

A wide-angle, high-angle photograph of a city skyline at night. The sky is a deep blue with scattered white clouds. The city is densely packed with buildings, many of which are illuminated with warm yellow and orange lights. Several tall, modern skyscrapers stand out against the dark sky. In the foreground, there are more buildings, some with distinctive architectural features like a purple-lit structure. The overall scene conveys a sense of a vibrant, modern urban environment.

ASSA ABLOY Group strategy

Capital Markets Day, 14 November

Nico Delvaux, CEO and Carolina Dybeck Happe, CFO

Presentation outline

1. Vision and values

2. Market dynamics and position

3. Strategy and financial targets

- Organic and Acquisitions growth initiatives
- Cost efficiency initiatives

4. Financial results

5. Summary and Q&A

We are the global leader in access solutions



We are the global leader in access solutions

A background image showing a woman with blonde hair and a black and white patterned scarf smiling, and a man with a beard and a patterned shirt smiling, both looking out of a window at night. The background is blurred with warm, bokeh lights.

Group purpose

- To every day help people feel safe, secure and experience a more open world

We are the global leader in access solutions



Group purpose

- To every day help people feel safe, secure and experience a more open world

Group mission

- To offer an attractive company to our employees

We are the global leader in access solutions

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- To offer an attractive company to our employees
- To build sustainable shareholder value

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Group mission

- To offer an attractive company to our employees
- To build sustainable shareholder value
- To conduct business in an ethical, compliant and sustainable way

Securing buildings from the **perimeter**...

Enterprise

Hotel/retail

Multi-family

High security
fences

Gates

Bollards

Field service

...to shell...

High
technology
sensors

Enterprise

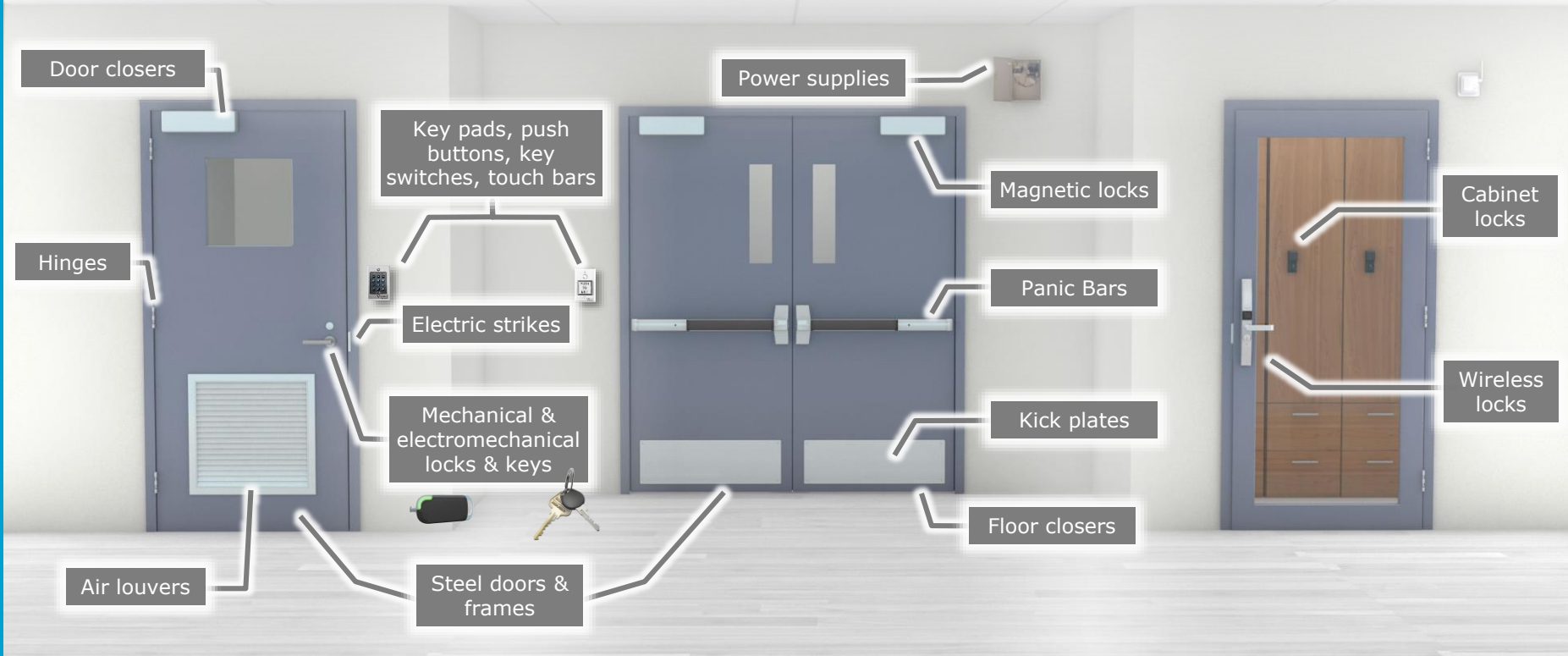
Sliding
pedestrian
door systems

Mobile key

Access control

...to core...

Enterprise



Securing buildings from the **perimeter**...

Enterprise

Hotel/retail

Multi-family

...to shell and core...

Multi-family

Smart Home security products

Residential window hardware

Residential doors, locks

Portable locking, safes and alarms

Residential doors

Residential mechanical and digital locks & access control

...to shell and core...

Hotel/retail

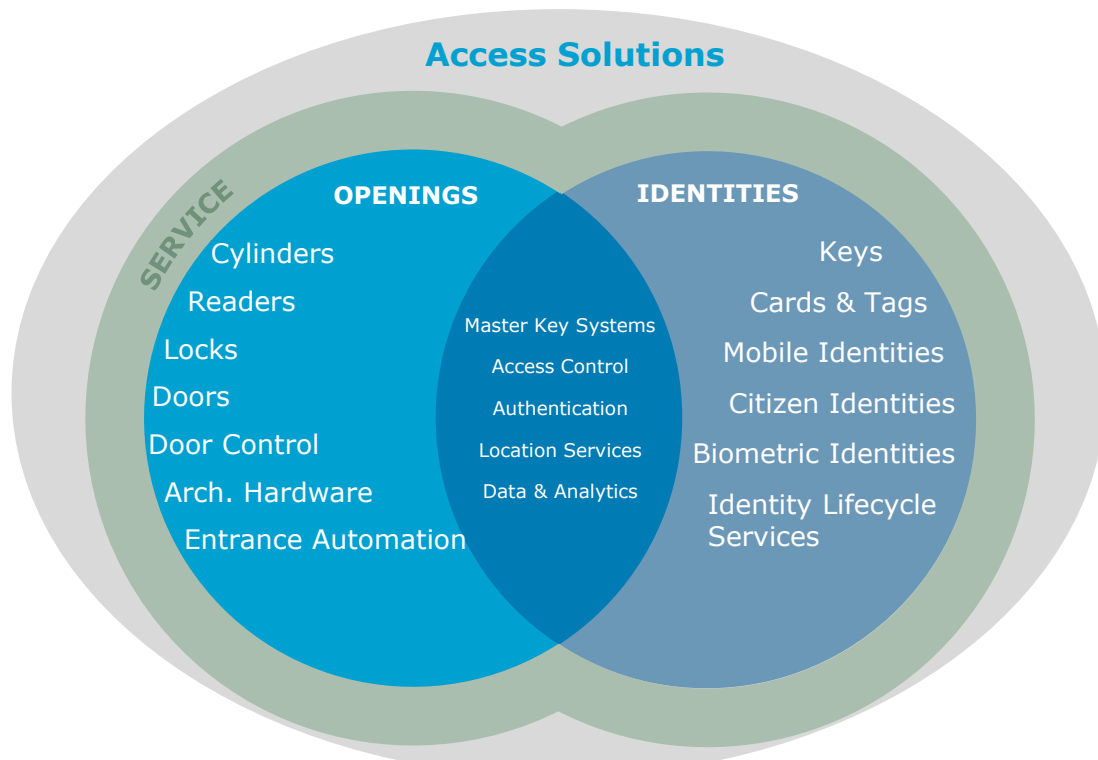
Guest Access solutions
incl. digital keys and
location services

Shop front
hardware

Garage doors

Revolving pedestrian
door systems

Global leader in Access Solutions



Technology enables convergence of
Openings and Identities



The opening and identity combined drive Value Creation, Differentiation & Network Effects

Corporate identity to guide us

Why we exist

To every day help people feel safe, secure
and experience a more open world

What we do and who we are

The global leader in access solutions

How we guide our actions

Empowerment – Innovation - Integrity

ASSA ABLOY core values and beliefs

**Core
values**

Empowerment



Beliefs

We have trust in people

Innovation



We have the courage to change

Integrity



We stand up for what's right

Official launch program kicked off Q1 2019

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Good industry to be in!

- Increased demand for security



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- Urbanization & increased wealth



Good industry to be in!

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- Shift to new technologies



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- Strong local market regulations

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Trends create underlying strong demand

ASSA ABLOY

Solid market position

- Leading brands
- Large installed base
- Strong channel position
- Large specification team

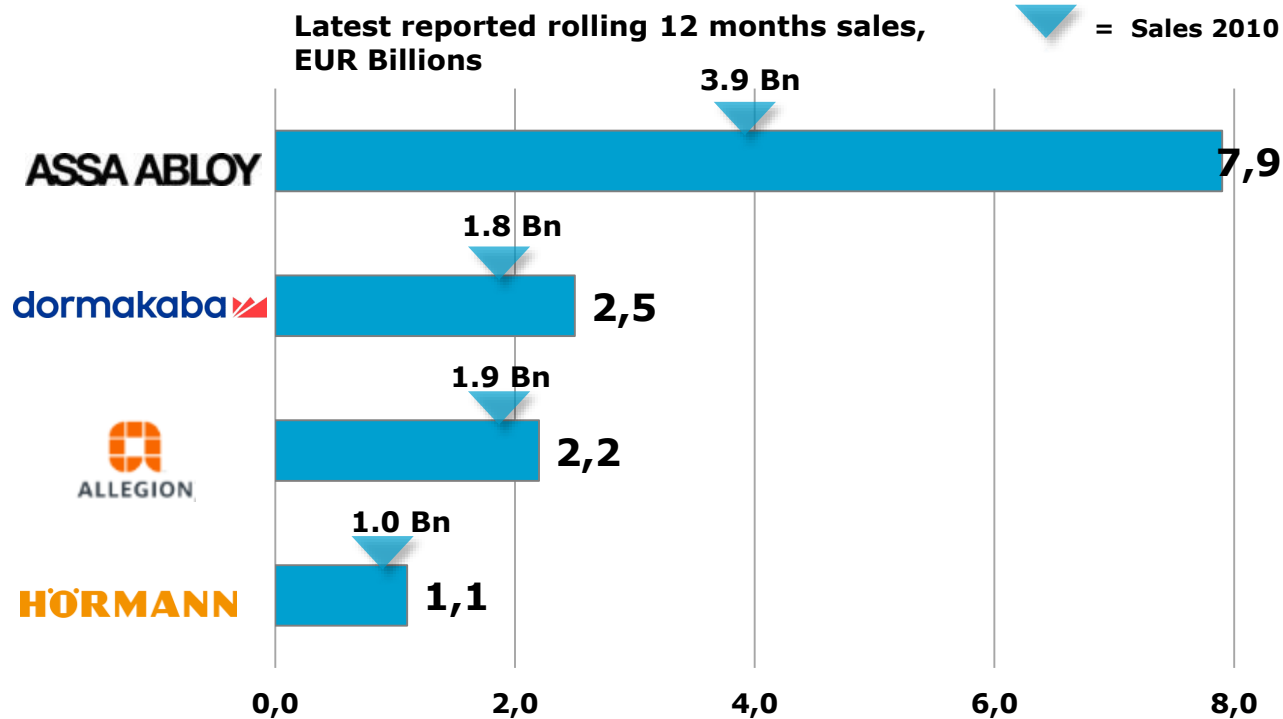


Leading brands

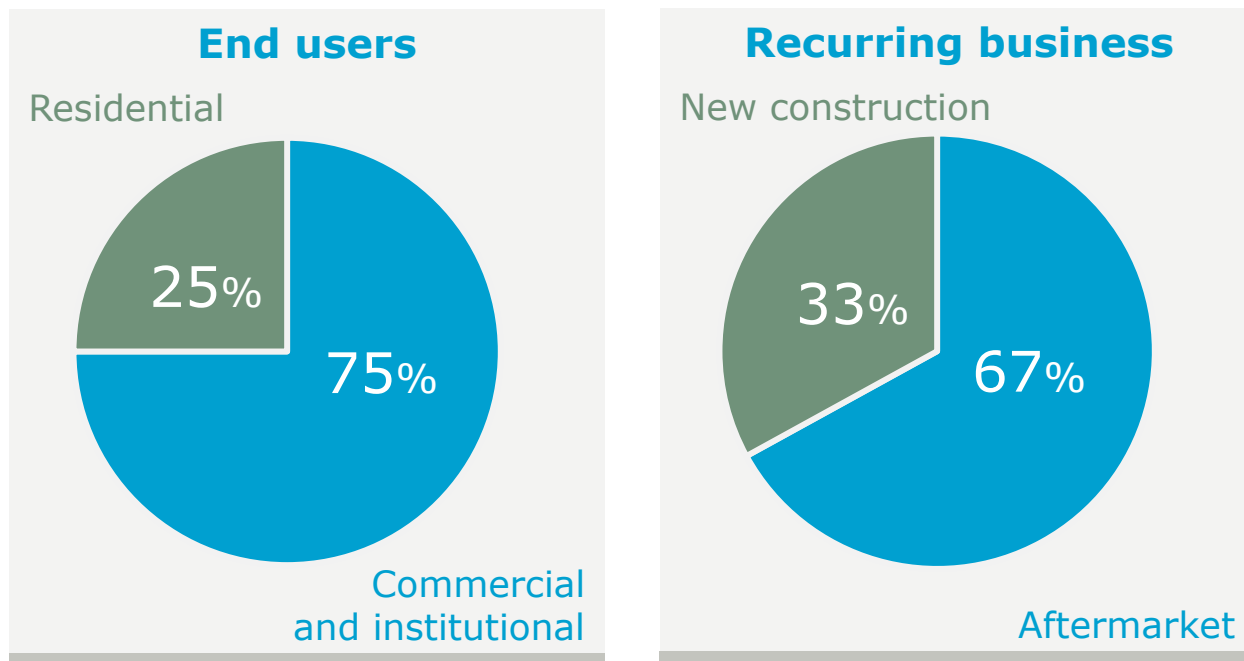
ASSA ABLOY



Larger than three main peers combined



Sales and customer composition



Lower cyclicality of sales and profit

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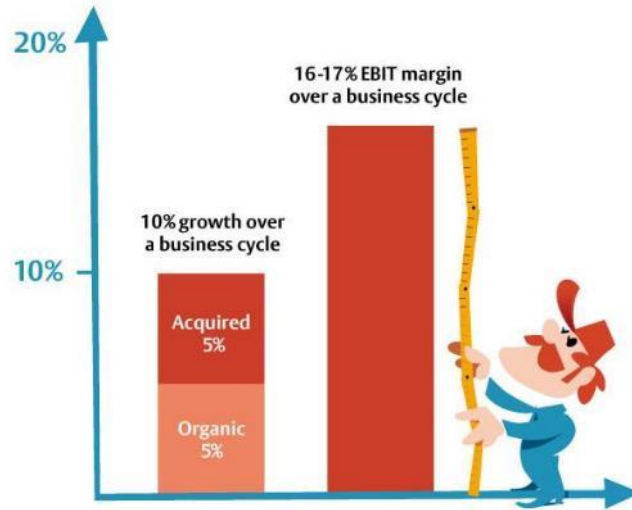
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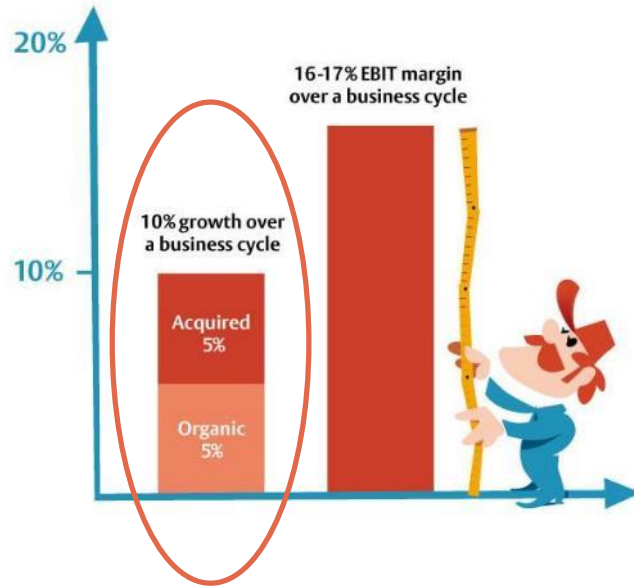
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Our financial targets and strategic actions



Organic and acquisition growth initiatives



Strategic Actions

- Increase Market presence through Customer Relevance
- Product leadership through Innovation
- Radically reduce our break-even cost through Cost Efficiency

Organic growth initiatives

Divisional priorities

- Double size of HID division
- Create ASSA ABLOY Global Solutions division focusing on key verticals
- Significant growth of Entrance System division
- Become successful in China

Commercial development

- Continue to drive conversion to electromechanical and digital
- Build strong smart-home offering
- Actively upgrade installed base and increase services penetration
- Optimize pricing and generate more recurring revenues

Growth enablers

- Continued focus on sales excellence
- Continued focus on innovation as enabler

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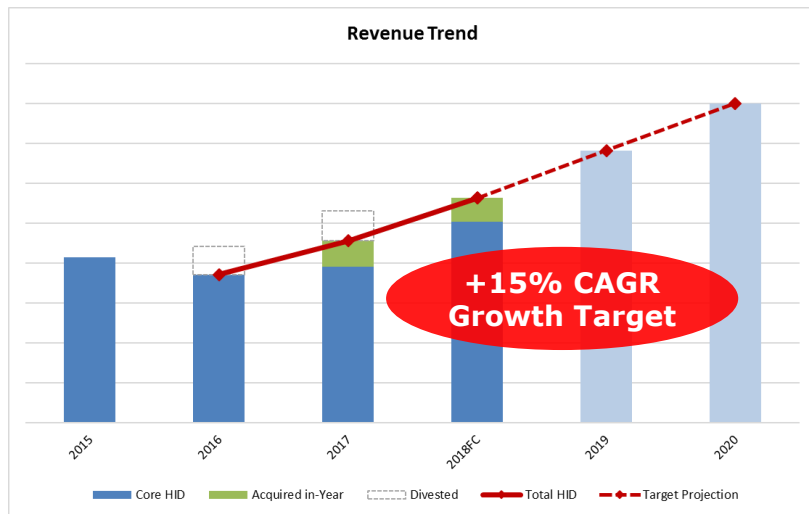
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Double size of HID

HID revenue 2015-2020



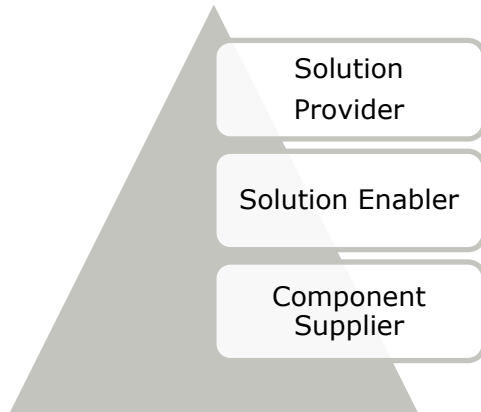
Location services: Extending our value proposition



Ten times larger since acquisition in 2000

Customer focus through segmentation

Go to market model for different segments



Vertical focus

Examples

Logistics



Telecom



Elderly care



Hospitality



Solution providers in selected verticals

Customer focus through segmentation

Forming global solutions

- Hospitality division becomes Global Solutions and expands into new verticals
- Selected solution businesses from other divisions will be moved here
- More vertical solutions will be built up over time

Vertical focus

Examples

Logistics



Elderly care



Telecom



Hospitality



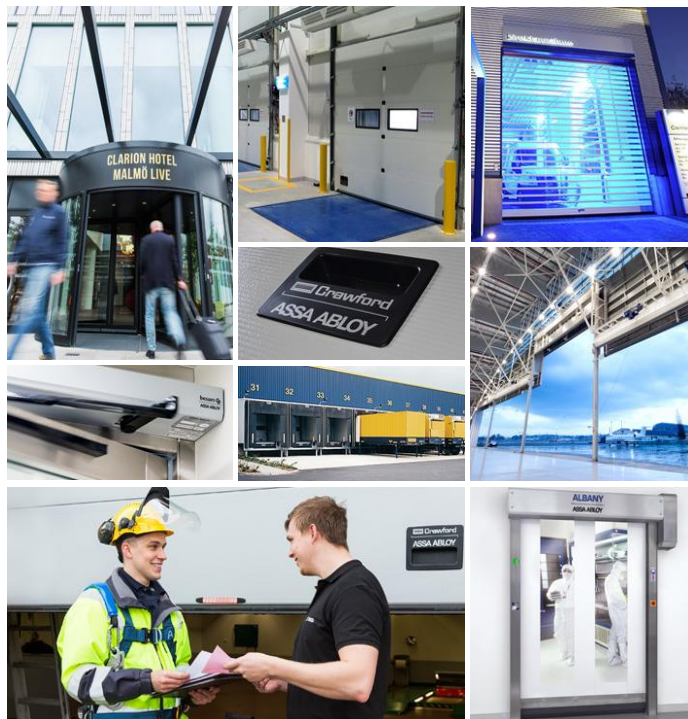
Field service – Important growth driver for Entrance systems

Revenue
>6 BSEK

~2,500 service
technicians

High single
digit annual
growth of
service
revenue

>2.5 million
service visits
per year



>20%
growth in e-
maintenance
customers

Connected
doors field
pilots
running

Taking action to win in China

- Re-organize and strengthen local management capabilities
- Single Key Account organization and focused brand strategy
- Consolidate R&D and manufacturing
- Leverage size, design and product range to provide total solution
- Continue to address small, medium developers with current channels



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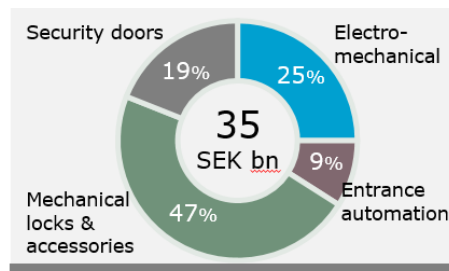
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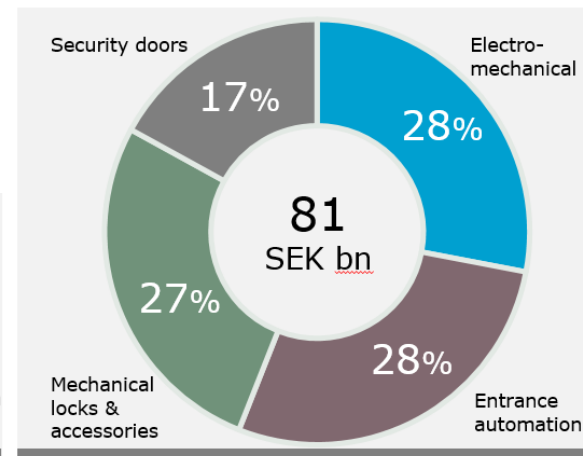
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Leading the trend towards electromechanical

- Total value increases
 - Enhanced features and functions
 - Faster time to upgrade
- Enabling recurring revenue and software monetization
- Closer customer and end-user relationships

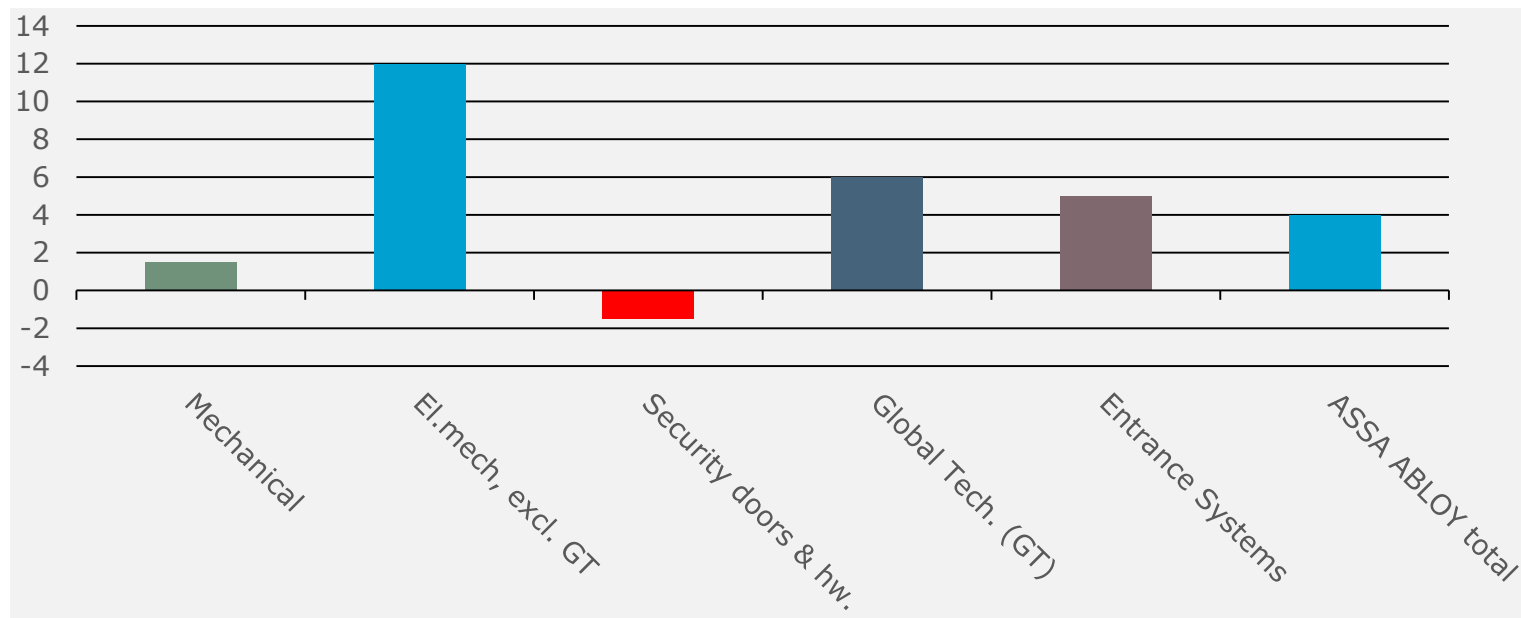


2008



**2018 Sep
12 months**

Average annual organic growth 2015 – 2018 YTD*)



*) Organic growth estimated for Mechanical, El.mech, excl. GT and Security doors.

Smart home landscape - heating up

- Tech giants driving fast smart home development
 - Focus on B2C and residential
 - Consolidating market through acquisitions
 - Not yet able to capitalize on global level



- ASSA ABLOY: Focused strategy for smart home
 - Focus on smart home security, owning the access at the core
 - Focused organization: Global R&D and commercial approach
 - In home services will drive recurring revenues

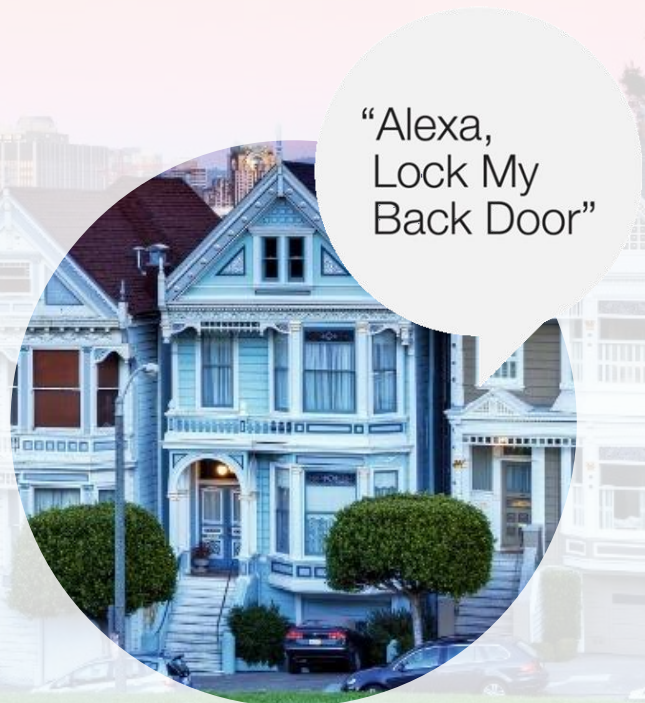


Leveraging our unique position in Smart Residential

Connected by August
launched in September
53 news stories with **415M** impressions

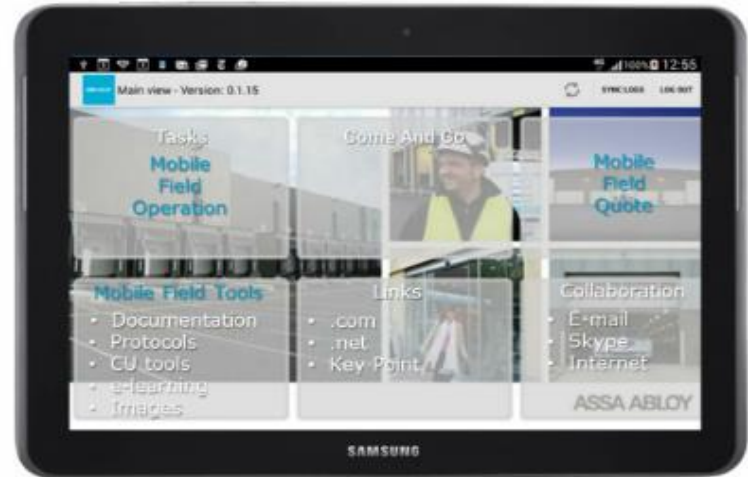


Home delivery and services drive
upgrade trend and potential for
recurring revenue



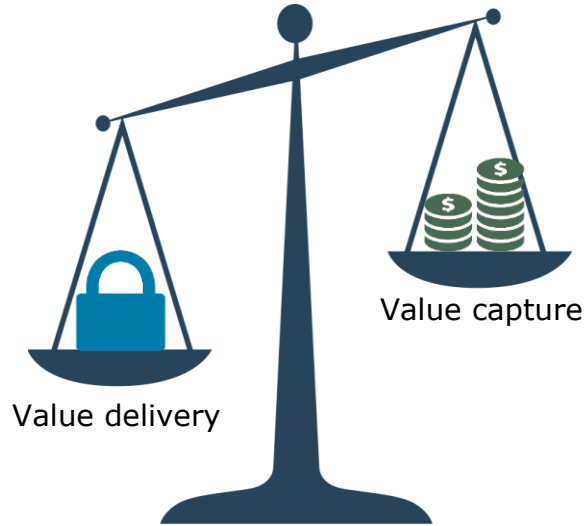
Aftermarket

- Large captive installed base
 - Patented keys, Identity & credentials
 - Profitability & loyalty
 - Opportunity to actively upgrade
- Accelerate field service growth
 - From reactive to preventive service
 - Remote management and IoT
- Recurring revenue
 - Software as a Service (SaaS)

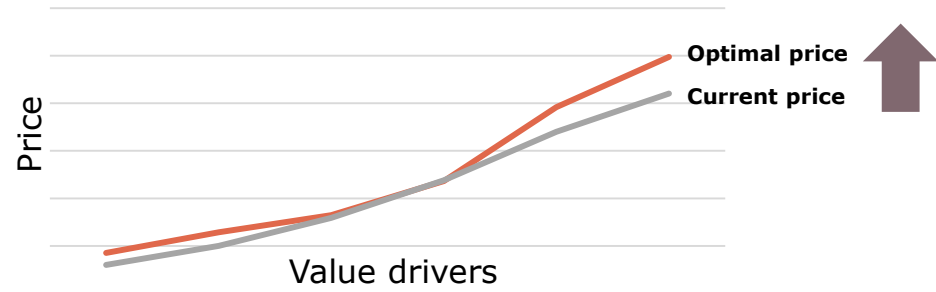


Accelerate profitable growth

Price Management to capture full value



- Structured approach with common tools and processes
- Driving performance through trainings and KPIs
- Compensating for cost increases
- New products drive value



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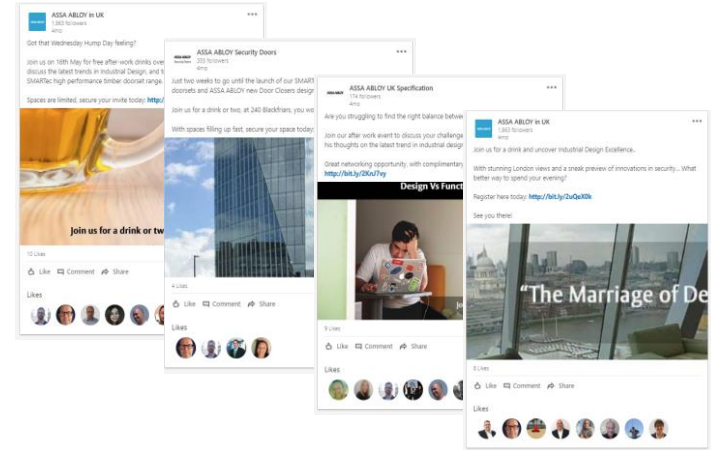
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Sales excellence

- Commercial digitization
 - From manual to CRM
 - Customer processing, quotations and eCommerce
 - Digital marketing & lead generation
- Excel sales performance focusing on
 - Sales pipeline management
 - Distributor management
 - Specification driven sales using Openings Studio



Product leadership through innovation

Innovation

Our driver for growth

R&D Investments

+200 percent since 2006

>2,000 R&D engineers

Long term competitive advantage

Continuous innovation

~30% of sales from new products

Benefits

Costs

Quality



Product innovation

We target:

- Organic growth of 5% per year
- 25% of sales from new products
- Double the innovation speed

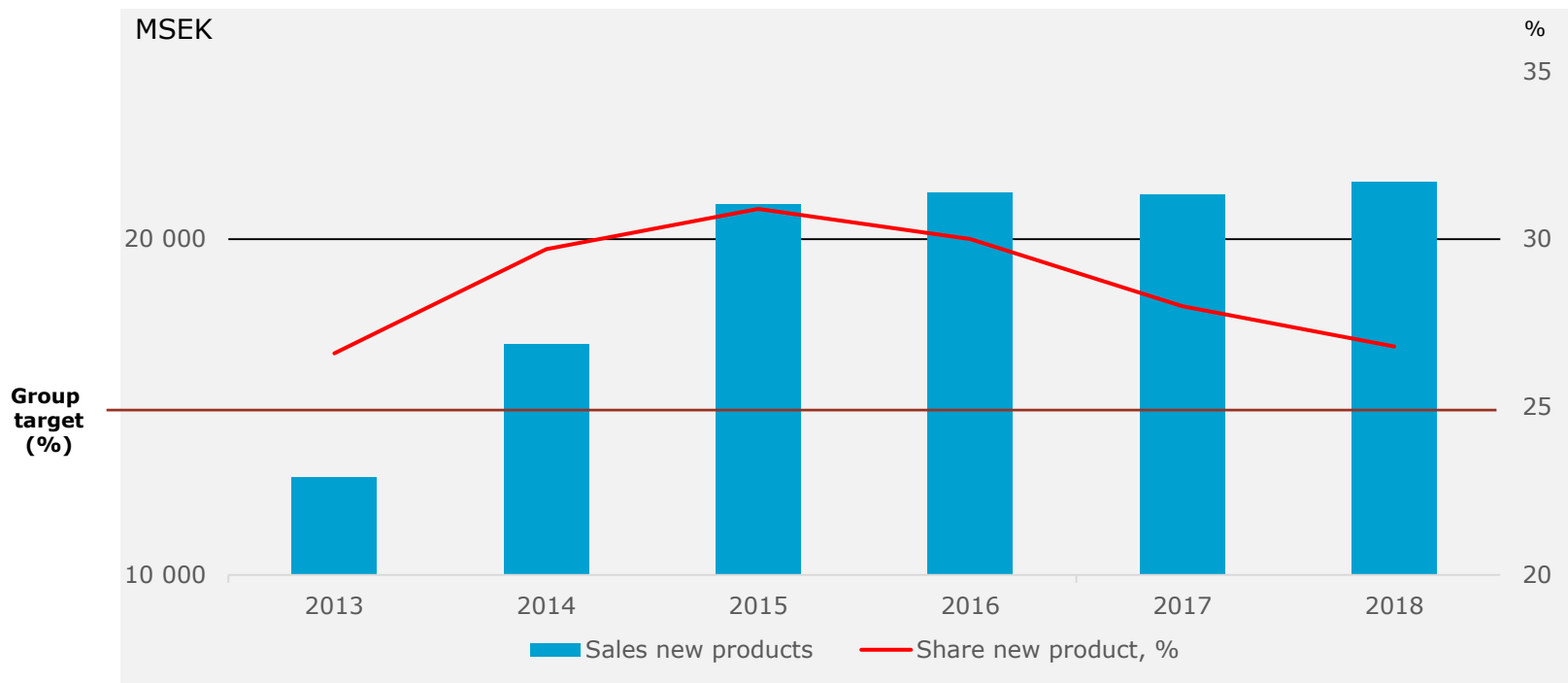


Through:

- Using a common, structured process
- Lean innovation
- Using common platforms and shared technologies
- Creating R&D competence centers



Sales from products launched past 3 years



Strong recognition for innovation

Example of rewards in 2018

- Multiple products recognized with Security Product of the Year awards
 - Access Control Devices/Peripherals**
EcoFlex Exit Trim
 - Green/Sustainable Solutions**
Securitron M680E EcoMag Magnalock
 - Locks/Safes/Hardware**
Medeco CLIQ Go
 - Mobile Apps**
ASSA ABLOY Customer Support App



New Product of the Year
HID SAFE™ Analytics



Most Innovative Product
HID Risk Management
Solution



New Product of the Year
HID Approve™



User Authentication/
Identification/
Credentialing and
Management



2018 Top-Ten Multi-Factor
Authentication Solution

Critical Infrastructure offers big potential for both equipment and recurring business

\$ 49
trillion

PROJECTED CUMULATIVE INFRASTRUCTURE
INVESTMENT NEEDED BY 2030

\$ 0.9 T



Seaports

\$ 1.3 T



Airports

\$ 5.1 T



Rail

\$ 7.5 T



Water

\$ 8.3 T



Telecom

\$ 11.4 T



Roads

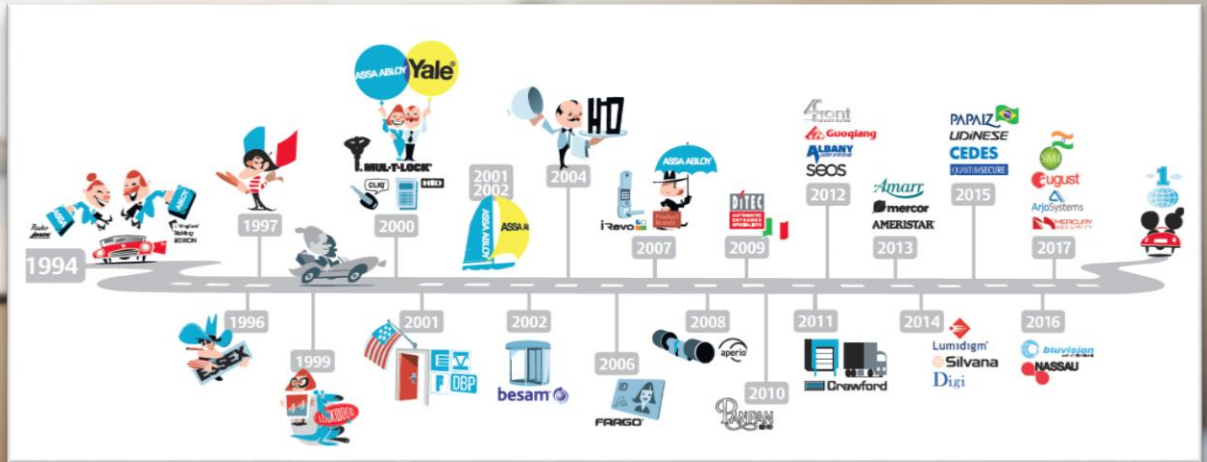
\$ 14.7 T



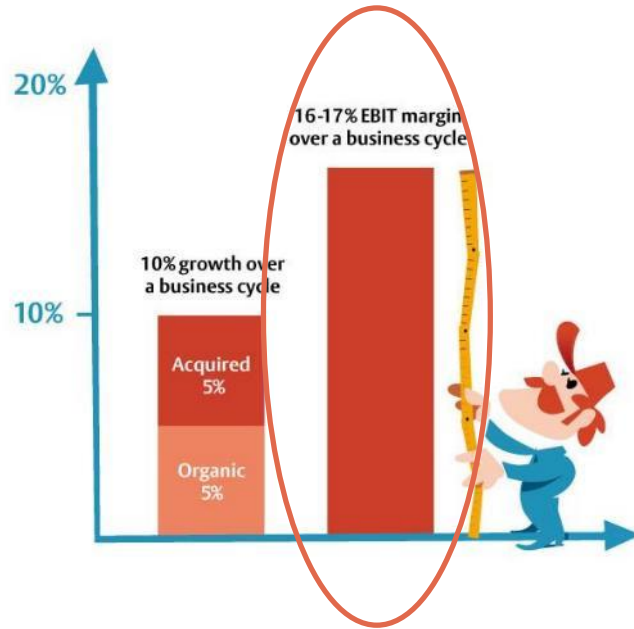
Energy

Strong competence and tradition for acquisitions

- 4 directions: Build core - Expand core – Service - Technology
- 162 acquisitions 2008-2018
 - 16 acquisitions in 2017
 - 14 acquisitions in 2018 YTD



Cost efficiency initiatives



Cost efficiency initiatives

Manufacturing footprint

- Consolidating manufacturing and move towards assembly
- Increase manufacturing efficiency through automation and lean

Cost efficiency

- Outsourcing of non-core manufacturing
- Reduce product cost by supplier consolidation and professional sourcing
- Reduce product cost through material choice and eliminating waste
- Reduce manual processing in support functions (Seamless flow)

Operational performance

- Quality excellence
- Fully realize potential in logistics/warehousing
- Sustainability and Health & Safety top of mind in all we do

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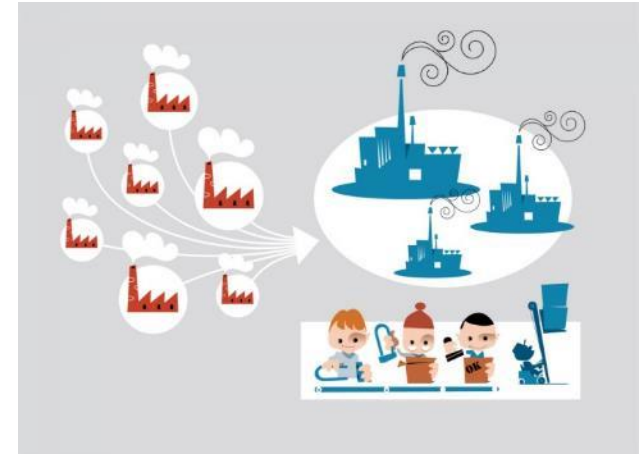
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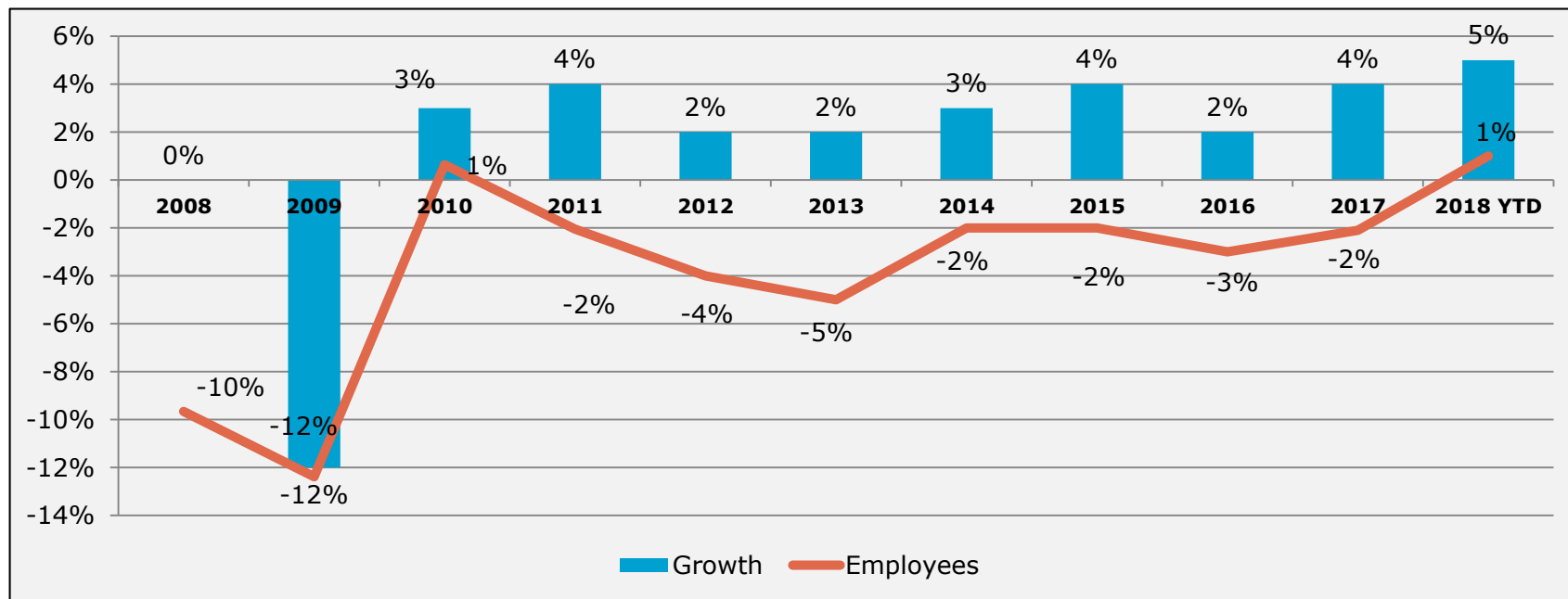
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Manufacturing footprint

- **Status of programs launched 2006-2016**
 - 81 factories closed to date, 7 to go
 - 131 factories converted to assembly, 23 to go
- **Total personnel reduction**
 - 14,400 FTE in total since 2006
 - 165 FTE in recent quarter
 - 675 FTE to go for all programs
- **SEK 507 M provisions remain for all programs**
- **Next program planned for end of 2018**
 - Restructuring cost to affect 2018 and 2019



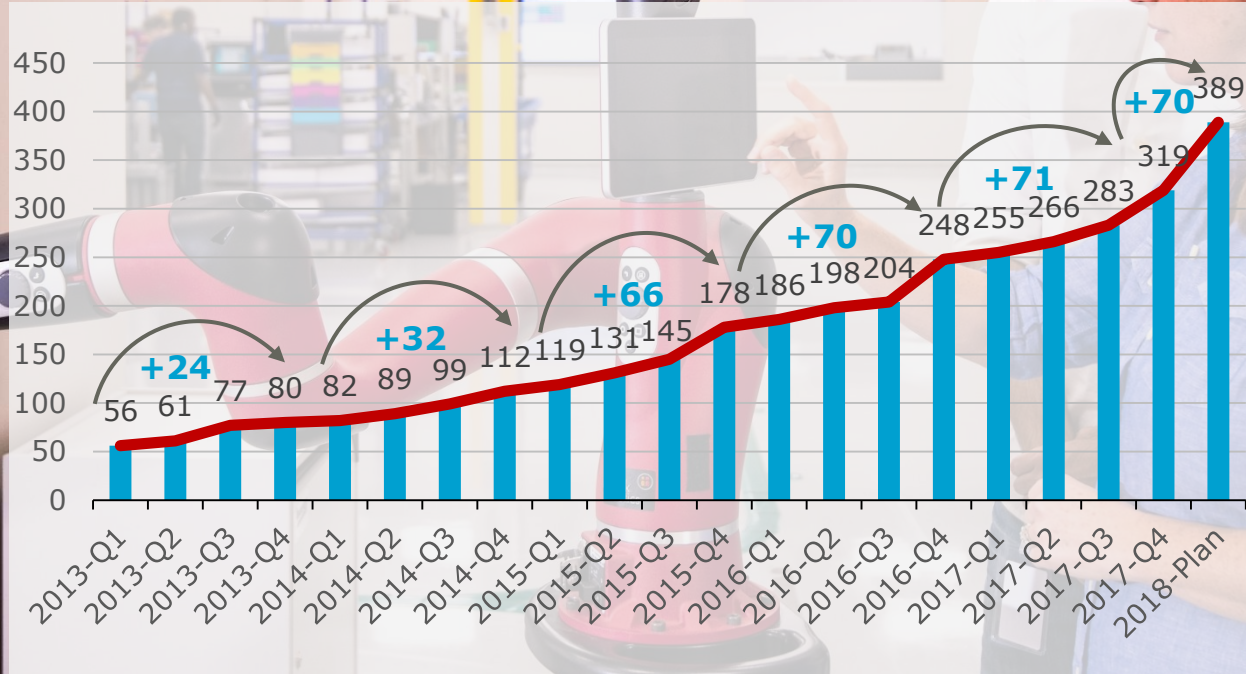
Efficiency: Organic Growth vs. Headcount



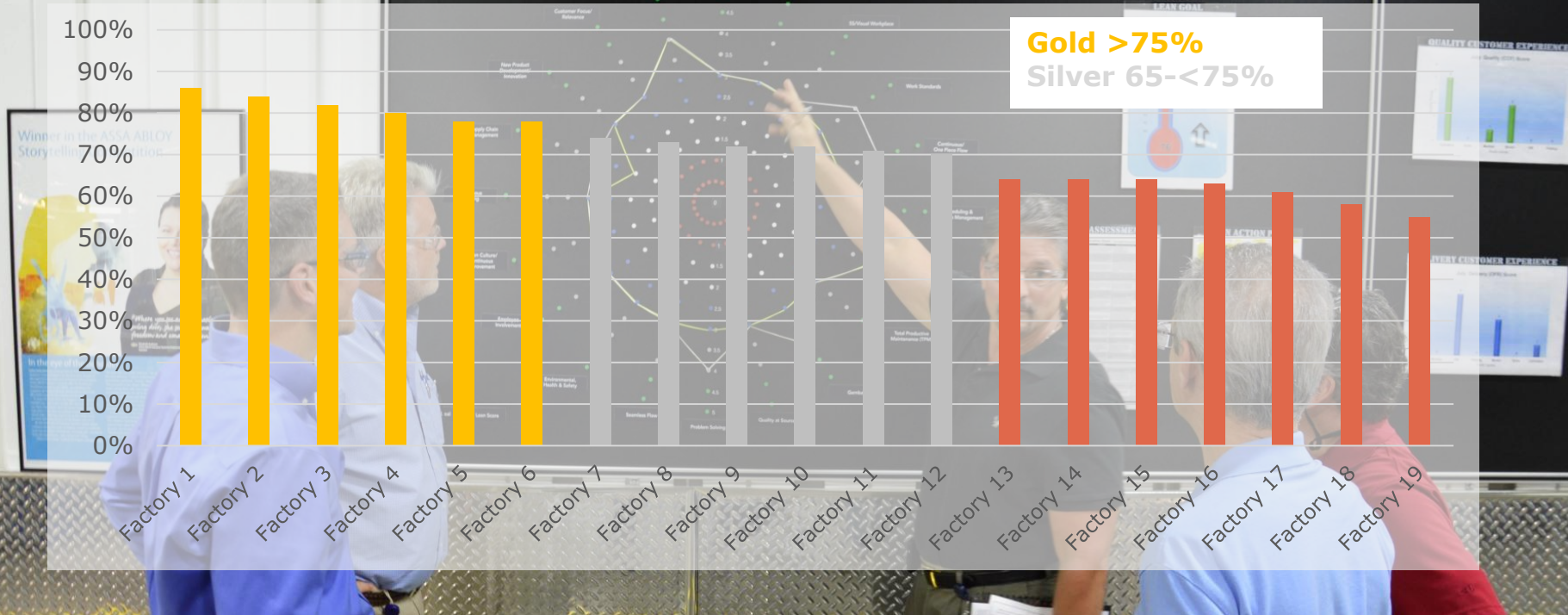
*) Organic growth each year, i.e. excluding acquisitions younger than 12 months, and the corresponding change in total number of employees for the same units.

Robotics expansion, Americas example

Journey towards efficient manufacturing



Lean implementation



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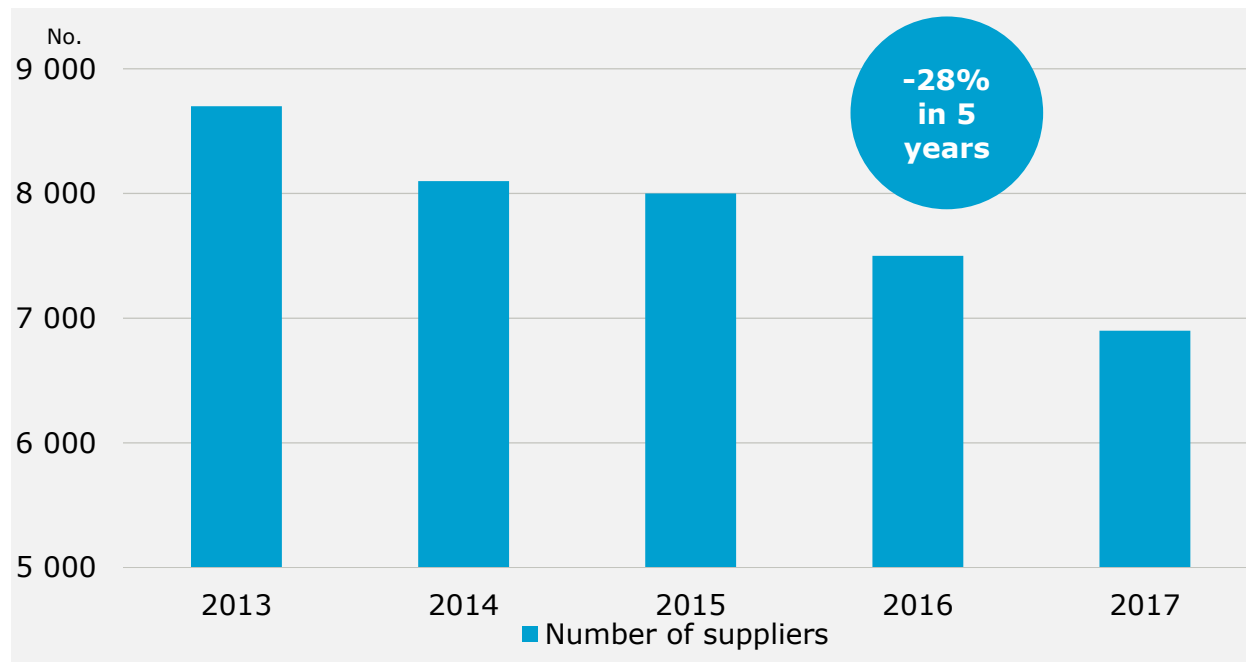
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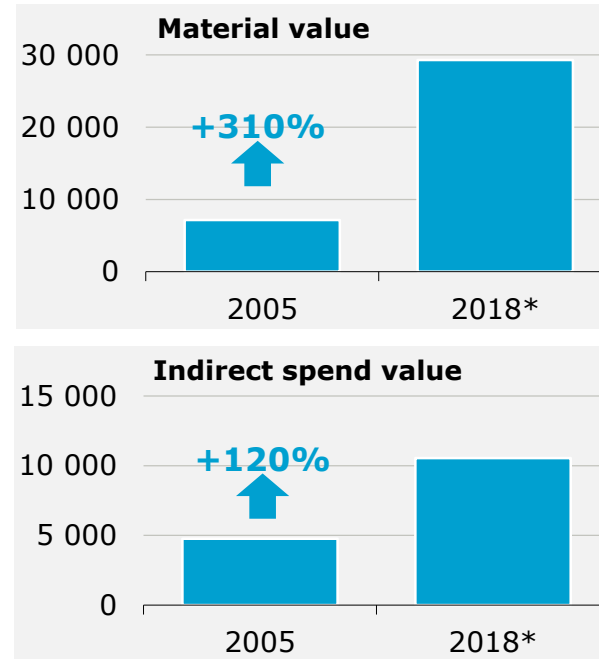
Supplier reduction



Professional sourcing

Sourcing is strategic & impact is rapidly increasing

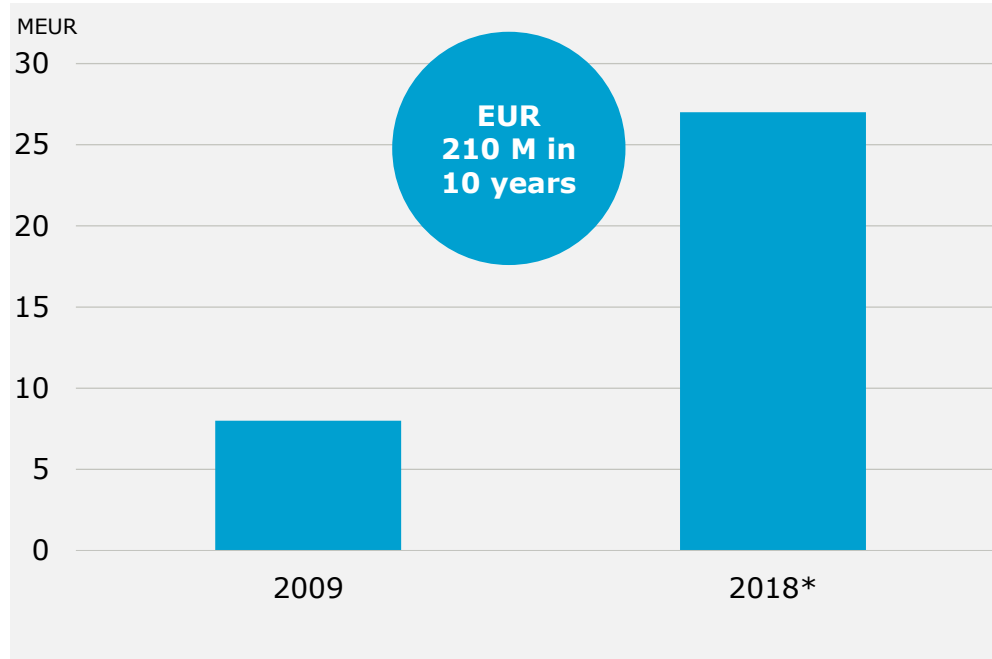
- Category management
 - Less and stronger suppliers
 - Supplier agreements
- Should cost and VA/VE process
- E-sourcing
- Audited suppliers
 - Sustainability
 - Quality



*12 months until Sep 2018

Value Analysis and Value Engineering

Savings from VA/VE



Example: Emtek Deadbolt

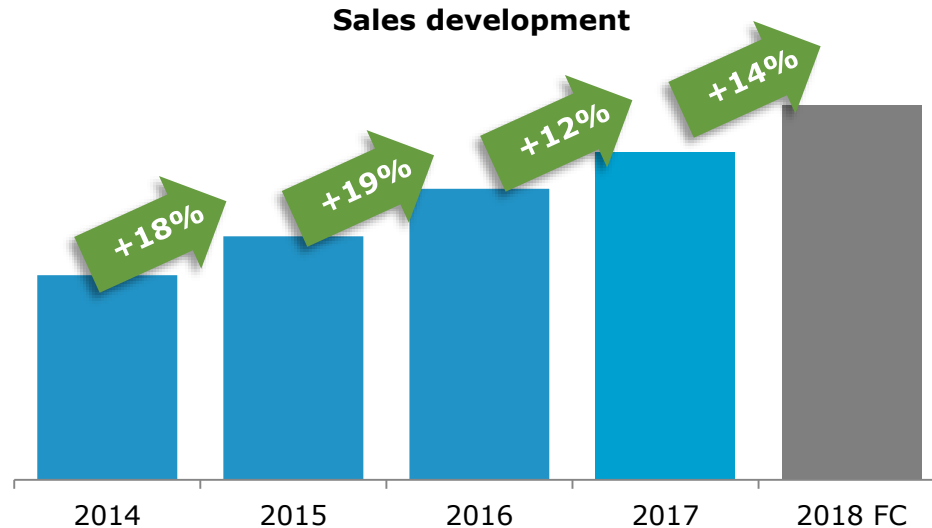


Cost reduction per unit -26%

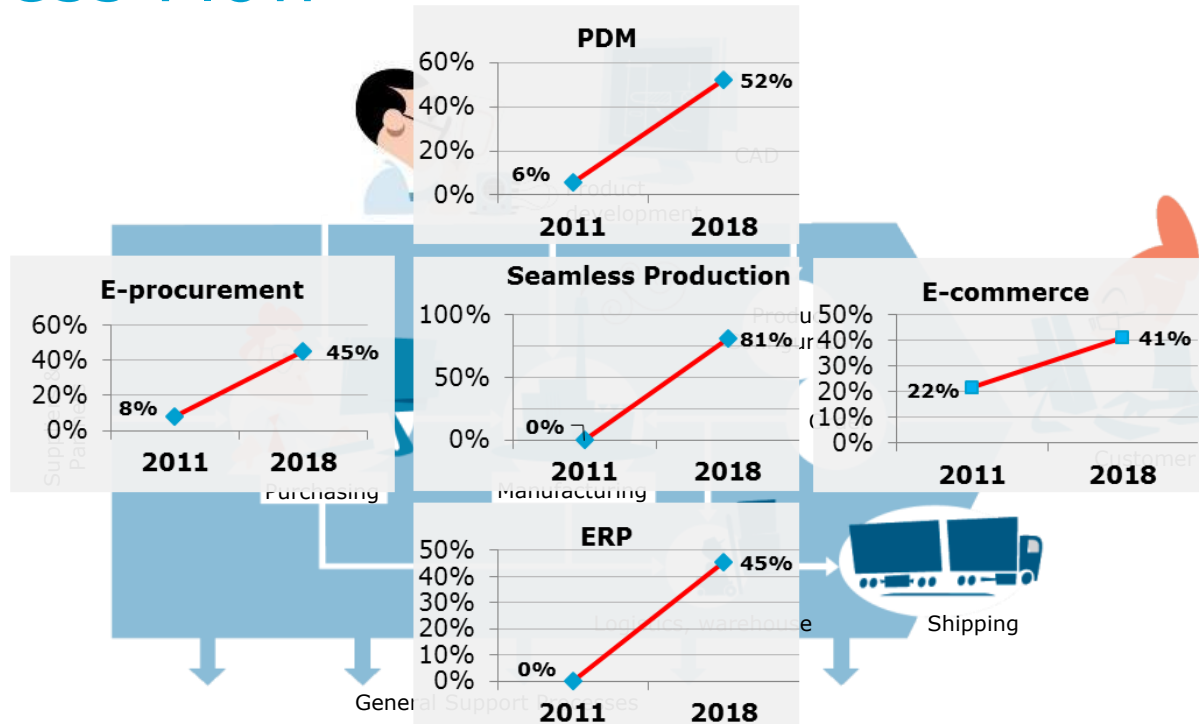
*12 months until Sep 2018

Door closer success in Opening Solutions EMEA

- Consolidating product range
 - Reducing range complexity
 - Synergy in logistics
 - Scale in sourcing
- Efficient cost base has enabled strong sales growth
- Award winning design



Seamless Flow



Target = 100% automation of processes

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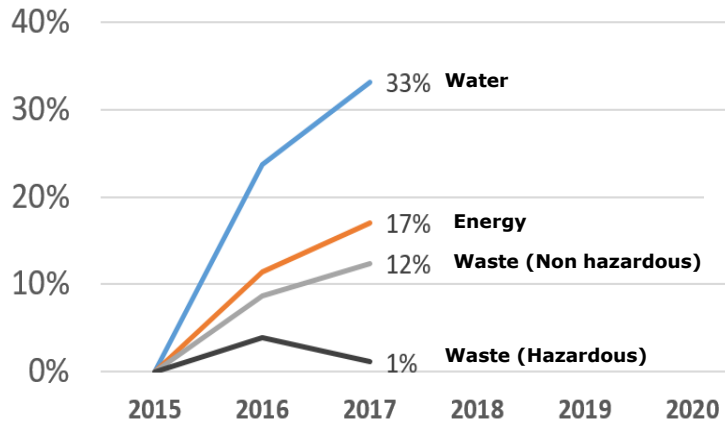
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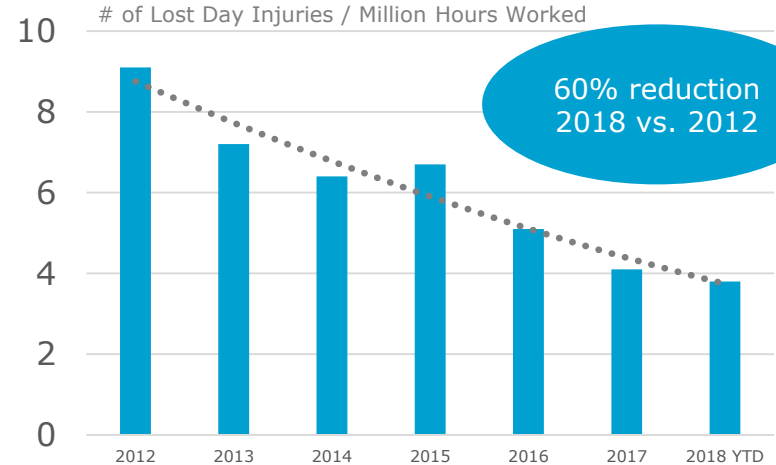
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Efficiency improvements 2015 – 2017*



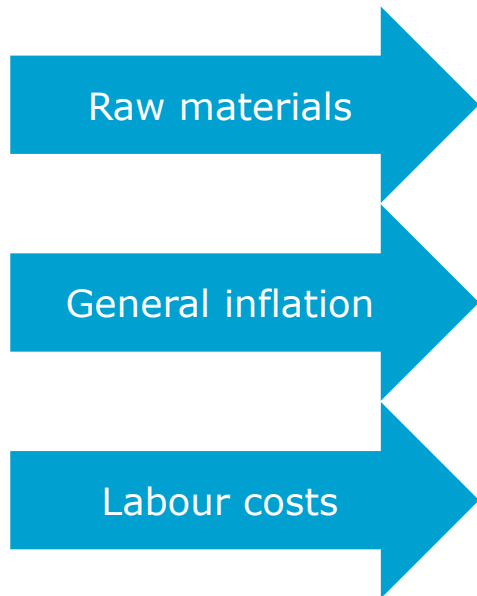
*Reduced usage 2017 vs 2015 for comparable units

Injury Rate 2012 – 2018 YTD



Actions to offset cost pressure and sustain margins

Cost pressure



Actions

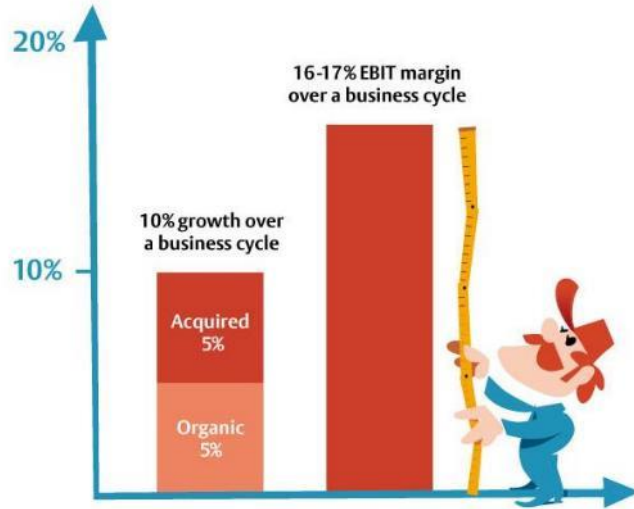


- Price
 - Cost inflation push through
 - Price optimization
- New product introductions
- Product cost
 - VA/VE & Supply management
- Operational efficiencies
 - MFP, Lean and automation
 - Contingency plans

Agile
cost
base

Strategic actions

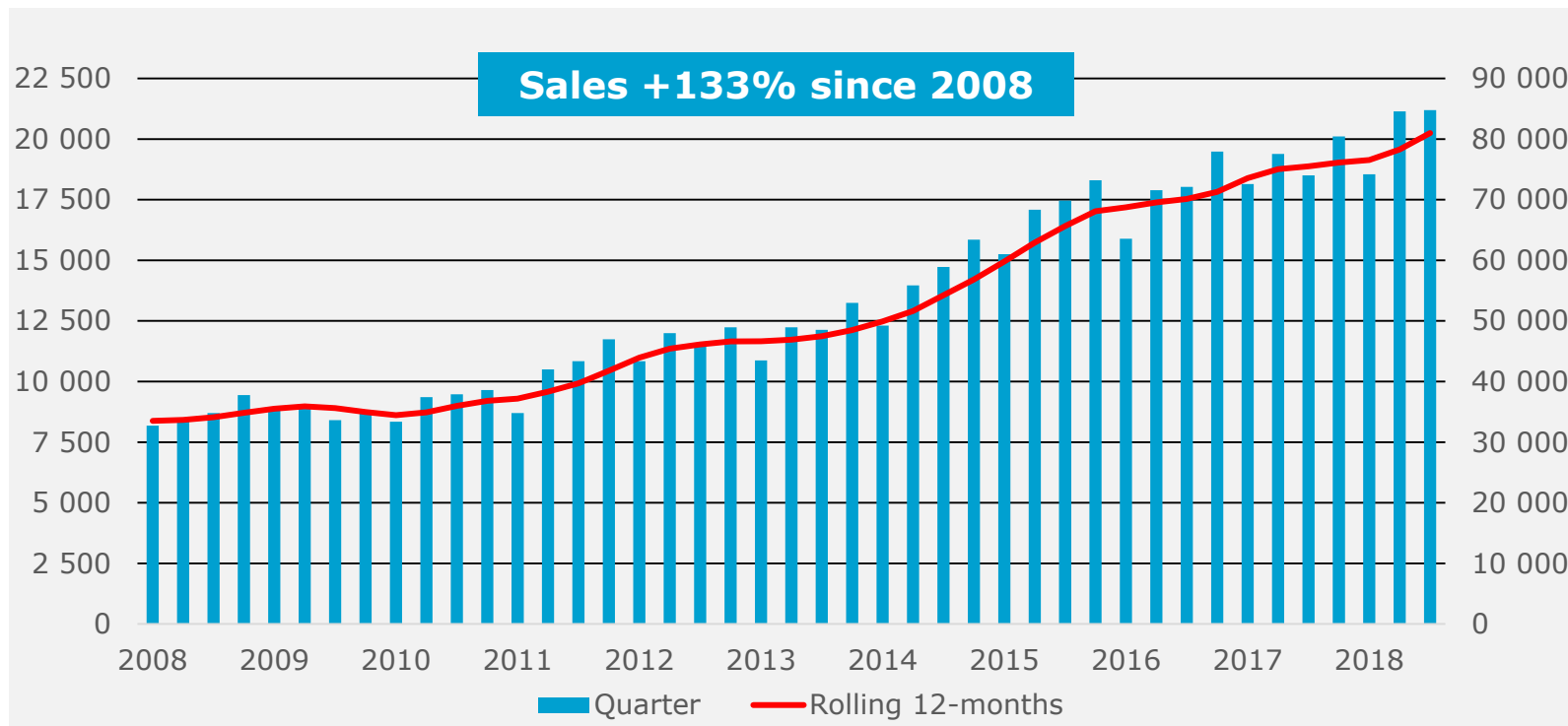
Our strategy is evolving – no revolution



Presentation outline

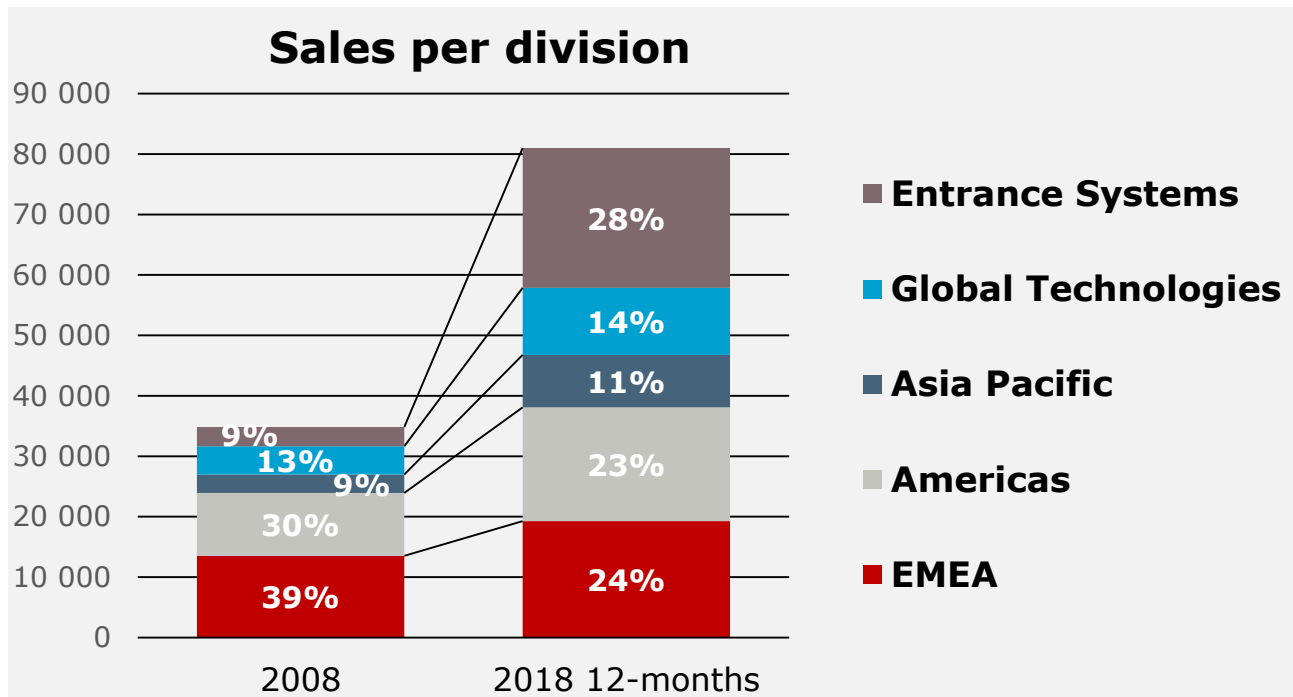
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Sales development since 2008



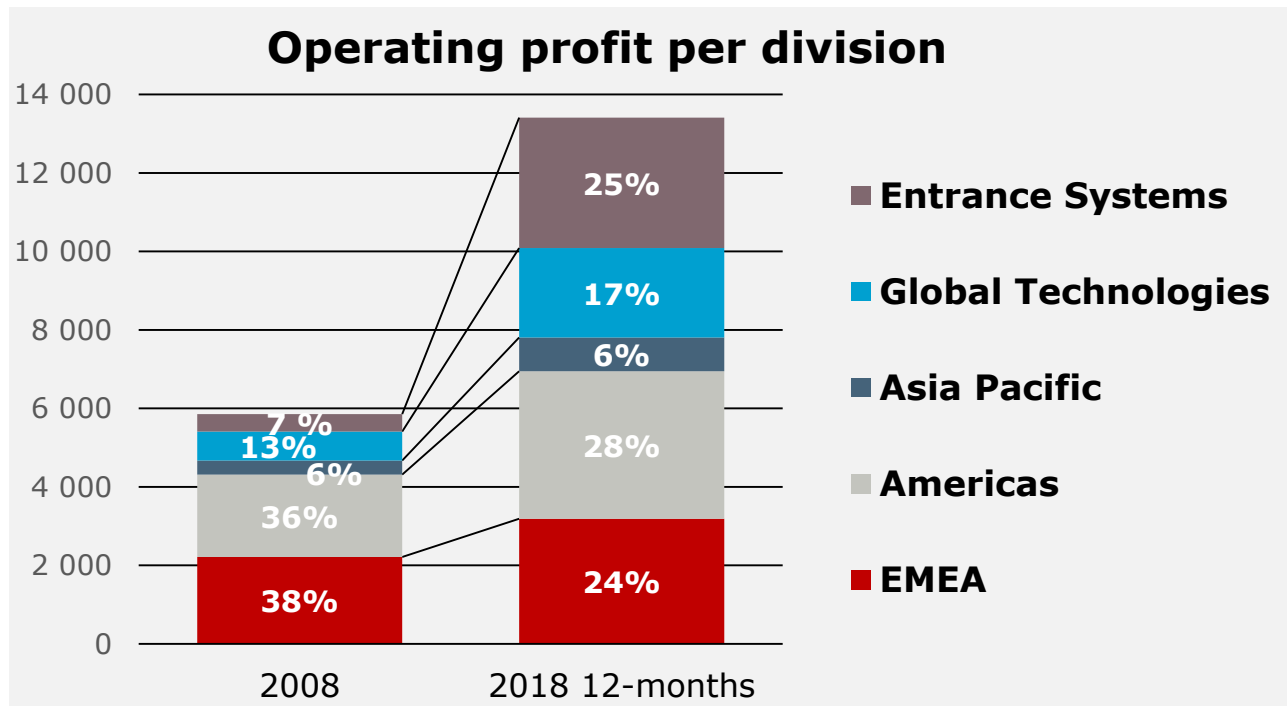
Growth has triggered significant change

ASSA ABLOY is fundamentally different compared to 2008



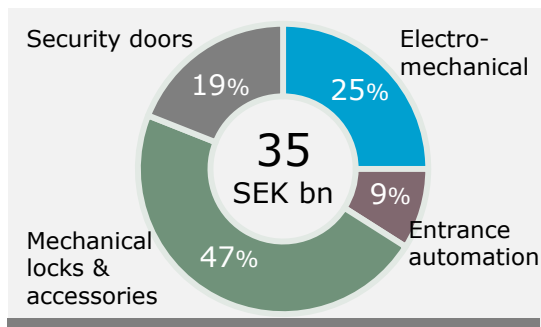
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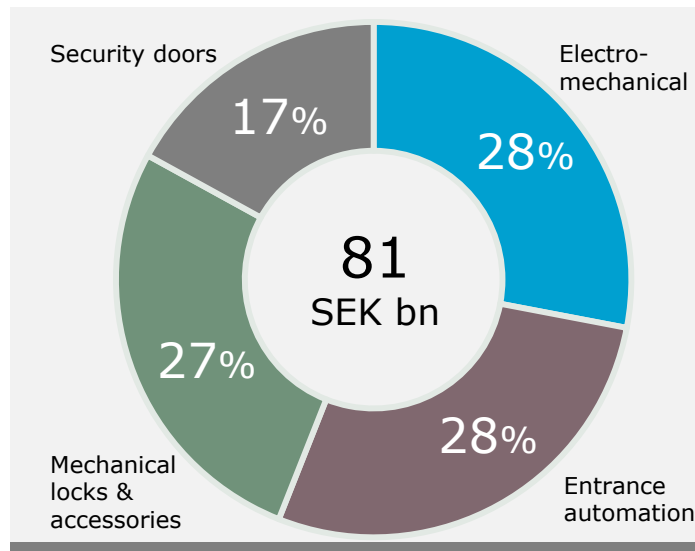


Reminder: Growing electromechanical market

SEK billion	2008	2018 Sep 12 m	Change
Electro-mechanical	8.7	23.2	167%
Mechanical	16.4	21.6	32%



2008



**2018 Sep
12 months**

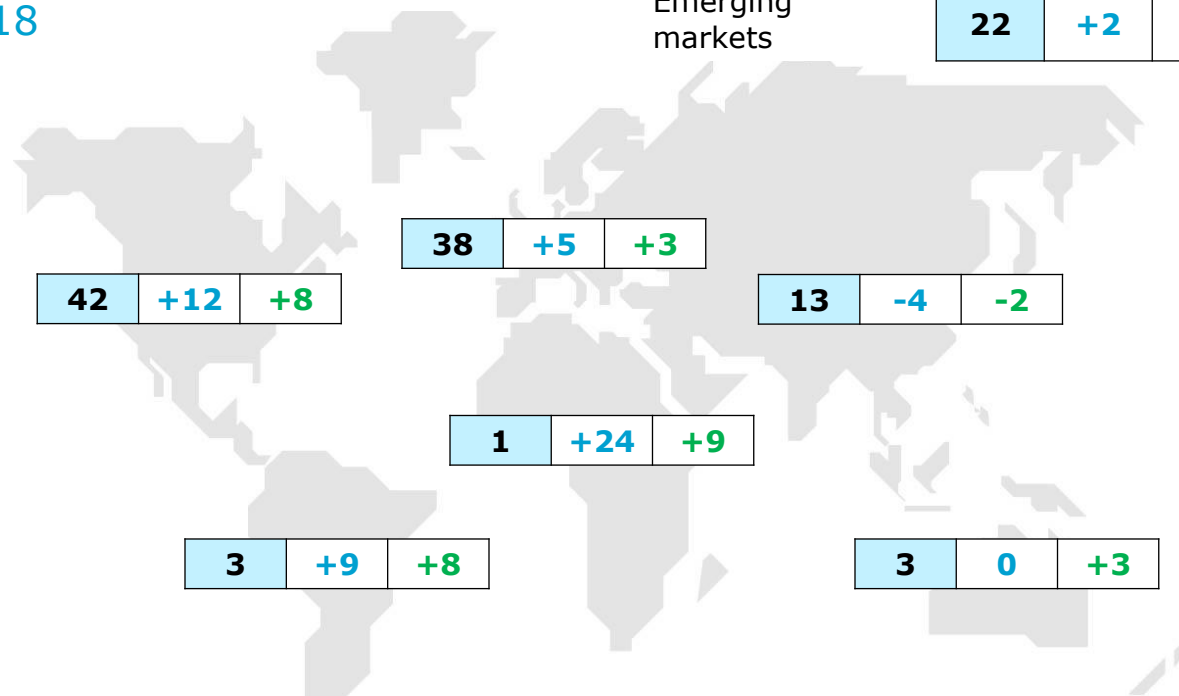
Sales by Region

Jan-Sep 2018

ASSA ABLOY

Emerging
markets

100	+6	+5
22	+2	+1



Share of sales, %	Change in local currencies YTD 2018 vs. YTD 2017, %	Organic change YTD 2018 vs. YTD 2017, %
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Emerging markets comprise Africa, Asia (excl. Japan), the Middle East, Latin America and Eastern Europe.

P&L components as % of sales

January – September 2018

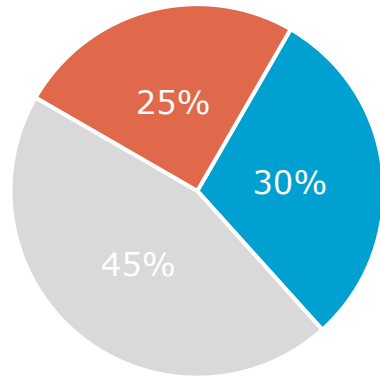
%	YTD 2017	YTD 2018 excl. acquisitions	Δ	YTD 2018
Direct material	-36.1%	-36.6%	-0.5%	-35.9%
Conversion cost	-24.5%	-24.5%	0.0%	-24.5%
Gross margin	39.4%	38.9%	-0.5%	39.6%
S, G & A*	-23.4%	-23.1%	0.3%	-23.9%
EBIT*	16.0%	15.8%	-0.2%	15.7%

- Direct Material - dilution due to raw material cost
- Conversion cost – good improvement in the quarter and flat YTD
- SG&A - leverage from strong organic sales as well as efficiency projects

*) Excluding China write down of SEK 400 M in Q2 2018.

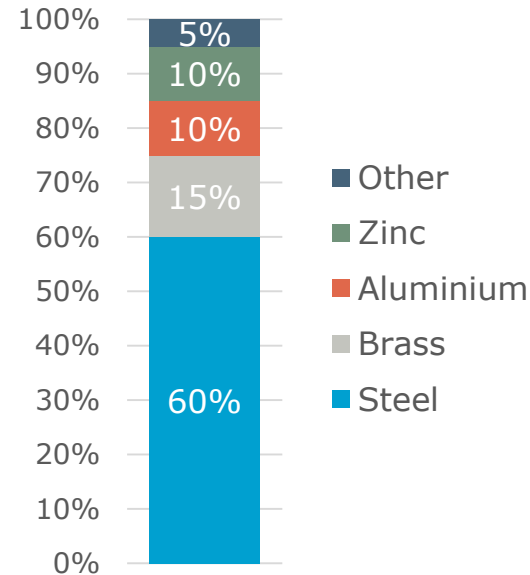
Direct material 36% of sales

Direct material



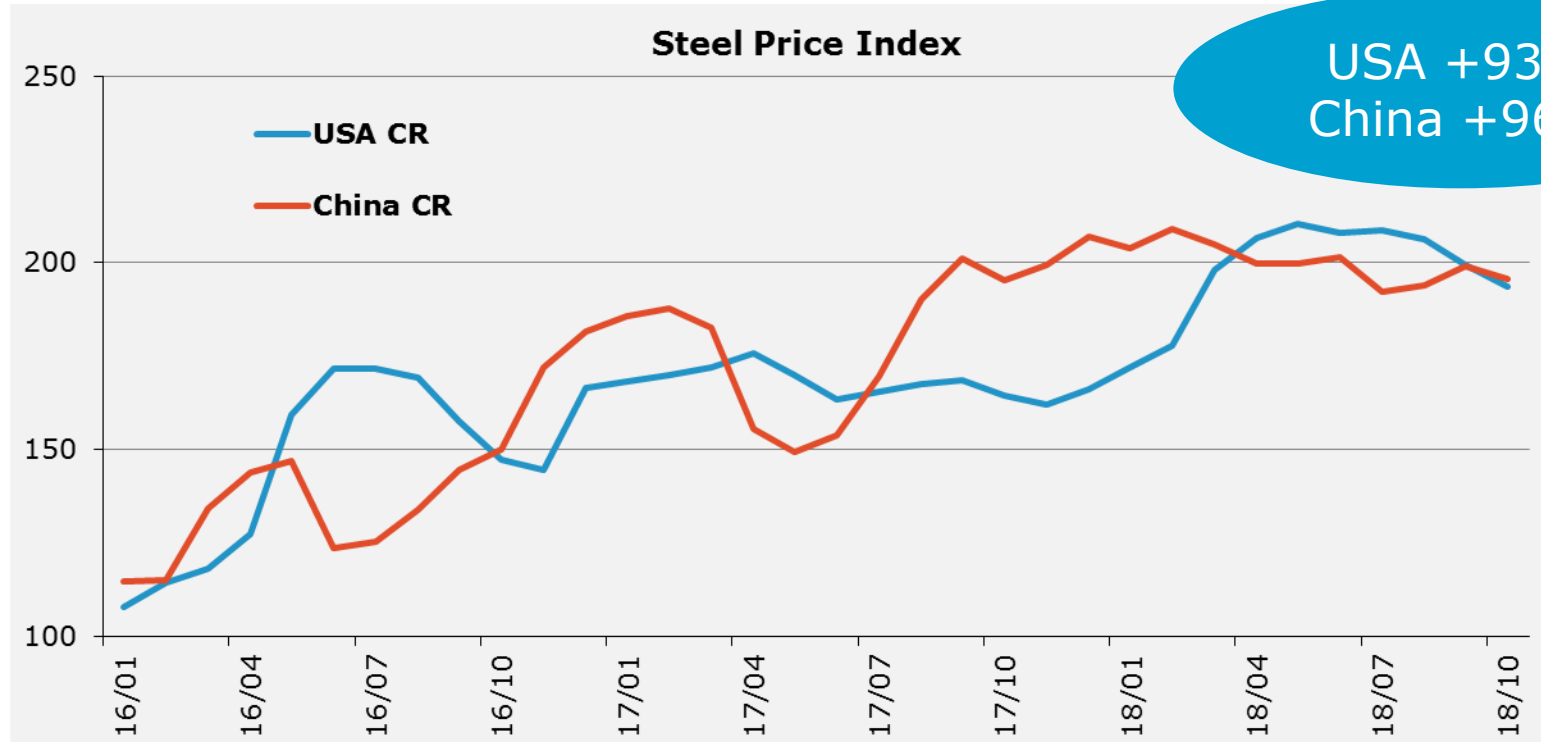
- Raw material
- Components
- Traded products

Raw material



- Other
- Zinc
- Aluminium
- Brass
- Steel

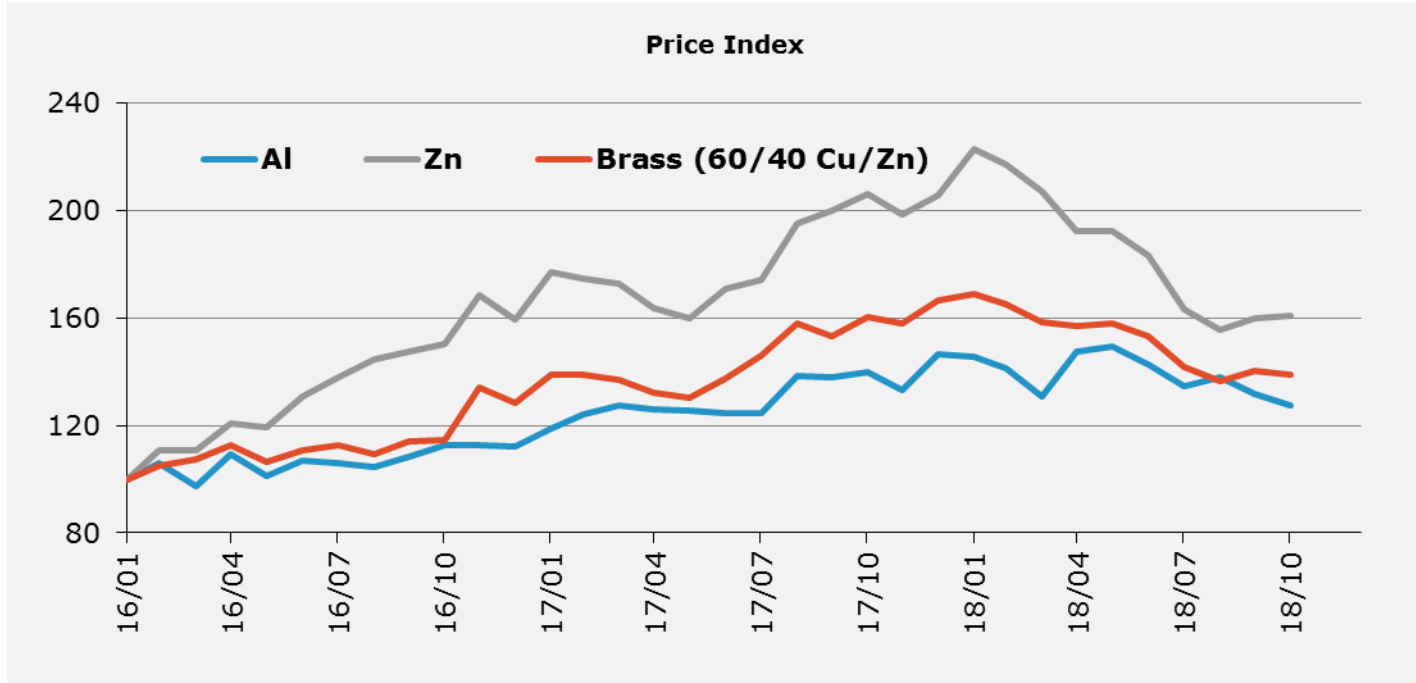
Steel price development



USA +93%
China +96%

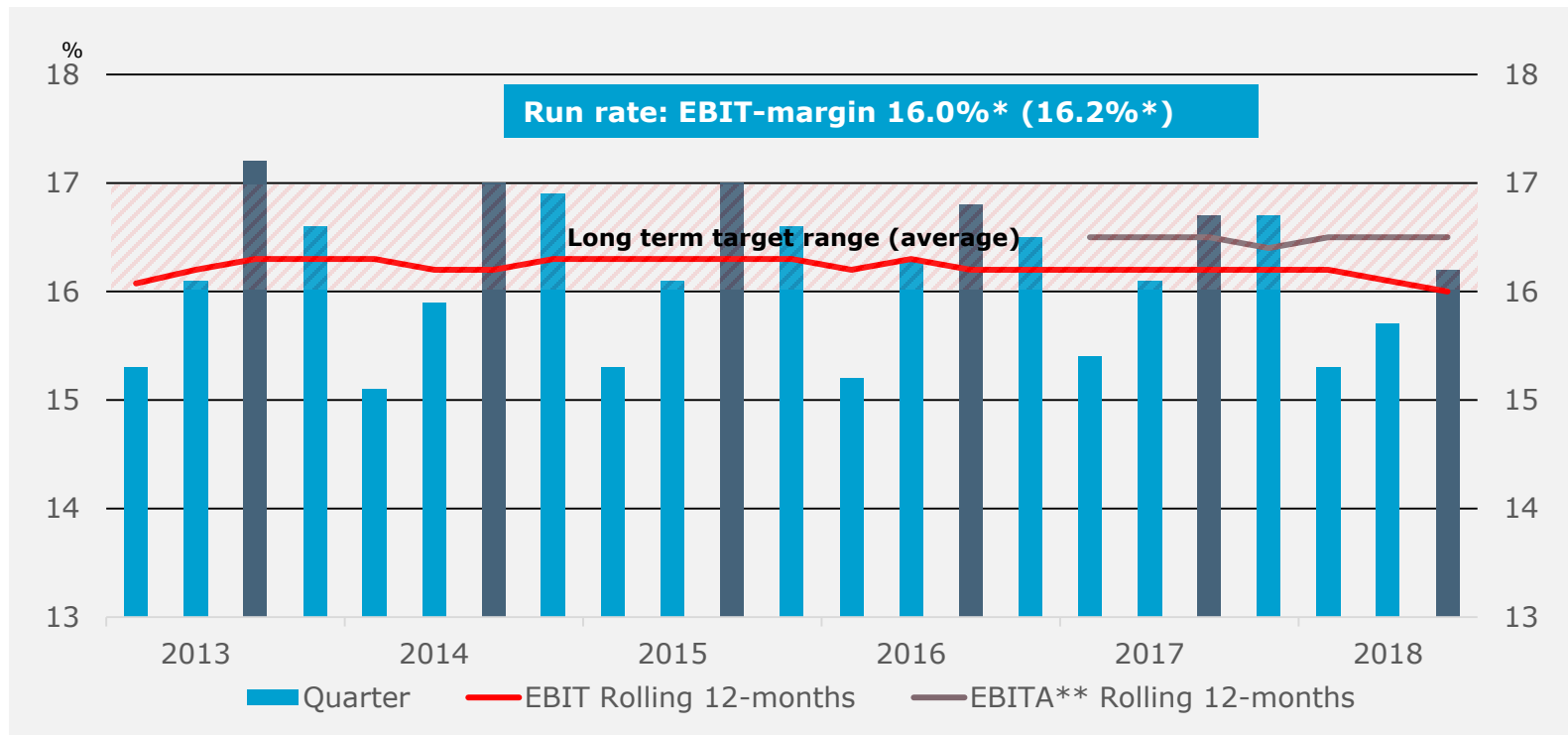
Base 2015/12

Aluminium, Zinc and Brass



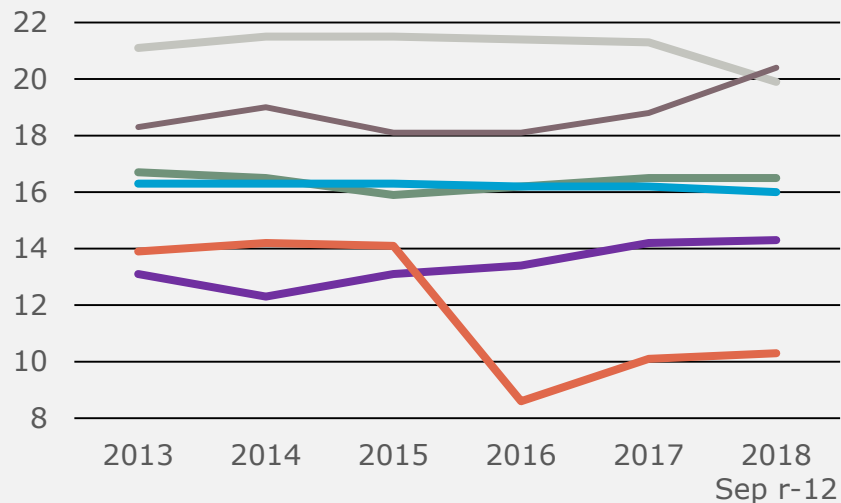
Base 2015/12

Operating margin, %



^{*)} Excluding China write-downs and restructuring items. ^{**) Operating margin before amortization of intangible assets recognized in business combinations.}

Operating margin (EBIT*) 2013-2018

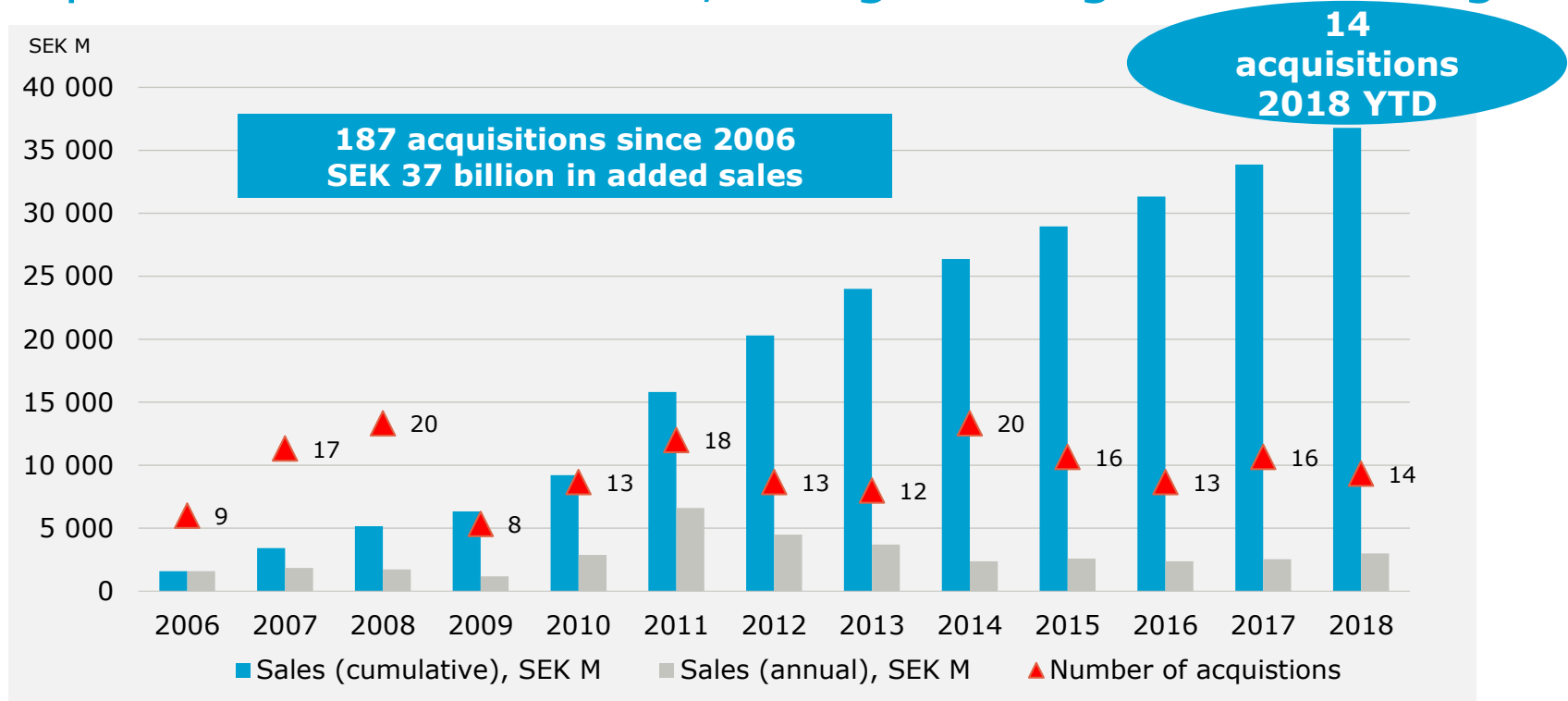


— EMEA
 — Entrance Systems
 — Americas
 — ASSA ABLOY Group
 — APAC
 — Global Tech

*) Excluding China write-downs and restructuring items.

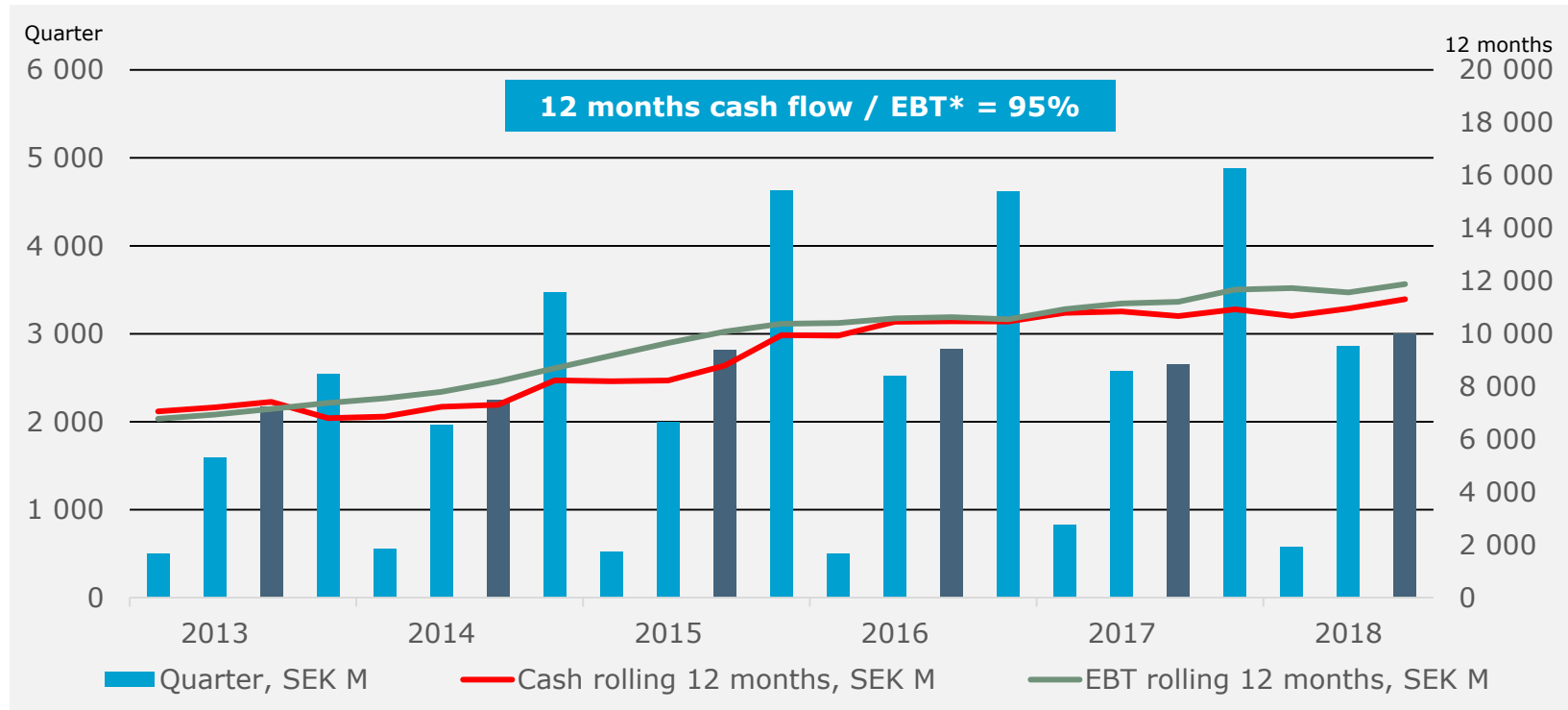
Group margin impact	
Global Tech accretion	+50bps
Americas accretion	+30bps
ASSA ABLOY Group	
EMEA	0bps
Entrance Systems dilution	-20bps
APAC dilution	-60bps

Acquisitions dilute at first, but give long term leverage



Actions initiated to decrease seasonality in cash flow

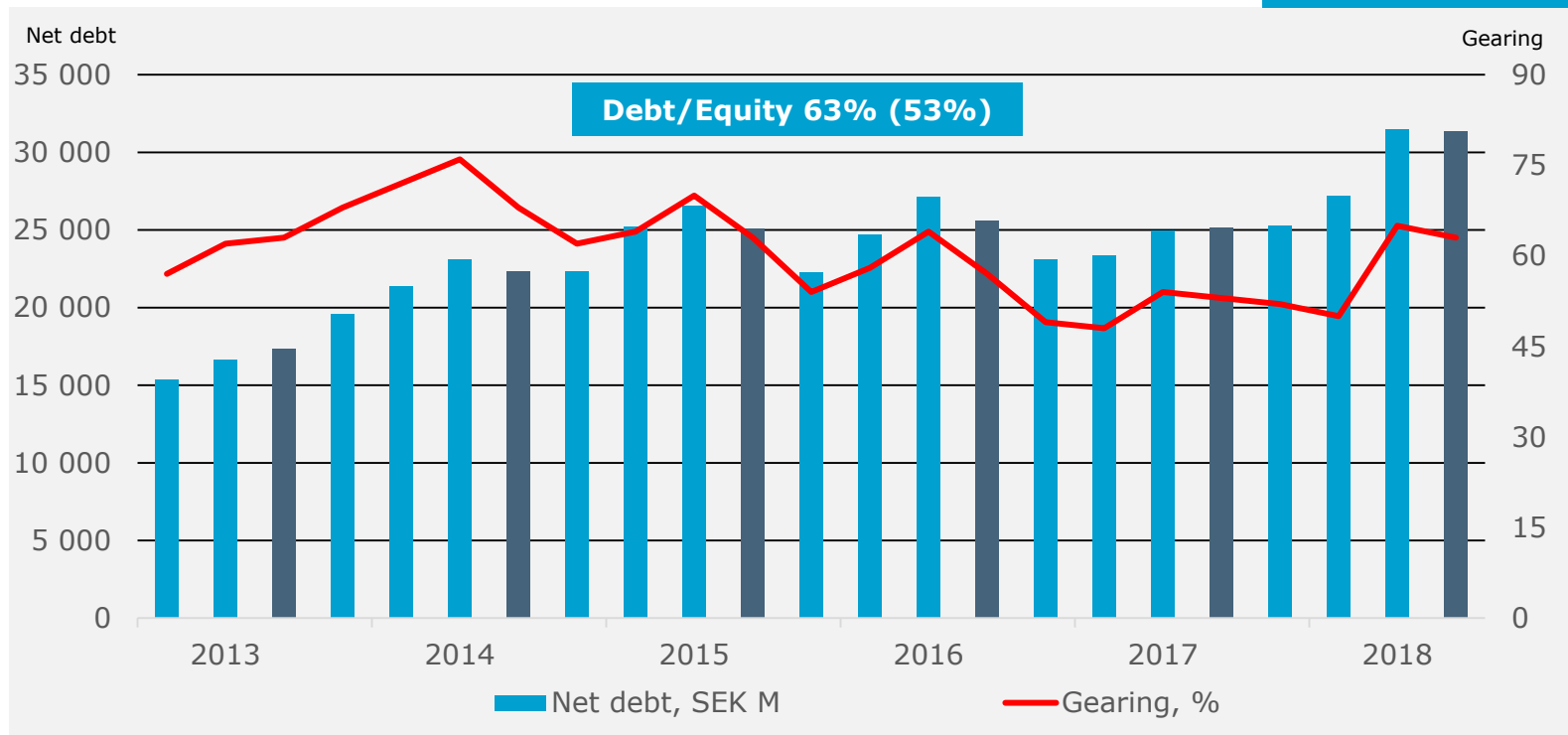
Operating cash flow, SEK M



*) Excluding the impairment in China of goodwill and other intangible assets.

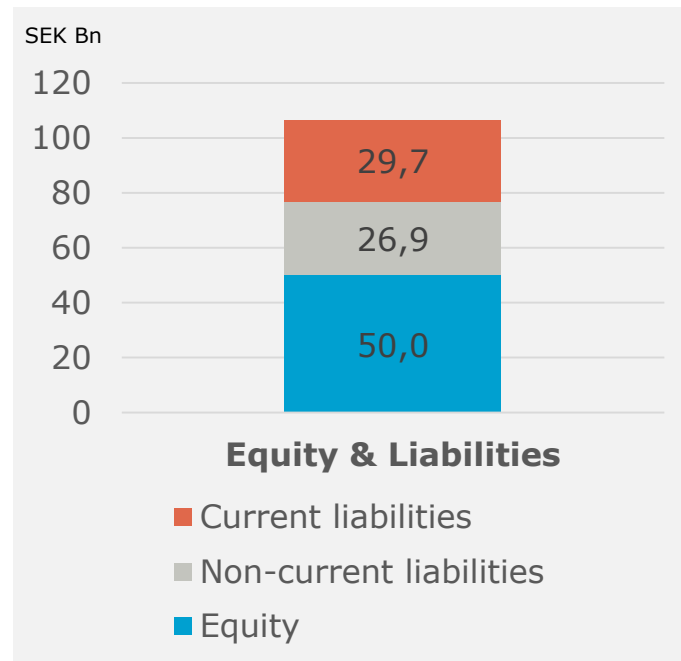
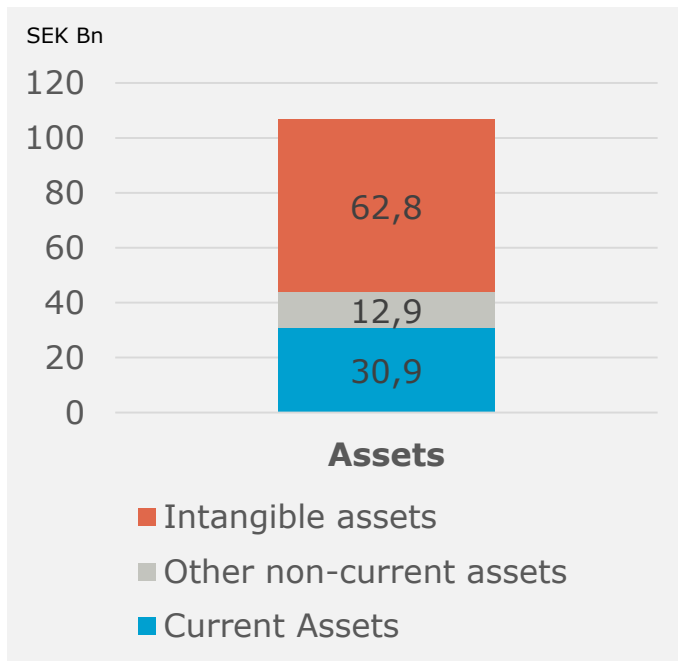
Gearing % and net debt, SEK M

Net
debt/EBITDA*
2.1 (1.9)



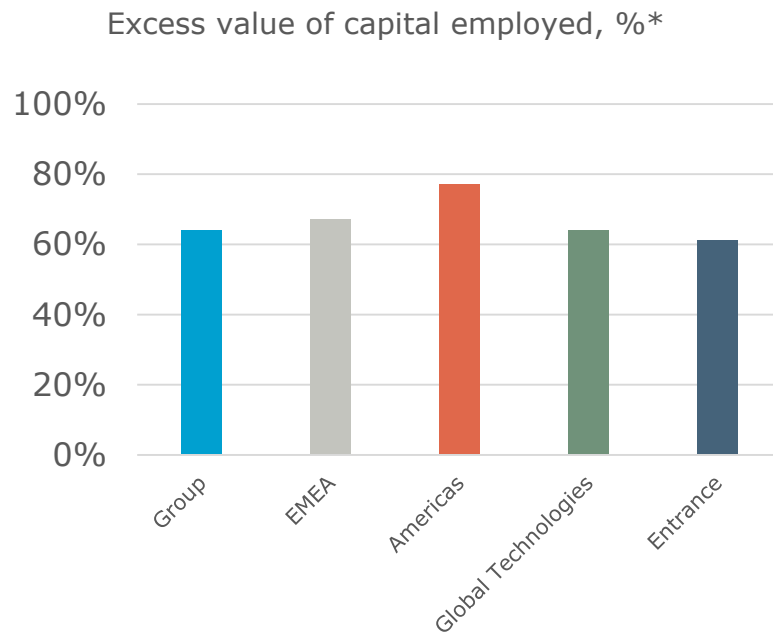
*) Excluding China write down of SEK 400 M

Balance Sheet



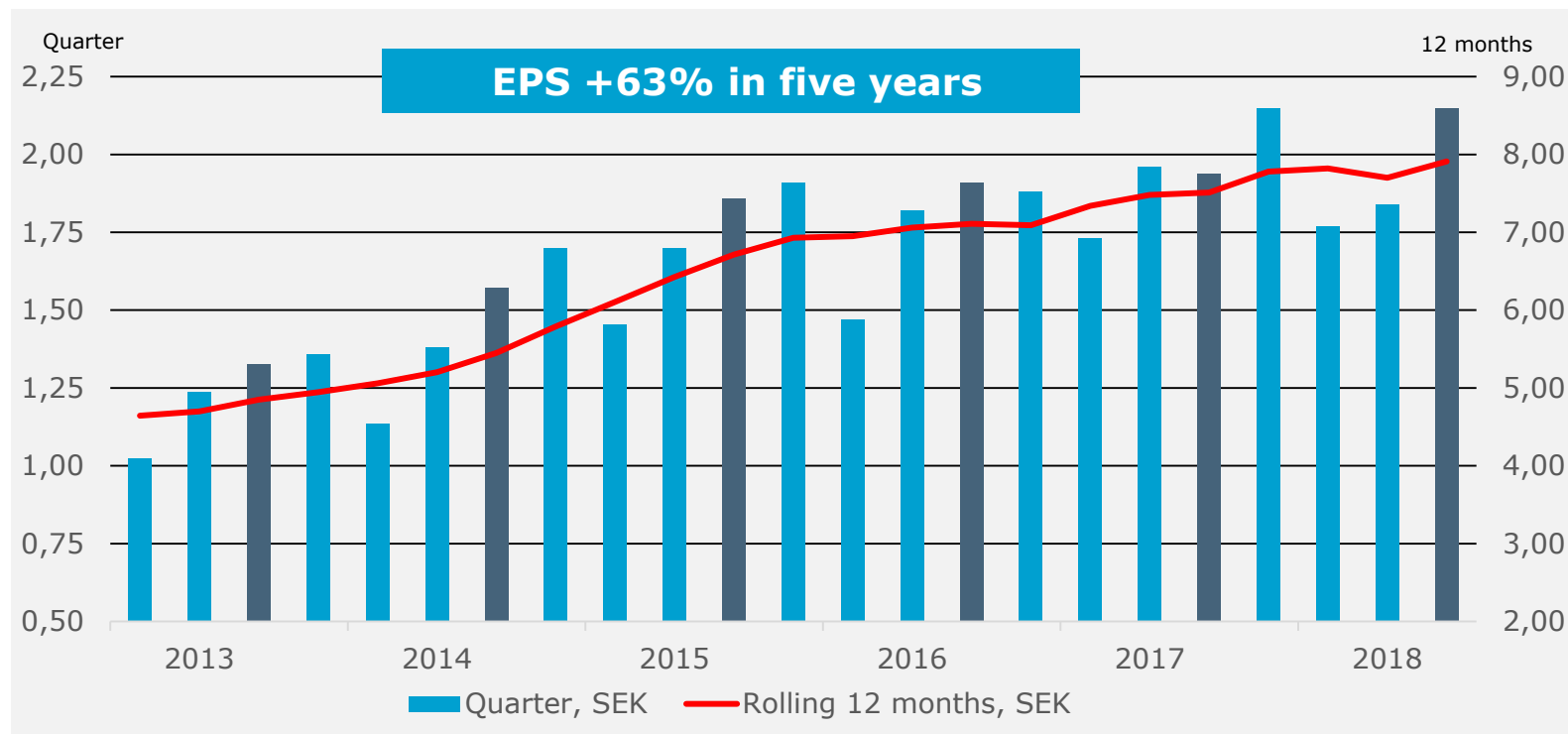
Group has significant excess value of capital employed limiting risk for impairments

- Annual impairment reviews
- >60% excess value of capital employed in four of the Group's divisions
- SEK 5,595M impairment of goodwill and other intangible assets in China in June
 - China intangible assets now represent 4% of Group's intangibles
 - APAC represents 9% of Group's total capital employed (September 2018)



* 31 December 2017

Earnings per share, SEK



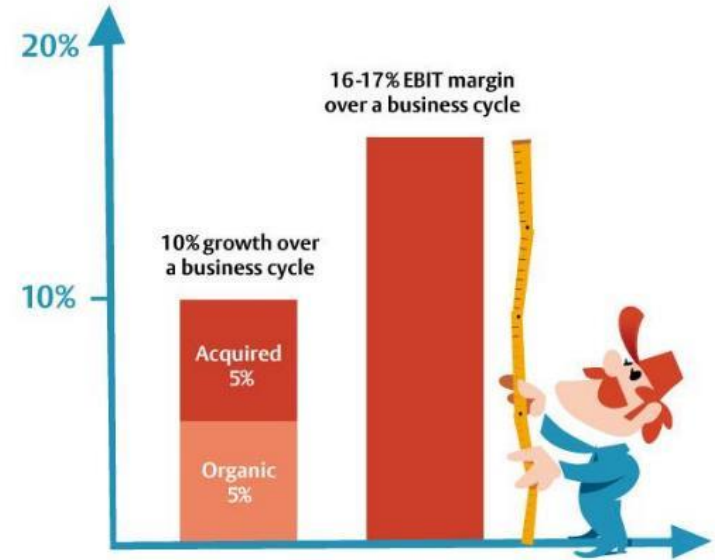
* Excluding restructuring items and impairment of intangible assets in China. Chart is restated for Stock split 3:1 2015.

Presentation outline

- 1. Vision and values**
- 2. Market dynamics and position**
- 3. Strategy and financial targets**
 - Organic and Acquisitions growth initiatives
 - Cost efficiency initiatives
- 4. Financial results**
- 5. Summary and Q&A**

Conclusion

- Key take aways
 - Evolution and no revolution
 - Increased focus on organic growth
 - Continued successful acquisitions
 - Strong cost focus
 - Innovation as an enabler
 - Corporate culture



A nighttime aerial view of a city with numerous illuminated high-rise buildings and construction cranes. A semi-transparent blue rectangular overlay covers the lower half of the image.

Q&A