dormakaba Holding AG

Annual Report

Financial statements, governance and compensation

Financial Year

2017/18

dormakaba

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Riet Cadonau, CEO (left) / Ulrich Graf, Chairman of the Board of Directors (right)

Dear Shareholders,

The 2017/18 financial year was characterized by the final stage of the post-merger integration process to dormakaba. Since September 2015, we have established a new operating model for our company, with new processes, roles, and organizational structure. Furthermore, we have achieved more than 80% of the planned legal entity consolidation, have rolled out and strengthened our new master brand dormakaba and have managed the change process in our organization with activities such as some hundreds of workshops and townhall meetings.

With the final stage of the post-merger integration, we have strategically repositioned dormakaba to a globally trusted partner for products, solutions and services for access to buildings and rooms from a single source. The underlying industrial logic of our merger is confirmed in daily interactions with customers and partners, who benefit from our comprehensive product portfolio, our strengthened presence in all our relevant markets, but particularly in Asia Pacific and the Americas, as well as from our presence throughout the whole building construction cycle.

In 2017/18, the integration process has largely been completed in most countries as foreseen. However, business and performance in Germany and the US was impacted more than expected by the integration process. Part of the efficiency gains in Germany will only be achieved with a delay; this is mainly due to the socially acceptable measures relating to job reductions agreed to with the social partners. As of 30 June 2018, globally, about 80% of the targeted headcount reduction was achieved, and we reached about 70% of the envisaged post-merger integration cost synergies of CHF 70 million.

In light of the progress made with regards to integration, results for the 2017/18 financial year were solid but did not meet our expectations. Consolidated net sales increased by 12.7% to CHF 2'841.0 million (previous year CHF 2'520.1 million). The organic sales growth for the 2017/18 financial year amounted to 2.6%.

Farewell message from the Chairman

Dear Shareholders,

Twelve years have passed since I took office as the Chairman of Kaba's Board of Directors back in 2006, after leading the company as its CEO and Delegate of the Board of Directors for many years.

I would like to take this opportunity to express my sincere thanks to you, our valued shareholders, for your ongoing support, trust, and confidence you have given to me over the years at our company. It was a great honor for me to serve in various executive and non-executive roles for dormakaba and I am proud of what our company has become today.

With the beginning of the new financial year 2018/19 dormakaba's post-merger integration process has largely been completed, and now is the right time to lay the responsibility for the company into new hands at the forthcoming Annual General Meeting. I am convinced that my designated successor Riet Cadonau, with his comprehensive expertise and deep knowledge of the

The contribution of the individual segments varied greatly. AS APAC once again performed very well, and the newly formed Key & Wall Solutions segment posted good business results. The improvement in results at AS EMEA, by contrast, was not as good as expected, while AS AMER and AS DACH performed distinctly below expectations. This was due to specific developments in certain regional markets, as well as to the fact that the organization was more absorbed by the integration than expected.

The EBITDA rose by 11.3% to CHF 431.0 million (previous year CHF 387.3 million), with an EBITDA margin of 15.2% (previous year 15.4%). All acquisitions since the dormakaba merger have positively contributed to these results, with a particularly positive impact on profitability.

dormakaba closed the financial year 2017/18 with a 6.3% increase in net profit to CHF 238.7 million (previous year CHF 224.6 million). Based on this result, the Board of Directors proposes to the Annual General Meeting a dividend payment of CHF 15.00 per registered share for the 2017/18 financial year, paid out from reserves from capital contributions. This represents an increase by CHF 1.00 per share compared to the previous year. The amount of the payout is in line with the Board of Directors' targeted pay-out ratio of a minimum of 50% of the consolidated net profit after minority interests.

In the year under review, our customers have again benefited from many newly developed products, solutions and services to make access in their life smart and secure. We have also made good progress on initiatives to further accelerate the digital transformation of our company. We invite you to read more on our highlights at our innovation webpage.

With technology as one of our growth drivers and innovation leadership as one of our strategic pillars, we continued to invest significantly in research and development in the year under review. Spending including investments increased by 12% to CHF 111 million (3.9% of sales).

Our capacity to innovate has received important outside recognition too. We are proud to be featured in a ranking published by Thomson Reuters in January 2018 as one of the Top 100 Global Tech leaders worldwide, being the only company of our industry. The study, which has been conducted for the first time, offers a holistic assessment of today's leading tech companies. The high scores in the indicators examined in the study are an acknowledgement of our approach to develop our company sustainably – with a balanced focus on financial performance and innovation.

dormakaba defines sustainability as one of its key success factors. That is why sustainability has been anchored as one of the two foundations of our strategic pillars. We are committed to foster a sustainable development along our entire value chain in line with our economic, environmental, and social responsibilities toward current and future generations. In 2017/18, we have again made good progress in building our sustainability initiatives. We invite you to read more on how we contributed to sustainable development in our Sustainability Report 2017/18.

Portfolio management activities: acquisitions and divestments

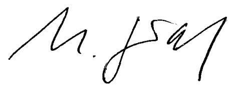
In the year under review, we further adjusted our business portfolio to strengthen our core business. We sold both Dorma Beschlagtechnik (Germany) and GMT (China). In addition, we reached an agreement with our Indian partner to dissolve the Dorset Kaba joint venture which will support us to further expand profitable growth in the highly attractive market in India. After the balance sheet date, in July 2018, we announced the agreement to sell our 40% minority shareholding in ISEO as a result of a re-assessment of the strategic position after the dormakaba merger.

At the same time, we acquired Kilargo (Australia), Skyfold (Canada), the Commercial Building Physical Access Solutions business from Cambaum Group (China) as well as Klaus Group (Peru), expanding our presence and offering in the respective markets.

company, will prove to be an excellent Chairman of dormakaba's Board of Directors.

I wish dormakaba, all its shareholders, employees, and business partners and last but not least my colleagues in the Board of Directors and the entire management team all the best and continuing success for the future.

Yours sincerely,



Ulrich Graf

Further development of management structure

As of 1 July 2018, the Executive Committee consists of nine members. In the year under review, Stefano Zocca, formerly Chief Operating Officer (COO) Key Systems took over the leadership of the newly formed Key & Wall Solutions segment, a combination of our previously two smallest segments Key Systems and Movable Walls. Christoph Jacob, the former COO of Movable Walls, stepped down from the Executive Committee and left the company. Dieter Sichelschmidt, formerly COO of AS DACH, retired on 31 December 2017. As of 1 January 2018, Alwin Berninger started as his successor. With the post-merger integration process largely completed, our Chief Integration Officer (CIO) Beat Malacarne also left the company as of 30 June 2018. The Board of Directors and the Executive Committee would like to thank Christoph Jacob, Dieter Sichelschmidt, and Beat Malacarne very much for their services and their great commitment to dormakaba over many years.

Annual General Meeting of 23 October 2018

At the upcoming Annual General Meeting, Ulrich Graf will not stand for re-election after having served as Chairman of the company for the past twelve years. The Board places great importance on a long-term solution for the succession and has decided unanimously that Riet Cadonau, CEO dormakaba Group, with his extensive industry knowledge and strong leadership qualities is the ideal candidate to become the future Chairman of dormakaba. Therefore, the Board of Directors proposes to the Annual General Meeting to elect him as a member of the Board of Directors and as its new Chairman. Subject to his election, Riet Cadonau will continue his role as CEO of dormakaba Group for a period of two to a maximum of three years. Hans Hess, member of the Board of Directors, stands for re-election, and is to assume the roles of Lead Independent Director and Vice-Chairman. Following the announcement of Elton SK Chiu not to stand for re-election, the Board of Directors is proposing that Jens Birgersson be elected as new member of the Board of Directors. All other acting members of the Board of Directors will stand for re-election for a term of office of one year. Furthermore, Rolf Dörig, Hans Gummert and Hans Hess will stand for re-election as members of the Compensation Committee.

Outlook

The Board of Directors wants to further strengthen dormakaba with respect to innovation and digitalization through targeted investments, even if, in light of the results for the past financial year and the delay in integration particularly in Germany and the US, this means that dormakaba will achieve its medium-term financial targets only at a later point in time. In line with the long-term strategy, dormakaba will continue to invest significantly in innovation as well as allocate substantial additional funds to digital transformation in the coming years. Digitalization in today's times is a challenge for any company. dormakaba sees it primarily as an opportunity and is convinced that these investments are vital for a sustainable business development to the benefit of its shareholders, customers and employees.

As a result, dormakaba aims to achieve its targeted EBITDA margin of 18% at the latest by 2020/21 instead of the 2018/2019 financial year, provided the business environment is stable. Also by 2020/21, organic sales growth should be 200 basis points above the GDP growth in dormakaba's relevant markets.

For the 2018/19 financial year, dormakaba expects an EBITDA margin in the range of 16.0% to 16.5%. This improvement will be driven by cost synergies from the post-merger integration, additional improvements of the companies' cost base, and benefits from sales excellence measures. In addition, the company expects to see an organic sales growth rate in line with the previous year.

Thanks

On behalf of the Board of Directors and the Executive Committee we would like to thank all our customers and business partners for the confidence in our products, solutions and services. We would also like to thank our shareholders and bondholders for their trust in dormakaba. We value our regular and intensive exchange which allows us to continuously adapt and improve.

2017/18 was an intense year with a high workload for all our teams. Therefore, we would like to thank our associates for their strong contribution and dedication to further develop our company.

dormakaba is very well positioned in the market for access and security solutions. We want to take advantage of this position to achieve further profitable growth.

Sincerely yours,

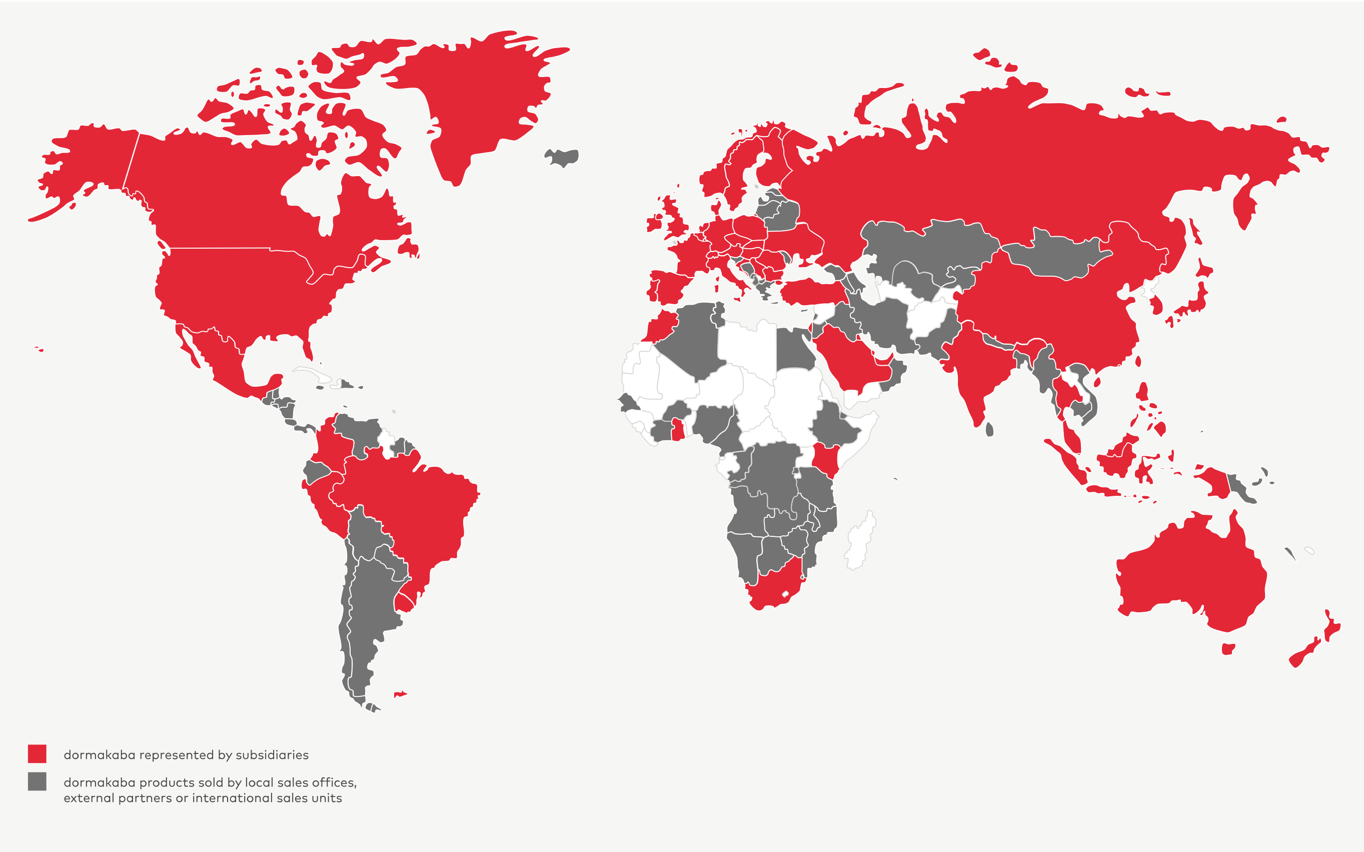
Ulrich Graf
Chairman of the Board
of Directors

Riet Cadonau
CEO

2017/18 in brief

- Sales increased by 12.7% to CHF 2,841.0 million, organic sales growth of 2.6%
- EBITDA increased by 11.3% to CHF 431.0 million, EBITDA margin 15.2% (previous year 15.4%)
- Net profit increased by 6.3% to CHF 238.7 million
- Dividend proposed to be increased to CHF 15.00 per share (previous year CHF 14.00)
- All acquisitions since the dormakaba merger have positively contributed to the results
- Post-merger integration process has largely been completed in most countries

dormakaba worldwide



Segment Access Solutions AMER

Flat growth, profitability below previous year

Operational performance

AS AMER generated total sales of CHF 828.4 million in the period under review. Organic sales growth was flat compared to the previous year. The segment reported an EBITDA of CHF 163.4 million, which is a 13.5% increase to prior year, and an EBITDA margin of 19.7% (previous year 21.0%). Positive EBITDA margin effects from the acquisitions of Best Access and Mesker could not compensate for merger-related Information Technology (IT) costs and the less favorable product mix caused by lower sales in the Safe Locks business and declining profitability in the Services business.

Market development

Sales growth in Canada and Latin America did not compensate lower sales growth in the US. Retrospectively, segment sales had a high comparable base in 2016/17 with organic growth of 9.1%. Growth in the US was negatively impacted by a deterioration of the weak environment for ATM locks (Safe Locks) which could not be compensated by good growth of Door Hardware. Lodging Systems reported continued good growth, which was driven by the success of the Mobile Access Solutions. Initially developed for the hotel business, this technology is now successfully leveraged in other commercial applications, where along with other new product introductions dormakaba experienced significant growth for electronic locks.

In the year under review, AS AMER was still impacted by the post-merger integration process of dormakaba and the Best Access and Mesker acquisitions. While good integration progress was made, the segment will finalize some of its merger and acquisition-related projects including IT only in 2018/19. The segment has gained several cross-selling contracts based on the new combined portfolio, including airport projects like Portland (Oregon), Austin (Texas), and DCA Reagan Washington. However, top-line synergies for the full portfolio of door hardware and access control solutions were below expectations, as the organization was more absorbed by integration efforts than expected. The business aims to increase top-line synergies by further training of the joint sales force and of specification writers for cross-selling on the combined portfolio.

The integration of Best Access and Mesker is on schedule and important milestones like the demerging of IT systems from the former parent company of Best Access were achieved ahead of schedule. Both acquired businesses have contributed positively to the segment's profitability.

Outlook

Based on a solid order book, AS AMER expects growth driven by lodging and multi-housing as well as by the continued good development of its acquired businesses.

However, the segment does not expect any major improvement in the Safe Lock business for ATMs; in addition, a potential reduction of certain non-core and less profitable parts of the US Services business could negatively impact growth for the segment overall.

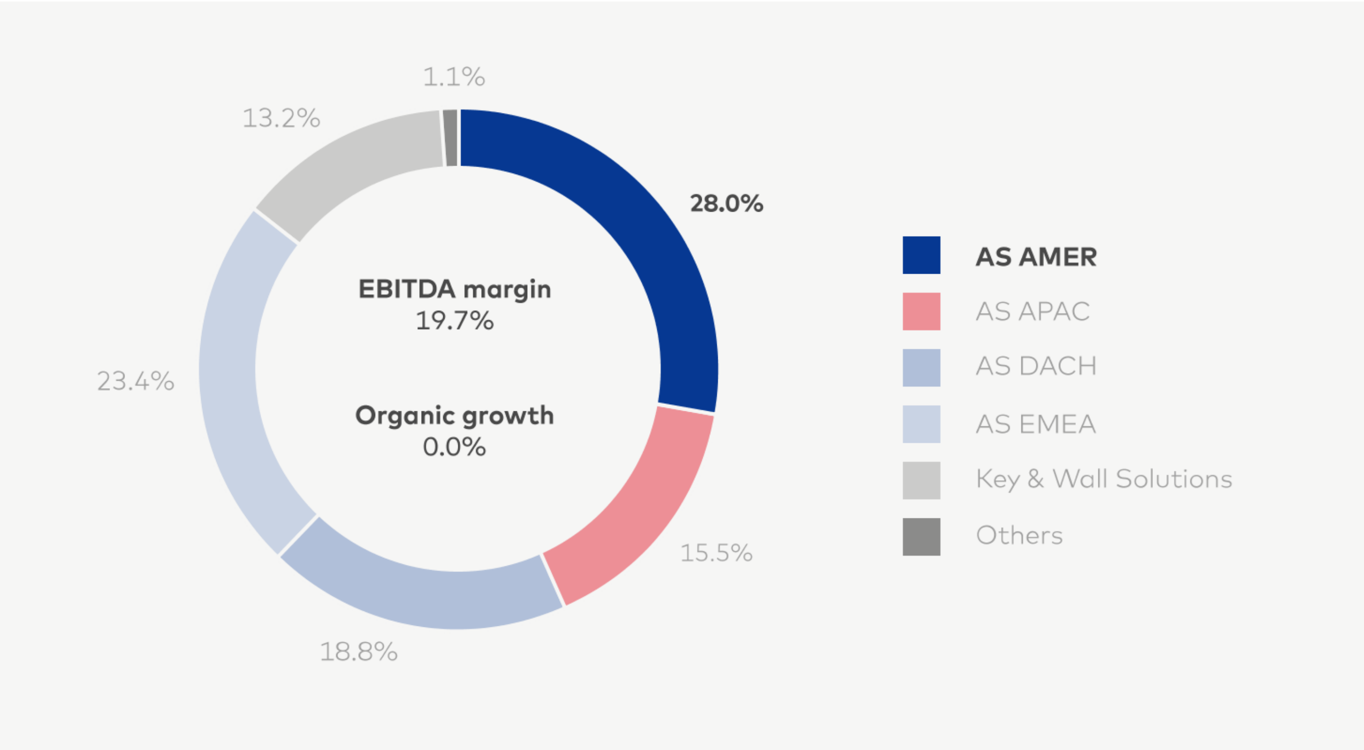
AS AMER expects to benefit from the Best Access and Mesker acquisitions, its broader product offering and its stronger position in important verticals like healthcare and education. As an example, the quality and performance of Best Access products for the education sector have been honored with the Platinum award for the product range shelter in the Lockdown and Physical Security category in the Secure Campus Awards 2018 (Campus Security & Life Safety, March 2018).

The segment will continue to develop innovative technologies and solutions, such as Ambiance, a lodging access management software solution which unifies different existing software platforms. Another example is the new Saflok Quantum Pixel lock for lodging. With its minimalistic and elegant design and its mobile access option it meets customer requirements particularly in the European and Asian markets.

AS AMER will monitor raw material prices in North America which may rise due to potential tariff policy escalations. To compensate, the segment will respond with identification of additional sourcing options and price adjustments.

The segment has launched initiatives to increase its profitability. These measures include a shared service center for finance, and investments in equipment and factory footprint to internalize external costs.

Third-party sales by segments



Key figures

in CHF million	Financial year ended 30.06.2018	in %	Financial year ended 30.06.2017	in %	Change on previous year in %
Net sales third parties	796.9		656.2		21.4
Intercompany sales	31.5		28.8		
Total segment sales	**828.4**		**685.0**		**20.9**
Change in segment sales	143.4	20.9	170.1	33.0	
Of which translation exchange differences	–11.3	–1.6	9.4	1.8	
Of which acquisition (disposal) impact	155.0	22.5	113.7	22.1	
Organic sales growth	**–0.3**	**0.0**	**47.0**	**9.1**	
Operating profit before depreciation and amortization (EBITDA)	**163.4**	**19.7**	**144.0**	**21.0**	**13.5**
Average number of full-time equivalent employees	3,078		2,506		

Segment Access Solutions APAC

Good organic sales growth with double-digit growth in China, higher profitability

Operational performance

AS APAC generated total sales of CHF 468.0 million in 2017/18. Organic sales growth was 4.5% compared to the previous year. The segment reported an EBITDA of CHF 65.8 million, which is 24.6% above previous year. The EBITDA margin increased to 14.1% (previous year 12.6%). This improvement was driven by higher volumes, strategic price adjustments and a favorable product mix which more than compensated the effects of higher raw material prices.

Market development

The segment generated good growth in most of its major regional markets. As in the previous year, there was double-digit sales growth in China, driven by the expansion of high end solutions and offerings, by the continued success of cost effective mid-market products and by the introduction of new products, such as the innovative F306+BLE door lock, the first BLE (blue-tooth low energy) electronic door lock by dormakaba for the Chinese market. There was very good organic growth as well in Australia and in India. South East Asia, however, was impacted by a somewhat weaker construction market and sales were below previous year. Additionally, there was a significant base effect as the segment finalized a major project in the second half of 2016/17 (Singapore, Changi Airport Terminal 4).

There was continued good demand for Door Hardware and Services and strong demand for Lodging Systems. The segment successfully increased its sales prices to compensate for higher raw material costs such as zinc alloy and copper.

The post-merger integration was successfully finalized in all countries except for India. However, the segment could finally kick-off its post-merger integration in India in April 2018 immediately after the Dorset Kaba joint venture was dissolved.

Chinese company GMT, which joined dormakaba as part of the Best Access acquisition, was sold on 29 September 2017. GMT is reported in the segment "Others" in order to improve comparability of segment results.

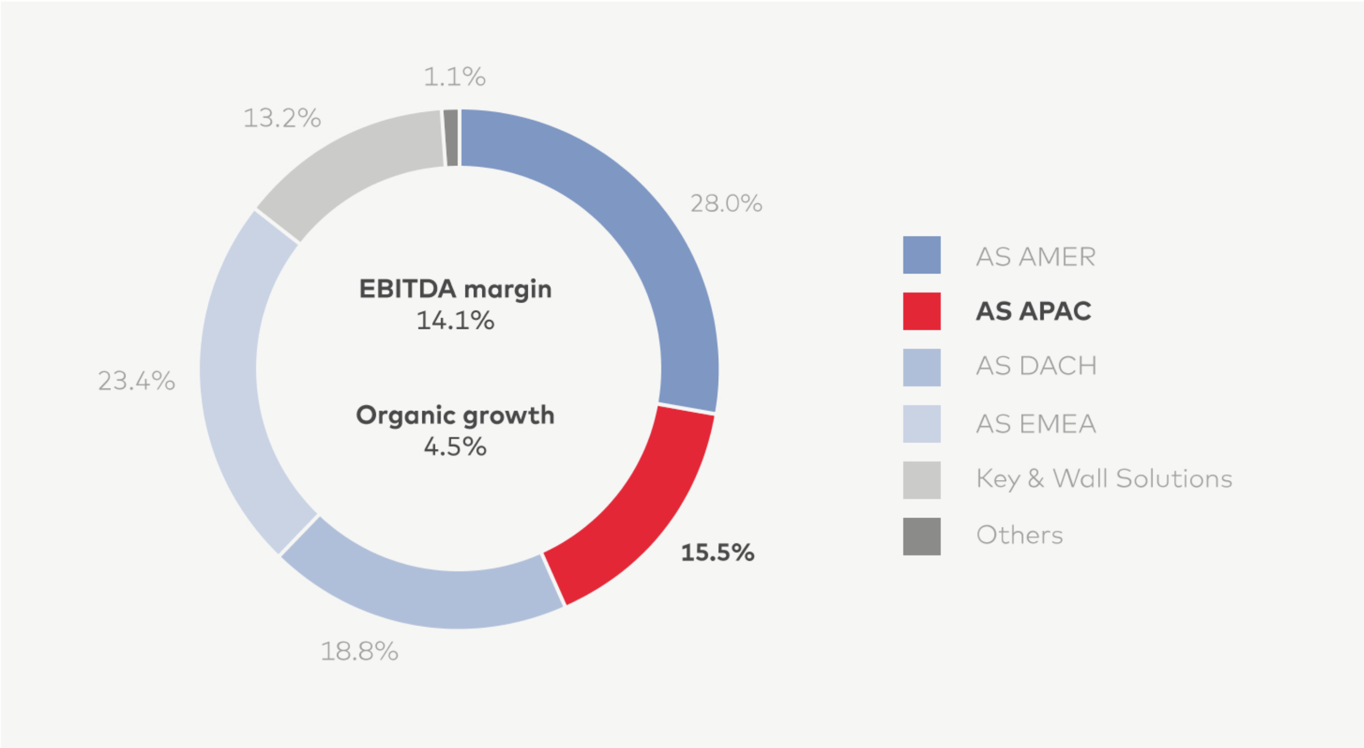
Outlook

AS APAC expects continued good growth in 2018/19 and will continue to execute its profitable growth strategy, which is leveraging the combined new product portfolio and improved cost structures. However, there is potential risk of further escalation of the trade conflicts between China and the US and of a further deterioration of the economic environment in South East Asia which might negatively impact growth expectations.

AS APAC gained contracts for several major new projects where products from multiple Product Clusters were specified like the ITPO (Indian Trade Promotion Organization) Exhibition and Convention Center in New Delhi or the International Convention Center developed by Reliance in India. The segment will continue to benefit from new innovative solutions like KTV Atrium Flex, cost-effective elegant full glass revolving doors with robust and quiet drives and easy maintenance which were launched in 2017/18.

The segment expects that it will continue to benefit from its acquired businesses. The TLHM business in Taiwan that was acquired as part of Best Access is expected to continue to contribute positively to sales growth and profitability. With the acquisition of Kilargo the segment gained market share in the door seal business in Australia. In April 2018, the segment completed the acquisition of the Commercial Building Physical Access Solutions business from Beijing-based Cambaum Group. With products including sensor or tripod barriers and different kinds of turnstiles, this business will strengthen the segment's position in the commercial smart buildings market in China.

Third-party sales by segments



Key figures

in CHF million	Financial year ended 30.06.2018	in %	Financial year ended 30.06.2017	in %	Change on previous year in %
Net sales third parties	441.1		398.7		10.6
Intercompany sales	26.9		22.2		
Total segment sales	**468.0**		**420.9**		**11.2**
Change in segment sales	47.1	11.2	44.8	11.9	
Of which translation exchange differences	0.9	0.2	6.0	1.6	
Of which acquisition (disposal) impact	27.4	6.5	9.7	2.6	
Organic sales growth	**18.8**	**4.5**	**29.1**	**7.7**	
Operating profit before depreciation and amortization (EBITDA)	**65.8**	**14.1**	**52.8**	**12.6**	**24.6**
Average number of full-time equivalent employees	3,836		4,039		

Segment Access Solutions DACH

Sales growth, profitability below previous year

Operational performance

AS DACH generated total sales of CHF 851.6 million in 2017/18. Organic sales growth was 2.0% compared to the previous year. The segment reported an EBITDA of CHF 147.4 million, which is 1.4% lower than previous year. The EBITDA margin decreased from 18.7% to 17.3% as an improvement in profitability achieved through higher volumes was not sufficient to offset the major negative effects such as an unfavorable product mix, merger-related IT costs and negative currency effects driven by the strong Euro.

Post-merger integration remains behind schedule in Germany. While the relocation of the production for standard door closers from Germany to Singapore and China was completed as planned, part of the efficiency gains will not materialize before fiscal year 2019/20. This is mainly due to the socially acceptable measures relating to job reductions in Germany agreed to with the social partners, as well as an adjustment of the timeline for some major IT projects.

In the second half-year 2017/18, some major price increases have been announced and executed to compensate for raw material inflation and to improve profitability.

Market development

Organic growth at AS DACH was mainly driven by higher sales in Austria. Switzerland also achieved good growth. Sales in Germany increased slightly compared to the prior-year period, driven by some modest improvement in the second half of 2017/18 but were still impacted by a weak Electronic Access & Data business. This business was below the level of prior year due to project delays in access control with several customers. In addition, a major software upgrade, which was required to upgrade the installed base, was launched only with a delay, but is available now for customers since early 2018/19.

Additionally, not all business opportunities were exploited in Germany, as the organization was more absorbed by the integration than expected.

Door Hardware – especially door closers – as well as Services and Entrance Systems contributed to growth driven by several new projects, like the equipment of a big cruise ship where several product clusters were contributing with their solutions.

Outlook

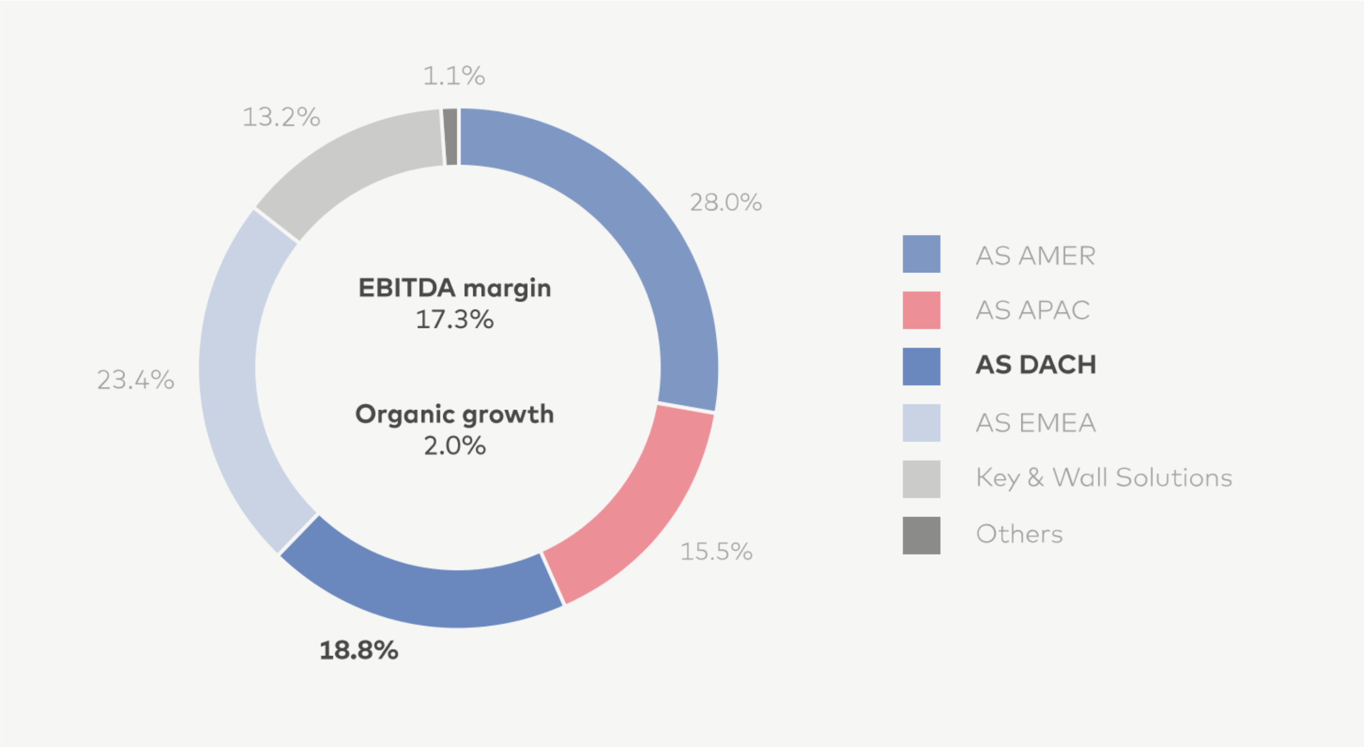
AS DACH expects accelerated growth in 2018/19 as the Electronic Access & Data business in Germany is expected to pick up and as major investments in the standardization of the IT infrastructure and digitization will enable an improvement in business processes and efficiencies.

Despite delays in the post-merger integration in Germany, AS DACH expects that profitability in 2018/19 will benefit from an improved cost base due to the relocation of the production for standard door closers from Germany to Singapore and China.

The business has started initiatives to improve profitability which includes measures to increase cost efficiency, optimized purchasing and the continuous focus on strategic pricing.

In addition, the segment intends to increase its competitiveness and sales with new and innovative products such as TS 98 XEA, a next generation door closer, which reduces complexity throughout the entire process from planning to installation, which was successfully launched in 2017/18. Another example are innovative half-height sensor barriers Argus (HSB), which are used to manage people flow in areas such as corporate entrances and lobbies. This new product family, which will be launched in 2018/19, combines an attractive design with a modular and configurable architecture. Additionally, it enables simple integration of biometric recognition devices and cost-efficient production.

Third-party sales by segments



Key figures

in CHF million	Financial year ended 30.06.2018	in %	Financial year ended 30.06.2017	in %	Change on previous year in %
Net sales third parties	530.8		496.4		6.9
Intercompany sales	320.8		304.6		
Total segment sales	**851.6**		**801.0**		**6.3**
Change in segment sales	50.6	6.3	11.0	1.4	
Of which translation exchange differences	42.8	5.3	–4.9	–0.6	
Of which acquisition (disposal) impact	–7.9	–1.0	–7.3	–0.9	
Organic sales growth	**15.7**	**2.0**	**23.2**	**2.9**	
Operating profit before depreciation and amortization (EBITDA)	**147.4**	**17.3**	**149.5**	**18.7**	**–1.4**
Average number of full-time equivalent employees	3,506		3,747		

Segment Access Solutions EMEA

Growth in Europe, higher profitability

Operational performance

AS EMEA generated total sales of CHF 781.9 million in 2017/18. Organic sales growth was 2.5% compared to the previous year. The segment reported an EBITDA of CHF 57.4 million (+16.2% vs. previous year), with an EBITDA margin of 7.3% which was above the level of the previous year (6.7%). Merger-related cost synergies were partly offset by additional investments in R&D as well as by merger-related costs for IT.

Market development

In the financial year under review, growth in AS EMEA accelerated towards the end of the period supported by major airport and stadium projects. Sales growth varied substantially between individual countries and regions. There was strong growth in Central and Eastern Europe where business was driven by all Product Clusters thanks to successful execution of cross-selling activities, strong Entrance Systems business and major stadium projects. Southern Europe experienced good growth with a strong improvement in the second half of 2017/18 driven by project business particularly for automated border controls at airports in Spain. This growth overcompensated a weaker business environment in France. The Benelux countries and the UK contributed to growth as well, whereas sales in Scandinavia were below previous year. Benefitting from some major projects like the Metro in Riyadh (Saudi Arabia) and the Abu Dhabi Airport in UAE, sales in the Middle East improved during the second half of 2017/18; however, overall sales in the Middle East for the financial year 2017/18 were still slightly below previous year's level.

Growth was driven by the three Product Clusters Services, Entrance Systems, and particularly Lodging Systems. The business won several major contracts for Mobile Access Solutions from European hotel chains which is another step in establishing this technology also in Europe.

Post-merger integration was proceeding according to plan, as reflected in successful cross-selling initiatives, improved cost structures as well as in the status of the roll-out of the joint IT platforms such as ERP and CRM in various countries. These applications are expected to strengthen local organizations by providing a seamless digital customer journey along the entire customer supply chain, thereby optimizing customer experience, business processes and increasing profitability.

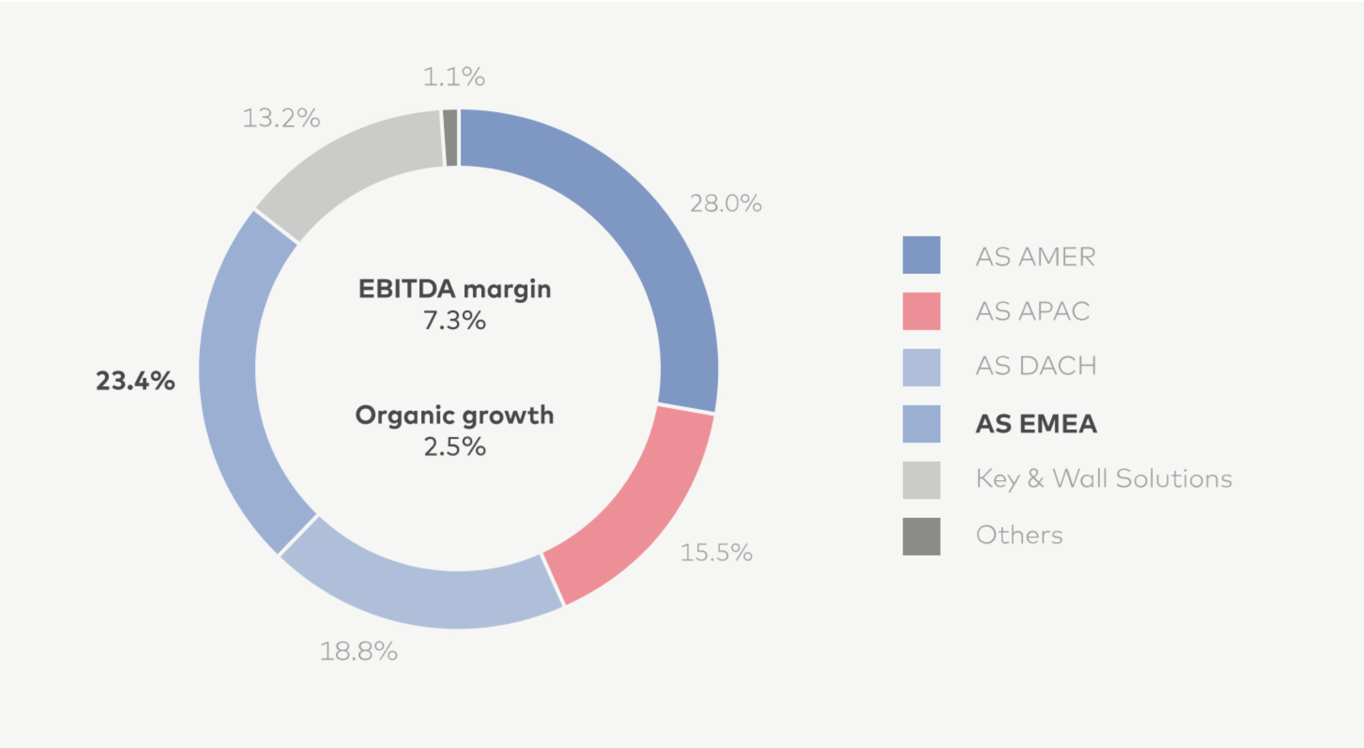
Outlook

AS EMEA overall expects no major changes in its business environment. Recently increased political and economic volatility, however, might negatively impact the overall market situation.

The segment expects growth in Europe driven by continued good demand in Central and Eastern Europe. In the Middle East, AS EMEA will re-direct its focus towards the project and solution business, where the outlook for growth is expected to be more promising.
In Scandinavia, ERP and CRM platforms are scheduled to go live in the second quarter of 2018/19 and are expected to contribute positively to the business performance in this fiscal year.

The segment will continue to focus on innovative, industry-specific access solutions to support customers in their business. For example, the segment gained a large order from a major European care provider for a customer-specific solution based on our TouchGo technology. TouchGo was developed for care and nursing homes. It utilizes the body's electrostatic energy to transmit access rights from an access medium which is placed in a pocket, belt or a wheelchair to the handle. User rights are then checked simply by touching the door handle.

Third-party sales by segments



Key figures

in CHF million	Financial year ended 30.06.2018	in %	Financial year ended 30.06.2017	in %	Change on previous year in %
Net sales third parties	666.2		619.8		7.5
Intercompany sales	115.7		113.1		
Total segment sales	**781.9**		**732.9**		**6.7**
Change in segment sales	49.0	6.7	–12.2	–1.6	
Of which translation exchange differences	29.8	4.1	–18.1	–2.4	
Of which acquisition (disposal) impact	1.2	0.2	–5.2	–0.7	
Organic sales growth	**18.0**	**2.5**	**11.1**	**1.5**	
Operating profit before depreciation and amortization (EBITDA)	**57.4**	**7.3**	**49.4**	**6.7**	**16.2**
Average number of full-time equivalent employees	3,378		3,501		

Segment Key & Wall Solutions

Strong growth and higher profitability

dormakaba combined its Key Systems and Movable Walls segments in November 2017 to form the Key & Wall Solutions segment.

Operational performance

Key & Wall Solutions reported total sales of CHF 387.5 million in 2017/18, representing year-on-year organic sales growth of 4.9%. EBITDA amounted to CHF 56.7 million, which is an increase of 19.6% over the year-back figure, while the EBITDA margin was higher at 14.6% (previous year 14.3%). This margin increase was due to the positive effect of the Skyfold acquisition and higher volumes, which more than offset a slightly negative product mix and raw material price increases.

Market development

Business Unit Key Systems increased its sales in 2017/18 with particular good growth in the second half of the financial year, driven by strong sales in Automotive Solutions, where a new product was successfully introduced in December 2017. Key Systems continued to experience increased demand in most of its markets, except for the key replacement business in North America which was slightly below previous year. Asia and South America reported double-digit sales growth, while Europe showed good sales growth – especially in Italy – with sustained demand across all product categories (key blanks, key cutting machines, automotive solutions).

Business Unit Movable Walls experienced double-digit organic sales growth with good demand in almost all regions. There was good growth in particular in the US, driven by strong underlying demand and realization of delayed customer projects from the previous year. While the sales growth of the business in Asia was much higher than the year before, the sales development in Europe was slightly below prior-year level. The Sykfold business that was acquired in July 2017 contributed very positively to EBITDA. On top, first top line synergies have been realized.

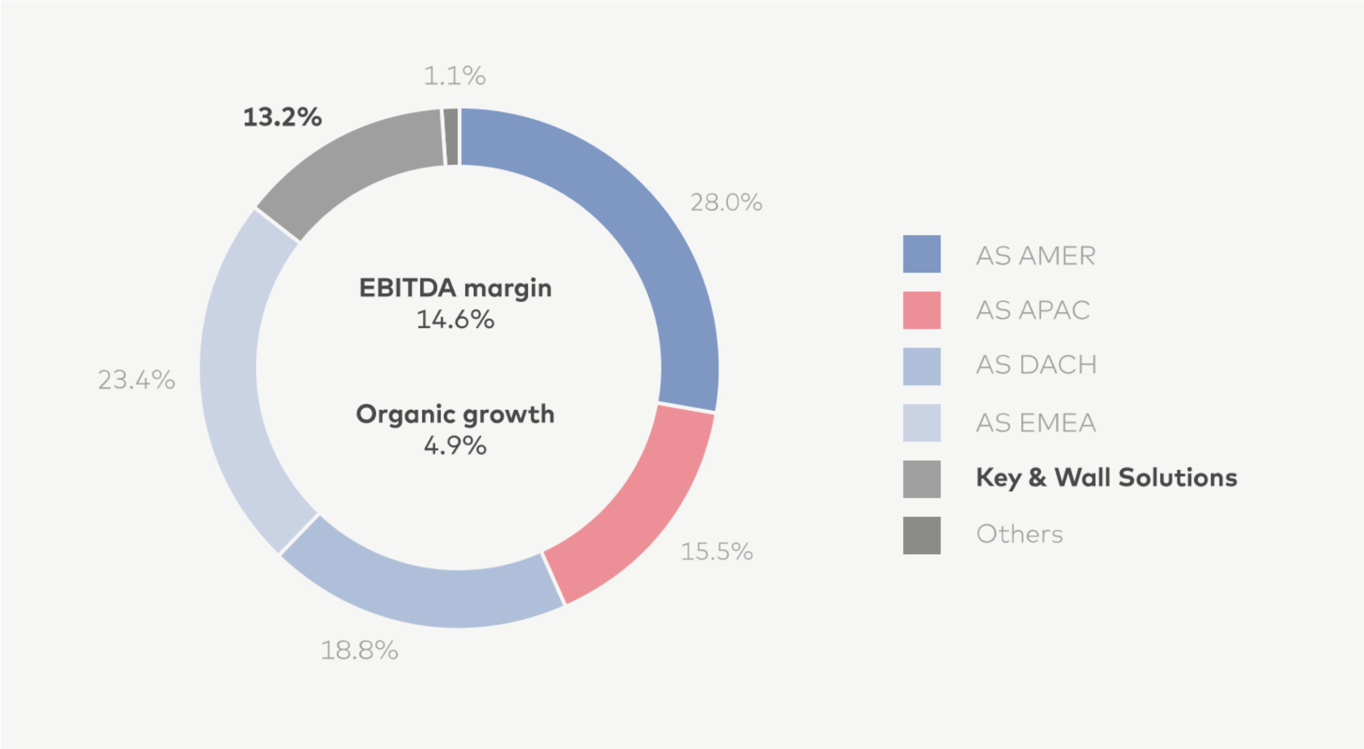
Outlook

No major changes in the business environment are expected within Key & Wall Solutions.

The expansion of its market presence is a key objective for Key Systems, especially in regions with high potential and emerging markets with additional focus on automotive solutions. An example for this strategy is the acquisition of Klaus Group, a market leader in several South American countries that produces and distributes key blanks as well as other brass products. This acquisition, which was completed in May 2018, strengthens Key Systems' presence and market position in South America. The entire business unit Key Systems will continue to improve its cost leadership through operational excellence along the entire value chain.

Business Unit Movable Walls will focus to continue to profitably grow its business in the US as well as Asia. In addition, the integration of Skyfold is expected to contribute positively to growth and profitability. In Germany the main focus will be on measures to increase the automatization of its main production site which are expected to be finalized in 2018/19 with the aim to sustainably improve the cost base and efficiency of the European business.

Third-party sales by segments



Key figures[1]

in CHF million	Financial year ended 30.06.2018	in %	Financial year ended 30.06.2017	in %	Change on previous year in %
Net sales third parties	374.2		321.4		16.4
Intercompany sales	13.3		10.4		
Total segment sales	**387.5**		**331.8**		**16.8**
Change in segment sales	55.7	16.8	9.5	2.9	
Of which translation exchange differences	7.2	2.2	0.0	0.0	
Of which acquisition (disposal) impact	32.4	9.8	0.0	0.0	
Organic sales growth	**16.1**	**4.9**	**9.5**	**2.9**	
Operating profit before depreciation and amortization (EBITDA)	**56.7**	**14.6**	**47.4**	**14.3**	**19.6**
Average number of full-time equivalent employees	2,139		2,056		

1) In the financial year ended 30.06.2018 the segments Key Systems and Movable Walls were combined into segment Key & Wall Solutions. In order to enable a comparison with current-year data, prior year data has also been consolidated.

Overview

dormakaba generated solid results in the financial year 2017/18. Consolidated net sales grew by 12.7% (CHF 320.9 million), and reached CHF 2,841.0 million compared to CHF 2,520.1 million in the previous year. Acquisitions and divestments contributed 8.2% (CHF 207.5 million) to growth, while organic sales growth accounted for 2.6% (CHF 65.5 million). The foreign exchanges rates had a positive impact on reported sales growth of 1.9% (CHF 47.9 million), mainly due to the weaker Swiss Franc against the Euro.

Profitability
EBITDA for the reporting period increased by 11.3% (CHF 43.7 million) and came to CHF 431.0 million compared to CHF 387.3 million in the previous year.

The EBITDA margin reached 15.2%, which was slightly below the previous year level of 15.4%. Acquisitions and divestments had a positive net impact on EBITDA in an amount of CHF 52.1 million. EBITDA was also positively impacted by currency translation in an amount of CHF 9.7 million. Within the organic business EBITDA came in lower than previous year due to weaker business performance especially in the US and Germany (CHF –18.1 million). The positive impacts on the Group's EBITDA margin from the contributions of higher volumes, acquisitions, and merger-related cost savings were more than offset by integration-related IT costs, unfavorable product mix effects, and a delay in efficiency gains in Germany. EBIT increased by 11.4% to CHF 364.3 million (previous year CHF 327.0 million) and the EBIT margin was at 12.8% (previous year 13.0%).

+12.7%

increase in consolidated net sales

+6.3%

increase in net profit

+11.3%

increase in EBITDA

Financial result, profit before taxes and income taxes
The net financial result was CHF –48.6 million in the financial year 2017/18. Key driver was the full-year effect of the interest charges arising from the financing of the acquisitions executed in the reporting period and the year before. In the previous year acquisition-related interest charges started to occur only as a result of the acquisitions of Mesker (December 2016) and Best Access (February 2017). Profit before taxes came to CHF 315.7 million (previous year CHF 295.2 million). Income tax amounted to CHF 77.0 million, resulting in an income tax rate of 24.4%. As expected, the US tax reforms that came into force at the start of 2018 had and will continue to have a positive impact on the weighted applicable tax rate, which was further reinforced by some other one-off tax factors. Previous year's effective tax rate was significantly lowered by positive merger-related one-off tax effects. Consequently, the effective tax rate for financial year 2017/18 was only slightly higher than the previous year's 23.9%.

Net profit
dormakaba closed the financial year 2017/18 with a higher net profit of CHF 238.7 million (previous year CHF 224.6 million). This increase of 6.3% is mainly attributable to earnings growth through acquisitions; profit margins remained relatively stable. Consequently, net profit after minority interests rose by 6.4% to CHF 123.8 million from CHF 116.4 million in the previous year, and earnings per share (diluted) came to CHF 29.5 (previous year CHF 27.7).

Cash flow and balance sheet
Cash flow from operations amounted to CHF 367.2 million, and free cash flow increased to CHF 37.1 million (previous year CHF 354.7 million and CHF –699.2 million, respectively, due to acquisitions). This higher operational cash flow resulted primarily from the contribution from acquired businesses, but was partly compensated by significant expenses for merger-related restructuring. Cash flow from investing activities includes CHF 115.3 million for capital expenditures, as well as CHF 141.5 million for acquisitions. Cash flow from financing activities includes the refinancing of previous short-term financial debt through the placement of two bonds in a total value of CHF 680 million in October 2017. As a result, on the balance sheet date of 30 June 2018, net financial debt stood at CHF 701.2 million (previous year as at 30 June 2017: net debt of CHF 627.6 million). The net debt ratio to EBITDA remained stable at 1.6 times.

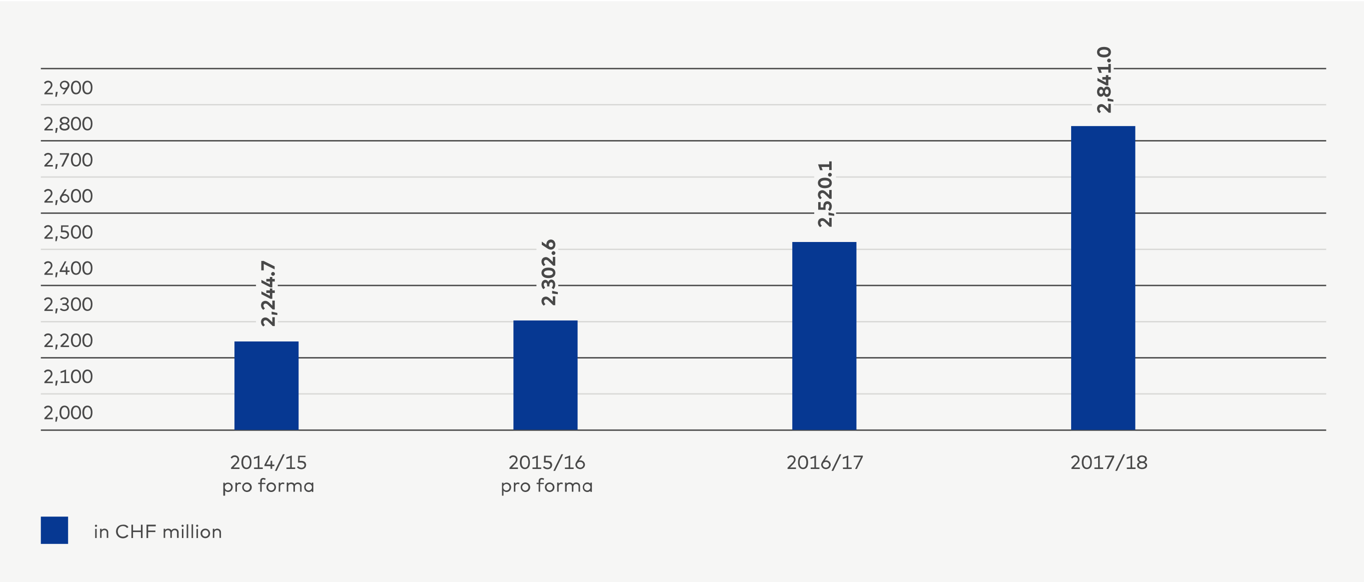
As at 30 June 2018, total assets were at CHF 1,982.3 million. Within current assets, cash and cash equivalents amounted to CHF 145.3 million; inventories stood at CHF 432.3 million (21.8% of total assets; previous year 21.5%), and trade receivables at CHF 502.1 million (25.3% of total assets; previous year 24.2%). Non-current assets consisted mainly of property, plant and equipment worth CHF 458.6 million (23.1% of total assets; previous year 21.6%). Total liabilities were at CHF 1,795.3 million (90.6% of total assets; previous year 90.4%), of which CHF 680.5 million reflects the two bonds due in 2021 and 2025.

In the financial year 2017/18, the company's equity increased from CHF 183.1 million to CHF 187.0 million, with an equity ratio of 9.4% (9.6% as at 30 June 2017). The change in equity is mainly due to goodwill from acquisitions executed during financial year 2017/18 in the amount of CHF 145.0 million, which was fully and directly offset against equity, dividend payments to shareholders in an amount of CHF 113.3 million, and the net profit contribution of CHF 238.7 million.

Currency effects

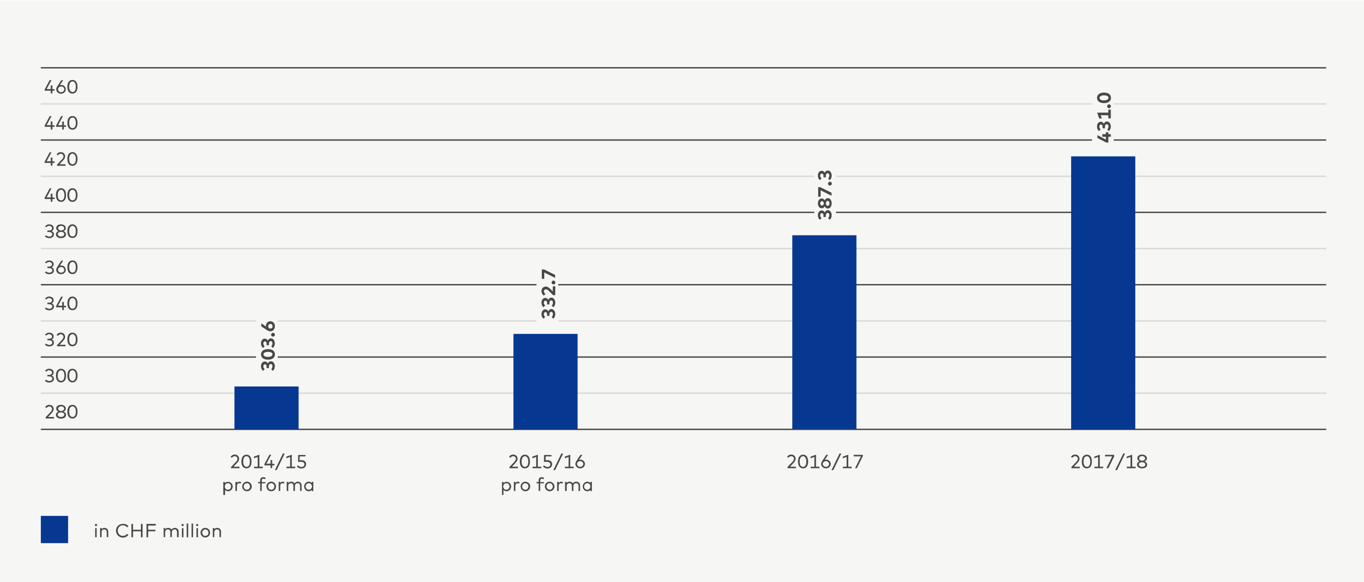
In summary, currency translation had a positive effect on sales, profitability, cash flows, and equity in financial year 2017/18. This was driven by the Euro against the Swiss Franc compared to the previous year, which strengthened by 7.2% from CHF 1.080 to CHF 1.158. Slightly compensating was the stronger Swiss Franc against the US Dollar, where the average exchange rate of the US dollar fell by 2.1% from CHF 0.991 to CHF 0.971.

Sales



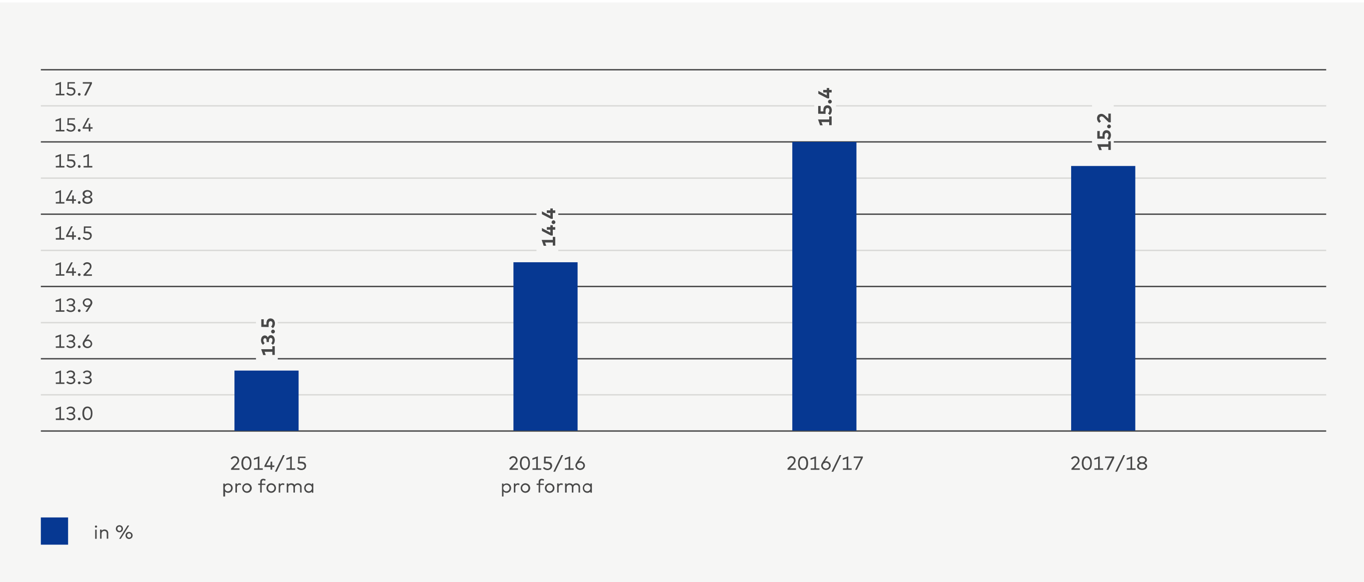
pro forma = former Dorma Group and former Kaba Group both 12 months

EBITDA



pro forma = former Dorma Group and former Kaba Group both 12 months

EBITDA margin



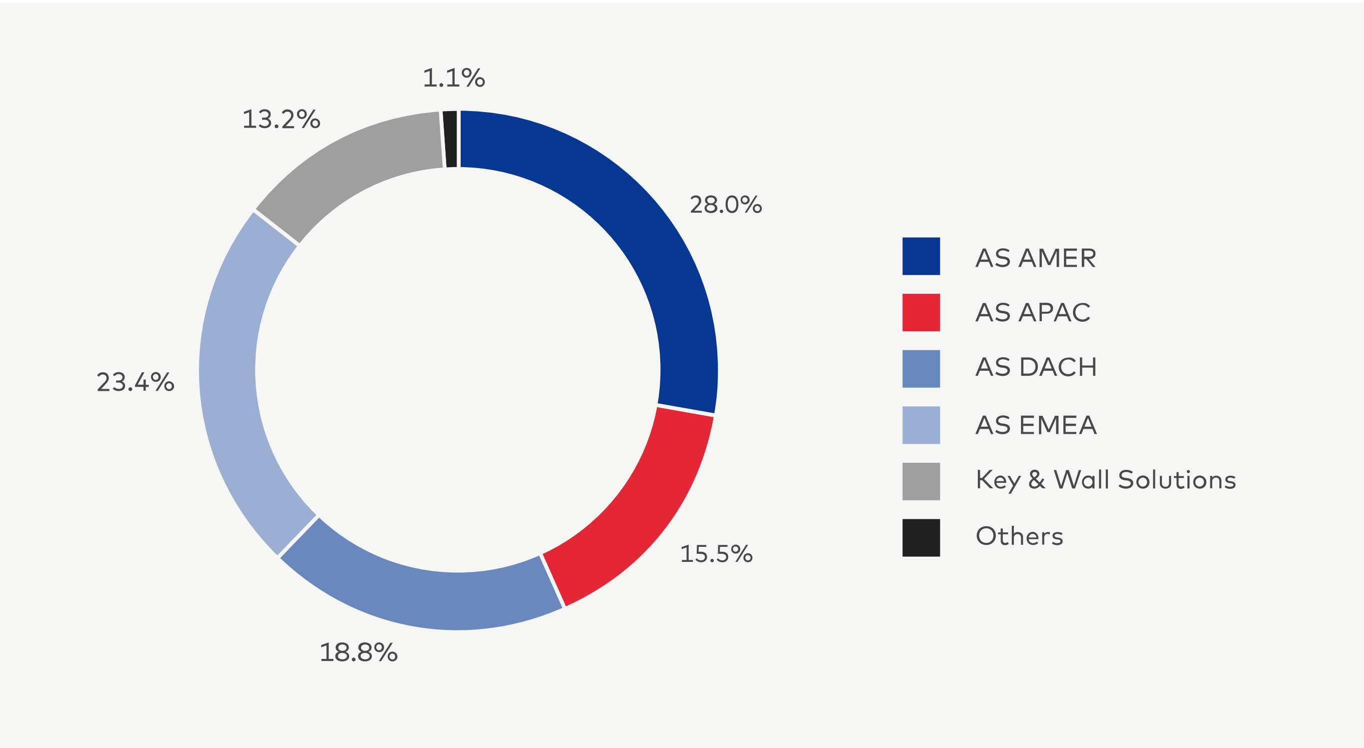
pro forma = former Dorma Group and former Kaba Group both 12 months

Key figures

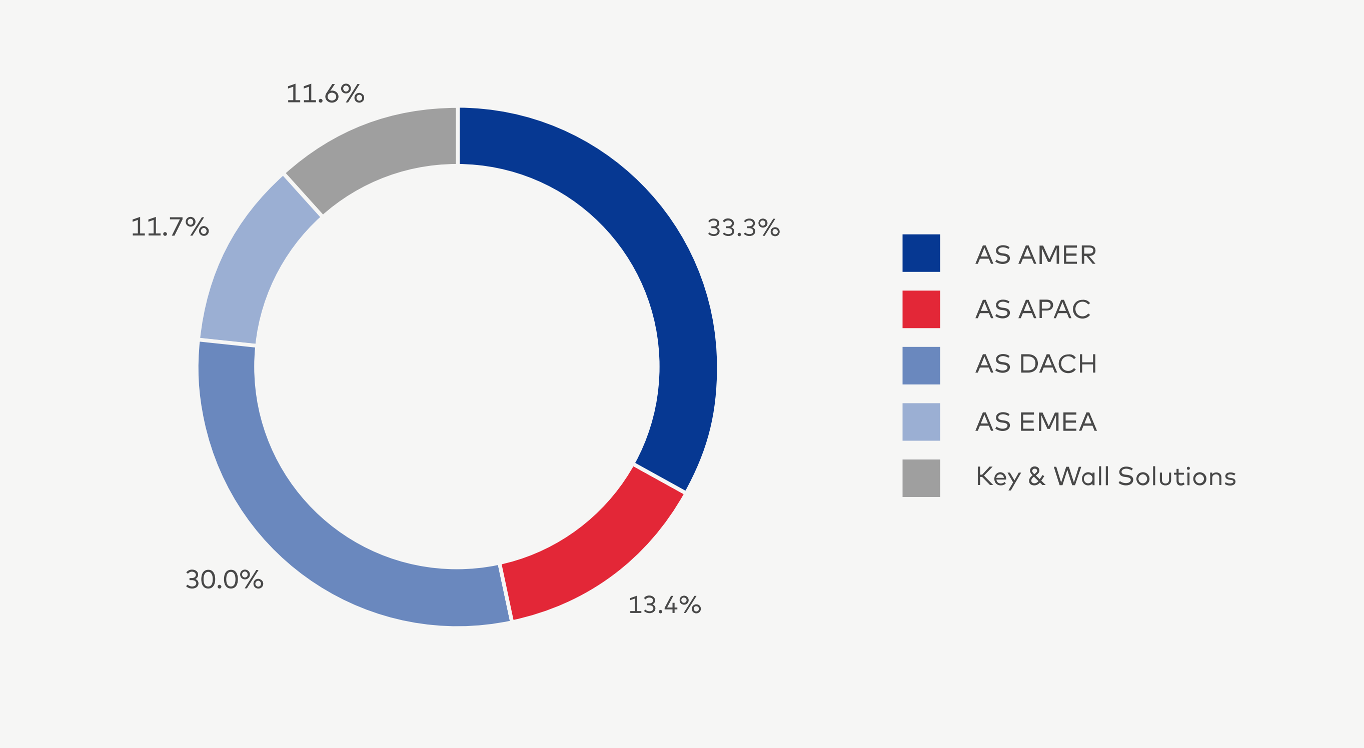
in CHF million	Financial year ended 30.06.2018	in %	Financial year ended 30.06.2017	in %
Net sales	2,841.0	100.0	2,520.1	100.0
Organic sales growth in %	2.6		4.3	
Operating profit before depreciation and amortization (EBITDA)	**431.0**	**15.2**	**387.3**	**15.4**
Operating profit (EBIT)	**364.3**	**12.8**	**327.0**	**13.0**
Profit before tax	315.7	11.1	295.2	11.7
Dividend per share (in CHF) 1)	15.0		14.0	
Other key figures				
Total assets	1,982.3		1,909.0	
Net debt	701.2		627.6	
Market capitalization	2,908.0		3,479.9	
Average number of full-time equivalent employees	16,432		16,250	

1) Financial year ended 30.06.2018: proposal to the Annual General Meeting; in the form of a distribution of capital reserves.

Third-party sales by segments



EBITDA contribution by segments (in % of total segment EBITDA)



Consolidated financial statements

Consolidated income statement

in CHF million except per share amounts	Note	Financial year ended 30.06.2018	in %	Financial year ended 30.06.2017	in %
Net sales	**5**	**2,841.0**	**100.0**	**2,520.1**	**100.0**
Cost of goods sold		–1,647.3	–58.0	–1,445.0	–57.3
Gross margin		**1,193.7**	**42.0**	**1,075.1**	**42.7**
Other operating income, net	6	12.4	0.4	11.5	0.5
Sales and marketing		–446.8	–15.7	–402.6	–16.0
General administration		–286.3	–10.1	–259.4	–10.3
Research and development		–108.7	–3.8	–97.6	–3.9
Operating profit (EBIT)		**364.3**	**12.8**	**327.0**	**13.0**
Result from associates	16	2.5	0.1	2.7	0.1
Financial expenses	8	–53.5	–1.9	–37.6	–1.5
Financial income	9	2.4	0.1	3.1	0.1
Profit before taxes		**315.7**	**11.1**	**295.2**	**11.7**
Income taxes	10	–77.0	–2.7	–70.6	–2.8
Net profit		**238.7**	**8.4**	**224.6**	**8.9**
Net profit attributable to minority interests		114.9		108.2	
Net profit attributable to the owners of the parent		123.8		116.4	
Basic earnings per share (in CHF)	3	29.6		27.8	
Diluted earnings per share (in CHF)	3	29.5		27.7	
Operating profit before depreciation and amortization (EBITDA)	**27**	**431.0**	**15.2**	**387.3**	**15.4**

Consolidated balance sheet

Assets

in CHF million	Note	Financial year ended 30.06.2018	in %	Financial year ended 30.06.2017	in %
Current assets					
Cash and cash equivalents		145.3	7.3	188.3	9.9
Trade receivables	11	502.1	25.3	461.4	24.2
Inventories	12	432.3	21.8	411.4	21.5
Current income tax assets		49.9	2.6	36.1	1.9
Other current assets	13	59.6	3.0	82.5	4.3
Total current assets		**1,189.2**	**60.0**	**1,179.7**	**61.8**
Non-current assets					
Property, plant and equipment	14	458.6	23.1	412.8	21.6
Intangible assets	14	51.5	2.6	38.4	2.0
Investments in associates	16	40.6	2.0	36.0	1.9
Non-current financial assets	17	38.9	2.0	37.9	2.0
Deferred income tax assets	23	203.5	10.3	204.2	10.7
Total non-current assets		**793.1**	**40.0**	**729.3**	**38.2**
Total assets		**1,982.3**	**100.0**	**1,909.0**	**100.0**

Liabilities and equity

in CHF million	Note	Financial year ended 30.06.2018	in %	Financial year ended 30.06.2017	in %
Current liabilities					
Current borrowings	18	156.5	7.9	814.6	42.7
Trade payables		166.5	8.4	151.8	8.0
Current income tax liabilities		51.3	2.6	38.7	2.0
Accrued and other current liabilities	19	338.1	17.0	328.4	17.2
Provisions	20	51.1	2.6	76.9	4.0
Total current liabilities		**763.5**	**38.5**	**1,410.4**	**73.9**
Non-current liabilities					
Non-current borrowings	18	685.2	34.6	1.3	0.1
Accrued pension costs and benefits	21	303.0	15.3	285.1	14.9
Deferred income tax liabilities	23	38.8	2.0	29.1	1.5
Other non-interest bearing liabilities	18	4.8	0.2	0.0	0.0
Total non-current liabilities		**1,031.8**	**52.1**	**315.5**	**16.5**
Total liabilities		**1,795.3**	**90.6**	**1,725.9**	**90.4**
Equity					
Share capital	3	0.4	0.0	0.4	0.0
Additional paid-in capital		811.3	40.9	811.3	42.5
Retained earnings		1,175.1	59.3	1,109.8	58.2
Goodwill offset against equity		–1,805.0	–91.1	–1,728.9	–90.6
Treasury stock		–10.3	–0.5	–17.9	–0.9
Translation exchange differences		2.1	0.1	–1.1	–0.1
Total equity owners of the parent		**173.6**	**8.7**	**173.6**	**9.1**
Minority interests		13.4	0.7	9.5	0.5
Total equity	**2.10, 15**	**187.0**	**9.4**	**183.1**	**9.6**
Total liabilities and equity		**1,982.3**	**100.0**	**1,909.0**	**100.0**

Consolidated cash flow statement

in CHF million	Note	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Net profit		**238.7**	**224.6**
Depreciation and amortization	14	66.7	60.3
Income tax expenses	10	77.0	70.6
Interest expenses	8	43.2	17.3
Interest income	9	–2.0	–1.8
(Gain) Loss on disposal of fixed assets, net		–1.0	–2.3
Adjustment for non-cash items		10.2	16.5
Change in trade receivables		–31.5	–28.9
Change in inventories		–12.4	–13.9
Change in other current assets		7.4	–16.4
Change in trade payables		11.8	13.5
Change in accrued pension cost		2.8	0.6
Change in accrued and other current liabilities		–43.7	14.6
Cash generated from operations		**367.2**	**354.7**
Income taxes paid		–59.8	–74.5
Interest paid		–40.5	–16.7
Interest received		2.0	1.8
Net cash from operating activities		**268.9**	**265.3**
Cash flows from investing activities			
Additions of property, plant and equipment	14	–91.7	–73.3
Proceeds from sale of property, plant and equipment	14	3.4	8.1
Acquisition of subsidiaries, net of cash acquired	4	–140.0	–884.9
Acquisition of associates and joint ventures		–1.5	–1.0
Sale of subsidiaries, net of cash sold		20.8	–0.3
Additions of intangible assets	14	–23.6	–11.4
Change in other non-current financial assets and prepaid transaction costs		0.8	–1.7
Net cash used in investing activities		**–231.8**	**–964.5**
Cash flows from financing activities			
Other proceeds from (repayment of) current borrowings, net	18	–694.6	756.7
Proceeds from (repayment of) non-current borrowings	18	–0.4	–8.4
Change in other non-current liabilities		–0.1	0.8
New bonds issued		680.5	0.0
Dividends paid to minority shareholders		–54.7	–27.5
(Purchase) Sale of treasury stock		–1.9	–20.8
New shares issued		0.0	3.7
Dividends paid to company's shareholders		–58.6	–50.4
Net cash flows from financing activities		**–129.8**	**654.1**
Translation exchange differences		49.7	20.2
Net increase (decrease) in cash and cash equivalents		**–43.0**	**–24.9**
Cash and cash equivalents at beginning of period		188.3	213.2
Cash and cash equivalents at end of period		145.3	188.3
Net increase (decrease) in cash and cash equivalents		**–43.0**	**–24.9**

Consolidated statement of changes in equity

in CHF million	Share capital	Additional paid-in capital	Retained earnings	Goodwill offset against equity [1]	Treasury stock	Cumul. translation adjustm.	Minority interests	Total equity
Financial year ended 30.06.2017								
Balance at 30.06.2016	**0.4**	**807.6**	**1,035.0**	**–1,382.8**	**–1.6**	**–15.8**	**237.7**	**680.5**
Net profit for the reporting period			116.4				108.2	224.6
Goodwill on acquisitions and divestments (see note 15)				–346.1			–313.2	–659.3
Currency translation adjustments						14.7	12.4	27.1
Dividend paid			–50.4				–27.5	–77.9
New shares issued		3.7						3.7
Shares awarded			0.7		5.1			5.8
Treasury stock (purchased) re-issued			8.1		–21.4		–8.1	–21.4
Balance at 30.06.2017	**0.4**	**811.3**	**1,109.8**	**–1,728.9**	**–17.9**	**–1.1**	**9.5**	**183.1**
Financial year ended 30.06.2018								
Balance at 30.06.2017	**0.4**	**811.3**	**1,109.8**	**–1,728.9**	**–17.9**	**–1.1**	**9.5**	**183.1**
Net profit for the reporting period			123.8				114.9	238.7
Goodwill on acquisitions and divestments (see note 15)				–76.1			–68.9	–145.0
Currency translation adjustments						3.2	12.6	15.8
Dividend paid			–58.6				–54.7	–113.3
Shares awarded			0.1		9.5		0.0	9.6
Treasury stock (purchased) re-issued					–1.9			–1.9
Balance at 30.06.2018	**0.4**	**811.3**	**1,175.1**	**–1,805.0**	**–10.3**	**2.1**	**13.4**	**187.0**

1) Goodwill from acquisitions is no longer offset against retained earnings, but presented retroactively since 1 July 2016 as a separate item of equity.

Notes to the consolidated financial statements for financial year 2017/18

1. General information

Description of business

Strategy

dormakaba Group is one of the leading companies in the global security and access solutions market. With its excellent product and solutions portfolio along the entire value chain, the Group provides its customers with products, solutions and services for anything related to access to buildings and rooms from a single source. dormakaba has distribution channels and production facilities in all of the industries' key markets and will accelerate global expansion through the strengthened presence in Europe, the Americas and Asia Pacific. dormakaba is a growth-oriented company with a strong anchor shareholder group that will ensure its long-term oriented strategy. In order to grow profitably and to maximize the creation of value for all its stakeholders, dormakaba focuses on a clearly defined strategy with the following elements:

- Superior offering for needs along life cycle;
- Expanded presence in markets and verticals;
- Drive enterprise excellence along the value chain;
- Leadership in innovation for superior customer value;
- Optimized management of the business portfolio and disciplined M & A activities;
- Have the right people at the right place.

These strategic pillars are based on the two foundations of sustainability and enhancing the global brand power.

Operating model

dormakaba has divided the areas of business in which the company is globally active into five segments. Access Solutions (AS), which comprises four segments, is structured by region: AS AMER (North and South America), AS APAC (Asia Pacific), AS DACH (Germany, Austria, and Switzerland), and AS EMEA (Europe, Middle East, and Africa). The segment Key & Wall Solutions is globally positioned.

In order to meet customers' needs in the most effective way, dormakaba's operating model is based on a matrix structure and therefore all four Access Solutions segments have a dual responsibility. The global Access Solutions product portfolio is arranged into eight global Product Clusters, and is assigned to specific segments along with the relevant production facilities, regardless of the geographic location: Lodging Systems, Safe Locks, Door Hardware, Interior Glass Systems, Entrance Systems, Mechanical Key Systems, Services, and Electronic Access & Data. These global Product Clusters are complemented by local products in all Access Solutions segments. dormakaba operates in the following businesses on a worldwide basis:

- **Access Solutions AMER (AS AMER):** The AS AMER segment includes dormakaba Group's business activities for access solutions in North and South America. AS AMER also has overall responsibility across all segments for the global Product Clusters Services, Lodging Systems, and Safe Locks.
- **Access Solutions APAC (AS APAC):** This segment includes dormakaba Group's business activities for access solutions in the Asia-Pacific region.
- **Access Solutions DACH (AS DACH):** The AS DACH segment includes the dormakaba Group's business activities for access solutions in Germany, Austria, and Switzerland. AS DACH also has cross-segment responsibility for the following global Product Clusters: Door Hardware, Interior Glass Systems, and Entrance Systems, including the associated production facilities and competence centers, in particular in Singapore, Suzhou (China), Melaka (Malaysia), and Sofia (Bulgaria).

- **Access Solutions EMEA (AS EMEA):** This segment includes the dormakaba Group's business activities for access solutions in Europe (excluding DACH), the Middle East, and Africa. AS EMEA also has cross-segment responsibility for the global Product Clusters Mechanical Key Systems and Electronic Access & Data, including the associated production facilities and competence centers, in particular in Wetzikon and Rümlang (Switzerland), Herzogenburg and Eggenburg (Austria), and Villingen-Schwenningen (Germany).
- **Key & Wall Solutions:** On 20 November 2017, dormakaba combined the segments Key Systems and Movable Walls into one segment Key & Wall Solutions. Key Systems is a globally active business and includes the product categories Keys, Key Cutting Machines, and Automotive Solutions.
  Movable Walls has global activities in the space-dividing systems sector where it is specialized in acoustic movable partitions and in horizontal and vertical partitioning systems. The segment has production facilities in Europe, North and South America and Asia.
- **Other:** This segment contains business activities which do not fit into the basic segment structure and mainly consist of operations involving contactless identification systems and trusted services based on Legic SmartCard and Connect technologies.

Offering

dormakaba stands for security, sustainability, and reliability and aims to develop products, solutions, and services that make life for its customers more simple and secure. dormakaba offers an expanded, comprehensive portfolio of products, solutions, and services for access to buildings and rooms from a single source – in hotels, shops, sporting venues, airports, hospitals, in the home or at the office. The product offering includes:

- **For the Access Solutions segments:** The four AS segments AMER, APAC, DACH and EMEA include all hardware- and software-based components, products, and solutions for access solutions as well as relevant services. The offering includes the global Product Clusters Door Hardware, Entrance Systems, Electronic Access & Data, Interior Glass Systems, Lodging Systems, Mechanical Key Systems, Safe Locks and Services, as well as local products. The multifaceted portfolio ranges from door technology solutions, automatic door systems, a wide variety of fittings, door closers and stoppers, and locking systems – from cylinders, keys, and locks all the way up to fully networked electronic access solutions for companies, public facilities, hotels, and many other applications. The range also includes physical access systems, high-security locks, glass fittings, solutions for workforce management, as well as services for all these applications.
- **In segment Key & Wall Solutions** the globally active business units Key Systems and Movable Walls are combined. Key Systems offers a high-performance range of key blanks and mechanical, electronic and (semi-)industrial key-cutting and origination machines. In addition, the portfolio also covers solutions for the automotive industry, such as vehicle keys, transponders as well as key programming devices and duplication equipment. Movable Walls is specialized on acoustic movable partitions and on horizontal and vertical sliding walls. The business is globally active and offers partitions available from a manual application to fully automatic / electronic walls.

Parent company of the Group

The parent company of the Group is dormakaba Holding AG, which is a company limited by shares, incorporated and domiciled in Rümlang (Switzerland). The address of its registered office is: Hofwisenstrasse 24, 8153 Rümlang, Switzerland. The company is listed on the SIX Swiss Exchange (SIX).

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of dormakaba Group comply with Swiss law and have been prepared using the historical cost convention, except as disclosed in the accounting policies below, and in accordance with the entire existing guidelines of Swiss GAAP FER (Generally Accepted Accounting Principles FER/FER = Fachempfehlung zur Rechnungslegung). Furthermore, the accounting complies with the provisions of the listing rules of the SIX and the Swiss company law. The financial statements are presented in Swiss Francs (CHF).

The accounting policies have been applied consistently by Group companies. In the year under review, no changes to the Swiss GAAP FER standards have been announced or released. A summary of the significant accounting policies is provided below.

2.2 Basis of consolidation

The consolidated financial statements of dormakaba Group include the operations of dormakaba Holding AG and all direct and indirect subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated accounts are based on the annual financial statements of the individual subsidiaries. All companies follow uniform measurement and reporting practices prescribed by the Group. Applying the full consolidation method, the assets, liabilities, income, and expenses of all subsidiaries are included in their entirety. Minority interests in equity and profit are disclosed separately. Subsidiaries are consolidated from the date on which control is acquired. The identifiable assets and liabilities are revalued and included according to the acquisition method. Any difference between the cost of acquisition and the fair value of the Group's share of net assets acquired constitutes goodwill. Subsidiaries sold are excluded from consolidation from the date on which control ceases. All intercompany balances, transactions and intercompany profits are eliminated on consolidation. Investments in associates and joint ventures where dormakaba Group exercises significant influence, but does not have control, normally with an interest between 20% and 50%, are accounted for using the equity method of accounting. Under the equity method, investments in associated companies and joint ventures are initially recognized at cost, and the carrying amount is increased or decreased to recognize dormakaba Group's share of the profit or loss of the investee after the date of acquisition. Profit and loss are attributed to the owners of the parent and to the minority interests even if this results in a deficit balance. Investments in which dormakaba does not have significant influence (usually in which dormakaba Group's interest is less than 20%) are recorded at cost.

Companies acquired or established or those in which the Group increases its interest and thereby obtains control during the year are consolidated from the date of formation or date on which control commences. Companies are deconsolidated from the date that control effectively ceases upon disposal or a reduction in ownership interest. This rule is applied to investments in associates likewise.

In the event that shares of a Group or associated companies are sold, the difference between the proceeds from the sale and the proportional book value of the net assets, including historical goodwill, is recognized as a gain or loss in the income statement.

The Group treats transactions with minority interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and minority interests to reflect their relative interests in the subsidiary.

2.3 Use of estimates

The preparation of financial statements in accordance with Swiss GAAP FER requires the use of estimates and assumptions which have an effect on the reported value of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and on the reported value of revenues and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions dormakaba Group may undertake in the future, actual results may ultimately differ from those estimates. Such estimates are applied to the following balance sheet positions, among others:

- Deferred tax assets are created for temporary differences provided that their utilization appears probable. The recoverable amount is therefore based on past performance and forecasts of the corresponding taxable entity over a period of several years. Deviations between actual and projected results can cause impairment losses. For information on carrying amounts see note 23.
- dormakaba operates pension plans in various countries. The calculation of pension provisions from plans without own assets is based on actuarial assumptions that may differ from actual results. For information on carrying amounts see note 21.
- When testing assets for impairment, the recoverable amount is determined on the basis of expected future cash flows. The main assumptions on which these cash flows are based include growth rates and expected useful life. The cash flows actually generated can differ considerably from the estimates.
- In the course of their ordinary operating activities, Group companies can face claims from third parties. Provisions for pending claims are measured on the basis of the information available and a realistic estimate of the expected outflow of resources. The outcome of these proceedings may result in claims against the Group that cannot be met at all or in full through provisions or insurance cover. For information on carrying amounts see note 20.
- A restructuring is a program that is planned and controlled by the Management and materially changes the manner in which the business is conducted. Restructuring provisions are created when detailed formal plans are established and decided. Significant judgment is required to determine the costs of restructuring plans.

2.4 Foreign currency translation

The consolidated financial statements are presented in Swiss Francs (CHF), which is dormakaba Group's presentation currency. Items included in the financial statements of each dormakaba Group company are measured using the currency of the primary economic environment in which that company operates (the functional currency).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the income statement.

Assets and liabilities of subsidiaries reporting in currencies other than CHF are translated at the rates of exchange prevailing at the balance sheet date. Income, expenses, cash flows, and other movement items are translated at average exchange rates for the period. All resulting exchange differences are recognized in equity. On consolidation, exchange differences arising from the translation of the net investment in foreign companies and from borrowings and other currency instruments designated as hedges of such investments are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recycled to the income statement as part of the gain or loss on sale.

Significant exchange rates are in the table below: rates in CHF for 1 foreign currency unit.

	Exchange rate at 30.06.2018	Exchange rate at 30.06.2017	Average rate 2017/18	Average rate 2016/17
AED	0.272	0.260	0.264	0.270
AUD	0.733	0.735	0.753	0.748
BRL	0.259	0.289	0.294	0.308
CAD	0.752	0.735	0.765	0.747
CNY	0.151	0.141	0.149	0.146
EUR	1.154	1.094	1.158	1.080
GBP	1.304	1.243	1.307	1.257
HKD	0.127	0.122	0.124	0.128
INR	0.015	0.015	0.015	0.015
NOK	0.122	0.114	0.121	0.118
SEK	0.111	0.113	0.117	0.112
SGD	0.729	0.693	0.723	0.712
USD	0.998	0.956	0.971	0.991

2.5 Cash and cash equivalents

Cash includes petty cash, cash at banks, and cash on deposit. Cash equivalents include term deposits with banks and short-term money market investments carried at market value, both with original maturity dates of three months or less.

2.6 Financial assets

Long-term held securities are recorded at fair value. All realized and unrealized gains and losses are recognized in the income statements. Other non-current financial assets are stated at amortized cost less valuation adjustments.

2.7 Trade receivables

Short-term accounts receivable are stated at nominal value less allowance for doubtful accounts. The amount of the allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows. It is assessed based on maturity structure and identifiable solvency risks.

2.8 Inventories

Inventories are valued at the lower of purchase/manufacturing cost and net realizable value. Cost is determined using the weighted average method. Manufacturing cost includes direct labor and material as well as a commensurate share of related overhead cost. Allowances are made for obsolete and slow-moving items. Cash discounts from suppliers are treated as purchase cost reductions.

2.9 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is computed using the straight-line method based on the following estimated useful lives:

- Buildings 20 – 50 years
- Machinery, equipment, installations, and tools 4 – 15 years
- Other tangible fixed assets 3 – 15 years

Land is not depreciated. Where an asset comprises various components having different useful lives, each component is depreciated separately. Items of minor value are charged directly to the income statement. All gains and losses on disposal of property, plant and equipment are recognized in the income statement.

2.10 Intangible assets

Intangible assets embodying future economic benefits, such as acquired licenses, patents and similar rights as well as qualifying development costs are capitalized at cost and amortized using the straight-line method over a period of 2 – 5 years. Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date book value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Only intangible assets purchased separately are recognized as part of an acquisition. The positive or negative goodwill resulting from acquisitions is offset in equity at the date of acquisition against retained earnings.

If the purchase price contains elements that are dependent on future results, they are estimated as accurately as possible at the date of acquisition and recognized in the balance sheet. In the event of disparities when the definitive purchase price is settled, the goodwill offset in equity is adjusted accordingly. The consequences of a theoretical capitalization and amortization of goodwill are explained in note 15.
On the disposal of an entity, the goodwill previously offset in equity is transferred to the income statement.

All research costs are recognized in the income statement as incurred. Development costs are recognized as an asset when specific recognition criteria are met and the amount recognized is assessed to be recoverable through future economic benefits.

2.11 Impairment of assets

Property, plant and equipment, goodwill offset against equity, intangible assets, and other non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of testing impairment, goodwill and other assets are grouped in cash-generating units for which cash flows are separately identifiable. The Group estimates the recoverable amount of those cash-generating units, which generally represent their value in use. Value in use is assessed using the discounted cash flow method. The estimates used in these calculations are based on updated budgets and medium-term plans covering a period of three years. Cash flows beyond the projection period are extrapolated in perpetuity.

When the carrying amount exceeds its recoverable amount, an impairment loss is recognized separately in the income statement. The recoverable amount is the higher of fair value less cost of disposal and value in use.

As goodwill is fully offset against equity at the date of acquisition, an impairment of goodwill will not affect income, but only be disclosed in the notes to the consolidated financial statements.

2.12 Leases

Assets acquired under leasing agreements which effectively transfer substantially all the risks and rewards incidental to ownership from the lessor to the lessee are classified as finance leases. Assets held under finance leases are recorded at the lower of the estimated net present value of the future minimum lease payments and their fair value at the inception of the lease. The estimated net present value of the future minimum lease payments is recorded correspondingly as a finance lease obligation. Assets under finance leases are amortized over their estimated useful lives. Operating lease payments are charged to income on a straight-line basis over the lease term.

2.13 Net sales and revenue recognition

Net sales include all sales of goods and related services, after deduction of any sales reductions including rebates, discounts, value-added taxes, and commissions.

Sales from supplied goods and services are recognized upon performance. Sales of goods are recognized when dormakaba Group has delivered the products to the customer, the customer has accepted the products, and it is probable that future economic benefits will flow to the entity.

Sales from long-term construction contracts are recognized using the percentage-of-completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date relative to the estimated total costs for the contract. Revenue from individual and separate definable performance obligations are assessed and recognized separately.

2.14 Retirement benefits

There are various pension plans in existence within the Group which are individually aligned with local conditions in their respective countries. They are financed either by means of contributions to legally independent pension/insurance funds, or by recognition as liabilities in the balance sheet of the respective Group companies. An economical obligation or a benefit from Swiss pension schemes is determined from the statements made on the basis of Swiss GAAP FER 26 "Accounting of Pension Plans" and recognized in the balance sheet accordingly.

The provision for pension plans of foreign subsidiaries which are not organized as an independent legal entity is determined based on the local valuation methods.

2.15 Provisions

Provisions are recognized

- when the Group has a present obligation (legal or constructive) as a result of a past event;
- when it is probable that a use of resources will be required to settle the obligation; and
- when the amount of the obligation can be reliably estimated.

Costs relating to restructuring plans or agreements, including the reduction of excess staffing, the discontinuation of certain activities or the streamlining of facilities and operations and other restructuring measures, are recorded in the period in which the Group commits itself to a plan.

2.16 Financial liabilities

Financial liabilities measured at amortized cost are initially recorded at fair value, net of transaction costs incurred and subsequently measured at amortized cost. Any difference between the proceeds of disposal (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

2.17 Bonds

Bonds are initially recorded at issue price net of issue costs. Issue costs and any discount or premium are recognized in the financial result of the income statement over the period of the respective bond.

2.18 Income taxes

Current income taxes are based on taxable income for the current year and charged to income when incurred. Deferred income taxes are determined using the liability method, with the applicable substantially enacted income tax rates applied on a comprehensive basis to eligible temporary differences. Deferred income tax assets from temporary differences are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income taxes resulting from tax loss carryforwards applicable to future taxable income are only recognized to the extent of available deferred tax liabilities.

2.19 Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to owners of the parent by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share also include all potentially dilutive effects.

2.20 Derivative financial instruments

Derivative financial instruments for hedging purposes of balance sheet items are valued at the same valuation principles as the underlying hedged positions.

The fair value of derivative financial instruments for cash flow hedging purposes is disclosed in the note 26.

2.21 Risk assessment and risk management

The tasks of the Board of Directors include identifying risks, determining suitable measures, and implementing these measures or having them implemented. The Board of Directors of dormakaba Holding AG conducted a Group-wide risk assessment in the year under review and also determined the risks to be managed at particular management levels. The Board of Directors is closely involved in assessing strategic risks and through dialogue with the Executive Committee ensures that operating risks are given due attention and reported accordingly. This approach gives the Board a comprehensive overview of the key risks and measures. With this overview, the Group is able to prioritize and allocate the necessary resources.

Financial risk policy

The dormakaba Group is exposed to various risks in connection with financial instruments, in particular to market risks of fluctuations in foreign exchange rates and interest rates. The Management monitors these risks on a regular basis. In managing the exposure resulting from such fluctuations, the dormakaba Group uses derivative financial instruments wherever the Management deems it appropriate to do so given the prevailing circumstances. The counterparties involved are high-ranking financial institutions.

The dormakaba Group enters only into financial transactions to hedge an associated risk out of balance sheet or highly probable future business transactions. No uncovered short transactions are entered.

In addition, the dormakaba Group is exposed to liquidity risk and credit risk. Risk management also involves securing comprehensive and efficient insurance protection.

Foreign exchange risk

The dormakaba Group is active all over the world and is therefore exposed to fluctuations in foreign exchange rates. Foreign exchange risks arise when future commercial transactions, recognized financial assets and liabilities, and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

A lot of Group companies are exposed to foreign exchange risks. The intercompany invoicing concentrates the foreign exchange risks to the manufacturing companies. The use of a group netting system with intercompany payment terms of up to 60 days reduces the intercompany exposure and foreign exchange risk. The significant third party and intercompany cross-currency exposures are reduced through natural hedges or hedged with financial instruments. The foreign exchange exposures are derived from a 12 month rolling liquidity planning.

Foreign exchange risks on intercompany loans are covered to a large extent by forward exchange contracts.

The dormakaba Group does not actively manage the translation risk arising from net investment in foreign currencies.

Interest rate risk
The dormakaba Group's interest rate risk arises from its short-term and long-term borrowings. This interest rate risk is only hedged in limited cases. The Management strives for a well-balanced mix of long- and short-term interest rates considering the planned financing requirements. Financing and related interest are managed centrally. Cash and cash equivalents are invested on a short-term basis.

Liquidity risk
The liquidity risk is the risk that the dormakaba Group will be unable to meet its obligations when they fall due. The Group Treasury function ensures that optimal liquidity and credit lines are available to the Group's operations at any time to meet its obligations and to finance its projects. Procurement of bank loans is managed centrally.

Credit risk
Credit risks arise from the possibility that the counterparty to a transaction is unable or unwilling to fulfill its obligations and that the dormakaba Group suffers financial damage as a result.

Trade receivables are monitored on an ongoing basis locally and via Group management reporting procedures. The danger of cluster risks on trade accounts receivable is limited due to the large number and wide geographical spread of customers. The extent of the credit risk is determined mainly by the individual characteristics of each customer. Assessment of this risk involves a review of the customer's creditworthiness based on its financial situation and past experience.

Cash and cash equivalents are mainly held in the form of current accounts and current fixed-term deposits. Counterparty risks are monitored continuously and minimized by strictly limiting the associations to high-ranking banks.

2.22 Segment reporting

In accordance with the management organization and the reporting to the Group management level, the reporting segments consist of the businesses as described in note 1. This reporting forms the basis for assessing performance and allocating resources.

Segment accounting is prepared up to the level of EBITDA/EBIT because these are the key figures used for management purposes. All operating assets and liabilities that are directly attributable or can be allocated on a reasonable basis are reported in the respective segments. With the exception of central costs, which are not allocated to the individual segments for internal reporting purposes, the segment results are based on the same accounting principles that are used to determine the operating profit of the Group.

Intersegment transactions are based on the arm's length principle.

2.23 Share-based payments

Stock award plans
The fair value of the employee services received in exchange for shares is measured at fair value of the shares at the grant date and recognized as an expense with a corresponding entry in equity. Expenses for shares that vest immediately are recognized accordingly. Shares that are subject to future services are recognized over the vesting period.

3. Shares

	Financial year ended 30.06.2018	Financial year ended 30.06.2017
For basic number of shares	**Par value CHF 0.10**	**Par value CHF 0.10**
Number of shares outstanding at beginning of financial year	4,177,588	4,190,963
New shares issued	–	5,000
Own shares (acquired) re-issued	9,655	–18,375
Number of shares outstanding at end of financial year	4,187,243	4,177,588
Weighted average number of shares outstanding (basic)	4,184,285	4,194,106
Profit applicable for calculation of earnings per share (basic and diluted - in CHF million)	123.8	116.4
Basic earnings per share (in CHF)	**29.6**	**27.8**
For diluted number of shares		
Weighted average number of shares outstanding (basic)	4,184,285	4,194,106
Eligible shares under stock award plans and shares awarded in acquisitions	11,222	14,637
Weighted average number of shares outstanding (diluted)	4,195,507	4,208,743
Profit applicable for calculation of earnings per share (basic and diluted - in CHF million)	123.8	116.4
Diluted earnings per share (in CHF)	**29.5**	**27.7**
Dividend (in the form of a distribution of capital reserves) per share (in CHF)	**15.0** [1]	**14.0**
Conditional shares at beginning of financial year	424,384	429,384
New conditional shares created	–	–
New conditional shares issued	–	–5,000
Conditional shares at end of financial year	424,384	424,384
Authorized shares	420,000	419,000
Number of shares authorized but not yet issued	420,000	419,000
Number of own shares held	12,783	22,438

1) Financial year ended 30.06.2018: proposal to the Annual General Meeting; in the form of a distribution of capital reserves.

Earnings per share is calculated based on profit attributable to the owners of the parent only. Net profit attributable to minority interests is not taken into account. Minority shareholders hold 47.5% of the shares of dormakaba Holding GmbH + Co. KGaA, which is a direct subsidiary of the Group parent dormakaba Holding AG, which holds the remaining 52.5%.

4. Business combinations and divestments

Klaus Group

On May 9 2018, dormakaba acquired Klaus Group, based in Lima (Peru). With its key blanks as well as other brass products Klaus Group is a market leader for key systems in South America.

The following table summarizes the consideration paid for the business and the amounts of the assets and liabilities acquired recognized at fair value at the acquisition date.

in CHF million	As at the acquisition date
Consideration at 9 May 2018	
Cash paid	6.3
Deferred payment	1.7
Acquisition-related costs	0.3
Total consideration	**8.3**
Trade receivables	1.7
Inventories	2.2
Current income tax assets	0.3
Other current assets	0.4
Property, plant and equipment	0.8
Current borrowings	–0.2
Trade payables	–0.9
Accrued and other current liabilities	–3.6
Non-current borrowings	–2.4
Total identifiable net assets	**–1.7**
Goodwill	10.0
Total consideration	**8.3**

Cambaum Group

On 26 April 2018, dormakaba acquired the Commercial Building Physical Access Solutions (PAS) business from Beijing-based Cambaum Group. The integration of Cambaum Group's business team, products and service solution offering strengthens dormakaba's position in the smart commercial buildings market within a number of fast growing major cities in China.

The following table summarizes the consideration paid for the business and the amounts of the assets and liabilities acquired recognized at fair value at the acquisition date.

in CHF million	As at the acquisition date
Consideration at 26 April 2018	
Cash paid	20.2
Deferred payment	4.9
Acquisition-related costs	2.0
Total consideration	**27.1**
Other current assets	1.2
Property, plant and equipment	0.2
Accrued and other current liabilities	–0.3
Other non-interest bearing liabilities	–0.1
Total identifiable net assets	**1.0**
Goodwill	26.1
Total consideration	**27.1**

Dorset Kaba

As per 9 April 2018 dormakaba and the Indian joint venture partner have agreed to divide their existing shareholding in Dorset Kaba among them, thus dissolving the joint venture that was initiated by former Kaba Group in 2007 to gain a foothold in the attractive Indian market.

In this regard the minority shares of 26% owned by the Indian partner Dorset Industries Pvt Ltd. were purchased and the net assets related to the local door hardware business sold in return. The activities in the dormakaba's core business (mainly lodging products, physical access systems) remain within the dormakaba Group.

The following table summarizes the considerations paid and received as well as the net assets divested. The resulting net goodwill of CHF 1.9 million was recognized in equity.

in CHF million	As at the acquisition date
Consideration at 9 April 2018	
Cash consideration received	18.6
Purchaseprice for minority shares paid	–8.3
Divestment-related costs paid	–0.2
Total consideration	**10.1**
Assets and liabilities divested	
Trade receivables	5.6
Inventories	3.5
Other current assets	0.1
Property, plant and equipment	1.6
Trade payables	–1.8
Current income tax liabilities	–0.2
Accrued and other current liabilities	–0.3
Accrued pension costs and benefits	–0.3
Total net assets divested	**8.2**
Goodwill net	1.9
Total consideration	**10.1**

Kilargo

On 17 July 2017, dormakaba acquired Kilargo Pty Ltd, based in Brisbane (Australia). Kilargo is one of the market leaders in Australia for commercial door seals and complements dormakaba's integrated portfolio of products, solutions, and services in the Pacific region.

The following table summarizes the consideration paid for the business and the amounts of the assets and liabilities acquired recognized at fair value at the acquisition date.

in CHF million	As at the acquisition date
Consideration at 17 July 2017	
Cash paid	24.2
Acquisition-related costs	0.2
Total consideration	**24.4**
Identifiable assets and liabilities	
Cash and cash equivalents	0.9
Trade receivables	3.0
Inventories	2.2
Other current assets	0.1
Property, plant and equipment	1.1
Deferred income tax assets	0.3
Current borrowings	–2.7
Trade payables	–0.8
Current income tax liabilities	–0.5
Accrued and other current liabilities	–0.7
Provisions	–0.1
Accrued pension costs and benefits	–0.4
Total identifiable net assets	**2.4**
Goodwill	22.0
Total consideration	**24.4**

Skyfold

On 13 July 2017, dormakaba acquired Skyfold Investment Inc., based in Montreal (Canada). The company, with its well-known brand, was the first worldwide to develop vertical folding walls. Skyfold is a provider of automated vertical folding wall systems with a strong presence in the North American market. With this acquisition dormakaba enhances its product portfolio, following the industry trend towards automated systems.

The following table summarizes the consideration paid for the business and the amounts of the assets and liabilities acquired recognized at fair value at the acquisition date.

in CHF million	As at the acquisition date
Consideration at 13 July 2017	
Cash paid	82.5
Acquisition-related costs	0.6
Total consideration	**83.1**
Cash and cash equivalents	5.2
Trade receivables	5.3
Inventories	1.8
Current income tax assets	0.3
Other current assets	0.9
Property, plant and equipment	8.1
Intangible assets	0.1
Non-current financial assets	0.1
Trade payables	–0.7
Current income tax liabilities	–0.2
Accrued and other current liabilities	–8.0
Deferred income tax liabilities	–1.0
Total identifiable net assets	**11.9**
Goodwill	71.2
Total consideration	**83.1**

GMT

GMT Hardware Co. Ltd. (Shanghai/China) was divested on 29 September 2017. GMT offers commercial door hardware products, such as floor hinges for glass doors and door fittings, in China and became member of dormakaba as part of the acquisition of Stanley Black&Decker's mechanical security business in February 2017. Because of dormakaba's existing portfolio of businesses in Asia as well as profitability prospects of GMT, it was concluded to divest the business.

The following table summarizes the consideration received and the net assets divested. The negative goodwill of CHF 5.1 million was recognized in equity.

in CHF million	As at the divestment date
Consideration at 29 September 2017	
Cash considerations	27.2
Divestment-related costs	1.0
Total consideration	**26.2**
Assets and liabilities divested	
Cash and cash equivalents	19.4
Trade receivables	5.5
Inventories	6.7
Other current assets	0.7
Property, plant and equipment	7.2
Intangible assets	0.1
Non-current financial assets	0.3
Trade payables	–4.6
Current income tax liabilities	–0.1
Accrued and other current liabilities	–3.0
Provisions	–0.9
Total net assets divested	**31.3**
Goodwill	–5.1
Total consideration	**26.2**

Other acquisitions/divestments in the reporting period

Divestment DORMA Beschlagtechnik GmbH, Germany

DORMA Beschlagtechnik (Velbert/DE) was sold as at 10 July 2017 to Flacks Group, Miami (Florida/USA). The divested net assets amounted to CHF 9.4 million. A contingent liability related to this transaction depending on the future development of the business remains with dormakaba.

Prior-year business combinations and divestments

Best Access Solutions

On 22 February 2017, dormakaba acquired certain Mechanical Security businesses from Stanley Black & Decker in North America, Taiwan, and China.

With this acquisition, dormakaba gains substantial scale in line with its stated strategy and can offer the full portfolio of door hardware and access control solutions to customers in the important North American market, which dormakaba considers to be the most attractive market in its industry.

The following table summarizes the consideration paid for these businesses and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

in CHF million	As at the acquisition date
Consideration at 22 February 2017	
Cash paid	750.1
Acquisition-related costs	9.9
Total consideration	**760.0**
Identifiable assets and liabilities	
Cash and cash equivalents	25.2
Trade receivables	28.3
Inventories	30.2
Current income tax assets	0.4
Other current assets	2.2
Property, plant and equipment	57.7
Intangible assets	0.1
Non-current financial assets	0.3
Deferred income tax assets	116.9
Trade payables	–19.8
Current income tax liabilities	–1.3
Accrued and other current liabilities	–13.0
Provisions	–5.8
Non-current borrowings	–7.9
Accrued pension costs and benefits	–5.1
Deferred income tax liabilities	–2.2
Total identifiable net assets	**206.2**
Goodwill	553.8
Total consideration	**760.0**

As per 22 February 2017, goodwill was decreased by net CHF 0.5 million due to changes in various identifiable net assets and final purchase price adjustments.

Mesker Openings Group

On 12 December 2016, dormakaba acquired Mesker Openings Group, based in Huntsville (Alabama/USA). Mesker is a provider of commercial door hardware. With this acquisition, dormakaba strengthens its breadth of its product offering in North America.

The following table summarizes the consideration paid for Mesker and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

in CHF million	As at the acquisition date
Consideration at 12 December 2016	
Cash paid	142.7
Acquisition-related costs	0.9
Total consideration	**143.6**
Identifiable assets and liabilities	
Cash and cash equivalents	1.9
Trade receivables	10.3
Inventories	10.4
Other current assets	0.3
Property, plant and equipment	11.6
Deferred income tax assets	18.2
Trade payables	–2.7
Accrued and other current liabilities	–2.5
Provisions	–0.1
Total identifiable net assets	**47.4**
Goodwill	96.2
Total consideration	**143.6**

Other acquisitions/divestments

Acquisition of ATM Türautomatik GmbH, Austria

On 1 July 2016, dormakaba acquired ATM Türautomatik GmbH (Gleisdorf/AT). ATM is a distributor of automatic doors in southern Austria and a major local player in entrance systems and service solutions. The acquired net assets amounted to CHF 0.9 million.

Acquisition of Seca Solutions A/S, Norway

On 28 February 2017, dormakaba acquired Seca Solutions AS, an expert in physical access control and airport solutions in Norway. The acquired net assets amounted to CHF 0.8 million.

Divestment of Ascot Doors Ltd, United Kingdom

Ascot Doors Ltd (Bolton/UK) was divested on 31 October 2016 as part of the post-merger process of the dormakaba business combination. Ascot is a manufacturer and installer of steel doors and shutters. The divested net assets amounted to CHF 3.6 million.

Divestment of the sanitary business of Provitris GmbH, Germany

The sanitary business of Provitris was divested on 20 February 2017 as part of the post-merger process of the dormakaba business combination. The divested net assets amounted to CHF 0.9 million and a contingent liability related to this transaction depending on the future development of the business remains with dormakaba.

5. Net sales

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Total net sales	**2,841.0**	**2,520.1**
Additional information for long-term contracts applying the percentage-of-completion method		
Amounts included in net sales based on the percentage-of-completion method	80.0	70.4
Cumulative progress invoices on contracts in progress	9.2	20.4
Construction contracts in progress (assets)	14.3	10.4
Billings in excess of cost of construction contracts (liabilities see note 19)	–1.5	–1.3
Accumulated contract costs including recognized profits (losses)	**22.0**	**29.5**
Advances for construction contracts (liabilities)	–0.8	–5.4
Retentions on construction contracts in progress (assets)	0.1	0.0

6. Other operating income, net

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Rent	1.0	0.8
Gain from the sale of fixed assets	1.7	3.9
Re-invoiced cost	0.5	0.5
Licence income	1.1	0.1
Insurance reclaim	0.3	0.1
Other revenues	8.1	6.4
Other operating expense	–0.3	–0.3
Total other operating income (net)	**12.4**	**11.5**

7. Personnel expenses

in CHF million	Financial year ended 30.06.2018	in %	Financial year ended 30.06.2017	in %
Salaries and wages	847.0		758.4	
Social security expenses	166.9		145.7	
Share-based payments	9.1		6.7	
Pension cost (see note 21)	19.8		20.4	
Employment termination expenses	2.1		1.2	
Other benefits	0.7		0.9	
Total personnel expenses	**1,045.6**		**933.3**	
Employees at balance sheet date	**15,801**		**16,965**	
Average number of full-time equivalent employees	**16,433**		**16,250**	
Average number of employees per geographic region				
Switzerland	802	4.9	793	4.9
Germany	3,084	18.8	3,400	20.9
Rest of EMEA	3,567	21.7	3,366	20.7
Americas	4,011	24.4	3,292	20.3
Asia Pacific	4,969	30.2	5,399	33.2
Total	**16,433**	**100.0**	**16,250**	**100.0**

8. Financial expenses

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Interest expenses	43.2	17.3
Foreign exchange losses/(gains)	6.4	15.9
Other financial expenses	3.9	4.4
Total financial expenses	**53.5**	**37.6**

9. Financial income

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Interest income	2.0	1.8
Other financial income	0.4	1.3
Total financial income	**2.4**	**3.1**

10. Income taxes

The weighted applicable tax rate is calculated using the expected income tax rates of the individual Group companies in each jurisdiction. These rates vary significantly. The weighted applicable tax rate is 300 basis points below prior year as a result of the US tax reform (effective as of 1 January 2018) and profit from countries with higher than average tax rates contributing less to the overall Group's tax profit.

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Profit before taxes	**315.7**	**295.2**
Weighted applicable tax rate	25.3%	28.3%
Tax calculated at applicable tax rate	**79.9**	**83.5**
Current income taxes	61.0	70.0
Deferred income taxes	16.0	0.6
Income taxes	**77.0**	**70.6**
Difference between applicable and effective income taxes	**–2.9**	**–12.9**
Impact of losses and tax loss carryforwards	–2.1	–9.3
Tax-exempt income	–5.4	–5.2
Non-deductible expenses	6.6	7.2
Non-recoverable withholding tax expenses	2.7	2.3
Tax charges (credits) relating to prior periods, net	–1.1	–2.2
Other	–3.6	–5.7
Difference between expected and effective income taxes	**–2.9**	**–12.9**
Income taxes charged to equity	–0.2	0.5

11. Trade receivables

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Accounts receivable from third parties	513.1	477.1
Accounts receivable from associates	0.5	0.3
Construction contracts in progress	14.3	10.4
Total trade receivables, gross	**527.9**	**487.8**
Allowance for doubtful accounts	–25.8	–26.4
Total trade receivables, net	**502.1**	**461.4**

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Maturity analysis of trade receivables	**Gross**	**Gross**
Not yet due	374.3	350.1
1–30 day(s) overdue	69.0	59.2
31–60 days overdue	22.6	20.2
61–90 days overdue	12.4	12.7
91–120 days overdue	9.6	6.1
121–150 days overdue	5.1	5.0
More than 150 days overdue	34.9	34.5
Total trade receivables, gross	**527.9**	**487.8**

The creditworthiness of not yet due and not impaired accounts receivable is considered good, based on the low losses in the past.

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Details of allowance for doubtful accounts		
Allowance at beginning of financial year	–26.4	–28.0
Additions	–5.4	–11.0
Releases	4.3	8.5
Usage	2.3	5.0
Disposals of businesses	0.7	0.0
Acquisition of businesses	–0.3	–1.5
Translation exchange differences	–1.0	0.6
Allowance at end of financial year	**–25.8**	**–26.4**

Allowances are recorded systematically based on overdue ageing and past experience. In addition accounts receivable are individually impaired in case of clear evidence of insolvency or other indications that collectability is severely endangered.

The Group does not hold material collateral as security for trade receivables.

12. Inventories

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Raw materials and supplies	191.2	168.4
Semi-finished goods and work in progress	83.9	79.6
Finished goods	207.6	216.0
Prepayments to suppliers	3.7	3.6
Total inventories, gross	**486.4**	**467.6**
Allowance for obsolete and slow-moving items	–54.1	–56.2
Total inventories, net	**432.3**	**411.4**
Details allowance for obsolete and slow-moving items		
Allowance beginning of year	–56.2	–51.1
Additions	–6.2	–10.9
Acquisition of businesses	0.0	–5.4
Disposal of businesses	2.9	0.0
Releases	3.8	4.9
Usage	3.8	5.3
Translation exchange differences	–2.2	1.0
Allowance end of year	**–54.1**	**–56.2**

Allowances for inventories are recorded in cases of incongruity between inventory levels and expected consumption on an item-by-item basis. These allowances are released if and as soon as the requested consumption is reached.

13. Other current assets

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Prepaid expenses	19.1	18.8
Retentions	4.4	2.1
Sales, withholding and other recoverable taxes	31.6	36.0
Fair value of forward contracts (see note 26)	0.5	23.4
Other receivables and miscellaneous	4.0	2.2
Total other current assets	**59.6**	**82.5**

14. Property, plant and equipment/Intangible assets

in CHF million	Land and buildings	Plant, machinery and equipment	Furniture and fixtures	Prepayments	Total property, plant and equipment	Intangible assets
Cost						
30 June 2016	260.3	241.3	116.0	15.2	632.8	76.5
Additions	14.3	14.1	18.1	26.9	73.3	11.4
Disposals	–4.2	–9.2	–8.2	–0.5	–22.3	–1.6
Reclassifications	11.6	4.8	–2.8	–13.8	0.0	0.0
Acquisition of businesses	36.2	25.8	9.1	2.3	73.4	0.1
Translation exchange differences	–4.1	–5.6	–1.4	–0.7	–11.7	–0.8
30 June 2017	**314.1**	**271.2**	**130.8**	**29.4**	**745.5**	**85.6**
Accumulated depreciation						
30 June 2016	82.4	155.0	65.5	0.0	302.8	38.8
Additions	8.5	22.9	18.2	0.0	49.7	10.7
Disposals	–0.9	–8.5	–6.4	0.0	–15.3	–2.1
Reclassifications	–0.1	0.8	–0.2	0.0	0.0	0.0
Translation exchange differences	–0.6	–3.2	–0.7	0.0	–4.5	–0.2
30 June 2017	**89.3**	**167.0**	**76.4**	**0.0**	**332.7**	**47.2**
Net book value as of						
30 June 2016 net	177.9	86.3	50.5	15.2	330.0	37.7
30 June 2017 net	224.8	104.2	54.4	29.4	412.8	38.4
Net carrying amount of assets under finance leases as of						
30 June 2016 net			1.3		1.3	
30 June 2017 net		0.2	1.8		2.0	
Cost						
30 June 2017	314.1	271.2	130.8	29.4	745.5	85.6
Additions	19.0	24.9	19.3	28.5	91.7	23.6
Disposals	–0.9	–4.2	–5.0	–0.1	–10.2	–0.8
Reclassifications	10.4	13.6	4.7	–28.7	0.0	0.0
Acquisition of businesses	4.3	4.4	1.3	0.1	10.1	0.4
Divestment of businesses	–7.7	–5.5	–2.3	–0.1	–15.6	–0.3
Translation exchange differences	8.8	11.1	4.6	1.4	25.9	3.0
30 June 2018	**348.0**	**315.5**	**153.4**	**30.5**	**847.4**	**111.5**
Accumulated depreciation						
30 June 2017	89.3	167.0	76.4	0.0	332.7	47.2
Additions	9.6	26.7	18.8	0.0	55.1	11.6
Disposals	–0.2	–3.6	–4.2	0.0	–8.0	–0.6
Reclassifications	0.4	–0.3	–0.1	0.0	0.0	0.0
Divestment of businesses	–0.3	–1.5	–0.7	0.0	–2.5	–0.1
Translation exchange differences	1.9	6.8	2.8	0.0	11.5	1.9
30 June 2018	**100.7**	**195.1**	**93.0**	**0.0**	**388.8**	**60.0**
Net book value as of						
30 June 2017 net	224.8	104.2	54.4	29.4	412.8	38.4
30 June 2018 net	247.3	120.4	60.4	30.5	458.6	51.5
Net carrying amount of assets under finance leases as of						
30 June 2017 net		0.2	1.8		2.0	
30 June 2018 net		1.0	2.5		3.5	

Intangible assets: additions to cost include CHF 2.2 million (2016/17 CHF 1.4 million) invested in research and development projects.

15. Theoretical movement of goodwill

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Cost		
Opening	1,774.8	1,153.2
Additions from acquisitions	141.7	657.0
Adjustments (earn-out, divestments and others)	3.3	2.3
Translation exchange differences	30.4	–37.7
Closing	**1,950.2**	**1,774.8**
Accumulated amortization		
Opening	522.6	255.2
Additions	372.9	272.1
Translation exchange differences	8.2	–4.7
Closing	**903.7**	**522.6**
Theoretical book values, net		
Opening	1,252.2	898.0
Closing	1,046.5	1,252.2

The total goodwill of CHF 145.0 million (2016/17 CHF 659.3 million) resulting from acquisitions is offset in equity as described in note 2.10 and disclosed in the consolidated statement of changes in equity. The following tables show the impact on equity and net profit based on the assumption that this goodwill had been capitalized and amortized over a period of five years.

Effect on the income statement

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Operating profit (EBIT)	364.3	327.0
EBIT in % of net sales	12.8	13.0
Amortization goodwill	–372.9	–272.1
Theoretical operating profit (EBIT) incl. amortization goodwill	–8.6	54.9
Theoretical EBIT in % of net sales	–0.3	2.2
Net profit	238.7	224.6
Amortization goodwill	–372.9	–272.1
Theoretical net loss/profit incl. amortization goodwill	–134.2	–47.5

Effect on the balance sheet

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Equity according to balance sheet	187.0	183.1
Theoretical capitalization net book value goodwill	1,046.5	1,252.2
Theoretical equity incl. net book value goodwill	1,233.5	1,435.3
Equity in % of balance sheet total	9.4	9.6
Theoretical equity incl. net book value goodwill in % of balance sheet total	40.7	45.4

16. Investments in associates and joint ventures

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Associates		
Beginning of year	**36.0**	**33.9**
Increase of investments in associates	1.5	1.0
Dividends received	–1.4	–1.8
Share of profit/(loss)	2.5	2.7
Translation exchange differences	2.0	0.2
Total investments in associates	**40.6**	**36.0**
Details of material investments in associates		
Entity name		
ISEO Serrature S.p.A., Pisogne / IT		
Assets	215.5	183.7
Liabilities	139.8	114.8
Revenues	167.8	158.2
Profit/(Loss)	6.9	6.6
Interest held in %	40.0	40.0
Goodwill included in investments in associates	11.0	11.0

In July 2018 dormakaba has reached an agreement on the sale of its 40% shareholding in ISEO to the Facchinetti family, who already owns the remaining 60% in the company. Closing of the divestment contract is expected to take place by fall 2018.

17. Non-current financial assets

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Non-current financial assets		
Loans	3.6	4.0
Pension-related assets	24.6	22.8
Long-term prepaid expenses	7.3	7.6
Prepaid financing cost	0.0	0.0
Long-term held securities	3.4	3.5
Total non-current financial assets	**38.9**	**37.9**

18. Borrowings

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Current borrowings		
Bank overdrafts	27.2	10.6
Short-term bank loans	121.7	797.3
Current portion of finance lease obligation	1.4	0.9
Current portion of other debt	6.2	5.8
Total current borrowings	**156.5**	**814.6**

Bank overdrafts and short-term bank loans are repayable within one year and are subject to financial debt covenants. The short-term borrowings are fixed for a period of one to three months and the interest rates are based on LIBOR/EURIBOR. The carrying amounts of short-term financial borrowings approximate their fair value.

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Non-current borrowings		
Bank loans	0.1	0.2
Other long-term liabilities	2.2	0.0
Bonds	680.5	0.0
Finance lease obligation	2.4	1.1
Total non-current borrowings	**685.2**	**1.3**
Other non-interest bearing liabilities	4.8	0.0
Total long-term debt	**690.0**	**1.3**

The increased short-term bank loans in 2016/17 to finance the business expansion in North America were refinanced by the issuance of 2 bonds at the Swiss debt capital market on 13 October 2017.

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
At year-end, maturities of debt were as follows:		
Within 1 year	7.6	6.7
Within 2 to 5 years	368.2	1.3
After 5 years	321.8	0.0
Total debt	**697.6**	**8.0**
Current portion of debt	7.6	6.7
Total long-term debt	**690.0**	**1.3**

in CHF million	Issuing currency	Coupon in % p.a.	Financial year ended 30.06.2018	Issuing currency	Coupon in % p.a.	Financial year ended 30.06.2017
Bonds (at fixed interest rates)	**CHF**		**680.5**	**–**	**–**	**–**
CHF 360 million bond 2017 – 2021 (dormakaba Finance AG) Payment date: 13 October 2017 Issue price: 100.298%	CHF	0.375	360.1	–	–	–
CHF 320 million bond 2017 – 2025 (dormakaba Finance AG) Payment date: 13 October 2017 Issue price: 100.46%	CHF	1.000	320.4	–	–	–

19. Accrued and other current liabilities

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Advances from customers	27.0	27.9
Billings in excess of cost of construction contracts	1.5	1.3
Deferred income	33.7	44.1
Sales, withholding and other tax payable	42.9	49.1
Social security payable	11.5	10.2
Payable to pension fund	0.9	0.9
Accruals for vacation, overtime and other employee benefits	112.8	102.5
Accrued interest	3.5	0.6
Fair value of forward contracts (see note 26)	7.6	0.8
Other accruals and current non-interest-bearing liabilities	96.7	91.0
Total accrued and other current liabilities	**338.1**	**328.4**

20. Provisions

in CHF million	Warranty and customer returns	Restructuring	Other	Total
Financial year ended 30.06.2017				
Opening balance as at 01.07.2016	**14.9**	**57.6**	**16.1**	**88.6**
Additions	7.6	–0.2	10.5	17.9
Releases	–0.2	0.0	–0.4	–0.6
Usage	–8.2	–19.5	–6.4	–34.1
Acquisition of businesses	5.2	0.0	0.6	5.8
Translation exchange differences	–0.3	–0.2	–0.2	–0.7
Balance at 30.06.2017	**19.0**	**37.7**	**20.2**	**76.9**
Thereof due within 1 year	19.0	37.7	20.2	76.9
Thereof due 2 to 5 years	0.0	0.0	0.0	0.0
Total	**19.0**	**37.7**	**20.2**	**76.9**
Financial year ended 30.06.2018				
Opening balance as at 01.07.2017	**19.0**	**37.7**	**20.2**	**76.9**
Additions	7.5	0.0	9.0	16.5
Releases	–2.3	–0.2	–2.9	–5.4
Usage	–7.0	–22.2	–5.8	–35.0
Acquisition of businesses	–3.9	0.0	0.1	–3.8
Divestment of business	–0.2	0.0	–0.7	–0.9
Translation exchange differences	0.7	1.5	0.6	2.8
Balance at 30.06.2018	**13.8**	**16.8**	**20.5**	**51.1**
Thereof due within 1 year	13.8	16.8	20.5	51.1
Thereof due 2 to 5 years	0.0	0.0	0.0	0.0
Total	**13.8**	**16.8**	**20.5**	**51.1**

Warranty and customer return provisions

The provision covers customer warranty claims and voluntary concessions as well as customer returns.

Restructuring provisions

Restructuring provisions include expected future cash outflows related to restructuring plans that the Group has started to implement or announced. Restructuring plans mainly focus on optimizing administrative and manufacturing processes.

The major part of these restructuring provisions is due to post-merger integration projects following the merger between Kaba and Dorma as per 1 September 2015 which has been approved by the Board. These provisions mainly include severance cost, early termination cost, and restructuring-related advisory cost.

Other provisions

Other provisions include mainly environmental risks, litigation and sales agents' indemnities.

21. Employee benefit liabilities

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017					Financial year ended 30.06.2018	Financial year ended 30.06.2017
	Economic part of the Corporation	Economic part of the Corporation	Acquisition of Businesses Economical part of the Corporation	Translation differences	Change to prior year period or recognized in the current result of the period, respectively	Contributions concerning the business period	Pension benefit expenses within personnel expenses	Pension benefit expenses within personnel expenses
Pension institutions with surplus						7.9	7.9	7.5
Pension institutions with deficit								
Pension institutions w/o surplus/deficit						11.0	11.0	9.9
Pension institutions without own assets	279.3	264.9	-	14.3	0.1	0.8	0.9	3.0
Other long-term employee benefits	23.7	20.2						
Total	**303.0**	**285.1**	**-**	**14.3**	**0.1**	**19.7**	**19.8**	**20.4**

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Contributions to pension institutions from Group entities	18.9	17.4
Contributions to pension institutions from employer contribution reserves (ECR)	0.0	0.0
Total contributions	18.9	17.4
+/- Changes ECR from asset development, value adjustments, etc.	0.0	0.0
Contributions and changes employer contribution reserves	**18.9**	**17.4**
Increase/decrease economical benefit group from surplus	0.0	0.0
Decrease/increase economical obligation group from deficit	0.0	0.0
Decrease/increase economical obligation group from pension institutions without own assets	0.9	3.0
Total changes economical effects from surplus/deficit	0.9	3.0
Pension benefit expenses within personnel expenses in the period under review	**19.8**	**20.4**

The expenses for pension institutions with surplus fully relate to pension plans in Switzerland. The Swiss plans are valued annually as per December and in line with Swiss GAAP FER 26. The pension institutions without own assets are assessed annually as per financial year-end closing and relate mainly to pension liabilities of Group companies in Germany, Austria as well as Italy.

22. Operating lease commitments

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Operating leases		
Expenses for operating leases amounted to	41.1	36.3
Future minimum lease payments resulting from non-cancellable operating lease contracts are due as follows:		
Up to 1 year	36.1	33.8
2 to 5 years	71.8	64.9
Over 5 years	22.8	22.1
Total future payment commitments for operating leases	**130.7**	**120.8**

Operating lease commitments mainly refer to the lease of buildings which are used for operational purposes.

23. Deferred income taxes

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Expiration of tax loss carry-forwards not recognized as deferred tax assets		
Expiry in 1 year	3.0	3.4
Expiry in 2 to 5 years	19.9	16.1
Expiry after 5 years	13.6	3.3
No expiry	157.3	154.9
Balance of tax loss carry-forwards at end of financial year	**193.8**	**177.7**

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Balance sheet presentation of deferred income taxes		
Deferred income tax assets	203.5	204.2
Deferred income tax liabilities	38.8	29.1
Total deferred income taxes, net	**164.7**	**175.1**

Deferred income tax assets from temporary differences are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income taxes resulting from tax loss carry-forwards applicable to future taxable income are only recognized to the extent of available deferred tax liabilities.

24. Capital management

Management of capital is governed by the following objectives:

- securing sufficient liquidity to meet the Group's needs to fulfil its financial obligations;
- securing sufficient financing capacity for future investments and acquisitions;
- ensuring creditworthiness;
- achieving a risk-adequate return for investors.

Continuous monitoring and reporting of key financial figures and key performance indicators to the management ensure that appropriate action is taken as soon as required.

The syndicated credit facility of CHF 500 million, established in March 2016 for a five-year period nominates at its original amount again, after the temporary increase was set back due to the issuance of two bonds at the Swiss debt capital market 13 October 2017. The options for prolongation of two additional years and increase of up to CHF 200 million are reinforced after the termination of the temporary increase. The only financial covenant is the net debt ratio (calculated as the ratio of net debt to EBITDA). As of 30 June 2018 dormakaba complied with this financial covenant. The corresponding key figures as at 30 June 2018 and 30 June 2017 respectively are shown below:

in CHF million, except where indicated	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Gearing		
Earnings before interest, taxes, depreciation and amortization (EBITDA)	431.0	387.3
Net debt	701.2	627.6
Net debt/EBITDA (Gearing)	1.6	1.6

A portion of profit generated is paid out to the shareholders as dividends, taking into account the current financing needs and compliance with legal requirements.

dormakaba envisages a dividend policy whereby the minimum payout ratio should be at 50% of consolidated net profit after minority interests.

The Group is not subject to externally imposed capital restrictions.

25. Commitments and contingencies

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Current endorsement liabilities	5.0	3.0
Investments committed to purchase from third parties:		
Property, plant and equipment	15.2	27.9
Intangible assets	1.2	0.5

In addition to the table above, contingent liabilities related to divestments of DORMA Beschlagtechnik GmbH (Germany) and the sanitary business of Provitris GmbH (Germany) remain with dormakaba and depend on the future development of these divested businesses.

26. Derivative financial instruments

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
The following forward contracts existed for hedging purposes on the balance sheet date:		
Currencies		
– Contract value	633.4	1,195.3
– Fair value – held-for-trading, net	–7.1	22.6

27. Segment reporting

in CHF million	Access Solutions AMER		Access Solutions APAC		Access Solutions DACH	
	Financial year ended 30.06.2018	Financial year ended 30.06.2017	Financial year ended 30.06.2018	Financial year ended 30.06.2017	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Net sales third parties	796.9	656.2	441.1	398.7	530.8	496.4
Intercompany sales	31.5	28.8	26.9	22.2	320.8	304.6
Total sales	**828.4**	**685.0**	**468.0**	**420.9**	**851.6**	**801.0**
Operating profit (EBIT)	**151.0**	**134.4**	**58.3**	**46.6**	**130.4**	**132.7**
in % of sales	18.2%	19.6%	12.5%	11.1%	15.3%	16.6%
Depreciation and amortization	12.4	9.6	7.5	6.2	17.0	16.9
Operating profit before depreciation and amortization (EBITDA)	**163.4**	**144.0**	**65.8**	**52.8**	**147.4**	**149.5**
in % of sales	19.7%	21.0%	14.1%	12.6%	17.3%	18.7%
Operating assets	345.4	341.6	222.2	207.0	356.0	312.4
Operating liabilities	–105.6	–119.6	–111.9	–84.9	–365.9	–362.6
Net operating assets	239.8	221.9	110.3	122.2	–9.9	–50.1
Capital expenditure	14.6	11.7	11.2	10.5	37.8	27.8
Average number of full-time equivalent employees	3,078	2,506	3,836	4,039	3,506	3,747

in CHF million	Access Solutions EMEA		Eliminations		Access Solutions TOTAL	
	Financial year ended 30.06.2018	Financial year ended 30.06.2017	Financial year ended 30.06.2018	Financial year ended 30.06.2017	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Net sales third parties	666.2	619.8	0.0	0.0	2,435.0	2,171.1
Intercompany sales	115.7	113.1	–486.6	–460.1	8.3	8.6
Total sales	**781.9**	**732.9**	**–486.6**	**–460.1**	**2,443.3**	**2,179.7**
Operating profit (EBIT)	**43.4**	**35.9**	**–0.6**	**0.7**	**382.5**	**350.3**
in % of sales	5.5%	4.9%	0.1%	–0.2%	15.7%	16.1%
Depreciation and amortization	14.0	13.6	0.0	0.0	50.9	46.2
Operating profit before depreciation and amortization (EBITDA)	**57.4**	**49.4**	**–0.6**	**0.7**	**433.4**	**396.5**
in % of sales	7.3%	6.7%	0.1%	–0.2%	17.7%	18.2%
Operating assets	345.1	315.0	–15.7	–15.4	1,253.0	1,160.7
Operating liabilities	–148.4	–137.1	0.0	0.1	–731.8	–704.1
Net operating assets	196.7	177.9	–15.7	–15.3	521.2	456.6
Capital expenditure	13.6	10.5	0.0	0.0	77.2	60.4
Average number of full-time equivalent employees	3,378	3,501	–	–	13,799	13,793

in CHF million			Key & Wall Solutions [1]		Other [2]	
			Financial year ended 30.06.2018	Financial year ended 30.06.2017	Financial year ended 30.06.2018	Financial year ended 30.06.2017 [3]
Net sales third parties			374.2	321.4	31.8	27.6
Intercompany sales			13.3	10.4	3.7	3.4
Total sales			**387.5**	**331.8**	**35.5**	**31.0**
Operating profit (EBIT)			**47.9**	**39.9**	**3.0**	**0.5**
in % of sales			12.3%	12.0%	8.6%	1.6%
Depreciation and amortization			8.8	7.6	0.6	0.8
Operating profit before depreciation and amortization (EBITDA)			**56.7**	**47.4**	**3.6**	**1.3**
in % of sales			14.6%	14.3%	10.2%	4.1%
Operating assets			218.5	173.0	14.1	34.9
Operating liabilities			–89.4	–74.1	–3.4	–10.7
Net operating assets			129.1	98.8	10.7	24.2
Capital expenditure			13.3	8.6	2.5	0.6
Average number of full-time equivalent employees			2,139	2,056	178	97

in CHF million	Corporate Financial year ended 30.06.2018	Corporate Financial year ended 30.06.2017 [3]	Eliminations Financial year ended 30.06.2018	Eliminations Financial year ended 30.06.2017	Group Financial year ended 30.06.2018	Group Financial year ended 30.06.2017
Net sales third parties	0.0	0.0	0.0	0.0	2,841.0	2,520.1
Intercompany sales	0.0	0.0	–25.3	–22.4	0.0	0.0
Total sales	**0.0**	**0.0**	**–25.3**	**–22.4**	**2,841.0**	**2,520.1**
Operating profit (EBIT)	**–69.1**	**–63.7**	**0.0**	**0.0**	**364.3**	**327.0**
in % of sales	0.0%	0.0%	0.0%	0.0%	12.8%	13.0%
Depreciation and amortization	6.4	5.8	0.0	0.0	66.7	60.3
Operating profit before depreciation and amortization (EBITDA)	**–62.7**	**–57.9**	**0.0**	**0.0**	**431.0**	**387.3**
in % of sales	0.0%	0.0%	0.0%	0.0%	15.2%	15.4%
Depreciation and amortization					–66.8	–60.3
Result from associates					2.5	2.7
Financial expenses					–53.5	–37.6
Financial income					2.4	3.1
Profit before taxes					**315.7**	**295.2**
Operating assets	46.0	42.8	0.0	0.0	1,531.6	1,411.2
Operating liabilities	–27.8	–52.0	0.0	0.0	–852.4	–840.9
Net operating assets	18.2	–9.3	0.0	0.0	679.2	570.4
Capital expenditure	22.3	15.1	0.0	0.0	115.3	84.7
Average number of full-time equivalent employees	316	303	–	–	16,432	16,250

1) In the financial year ended 30.06.2018 the segments Key Systems and Movable Walls were combined into segment Key & Wall Solutions. In order to enable a comparison with current-year data, prior year data has also been consolidated.

2) The divested GMT commercial door hardware business, acquired within Best Access Solutions in financial year 2016/17, was reclassed into segment "Other" to ensure a fair presentation of the operational main segment.

3) In order to enable a fair comparison with current-year data, certain expenses have been reclassified within segment "Other" and segment "Corporate".

Reconciliation of assets and liabilities

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Segment operating assets	**1,531.6**	**1,411.2**
Cash and cash equivalents	145.3	188.3
Current income tax assets	49.9	36.1
Other current assets	4.5	25.6
Investments in associates	40.6	36.0
Non-current financial assets	6.9	7.6
Deferred income tax assets	203.5	204.2
Total assets	**1,982.3**	**1,909.0**
Segment operating liabilities	**–852.4**	**–840.9**
Current borrowings	–156.5	–814.6
Current income tax liabilities	–51.3	–38.7
Accrued and other current liabilities	–11.1	–1.3
Non-current borrowings	–685.2	–1.3
Deferred income tax liabilities	–38.8	–29.1
Total liabilities	**–1,795.3**	**–1,725.9**

28. Regional reporting – key figures

in CHF million	Net sales to third parties	in %	Non-current assets	in %	Capital expenditure	in %
Prior financial year ended 30.06.2017						
Switzerland	167.2	7	209.8	28	17.0	20
Germany	324.0	13	210.5	30	15.7	18
Rest of EMEA	775.7	30	66.4	9	8.9	11
Americas	830.0	33	137.5	19	16.1	19
Asia Pacific	423.2	17	105.1	14	27.0	32
Total	**2,520.1**	**100**	**729.3**	**100**	**84.7**	**100**
Financial year ended 30.06.2018						
Switzerland	172.6	6	221.7	28	15.3	13
Germany	351.4	12	223.8	28	27.2	24
Rest of EMEA	833.5	29	71.9	9	13.9	12
Americas	1,038.4	37	130.8	17	20.4	18
Asia Pacific	445.1	16	144.9	18	38.5	33
Total	**2,841.0**	**100**	**793.1**	**100**	**115.3**	**100**

29. Stock award plans

In 2012 the Executive Stock Award Plan "ESAP Plus" was introduced. Under the plan, participants were nominated each year by the Compensation Committee for an allocation of shares free of charge ("Award Share[s]") that are automatically subject to a three-year blocking period ("Blocking Period"). Provided that at the expiry of the Blocking Period (i) the participant is still under a contract of employment with a dormakaba Group company and (ii) no notice of termination has been given by either the employer or employee, the participant shall receive free of charge additional shares ("Matching Shares") in the proportion of one additional share for every two Award Shares. The value of the Award Share corresponds to the closing price of the dormakaba Holding AG share at the SIX Swiss Exchange on the business day before the date of the allocation.

In 2013, the Executive Stock Award Plan "ESAP Plus 3" was introduced for new participants. ESAP Plus 3 has the same design as ESAP Plus except that under ESAP Plus, existing ESAP 1 participants were entitled to choose between an allocation under ESAP 1 or under ESAP Plus. Under ESAP Plus 3, this choice is no longer available. ESAP 1 and ESAP Plus were discontinued from 2014/15 financial year onwards.

In 2015, the Executive Stock Award Plan "ESAP 5" was introduced. Under ESAP 5, participants, nominated each year by the Compensation Committee, are granted Award Shares and Performance Share Units that are subject to a three-year vesting period ("Vesting Period") conditional upon (i) the continuous employment of the participant with a dormakaba Group company at the end of the Vesting Period and (ii) the fulfilment of the Earnings per Share ("EPS") performance condition during the Vesting Period, as determined in the ESAP 5 plan rules. At the vesting date, Performance Share Units are converted into shares based on a payout percentage between 0% and 200% (0 to 2 shares delivered for each Performance Share Unit based on the achieved EPS performance).

On 22 September 2014, a total of 3,285 shares were allocated under ESAP Plus 3 (out of treasury shares) with an award value of CHF 440.50 each.

On 21 September 2015, a total of 4,088 Award Shares were allocated under ESAP 5 (out of treasury shares) with an award value of CHF 653.00 each.

On 21 November 2015, a total of 840 Matching Shares were allocated under ESAP Plus with an award value of CHF 664.00 each.

On 21 September 2016, a total of 5,224 Award Shares under ESAP 5 and a total of 1,426 Matching Shares (of which 1,120 under ESAP Plus and 306 under ESAP Plus 3) were allocated (1,650 out of treasury shares and 5,000 out of conditional capital) with an award value of CHF 738.00 each.

On 21 September 2017, a total of 5,997 Award Shares under ESAP 5 with an award value of CHF 975.00 and a total of 1,630 Matching Shares under ESAP Plus 3 with an award value of CHF 978.50 were allocated out of treasury shares. The impact on dormakaba's 2017/18 income statement amounts to CHF 5,847,075 for the Award Shares and CHF 1,726,473 for the Matching Shares (2016/17: CHF 3,855,312 for Award Shares and CHF 989,530 for the Matching Shares).

CHF 6,438.40 (divided into 64,384 registered shares with a par value of CHF 0.10) of conditional capital is reserved for stock award plans.

30. Related parties

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Transactions with associates		
Sales of goods and services	1.1	0.6
Purchase of goods and services	2.6	2.2
Accounts receivable	0.5	0.3
Accounts payable	0.3	0.3

31. Events after the reporting period

dormakaba has reached an agreement on the sale of its 40% shareholding in ISEO to the Facchinetti family, who already owns the remaining 60% in the company. Closing of the divestment contract is expected to take place by fall 2018.

32. Release of consolidated financial statements for publication

These consolidated financial statements have been approved for issue by the Board of Directors on 7 September 2018 and will be presented for approval by the General Meeting of Shareholders of 23 October 2018.

Legal structure of the dormakaba Group

as at 30 June 2018

List of substantial Group and associated companies		Share capital in local currency	Voting rights in %	Participation of Group companies
dormakaba Holding AG, Rümlang/CH	CHF	420,002.60		Publicly Quoted Company
dormakaba Holding GmbH + Co. KGaA, Ennepetal/DE	EUR	27,642,105.00	52.5	dormakaba Holding AG
			47.5	Familie Mankel Industriebeteiligung GmbH + Co. KGaA
dormakaba Beteiligungs-GmbH, Ennepetal/DE	EUR	1,000,000.00	52.5	dormakaba Holding AG
All of the following companies are directly or indirectly held by dormakaba Holding GmbH + Co. KGaA. Voting rights listed for these companies are the voting rights of this subholding. dormakaba Shareholders ultimately benefit with 52.5% from the cash flows generated by these entities.				
dormakaba International Holding AG, Rümlang/CH	CHF	101,000.00	100	dormakaba Holding GmbH + Co. KGaA
ADUK Products Ltd., Haslemere/GB	GBP	53.73	100	Kaba Holding (UK) Ltd.
Advanced Diagnostics Ltd., Haslemere/GB	GBP	100.00	100	ADUK Products Ltd.
Aluminium Services Inc., Scituate/US	USD	30,000.00	100	dormakaba USA Inc.
ATM-Türautomatik GmbH, Gleisdorf/AT	EUR	35,000.00	100	dormakaba Austria GmbH
Corporación Cerrajera Alba, S.A. de C.V., Edo. de México/MX	MXP	202,059,403.00	100	dormakaba Canada Inc.
Dörken + Mankel Verwaltungs-Gesellschaft mit beschränkter Haftung, Ennepetal/DE	EUR	30,000.00	100	dormakaba Holding GmbH + Co. KGaA
DORMA Arabia Automatic Doors Company Ltd., Dammam/SA	SAR	4,000,000.00	95	Dorma- Vertrieb-International GmbH
			5	DORMA Produktion International GmbH
DORMA Door Controls Pty. Ltd., Hallam/AU	AUD	910,700.00	100	Dorma- Vertrieb-International GmbH
DORMA Ghana Limited, Accra/GH	GHS	1,850,000.00	100	Dorma- Vertrieb-International GmbH
DORMA HUEPPE Pty. Ltd., Hallam/AU	AUD	374,406.72	100	DORMA Door Controls Pty. Ltd.
DORMA Hüppe Asia Sdn. Bhd., Senai, Johor/MY	MYR	2,510,000.00	100	DORMA Hüppe Raumtrennsysteme GmbH + Co. KG
DORMA Hüppe Austria GmbH, Linz/AT	EUR	146,000.00	100	DORMA Hüppe Raumtrennsysteme GmbH + Co. KG
DORMA Hüppe Raumtrennsysteme GmbH + Co. KG, Westerstede-Ocholt/DE	EUR	48,300,000.00	100	dormakaba Holding GmbH + Co. KGaA
DORMA Hüppe S.A., Brugge/BE	EUR	3,300,000.00	100	DORMA Hüppe Raumtrennsysteme GmbH + Co. KG
DORMA Hüppe Schweiz AG, St. Gallen/CH	CHF	100,000.00	100	dormakaba International Holding AG
DORMA Ireland Ltd., Dublin/IE	EUR	1,500,002.54	100	Dorma- Vertrieb-International GmbH
DORMA Movable Wall Verwaltungs-GmbH, Ennepetal/DE	EUR	25,000.00	100	dormakaba Holding GmbH + Co. KGaA
DORMA Produktion International GmbH, Ennepetal/DE	EUR	60,000.00	100	dormakaba Deutschland GmbH
DORMA UK Ltd., Hitchin/GB	GBP	250,000.00	100	dormakaba Nederland B.V.
DORMA Ukraine LLC, Kiev/UA	EUR	100,000.00	99	Dorma- Vertrieb-International GmbH
			1	dormakaba Deutschland GmbH
Dorma- Vertrieb-International Gesellschaft mit beschränkter Haftung, Ennepetal/DE	EUR	110,000.00	100	dormakaba Deutschland GmbH
DORMA-Glas GmbH, Bad Salzuflen/DE	EUR	520,000.00	100	dormakaba Deutschland GmbH
dormakaba (Thailand) Ltd., Bangkok/TH	THB	13,490,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba Access Indonesia, PT, Jakarta/IN	IDR	1,136,300,000.00	90	Dorma- Vertrieb-International GmbH
			10	DORMA Produktion International GmbH
dormakaba Access Solutions LLC, Doha/QA	QAR	200,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba Australia Pty. Ltd., Hallam/AU	AUD	10,702.00	100	DORMA Door Controls Pty. Ltd.

dormakaba Austria GmbH, Herzogenburg/AT	**EUR**	1,460,000.00	100	dormakaba International Holding AG
dormakaba Belgium N.V., Bruges/BE	**EUR**	2,416,273.79	100	dormakaba International Holding AG
dormakaba Brasil Soluções de Acesso Ltda. Sao Paulo/BR	**BRL**	35,160,684.00	100	dormakaba International Holding AG
dormakaba Bulgaria Ltd., Sofia/BG	**EUR**	1,314,147.96	100	Dorma- Vertrieb-International GmbH
dormakaba Canada Inc., Montreal/CA	**CAD**	1,000.00	100	dormakaba International Holding AG
dormakaba Cesko s.r.o., Praha/CZ	**CZK**	100,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba China Ltd, Suzhou/CN	**CNY**	127,759,074.00	100	Dorma- Vertrieb-International GmbH
dormakaba Danmark A/S, Albertslund/DK	**DKK**	696,000.00	100	dormakaba International Holding AG
dormakaba Deutschland GmbH, Ennepetal/DE	**EUR**	126,780,000.00	100	dormakaba Holding GmbH + Co. KGaA
DORMAKABA DOO BEOGRAD, Beograd/RS	**RSD**	4,474,250.00	100	Dorma- Vertrieb-International GmbH
dormakaba EAD GmbH, Villingen-Schwenningen/DE	**EUR**	819,100.00	100	dormakaba Holding GmbH + Co. KGaA
dormakaba España S.A.U., Madrid/ES	**EUR**	600,000.00	100	dormakaba International Holding AG
dormakaba Eurasia LLC, Moscow/RU	**RUB**	213,000,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba Finance AG, Rümlang/CH	**CHF**	100,000.00	100	dormakaba Holding GmbH + Co. KGaA
dormakaba Finance B.V., Dodewaard/NL	**EUR**	100,000.00	100	dormakaba Holding GmbH + Co. KGaA
dormakaba Finance GmbH, Ennepetal/DE	**EUR**	25,000.00	100	dormakaba Holding GmbH + Co. KGaA
dormakaba France S.A.S., Certeil/FR	**EUR**	5,617,200.00	100	dormakaba International Holding AG
dormakaba Gulf FZE, Dubai/AE	**USD**	9,524,934.10	100	Dorma- Vertrieb-International GmbH
dormakaba Hong Kong Limited, Hong Kong/HK	**HKD**	100,000.00	100	dormakaba Nederland B.V.
dormakaba Hrvatska d.o.o., Zagreb/HR	**HRK**	5,650,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba Immobilien GmbH, Villingen-Schwenningen/DE	**EUR**	50,000.00	100	dormakaba Holding GmbH + Co. KGaA
dormakaba India Private Limited, Chennai/IN	**INR**	1,147,197,270.00	100	Dorma- Vertrieb-International GmbH
dormakaba International Holding GmbH, Ennepetal/DE	**EUR**	1,000,000.00	100	dormakaba Holding GmbH + Co. KGaA
dormakaba Italia Srl., Milano/IT	**EUR**	260,000.00	100	dormakaba Schweiz AG
dormakaba Japan Co. Ltd., Yokohama/JP	**JPY**	120,000,000.00	100	dormakaba Schweiz AG
dormakaba Kapi Ve Güvenlik Sistemleri Sanayi Ve Ticaret A.S., Istanbul/TR	**TRY**	3,750,000.00	99	Dorma- Vertrieb-International GmbH
			1	dormakaba Deutschland GmbH
dormakaba Kenya Limited, Nairobi/KE	**KES**	40,000,000.00	99	Dorma- Vertrieb-International GmbH
			1	dormakaba Deutschland GmbH
dormakaba Korea Inc., Seongnam Ciy/KR	**KRW**	150,000,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba Kuwait for Ready Made Windows LLC, Kuwait City/KW	**KWD**	10,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba Luxembourg S.A., Wecker/LU	**EUR**	15,191,560.72	100	dormakaba International Holding AG
dormakaba Magyarorszàg Zrt., Budapest/HU	**HUF**	251,000,000.00	100	dormakaba Luxembourg S.A.
dormakaba Malaysia SDN BHD, Selangor/MY	**MYR**	200,000.00	100	dormakaba Nederland B.V.
dormakaba Maroc SARL, Casablanca/MA	**MAD**	2,000,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba México, S. de R.L. de C.V., Mexico City/MX	**MXN**	3,000.00	96.6	Dorma- Vertrieb-International GmbH
			3.4	dormakaba Deutschland GmbH
dormakaba Middle East (LLC), Dubai/AE	**AED**	7,700,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba Nederland B.V., Dodewaard/NL	**EUR**	11,662.00	100	Dorma- Vertrieb-International GmbH
dormakaba New Zealand Limited, Auckland/NZ	**NZD**	384,000.00	100	dormakaba Nederland B.V.
dormakaba Norge A/S, Drammen/NO	**NOK**	1,754,500.00	100	dormakaba International Holding AG
dormakaba Philippines Inc., Makati City/PH	**PHP**	18,000,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba Polska sp.z.o.o., Konstancin-Jeziorna/PL	**PLN**	14,255,500.00	100	dormakaba International Holding AG
dormakaba Portugal, Unipessoal Lda., Lisbon/PT	**EUR**	50,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba Production GmbH + Co. Kommanditgesellschaft, Ennepetal/DE, Singapore/SGP	**EUR**	2,560,000.00	100	dormakaba Deutschland GmbH
dormakaba Production GmbH, Ennepetal/DE	**EUR**	50,000.00	100	dormakaba Deutschland GmbH

dormakaba Production Malaysia SDN. BHD., Melaka/MY	MYR	5,000,000.00	100	Dorma- Vertrieb-International GmbH
dormakaba Romania S.R.L., Bucharest/RO	RON	4,705,845.65	100	Dorma- Vertrieb-International GmbH
dormakaba Schweiz AG, Wetzikon/CH	CHF	6,800,000.00	100	dormakaba International Holding AG
dormakaba Singapore Pte Ltd, Singapore/SGP	SGD	500,000.00	100	dormakaba Production GmbH + Co. KG
dormakaba Slovensko s.r.o, Bratislava/SK	EUR	6,639.00	100	Dorma- Vertrieb-International GmbH
dormakaba South Africa (Pty.) Ltd., Johannesburg/ZA	ZAR	950.00	100	Dorma- Vertrieb-International GmbH
dormakaba Suomi Oy, Helsinki/FI	EUR	67,275.17	100	Dorma- Vertrieb-International GmbH
dormakaba Sverige AB, Västra Frölunda/SE	SEK	500,000.00	100	dormakaba Nederland B.V.
dormakaba Uruguay S.A, Montevideo/UY	UYU	10,800.00	100	Dorma- Vertrieb-International GmbH
dormakaba USA Inc., Wilmington/US	USD	1,000.00	100	Kaba U.S. Holding Ltd.
dormakaba Workforce Solutions LLC, Wilmington/US	USD	19,712.76	100	Kaba U.S. Holding Ltd.
Farpointe Data Inc., Sunnyvale/US	USD	1,701,734.88	100	dormakaba USA Inc.
Fermetures GROOM S.A.S., Javené/FR	EUR	1,500,000.00	100	dormakaba France S.A.S.
Forponto Informática S.A., São Paulo/BR	BRL	10,000.00	100	Task Sistemas de Computação S.A.
Grupo Klaus S.A.C., Lima/PE	PEN	11,516,230.00	100	dormakaba International Holding AG
H. Cillekens & ZN BV, Roermond/NL	EUR	15,882.31	100	dormakaba Nederland B.V.
ISEO Serrature S.p.A., Pisogne/IT	EUR	23,969,040.00	40	Dorma- Vertrieb-International GmbH
Kaba (China) Technologies Ltd., Shenzhen/CN	CNY	69,500,000.00	100	Kaba Limited (HK)
Kaba Delaware, LLC, Wilmington/US		N/A	100	dormakaba Schweiz AG
Kaba do Brasil Ltda., São Paulo/BR	BRL	32,051,215.00	100	dormakaba International Holding AG
Kaba Gallenschütz GmbH, Bühl/DE	EUR	2,560,000.00	100	dormakaba Holding GmbH + Co. KGaA
Kaba Holding (UK) Ltd., London/GB	GBP	173,000.00	100	dormakaba International Holding AG
Kaba Holding AG, Rümlang/CH	CHF	100,000.00	100	dormakaba International Holding AG
Kaba Ilco Corp., Rocky Mount/US	USD	56,897,640.00	100	Kaba U.S. Holding Ltd.
Kaba Jaya Security Sdn. Bhd., Selangor/MY	MYR	350,000.00	70	dormakaba Schweiz AG
			30	dormakaba International Holding AG
Kaba Limited, Hong Kong/HK	HKD	560,250,000.00	100	dormakaba Schweiz AG
Kaba Ltd., Tiverton/GB	GBP	6,300,000.00	100	Kaba Holding (UK) Ltd.
Kaba Mas LLC, Lexington/US	USD	880,679.00	100	Kaba U.S. Holding Ltd.
Kaba Security Systems Private Limited, New Delhi/IN	INR	59,630,770.00	100	dormakaba International Holding AG
Kaba U.S. Holding Ltd., Wilmington/US	USD	200,000,000.00	59.47	Kaba Delaware, LLC
			1.98	dormakaba Schweiz AG
			17.55	dormakaba Nederland B.V.
			21	dormakaba International Holding AG
Lasservice Midt-Norge A/S, Drammen/NO	NOK	100,000.00	100	dormakaba Norge A/S
Legic Identsystems AG, Wetzikon/CH	CHF	500,000.00	100	dormakaba Schweiz AG
Mauer Thüringen GmbH, Bad Berka/DE	EUR	255,700.00	100	dormakaba EAD GmbH
Minda Silca Engineering Pvt. Ltd., New Delhi/IN	INR	107,510,000.00	65	dormakaba International Holding AG
Modernfold Inc., Greenfield/US	USD	1.00	100	dormakaba USA Inc.
Modernfold of Nevada LLC., Greenfield/US	USD	1.00	100	Modernfold Inc.
Path Line (China) Ltd., Hong Kong/HK	HKD	113,900,000.00	100	Kaba Limited (HK)
Rafi Shapira & Sons Ltd., Rishon LeZion/IL	ILS	143.00	30	Dorma- Vertrieb-International GmbH
Railtech Composites Inc., New York/US	USD	101.00	100	Skyfold Inc.
Resolute Testing Laboratories Pty. Ltd., Brisbane/AU	AUD	100.00	100	Kilargo Pty. Ltd.
Seca Solutions A/S, Sandnes/NO	NOK	3,000,000.00	100	dormakaba Norge A/S
Silca GmbH, Velbert/DE	EUR	358,000.00	100	dormakaba Holding GmbH + Co. KGaA
Silca Key Systems S.A., Barcelona/ES	EUR	162,296.90	100	dormakaba Luxembourg S.A.

Silca Ltd., Harrow/GB	**GBP**	411,050.00	100	Kaba Holding (UK) Ltd.
Silca S.A.S., Porcheville/FR	**EUR**	797,670.00	100	dormakaba France S.A.S.
Silca S.p.A., Vittorio Veneto/IT	**EUR**	10,000,000.00	97	dormakaba Luxembourg S.A.
			3	dormakaba Schweiz AG
Silca South America S.A., Tocancipa/CO	**COP**	4,973,013,770.00	65.92	dormakaba International Holding AG
			32.52	dormakaba Schweiz AG
Skyfold Inc., Quebec/CA	**CAD**	113,994,483.00	100	dormakaba Canada Inc.
Task Sistemas de Computação S.A., Rio de Janeiro/BR	**BRL**	26,438,731.00	100	dormakaba International Holding AG
TLHM Co. Ltd., Taiwan/TWN	**TWD**	665,000,000.00	100	dormakaba International Holding AG
Wah Mei (Toishan) Hardware Co., Ltd., Taishan/CN	**USD**	15,000,000.00	100	Path Line (China) Ltd.
Wah Yuet (Ng's) Overseas Co. Ltd., Tortola/VG	**USD**	13,289,000.00	100	Kaba Ltd. (HK)
Wah Yuet Industrial Co. Ltd., Hong Kong/HK	**HKD**	1,000,000.00	100	Kaba Ltd. (HK)
Yantai DORMA Tri-Circle Lock Co. Ltd, Yantai City/Shandong/CN	**CNY**	10,000,000.00	60	Dorma- Vertrieb-International GmbH

Apart from dormakaba Holding AG in Rümlang, there are no companies in the dormakaba Group's scope of consolidation whose shares are listed on a stock exchange. The registered shares of dormakaba Holding AG are traded on the Swiss Reporting Standard board of the SIX Swiss Exchange (security no./ISIN: 1179595/CH 0011795959). As at 30 June 2018, the company's market capitalization was CHF 2,908.0 million.

This Legal Structure meets the requirements of the GRI-Standards (Disclosure 102-45).

Report of the statutory auditor

to the General Meeting of dormakaba Holding AG

Rümlang

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of dormakaba Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 June 2018 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 24 to 62) give a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other 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 opinion.

Our audit approach

Overview

Overall Group materiality: CHF 15'785'000

We concluded full scope audit work at 53 reporting units in 21 countries. Our audit scope addressed 70% of Group's revenue and 70% of Groups' assets.

In addition, specified procedures were performed for two reporting units in one country addressing a further 8% of the Group's revenue and 5% of the Group's assets. Limited reviews were performed for 39 reporting units in 23 countries addressing a further 11% of the Group's revenue and 16% of the Group's assets.

As key audit matter the following area of focus has been identified:

Revenue recognition in the appropriate period (cut-off)

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

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Audit scope

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 Group is divided into five business segments: Access Solutions AMER, Access Solutions APAC, Access Solutions DACH, Access Solutions EMEA, Key & Wall Solutions. In establishing the overall approach for the Group audit, we determined the type of work that needed to be performed by us, as the Group audit team and by component auditors from the different PwC network firms operating under our instructions. The group consolidation, financial statement disclosures, acquisition accounting and the valuation of deferred tax assets are audited by the Group audit team. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work for those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our audit opinion on the Group's financial statements as a whole. The Group audit team's involvement included conference calls with component auditors to discuss their audit findings.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. 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 consolidated financial statements as a whole.

Overall Group materiality	CHF 15'785'000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 775'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

Revenue recognition in the appropriate period (cut-off)

Key audit matter	*How our audit addressed the key audit matter*
Total consolidated net sales of the financial year 2017/2018 amounted to CHF 2'841 million (2016/2017: CHF 2'520 million). The business segments are divided into Access Solutions AMER, Access Solutions APAC, Access Solutions DACH, Access Solutions EMEA, Key & Wall Solutions. Refer to note 2.13 (Net sales and revenue recognition), note 5 (Net sales) and note 27 (Segment reporting). The net sales are the main driver of EBITDA that represents the key performance indicator for the Group and is therefore in the focus of internal and external stakeholders. Expectations from those stakeholders may create pressure on management to achieve the set targets. Thus, there is a risk that revenue recognition may not be consistent with the transfer of risks and rewards of ownership in accordance with the applicable delivery terms (Incoterms) and therefore may not be in line with Swiss GAAP FER. Consequently, when performing the audit we focused on the recognition of revenue in the appropriate period (cut-off).	We obtained an understanding of the policies, processes and methods of the Group's revenue recognition. On a sample basis, for all full scope reporting units of the different segments the following audit procedures were performed: - Based on invoices, delivery notes and payments, we assessed the occurrence of revenue transactions and their recognition in the appropriate period. - We obtained an understanding of the Incoterms and determined for the delivery notes tested whether title, risks and rewards of ownership have been transferred and whether the Incoterms were correctly applied in recognizing revenue. - We tested whether credit notes raised after year-end were appropriately issued and recognized. Based on the audit procedures performed, we consider the risks in relation to the recognition of revenue in the appropriate period to be adequately addressed.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards 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 consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen	Reto Tognina
Audit expert Auditor in charge	Audit expert

Zürich, 7 September 2018

Financial statements dormakaba Holding AG

Balance sheet

Assets

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Current assets		
Cash and cash equivalents	0.1	0.1
Receivables: third parties	0.0	0.0
Receivables: Group companies	0.5	0.0
Accruals	0.0	0.0
Total current assets	**0.6**	**0.1**
Non-current assets		
Investments	704.9	704.9
Loans to Group companies	173.4	170.1
Prepaid expenses	0.0	0.0
Total non-current assets	**878.3**	**875.0**
Total assets	**878.9**	**875.2**

Liabilities and equity

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Current liabilities		
Other current liabilities: third parties	1.2	0.6
Accruals	0.2	0.0
Total current liabilities	**1.4**	**0.6**
Long-term provisions	**13.6**	**14.0**
Equity		
Share capital	0.4	0.4
Legal capital reserves - reserve from capital contribution	222.1	280.7
Legal reserves	261.0	261.0
Reserves for own shares	8.6	17.6
Treasury shares	–0.2	–1.0
Statutory retained earnings - available earnings carried forward	310.9	270.6
Net profit for the year	61.1	31.3
Total equity	**863.9**	**860.6**
Total liabilities and equity	**878.9**	**875.2**

Income statement

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Operating revenues		
Income from investments		
- Dividend income	63.3	32.8
Interest from Group loans	4.3	1.8
Other financial income	0.0	0.3
Total operating revenues	**67.6**	**35.0**
Operating expenses		
Financial expenses	–2.4	0.0
Cost of services provided by Group companies	–0.2	0.0
Personnel expenses	–2.2	–2.2
Other operating expenses	–1.2	–1.1
Direct taxes	–0.5	–0.4
Total operating expenses	**–6.5**	**–3.7**
Net profit for the period	**61.1**	**31.3**

Notes to the financial statements

1. Principles

1.1 General
These annual financial statements were prepared in accordance with the provisions of the Swiss accounting law (Title 32 of the Swiss Code of Obligations). The main valuation principles applied that are not prescribed by law are described below.

In accordance with the provisions of the Swiss accounting law (article 961d para. 1 CO), the company does not provide additional information in the notes, a cash flow statement or an annual report, referring instead to the consolidated financial statements of dormakaba Holding AG for the relevant information.

1.2 Loans to Group companies and other financial assets
Loans granted to Group companies and other financial investments in foreign currencies are valued at the market rate on the actual closing date. The valuation is at nominal values, taking into consideration any impairment required.

1.3 Investments
Investments are valued in line with the principle of individual valuation. General value adjustments can be applied.

1.4 Dividend income
Dividend income is booked when payment is received.

2. Information on balance sheet positions

2.1 Investments: company, domicile

		Share capital in local currency	Voting rights in %
dormakaba Holding GmbH + Co. KGaA, Ennepetal/DE	EUR	27,642,105	52.5
dormakaba Beteiligungs-GmbH, Ennepetal/DE	EUR	1,000,000	52.5

There are no changes to the Investments.

2.2 Loans to Group companies

Counterparty	Currency	Interest rate	Financial year ended 30.06.2018	Financial year ended 30.06.2017
dormakaba International Holding AG, Rümlang/CH	CHF	1.00%	173.4	170.1
Total loans to Group companies			**173.4**	**170.1**

2.3 Long-term provisions
This provision relates to general risks.

2.4 Share capital
As of 30 June 2018, share capital amounted to CHF 420,002.60 divided into 4,200,026 registered shares at a par value of CHF 0.10.

Conditional capital as of 30 June 2018 amounted to CHF 42,438.

In accordance with the resolution of the Annual General Meeting of 17 October 2017, the Board of Directors is authorized to increase the share capital, until no later than 17 October 2019, by a maximum amount of CHF 72,000 by issuing a maximum of 420,000 fully paid-in registered shares with a nominal value of CHF 0.10 each. The increase may be made in partial amounts.

No shares were issued out of authorized capital in the year under review.

2.5 Principal shareholders

	As at 30.06.2018 No of shares at CHF 0.10 par value	in %	As at 30.06.2017 No of shares at CHF 0.10 par value	in %
Pool shareholders [1]	1,143,508	27.2	1,153,191	27.5
Public shareholders				
Other public shareholders	3,029,069	72.1	3,021,712	71.9
Total public shareholders	**3,029,069**	**72.1**	**3,021,712**	**71.9**
Members of the Board of Directors and Members of the Executive Committee [2]				
Members of the Board of Directors (non-executive)	492,619	11.8	477,192	11.4
Members of the Executive Committee	14,180	0.3	12,528	0.3
Total members of the Board of Directors and Members of the Executive Committee	**506,799**	**12.1**	**489,720**	**11.7**
Less double-counting in respect of Pool shareholders who are members of the Board of Directors [3]	–479,350	–11.4	–464,597	–11.1
Total shares	**4,200,026**	**100.0**	**4,200,026**	**100.0**

1) The following persons are party to the pool agreement dated 29 April 2015: Familie Mankel Industriebeteiligungs GmbH + Co. KGaA / Ennepetal, Mankel Family Office GmbH / Ennepetal, KRM Beteiligungs GmbH / Ennepetal, Christine Mankel / Ennepetal, Stephanie Brecht-Bergen / Hamburg, Karl-Rudolf Mankel / Ennepetal as well as Martina Bössow / Dubai (UAE), heirs of Anja Bremi, Ulrich Bremi / Zollikon, Balz Dubs / Zurich, Karina Dubs-Kuenzle / Zurich, Kevin Dubs / Zurich, Linus Dubs / Zurich, Anja Flückiger / Forch, Christian Forrer / Bern, Karin Forrer / Muri, Anna Katharina Kuenzle / Thalwil, Clive Kuenzle / Zurich, Michael Kuenzle / Meilen, Alexandra Sallai / Worb, Christoph Sallai / Worb, Andrea Ullmann / Zollikon, Sascha Ullmann / Zollikon, Adrian Weibel / Meilen and Tonia Weibel / Meilen.

2) Including related parties

3) The shareholdings of Pool Shareholders who are also members of the Board of Directors are included under Pool Shareholders and members of the Board of Directors.

2.6 Treasury shares

	30.06.2018 in CHF million	30.06.2018 Number	30.06.2017 in CHF million	30.06.2017 Number
Treasury shares at the beginning of the period	1.0	1,260	2.8	4,063
Purchased/revalued/sold	–0.8	–910	–1.7	–2,803
Treasury shares at the end of the period	0.2	350	1.0	1,260
Treasury shares held in other group entities	8.7	12,433	17.6	21,178
Total Treasury shares at the end of the period	8.9	12,783	18.7	22,438

3. Information on the income statement

3.1 Dividend income

The dividend income for the year was CHF 63.3 million (previous year: CHF 32.8 million).

3.2 Financial income

The financial income came primarily from interest income on the loans granted to Group companies as well as guarantee fees in relation to the bonds issued by dormakaba Finance AG.

3.3 Financial expenses

The financial expenses primarily are related to guarantee fees paid to dormakaba Holding GmbH & Co. KGaA to guarantee on the bond issued by dormakaba Finance AG.

3.4 Other operating expenses
The main expense items related to external consulting services and marketing expenses.

3.5 Direct taxes
Direct taxes are comprised of capital taxes and for the prior year also income taxes.

4. Other information

4.1 General information
dormakaba Holding AG is incorporated and domiciled in Rümlang (Switzerland). The address of its registered office is: Hofwisenstrasse 24, 8153 Rümlang, Switzerland.

The company is listed on the Swiss Stock Exchange (SIX).

4.2 Full-time equivalents
As of 30 June 2018, dormakaba Holding AG did not employ any personnel.

4.3 Contingent liabilities

in CHF million	Financial year ended 30.06.2018	Financial year ended 30.06.2017
Guarantees	693.7	0.0
Of which used	0.0	0.0

The guarantees disclosed relates to the guarantee to the bond holders for the bonds issued by dormakaba Finance AG in the total nominal amount of CHF 680.0 million.

The dormakaba companies in Switzerland are treated for VAT purposes as one single entity (Group taxation article 15 Swiss VAT law). If one company is unable to meet its payment obligations to the taxation authorities, the other Group companies within the tax group are jointly and severally liable.

5. Conditional and authorized capital

	30.06.2018 CHF 0.10 par value	30.06.2018 Number	30.06.2017 CHF 0.10 par value	30.06.2017 Number
Conditional capital at the end of the period	42,438	424,384	42,938	429,384
Authorized capital at the end of the period	42,000	420,000	41,900	419,000

Conditional capital of CHF 36,000 (CHF 36,000 in the prior year) is earmarked for the coverage of convertible bonds and warrant bonds, plus CHF 6,438.40 (CHF 6,938.40 in the prior year) for shares or share options to associates and members of the Board of Directors of which CHF 0 (CHF 0 in the prior year) were exercised in financial year 2017/18.

The authorized capital at year-end amounts to CHF 42,000 (CHF 41,900 in the prior year).

6. Shareholdings of members of the Board of Directors and the Executive Committee

As at the respective reporting date, the individual members of the Board of Directors and the Executive Committee (including related parties) held the following number of shares in dormakaba Holding AG. None of the members of the Board of Directors and the Executive Committee held any options.

	Financial year ended 30.06.2018	Financial year ended 30.06.2017
	Number of shares	Number of shares
Board of Directors		
Brecht-Bergen Stephanie	189,958	189,868
Chiu Elton SK	773	683
Daeniker Daniel	1,424	1,305
Dörig Rolf	2,363	2,153
Dubs-Kuenzle Karina	99,483	84,861
Graf Ulrich	6,148	6,476
Gummert Hans	479	198
Heppner John	626	510
Hess Hans	1,360	1,270
Mankel Christine	190,005	189,868
Total Board of Directors	**492,619**	**477,192**
Executive Committee		
Berninger Alwin	-	
Brinker Bernd	550	250
Cadonau Riet	4,330	3,930
Gaspari Roberto	2,576	2,238
Häberli Andreas	1,505	1,185
Jacob Christoph	132	72
Kincaid Michael	1,012	714
Lee Jim-Heng	1,396	1,146
Lichtenberg Jörg	318	167
Malacarne Beat	867	1,425
Sichelschmidt Dieter [1)]		150
Zocca Stefano	1,494	1,251
Total Executive Committee	**14,180**	**12,528**

1) Member of the Executive Committee until the 31 December 2017

7. Events after the balance sheet date

dormakaba has reached an agreement on the sale of its indirect 40% shareholding in ISEO to the Facchinetti family, who already owns the remaining 60% in the company. Closing of the divestment contract is expected to take place by fall 2018.

Appropriation of balance sheet profits

Proposal for appropriation of available retained earnings as at 30 June 2018

in CHF million	2018	2017
Unappropriated retained earnings at the beginning of the period	301.9	288.2
Allocation from/to reserves for own shares	9.0	–17.6
Net profit for the period	61.1	31.3
Unappropriated retained earnings at the end of the period	**372.0**	**301.9**
Allocation from reserve from capital contribution	63.0 [1)]	58.8
Total at the Annual General Meeting's disposal	**435.0**	**360.7**

1) Reserve from capital contribution will only be released in the amount of the resolution of the Annual General Meeting.

The Board of Directors will propose the following appropriation of balance sheet profits to the shareholders at the Annual General Meeting of 23 October 2018: distribution from reserve from capital contribution of CHF 63,000,390 (CHF 58,800,364 in the prior year) on the share capital of CHF 420,002 (CHF 420,002 in the prior year), no contribution to other reserves (CHF 0 in the prior year).

Proposal for the distribution to the shareholders

in CHF million	Proposal to the Annual General Meeting 2018	Proposal to the Annual General Meeting 2017
Proposed distribution from reserve from capital contribution	63.0 [2)]	58.8
To be carried forward	372.0	301.9
Total at the Annual General Meeting's disposal	**435.0**	**360.7**

2) After approval of the Annual General Meeting the amount will be paid out free of Swiss withholding tax from capital contribution reserve.

After approval of this proposal by the Annual General Meeting the distribution from reserve of capital contribution will be paid out on 29 October 2018 as follows according to instructions received: CHF 15.00 (CHF 14.00 in the prior year) gross per listed registered share at CHF 0.10 par value.

Report of the statutory auditor

to the General Meeting of dormakaba Holding AG

Rümlang

Report on the audit of the financial statements

Opinion

We have audited the financial statements of dormakaba Holding AG, which comprise the balance sheet as at 30 June 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 69 to 74) as at 30 June 2018 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other 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 opinion.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; 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.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that 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 as set out in the table below. 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.

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Overall materiality	CHF 4'394'000
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We chose total assets as benchmark because, in our view, it is a relevant benchmark for a holding company and it is a generally accepted benchmark for holding companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 439'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards 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 financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to

the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen	Reto Tognina
Audit expert Auditor in charge	Audit expert

Zürich, 7 September 2018

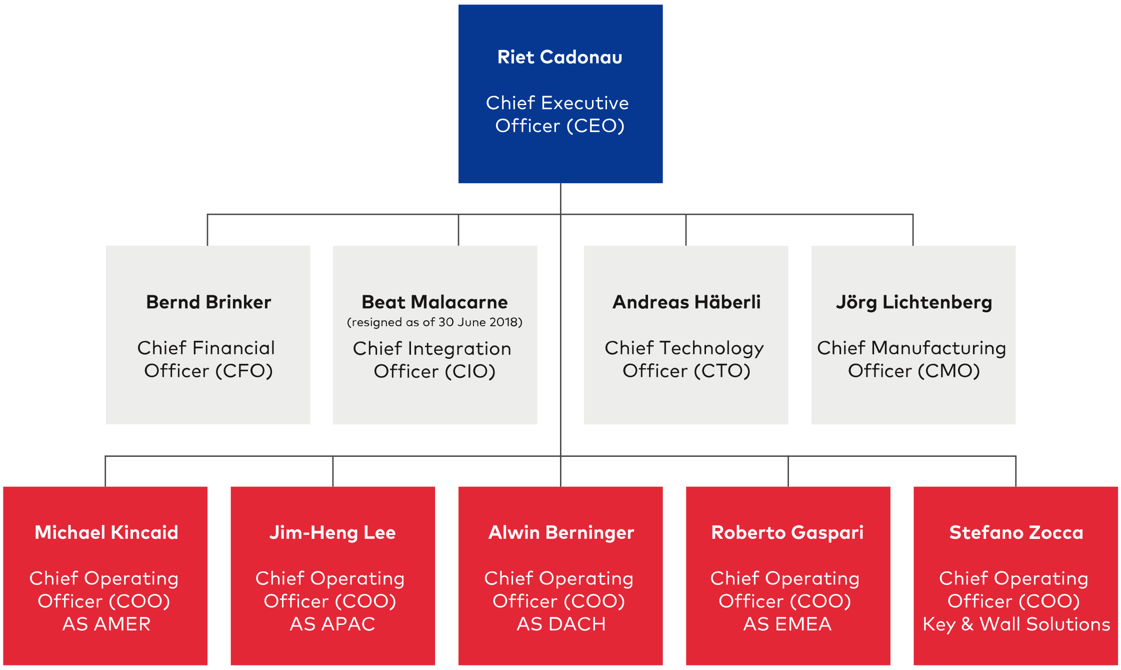
Corporate Governance

General framework

This report on corporate governance sets out the principles of management and control at the highest level of the dormakaba Group in accordance with the SIX Swiss Exchange Directive on Information Relating to Corporate Governance (Directive Corporate Governance, DCG). Unless otherwise stated, the information in this report for the 2017/18 financial year is as of 30 June 2018. dormakaba Group's corporate governance largely follows the guidelines and recommendations set out in the Swiss Code of Best Practice for Corporate Governance of July 2002 and revised editions of 2007 and 2014. dormakaba Group has made some adjustments and simplifications to suit its management and shareholder structure and medium size.

dormakaba Group's principles and rules regarding corporate governance are set out in its Articles of Incorporation, its Organizational Regulations and in the regulations of its Board committees.

Executive Committee dormakaba Group as of 30 June 2018



Group structure and shareholders

Group structure

dormakaba Group's organizational structure consists of the following five segments:

- The four regional segments within Access Solutions (AS)
  - AS AMER (North and South America)
  - AS APAC (Asia-Pacific)
  - AS DACH (Germany, Austria, Switzerland)
  - AS EMEA (rest of Europe, Middle East, Africa)
- Key & Wall Solutions

The companies that lie within the Group's scope of consolidation are listed in the financial statements.

Shareholders

	As at 30.06.2018 No of shares at CHF 0.10 par value	in %	As at 30.06.2017 No of shares at CHF 0.10 par value	in %
Pool shareholders [1]	1,143,508	27.2	1,153,191	27.5
Public shareholders				
Other public shareholders	3,029,069	72.1	3,021,712	71.9
Total public shareholders	**3,029,069**	**72.1**	**3,021,712**	**71.9**
Members of the Board of Directors and Members of the Executive Committee [2]				
Members of the Board of Directors (non-executive)	492,619	11.8	477,192	11.4
Members of the Executive Committee	14,180	0.3	12,528	0.3
Total members of the Board of Directors and Members of the Executive Committee	**506,799**	**12.1**	**489,720**	**11.7**
Less double-counting in respect of Pool shareholders who are members of the Board of Directors [3]	–479,350	–11.4	–464,597	–11.1
Total shares	**4,200,026**	**100.0**	**4,200,026**	**100.0**

1) The following persons are party to the pool agreement dated 29 April 2015: Familie Mankel Industriebeteiligungs GmbH + Co. KGaA / Ennepetal, Mankel Family Office GmbH / Ennepetal, KRM Beteiligungs GmbH / Ennepetal, Christine Mankel / Ennepetal, Stephanie Brecht-Bergen / Hamburg, Karl-Rudolf Mankel / Ennepetal as well as Martina Bössow / Dubai (UAE), heirs of Anja Bremi, Ulrich Bremi / Zollikon, Balz Dubs / Zurich, Karina Dubs-Kuenzle / Zurich, Kevin Dubs / Zurich, Linus Dubs / Zurich, Anja Flückiger / Forch, Christian Forrer / Bern, Karin Forrer / Muri, Anna Katharina Kuenzle / Thalwil, Clive Kuenzle / Zurich, Michael Kuenzle / Meilen, Alexandra Sallai / Worb, Christoph Sallai / Worb, Andrea Ullmann / Zollikon, Sascha Ullmann / Zollikon, Adrian Weibel / Meilen and Tonia Weibel / Meilen.

2) Including related parties

3) The shareholdings of Pool Shareholders who are also members of the Board of Directors are included under Pool Shareholders and members of the Board of Directors.

Major shareholders

The above table sets out dormakaba Holding AG's shareholder structure on the balance sheet date and lists the names of shareholders who have reported holding a stake of 3% or more of voting rights in dormakaba Holding AG. The announcements related to the disclosure notifications made by shareholders based on stock exchange reporting obligations can be found via the search facility on SIX Swiss Exchange Disclosure Office's website at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

The Mankel/Brecht-Bergen Family and the Kaba Family Shareholders (collectively referred to as the Anchor Shareholder Group) have concluded a pool agreement that governs the mutual rights and obligations of the Kaba Family Shareholders and the Mankel/Brecht-Bergen Family. The pool agreement states that the Anchor Shareholder Group can propose a maximum of five representatives to the General Meeting for election to the Board of Directors.

This Anchor Shareholder Group undertakes to exercise its voting rights in concert when voting on significant Annual General Meeting resolutions. The members of the Anchor Shareholder Group also grant each other the right of first refusal if they intend to sell shares in dormakaba Holding AG. Finally, if they sell 27% or more of dormakaba Holding AG voting rights, members of the Anchor Shareholder Group undertake to commit the buyer to make a public takeover offer to all dormakaba Holding AG shareholders at the same price as that at which the members of the Anchor Shareholder Group are selling. This is designed to prevent any price discrimination against minority shareholders. The pool agreement lasts until 29 April 2030. As far as dormakaba Holding AG is aware, there are no shareholder agreements or other agreements between the major shareholders mentioned that involve the dormakaba Holding AG shares they own or the exercise of the shareholder rights these shares confer.

Cross-shareholdings

dormakaba Group has not entered into any capital or voting cross-shareholdings with other companies.

Capital structure

Capital

dormakaba Holding AG's share capital as at 30 June 2018 is CHF 420,002.60, divided into 4,200,026 fully paid-up registered shares with a nominal value of CHF 0.10 each. As at 30 June 2018, dormakaba Holding AG has authorized capital of CHF 42,000 (corresponding to 10% of the share capital), divided into 420,000 registered shares with a nominal value of CHF 0.10 each, and conditional capital of maximum CHF 42,438.40 (corresponding to 10.10% of the share capital) for issuing bonds or similar instruments (up to a maximum of CHF 36,000, divided into 360,000 registered shares with a nominal value of CHF 0.10 each) and for employee participation programs (maximum CHF 6,438.40, divided into 64,384 registered shares with a nominal value of CHF 0.10 each).

Conditional capital

The share capital of dormakaba Holding AG may be increased by an amount not exceeding CHF 36,000 by issuing up to 360,000 registered shares, to be fully paid up, with a nominal value of CHF 0.10 each, through the exercise of conversion and/or option rights that have been granted in connection with the issue of bonds or similar instruments by dormakaba Holding AG or a Group company, and/or through the exercise of option rights that have been conferred on shareholders. If bonds or similar instruments are issued in connection with conversion and/or option rights, the subscription rights of existing shareholders are excluded. The right to subscribe to the new registered shares falls to the respective holders of conversion and/or option rights.

The purchase of registered shares by exercise of conversion and/or option rights, as well as every subsequent transfer of registered shares, is subject to the restrictions set out in the Articles of Incorporation. The Board of Directors is entitled to limit or abolish the pre-emptive subscription right of shareholders in connection with the issue of bonds or similar instruments with conversion and/or option rights if such instruments are issued for the purpose of financing the acquisition of companies, parts of companies or equity interests. The share capital of dormakaba Holding AG may be increased by no more than CHF 6,438.40 by issuing to employees and members of the Board of Directors of dormakaba Holding AG and of Group companies no more than 64,384 registered shares with a nominal value of CHF 0.10 each, which must be fully paid up. The subscription rights of existing shareholders to such new shares are excluded. Registered shares or option rights in this respect will be issued to employees or members of the Board of Directors subject to one or more sets of regulations to be defined by the Board of Directors and taking into account performance, function and level of responsibility. The group of beneficiaries and the principles of allocation are disclosed in the Compensation Report. Said registered shares or option rights may be issued to employees or members of the Board of Directors at a price below the market price. In connection with the issue of option rights to employees and members of the Board of Directors, the pre-emptive subscription rights of existing shareholders are excluded. The purchase of shares within the context of employee share ownership schemes, as well as any subsequent transfers of such shares, are subject to the restrictions set out in the Articles of Incorporation.

Authorized capital

The Annual General Meeting of 17 October 2017 created authorized capital and authorized the Board of Directors of dormakaba Holding AG to increase the share capital of the company by no more than CHF 42,000 through the issue of a maximum of 420,000 fully paid-up registered shares with a nominal value of CHF 0.10 each by 17 October 2019 at the latest. An increase in installments is allowed. Subscription to and acquisition of new shares and each subsequent transfer shall be subject to the restrictions set out in the Articles of Incorporation. The Board of Directors determines the date of issue of new shares, the issue price, type of payment, conditions of exercising subscription rights, and the start date for dividend entitlement. The Board of Directors can issue new shares by having a bank or third party underwrite them all and then making an offer to existing shareholders. The Board of Directors is authorized to set the issue price of new shares as close as possible to the market value of the shares. The Board of Directors is authorized in this case to restrict or exclude trading with subscription rights. The Board of Directors can let unexercised subscription rights lapse or can take these rights, or the shares for which these rights are granted but not exercised, and place them at market conditions or use them in some other way in the interests of dormakaba Holding AG. The Board of Directors is also authorized to restrict or remove and allocate to third parties shareholders' subscription rights if the shares are being used in connection with the acquisition of companies, parts of companies or participations, or if shares are being placed to finance or refinance such transactions.

Changes in capital in the last four financial years

As a result of an increase from authorized capital, which was renewed by the Annual General Meeting of 28 October 2014, the share capital of dormakaba Holding AG increased as at 28 May 2015 by CHF 38,000 from CHF 381,502.60 to CHF 419,502.60; the authorized capital (divided into 380,000 registered shares with a nominal value of CHF 0.10 each) was cancelled accordingly. This capital increase was carried out in connection with the merger between Kaba Group and Dorma Group and was not dependent on completion of the merger. The 380,000 shares issued from authorized capital were subscribed by Familie Mankel Industriebeteiligungs GmbH + Co. KGaA. Due to the allocation and issue of shares under the (i) Directive regarding the compensation for the members of the Board of Directors of dormakaba Holding AG and (ii) Executive Stock Award Plan, the share capital of dormakaba Holding AG increased as at 30 June 2017 by CHF 500 from CHF 419,502.60 to CHF 420,002.60 through the issue of 5,000 registered shares with a nominal value of CHF 0.10 each; conditional capital declined by CHF 500 from CHF 42,938.40 to CHF 42,438.40 (represented by 424,384 registered shares with a nominal value of CHF 0.10 each) accordingly.

Changes of capital of dormakaba Holding AG within the last four financial years

in CHF million	30.06.2018	30.06.2017	30.06.2016	30.06.2015
Equity				
Share capital	0.4	0.4	0.4	0.4
Reserve from capital contribution	222.1	280.7	327.5	568.2
Legal reserves	261.0	261.0	261.0	261.0
Reserves for own shares	8.6	17.6	0.0	0.0
Treasury shares	–0.2	–1.0	–2.8	–6.0
Unappropriated retained earnings	372.0	301.9	288.2	288.7
Total equity	**863.9**	**860.6**	**874.3**	**1,112.3**

Shares and non-voting shares (Partizipationsscheine)

Each share entitles the holder to one vote at the General Meeting of dormakaba Holding AG. Voting rights can only be exercised if the shareholder is registered with voting rights in dormakaba Holding AG's share register. The shares of dormakaba Holding AG are not physical but are issued purely as security rights. They are registered as book-entry securities. Shares carry full dividend rights. There are no outstanding shares with privileged dividend rights or other preferential rights. dormakaba Holding AG has not issued any non-voting shares (Partizipationsscheine).

Profit-sharing certificates (Genussscheine)

dormakaba Holding AG has not issued any profit-sharing certificates (Genussscheine).

Limitations on transferability and nominee registrations

Transfers of shares of dormakaba Holding AG require the approval of the company's Board of Directors. Approval may be refused if the acquirer of the shares does not expressly declare that these were acquired in its own name and for its own account. The Board of Directors will register individual persons who do not expressly declare that they hold the shares for their own account ("nominees") in the share register with the right to vote provided the nominee has entered into an agreement with the Board of Directors with respect to its position and if the nominee is subject to recognized banking or financial market supervision. Otherwise, such shares held by nominees can be registered in the share register without voting rights.

In the year under review the Board of Directors granted no exemptions from the transfer restrictions.

Cancelling or changing the limitations on the transferability of shares requires a resolution by the General Meeting supported by at least two-thirds of the votes represented. Book-entry securities based on dormakaba Holding AG shares cannot be transferred by assignment. Neither can collateral be placed by assignment on these book-entry securities. The transfer of such book-entry securities follows the stipulations of the Federal Intermediated Securities Act.

Convertible bonds and options

Neither dormakaba Holding AG nor any of its Group companies have issued any convertible bonds or warrants that are still outstanding, or any options. This does not include the allocation of shares to employees under the stock award plans, details of which are given in the Compensation Report.

Board of Directors

The duties and responsibilities of the Board of Directors of dormakaba Holding AG are defined by the Swiss Code of Obligations, the Articles of Incorporation and the Organizational Regulations.

Members of the Board of Directors

The Board of Directors of dormakaba Holding AG has ten non-executive members. No members of the Board of Directors have sat on the Executive Committee of dormakaba Holding AG, Kaba Group or Dorma Group at any time in the last five financial years.

No members of the Board of Directors have significant business relations with dormakaba Holding AG. The maximum number of mandates that members of the Board of Directors are allowed to take on the governing bodies of legal entities outside the dormakaba Group is regulated in section 27 of the Articles of Incorporation. The following table lists the name, year of birth, and date of joining of the individual members of the Board of Directors.

Members of the Board of Directors as of 30 June 2018

Name/Position	Year of birth	Entry
Ulrich Graf (Chairman)	1945	1989
Rolf Dörig (Vice-Chairman)	1957	2004
Stephanie Brecht-Bergen	1985	2015
Elton SK Chiu	1957	2010
Daniel Daeniker	1963	2010
Karina Dubs-Kuenzle	1963	2001
Hans Gummert	1961	2015
John Heppner	1952	2013
Hans Hess	1955	2012
Christine Mankel	1982	2015

Elections and terms of office

The Board of Directors of dormakaba Holding AG is elected by the Annual General Meeting, with each member standing for election individually. The Articles of Incorporation state that the Board of Directors shall have between five and ten members. Prospective members shall be elected for a one-year term of office up to the conclusion of the next Annual General Meeting. Members of the Board of Directors can be re-elected. When they reach 70 years of age, members of the Board of Directors normally resign at the next General Meeting. The Board of Directors had decided not to apply the age limit it voluntarily included in the Organizational Regulations to the Board of Directors member Ulrich Graf because it wanted to continue to use his experience (especially his significant integration knowledge with regard to the Unican takeover) and support during the implementation and integration work associated with the merger of Kaba Group with Dorma Group.

Following the announcement of Elton SK Chiu not to stand for re-election as member of the Board of Directors and Ulrich Graf not to stand for re-election as Chairman and member of the Board of Directors at the next Annual General Meeting, the Board of Directors is proposing to the Annual General Meeting on 23 October 2018 that all other serving members of the Board of Directors be re-elected, that Riet Cadonau be elected as member and Chairman, and Jens Birgersson be elected as new member of the Board of Directors. Subject to his election, Riet Cadonau will remain CEO for a period of two to maximum three years and will serve as Chairman in a dual role Chairman and CEO. During this period, he will not be a member of any board committees and will not receive additional compensation for his role on the Board of Directors. The Board of Directors intends to nominate Hans Hess as the new Vice-Chairman and Lead Independent Director subject to his re-election as member of the Board of Directors at the upcoming Annual General Meeting. This measure will continue to ensure that the Board of Directors exercises independent control and supervision.

Internal organization

According to the Swiss Code of Obligations and dormakaba Holding AG's Articles of Incorporation and Organizational Regulations, the main responsibilities of the Board of Directors are:

- The strategic direction and management of dormakaba Group;
- Structuring the accounting system, the financial controls, and the financial planning;
- Appointing and dismissing members of the Executive Committee;
- Overall supervision of business activities;
- Preparation of the Annual Report, preparation of the General Meeting, and implementation of its resolutions;
- Approving the signing authority of dormakaba Holding AG representatives;
- Approving the purchase and sale of companies, business areas or other assets worth more than CHF 10 million;
- Approving investments, purchases, and disposals of real estate worth more than CHF 10 million.

The relevant decisions are taken by the whole Board of Directors. The CEO and CFO regularly participate in meetings of the Board of Directors in an advisory capacity. Other members of the Executive Committee are brought in to advise on individual items of the agenda. The Board of Directors held eight meetings during the 2017/18 financial year; these lasted between ten minutes and one and a half working days. All members of the Board of Directors attended each meeting except two Directors who were each excused for one meeting and one Director who was partly excused for one meeting. In addition, the Board's committees met 13 times in total. The agendas for Board meetings are defined by the Chairman at the CEO's request. Each member of the Board of Directors may propose agenda items. Members of the Board of Directors always receive documentation prior to Board meetings so they can prepare for discussion of each item on the agenda. The Board of Directors holds discussions with the company's managers and visits one or more dormakaba Group locations, usually on an annual basis.

Committees

The Board of Directors has formed an Audit Committee, a Compensation Committee, and a Nomination Committee. Members of the Compensation Committee are elected at each Annual General Meeting. Each committee has written terms of reference that define its tasks and responsibilities. The chairs of these committees are elected by the Board of Directors. The committees meet regularly and are obliged to produce minutes as well as recommendations to the regular Board meetings. Committee meeting agendas are defined by the committee chair. Members of the committees receive documentation prior to the meetings so they can prepare for discussion of agenda items.

Audit Committee

The Audit Committee is composed of three non-executive members of the Board of Directors, who have professional or other experience of financing and accounting:

- **Daniel Daeniker** (Chair)
- **Hans Gummert**
- **Hans Hess**

The Board of Directors has specified that members of the Audit Committee must meet certain requirements with regard to independence and skills and that they must not be members of the Executive Committee. The term of office is one year or until the conclusion of the next Annual General Meeting; members may be re-elected. The Audit Committee meets at least twice a year, but will be convened by the chair as often as business requires. During the 2017/18 financial year the Audit Committee met five times, with each meeting lasting at least one hour. All members of the Audit Committee attended each meeting, except one member who was excused for one meeting. The CFO takes part in the meetings in an advisory capacity, as do, where necessary, the CEO, representatives of the audit firm, representatives of Internal Audit and of the Accounting Department, and the General Counsel. In the 2017/18 financial year, representatives of the audit firm and the General Counsel participated in three meetings, representatives of Internal Audit and external consultants in four, and representatives of the Accounting Department in five. The Audit Committee minutes the deliberations and decisions taken during meetings. The principal responsibilities of the Audit Committee are to evaluate risk management and accounting processes, monitor financial reporting and internal auditing, and assess external audits. With regard to external audits, the Audit Committee has the following responsibilities:

- Approval of the audit priorities;
- Acceptance of the audit report and of any recommendations made by the auditors prior to the submission of the annual accounts (individual and consolidated financial statements) to the whole Board of Directors for approval;
- Proposing to the whole Board of Directors which external auditor should be recommended to the General Meeting;
- Assessing the external auditor's performance, pay, and independence, and checking that audit activities do not clash with any consultancy mandates.

The Audit Committee's tasks relating to internal audits include:

- Approving the rules on internal audit's organization and responsibilities;
- Approving audit plans;
- Checking the results of the audits and implementing the recommendations of the internal or external auditor;
- Transferring (if necessary) internal auditing activities to third parties or to the external auditor in an expansion of its audit activities;
- Monitoring the existing Internal Control System (ICS). Compliance with Management Information System guidelines, compliance with guidelines on limiting legal risk, and optimizing the risk profile through insurance. In individual cases, external specialist auditors may be brought in to help;
- Auditing the compliance report;
- Monitoring outstanding legal proceedings;
- Evaluating and monitoring business and financial risks.

The risk management system periodically records legal, operational, financial and business risks. Legal risks include current or potential legal disputes; operational risks include scenarios such as operational failures and natural disasters; whereas business risks include for instance payment defaults or general negative market developments. Risks are quantified and weighted with regard to their likelihood and their possible financial and/or business impact. Preventative measures that have been planned or already implemented are also subject to review. Risks are recorded if they have a potential financial impact of CHF 2.5 million or more. The Audit Committee regularly reports to the Board of Directors as a whole about its activities, and it notifies the Board of Directors immediately about important matters.

Nomination Committee

The Nomination Committee consists of four members, the majority of which must be non-executive members of the Board of Directors:

- **Ulrich Graf** (Chair)
- **Rolf Dörig**
- **Hans Gummert**
- **Hans Hess**

The term of office for each member is one year or until the conclusion of the next Annual General Meeting; members may be re-elected. The Nomination Committee meets at least once a year. During the 2017/18 financial year the Nomination Committee met three times, such meetings lasting between fifteen minutes and three hours and 45 minutes. All members of the Nomination Committee attended each meeting. The CEO also usually takes part in the meetings in an advisory capacity, the only member of the Executive Committee to do so. The Nomination Committee sets out the principles for appointing and re-electing members of the Board of Directors and submits proposals to the Board of Directors about its composition. The Nomination Committee also recommends the appointment and de-selection of members of the Executive Committee; the final decisions on appointments and de-selections are taken by the Board of Directors as a whole. The Nomination Committee minutes its deliberations and decisions and regularly reports to the whole Board of Directors.

Compensation Committee

The organization and members of the Compensation Committee as well as the details of dormakaba Group's compensation policy are set out in the Compensation Report. During the financial year 2017/18, the Compensation Committee held five meetings of approximately half an hour to two hours each. All members of the Compensation Committee attended each meeting.

Powers and responsibilities

Management organization

The Board of Directors has the highest responsibility for business strategy and supervises management of the dormakaba Group. It has the highest decision-making authority and sets the strategic, organizational, financial planning, and accounting rules that dormakaba Group must follow. The Board of Directors has delegated management of ongoing business to the Executive Committee under the leadership of the CEO. Therefore, the CEO is responsible for overall management of the dormakaba Group. The powers and functions of the Executive Committee are set out in the Organizational Regulations of dormakaba Holding AG. The CFO, the CIO (Chief Integration Officer), the COOs, the CTO (Chief Technology Officer), and the CMO (Chief Manufacturing Officer) report to the CEO, who is responsible for overall management and for cooperation across segments and functions. These roles have a seat on the Executive Committee. With the integration process of dormakaba coming to an end at 30 June 2018, the CIO role was abolished at the same time.

Chief Executive Officer (CEO)

The CEO manages dormakaba Group. He is responsible for all the things that are not allocated to other company bodies by law, by the Articles of Incorporation or by the Organizational Regulations. After consulting with the Executive Committee, the CEO submits the strategy, the long- and medium-term objectives and the management guidelines for the dormakaba Group to the Board of Directors for approval. In response to a proposal by the CEO, the whole Board of Directors decides on the annual budget (consolidated) and the medium-term plan, which covers a three-year period, individual projects, the consolidated financial statements, and the financial statements of dormakaba Holding AG. The CEO submits recommendations to the Nomination Committee about personnel issues at the Executive Committee level. The CEO also makes proposals to the Compensation Committee regarding the remuneration of members of the Executive Committee (including allocation of shares from the share allocation plans). The CEO regularly reports to the whole Board of Directors about business performance, anticipated important business issues and risks, as well as about changes in management at the operating segment level. Members of the Board of Directors may request and examine further information. The CEO must inform the Chairman of the Board of Directors immediately about any important unexpected developments.

Information from and control over the Executive Committee

dormakaba Group's Management Information System works as follows: monthly, quarterly, semi-annual, and annual financial statements (balance sheet, income statement and cash flow statement) are prepared of the Group's individual reporting units. These figures are consolidated for each segment and for the Group as a whole. The financial figures are compared with the prior year and the budget. The achievability of the budget, which shows the first year of the medium-term plan for each reporting unit, is assessed against the quarterly statements and in the form of a forecast. The CEO and CFO submit monthly written reports to the Board of Directors about progress against the budget and comparisons with the prior year. At monthly meetings (monthly performance reviews) the segment heads (COOs) inform the CEO and the CFO about business performance and notable events based on written reports about e.g. achievement of budget targets. At Board of Directors meetings, a summary of these reports is discussed and assessed with the CEO and the CFO.

Events after balance sheet day

Following the announcement of Elton SK Chiu not to stand for re-election as member of the Board of Directors, the Board of Directors proposed on 10 September 2018 to the Annual General Meeting of 23 October 2018 that Jens Birgersson be elected as new member of the Board of Directors.

Members of the Board of Directors

as of 30 June 2018

1) listed company

Ulrich Graf, Chairman

Chair Nomination Committee

Swiss citizen

Education
Degree in Electrical Engineering ETH Zurich (CH)

Career
1989–2006 CEO Kaba Group[1] (CH) and President Kaba Holding AG; 1976–1989 various executive positions at Kaba Group[1] (CH)

External activities and interests
Chairman of the Board of Directors Griesser Group (CH); Member of the Board of Directors Feller AG (CH); Chairman of the Board of Trustees Rega (Swiss Air Rescue) (CH)

Rolf Dörig, Vice-Chairman

Chair Compensation Committee, Member Nomination Committee

Swiss citizen

Education
Dr. iur., attorney-at-law (CH), Advanced Management Program Harvard Business School (USA)

Career
2002–2008 CEO, 2008 Delegate and since 2009 Chairman of the Board of Directors Swiss Life[1] (CH); 1986–2002 various executive positions at Credit Suisse[1] (CH); 2000–2002 Member of the Executive Board and responsible for Swiss corporate and retail banking

External activities and interests
Since 2009 Chairman of the Board of Directors Swiss Life[1] (CH) and Adecco Group[1] (CH); Member of the Supervisory Board Danzer Holding AG (AT); Member of the Board Emil Frey Holding AG (CH) and Chairman Swiss Insurance Association (CH); Member of the Board Committee economiesuisse

Stephanie Brecht-Bergen

German citizen

Education
Dr. rer. pol., EBS University (DE); M. Sc. in General Management, EBS University (DE); MBA, Pepperdine University (CA/USA)

Career
Since 2014 Management Board member of Mankel Family Office GmbH (DE); since 2009 shareholder of dormakaba Holding GmbH + Co. KGaA (DE); 2010–2013 research assistant, EBS University (DE)

External activities and interests
Since 2008 Management Board member of the foundation "Rudolf Mankel Stiftung" (DE)

Elton SK Chiu

Chinese citizen, residing in Hong Kong

Education
Higher diploma in accountancy at Hong Kong Polytechnic (HK); Corporate Financial Management Program at the University of Michigan (USA)

Career
Since 2003 President ELP Business Advisory Ltd. (founded by Chiu) and Vice-Chairman Centurylink International Investment Ltd. as well as member of the Board of Advisors of CW, Certified Public Accountants (HK/CN); 1989–2003 various management positions JT International (China) Ltd. (HK/CN) and its predecessor companies, most recently as General Manager; 2006–2017 non-executive member of the Board of the dormakaba affiliate Wah Yuet Group (HK/CN)

External activities and interests
Fellow member of the Hong Kong Institute of Certified Public Accountants (FCPA, practicing), the Association of Chartered Certified Accountants of the United Kingdom (FCCA) and the Institute of Chartered Accountants, England and Wales (FCA)

Daniel Daeniker

Chair Audit Committee

Swiss citizen

Education
Dr. iur., University of Zurich (CH), Zurich bar; LL.M. at the Law School of the University of Chicago (IL/USA)

Career
Since 2013 Managing Partner at Homburger AG (CH), where he became Partner in 2000 and which he joined in 1991; lecturer in law at the University of Zurich (CH)

External activities and interests
Member of the Supervisory Board Rothschild & Co SCA[1] (FR); Member of the Board of Directors of Hilti AG, Schaan (FL)

Karina Dubs-Kuenzle

Swiss citizen

Education
Swiss federal certificate of higher vocational education and training in advertising (incl. International Advertising Association's Advertising Diploma)

Career
Since 2009 partner Fehba Import Export AG (CH); 1997–2016 partner at Dubs Konzepte AG (CH); advertising assistant at Wirz Werbeberatung AG (CH) and at Heiri Scherer Creative Direction (CH)

External activities and interests
Member of the Board of Directors of Fehba Import Export AG (CH)

Hans Gummert

Member Audit, Nomination and Compensation Committees

German citizen

Education
Universities of Tübingen and Bonn (DE); attorney-at-law, admitted to the bar in 1990

Career
Partner since 1991 and Managing Partner since 2008 of the law and tax consultancy firm Heuking Kühn Lüer Wojtek (DE/BE/CH)

External activities and interests
Member of the Board ISEO Serrature S.p.A. (IT); Member of the shareholders committee Hoberg & Driesch GmbH (DE); Member of the Board of Directors Chiron-Werke SE (DE); Member of the Advisory Board Coroplast Fritz Müller GmbH & Co. KG (DE); Chairman of the Supervisory Board of dormakaba Holding GmbH + Co. KGaA (DE); Chairman of the Supervisory Board of Familie Mankel Industriebeteiligungs GmbH + Co. KGaA (DE); Board member of Zaplox AB (SE); Member of the Supervisory Board of ara AG (DE); Board member of Schüco Middle East Windows & Façade Systems LLC (UAE)

John Heppner

US citizen

Education
Bachelor of Science University of Wisconsin-Milwaukee (WI/USA), MBA University of Wisconsin-Milwaukee (WI/USA)

Career
2006–2013 President and CEO Fortune Brands Storage and Security (USA) with global responsibility for Master Lock Company LLC and Waterloo Industries; 2000–2006 Chief Operating Officer Master Lock Company LLC (USA); 1998–2000 Executive Vice President Sales + Marketing Master Lock Company LLC (USA); 1996–1998 Marketing + New Business Master Lock Company (USA); 1992–1996 Vice President Logistics and Corporate Controller Master Lock Company LLC (USA)

External activities and interests
Member of the National Association of Corporate Directors (USA)

Hans Hess

Member Audit, Nomination and Compensation Committees

Swiss citizen

Education
Master's Degree in Material Science and Engineering ETH Zurich (CH); Master of Business Administration (MBA) from the University of Southern California (USA); Stanford Executive Program at Stanford University (USA)

Career
Since 2006 owner of Hanesco AG (CH); 1996–2005 President and CEO Leica Geosystems AG[1] (CH); 1993–1996 President Leica Optronics Group (CH); 1989–1993 Vice President Leica Microscopy Group (CH); 1983–1988 Head of Polyurethane Business Unit Huber + Suhner AG[1] (CH); 1981–1983 Development Engineer Sulzer[1] (CH)

External activities and interests
Chairman of the Board of Directors Comet Holding AG[1] (CH) and Reichle & De-Massari Holding AG (CH); Member of the Board of Directors Burckhardt Compression Holdings AG[1] (CH); Chairman of Swissmem (CH); Vice-Chairman of Economiesuisse (CH)

Christine Mankel

German citizen

Education
Diplomkauffrau, EBS University (DE)

Career
Since 2014 Management Board member of Mankel Family Office GmbH (DE); since 2009 shareholder of dormakaba Holding GmbH + Co. KGaA (DE); 2006–2009 audit assistant, BDO AG Wirtschaftsprüfungsgesellschaft (DE)

External activities and interests
Since 2008 Management Board member of the foundation "Rudolf Mankel Stiftung" (DE)

Executive Committee

Management philosophy

The dormakaba Group delegates entrepreneurial responsibility for operational business to segment level. The corresponding management organization is based on decentralized responsibility where appropriate and therefore rapid decision-making structures situated close to local markets. This helps to keep activities focused on the customer. Group functions like Accounting, Communications, Controlling, Human Resources, IT, and Legal define and monitor Group-wide standards and are responsible for functional, Group-wide projects. The CFO is responsible for the Group's financial affairs. All the integration tasks associated with the merger to dormakaba were controlled by the CIO (Chief Integration Officer) until end of June 2018. As of 1 July 2018, the COOs are generally responsible for the remaining integration tasks with the CFO ensuring the corresponding progress reporting. The COOs are responsible for the business activities of their respective segments, including development, production, sales and services. The Group Innovation Management area focuses on digitization as well as Intellectual Property Management and Quality Management and is strategically managed at Executive Committee level by the CTO (Chief Technology Officer). The CMO (Chief Manufacturing Officer) is responsible for the global purchasing as well as the supplier control and advises and supports the operating segments optimize the production and supply chain.

Members of the Executive Committee as of 30 June 2018

Name/Position	Year of birth	Entry
Riet Cadonau CEO	1961	2011
Bernd Brinker CFO	1965	2015
Beat Malacarne CIO (resigned as of 30 June 2018)	1962	2011
Michael Kincaid COO Access Solutions AMER	1961	2013
Jim-Heng Lee COO Access Solutions APAC	1962	2014
Alwin Berninger COO Access Solutions DACH	1969	2018
Roberto Gaspari COO Access Solutions EMEA	1959	2006
Stefano Zocca COO Key & Wall Solutions	1963	2011
Andreas Häberli Chief Technology Officer	1968	2011
Jörg Lichtenberg Chief Manufacturing Officer	1964	2015

Members of the Executive Committee

The table above gives the name, year of birth, position and date of joining of each Executive Committee member. The maximum number of mandates that members of the Executive Committee are allowed to take on the governing bodies of legal entities outside the dormakaba Group is regulated in section 27 of the Articles of Incorporation.

Management contracts

Neither dormakaba Holding AG nor its Group companies have entered into any management contracts with third parties.

Compensation

The compensation policy and all the information relating to the compensation paid to the company's management bodies are shown in the Compensation Report. Sections 22–25 and 28 of the Articles of Incorporation contain rules relating to compensation principles, loans to governing bodies, and General Meeting votes on compensation.

Compliance

Compliance principles are set out in the dormakaba Group Code of Conduct, as well as in the dormakaba Group rules and regulations such as Group Directives and Directives. Adherence to these rules is extremely important to dormakaba Group as a globally active, listed company. Major compliance focus areas include bribery and corruption, antitrust and competition law as well as safeguarding the employees' personal integrity. The Code of Conduct and all dormakaba Group rules and regulations are available to dormakaba Group's employees on the Group Intranet. Furthermore, all dormakaba Group rules and regulations are aligned with the Compliance Strategy.

The Compliance Strategy is based on both prevention and detection. Preventive measures include the three main elements "Awareness", "Consultation", and "Solution", and include a structured roll-out of rules and regulations, training, helpdesk, etc.

The company's compliance mechanisms are reviewed regularly and are adjusted where necessary to the changing business environment.

Code of Conduct and Supplier Code of Conduct

The dormakaba Group Code of Conduct, which applies Group-wide, contains standards and rules on bribery and corruption, equal employment opportunities, workplace harassment, conflicts of interest, antitrust and competition law, and procedures for reporting misconduct; it also refers to the company's values. The Code of Conduct is available to employees of the dormakaba Group in various languages and in electronic and printed form. When employees join the company, they confirm in writing that they have received and taken note of the Code of Conduct. Senior managers, general managers of local companies, and so-called Compliance Ambassadors are responsible for implementation and enforcement of the Code of Conduct and are trained in dealing with the Code. During financial year 2017/18 Code of Conduct trainings mandatory for all dormakaba employees were conducted. The Compliance Officer within the Group Legal Department monitors these processes and, alongside line managers, is one of the defined contacts for reporting infringements of the Code of Conduct. dormakaba Group also implemented a Supplier Code of Conduct in order to extend the company's expectations and values into the supply chain. The company's aim is to ensure its own ethical and environmental standards are maintained in the production and preparation of the raw materials and components it purchases and uses to make the products.

Further, dormakaba is fully aware of the importance of the UK Modern Slavery Act 2015 and highly appreciates this valuable approach to eradicate slavery and human trafficking from all areas of life. dormakaba is fully committed to uphold the principles of and adherence to international conventions, laws and its internal rules and regulations. Its core values and principles are defined in the aforementioned dormakaba Group Code of Conduct, covering human rights, forced, compulsory and child labor, environmental responsibility, and ethical behavior. The company's full Modern Slavery Act Statement is available online.

Values of the dormakaba Group

The Executive Committee and senior management of dormakaba Group have clearly defined the corporate values. Under the name "dormakaba values" these corporate values have been implemented from 1 July 2016 and rolled out across the whole Group. These are: Customer First, Curiosity, Courage, Performance and Trust. These values are the foundations on which dormakaba Group employees work and take and implement decisions; they also serve as guiding principles for conduct and collaboration within the Group and for dormakaba Group's approach to addressing customer needs.

Members of the Executive Committee

as of 30 June 2018

1) listed company

Riet Cadonau

Chief Executive Officer

Swiss citizen

Education
Master of Arts in economics and Business Administration from the University of Zurich (CH); Advanced Management Program at INSEAD (FR)

Career
dormakaba: Since 2015 CEO and Member of the Executive Committee dormakaba Group[1] (CH); 2011–2015 CEO and Member of the Executive Committee Kaba Group[1] (CH); Ascom: 2007–2011 CEO Ascom Group[1] (CH); until 2007 Managing Director ACS Europe + Transport Revenue (today a Xerox company); 2001–2005 Member of the Executive Board Ascom Group; from 2002 Deputy CEO and General Manager of the Transport Revenue Division, which was acquired by ACS at the end of 2005; IBM: 1990–2001 various management positions at IBM Switzerland, lastly as a Member of the Management Board and Director of IBM Global Services

External activities and interests
Since 2016 Member of the Board of Directors of Georg Fischer AG[1] (CH) and since 2013 Member of the Board of Directors of Zehnder Group[1] (CH); 2006–2011 Member of the Board of Directors Kaba Group and Griesser Group (CH); 2004–2009 President of the Swiss Management Association (www.smg.ch)

Bernd Brinker

Chief Financial Officer

German citizen

Education
Degree in Business Administration (Diplom-Kaufmann) from the University of Cologne (DE)

Career
Since 2015 CFO and Member of the Executive Committee of dormakaba Group[1] (CH); 2014–2015 Chief Financial Officer of Dorma Group (DE); 2006–2014 Evonik Industries[1] (DE): 2009–2014 Head of Corporate Portfolio Management and M&A, 2006–2008 Head of Investor Relations; 2001–2006 Head of Finance and Investor Relations Degussa AG[1] (DE); 1991–2001 various management positions at VI AG AG[1] (today E.ON, DE) and its subsidiary SKW Trostberg AG[1] (DE), lastly as Head of Finance

Beat Malacarne

Chief Integration Officer (until 30 June 2018)

Swiss citizen

Education
Swiss certified accountant

Career
Since 2015 Chief Integration Officer and Member of the Executive Committee of dormakaba Group[1] (CH); 2011–2015 Chief Financial Officer and Member of the Executive Committee of Kaba Group[1] (CH); 2009–2011 Chief Financial Officer, Member of the Executive Board SBB Cargo AG (CH); 2006–2009 Project Manager Internal Control System (ICS) and Deputy Manager Holcim Group Support Ltd.[1] (CH); 2005–2006 Chief Financial Officer and Member of the Executive Board ACC Ltd.[1] (IN); 2004–2005 Project Manager Financial Integration India Holcim Group Support Ltd.[1] (CH); 1999–2004 Chief Financial Officer and Member of the Executive Board Siam City Cement Public Company Ltd.[1] (TH); 1997–1999 Vice President Finance and Member of the Asian Executive Board Hilti Asia Ltd. (CN)

Michael Kincaid

Chief Operating Officer
Access Solutions AMER

US citizen

Education
Bachelor of Mechanical Engineering, Master of Business Administration

Career
Since 2015 COO Access Solutions AMER and Member of the Executive Committee of dormakaba Group[1] (CH); 2013–2015 COO Access+Data Systems Americas and Member of the Executive Committee of Kaba Group[1] (CH); 2012–2013 Senior Vice President North American Sales of ADS Americas and Deputy Head of Division; 2007–2012 Vice President and General Manager Access Control, Kaba Ilco Corp. (USA); 2003–2007 Vice President and General Manager Access Control Regional Marketing Organization, Kaba Ilco Corp. (USA); 1998–2003 Vice President Sales and Marketing Unican Electronics Division, Montreal (CA); 1984–1998 various technical and management positions at divisions of Unisys and SNC Lavalin

Jim-Heng Lee

Chief Operating Officer
Access Solutions APAC

Singaporean citizen

Education
Diploma in Business Studies (Finance) at Ngee Ann Polytechnic Singapore (SG); Certified Public Accountant at Institute of Certified Public Accountants of Singapore (SG); Chartered Certified Accountant at University of Huddersfield (UK); MBA in Marketing at University of Strathclyde (UK)

Career
Since 2015 COO Access Solutions APAC and Member of the Executive Committee of dormakaba Group[1] (CH); 2014–2015 Head of Division Access + Data Systems Asia Pacific and Member of the Executive Committee Kaba Group[1] (CH); 2012–2014 Vice President and General Manager of Materials Group China, Avery Dennison Corporation[1] (CN); 1996–2011 various senior management positions at Assa Abloy[1]: e.g. 2010–2011 Vice President Asia Pacific (HK); 2006–2010 President China Door Group (CN); 2003–2005 Vice President Mergers & Acquisitions (HK)

Alwin Berninger

Chief Operating Officer
Access Solutions DACH

German citizen

Education
MSc (Diplom-Ingenieur FH) University of Applied Science in Augsburg (DE), MBA Rotterdam School of Management Erasmus University (NL)

Career
Since 2018 COO Access Solutions DACH and Member of the Executive Committee of dormakaba Group[1] (CH); 1998–2017 various functions at the Kuka Group[1] (DE), i.a. 2016–2017 Chief Executive Officer of Kuka Industries (DE); 2015 Spokesman of the Managing Directors, Managing Director Strategy and Sales (CSO) Kuka Industries (DE); 2014 Managing Director Strategy and Sales (CSO) Reis Robotics (DE); 2010–2014 Managing Director Asia/Pacific Kuka Roboter (CN); 2009–2010 Managing Director Operations Kuka Roboter (DE); 2006–2009 Director Global Customer Services Kuka Roboter (DE); 2003–2005 Director Customer Services Kuka Roboter (DE), 2001–2003 Director Development Kuka Roboter (DE)

Roberto Gaspari

Chief Operating Officer
Access Solutions EMEA

Italian citizen

Education
Economics Degree from the Bocconi University (IT)

Career
Since 2015 COO Access Solutions EMEA and Member of the Executive Committee of dormakaba Group[1] (CH); 2014–2015 Head of Division Access + Data Systems EMEA and Member of the Executive Committee Kaba Group[1] (CH); 2011–2014 Head of Division Access + Data Systems EMEA and APAC and Member of the Executive Committee Kaba Group[1] (CH); 2006–2011 Head of Division Key Systems Europa/Asia Pacific and Member of the Executive Board Kaba Group[1] (CH); 2002–2011 General Manager Silca S.p.A. (IT); 1997–2002 Managing Director Italy and France Watts Industries Inc. (USA); 1988–1997 Managing Director Cisa S.p.A. (IT)

Stefano Zocca

Chief Operating Officer
Key & Wall Solutions

Italian citizen

Education
Economics Degree from the Bocconi University (IT)

Career
Since 2017 COO Key & Wall Solutions and Member of the Executive Committee of dormakaba Group[1] (CH); 2015–2017 COO Key Systems and Member of the Executive Committee of dormakaba Group[1] (CH); 2011–2015 Member of the Executive Committee of Kaba Group[1] (CH); since 2013 Head of Division Key Systems and 2011–2013 Head of Division Key Systems EMEA/AP/SAM; 1988–2011 various positions at Whirlpool EMEA (IT): 2004–2011 General Manager Middle East, Africa + Turkey, since 2010 also of Central Europe, 2000–2004 Customer Service Regional Director, South, Central + East Europe, Middle East + Africa, 1994–2000 European Procurement Manager; 1988–1994 various positions in industrial and logistics operations; 1986–1988 Procurement and Planning Assistant Imbal (IT)

Andreas Häberli

Chief Technology Officer

Swiss citizen

Education
Master's Degree in Electrical Engineering ETH Zurich (CH); PhD in Micro-Engineering ETH Zurich (CH); Financial Management for Executives St.Galler Business School (CH)

Career
Since 2015 Chief Technology Officer and Member of the Executive Committee dormakaba Group[1] (CH); 2011–2015 Chief Technology Officer and Member of the Executive Committee Kaba Group[1] (CH); 2003–2010 Head of Development and Member of Management Board Kaba AG (CH), from 2009 also of Kaba GmbH (AT); 1999–2003 Member Management Board Sensirion (CH); 1997–1999 Chip Design Engineer Invox (CA/USA)

External activities and interests
Since May 2017 Member of the Board of Directors of Komax Holding AG[1] (CH)

Jörg Lichtenberg

Chief Manufacturing Officer

German citizen

Education
Degree in Engineering, Degree in Economic Engineering Universities of Hannover and Brunswick (both DE)

Career
Since 2015 Chief Manufacturing Officer and Member of the Executive Committee of dormakaba Group[1] (CH); 2014–2015 Vice President Global Operations Industrials Group Gardner Denver (DE); 2007–2014 Director Group Logistics and Production Strategy resp. Director Operations Area North Eastern Europe resp. Director Operations Division Automatics Dorma GmbH & Co. KG (DE); 2003–2007 CEO Schiffer Dental Care Products LLC (USA); 1999–2002 Member of the Executive Committee Lindal Group Lindal Ventil GmbH (DE); 1993–1999 Factory Manager resp. Business Development Manager Automatics Dorma GmbH & Co. KG (DE); 1991–1993 Kienbaum Consulting (DE)

Shareholders' participation rights

Voting-rights and proxy voting

At dormakaba Holding AG's General Meetings, each registered share entitles the owner to one vote. A shareholder may arrange for another shareholder to represent him or her with a written power of proxy or may be represented by the independent proxy.

Majorities required by the Articles of Incorporation

For resolutions covering the following, a majority of at least two-thirds of the votes represented is required:

- The conversion of registered shares into bearer shares,
- The dissolution of the company (including as a result of a merger),
- Changes to the Articles of Incorporation provisions on opting out, decision-making by the General Meeting and applicable quora, the number and terms of office of members of the Board of Directors and the process of Board of Directors decision-making,
- The introduction of voting right restrictions and
- Capital increases.

Otherwise the General Meeting of dormakaba Holding AG passes its resolutions and decides its elections by a majority of votes cast, irrespective of the number of shareholders present or votes represented. These rules are subject to overriding statutory provisions and section 36 paragraph 4 of the Articles of Incorporation.

Convocation of the General Meeting of Shareholders and agenda

General Meetings are convened as stipulated in law. The Board of Directors of dormakaba Holding AG is obliged to include items on the agenda of the General Meeting if these items are requested by shareholders who together represent 0.5% of the share capital, and if the request is made in writing at least four weeks before the General Meeting. Items must be included in writing with details of the matter concerned and the proposals.

Entries in the share register/invitation to the General Meeting of 23 October 2018

Shareholders who are entered in the share register with voting rights by 15 October 2018 will receive a direct invitation to the Annual General Meeting of 23 October 2018 together with the proposals of the Board of Directors. Once they have sent back the response form they will receive their entry ticket and voting material. Shareholders who sell their shares before the General Meeting are no longer entitled to vote. If they sell some of their shares, or buy more, they should swap their entry ticket at the information desk on the day of the General Meeting. No entries will be made in the share register between 16 and 26 October 2018. All the information about the General Meeting can be found online.

Changes of control and defense measures

Compulsory offer

Section 5a of the Articles of Incorporation of dormakaba Holding AG includes a formal selective opting-out. The text of the formal selective opting-out is as follows (translation of the German version):

In the following cases, Familie Mankel Industriebeteiligungs GmbH + Co. KGaA and Mankel Family Office GmbH as well as their respective direct or indirect quota holders – individually or together with shareholders of the company with whom they entered into a pool agreement (Shareholder Pool) in connection with the combination of Kaba Group with Dorma Group – are exempted from the obligation to make an offer pursuant to Article 32 paragraph 1 of the Swiss Federal Act on Stock Exchanges and Securities Trading of 24 March 1995 (Article 135 paragraph 1 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015):

(a) Combination of Kaba Group with Dorma Group pursuant to the transaction agreement dated 29 April 2015 between Familie Mankel Industriebeteiligungs GmbH + Co. KGaA and Mankel Family Office GmbH on the one hand and the company on the other hand;

(b) Transactions in shares of the company between parties of the Shareholder Pool and/or with third parties that result in changes of the majorities within the Shareholder Pool, changes in the composition of the Shareholder Pool or changes in the direct overall participation of the parties to the Shareholder Pool in the company, as long as such a direct overall participation does not exceed 33⅓% of the voting rights in the company;

(c) Dissolution of the Shareholder Pool;

(d) Consummation of the transfer agreement described in § 36 of the Articles of Incorporation.

Clauses on changes of control

If control of dormakaba Holding AG changes hands, dormakaba International Holding AG (joint liability with dormakaba Holding AG) is obliged to pay one member of the senior management (who is not a member of the Executive Committee) a compensation to improve his pension entitlement in the amount of one year's salary (incl. variable salary component) if his employment contract is terminated within a year of the change of control or if he resigns within a year of the change of control.

The rules of the applicable long-term incentive plans state that if there is a change in the control of dormakaba Holding AG (as defined in the regulations) the share blocking period will be lifted if this is permitted by law and the performance share units are subject to an accelerated full vesting at target performance (detailed in the regulations), provided the plan participants concerned still have an employment contract (that is not under notice) with dormakaba Group when the change of control occurs.

Section 36 of the Articles of Incorporation of dormakaba Holding AG states that according to the transfer agreement (called transfer agreement), which was concluded on 29 April 2015 related to the merger of Kaba Group and Dorma Group, if there is a change of control of dormakaba Holding AG, the Mankel/Brecht-Bergen Family has the right to buy back a 2.6% stake in dormakaba Holding GmbH + Co. KGaA and dormakaba Beteiligungs- GmbH in order to regain control (50.1%) of these companies. A change of control of dormakaba Holding AG happens if a third party (i) holds 33⅓% or more of voting rights in dormakaba Holding AG in shares, (ii) holds 33⅓% or more of voting rights in dormakaba Holding AG in purchase positions and the responsible Swiss authority has decided with legal effect that a mandatory offer has been triggered, or (iii) publishes the end result of a voluntary offer which, when completed, will give it at least 33⅓% of the voting rights of dormakaba Holding AG. The Mankel/Brecht-Bergen Family can only exercise the rights pursuant to the transfer agreement if dormakaba Holding AG receives a written statement of assurance that (i) nobody associated with the Mankel/Brecht-Bergen Family supports the change of control or has ever been involved in it, and (ii) the Mankel/Brecht-Bergen Family holds a stake of at least 47.5% of dormakaba Holding GmbH + Co. KGaA and dormakaba Beteiligungs-GmbH. The price according to the transfer agreement is based on the market price or nominal value of the shares and in the former case is calculated using a fixed formula agreed by the parties in the transfer agreement. Under certain conditions and for a specific period of time, dormakaba Holding AG has the right to buy back the said 2.6% stakes. The transfer agreement is annulled if the Mankel/Brecht-Bergen Family's stake in dormakaba Group falls below 25%. Approval of the transfer agreement can be cancelled by resolution of the General Meeting. Such a decision to cancel must be taken (i) following the publication of a public takeover offer to acquire all of the outstanding shares of dormakaba Holding AG and before the end of the offer period and (ii) with the following majority requirements: up to the end of 31 December 2018 with a majority of at least 75% of the votes represented and from 1 January 2019 with a majority of at least 50% of the votes represented. The transfer agreement and its performance were declared valid under takeover law by the Swiss Takeover Board on 22 April 2015.

The transfer agreement is available for shareholders to inspect at the dormakaba Holding AG's head office.

Auditors

Duration of mandate and term of office of Head Auditor

PricewaterhouseCoopers AG, Zurich, has been the auditor for dormakaba Holding AG since 1907, and Group auditor of the dormakaba Group since 1982. The responsible lead auditor took on this function in the 2016/17 financial year. In accordance with the rules on terms of office pursuant to the Swiss Code of Obligations, latest from financial year 2023/24 a new lead auditor will be responsible for auditing the annual and consolidated accounts of dormakaba Holding AG.

Auditing fees and additional fees

The fee paid to audit firm PricewaterhouseCoopers for services relating to the audit of the annual financial statements of dormakaba Holding AG and Group companies and the consolidated financial statements of dormakaba Group came to around CHF 3.13 million in the 2017/18 financial year. In financial year 2017/18 dormakaba Group also paid expenses in the amount of around CHF 0.28 million for other consultancy services from PricewaterhouseCoopers. Approximately CHF 0.01 million of this was for general advisory services relating to acquisition projects and other consulting projects, and around CHF 0.13 million for taxation services (direct and indirect taxes). Another CHF 0.14 million was spent on support for subsidiaries relating to changes and/or implementation of new accounting practice rules or accounting questions and other projects.

Information pertaining to external auditors

Each year, the Board of Directors' Audit Committee assesses the performance, fees and independence of the auditor and suggests to the Board of Directors which external auditor should be proposed to the Annual General Meeting for selection. Each year the Audit Committee also assesses the scope of external auditing, the audit plans and the relevant processes and discusses the results of the audit with the external auditors. You can find more information about the Audit Committee here.

Information policy

This reporting on financial year 2017/18 and the financial statements as at 30 June 2018 include the Annual Report with Financial statements, the Corporate Governance Report, the Compensation Report, the Group Management Report, and the Sustainability Report. Starting in 2017/18, the Annual Report with Financial statements, the Corporate Governance Report, Compensation Report, and the Sustainability Report are available only digitally at www.report.dormakaba.com/2017_18. The HTML format can be printed in PDF format or ordered as a printed copy if required. The share price, business publications, media releases, and presentations may also be downloaded from www.dormakaba.com. Media and analyst conferences take place at least once a year, but usually twice a year. The dormakaba Group typically holds a Capital Market Day at least every second year at which financial analysts and investors can gain a deeper insight into the Group by meeting members of the Executive Committee and management as well as seeing product presentations. In addition, the CEO, the CFO and the Head of Investor Relations regularly take part in various external investor meetings. dormakaba Holding AG publishes price-sensitive information in accordance with its disclosure obligations under the rules of the SIX Swiss Exchange AG (Listing Rules, Art. 53, and rules on ad hoc publicity). dormakaba Holding AG informs its shareholders in writing about the course of its business every half year. The information on how the business is performing is available at www.dormakaba.com/media-releases and www.report.dormakaba.com. The notifications, reports, and presentations of dormakaba Group are not continually updated by the company; the statements and data contained therein are therefore valid as of the relevant date of publication. For those wishing to obtain current information, dormakaba Holding AG recommends that they do not refer solely to past publications. A list of the most important dates in the financial year can be found at www.dormakaba.com/agenda.

Compensation Report

Compensation at a glance

Summary of current compensation system of Board of Directors

To ensure their independence, members of the Board of Directors only receive a fixed compensation paid in cash and shares restricted for three years. The amount of compensation depends on the function on the Board of Directors (BoD).

Basic compensation

in CHF	Chairman BoD	Member BoD
in cash	330,000	90,000
in restricted shares	240,000	80,000

+

Additional compensation for committee roles

in CHF	Committee Chairman	Committee member
Audit Committee	60,000	15,000
Compensation Committee	45,000	10,000
Nomination Committee	45,000	10,000

Shareholding ownership guideline

The members of the Board of Directors are required to own at least 500 dormakaba shares within three years of tenure.

Compensation of Board of Directors in financial year 2017/18

The compensation awarded to the Board of Directors in financial year 2017/18 is within the limits approved by the shareholders at the Annual General Meetings (AGM):

Compensation period	Approved amount (CHF)	Effective amount (CHF)
AGM 2016 - AGM 2017	2,750,000	2,340,000
AGM 2017 - AGM 2018	2,750,000	To be determined*

* The compensation period is not yet completed, a definitive assessment will be provided in the Compensation Report for FY 2018/19

Changes made in financial year 2017/18

Starting with the compensation period from the 2017 AGM onwards, the shares are allocated based on a fixed monetary amount rather than a fixed number of shares. This is in line with market practice in Swiss listed companies.

Summary of current compensation system of Executive Committee

The compensation system applicable to the Executive Committee is designed to engage executives to implement the company's strategy, to achieve the company's short- and long-term business objectives and to create sustainable shareholder value. It consists of the following elements:

	Fixed compensation and benefits		Variable compensation (target of at least 50% of total compensation)	
	Annual base salary	**Benefits**	**Short-term incentive (STI)**	**Long-term incentive (LTI)**
Purpose	Reflects the function (scope, responsibilites), experience and skills of the individual	Establish a level of risk protection for the participations and their dependents	Rewards company and segment performance	Rewards individual and company performance, aligns to shareholders' interests

Shareholding ownership guideline

The members of the Executive Committee are required to own at least a minimum multiple of their annual base salary in dormakaba shares within five years of tenure:

CEO	300% of annual base salary
Member of the Executive Committee	200% of annual base salary

Compensation of Executive Committee in financial year 2017/18

The compensation awarded to the Executive Committee in financial year 2017/18 is within the limits approved by the shareholders at the AGM:

Compensation period	Approved amount (CHF)	Effective amount (CHF)
Financial year 2017/18	18,230,000	14,647,636

Performance in financial year 2017/18

Overall, results for the 2017/18 financial year were solid, but did not meet our expectations. Consolidated net sales increased by 12.7% to CHF 2,841.0 million. The organic sales growth for the 2017/18 financial year amounted to 2.6%. The EBITDA rose by 11.3% to CHF 431.0 million, with an EBITDA margin of 15.2%. All acquisitions since the dormakaba merger have positively contributed to these results. Net profit was 6.3% higher than in the previous financial year at CHF 238.7 million. Consequently, the payout under the short-term incentive was below that of the previous year.

Compensation governance

- The Compensation Committee supports the Board of Directors with matters related to the compensation of the Board of Directors and of the Executive Committee.
- Shareholders approve the maximum compensation amounts of the Board of Directors and of the Executive Committee. Further, they also express their opinion on the compensation system through a consultative vote on the Compensation Report.

General introduction

The Compensation Report describes the principles underlying the compensation policy and provides information about the steering process and the compensation awarded to the Board of Directors and Executive Committee of dormakaba Holding AG. It meets the requirements of Articles 14 to 16 of the Ordinance Against Excessive Pay at Publicly Listed Companies of 20 November 2013 (VegüV), Article 663c of the Swiss Code of Obligations, the SIX Swiss Exchange's Directive on Information relating to Corporate Governance, and economiesuisse's Swiss Code of Best Practice for Corporate Governance.

Introductory notes from the Compensation Committee

Overall, results for the 2017/18 financial year were solid, but did not meet our expectations. After a very successful 2016/17, these expectations centered on further integration progress in the third year since Dorma and Kaba merged to dormakaba, further improvements in existing business, and growth from acquired companies. The integration process was largely completed in almost all countries by the end of the 2017/18 financial year, though there were some delays, particularly in Germany and the USA. Sales in 2017/18 were 12.7% higher than a year before at CHF 2,841.0 million, but organic sales growth contributed only 2.6 percentage points, which was below expectations. EBITDA was also much higher than in the previous year, up 11.3% to CHF 431.0 million, but the EBITDA margin of 15.2% was slightly lower than expected and below the prior-year figure of 15.4%. Nevertheless, growth in operating business and the acquired companies helped improve the 2017/18 results. Net profit was 6.3% higher than in the previous financial year at CHF 238.7 million.

The Compensation Report explains how these results impacted the variable incentive payments made to the members of Executive Committee under the different compensation plans.

The purpose of the compensation programs of dormakaba is to attract, engage and retain executives and employees, to drive performance and to encourage behaviors that are in line with dormakaba's values as well as with the long-term interests of the company's shareholders. In the reporting year, the Compensation Committee conducted a thorough review of the compensation system of the Board of Directors and of the Executive Committee and decided to implement the following changes, which are explained more in detail in this report:

- The allocation of restricted shares to the Board of Directors is now based on a fixed monetary amount instead of a fixed number of shares. This change has been made in response to the feedback received by shareholders and proxy advisors and is also aligned with prevalent market practice.
- The long-term incentive plan for the Executive Committee will include relative total shareholder return as an additional performance indicator in conjunction with EPS growth. Further, the proportion of the long-term incentive awarded as performance share units will increase, while the proportion awarded as restricted shares will decrease.

Additionally, the Compensation Committee performed its regular activities throughout the financial year such as the propositions of compensation for the members of the Board of Directors and Executive Committee, as well as the preparation of the Compensation Report and the binding say-on-pay votes at the Annual General Meeting of Shareholders (AGM). At the upcoming AGM, our shareholders will again be asked to prospectively approve the aggregate maximum amounts of compensation of the Board of Directors for the period until the following AGM and of the Executive Committee for the financial year 2019/20. Further, our shareholders will have the opportunity to express their opinion about our compensation system and the compensation awarded to the Board of Directors and to the Executive Committee by way of a consultative vote on the 2017/18 Compensation Report. We will continue to regularly review our compensation policy in order to promote sustainable performance, alignment to the long-term interests of our shareholders and employees' engagement, while being compliant with the regulatory environment. The Board of Directors would like to thank our shareholders for their valuable feedback on our approach to executive compensation.

Basic principles of compensation

The compensation system of dormakaba reflects the commitment to attract, engage and retain the best talent within the industry. It is designed to engage executives and employees to implement the company's strategy, to achieve the company's short-term and long-term business objectives, and to create sustainable shareholder value.

The compensation system for the members of the **Executive Committee** is built on the following key principles:

Reward for short-term and long-term performance
An important part of compensation is paid as variable incentives linked mainly to the overall performance of dormakaba. Those incentives are well-balanced between rewarding for short-term results (short-term incentive) and sustainable success of the company (long-term incentive).

Fairness and transparency
Compensation decisions are transparent and fair. The target level of total compensation is determined based on the function. The global grading system based on Korn Ferry Hay Group methodology ensures that functions are evaluated in a consistent manner across the organization.

Alignment to shareholders' interest
The share-based compensation delivered under the long-term incentive plan encourages the sustainable commitment of executives and management members, and aligns their interests to those of the shareholders.

Competitiveness
The structure and levels of compensation take into account the market practice (benchmarks based on Korn Ferry Hay Group data).

The compensation for the members of the **Board of Directors** consists exclusively of a fixed payment in cash and shares. This ensures that the Board of Directors remains independent in exercising its supervisory duties towards the Executive Committee.

Managing compensation

Compensation Committee

In accordance with the Articles of Incorporation and the Organizational Regulations of dormakaba Holding AG, the Board of Directors is responsible for the principles underlying the compensation policy and for the steering process; it is supported in this work by the Compensation Committee.

The Compensation Committee consists of three members of the Board of Directors who are elected annually and individually by the AGM for a period of one year. At the AGM of 2017, the shareholders elected Rolf Dörig (chair), Hans Gummert, and Hans Hess as members of the Compensation Committee.

The Compensation Committee's main tasks are to:

- Propose and periodically review the compensation policy and regulations for the attention of the Board of Directors;
- Propose to the Board of Directors the specific design of the fundamental compensation elements and the determination of the compensation-related performance objectives;
- Propose to the Board of Directors the maximum aggregate compensation amount of the Board of Directors and of the Executive Committee to be submitted to the shareholders' vote at the AGM;
- Propose to the Board of Directors the compensation to be paid to its members within the limits approved by the AGM;
- Decide on the terms of appointment, significant changes in existing employment contracts, and compensation for the members of the Executive Committee within the limits approved by the AGM;
- Decide on the share-based compensation to be awarded to the members of the Executive Committee and the Senior Management;
- Propose to the Board of Directors the Compensation Report.

Compensation for the Executive Committee as well as the Senior Management is set as part of an annual process.

Annual process and responsibilities for compensation of the Board of Directors and Executive Committee

	Aug	Oct	Dec	Feb	June
Compensation policy review and compensation principles for next financial year				**CC** BoD	
Compensation planning and share award plan design			**CC (LTI design)**	**CC** BoD	**CC** BoD
Compensation Report	**CC** BoD	**AGM**			**CC**
Maximum aggregate compensation amounts of the Board of Directors and EC for next compensation period	**CC** **BoD**	AGM			
Compensation structure and level of Board of Directors for next compensation period	**CC** BoD				**CC** BoD
Individual target compensation of EC members for next financial year *				CC (benchmark)	**CEO** CC
Individual short-term incentive payments EC members for previous financial year *	**CEO** CC				
Individual share awards EC members and Senior Management *	**CEO** CC	**CEO** CC			
Review of external stakeholder feedback on compensation disclosure and changes for next disclosure		CC	CC	CC	
CC meeting schedule and agenda for next period of office			CC		

AGM: Annual General Meeting, BoD: Board of Directors, CC: Compensation Committee, CEO: Chief Executive Officer

red: body which recommends

blue: body which reviews

gray: body which approves

* Proposals related to the CEO compensation are prepared by the Chairman of the Compensation Committee and approved by the Compensation Committee

The Compensation Committee meets as often as business requires but at least once a year. In the financial year 2017/18, the Compensation Committee held five meetings of approximately one to two hours each. All meetings were attended by all members.

The Chairman of the Compensation Committee reports to the Board of Directors after each meeting on the activities of the committee. The minutes of the committee's meetings are available upon request to the members of the Board of Directors. As a general rule, the Chairman of the Board of Directors, the CEO, and the Senior Vice President Group Human Resources attend the Compensation Committee meetings in advisory capacity. They do not attend the meeting, or parts thereof, when their own compensation and/or performance are being discussed.

The Compensation Committee may decide to consult external advisors on specific compensation matters. As in previous years, Korn Ferry Hay Group, an internationally recognized consulting firm, has been appointed to provide benchmarking data on compensation of Executive Committees of comparable companies. Agnès Blust Consulting, a company specialized in executive compensation in Swiss listed companies, has been appointed to provide independent advice in specific compensation and governance matters. These consulting firms do not have any non-Human Resources related mandate with dormakaba.

Shareholders' involvement

The Board of Directors values the dialogue with shareholders and wants to know and understand their views about executive compensation. In this context, the Board of Directors already started holding a consultative vote on the Compensation Report in the financial year 2012/13 and continued ever since. This vote allows shareholders to express their opinion on the compensation policy and systems applicable to the Board of Directors and the Executive Committee. Since the 2015 AGM, the Board of Directors also seeks an annual prospective binding approval from shareholders of the maximum aggregate amount of compensation of the Board of Directors and the maximum aggregate amounts of fixed and variable compensation of the Executive Committee.

The Articles of Incorporation include the principles of compensation applicable to the Board of Directors and to the Executive Committee. Those provisions can be found online and include

- Principles of compensation of the Board of Directors (Article 23);
- Principles of compensation of the Executive Committee (Article 24);
- Binding vote at the AGM (Article 22);
- Additional amount for new members of the Executive Committee (Article 25);
- Credits and loans (Article 28).

Compensation architecture for the Board of Directors

Members of the Board of Directors only receive a fixed compensation based on the responsibilities and time requirement of their function, without any entitlement to performance-related compensation. This ensures that the Board of Directors remains independent while exercising its supervisory duties towards the Executive Committee. The amount of compensation for each function of the Board of Directors is determined annually considering the market compensation trends and comparisons with other listed Swiss industrial companies which operate internationally. The last benchmarking analysis was conducted in financial year 2016/17 and had shown that overall the compensation of the Board of Directors is slightly below market practice. Nevertheless, the Board of Directors decided to keep the compensation structure and levels unchanged but to allocate the shares based on a fixed monetary amount rather than a fixed number of shares, starting with the compensation period from the 2017 AGM onwards. This decision has been taken in response to the feedback received by shareholders and proxy advisors and is also aligned with prevalent market practice. The compensation system and levels are documented in the Board of Directors compensation directive and are summarized in the table below.

Basic compensation

in CHF	Chairman BoD	Member BoD
in cash	330,000	90,000
in restricted shares	240,000	80,000

\+

Additional compensation for committee roles

in CHF	Committee Chairman	Committee member
Audit Committee	60,000	15,000
Compensation Committee	45,000	10,000
Nomination Committee	45,000	10,000

1. Composition of compensation

The compensation paid to the Board of Directors comprises a cash payment of CHF 90,000 and an award of CHF 80'000 in restricted shares of dormakaba Holding AG. The Chairman of the Board of Directors receives a cash payment of CHF 330,000 and an award of CHF 240,000 in restricted shares. Additional fees are paid for specific functions such as chairmanship and/or membership in a committee of the Board of Directors or for performing special additional tasks assigned by the Board of Directors. The Chairman of the Board of Directors is not eligible to additional compensation for his participation in the committees.

The members of the Board of Directors may decide to receive part of the cash payment in the form of shares of the company. The number of shares awarded is calculated using the average closing share price for the last five trading days of the last month of the relevant compensation period. The awarded shares are restricted for a period of three years; this blocking period remains in place if a member leaves the Board of Directors. In addition, a shareholding ownership guideline is in place, requiring Board members to hold a minimum of 500 shares of dormakaba. This can be built up over a period of three years after the implementation of the guideline (in October 2014) or within three years after the election to the Board of Directors (in case of new members).

Compensation is paid on a pro-rata basis to Board members twice a year. For the financial year 2017/18, the first compensation period ended on 30 April 2018, the second will end on 31 October 2018. Actual expenses incurred are only reimbursed for travel and journeys outside Switzerland or as caused by special additional tasks performed on behalf of and assigned by the Board of Directors.

As at 30 June 2018, in compliance with the Articles of Incorporation, there were no outstanding loans or credit facilities between dormakaba and current or former members of the Board of Directors, or parties closely related to them. Investments held by members of the Board of Directors or related persons (including conversion and option rights) – if any – are listed here.

2. Assessment of actual compensation paid to the Board of Directors in the financial year 2017/18

The actual compensation paid to the Board of Directors remained stable compared to previous year (+0.7%). A slight difference relates to the value of the shares (a special cap was applied for the period from the AGM 2016 to the AGM 2017 and the system was changed from a fixed number of shares to a fixed monetary amount at the AGM 2017) and to a difference in the amount paid for special tasks in both years.

At the AGM 2017, the shareholders approved a maximum aggregate amount of CHF 2,750,000 for the Board of Directors for the compensation period from the AGM 2017 until the AGM 2018. The compensation effectively paid for the portion of this term of office included in this Compensation Report (October 2017–30 June 2018) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Compensation Report 2018/19.

At the AGM 2016, the shareholders approved a maximum aggregate amount of CHF 2,750,000 for the Board of Directors for the compensation period from the AGM 2016 until the AGM 2017. The compensation effectively paid was CHF 2,340,000 and is within the limit approved by the shareholders.

Compensation architecture for the Executive Committee

The compensation awarded to members of the Executive Committee is primarily driven by the success of the company. In addition to a competitive fixed compensation there is a performance-related component that rewards for performance and allows members of the Executive Committee to participate in the company's long-term value creation. The overall compensation consists of the following elements:

- Annual base salary;
- Benefits (such as retirement benefits);
- Short-term incentive;
- Long-term incentive (share-based compensation).

	Fixed compensation and benefits		Variable compensation (target of at least 50% of total compensation)	
	Annual base salary	**Benefits**	**Short-term incentive (STI)**	**Long-term incentive (LTI)**
Purpose	Reflects the function (scope, responsibilites), experience and skills of the individual	Establish a level of risk protection for the participations and their dependents	Rewards company and segment performance	Rewards individual and company performance, aligns to shareholders' interests

To ensure consistency across the organization, roles within the organization have been evaluated using the job grading methodology of Korn Ferry Hay Group. The grading system is the basis for compensation activities such as benchmarking and determination of compensation structure and levels. For comparative purposes dormakaba refers to external compensation studies that are conducted regularly by Korn Ferry Hay Group in most countries. Overall, these studies include the compensation data of 2,500 technology and industrial companies, including listed and privately held competitors in the security sector that are comparable with dormakaba in terms of annual revenues, number of employees, and complexity in the relevant national or regional market. Consequently, there is no pre-defined peer group of companies that is used globally. Rather, the benchmark companies will vary from country to country based on the database of Korn Ferry Hay Group. For the CEO role, Korn Ferry Hay Group included the following companies in the benchmark: Autoneum, Bucher Industries, EMS Chemie, Geberit, Georg Fischer, Landis+Gyr, Logitech, Lonza, OC Oerlikon, Sonova, and Sulzer (Swiss listed industrial companies of similar size in terms of market capitalization, revenue, and headcount).

The compensation paid to the Executive Committee must in principle be based on the market median in the relevant national or regional market and must be within a range of –20% to +35% of this figure. The variable component of compensation (= short- and long-term incentives) is targeted to make up for at least 50% of the overall compensation.

1. Annual base salary

Members of the Executive Committee receive an annual base salary for fulfilling their functional role. It is based on the following factors:

- Content, responsibilities and complexity of the function;
- External market value of the respective role: amount paid for comparable positions in the industrial sector in the country where the member works;
- Individual profile in terms of skill set, experience and seniority.

2. Benefits

As the Executive Committee is international in its nature, the members participate in the benefits plans available in their country of employment. Benefits consist mainly of retirement, insurance and health care plans that are designed to provide a reasonable level of protection for the participants and their dependents in respect to the events of retirement, disability, death, and illness/accident. The members of the Executive Committee with a Swiss employment contract participate in the occupational pension plans offered to all employees in Switzerland, which consist of a basic pension fund and a supplementary plan for management positions. The pension fund of dormakaba in Switzerland is in line with benefits provided by other Swiss multinational industrial companies.

Members of the Executive Committee under foreign employment contracts are insured commensurately with market conditions and with their position. Each plan varies in line with the local competitive and legal environment and is, as a minimum, in accordance with the legal requirements of the respective country.

Further, members of the Executive Committee are also provided with certain executive perquisites such as company car or car allowance, representation allowance and other benefits in kind according to competitive market practice in their country of employment.

3. Variable compensation

The variable compensation consists of a short-term incentive (STI) and long-term incentive (LTI).

3.1 Short-term incentive

The short-term incentive is defined annually as a cash payment and aims to motivate the participants to meet and exceed the company's financial objectives, which are defined in line with the Group's strategy. Pursuant to the Article of Incorporation 24 the short-term incentive may not exceed 150% of the individual annual base salary for the members of the Executive Committee (cap).

Following the "We are ONE company" principle, the individual short-term incentive paid to the members of the Executive Committee is strictly based on Group and segment financial objectives and not on individual goals. For the CEO and other Executive Committee members (CFO, CIO (Chief Integration Officer), CTO (Chief Technology Officer), CMO (Chief Manufacturing Officer)), the incentive formula relates exclusively to Group results. For the COOs, it relates to segment results and Group results as follows:

	Group	Segment	Rationale
Key & Wall Solutions	30%	70%	Key & Wall Solutions is an independent global segment, the 30 – 70% split between Group's and segment's results is well balanced in terms of rewarding the collective performance of the Group and the individual performance of the segment.
Access Solutions (AS)	10%	30% all AS segments 60% own AS segment	AS segments (AMER, APAC, DACH, EMEA) are interdependent, therefore the weighting strongly encourages collaboration between AS segments and rewards for the AS collective performance and the individual performance of each AS segment in a balanced manner.

The business results are compared to the previous year's results to drive a continuous improvement of the business achievements, year after year. The incentive formulas for all members of the Executive Committee are built around the following principle: the short-term incentive consists of a pre-defined share of profit, which is determined for each function individually, multiplied by the growth multiplier (see the following illustration).

CEO, CFO, CIO, CTO, CMO

Individual share in Group net income × Growth multiplier = Amount of short-term incentive to be paid out

Percentage of Group net income

Factor of up to 1.6 depending on revenue growth of dormakaba compared to previous year

Maximum 150% of annual base salary

COOs

Individual share in Group net income + Individual share in segment EBIT × Growth multiplier × Net working capital (NWC) multiplier = Amount of short-term incentive to be paid out

Percentage of Group net income

Percentage of segment EBIT

Factor of up to 1.5 depending on revenue growth of the segment compared to previous year

Factor of up to 1.4 depending on segment NWC results

10–30% of short-term incentive depending on the role

90–70% of short-term incentive depending on the role

Maximum 150% of annual base salary

The pre-defined share of profit is expressed as a percentage of Group net income or as a percentage of segment EBIT. The growth multiplier depends on the company's or on the segment's revenue growth compared to previous year and is capped at 1.6 in case of substantial growth; the net working capital (NWC) multiplier depends on the segment's change of net working capital compared to previous year and is capped at 1.4 in case of substantial reduction of net working capital.

This formula is aligned to the business strategy of profitable growth because it rewards for bottom-line (Group net income or segment EBIT) and top-line results (sales growth). Further, for the COOs responsible for a segment, the formula also includes a NWC multiplier, which reflects the focus on efficient management of the company's financial resources.

The calculation of the short-term incentive is based – just as the audited financial statements of the Group – on the actual figures recorded in the financial reporting system. Special effects that have a material impact on the financial results, such as significant acquisitions and divestments or extraordinary results representing merger-related integration costs, are excluded so that the financial results are comparable to previous year. There was no such special effect in the reporting year.

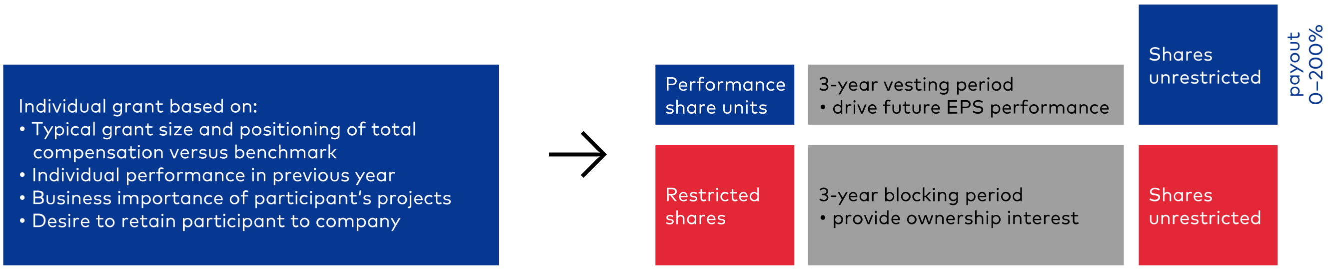
3.2 Long-term incentive

The purpose of the long-term incentive is to give the Executive Committee an ownership interest in dormakaba and a participation in the long-term performance of the company and thus to align their interests to those of the shareholders.

At the beginning of the long-term incentive plan cycle (grant date), Executive Committee members are awarded restricted shares and performance share units (former matching shares) of dormakaba on the basis of the following criteria:

- **External benchmark:** typical grant size of long-term incentive for a similar function in the relevant market and positioning of the individual's total direct compensation compared to that benchmark. Total direct compensation includes fixed base salary plus short-term incentive plus allocation under the long-term incentive plan.
- **Individual performance:** measured against pre-defined priorities in the financial year prior to the grant, as documented within the performance management process. The long-term incentive is the only compensation program that takes into consideration the individual performance of the Executive Committee members. For each member, a list of individual strategic priorities is determined before the start of each financial year based on the mid-term plan of the Group, segment or function. At the end of each financial year, the individual performance of the member is evaluated against those strategic priorities and will be considered for the determination of the grant size of the long-term incentive in the following financial year.

- **Strategic importance:** impact of the Executive Committee member's projects on the long-term company's success.
- **Retention:** desire to retain the person to the company and to its overall long-term value creation by offering restricted shares and performance share units subject to a three-year vesting period.



Based on the above criteria, the CEO formulates a proposal for long-term incentive awards of the individual Executive Committee members and other members of Senior Management, which is subject to approval by the Compensation Committee. For the CEO, the Chairman of the Compensation Committee formulates a proposal that is subject to the approval of the Compensation Committee. The long-term incentive award is determined as a number of shares. Pursuant to the Article of Incorporation 24 the fair value of the long-term incentive at grant may not exceed 150% of the individual annual base salary for the members of the Executive Committee (cap).

The long-term incentive award is split into two components: two-thirds are granted in form of restricted shares of dormakaba subject to a three-year blocking period. This component of the award is designed to provide participants an ownership interest in the long-term value creation of the company by making them shareholders. The remaining third of the award is granted in form of performance share units of dormakaba subject to a three-year performance-based vesting period. This component of the award is designed to reward participants for the future performance of the earnings per share (EPS) of the company over the three-year performance period. The remuneration may range from 0% to a maximum of 200% of the original number of units granted (maximum two shares for each performance share unit originally granted).

In summary, while the long-term incentive award is granted on the basis of factors related to the function (strategic importance) and the individual (positioning versus benchmark, performance, retention need), the vesting of the performance share units depends on future company performance (measured by EPS development).

Restricted shares and performance share units are usually awarded annually in September. In case of voluntary termination by the participant or termination for cause by the company, restricted shares remain blocked and the performance share units are forfeited without any compensation. In case of termination without cause, retirement or disability, restricted shares remain blocked and the performance share units are subject to an accelerated pro-rata vesting on the basis of target performance (100%). In case of death or change of control, the blocking period of the shares is lifted and performance share units are subject to an accelerated pro-rata vesting (death) or full vesting (change of control) at target performance (see also Corporate Governance Report "Changes of control and defense measures"). The conditions for the award of shares and performance share units are governed by the stock award plans of dormakaba and are identical for all participants.

Shares awarded in recent years have come from treasury shares and to a small extent from conditional capital.

The long-term incentive plan has been thoroughly reviewed during the reporting year and will be refined starting with the grants in September 2018 for financial year 2018/19.

In a first step (for the award in financial year 2018/19 that will be granted in September 2018), the grant size will be determined as a monetary amount rather than a number of shares. Further, the performance measurement will include relative total shareholder return (TSR) and EPS growth over the three-year vesting period. TSR will be measured relatively to companies of the Swiss Market Index Mid (SMIM) and will provide for a full vesting for median performance. The EPS growth target will be fully aligned with dormakaba's communicated strategy of organic sales growth, which is to outperform weighted GDP growth by 2% points. The vesting formula for both performance indicators is illustrated below, there is no vesting below the threshold levels of performance:

	Threshold performance (25% vesting)	Target (100% vesting)	Cap (200% vesting)
Relative TSR	25th percentile of peers	Median of peers	83.33th percentile of peers
EPS growth	70% of target	EPS growth 2% points above GDP growth	140% of target

In a second step (as of grant in September 2019), the mix between restricted shares and performance share units will be shifted towards more performance share units to further align to market practice: half of the grant in September 2019 will be awarded in form of performance share units and half of the grant will be awarded in form of restricted shares.

Further details on the long-term incentive plan design will be disclosed in the compensation report 2018/19.

4. Employment contracts

The members of the Executive Committee are employed under employment contracts of unlimited duration that are subject to a notice period of up to twelve months. Members of the Executive Committee are not contractually entitled to termination payments or any change of control provisions other than the accelerated vesting and/or unblocking of share awards mentioned above.

5. Shareholding ownership guideline

The members of the Executive Committee are required to own at least a minimum multiple of their annual base salary in dormakaba shares within five years of hire or promotion to the Executive Committee, as set out in the following table.

CEO	300% of annual base salary
Member of the Executive Committee	200% of annual base salary

To calculate whether the minimum holding requirement is met, all vested shares are considered regardless of whether they are restricted or not. However, unvested performance share units are excluded from the calculation. The Compensation Committee reviews compliance with the share ownership guideline on an annual basis. In the event of a substantial rise or drop in the share price, the Board of Directors may, at its discretion, review the minimum ownership requirement.

6. Assessment of actual compensation paid to the Executive Committee in the 2017/18 financial year

In comparison to the previous year, total direct compensation (TDC) of the Executive Committee rose by 12%. There are several factors that impacted the level of actual compensation paid to the Executive Committee in the 2017/18 financial year, which are summarized below.

- **Different composition of the Executive Committee**: Alwin Berninger replaced Dieter Sichelschmidt. Both have worked for a period of six months during the reporting year and their compensation during this period has been included accordingly. However, the value of the long-term incentive for Dieter Sichelschmidt has been included in full, while Alwin Berninger will start to participate in the long-term incentive as of financial year 2018/19, as per plan rules. Further, Christoph Jacob has stepped down from the Executive Committee during the reporting year and is contractually entitled to a notice period of twelve months. The compensation during the notice period has been fully considered in the compensation amount of the reporting year, including the five months of the notice period that belong to the next financial year.
- **Material changes in currency exchange rates**: seven members of the Executive Committee are paid in foreign currencies (five in Euros). Their compensation is converted into Swiss Francs for the disclosure in this report. Due to the weaker Swiss Franc against other major currencies compared to the previous year, especially with the Euro, the amounts disclosed in Swiss Francs have increased even when the compensation amount in local currency has remained unchanged.
- **Base salary increases**: the base salaries of four Executive Committee members, including the CEO, have been adjusted during the reporting year due to change of scope of role and/or positioning to market benchmark. The base salaries of the other Executive Committee members have not changed compared to the previous financial year. The base salary increase amounts to 4.4% for the Executive Committee overall;
- **STI payout**: the STI payout formula is based on performance improvements from year-to-year (and not on the achievement of budgeted targets). A payout of 98% of annual base salary (on average) for the Executive Committee members corresponds to the level of expected performance for the financial year 2017/18. The STI payout of the Executive Committee members reflects the underlying financial performance in the reporting year, especially the increase in Group net income which is the main driver of the STI payout for the CEO and members of the Executive Committee with global responsibility (CFO, CIO, CTO, CMO). The financial performance of the segments (COOs) in terms of profitability, sales growth, and net working capital management was below expectations overall, with the strongest outperformance by AS APAC and AS EMEA and the weakest development by AS AMER and AS DACH. In the reporting year, the STI payout of Executive Committee members was 84% of annual base salary on average (previous year 107%). For the CEO, the STI payout was capped to 150% of annual base salary, as in previous year and as foreseen by the article of incorporation 24. The increase of the CEO's STI payout amount compared to previous year was driven by the higher annual base salary on which the cap was applied. In fact, without applying the cap in both years, the STI amount in the reporting year would have been 24% lower than in previous year.
- **LTI grant:** the long-term incentive grant size was determined on the basis of several factors (described under section 3.2) including individual performance in previous year, strategic importance of the projects under responsibility, positioning against benchmark and retention need. The grant size of the CEO has been slightly increased compared to previous year because the grant size in previous year had been defined on the basis of two months as CEO of former Kaba and ten months as CEO of the merged company dormakaba. In terms of individual performance, the strategic priorities of the CEO for financial year 2016/17 (considered for determining the grant size in financial year 2017/18) have been implemented very successfully (see strategic priorities of the CEO below). For the other members of the Executive Committee, the typical grant size was higher than in the previous year, mainly since all grants have been determined on a full year basis for all Executive members (previous year: grant size for four Executive members prorated for ten months as a result of the merger). Further, the share price has increased by 32% in financial year 2017/18 compared to the financial year 2016/17. As the grant size of the

long-term incentive was denominated as a number of shares, the share price evolution between both years directly impacted the monetary value of the grant.

Strategic priorities of the CEO (financial year 2016/17)*

Business performance	Achieve business/operational performance in line with guidance
Post-Merger Integration (PMI)	Implement core projects (infrastructure), value driver initiatives (business plan related), and change management programs
Business development	Selectively establish further acquisitions/divestments in accordance with strategic priorities
Digitalization	Drive the digitalization initiatives ("connected company", "connected products", "connected customers") as part of the Group strategy and implement enhanced IP (intellectual property) management
Cost optimization	Ensure procurement savings and guide lean programs
Organization	Establish Group-wide consistent human resources programs, such as succession management and leadership development programs
Brand	Introduce the new brand consistently on a global basis
Infrastructure	Deliver the information technology plan (ERP, CRM, etc.) in accordance with the IT strategy

* This information is disclosed in summarized form for confidentiality reasons

Variable compensation forms a major part of total direct compensation (TDC). The percentage of overall compensation paid to the Executive Committee as variable compensation in the reporting year was 64% (excluding benefits and social security contributions) and remained stable (previous year: 64%). Variable compensation paid out in shares accounted to 30% of TDC (previous year: 24%), which is in line with the compensation strategy (communicated in the previous compensation reports) to award 30% of total compensation in shares by applying compensation increases primarily on the long-term incentive component rather than on the other compensation elements.

At the AGM 2016, the shareholders approved a maximum aggregate amount of CHF 18,230,000 for the Executive Committee for the financial year 2017/18. The compensation effectively awarded of CHF 14,647,636 is within the limits approved by the shareholders.

The principles stated in the compensation regulations approved by the Board of Directors in the financial year 2013/14 were again proven to be very effective in the reporting year. Rigorous implementation of these regulations guarantees consistent and transparent compensation practice based on uniform principles and criteria.

As at 30 June 2018, in compliance with the Articles of Incorporation, there were no outstanding loans or credit facilities between dormakaba and current or former members of the Executive Committee, or parties closely related to them. Investments held by members of the Executive Committee or related persons (including conversion and option rights) – if any – are listed here.

Compensation to the Board of Directors and Executive Committee

Financial year 2017/18

	Compensation [1]				
	Basic compensation	Additional compensation (committees, special tasks)	Social benefits	Total (CHF)	of which in shares (CHF) [2]
Board of Directors					
Brecht-Bergen Stephanie	168,613	–	–	168,613	77,999
Chiu Elton SK	168,613	–	11,718	180,331	77,999
Daeniker Daniel Chair Audit Committee	168,613	60,000	15,703	244,316	100,146
Dörig Rolf Vice-Chairman of the Board Chair Compensation Committee Member Nomination Committee	168,613	55,000	15,594	239,207	77,999
Dubs-Kuenzle Karina	168,613	20,000	13,127	201,741	77,999
Graf Ulrich Chairman of the Board Chair Nomination Committee	565,840	20,000	34,172	620,012	235,418
Gummert Hans Member Audit Committee Member Compensation Committee Member Nomination Committee	168,613	139,240	–	307,853	109,311
Heppner John	168,613	20,000	–	188,613	96,357
Hess Hans Member Audit Committee Member Compensation Committee Member Nomination Committee	168,613	35,000	14,374	217,987	77,999
Mankel Christine	168,613	–	–	168,613	113,893
Total Board of Directors	**2,083,360**	**349,240**	**104,687**	**2,537,287**	**1,045,120**

1) Compensation for the employer representatives on the Swiss pension fund (Ulrich Graf, Karina Dubs-Kuenzle) of CHF 20,000 each and compensation for the membership of the Supervisory Board of dormakaba Holding GmbH + Co. KGaA and ISEO (Hans Gummert) of CHF 104,240 are included in the compensation (additional compensation). Business expenses are not included.

2) The compensation for the reporting period is paid out in three installments (November 2017, Mai 2018 and November 2018). The value of the shares is as follows: for the period until the 2017 AGM, shares were awarded based on a fixed number of shares. However, due to the significant share price increase in 2017, the Board of Directors had decided to cap the overall value of shares transferred for the compensation period from the 2016 AGM until the 2017 AGM to CHF 240’000 for the Chairman of the Board and to CHF 80’000 for the other Board members. Therefore, the number of shares transferred in November 2017 had been capped, taking into account the value of shares already transferred in May 2017. Since the 2017 AGM, shares are awarded based on a fixed monetary amount of CHF 240’000 for the Chairman of the Board and CHF 80’000 for the other Board members.

	Fixed compensation			**Variable compensation**				**Total CHF**
	Fixed basic payment [3)]	Benefits and Social / Pension contributions [4)]	Total aggregate amount	STI [5)]	LTI [6)]	Social / Pension contributions	Total aggregate amount	
Executive Committee								
Cadonau Riet	832,008	146,263	978,271	1,275,000	934,408	331,102	2,540,510	3,518,781
Other Executive Committee	3,598,406	1,054,874	4,653,280	2,902,258	2,687,999	885,318	6,475,575	11,128,855
Total Executive Committee	**4,430,414**	**1,201,137**	**5,631,551**	**4,177,258**	**3,622,408**	**1,216,420**	**9,016,085**	**14,647,636**

3) Includes a replacement award of CHF 77,738 to compensate for forfeited remuneration at previous employer as a result of joining dormakaba.

4) Includes contributions to social security and occupational pension plans as well as fringe benefits. Contributions to social security and occupational pension plans are the contributions effectively paid in the reporting year and relate to the fixed and variable compensation that were effectively paid out in the reporting year. Fringe benefits include an outplacement consulting of CHF 57,911 and elements such as private use of company car, service anniversary or housing contributions. Fringe benefits amount to CHF 21,579 for the CEO and CHF 540,572 for the other members of the Executive Committee.

5) The short-term incentive reported will be paid after the end of the reporting year.

6) The CEO receives a guaranteed allocation of 550 shares (worth CHF 419,925) which are blocked for three years. These shares are not yet included in the shares held as of 30.06.2018 as listed in the table "Shares held by Board of Directors and Executive Committee". However, they have been included in the long-term incentive compensation figure with a share price of CHF 763.50 (average closing price of May/June 2018).

Financial year 2016/2017

	Compensation 1)				
	Basic compensation	Additional compensation (committees, special tasks)	Social benefits	Total (CHF)	of which in shares (CHF) 2)
Board of Directors					
Brecht-Bergen Stephanie	167,770	–	–	167,770	77,770
Chiu Elton SK	167,770	5,905	11,563	185,238	77,770
Daeniker Daniel Chair Audit Committee	167,770	60,000	15,398	243,168	115,642
Dörig Rolf Vice-Chairman of the Board Chair Compensation Committee Member Nomination Committee	167,770	55,000	15,464	238,234	77,770
Dubs-Kuenzle Karina	167,770	20,000	13,009	200,779	77,770
Graf Ulrich Chairman of the Board Chair Nomination Committee	540,260	20,000	32,578	592,838	210,260
Gummert Hans Member Audit Committee Member Compensation Committee Member Nomination Committee	167,770	132,236	–	300,006	96,285
Heppner John	167,770	40,000	–	207,770	108,068
Hess Hans Member Audit Committee Member Compensation Committee Member Nomination Committee	167,770	35,000	13,818	216,588	108,909
Mankel Christine	167,770	–	–	167,770	77,770
Total Board of Directors	**2,050,190**	**368,141**	**101,832**	**2,520,163**	**1,028,014**

1) Compensation for the employer representatives on the Swiss pension fund (Ulrich Graf, Karina Dubs-Kuenzle) of CHF 20,000 each, compensation for membership of the Board of Directors of Wah Yuet Group Holdings Limited (Chiu Elton SK) of CHF 5,905 and compensation for the membership of the Supervisory Board of dormakaba Holding GmbH + Co. KGaA and ISEO (Hans Gummert) of CHF 97,236 are included in the compensation (additional compensation). Business expenses are not included.

2) The compensation for the reporting period is paid out in three installments. The valuation of the shares is based on the share price at respective grant dates and can
therefore vary. The shares for the last installments will be transferred in November 2017. Due to the significant increase of the share price in the last months, the Board of Directors decided to cap the value of the shares transferred for the compensation period from the 2016 AGM until the 2017 AGM to CHF 240'000 for the Chairman of the Board and to CHF 80'000 for the other Board members. The disclosed amount of share compensation for financial year 2016/17 is based on a share price of CHF 691.50 for the compensation period July until October 2016 and on the capped amount for the compensation period November 2016 until June 2017. The number of shares cannot be calculated yet, as it will depend on the share price used to convert the compensation amount (average closing share price of the last five trading days in October 2017, as per compensation directive).

	Fixed compensation			Variable compensation				Total CHF
	Fixed basic payment	Benefits and Social / Pension contributions [3]	Total aggregate amount	STI [4]	LTI [5]	Social / Pension contributions	Total aggregate amount	
Executive Committee								
Cadonau Riet	782,002	152,195	934,197	1,200,000	816,547	315,133	2,331,680	3,265,877
Other Executive Committee	3,245,050	766,818	4,011,868	3,118,975	1,878,275	751,139	5,748,389	9,760,257
Total Executive Committee	**4,027,052**	**919,012**	**4,946,065**	**4,318,975**	**2,694,822**	**1,066,272**	**8,080,069**	**13,026,134**

3) Includes contributions to social security and occupational pension plans as well as fringe benefits. Contributions to social security and occupational pension plans are the contributions effectively paid in the reporting year and relate to the fixed and variable compensation that were effectively paid out in the reporting year. Fringe benefits include elements such as private use of company car, service anniversary or housing contributions. Fringe benefits amount to CHF 29,988 for the CEO and CHF 322,833 for the other members of the Executive Committee.

4) The short-term incentive reported will be paid after the end of the reporting years.

5) The CEO receives a guaranteed allocation of 550 shares (worth CHF 476,460) which are blocked for three years. These shares are not yet included in the shares held as of 30.06.2017 as listed in the table "Shares held by Board of Directors and Executive Committee". However, they have been included in the long-term incentive compensation figure with a share price of CHF 866.29 (average closing price of May/June 2017).

Shares held by Board of Directors and Executive Committee

As at the respective call date, the individual members of the Board of Directors and the Executive Committee (including related parties) held the following number of shares in dormakaba Holding AG.

	Financial year ended 30.06.2018	Financial year ended 30.06.2017
	Number of shares	Number of shares
Board of Directors		
Brecht-Bergen Stephanie	189,958	189,868
Chiu Elton SK	773	683
Daeniker Daniel	1,424	1,305
Dörig Rolf	2,363	2,153
Dubs-Kuenzle Karina	99,483	84,861
Graf Ulrich	6,148	6,476
Gummert Hans	479	198
Heppner John	626	510
Hess Hans	1,360	1,270
Mankel Christine	190,005	189,868
Total Board of Directors	**492,619**	**477,192**
Executive Committee		
Berninger Alwin	-	
Brinker Bernd	550	250
Cadonau Riet	4,330	3,930
Gaspari Roberto	2,576	2,238
Häberli Andreas	1,505	1,185
Jacob Christoph	132	72
Kincaid Michael	1,012	714
Lee Jim-Heng	1,396	1,146
Lichtenberg Jörg	318	167
Malacarne Beat	867	1,425
Sichelschmidt Dieter [1)]		150
Zocca Stefano	1,494	1,251
Total Executive Committee	**14,180**	**12,528**

1) Member of the Executive Committee until the 31 December 2017

Report of the statutory auditor
to the General Meeting of dormakaba Holding AG
Rümlang

We have audited the accompanying compensation report of dormakaba Holding AG for the year ended 30 June 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 125 to 129 of the Compensation Report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

Opinion

In our opinion, the compensation report of dormakaba Holding AG for the year ended 30 June 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Beat Inauen	Reto Tognina
Audit expert Auditor in charge	Audit expert

Zürich, 7 September 2018

Information for investors as at 30 June 2018

	dormakaba Group			Kaba Group	
in CHF million, except where indicated	2017/18	2016/17	2015/16	2014/15	2013/14
Net sales	**2,841.0**	**2,520.1**	**2,302.6** *	**1,085.2**	**1,003.5**
Organic growth in %	2.6	4.3 *	2.3 *	5.4	5.1
Earnings before depreciation and amortization (EBITDA)	**431.0**	**387.3**	**332.7** *	**170.2**	**154.5**
EBITDA in % of net sales	15.2	15.4	14.4 *	15.7	15.4
Earnings before interest and tax (EBIT)	**364.3**	**327.0**	**278.2** *	**145.0**	**130.6**
EBIT in % of net sales	12.8	13.0	12.1 *	13.3	13.0
Net profit 1)	**238.7**	**224.6**	**117.2** *	**98.9**	**91.3**
Net profit in % of net sales	8.4	8.9	5.1 *	9.1	9.1
Net profit after minorities	**123.8**	**116.4**	**60.4** *	**98.4**	**91.2**
Basic earnings per share (in CHF)	29.6	27.8	14.4 *	25.6	24.0
Diluted earnings per share (in CHF)	29.5	27.7	14.4 *	25.6	24.0
Dividend per share (in CHF)	15.0 2)	14.0	12.0	12.0	11.0
Payout ratio in % 3)	51	50	55 *	51	46
Cash generated from operations	367.2	354.7	327.6	149.1	149.3
Net cash from operating activities	268.9	265.3	255.3	104.3	105.0
Net cash from operating activities in % of net sales	9.5	10.5	12.1	9.6	10.5
Net cash used in investing activities	–231.8	–964.5	13.5	–142.5	–69.0
Free cash flow (net) before dividend	**37.1**	**–699.2**	**268.8**	**–38.2**	**36.0**
Net cash flows from financing activities	–129.8	654.1	–213.2	111.4	–93.4
Of which dividends paid	–58.6	–50.4	–240.7	–41.8	–41.9
Personnel expenses	1,045.6	933.3	792.6	406.0	390.2
Average number of full-time equivalent employees	16,433	16,250	15,779	8,948	7,738
Capital Structure					
Total assets	1,982.3	1,909.0	1,579.3	734.3	650.9
Net operating assets	679.2	570.3	441.2	331.9	294.1
Return on net operating assets (RONOA) in %	53.6	57.3	63.1 *	43.7	44.4
Total assets in % of net sales	69.8	75.8	68.6 *	67.7	64.9
Property, plant and equipment in % of net sales	16.1	16.4	14.3 *	14.3	15.6
Inventories in % of net sales	15.2	16.3	15.8 *	16.2	16.5
Receivables in % of net sales	17.7	18.3	17.5 *	17.1	17.8
Net working capital	438.3	398.2	316.2	177.9	152.7
Net working capital in % of net sales (Current assets less cash and cash equivalents and current income tax assets, less trade payables, accrued and other current liabilities, provisions)	15.4	15.8	13.7 *	16.4	15.2
Net debt	701.2	627.6	–159.1	–121.2	–35.4
Net debt/EBITDA	1.6	1.6	–0.5 *	–0.7	–0.2
Interest coverage	10.5	25.0	40.6 *	29.9	37.7
Shareholders' equity	187.0	183.1	680.5	442.1	323.3
Return on equity (ROE) in %	127.6	122.7	17.2 *	22.4	28.2
Shareholders' equity per share (in CHF)	44.6	43.5	162.0	114.9	85.0

1) Only in 2015/16: includes merger related extraordinary expenses CHF 89.4 million.

2) In 2017/18: proposal to the Annual General Meeting; in the form of a distribution of capital reserves.

3) Only in 2015/16: payout ratio excludes extraordinary expenses CHF 89.4 million and the related tax impact.

* Pro forma based (other items as reported)

Information for investors per share data

		dormakaba Group			Kaba Group	
		2017/18	2016/17	2015/16	2014/15	2013/14
Capital stock						
Registered shares at CHF 0.10 par value	No	4,200,026	4,200,026	4,195,026	4,195,026	3,815,026
Outstanding shares at end of financial year	No	4,187,243	4,177,588	4,190,963	4,184,261	3,798,121
Weighted average number of shares outstanding (diluted)	No	4,195,507	4,208,743	4,200,816	3,848,787	3,803,998
Par value of average outstanding shares	CHF m	0.4	0.4	0.4	0.4	0.4
Par value of year-end outstanding shares	CHF m	0.4	0.4	0.4	0.4	0.4
Shareholders as at 30 June	No	8,874	7,525	7,181	6,683	6,750
Figures per share (fully diluted)						
EBITDA per share (Group)	CHF	102.7	92.0	79.2 *	44.2	40.6
Earnings per share (Group)	CHF	29.5	27.7	14.4 *	25.6	24.0
Dividend (gross) per share	CHF	15.0 1)	14.0	12.0	12.0	11.0
Payout ratio 2)	%	51	50	55 *	51	46
Shareholders' equity per share (Group)	CHF	44.6	43.5	162.0	114.9	85.0
Price per share						
– high	CHF	1,001.0	888.0	693.5	630.0	446.8
– low	CHF	674.0	659.0	543.0	413.8	356.0
– 31 December	CHF	907.5	757.0	683.5	502.5	433.5
– 30 June	CHF	694.5	833.0	679.5	556.5	438.5
Market capitalization						
– high	CHF m	4,191.4	3,709.7	2,906.4	2,636.1	1,697.0
– low	CHF m	2,822.2	2,753.0	2,275.7	1,731.4	1,352.1
– 30 June	CHF m	2,908.0	3,479.9	2,847.8	2,328.5	1,665.5
Dividend yield						
– low	%	1.5 3)	1.6	1.7	1.9	2.5
– high	%	2.2 3)	2.1	2.2	2.9	3.1

1) In 2017/18: proposal to the Annual General Meeting; in the form of a distribution of capital reserves.

2) Only in 2015/16: payout ratio excludes extraordinary expenses CHF 89.4 million and the related tax impact.

3) In 2017/18: under the precondition that the shareholder approves the dividend proposed at the Annual General Meeting

* Pro-forma-based (other items as reported or market rates)

Disclaimer

This communication contains certain forward-looking statements including, but not limited to, those using the words "believes", "assumes", "expects" or formulations of a similar kind. Such forward-looking statements are made on the basis of assumptions and expectations that the company believes to be reasonable at this time, but may prove to be erroneous. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks, uncertainties and other factors which could lead to substantial differences between the actual future results, the financial situation, the development or performance of the company or the Group and those either expressed or implied by such statements. Such factors include, but are not limited to:

- general economic conditions,
- competition from other companies,
- the effects and risks of new technologies,
- the company's continuing capital requirements,
- financing costs,
- delays in the integration of the merger or acquisitions,
- changes in the operating expenses,
- currency and raw material price fluctuations,
- the company's ability to recruit and retain qualified employees,
- political risks in countries where the company operates,
- changes in applicable law,
- realization of synergies,
- and other factors identified in this communication

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dormakaba Holding AG
Hofwisenstrasse 24
8153 Rümlang
Switzerland