

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

Q3 Report 2017

Q3 2017 in brief

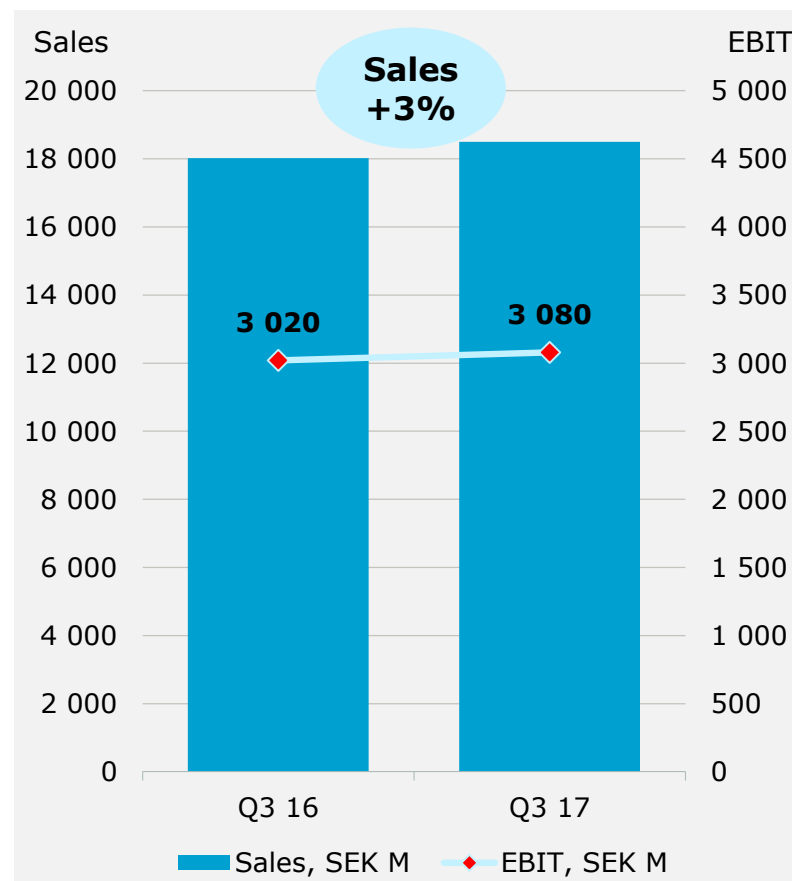
■ Organic growth in all divisions

- Strong growth in Global Tech
- Good growth in EMEA and Americas
- Growth in Entrance Systems and APAC, despite weak China
- Continued good development for smart door locks and electro-mechanical solutions



Q3 2017 figures in summary

- **Sales SEK 18,499 M +3%**
 - 3% organic
 - 2% acquired
 - -2% currency
- **EBIT SEK 3,080 M +2%**
 - Currency effect SEK -70 M
- **Margin 16.7% (16.8)**
- **EPS SEK 1.94 +1%**



Jan. – Sept. 2017 figures in summary

- **Sales SEK 56,028 M +8%**

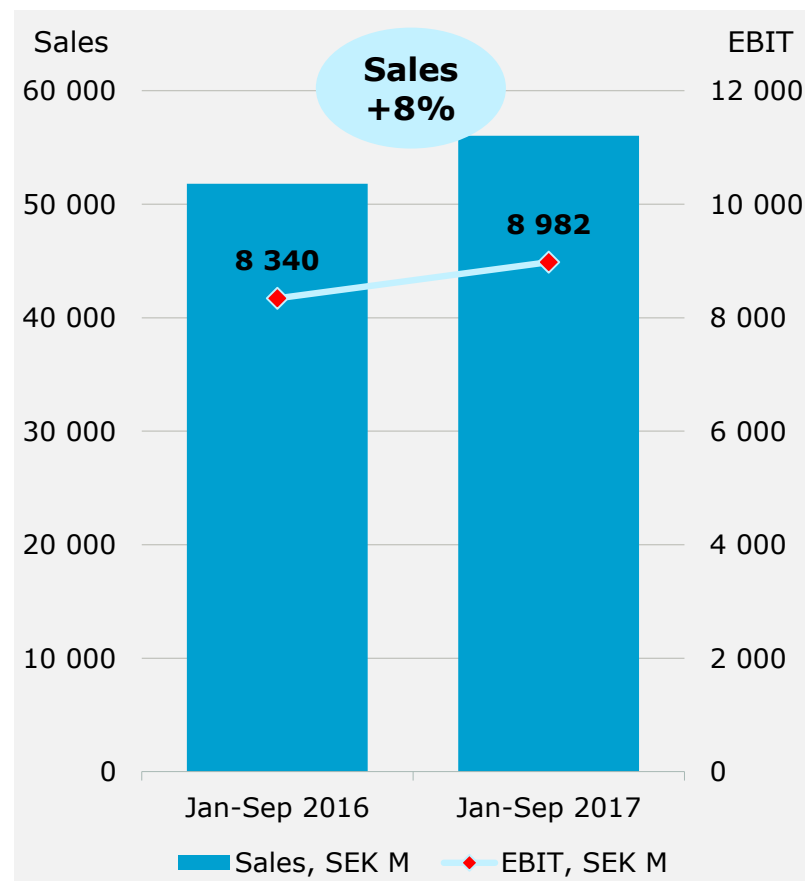
- 4% organic
- 2% acquired
- 2% currency

- **EBIT SEK 8,982 M +8%**

- Currency effect SEK 167 M

- **Margin 16.0% (16.1)**

- **EPS SEK 5.63 +8%**



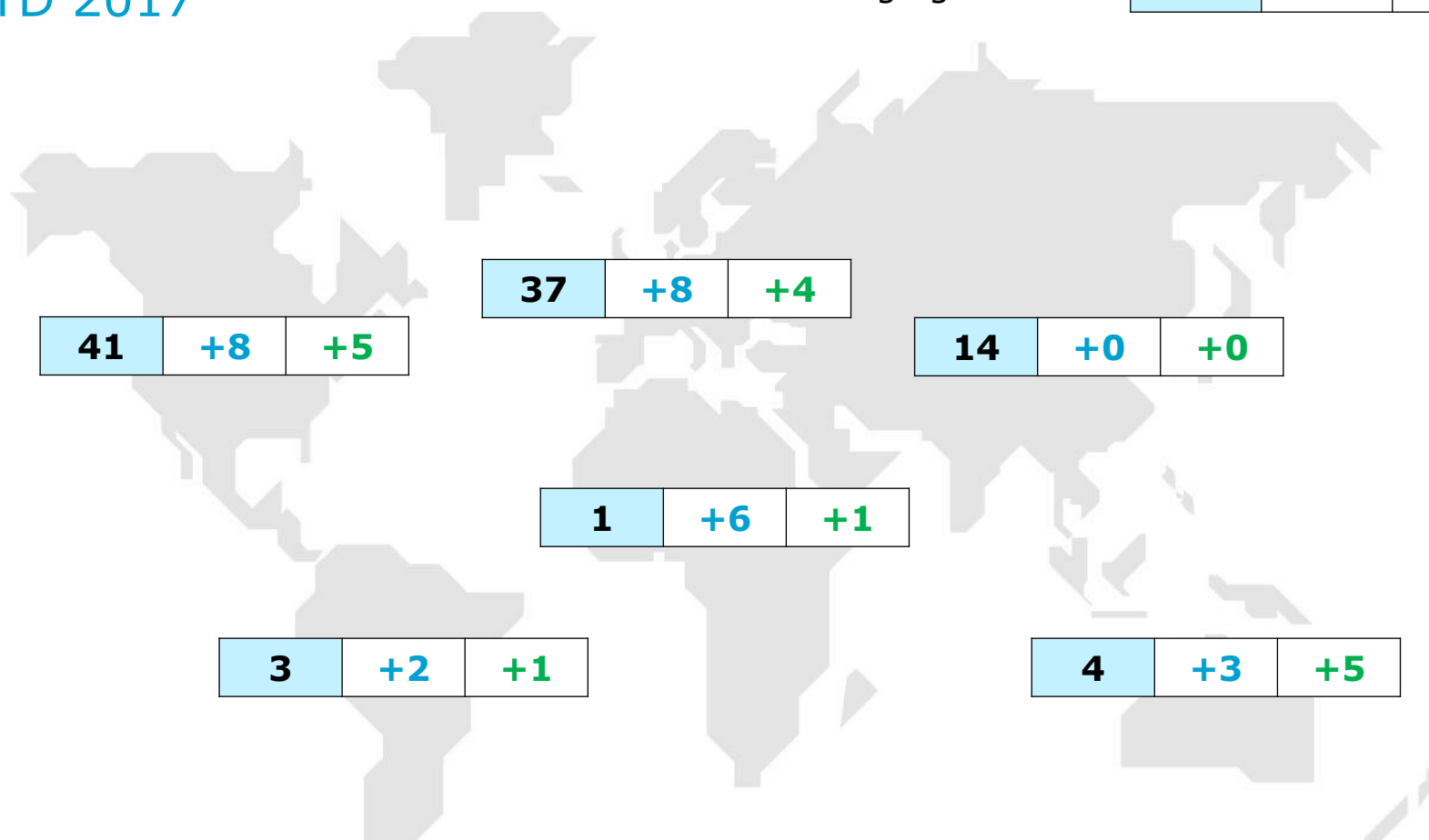
Sales in local currency

YTD 2017

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Emerging markets

100	+6	+4
23	+4	+2

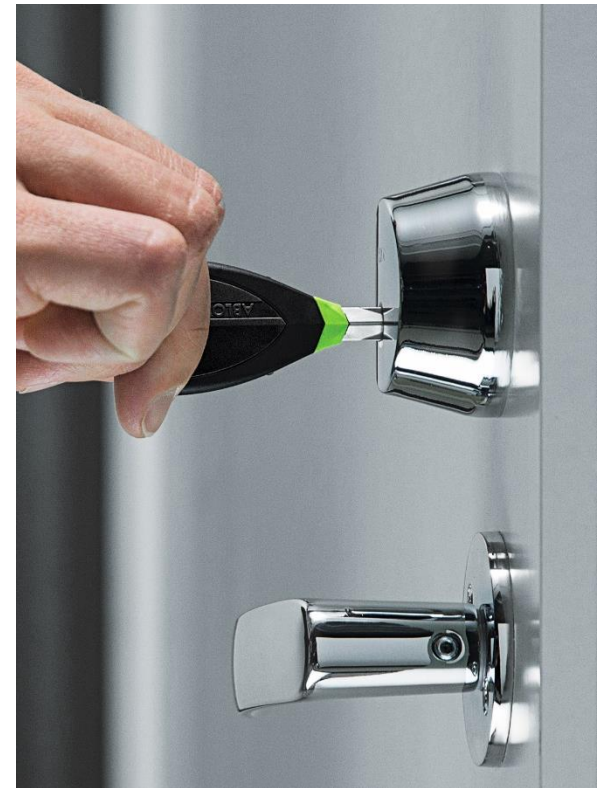


Share of sales, %	Change in local currencies YTD 2017 vs. YTD 2016, %	Organic change YTD 2017 vs. YTD 2016, %
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Emerging markets comprise Africa, Asia (excl. Japan), the Middle East, Latin America and Eastern Europe.

Market highlights

- **Launch of energy harvesting cylinder**
 - Self powered – battery and cable free
 - Connected with Accentra cloud based access control
 - Launched in September
- **Accentra cloud based access control**
 - Remote access control management
 - Highest level of encryption
 - Integrates a whole facility
 - Group platform using all technologies integrated



Market highlights

- **Specifications drives projects for Entrance systems**
 - Drives higher hit rate and margin
 - Supported by BIM and EPD
- **Mobile tickets at major soccer event**
 - Pilot for HID Trusted Mobile Ticketing
 - Prevents black market ticket sales and more
 - Powered by Seos technology
- **ePassport win**
 - Full end-to-end Solution
 - Virtual (goID) emergency passport
 - HID and Arjo solution

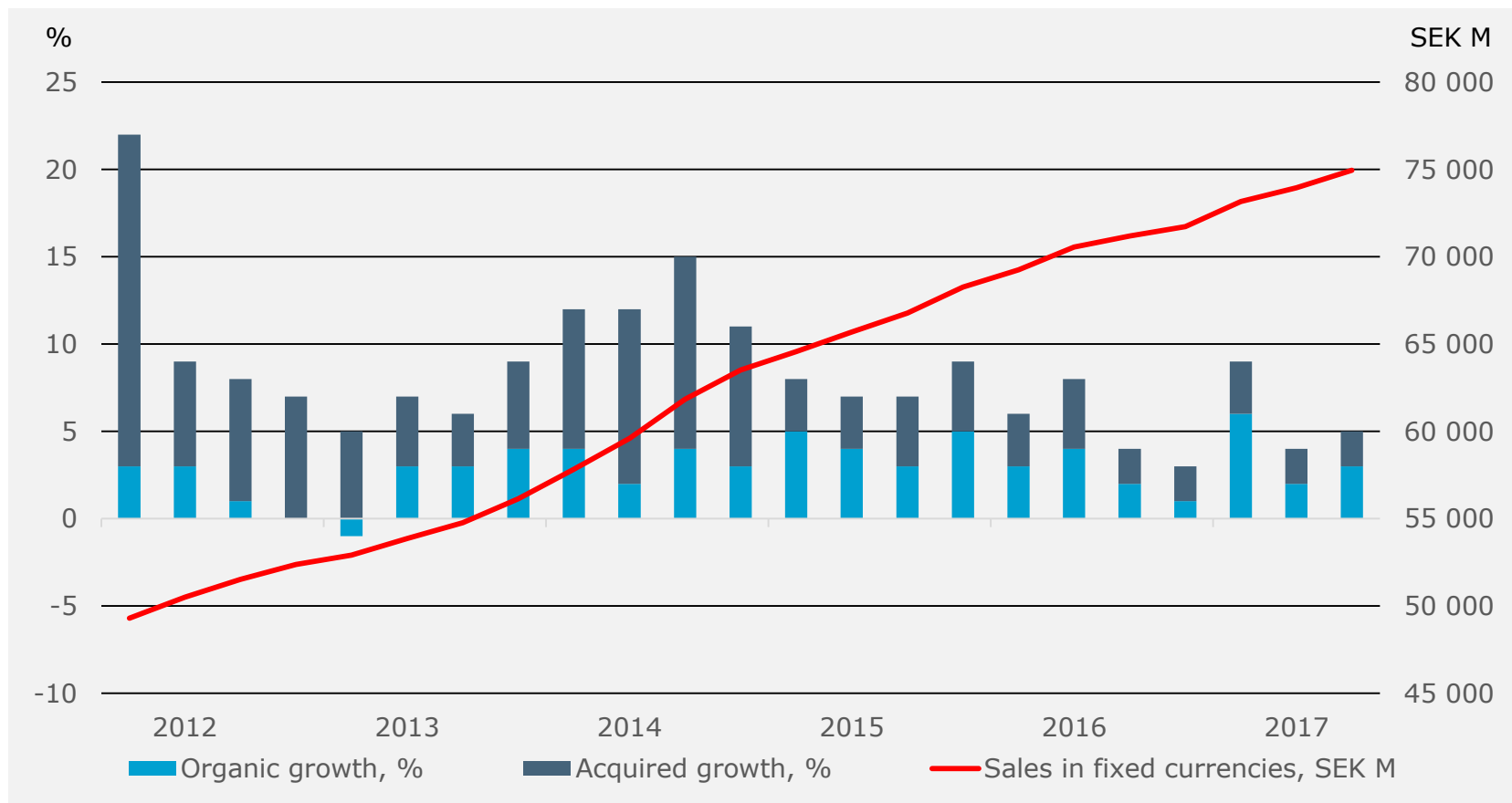
ASSA ABLOY | OPENINGS STUDIO

Openings **DESIGNER**



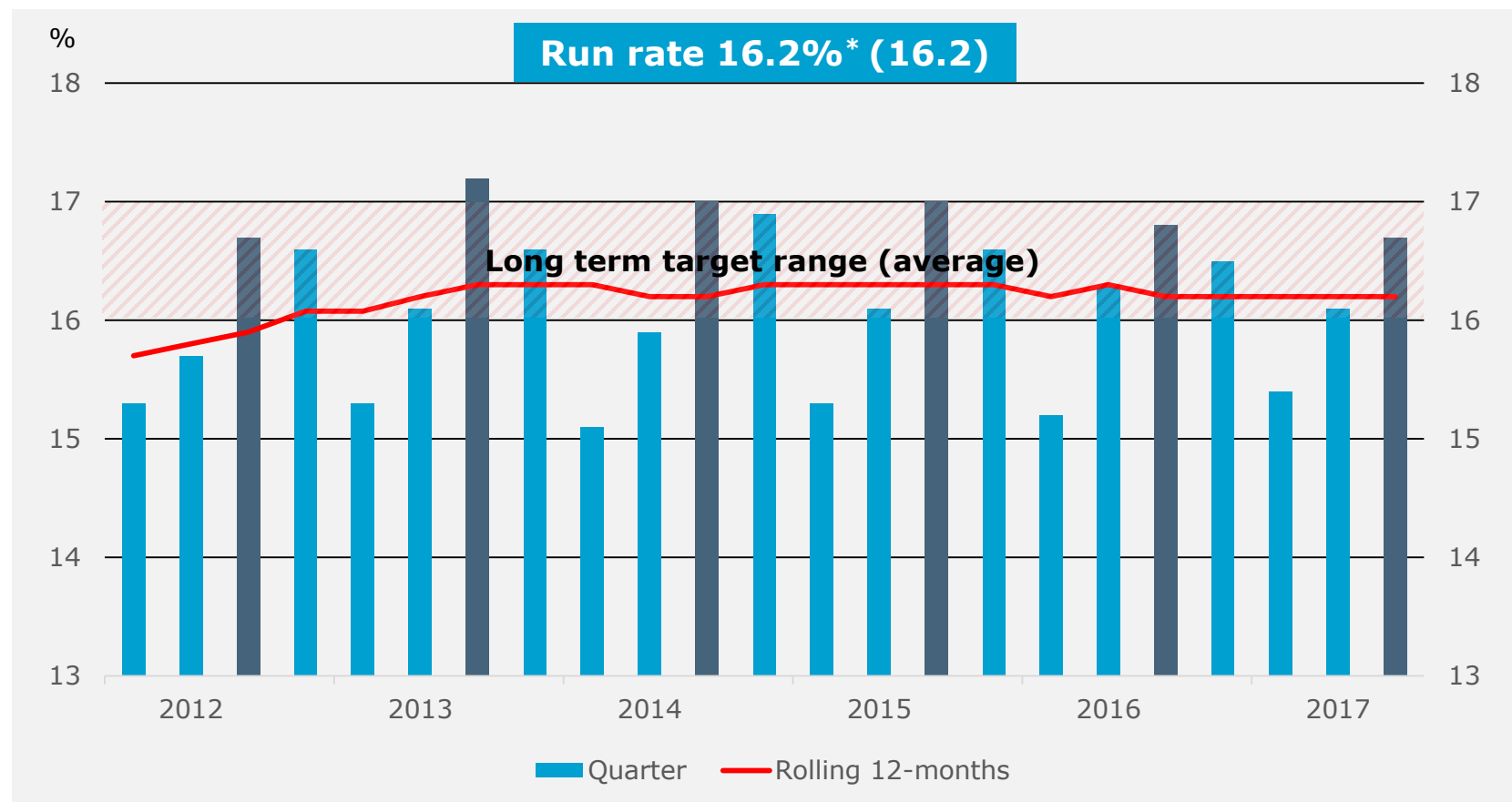
Sales growth, currency adjusted

2017	QTD
Organic	+3%
Acquired	+2%
	+5%



Operating margin, %

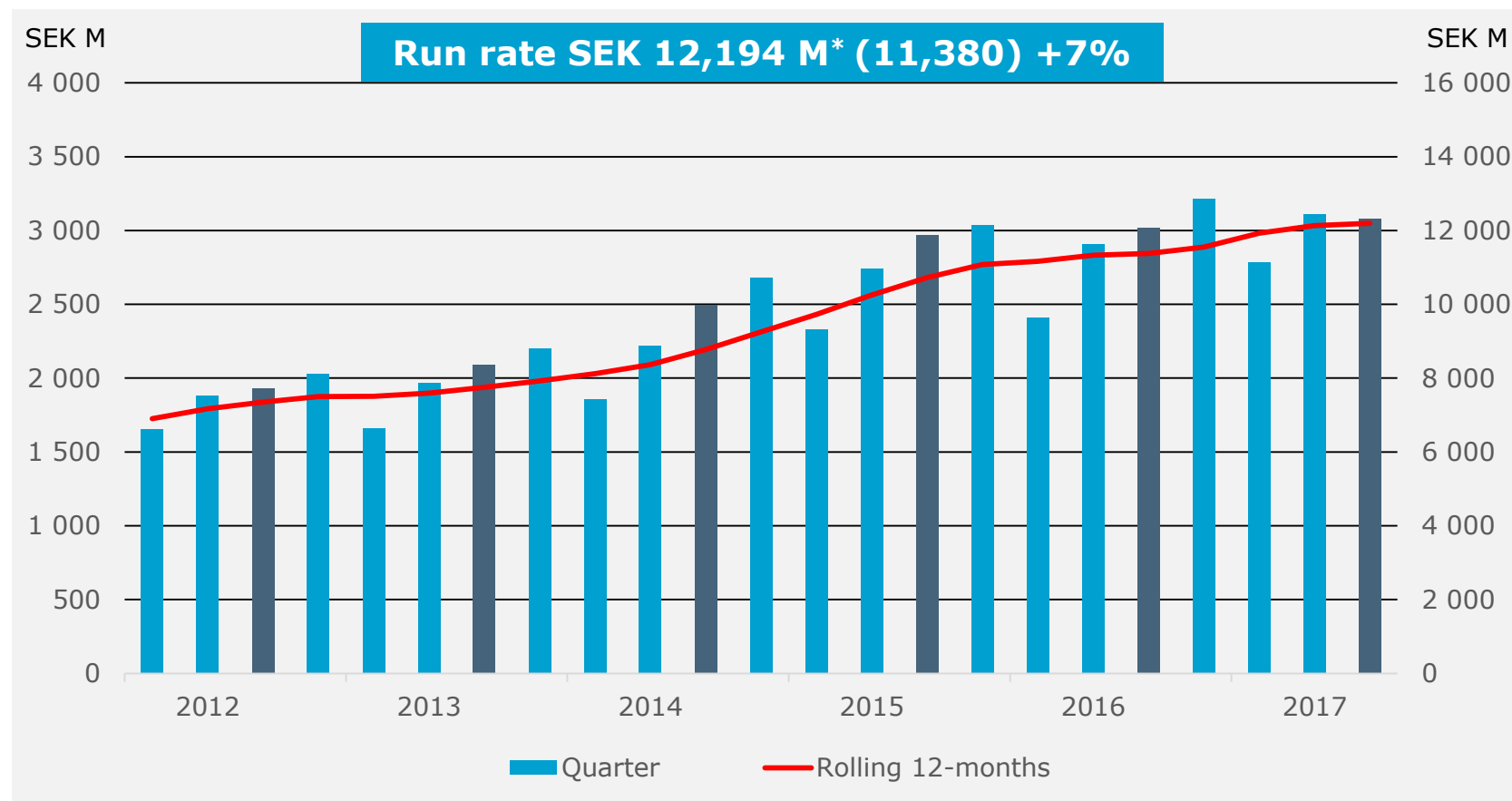
	Dilution from		
2017 Q3	acquisitions	currency	APAC
	-0.2%	0%	-0.2%



*) Excluding China write down SEK 300 M in Q4 and full year 2016 and restructuring items.

Operating profit, SEK M

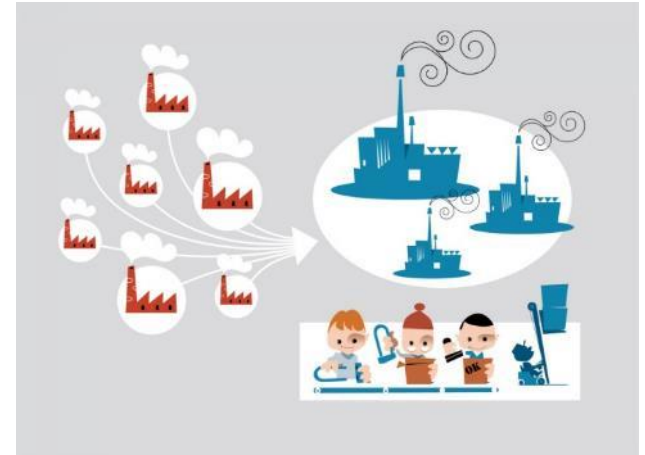
+66%
in
5 years



*) Excluding China write down SEK 300 M in Q4 and full year 2016 and restructuring items.

Manufacturing footprint

- **Status of programs launched 2006-2016**
 - 77 factories closed to date, 11 to go
 - 116 factories converted to assembly, 33 to go
- **Total personnel reduction**
 - 12,841 FTE in total since 2006
 - 364 FTE in recent quarter
 - 1,626 FTE to go for all programs
- **SEK 1,212 M provisions remain for all programs**



Acquisitions



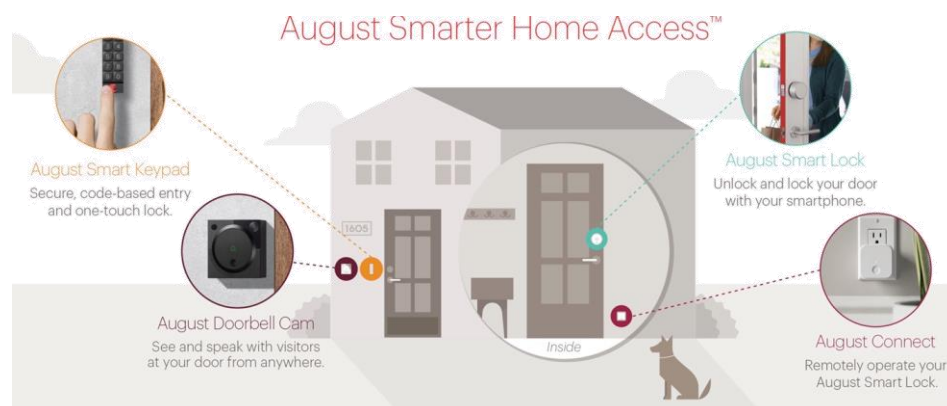
- Fully active pipeline
- 17 acquisitions done in 2017
- Acquired annualized sales 2,800 MSEK – added sales 4%
- Divestment of AdvanIDe 1,250 MSEK



August Home, USA



- Turnover of SEK 500 M (2018) with 90 employees
- Leading smart lock business in the US
- Reinforces our position in the smart door lock market
- Dilutive to EPS



Mercury Security, USA



- Turnover of SEK 500 M with 45 employees
- Leading OEM supplier of controllers for access control systems
- Reinforces global leadership in access control systems
- Accretive to EPS

Controllers



Software



SMI, India

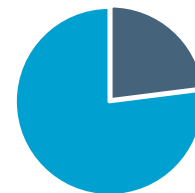


- Turnover of SEK 140 M with 960 employees
- A leading OEM manufacturer of architectural hardware in India
- Offers potential to develop market specific competitive products
- Accretive to EPS



Division – EMEA

23%
of Group
sales

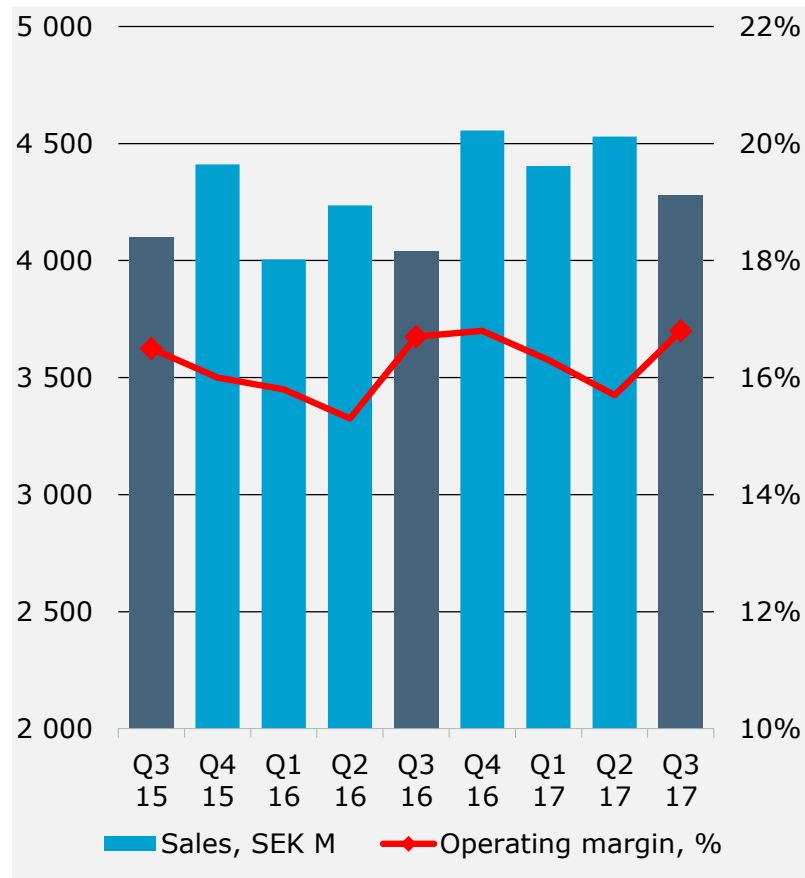


■ Organic growth of 4%

- Strong growth in Finland, UK and in Eastern Europe
- Good growth in Scandinavia, Germany, Benelux, France, South Europe, and Africa
- Negative in the Middle East
- Strong growth for digital door locks

■ Operating margin 16.8% (16.7)

- Organic growth leverage +0.2%
 - + Footprint savings and efficiency
 - Investments in sales
- Acquisitions -0.2% and currency +0.1%



Excluding restructuring items.

EMEA Financial Review

SEK M	Q3 2016	Organic	Currency	Acq/Div	Q3 2017
Growth		4%	-1%	3%	6%
Sales	4,042	156	-42	122	4,278
Operating income (EBIT)	673	32	0	11	717
Operating margin, %	16.7%	20.8%	0.1%	9.3%	16.8%
Dilution/accretion		0.2%	0.1%	-0.2%	

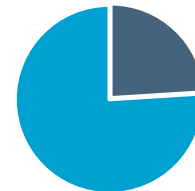
12 months figures*

Sales	16,691				17,769
EBIT	2,662				2,914
Operating cash flow before paid interest	2,577				2,895
Cash flow/EBIT	97%				99%

* Excluding restructuring items.

Americas

24%
of Group
sales

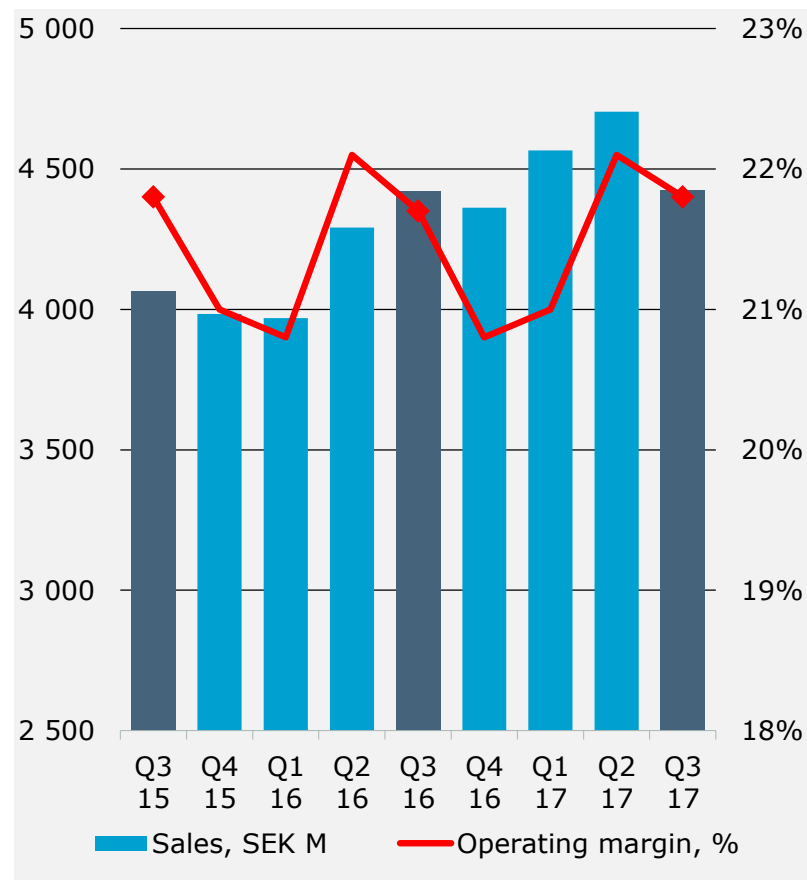


■ Organic growth of 3%

- Strong growth in Perimeter protection, Canada, and South America (ex Brazil)
- Good growth in Architectural Hardware, High Security and Security Doors
- Stable in Mexico
- Negative growth in Brazil and in US Residential

■ Operating margin 21.8% (21.7)

- Organic growth leverage +0.1%
+ Leverage
- Material cost
- Acquisitions 0% and currency 0%



Excluding restructuring items.

Americas Financial Review

SEK M	Q3 2016	Organic	Currency	Acq/Div	Q3 2017
Growth		3%	-4%	1%	0%
Sales	4,422	124	-171	52	4,426
Operating profit	959	30	-33	10	966
Operating margin, %	21.7%	24.2%	19.1%	19.4%	21.8%
Dilution/accretion		0.1%	0.0%	0.0%	

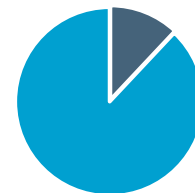
12 months figures*

Sales	16,666				18,059
EBIT	3,570				3,877
Operating cash flow before paid interest	3,577				3,437
Cash flow/EBIT	100%				89%

* Excluding restructuring items.

Asia Pacific

12%
of Group
sales

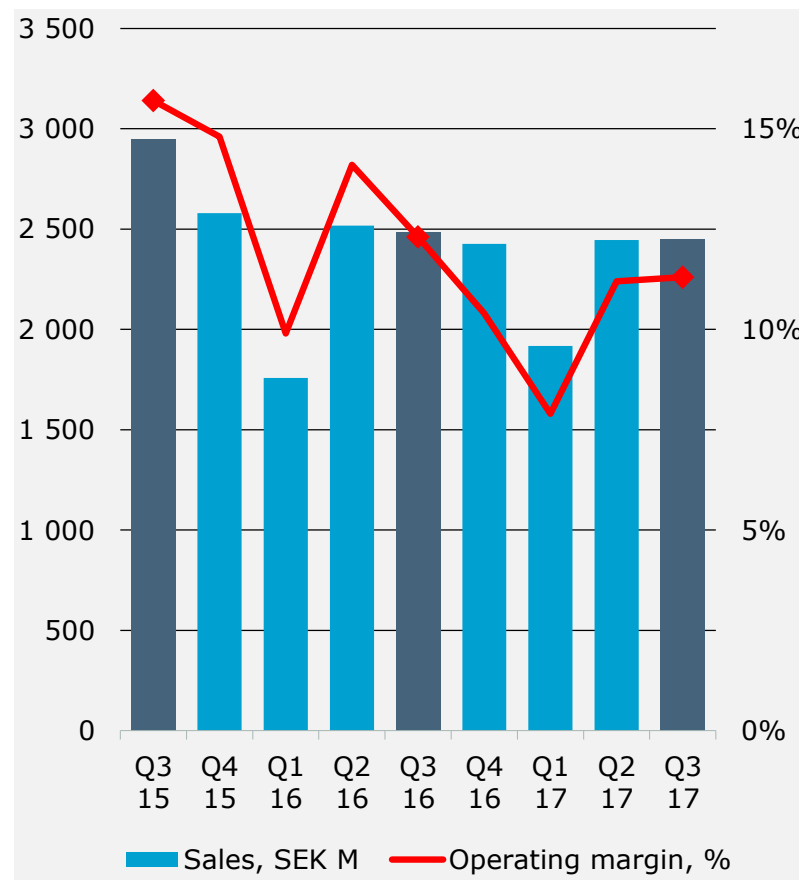


■ Organic growth of 2%

- Strong growth in Japan, South Korea, South Asia and Pacific
- Negative in China
 - Personnel adjustment in China YoY -8%
- Strong growth in Smart Door Locks

■ Operating margin 11.3% (12.3)

- Organic growth leverage -1.1%
 - China, volume drop and higher material costs
 - + Savings
- Acquisitions 0% and currency +0.1%



Excluding write down in China in Q4 2016 and restructuring items.

Asia Pacific Financial Review

SEK M	Q3 2016	Organic	Currency	Acq/Div	Q3 2017
Growth		2%	-4%	0%	-2%
Sales	2,486	52	-98	9	2,448
Operating profit	306	-21	-9	0	277
Operating margin, %	12.3%	NA	9.4%	5.4%	11.3%
Dilution/accretion		-1.1%	0.1%	0.0%	

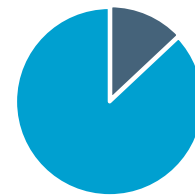
12 months figures*

Sales	9,342				9,238
EBIT	1,216				954
Operating cash flow before paid interest	1,664				886
Cash flow/EBIT	137%				93%

* Excluding write down in China in Q4 2016 and restructuring items.

Global Technologies

13%
of Group
sales

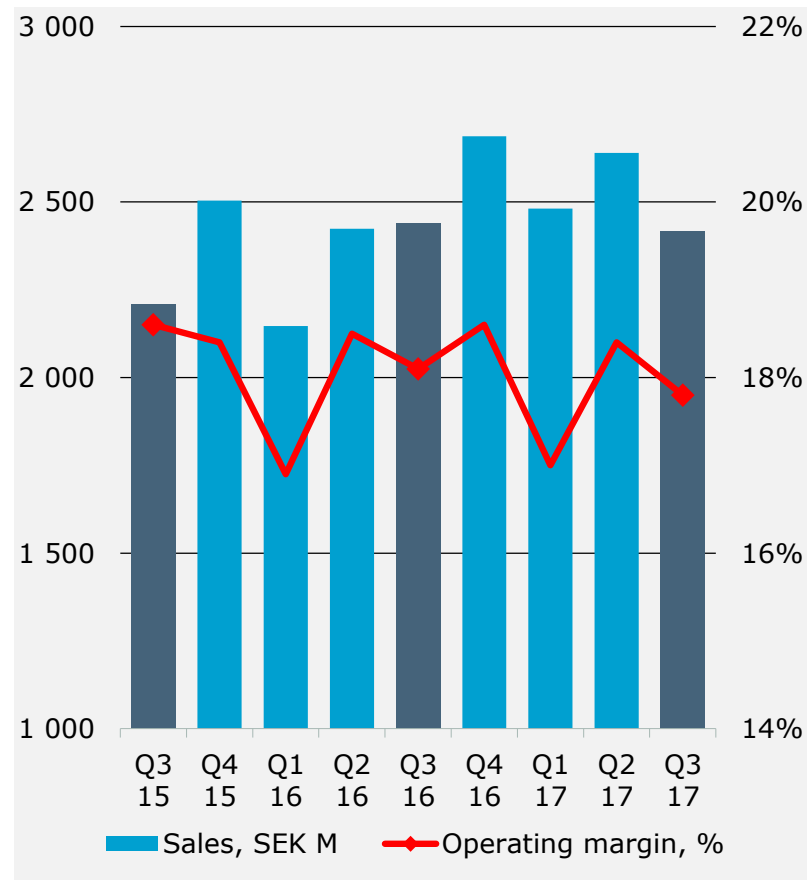


■ Organic growth of 6%

- HID
 - Strong growth in Access Control, Secure Issuance and Citizen ID
 - Stable in Identification Technology
 - Negative in Identity & Access management
- Hospitality
 - Strong growth, including Mobile keys

■ Operating margin 17.8% (18.1)

- Organic growth leverage 0.4%
- Acquisitions -0.5% and currency -0.2%



Excluding restructuring items.

Global Technologies Financial Review

SEK M	Q3 2016	Organic	Currency	Acq/Div	Q3 2017
Growth		6%	-4%	-3%	-1%
Sales	2,439	148	-92	-79	2,417
Operating profit	442	35	-21	-26	431
Operating margin, %	18.1%	23.7%	22.7%	32.3%	17.8%
Dilution/accretion		0.4%	-0.2%	-0.5%	

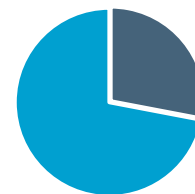
12 months figures*

Sales	9,513				10,225
EBIT	1,712				1,838
Operating cash flow before paid interest	1,652				1,719
Cash flow/EBIT	96%				94%

* Excluding restructuring items.

Entrance Systems

28%
of Group
sales

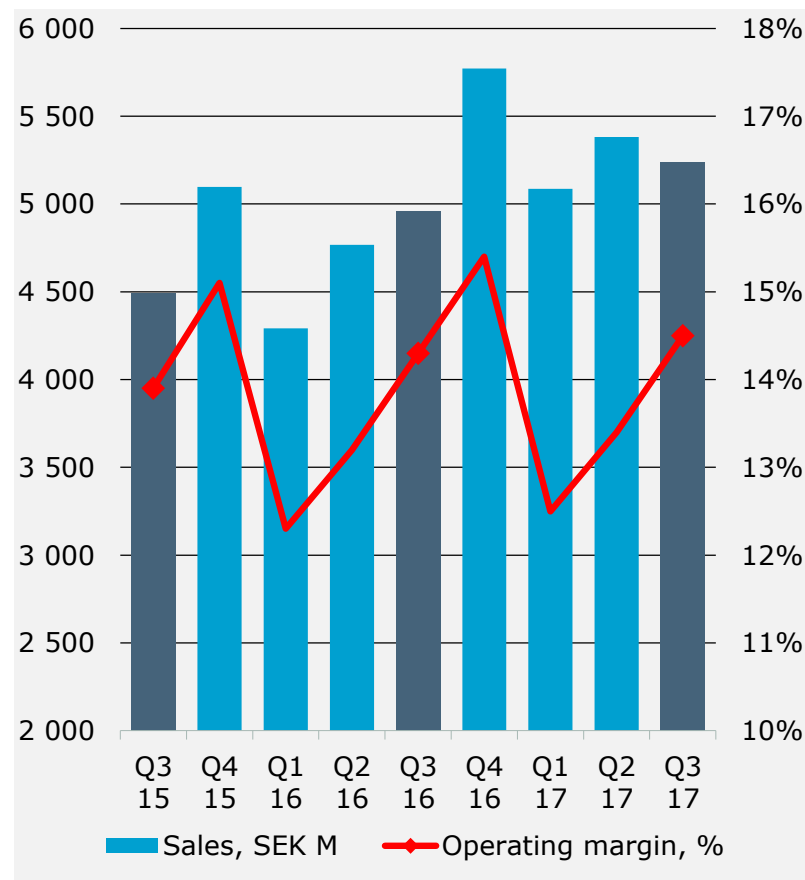


■ Organic growth of 2%

- Strong growth in Pedestrian Doors, Door components and US Industrial doors
- Good growth in High speed doors and US Residential doors
- Stable sales of EU Industrial doors and Gate automation

■ Operating margin 14.5% (14.3)

- Organic growth leverage +0.4%
+ Good leverage from consolidation
- Acquisitions -0.3% and
currency +0.1%



Excluding restructuring items.

Entrance Systems Financial Review

SEK M	Q3 2016	Organic	Currency	Acq/Div	Q3 2017
Growth		2%	-2%	6%	6%
Sales	4,960	110	-98	270	5,242
Operating profit	709	37	-7	23	762
Operating margin, %	14.3%	34.1%	7.2%	8.6%	14.5%
Dilution/accretion		0.4%	0.1%	-0.3%	

12 months figures*

Sales	19,115			21,481
EBIT	2,635			3,009
Operating cash flow before paid interest	2,633			2,953
Cash flow/EBIT	100%			98%

* Excluding restructuring items.

Financial highlights

SEK M	July - September			January - September		
	2016	2017	Change	2016	2017	Change
Sales	18,025	18,499	3%	51,809	56,028	8%
- Organic growth*	307	590	3%	1,308	1,956	4%
- Acquired growth	429	373	2%	1,512	1,273	2%
- FX-differences*	-176	-488	-2%	-810	990	2%
Operating income (EBIT)	3,020	3,080	2%	8,340	8,982	8%
EBIT-margin	16.8%	16.7%		16.1%	16.0%	
Income before tax	2,844	2,910	2%	7,782	8,447	9%
Net income	2,122	2,153	1%	5,786	6,250	8%
EPS, SEK	1.91	1.94	1%	5.21	5.63	8%
Operating cash flow	2,830	2,654	-6%	5,846	6,053	4%

* The sales components Organic growth and FX-differences has been restated for 2016. No effect on sales numbers.

Bridge Analysis – Q3 2017

SEK M	Q3 2016	Organic	Currency	Acq/Div	Q3 2017
		3%	-2%	2%	3%
Sales	18,025	590	-488	373	18,499
Operating profit	3,020	111	-70	20	3,080
Operating margin, %	16.8%	18.9%	14.3%	5.2%	16.7%
Dilution/accretion		0.1%	0.0%	-0.2%	

- Price +2% and volume +1%
- Positive leverage from all divisions, except APAC
- Dilution from China/APAC, as expected
- Dilution from acquisitions in Entrance Systems, Global Technologies and EMEA

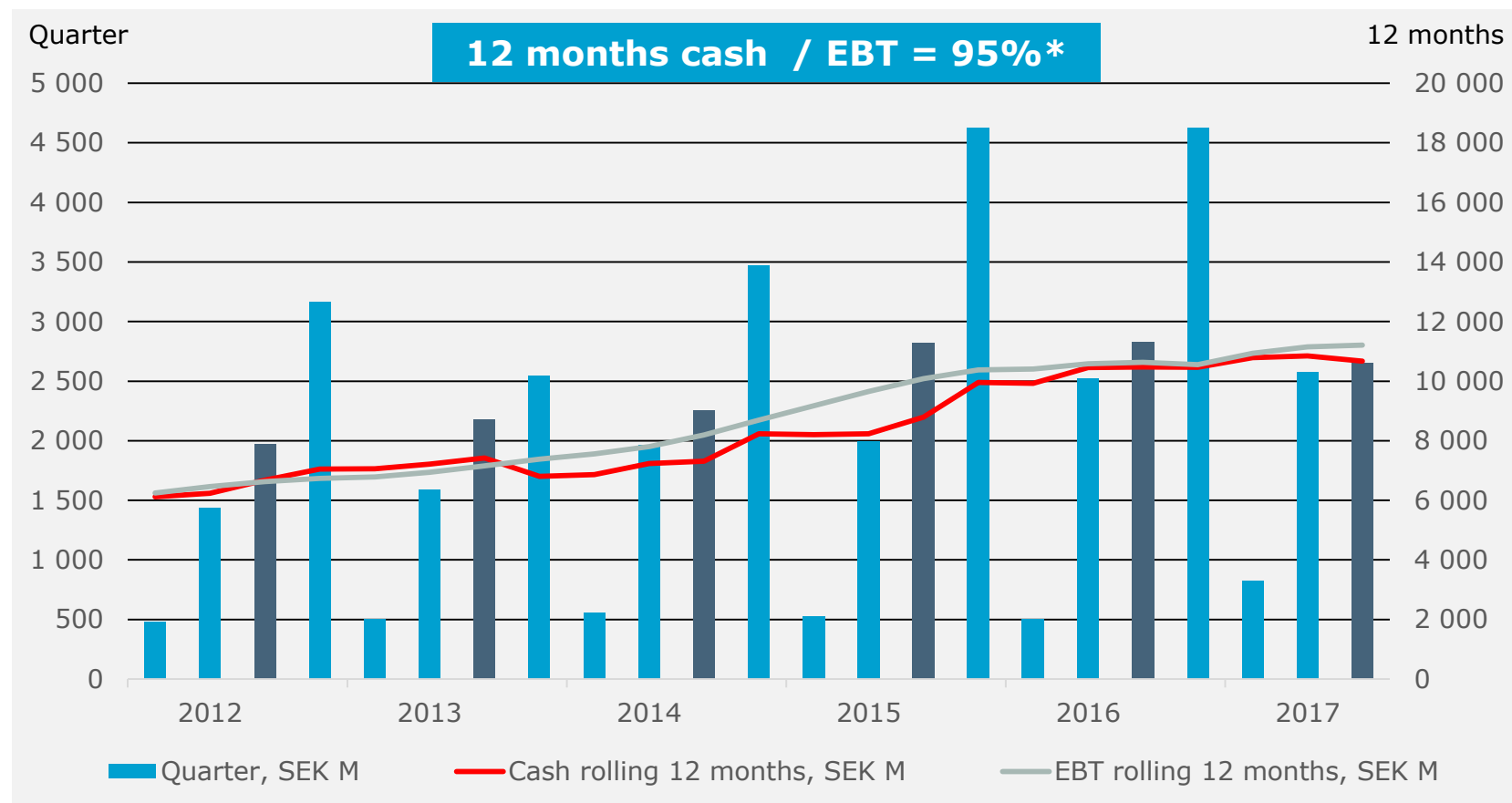
P&L components as % of sales

January - September 2017

%	YTD 2016	YTD 2017 excl. acquisitions	Δ	YTD 2017
Direct material	-35.6%	-36.1%	-0.5%	-36.1%
Conversion cost	-24.9%	-24.4%	+0.5%	-24.5%
Gross margin	39.5%	39.5%	0.0%	39.4%
S, G & A	-23.4%	-23.3%	+0.1%	-23.4%
EBIT	16.1%	16.2%	+0.1%	16.0%

- Higher material cost and lower conversion cost
- Organic growth leverage
 - S, G & A down 0.1% vs. previous year, despite investments in R&D and sales

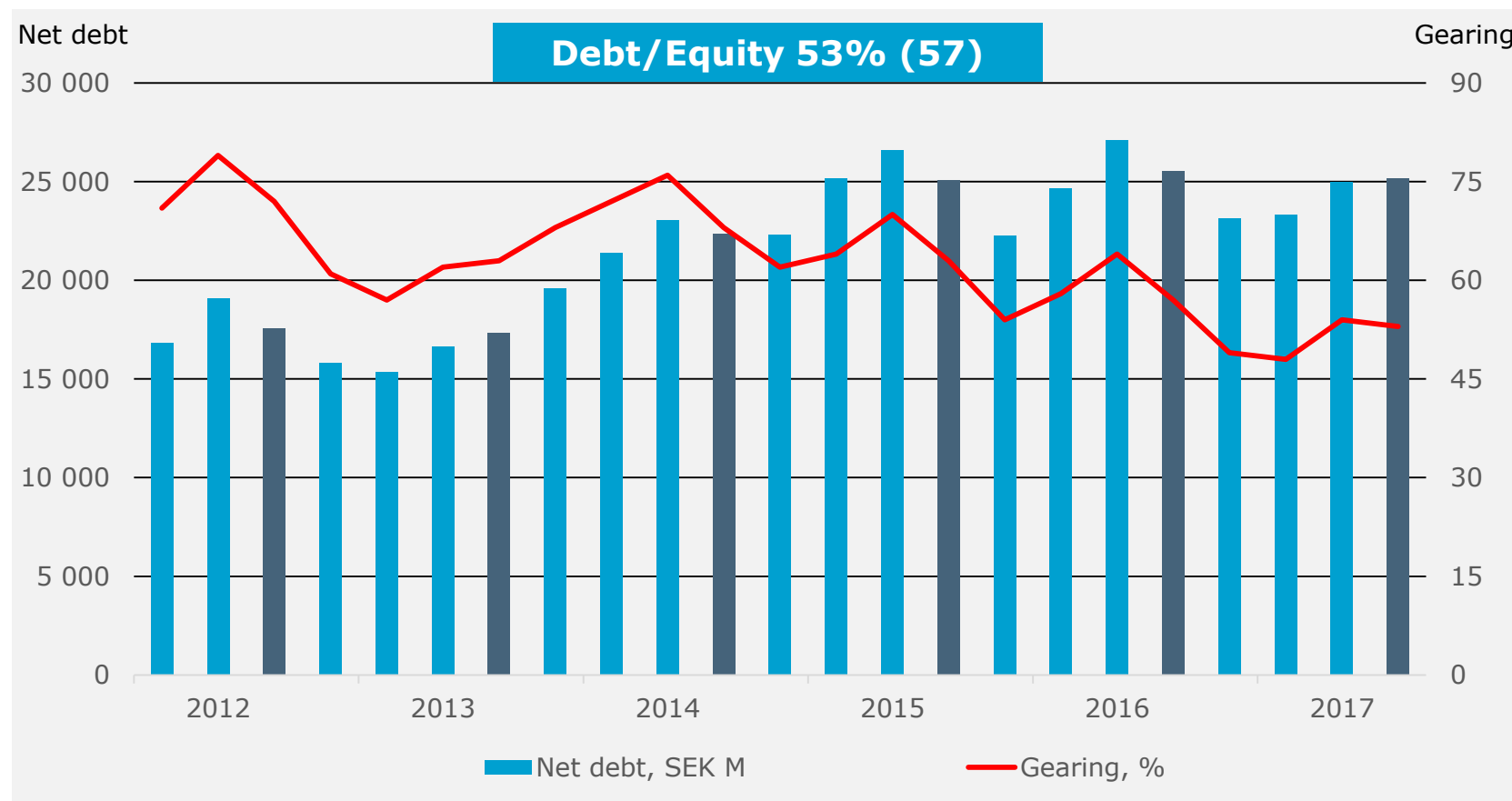
Operating cash flow, SEK M



*) Excluding China write down SEK 300 M in Q4 and full year 2016 and restructuring items.

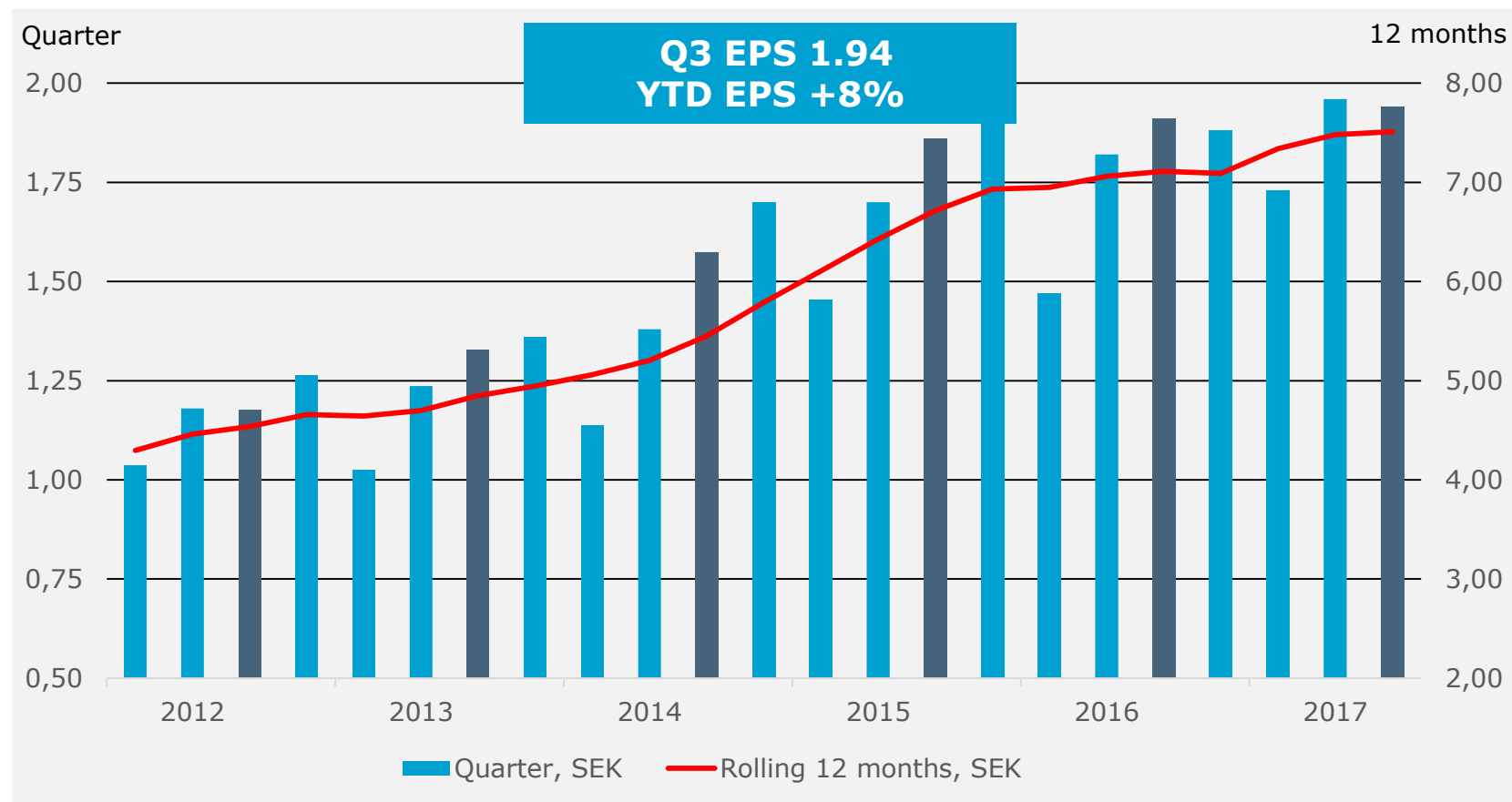
Gearing % and net debt, SEK M

Net debt/EBITDA
1.9 (2.0)



Earnings per share, SEK

**+66%
in
5 years**



*) Excluding restructuring items of SEK 1,597 M for Q4 and full year 2016.
Chart is restated for Stock split 3:1 2015 and excludes cost for restructuring programs in 2013 and 2016.

Conclusions Q3 2017

- Sales +5%, excluding currency
- Strong growth in Global Tech
- Good growth in EMEA and Americas
- Growth in Entrance Systems and APAC, despite weak China
- Mercury – Strategic addition to HID
- EBIT +2% and EPS +1%





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