



Q2 Report 2018

The global leader in door opening solutions

ASSA ABLOY

Q2 2018 in brief

- **Strong sales growth**
 - Strong growth in Americas, Global Technologies and Entrance Systems
 - Stable growth in EMEA and APAC
 - Strong development for smart door locks and electro-mechanical solutions
- **One-off costs in China**
 - Write-down of goodwill, intangible assets and operating assets
- **Stable operating margin***
- **Strong cash flow**

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



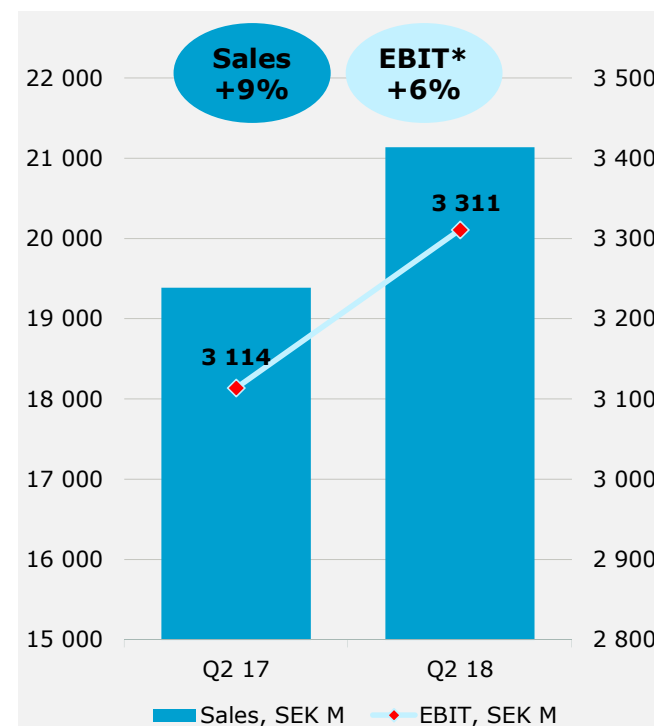
Q2 2018 figures in summary

- **Sales SEK 21,140 M** **+9%**
 - 5% organic
 - 2% acquired
 - 2% currency

- **EBIT* SEK 3,311 M** **+6%**
 - EBIT including China write-down, SEK 2,911 M
 - Amortization of acquisition-related intangible assets SEK -97 M (-54)
 - Currency effect SEK 37 M

- **Operating margin* 15.7% (16.1)**
 - EBITA-margin* 16.1% (16.3)

- **EPS** SEK 1.84** **-6%**



*) Excluding China write down of SEK 400 M in Q2 2018 and the impairment of goodwill and other intangible assets.

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

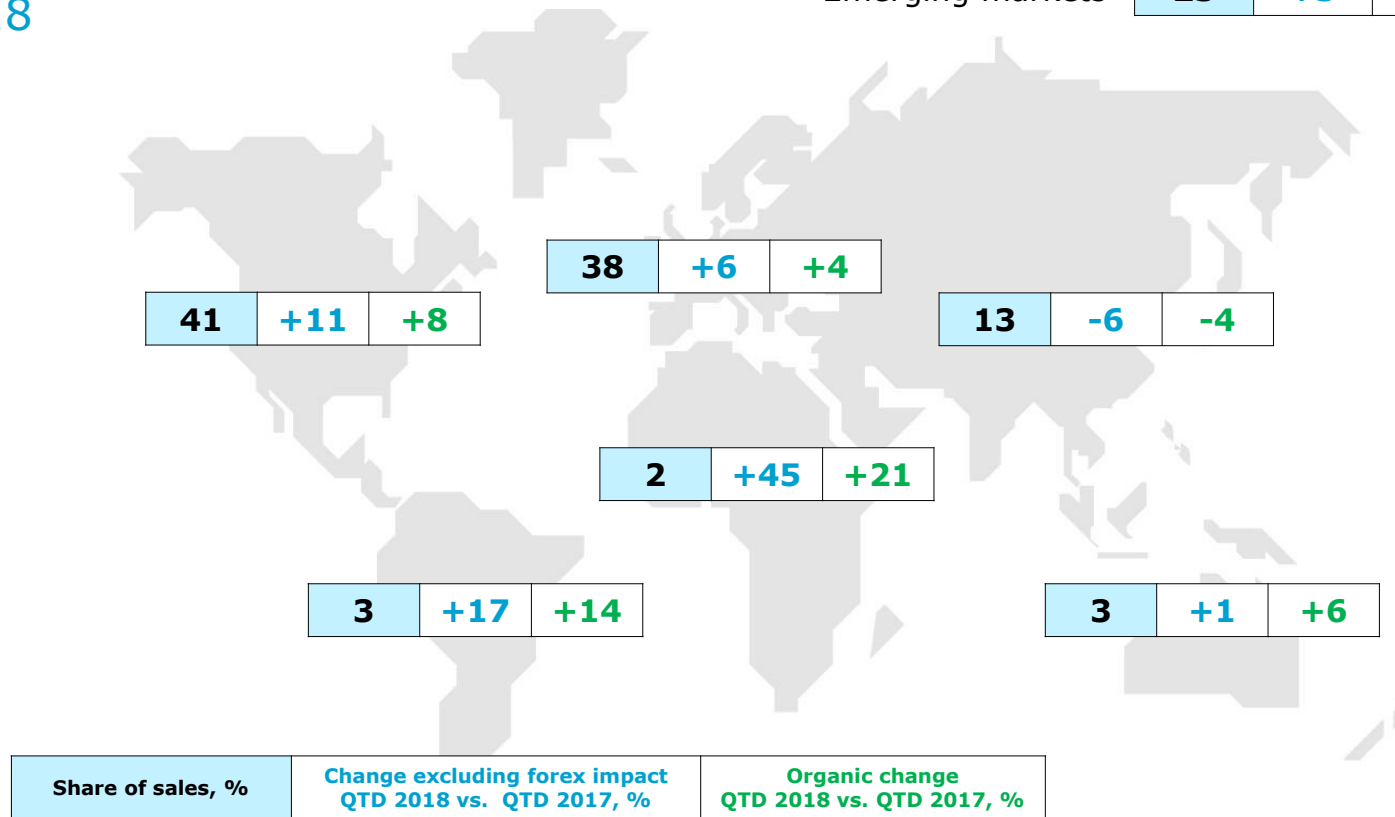
Sales by Region

Q2 2018

ASSA ABLOY

Emerging markets

100	+7	+5
23	+3	+1



Share of sales, %	Change excluding forex impact QTD 2018 vs. QTD 2017, %	Organic change QTD 2018 vs. QTD 2017, %
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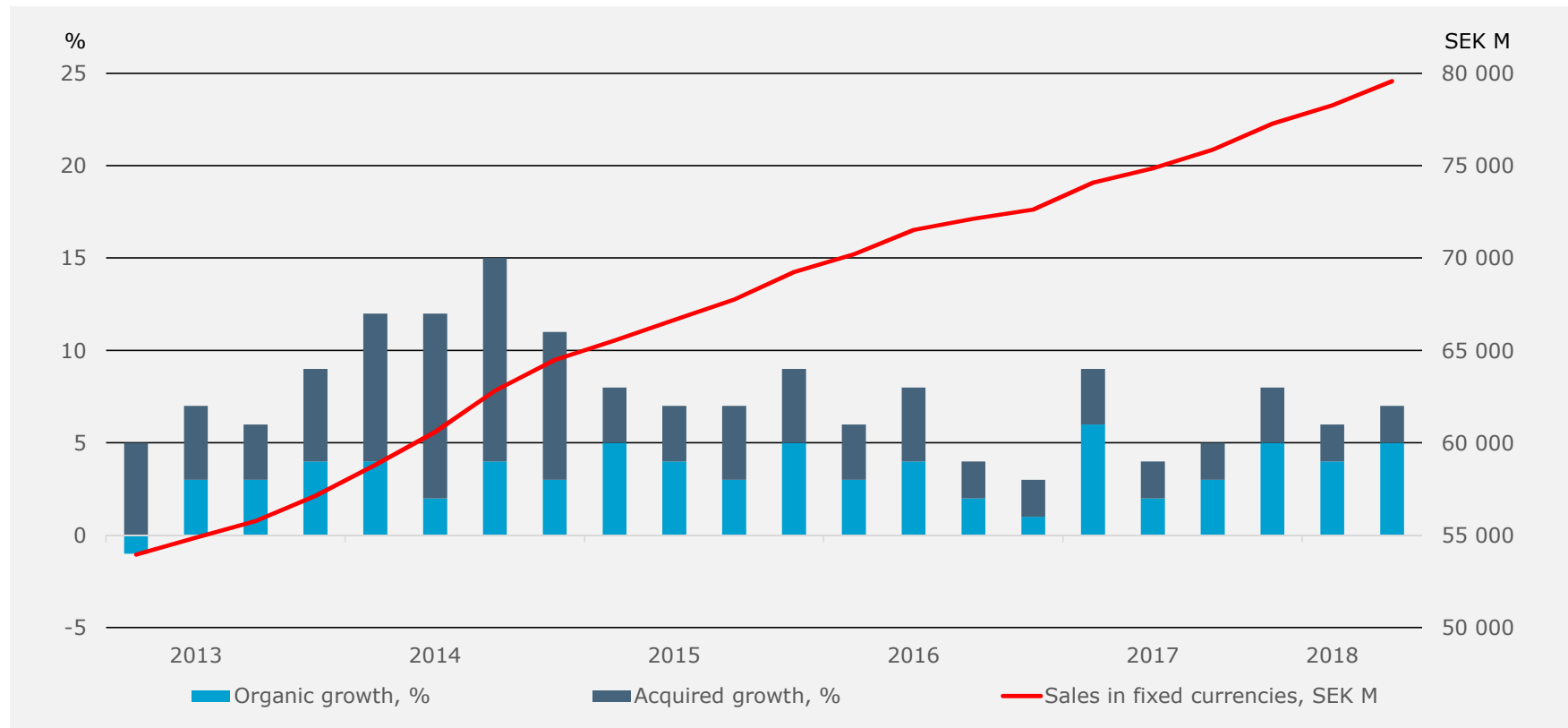
Emerging markets comprise Africa, Asia (excl. Japan), the Middle East, Latin America and Eastern Europe.

Market highlights

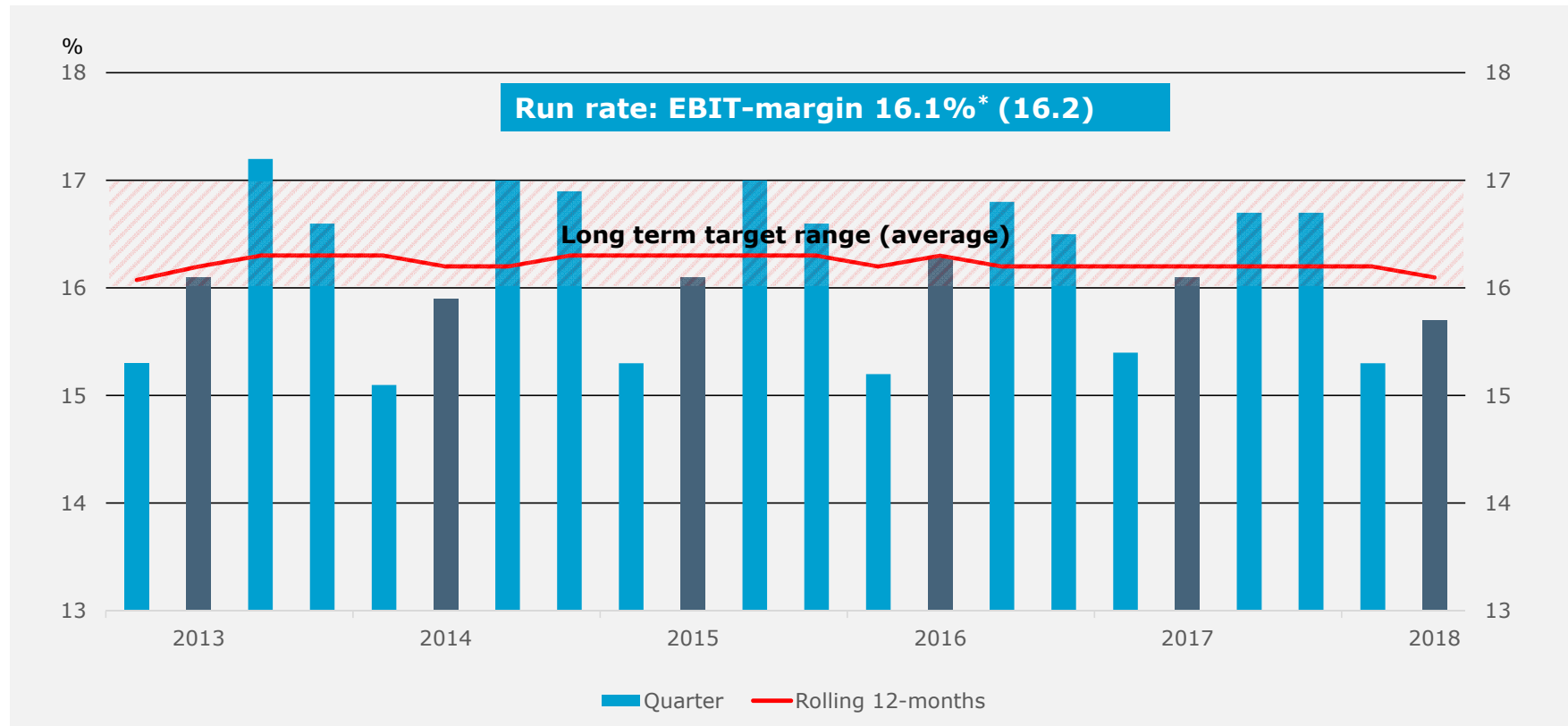
- **HID Ticketing provider for FIFA World Cup 2018**
 - Over 3 million personalized RFID tickets delivered for all games
- **ASSA ABLOY innovation recognized by Forbes**
 - World's top 100 most innovative companies in 2018
- **Hospitality launches VOSTIO at HITEC Houston**
 - Cloud based hotel access management system
 - Ensuring up to date security, compliance and business operations
 - SaaS model eliminating need for local servers and IT hardware



Sales growth, currency adjusted

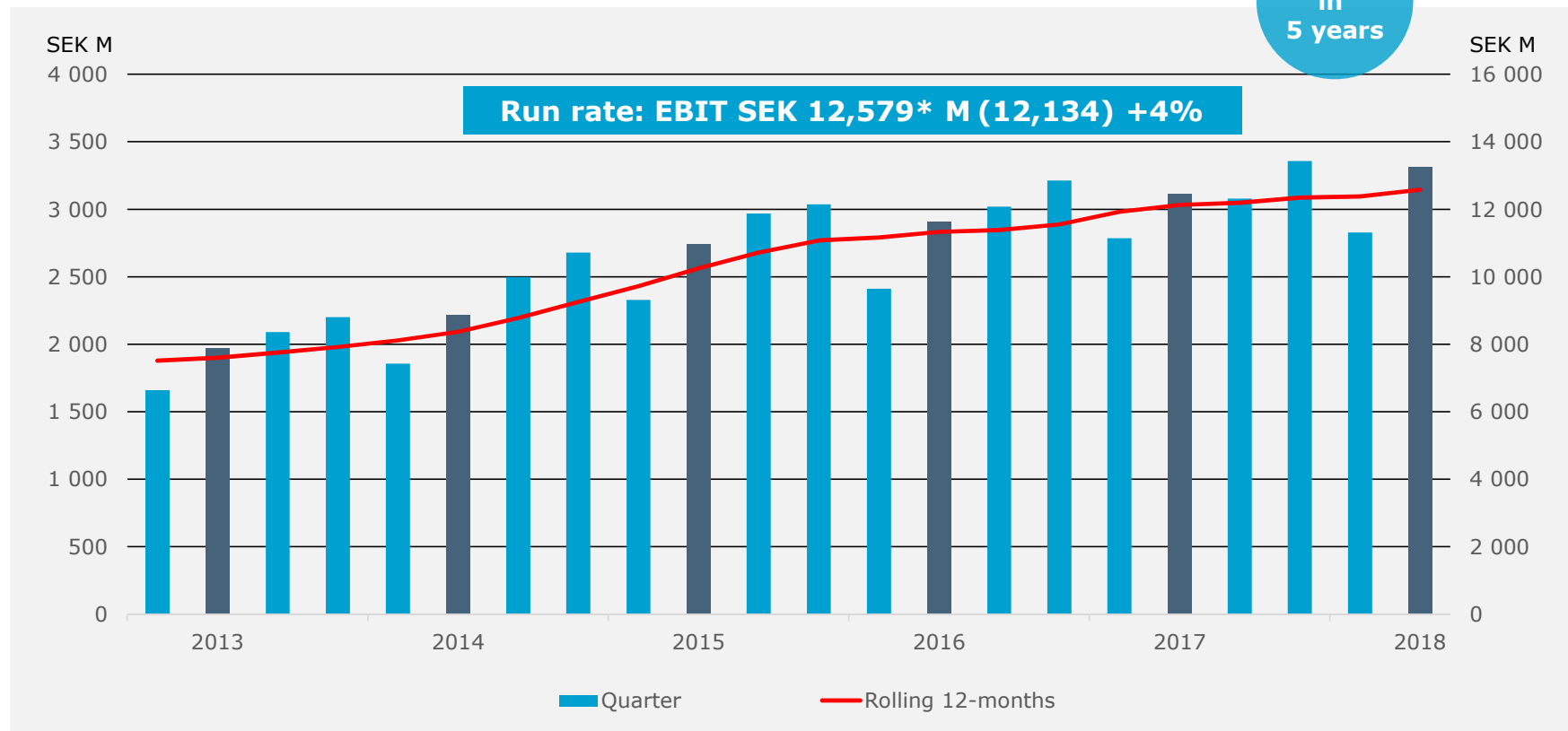


Operating margin, %



*) Excluding China write-downs and restructuring items.

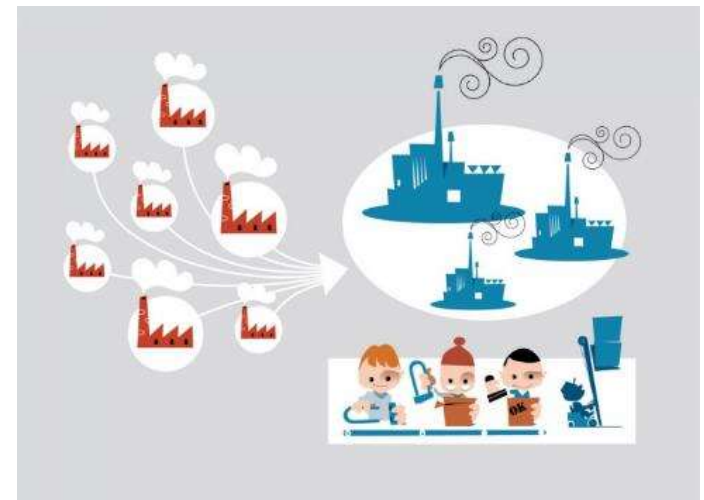
Operating profit, SEK M



*) Excluding China write-downs and restructuring items.

Manufacturing footprint

- **Status of programs launched 2006-2016**
 - 79 factories closed to date, 9 to go
 - 129 factories converted to assembly, 25 to go
- **Total personnel reduction**
 - 14,235 FTE in total since 2006
 - 163 FTE in recent quarter
 - 833 FTE to go for all programs
- **SEK 619 M provisions remain for all programs**
- **Next program planned for end of 2018**



Acquisitions

- Fully active pipeline
- 12 acquisitions done in 2018
- Acquired annualized sales SEK 1,900 M
- Divestment of Wood Door business SEK 600 M



Brüken, Mexico



- Turnover of SEK 260 M with 80 employees
- A leading player in glass and aluminum hardware
- Broadens offering in the Mexican market
- Accretive to EPS



Door Systems, USA

- Turnover of SEK 230 M with 100 employees
- Distributor of commercial and residential doors
- Strong service organization
- Strong position in the Chicago metropolitan area
- Accretive to EPS



Door Systems

Planet, Switzerland



- Turnover of SEK 160M with 55 employees
- A leading supplier of drop down seals and finger protection covers
- Fills a gap in our product portfolio in the important DACH market
- Accretive to EPS



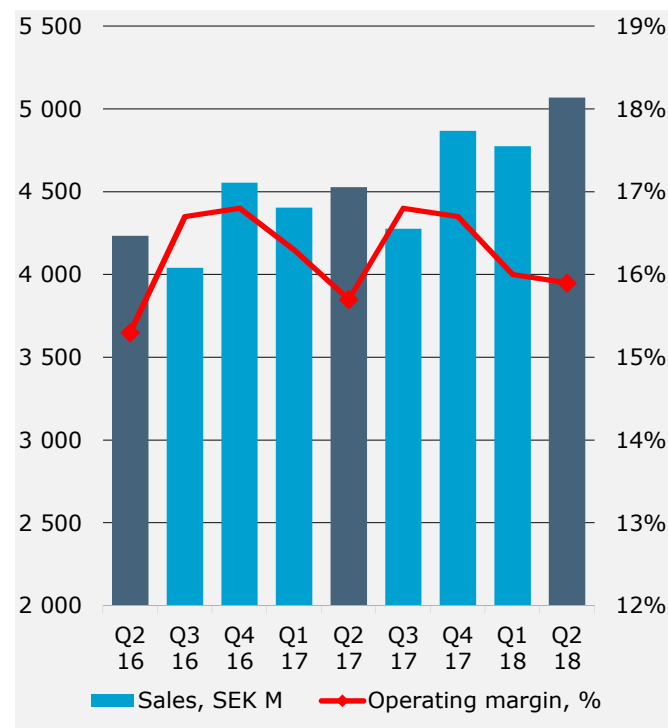
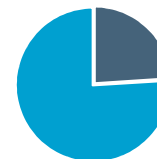
EMEA

■ Organic growth of 2%

- Strong growth in Finland, Scandinavia, Germany and Eastern Europe
- Good growth in Southern Europe
- Stable growth in UK and Africa/ Middle East
- Negative growth in Benelux and France
- Strong growth for electromechanical products and smart door locks

■ Operating margin 15.9% (15.7)

24%
of Group
sales



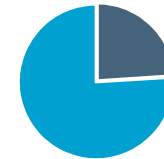
Excluding restructuring items.

EMEA Financial Review

SEK M	Q2 2017	Organic	Currency	Acq/Div	Q2 2018
Growth		2%	5%	5%	12%
Sales	4,529	102	202	235	5,069
Operating income	713	38	29	27	807
Operating margin, %	15.7%	37.5%	14.4%	11.3%	15.9%
Dilution/accretion		0.4%	0.0%	-0.2%	
12 months figures					
Sales	17,532				18,991
EBIT	2,871				3,130
Operating cash flow before paid interest	2,657				3,057
Cash flow/EBIT	93%				95%

Americas

24%
of Group
sales

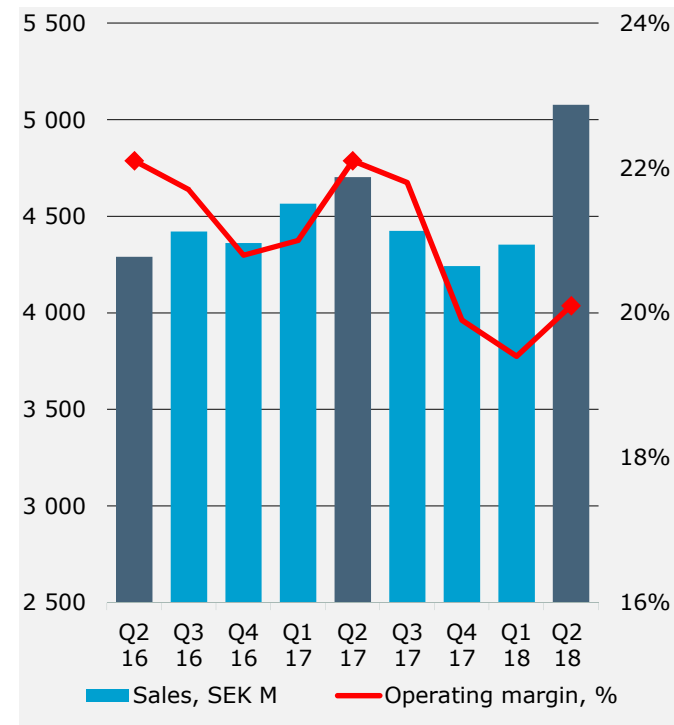


■ Organic growth of 9%

- Strong growth in Electromechanical & High Security, US Residential, Architectural Hardware, Canada, Perimeter Protection, Mexico and in South America (excl. Colombia)
- Stable growth in Security doors
- Negative growth in Colombia
- Very strong growth for smart locks

■ Operating margin 20.1% (22.1)

- High raw material cost
- Negative mix effect



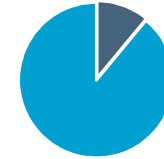
Excluding restructuring items.

Americas Financial Review

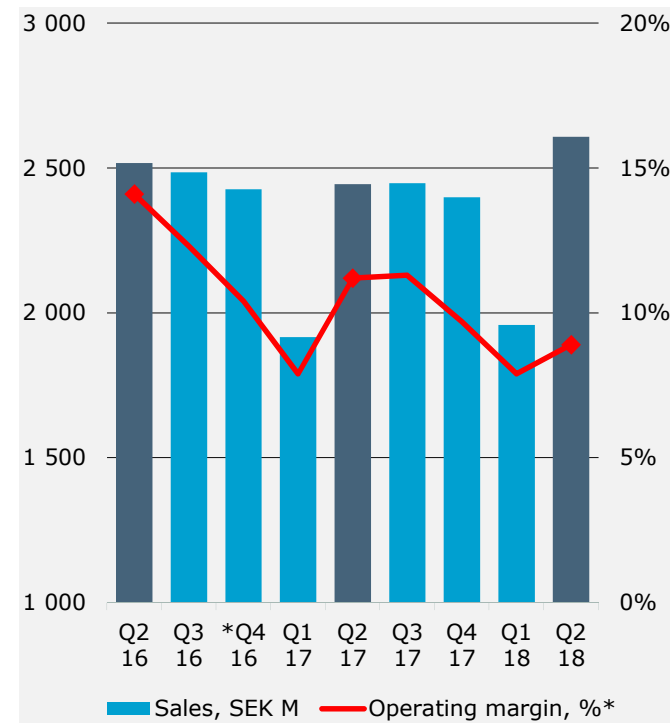
SEK M	Q2 2017	Organic	Currency	Acq/Div	Q2 2018
Growth		9%	-1%	0%	8%
Sales	4,704	392	-23	5	5,078
Operating profit	1,041	8	-1	-26	1,022
Operating margin, %	22.1%	2.1%	6.3%	-552.3%	20.1%
Dilution/accretion		-1.5%	0.0%	-0.5%	
12 months figures					
Sales	18,055				18,102
EBIT	3,869				3,680
Operating cash flow before paid interest	3,409				3,617
Cash flow/EBIT	88%				97%

Asia Pacific

11%
of Group
sales



- **Organic growth of 2%**
 - Strong growth in South Korea, Japan, and in Pacific
 - Negative growth in South Asia
 - Weak development in China
 - Strategic overview and new business plan
- **Operating margin 8.9%* (11.2)**
 - Low operating margins in China
- **Write-down of goodwill, intangible assets and operating assets**



*) Excluding restructuring items and China write downs SEK 400 M in Q2 2018.

Asia Pacific Financial Review

SEK M	Q2 2017	Organic	Currency	Acq/Div	Q2 2018
Growth		2%	4%	1%	7%
Sales	2,445	58	81	23	2,608
Operating profit*	274	-40	-5	2	232
Operating margin, %*	11.2%	-69.8%	-6.0%	10.6%	8.9%
Dilution/accretion		-1.8%	-0.5%	0.0%	
12 months figures*					
Sales	9,275				9,415
EBIT	984				895
Operating cash flow before paid interest	1,384				996
Cash flow/EBIT	141%				108%

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

Global Technologies

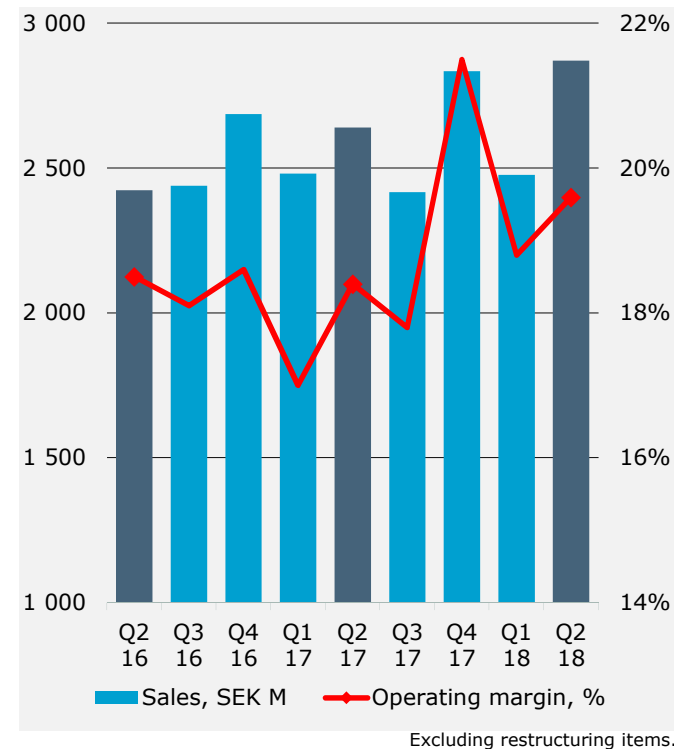
13%
of Group
sales



- **Organic growth of 6%**

- HID
 - Strong growth in Physical Access Control, Citizen ID, Extended Access and in Identity & Access management
 - Stable sales in Secure Issuance and in Identification Technology
- Hospitality
 - Strong growth with Mobile key solutions

- **Operating margin 19.6% (18.4)**

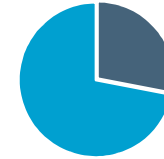


Global Technologies Financial Review

SEK M	Q2 2017	Organic	Currency	Acq/Div	Q2 2018
Growth		6%	1%	2%	9%
Sales	2,640	149	38	45	2,871
Operating profit	486	25	1	52	564
Operating margin, %	18.4%	17.1%	2.5%	114.7%	19.6%
Dilution/accretion		-0.1%	-0.2%	1.5%	
12 months figures					
Sales	10,248				10,599
EBIT	1,850				2,068
Operating cash flow before paid interest	1,863				2,007
Cash flow/EBIT	101%				97%

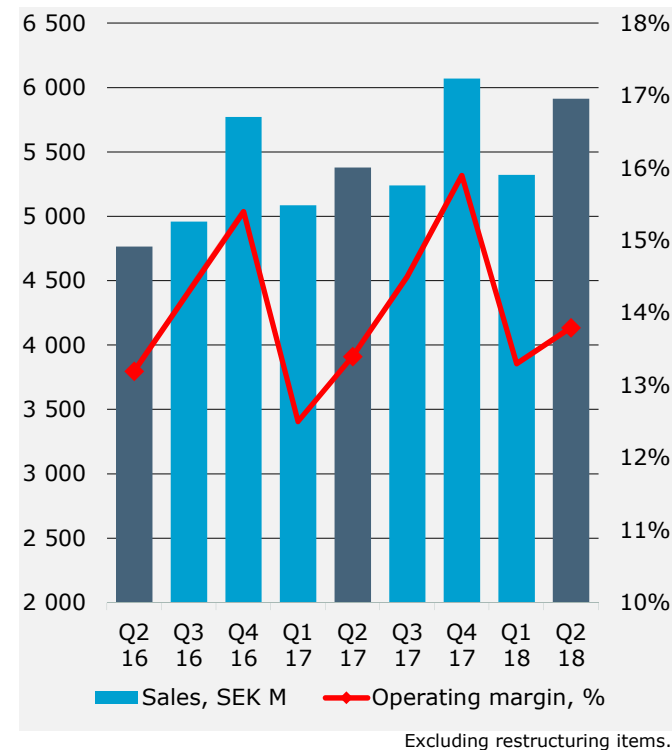
Entrance Systems

28%
of Group
sales



- **Organic growth of 6%**
 - Strong growth in Logistic solutions and US Residential Doors, Pedestrian Doors and Industrial Doors
 - Stable growth in High Performance Doors
 - Negative sales in Door components and in EU Residential Doors

- **Operating margin 13.8% (13.4)**



Entrance Systems Financial Review

SEK M	Q2 2017	Organic	Currency	Acq/Div	Q2 2018
Growth		6%	3%	1%	10%
Sales	5,381	326	150	57	5,914
Operating profit	720	74	15	10	819
Operating margin, %	13.4%	22.6%	10.2%	16.7%	13.8%
Dilution/accretion		0.5%	-0.1%	0.0%	
12 months figures					
Sales	21,199				22,550
EBIT	2,955				3,258
Operating cash flow before paid interest	2,977				2,723
Cash flow/EBIT	101%				84%



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

Carolina Dybeck Happe
CFO

The global leader in door opening solutions

ASSA ABLOY

Financial highlights 2018

SEK M	April - June			January - June		
	2017	2018	Change	2017	2018	Change
Sales	19,387	21,140	9%	37,529	39,690	6%
- Organic growth	344	954	5%	1,366	1,659	5%
- Acquired growth	451	366	2%	900	633	2%
- FX-differences	698	433	2%	1,478	-131	-1%
Operating income (EBIT)*	3,114	3,311	6%	5,901	6,140	4%
EBITA-margin*	16.3%	16.1%		16.0%	16.0%	
EBIT-margin*	16.1%	15.7%		15.7%	15.5%	
Income before tax**	2,944	2,720	-8%	5,537	5,374	-3%
Net income**	2,179	2,049	-6%	4,097	4,013	-2%
EPS**, SEK	1.96	1.84	-6%	3.69	3.61	-2%
Operating cash flow	2,575	2,855	11%	3,399	3,431	+1%

*) Excluding China write down of SEK 400 M in Q2 2018. **) Excluding the impairment in China of goodwill and other intangible assets.

Bridge Analysis – Q2 2018

SEK M	Q2 2017	Organic	Currency	Acq/Div	Q2 2018
		5%	2%	2%	9%
	19,387	954	433	366	21,140
Operating profit*	3,114	95	37	64	3,311
Operating margin, %*	16.1%	10.0%	8.6%	17.5%	15.7%
Dilution/accretion		-0.3%	-0.1%	0.0%	

- Price +2% and volume +3%
- Positive leverage from EMEA and Entrance Systems
- Dilution from direct material in Americas -30 bps
- Dilution from APAC with -30 bps
- Accretion from acquisitions/divestments in Global Technologies
- Capital gain from the divestment of the Wood Door business

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

P&L components as % of sales

January - June 2018

%	YTD 2017	YTD 2018 excl. acquisitions	Δ	YTD 2018
Direct material	-35.9%	-36.4%	-0.5%	-35.5%
Conversion cost	-24.7%	-24.6%	+0.1%	-24.9%
Gross margin	39.4%	39.0%	-0.4%	39.6%
S, G & A	-23.7%	-23.4%	+0.3%	-24.1%
EBIT*	15.7%	15.6%	-0.1%	15.5%

- Higher raw material cost
- Mix impact from project business and high growth in residential
- Organic growth leverage
 - S, G & A down 0.3% vs. previous year, despite investments in R&D and sales

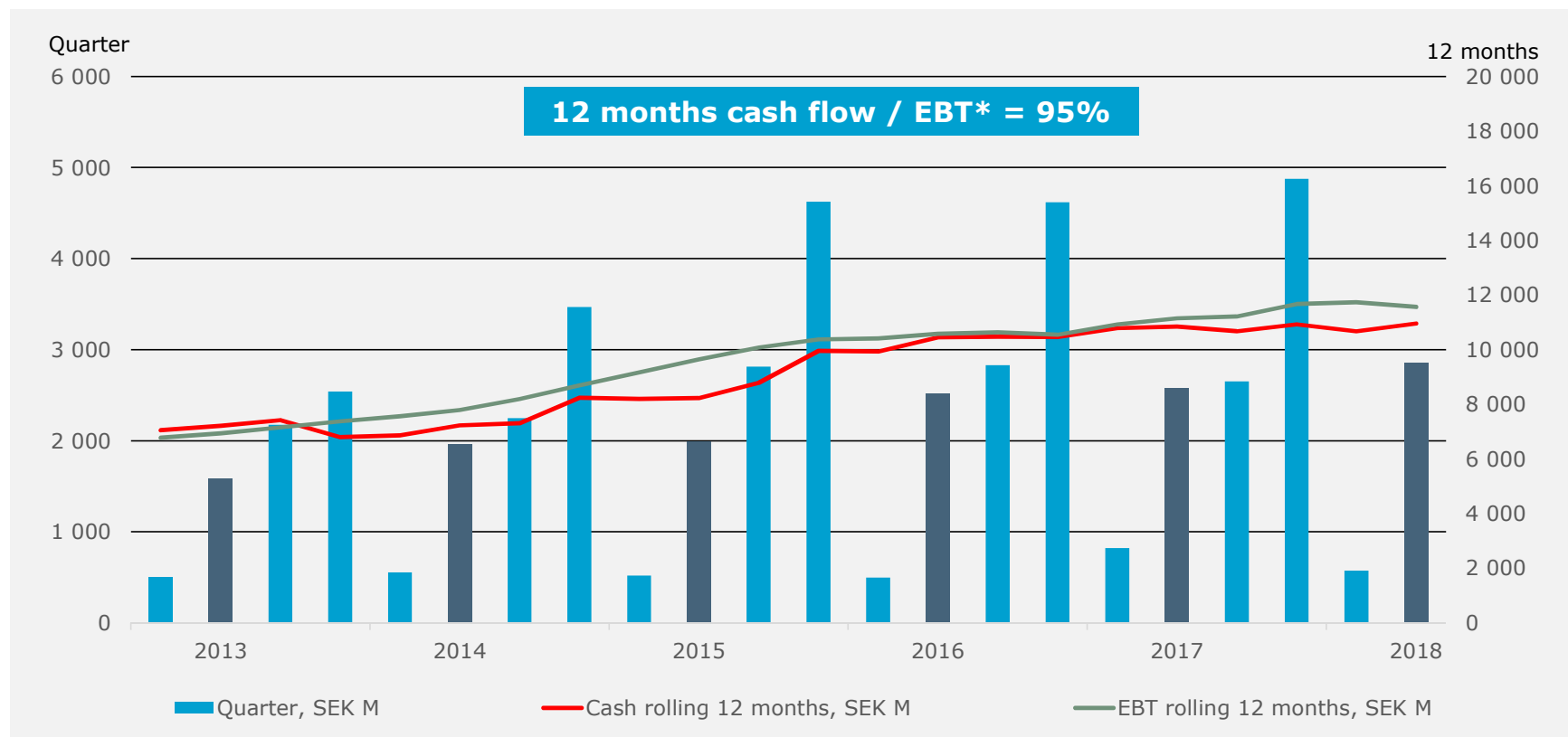
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China impairment

Intangible assets SEK B	Before impairment	After Impairment	Δ
Asia Pacific	10.4	4.8	-54%
- whereof China Group	8.0	2.4	-70%
ASSA ABLOY Group	66.7	61.1	-8%

- Impairment of goodwill and other intangible assets SEK -5,595 M
- Write-down of other operating assets SEK -400 M

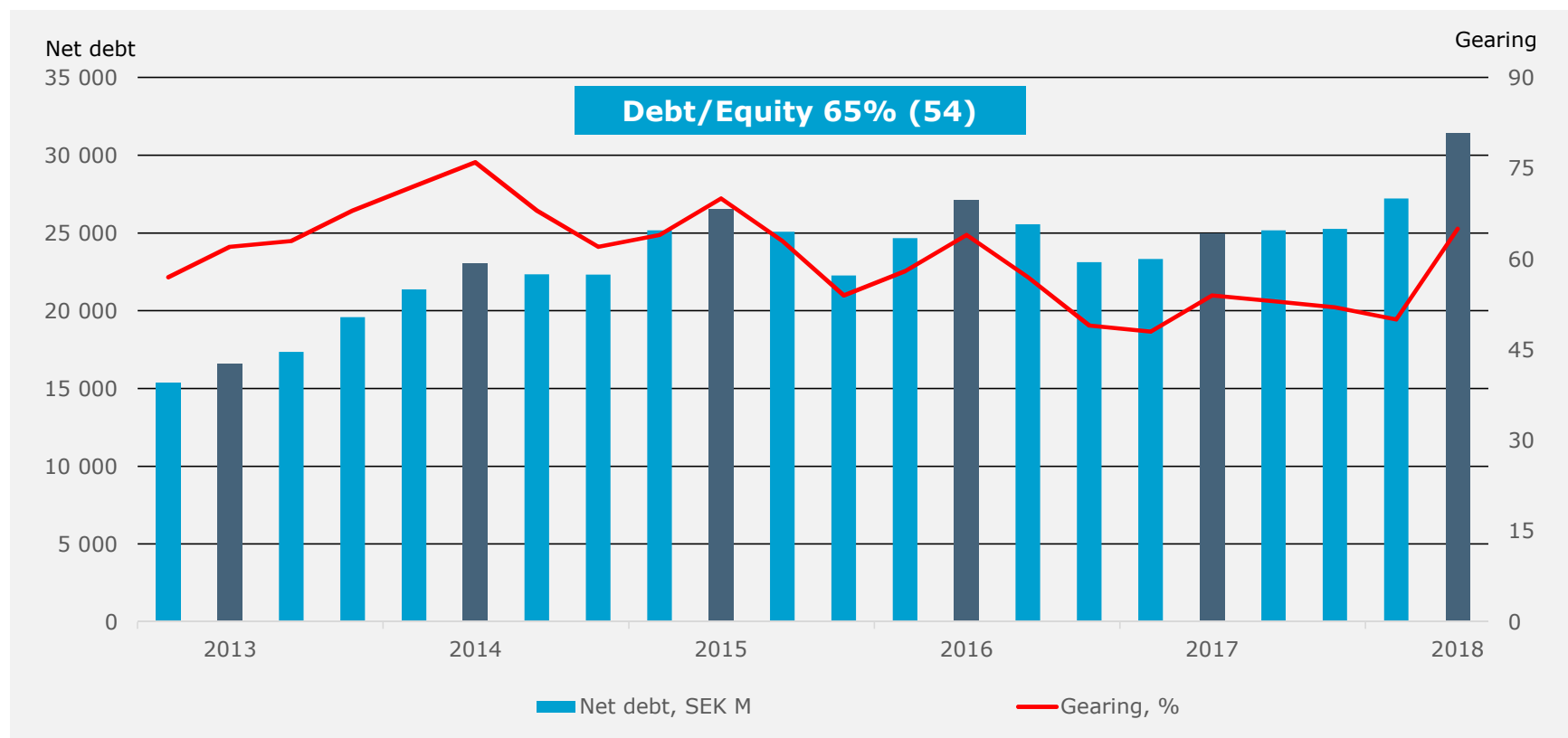
Operating cash flow, SEK M



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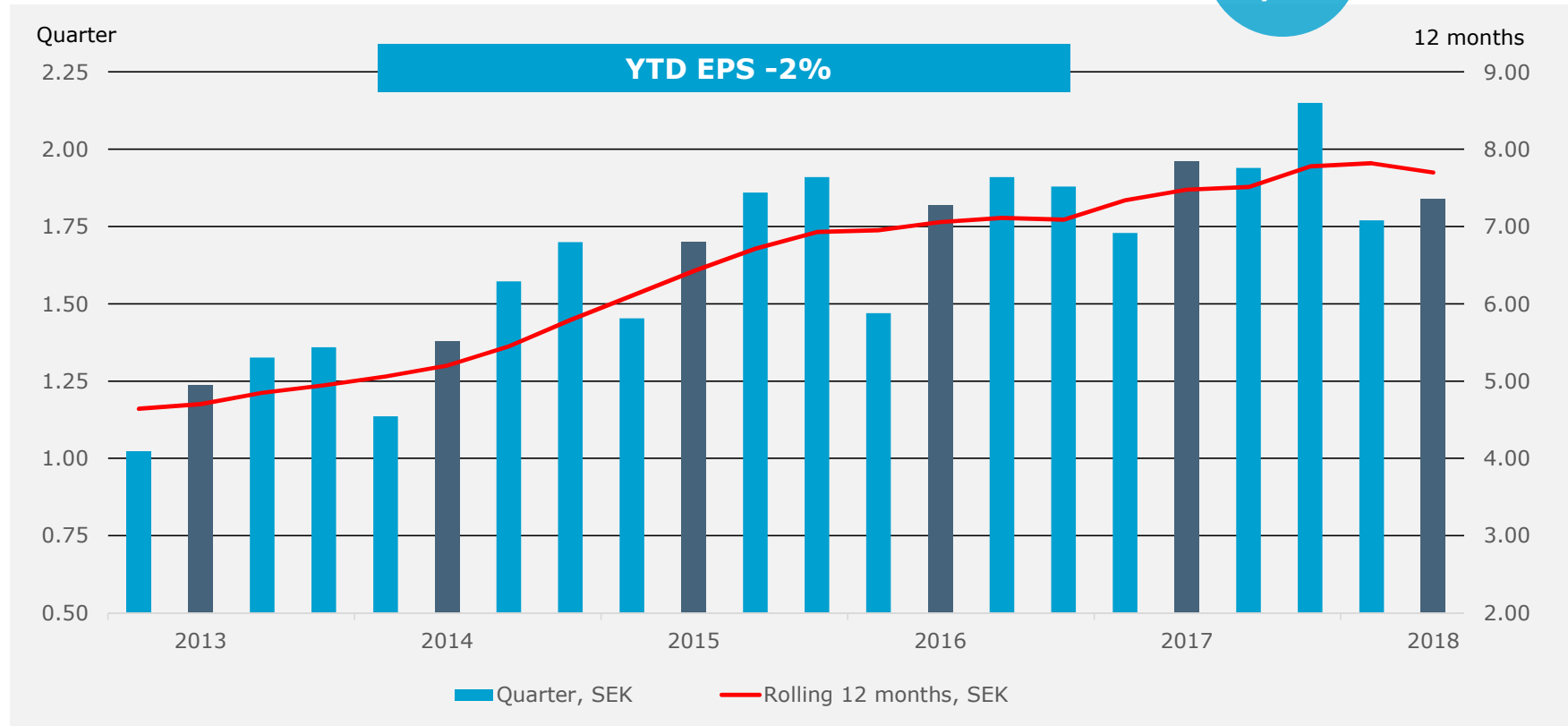
Gearing % and net debt, SEK M

Net debt/EBITDA
2.2 (1.9)



Earnings per share, SEK

+64%
in
5 years



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



Nico Delvaux
President and CEO

The global leader in door opening solutions

ASSA ABLOY

Conclusions Q2 2018

- **Sales +7%, excluding currency**
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- **Strong cash flow**

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