*ASSA ABLOY is the global leader in door opening solutions, dedicated to satisfying end-user needs for security, safety and convenience*

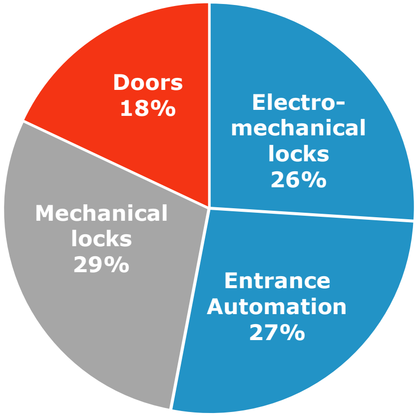
# Q3 Report 2016

# ASSA ABLOY overview Jan-Sep 2016

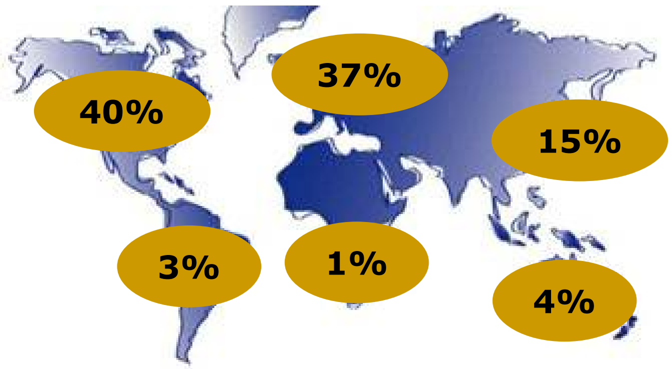
## Financials (SEK bn)

| | |
|---|---|
| **Net sales** | **51.8** |
| **EBIT** | **8.3** |
| **Op cash flow** | **5.8** |
| **Net debt** | **25.6** |
| **Market cap** | **185** |

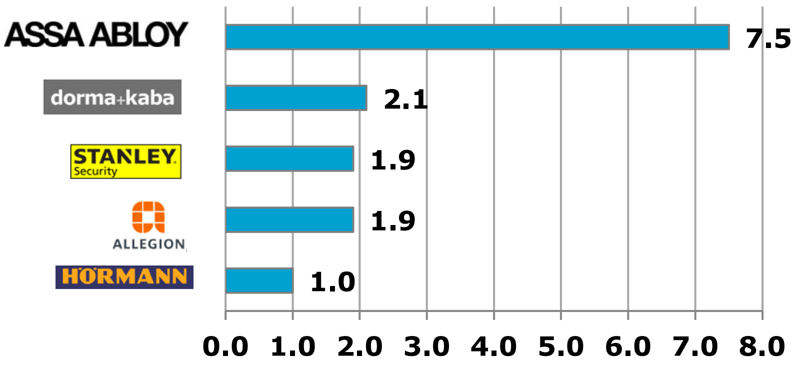
## Sales by product group Sep 2016




## Sales by region Sep 2016




## Leading market positions (EUR B)



# Financial highlights Q3, 2016

- **Stable development in the third quarter**
  - Strong growth in Americas and Global Tech
  - Good growth in Entrance Systems
  - Growth in EMEA
  - Negative growth in APAC due to China

- **Sales** **18,025 MSEK** **3%**
  +2% organic, +2% acquired growth, -1% currency
- **EBIT** **3,020 MSEK** **2%**
  Currency effect -2 MSEK
- **EPS** **1.91 SEK** **3%**
  Underlying tax rate 26%

# Financial highlights Jan-Sep 2016

- **Strong development despite a challenging market**
  - Strong growth in Americas and Global Tech
  - Good growth in EMEA and Entrance Systems
  - Negative growth in APAC due to China

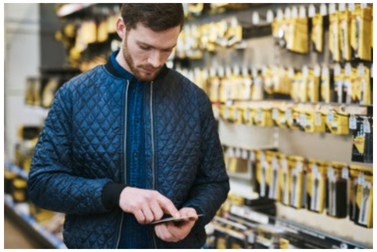
- **Sales** **51,809 MSEK** **4%**
  3% organic, 3% acquired growth, -2% currency
- **EBIT** **8,340 MSEK** **4%**
  Currency effect -160 MSEK
- **EPS** **5.21 SEK** **4%**
  Underlying tax rate 26%

# Market highlights

- **Data analytics – simple and actionable**
  - Launch of Cliq data analytics in the USA


- **Launch of energy efficient industrial solutions**
  - Freezer transportation with High Performance Doors
  - Industrial docking systems
  - Online savings ROI calculator

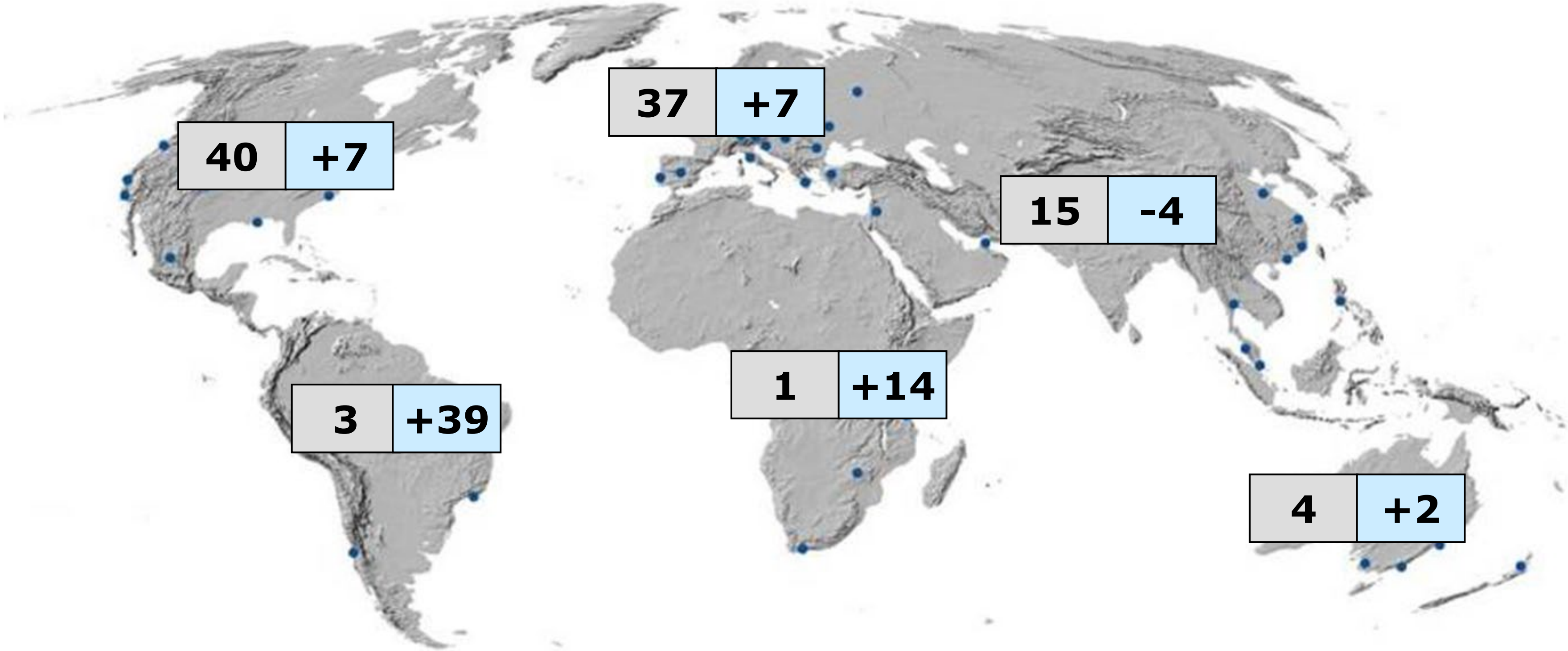
- **Strong pull from DIY channel with digital products**
  - Entry ticket to DIY chains. Ex. Mexico, UK, Germany



- **ASSA ABLOY locksmiths unified across Nordics**
  - Nordic locksmiths rebranded to Certego
  - Certego offers 24/7 service in all countries

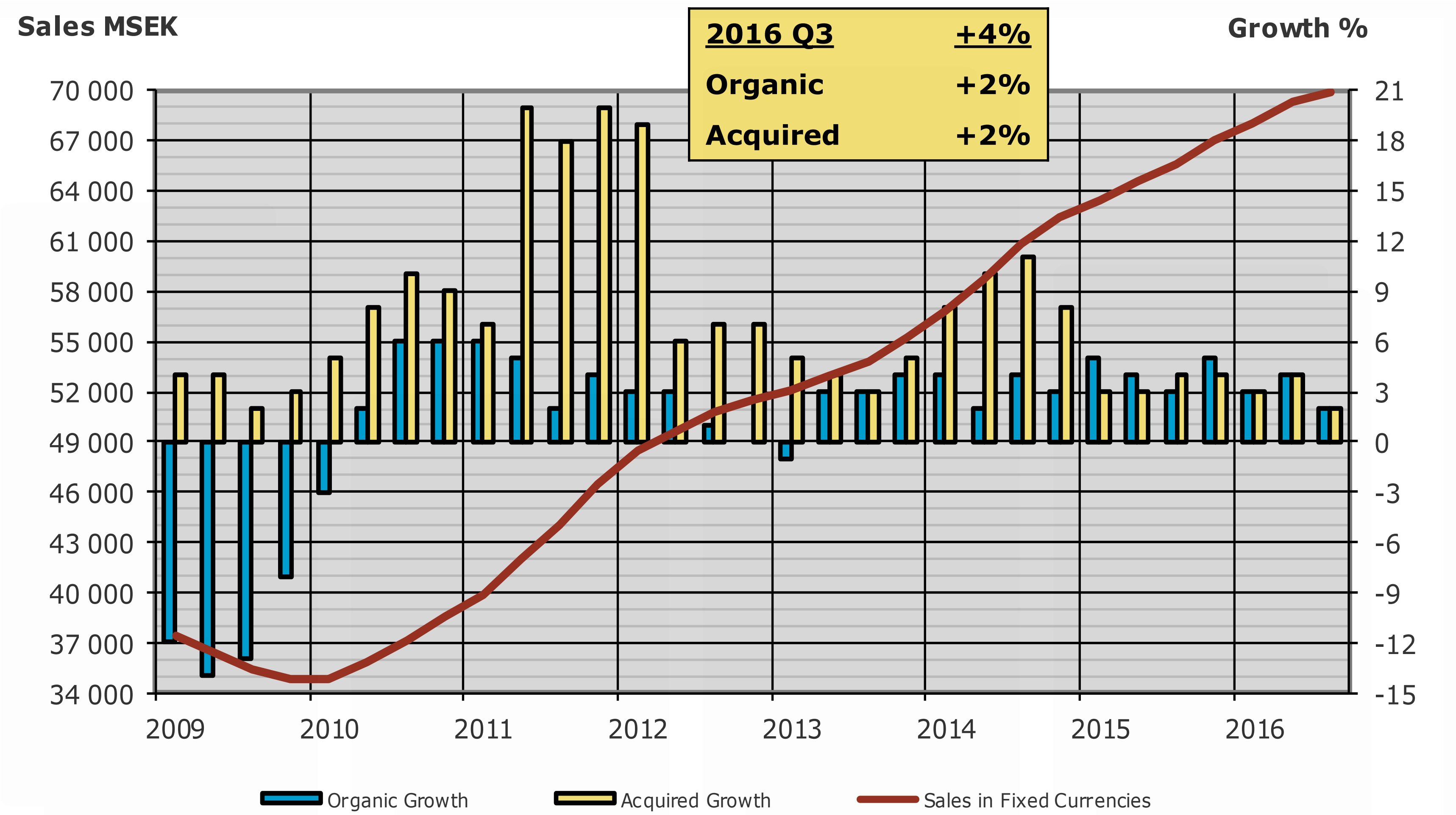
# Group sales in local currencies Jan-Sep 2016

**Emerging markets 24% (25) of sales**

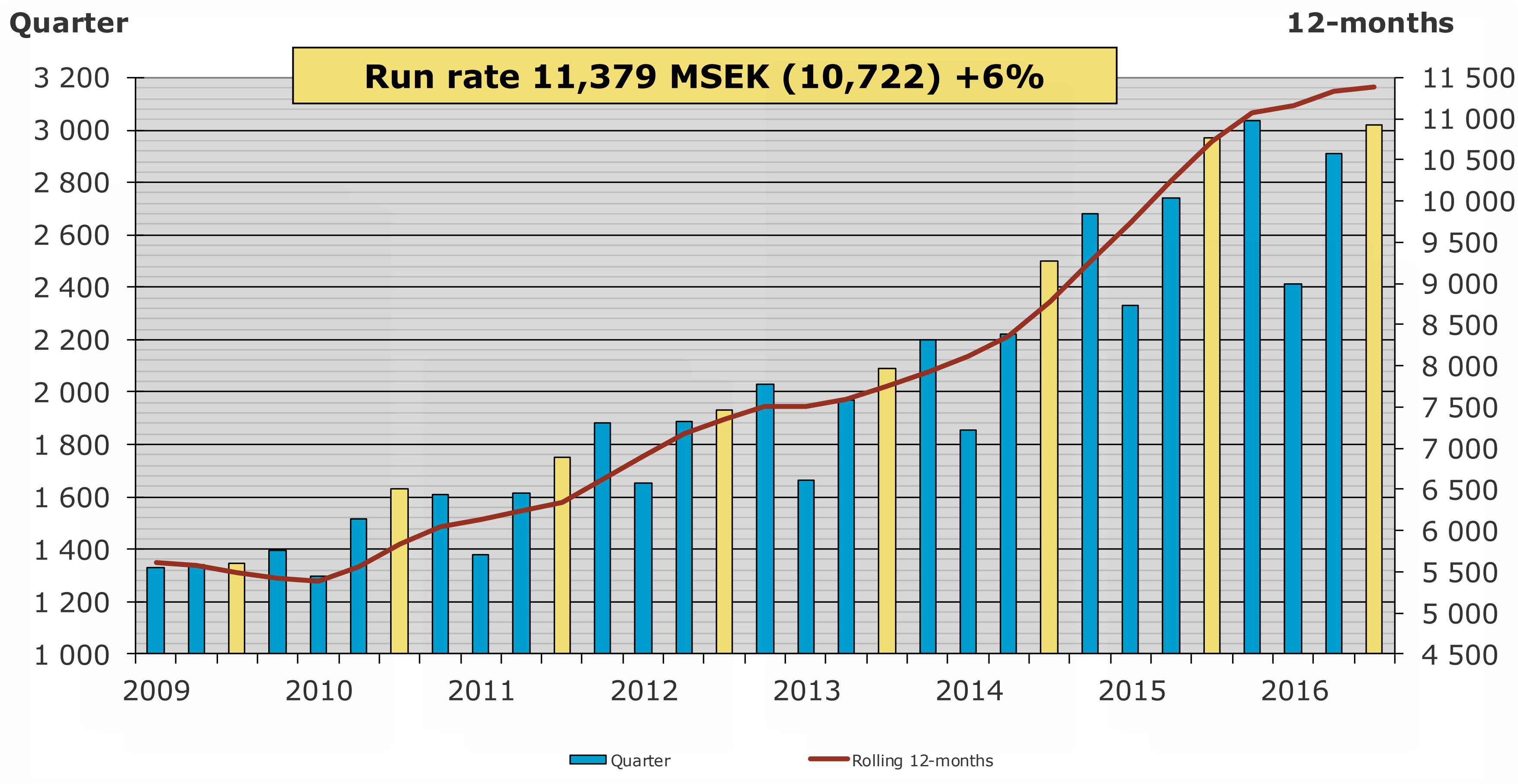



Share of Group sales 2016 YTD, %
Year-to-date vs previous year, %

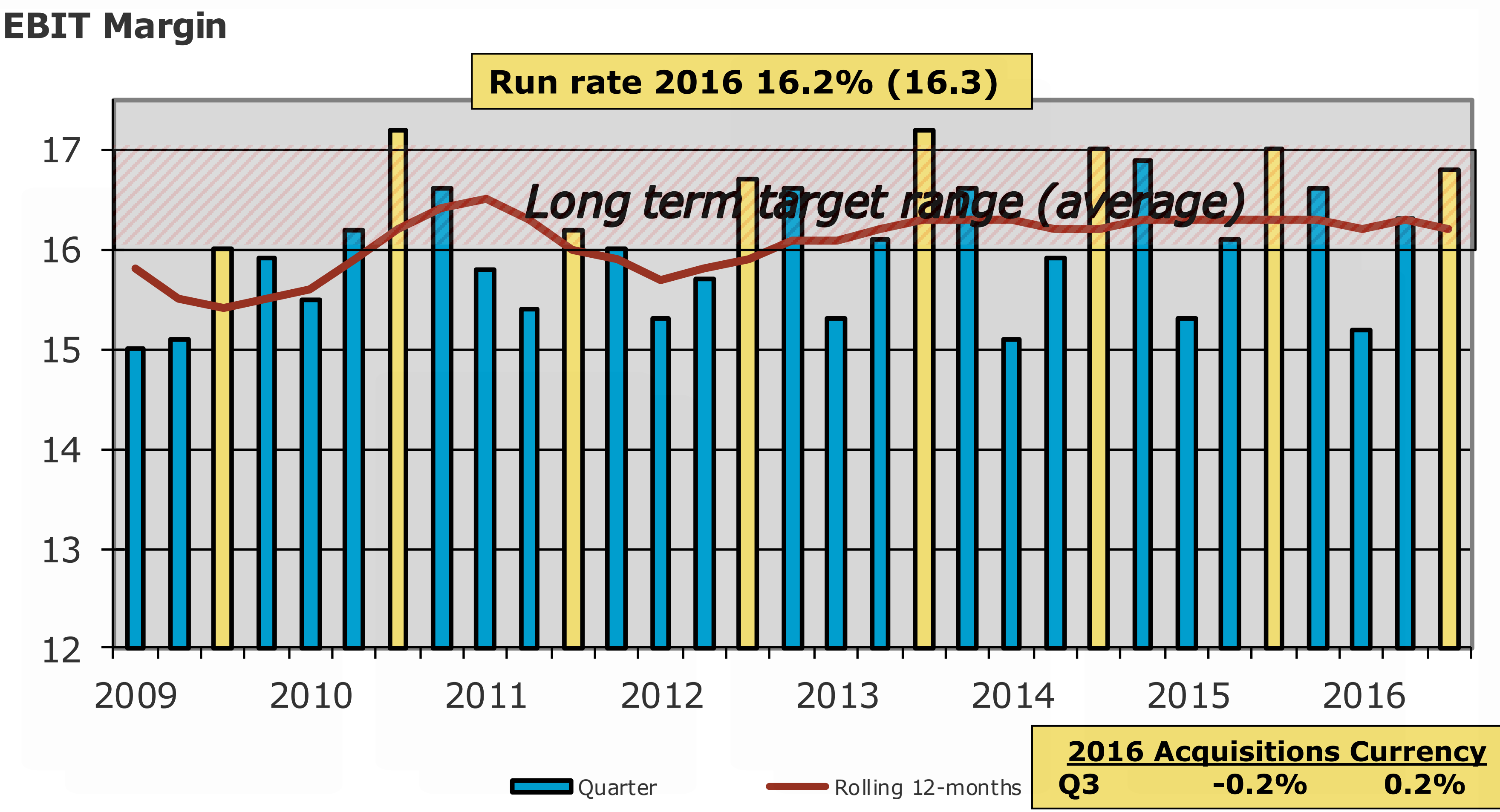
# Sales growth, currency adjusted



# Operating income (EBIT), MSEK



# Operating margin, %




| 2016 | Acquisitions | Currency |
|---|---|---|
| Q3 | -0.2% | 0.2% |

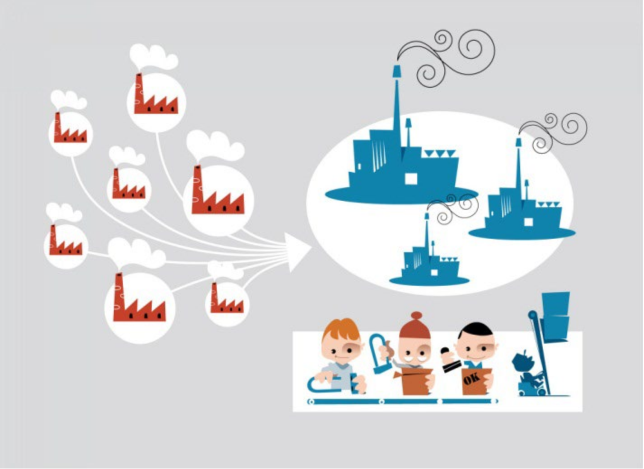
# Manufacturing footprint

- Status of manufacturing footprint programs 2006-2013:
  - 76 factories closed to date, 2 to go
  - 101 factories converted to assembly, 14 to go

- Total personnel reduction:
  - 11,916 FTE in total
  - 560 FTE in recent quarter
- 360 FTE to go for all programs

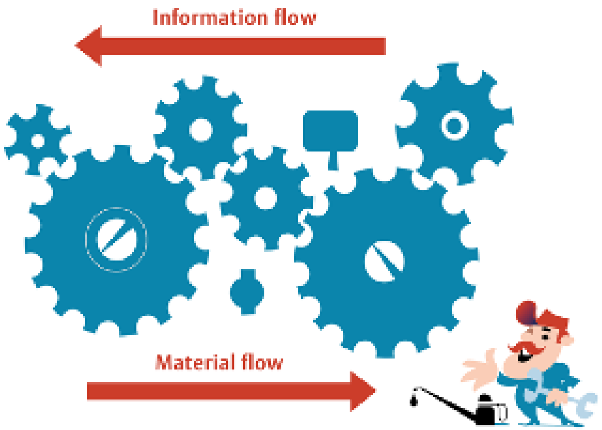
- New MFP-program in progress

→ 339 MSEK of the provision remains for all programs



# Margin highlights Q3 2016

**EBIT margin 16.8% (17.0) -0.2%**




+ Volume increase 1%, price 1%

Margin development

- APAC decline
+ Manufacturing footprint & pricing
+ Currency 0.2%
- Acquisitions -0.2%

# Acquisitions 2016

- Fully active pipeline
- 10 acquisitions done in 2016
- Divestment of Carlocks 550 MSEK
- Acquired annualized sales 1,900 MSEK
- Added sales 2.8%

TROJAN

Lighthouse GARAGE DOORS

demoteller

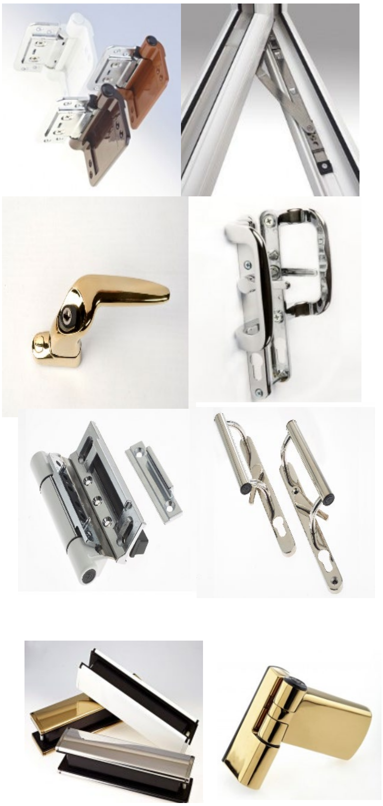
NASSAU

MAUER® LOCKING SYSTEMS

ada ez® WIRE FREE DOOR OPENER

# Trojan, UK

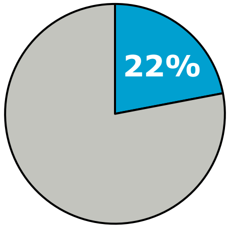
- Turnover of 220 MSEK with 66 employees
- UK residential door and window hardware manufacturer
- Complements the product portfolio in a very good way
- Accretive to EPS



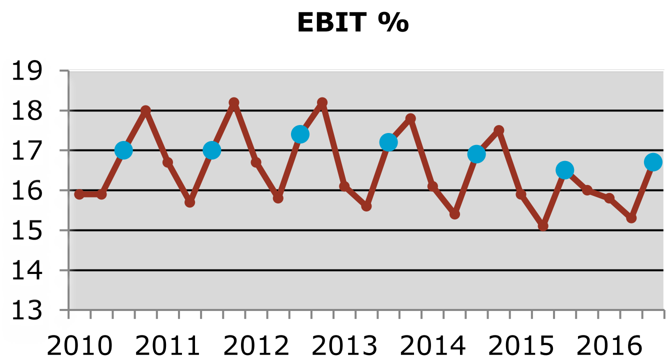
# Division – EMEA

- Strong growth in Scandinavia, UK and Israel
- Good growth in Germany, Benelux, Iberia and Italy
- Flat to negative in Finland, Africa, France and EE
- Negative calendar effect

**Sales**
share of
Group total %

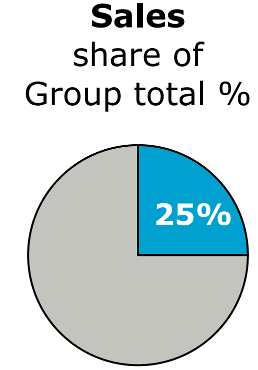



- Operating margin (EBIT)
  - \+ Organic +2%
  - \+ Direct material
  - \- Front-end investments
  - \+ Acquisitions +0.2%



# Division - Americas

- Strong growth in Door group, Elmech, Mexico and South America (ex Brazil)
- Good growth in Residential, Canada and High security
- Growth in AHW and negative in Brazil
- Quotation levels continue to develop positive

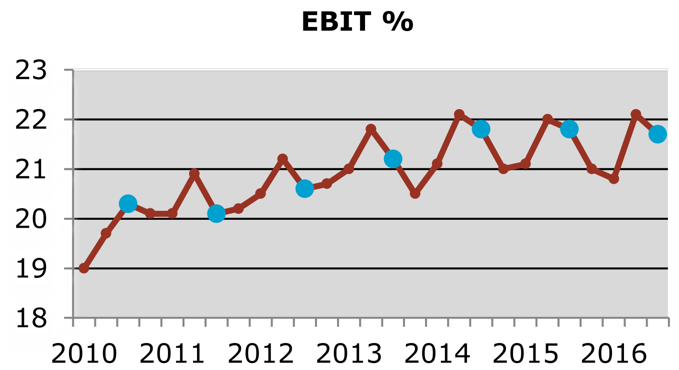



- Operating margin (EBIT)

  + Organic +5%

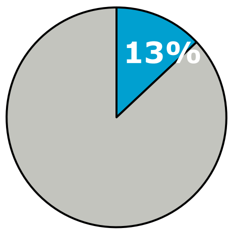
  + Strong leverage

  - Acquisitions -0.6%

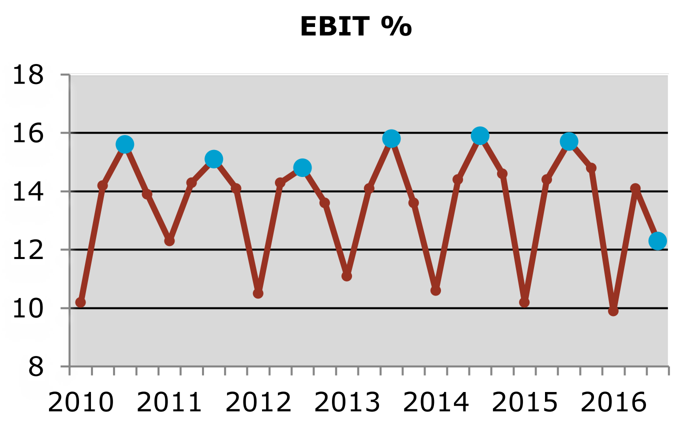


# Division - Asia Pacific

- Good growth in Pacific
- Growth in Korea and flat in South Asia
- Continued decline in China yoy -12%
  – Strong personnel reduction China
  – China correction related to 2015 neutralized by release of earn outs




- Operating margin (EBIT)
  - Organic -7%*
  + Savings and personnel reduction
  - Redundancy cost

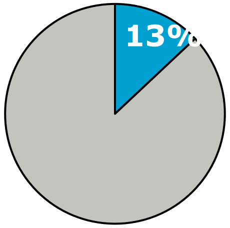



*) Comparable period restated due to adjusted China reporting.

# Division - Global Technologies

- HID
  - Strong growth in Secure issuance, IAM, Gov ID, IDT (inlays) and project sales
  - Good growth in PACS
- Hospitality
  - Flat sales with good orders
  - Good profit

**Sales**
share of
Group total %



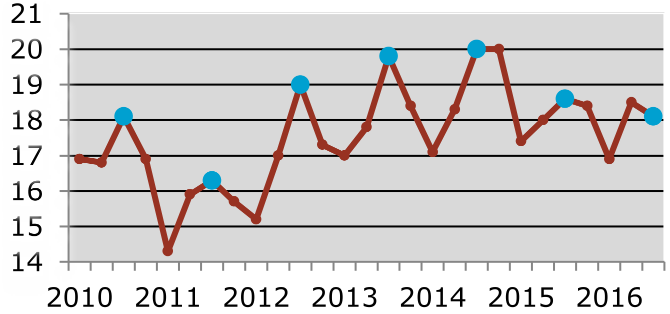

- Operating margin (EBIT)

  \+ Organic +7%

  \- Mix and R&D investment

  \- Acquisitions -0.5%

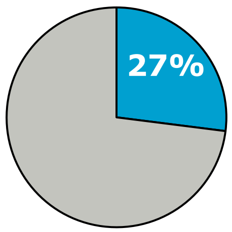
EBIT %



# Division - Entrance Systems

- Strong growth in Door automatics, High speed doors, Flexiforce and Amarr
- Good growth in Industrial and 4Front
- Negative in EU Residential
- Continued good leverage

**Sales** share of Group total %



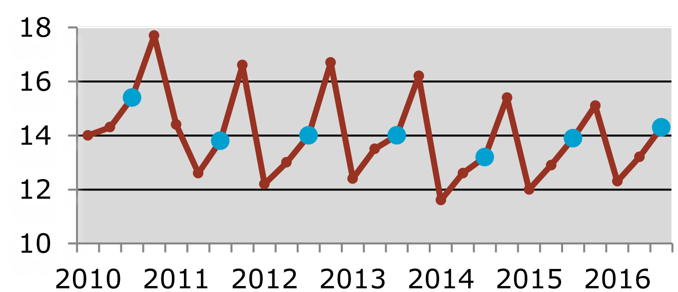

- Operating margin (EBIT)

  + Organic +4%

  + Direct material and consolidation effects

  - Acquisitions -0.2%

**EBIT %**



# Financial highlights Q3 2016

| | 3rd Quarter | | | Nine months | | |
|---|---|---|---|---|---|---|
| **MSEK** | **2015** | **2016** | **Change** | **2015** | **2016** | **Change** |
| **Sales** | **17,465** | **18,025** | **+3%** | **49,799** | **51,809** | **+4%** |
| *Whereof* | | | | | | |
| Organic growth | 471 | 307 | +2% | 1,807 | 1,308 | +3% |
| Acquired growth | 606 | 429 | +2% | 1,435 | 1,512 | +3% |
| FX-differences | 1,661 | -176 | -1% | 5,561 | -810 | -2% |
| **Operating income (EBIT)** | **2,970** | **3,020** | **+2%** | **8,041** | **8,340** | **+4%** |
| EBIT-margin (%) | 17.0 | 16.8 | | 16.1 | 16.1 | |
| **Operating cash flow** | **2,816** | **2,830** | **+1%** | **5,327** | **5,846** | **+10%** |
| **EPS (SEK)** | **1.86** | **1.91** | **+3%** | **5.02** | **5.21** | **+4%** |

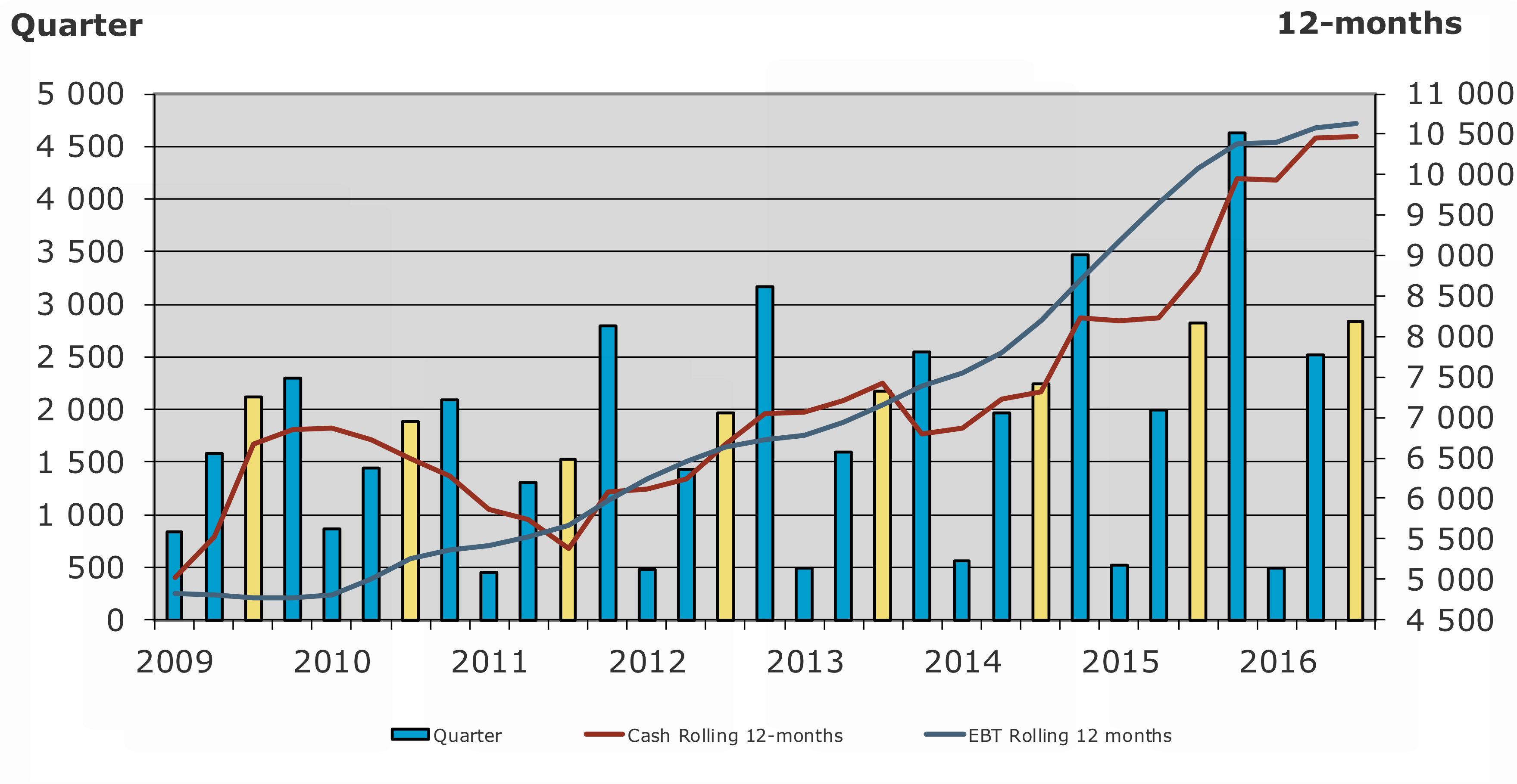
# Bridge Analysis – Jul-Sep 2016

| MSEK | 2015 Jul-Sep | Organic | Currency | Acq/Div | 2016 Jul-Sep |
|---|---|---|---|---|---|
| | | 2% | -1% | 2% | 3% |
| Sales | 17,465 | 307 | -176 | 429 | 18,025 |
| EBIT | 2,970 | 18 | -2 | 34 | 3,020 |
| % | 17.0% | 5.7% | 1.2% | 7.9% | 16.8% |
| Dilution / Accretion | | -0.2% | 0.2% | -0.2% | |

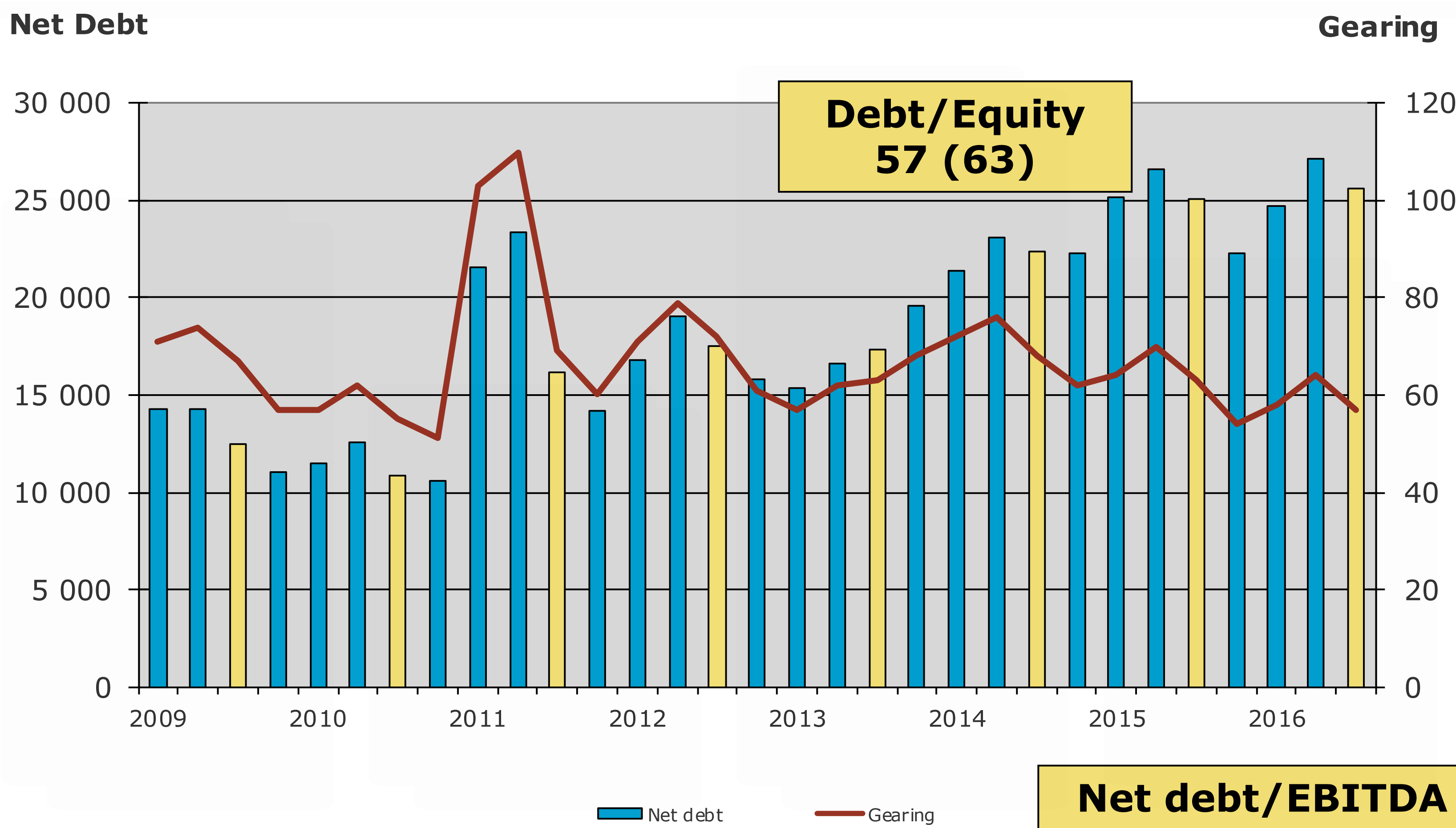
# P&L Components as % of sales
# Jan – Sep 2016

| | 2015 YTD | 2016 YTD excl acquisitions | 2016 YTD |
|---|---|---|---|
| Direct material | 36.6% | 35.9% | 35.6% |
| Conversion costs | 24.5% | 24.6% | 24.9% |
| Gross Margin | 38.9% | 39.5% | 39.5% |
| S, G & A | 22.8% | 23.1% | 23.4% |
| EBIT | 16.1% | 16.4% | 16.1% |

# Operating cash flow, MSEK



# Gearing % and net debt, MSEK

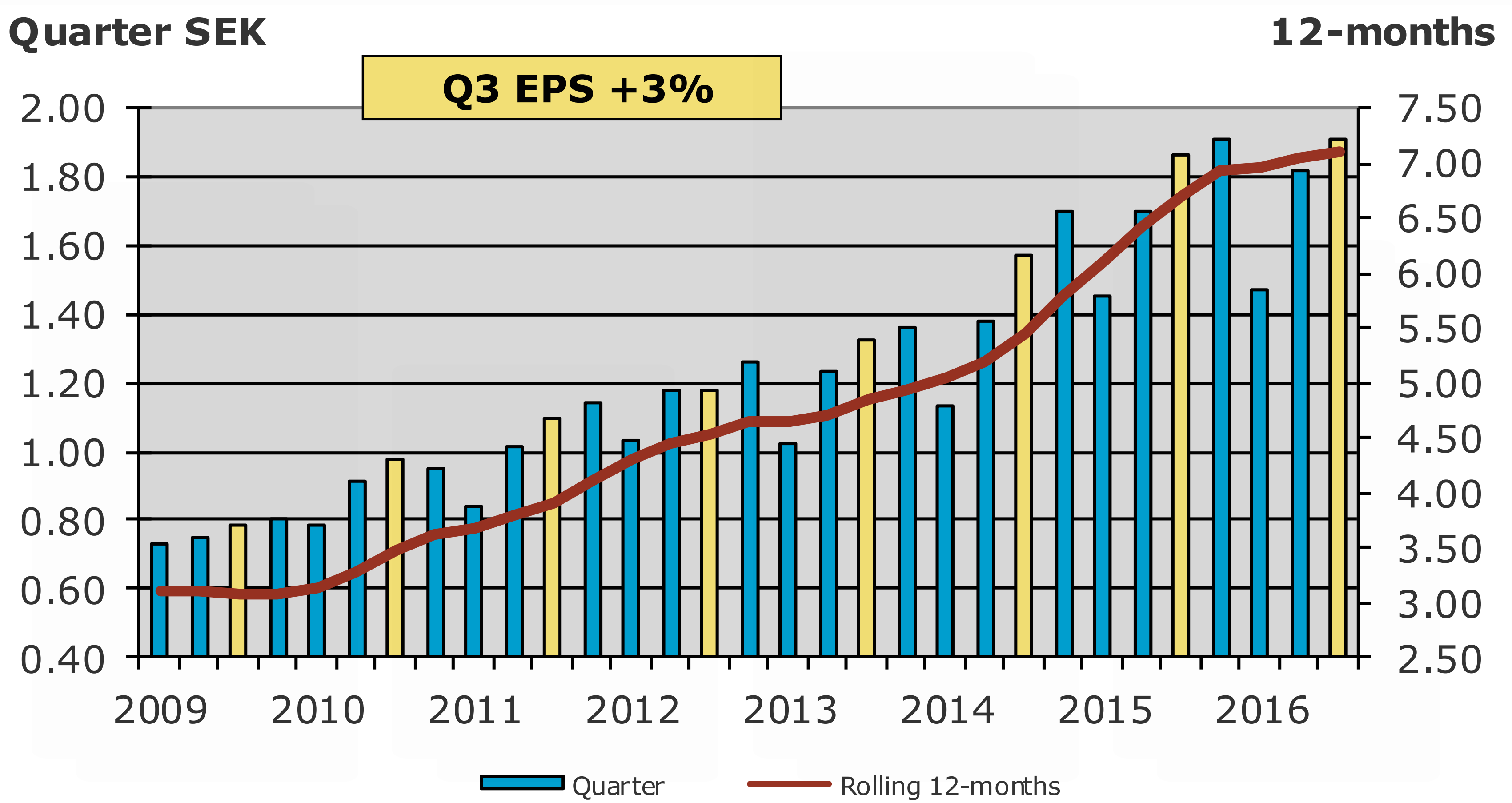



**Debt/Equity**
**57 (63)**

**Net debt/EBITDA**
**2.0 (2.1)**

*) 2009-2011 Not restated for changed pension accounting principles.

# Earnings per share, SEK




Restated for Stock split 3:1 2015.

# Conclusions Q3 2016

- Good growth by 3% with 2% organic and 2% acquired
- Strong growth in Americas and Global Tech
- Digital door locks progressing nicely in DIY
- Decline in China continued
- Stable EBIT development and good cash flow

ASSA ABLOY