive or conservative some of the clients are in their purchasing approach. I think where we have the best traction is typically where quality and security are really emphasized and prioritized. We also have the best traction with clients who are seeing that the future of security is a combination of people and technology, and how you leverage data and intelligence. In procurement-led processes where the focus is just on buying a specific number of hours, it often becomes a matter of lowest price at any cost. We are obviously not as successful in those cases.

I think that is just a pattern that we have seen for a couple of years now. My interpretation of your question is that in some of the European markets, like in Germany, for example, there feels like there is quite a lot of uncertainty in the general economic environment. Some of the clients and companies are struggling with short-term priorities. Just think about how we can tactically reduce costs. While my belief is that when we engage in a really good way with any client, we leverage the very strong foundation of our guarding capabilities through the presence we have on-site.

The same applies to technology and security risk management, where we can actually help clients build a better security equation. But in many cases, this also leads to lower costs, which means that the value for money is improving. But the view here between more progressive and somewhat more traditional clients is that we are seeing some differences, but it is always extremely important that our teams are really on top of these trends. I feel confident because we are receiving such good feedback on the strategy and how we are thinking about the next phase. And I think everyone is also recognizing that Securitas is standing out as quite unique, given that all the competitors are either in the systems integration space or more in the traditional guarding space.

So I hope that gives some flavor. To the question.

Andy Grobler (33:34-34:03)

Can I just ask one quick follow-up? Is there a risk that some of those more traditional clients, particularly in some of the struggling industries in Germany and across Europe, become the next leg of portfolio management? If you are not able to shift them to your strategy and vision, those margins just get eroded. And we see that pressure continues on organic growth in the guarding business.

Magnus Ahlqvist (34:04-34:49)

Yeah. I have seen these patterns, like I said, in the last couple of years. And when we communicate the financial targets, Matteo and I do those based on a genuine belief that we are going to be able to grow at that type of pace organically. And that obviously means that when we look at the total picture, we are able to manage it in a good way. And because we are also seeing underlying growth in some of the other segments where we are really successful, which is also quite strong.

So that should obviously then help and also compensate. So I think in the long term, it is always the best value proposition and the best value for money that will win. And there I feel that we are very well positioned to manage the totality in a good way.

Andy Grobler (34:52-34:53)

Okay. Thank you very much.

Operator (34:58-35:02)

The next question comes from Harshita Perera from Goldman Sachs. Please go ahead.

Harshita Perera (35:04-35:38)

Hi. Good morning. This is Harshita on behalf of Suhas at Goldman Sachs. Two questions from our side, please. Firstly, you mentioned in North America that commercial momentum in the global technology business remains healthy with record-high installation order intakes in both North America and Ibero-America.

So at what point can we expect this to translate to higher growth or will it take a few quarters? And then the second one just quickly on the M&A pipeline. Could you comment on how it is looking? Which regions or verticals are you focused on for expansion? Thank you.

Magnus Ahlqvist (35:40-38:30)

Thank you. So on the first question, we feel really good about the order entry and also the backlog. When you look at the conversion time, it does differ a little bit. But if you were to indicate an average, quite a lot of it falls in the next 4 to 6 months. Some order entry is also stretching well into 2027.

The good thing, of course, is that if you are looking sequentially from Q1, Q2, and Q3, there has been good growth development overall. And I think that is obviously a very important starting point. But that is also the typical timeline. But then it does also differ a little bit depending on which client segment and what type of project as well. A lot of our business consists of smaller projects.

But we also have some fairly large and more complex ones that we are managing. And there, the lead time will typically be significantly longer as well. And then if you look at the acquisition pipeline, we have obviously been very focused on deleveraging after the acquisition. We have done that successfully, and then we have started to build up the pipeline to look selectively more at Securitas Technology bolt-on acquisitions, and that is the vast majority of the 2 billion SEK that we are currently looking at as an acquisition pipeline. Those are mostly bolt-on electronic security acquisitions.

And. And the important thing there is that we are now one of the largest players within systems design and integration. And then if you look at how we help clients and also operate technology around the world. But there is also real benefit in continuing to strengthen the coverage in the markets where we have a presence, but also to build more depth and density, because the depth and density gives significant advantages in terms of the service level that we can bring to the client in terms of SLA fulfillment on turnaround times, etc.

But it also gives significant economies of scale and financial benefit. So we are continuously looking, but can also now afford to be quite disciplined because we already have a pretty good footprint. So I think that is why we also highlight that these are mostly bolt-on acquisition profiles.

Harshita Perera (38:32-38:33)

All right. Thank you.

Operator (38:38-38:42)

The next question comes from Geoffroy Michael from Oddo. Please go ahead.

Geoffroy Michael (38:44-39:02)

Thank you, gentlemen, for taking my question. I have one actually regarding the security services business. Would you be able to help us quantify a bit the impact of the different buckets that led to this -5% growth? Thank you very much.

Magnus Ahlqvist (39:03-40:50)

Yes. Thank you. So if you look at the security services business, the main impact here is the close-down of the SCIS business in North America. And when you adjust for that, we are looking at 1% growth on a year-on-year basis. So I think the 1% is the relevant number because we announced the close-down of that business more than a year ago.

It is satisfying that we are now concluding that a couple of months earlier than previously planned. But that is having a very significant impact from 1% down to negative 5% on the unadjusted number. But if you look at the 1% adjusted figure, it is a slightly different picture because in North America, as I highlighted, we had some volume portfolio growth, which is positive. So that is not mostly just price increases in Europe. I think the majority of the growth is price-related and also includes some impact from Türkiye.

And those are the two major units. I think that also relates to the question asked earlier. Obviously, the active portfolio management in Europe and Ibero-America is having an impact in the third quarter and will have an impact also in the coming quarters on the growth. But when that is out of the comparatives, the ambition is obviously that we have a higher quality portfolio and that we can return to more normal growth numbers, again, based on the strength of our offering. So I hope that gives a flavor at the high level.

Geoffroy Michael (40:52-41:03)

Yeah. Thank you. Just a follow-up. Would you be able to give us some hint on the magnitude of the portfolio management impact this quarter or on the following quarter as well?

Magnus Ahlqvist (41:03-41:35)

We have not broken that out, but I have on previous occasions said that we are talking percentage points and not basis points when we look at that. That has been the case. It has been quite significant. Everything is done based on making that type of shift once and for all, ensuring that all the business we have is healthy and sustainable. And that is the work that we have concluded in the second quarter of this year.

Geoffroy Michael (41:37-41:38)

Thank you very much.

Operator (41:43-41:47)

The next question comes from Nicole Manion from UBS. Please go ahead.

Nicole Manion (41:50-42:20)

Hi. Good morning. Just one from me, please. Can you talk a bit more about the trends within solutions in NSS? It looks like there has been an improvement in the past couple of quarters, but maybe more from the installations piece and maybe a bit more mixed in solutions.

I think you called out some terminations in Europe. Can you comment a bit more on the terminations and provide a bit of detail on the types of clients in terms of size and segment where you are seeing better traction on the solution side? Thank you.

Magnus Ahlqvist (42:21-44:36)

Yeah. Thank you, Nicole. So if you look at North America, technology and solutions, and I should just remind everyone because some of you know very well how we define this: technology is essentially the design, integration, and then how we help and operate. We then also have remote services for monitoring, service, maintenance, and solutions. That is where we are combining different capabilities.

And in a simple way, you can say it is combining people and technology into an integrated offering to the client. And if you look at North America, we had very good growth in solutions, and very healthy growth also in technology. So I think that is the North America view. And if you look at Europe, the technology growth was decent and solutions were a little bit lower than my expectation. And that was mostly related to a few larger solutions terminations in a few markets.

That pulled down the solutions figures in Europe in the third quarter. If you look at Ibero-America, the 14% growth is a combination of very strong technology and solutions. So both of them were performing in a very good way. So, that is really the breakdown. And then I think to your question, we are able to help many clients with integrated solutions.

It is not so segment-specific, but what you can say is that if you look at a lot of segments regarding technology, there is a higher emphasis on installations in the early phase. But we obviously always work to ensure that we are also building and offering recurring services. Those are services we then pick up on a more recurring basis afterwards, essentially. But there is applicability and we are leveraging the technology and the security risk management capabilities to the benefit of the client and how we help them optimize the security equation into an integrated offering.

Nicole Manion (44:41-44:41)

Thank you.

Operator (44:43-44:53)

As a reminder, if you wish to ask a question, please dial the pound key on your telephone keypad. The next question comes from Tomas Karnik from Thomson Reuters. Please go ahead.

Tomas Karnik (44:56-45:43)

Hello and thank you for finding the time. My question relates to the recent disruptions at European airports that have been caused by drone-related activities. Have you seen a measurable increase in customer demand for drone detection and other solutions in that respect? And can you quantify the trend in any way? Has there been a shift in customer priorities following this incident?

Are airports becoming more willing to invest in drone detection systems? More willing than they were a couple of years ago. Thank you.

Magnus Ahlqvist (45:44-48:38)

Yeah. This is a very important question. In the dialogue that we are having, and also the dialogue that I've been directly involved with in the last couple of years, there is a very strong demand for leveraging drone detection. But then the other question is obviously, what are you then able to do? Based on local law, what are you able to do in terms of the drones that you are identifying?

So, I would say if I simplify it, there is very strong interest and very strong demand. And if you look at the amount of activity that we are driving here, we have been at some sites in Germany, for example, operating drones for quite a number of years. But the demand is significantly stronger than the services that are currently being delivered. It is coming down to legislation. So the demand is very strong.

And it's not only for critical infrastructure; it's also for many clients who are looking at what are critical sites for them, such as more advanced R&D labs and test tracks within the automotive space. The challenge is the legislation because it is very slow. And I think that is the one thing that still has to be figured out across a number of countries. But in a lot of the discussions that I'm involved with, this is constantly an issue that I'm

bringing to the top of the agenda for politicians and legislators because it is needed. There is very significant demand, but because it is very early.

It is difficult to quantify any impact. But I think the entire strategy that we have been building and what we also shared at the Capital Markets Day is that we believe in a future where we have the integration capability and the operational capability to first integrate different types of technology. And here, we are going beyond traditional access control, alarm systems, intrusion detection, and video cameras. When we talk about drones, or if we talk about robotics and other things, that type of capability that we have and that we have been building is integrated with how we leverage our people on site. We are very well positioned to be able to leverage and do that work very efficiently for our clients.

But when it comes to drones specifically, it is very much held back by slow regulation. And that is something that would be helpful if it were sped up in the next couple of quarters.

Operator (48:53-49:01)

There are no more questions at this time. So, I hand the conference back to the President and CEO, Magnus Ahlqvist, for any closing comments.

Magnus Ahlqvist (49:02-49:10)

Okay. So thanks a lot, everyone, for your continued interest and engagement. Wishing all of you a good weekend when it comes. Thank you.