

Auditor's report

To the general meeting of the shareholders of ASSA ABLOY AB (publ)
Corporate identity number 556059-3575

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of ASSA ABLOY AB (publ) for the year 2017 with the exception of the corporate governance report on pages 46–54. The annual accounts and consolidated accounts of the company are included in this document on pages 39–98.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2017 and their financial performance and cash flow for the year then

ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

Our opinions do not cover the corporate governance statement on pages 46–54. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of the shareholders adopt the income statement and balance sheet for the Parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief,

no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU, except for a minor branch that was reported to the Audit Committee.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The ASSA ABLOY Group is comprised of a large number of companies. None of these companies have, individually, been deemed to be of major significance in the audit of the Group. For the Group audit, we have selected the Parent company and treasury company and some 70 companies spread across the Group's five divisions, which are audited according to a group-wide audit program. The audit program includes the assessment of the design and operating effectiveness of selected controls in processes significant to the financial reporting and also includes audit procedures in the form of test of details supplemented with analytical procedures applied to the Group's significant income statement

and balance sheet items. The majority of the subsidiaries in the Group are also the subject of statutory audits according to local requirements. During 2017, the Auditor-in-Charge and co-signing auditor visited the audit teams in China and the US to participate, on site, in the audit, and to take part in the meetings with representatives from ASSA ABLOY's local companies and ASSA ABLOY's head office. The operations in China and the US have been selected as they are the countries with the largest external sales.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Goodwill and other intangible assets with indefinite useful lives

Goodwill and other intangible assets with indefinite useful lives are described in the annual report in Note 14 and in the accounting principles in Note 1.

ASSA ABLOY is an acquisition-intensive company that has an established and structured acquisition process. During the 2017 financial year, a total of 16 acquisitions were consolidated.

ASSA ABLOY's goodwill of SEK 50 billion and its intangible assets with indefinite useful lives of SEK 6 billion, are allocated to the Group's five cash-generating units which are equivalent to the Group's five divisions. We have specifically focused on the APAC division due to the low headroom at this division.

In our audit, we have focused on the valuation of goodwill and intangible assets with indefinite useful lives as these items involve a large degree of judgement on behalf of management in assessing future cash flows.

How our audit addressed the Key audit matter

ASSA ABLOY's annual test of goodwill and other intangible assets with indefinite useful lives can be traced to observable market data and to the company's own business plans and forecasts on future development.

Through test of details we have examined whether ASSA ABLOY's assessment of whether there is any indication that an asset may be impaired, is based on the company's financial budgets approved by management. We have also assessed the growth rate that the company has used to forecast cash flows beyond the first three-year period. In conjunction with this, we have compared management's assumptions regarding the sustainable growth rate and the operating margin against actual growth and the actual operating margin during recent years.

Our assessment of the discount rate applied in management's calculations reflects the specific risks found in the cash generating units. We have reconciled the data in the calculations and checked it against external sources and have found that the determination of the discount rate is based on established theory. In this part of the audit, we have utilized PwC's valuation experts.

We have evaluated the company's sensitivity analysis of the valuation to changes in significant parameters, which, individually or on a collective basis, could imply the existence of an impairment requirement.

Key audit matter

Provisions – restructuring program

The restructuring program is described in the Report of the Board of Directors in the annual report and in Note 25.

Restructuring programs were launched during the previous financial years and the closing provision balance amounts to SEK 944 million as of 31 December 2017.

In our audit, we have focused on these restructuring programs as the determination of whether or not a present obligation exists, and the valuation of that obligation representing future expenditures, requires judgement and is dependent on management estimates.

How our audit addressed the Key audit matter

We have examined the company's process for identifying projects and the estimated costs of these projects.

Our audit measures include an evaluation of whether the restructuring programs comply, in all significant aspects, with the Group's accounting principles for reporting provisions.

Furthermore, we have challenged management's assumptions that are the basis for the restructuring provisions with the aim of assessing the reasonability of the provisions. Based on risk and materiality, we have reconciled the parameters in the calculations against supporting documentation. This includes, amongst other things, the examination of minutes, agreements, calculations and communication with employees.

We have evaluated the management's assessments of remaining cash flows by reviewing their quarterly project updates.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found in the sections Report on Operations, Divisions, Sustainability Report, and Shareholder Information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and

consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director

are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden (Inspectorate of Auditors) website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ASSA ABLOY AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of

the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of

assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Revisorsnämnden (Inspectorate of Auditors) website: www.revisorsinspektionen.se/revisorsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 46–54 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted

auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of ASSA ABLOY AB (publ) by the General Meeting of shareholders on 26 April 2017 and has been the company's auditor since 1994.

Stockholm, 5 February 2018

PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Linda Corneliussou
Authorized public accountant