dormakaba Holding AG

Annual Report

Financial statements, governance and compensation

Financial Year

2018/19

dormakaba

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Riet Cadonau, Chairman and CEO

Dear Shareholders

In financial year 2018/19, we made further progress in our corporate development and continued to strengthen our position as one of the top three companies in our industry. Our focus was on improving profitability and with that on sustainable profitable growth. Since the merger to form dormakaba, we have continually improved our EBITDA margin, starting at 13.5% and now reaching 15.9%. This increase in profitability was driven by cost synergies from the merger in addition to efficiency gains and portfolio management measures.

Another focal point was the investment in innovation and digital transformation that we announced in summer 2018. In accordance with our corporate strategy, we once again invested significantly in innovation, digitization, and IT platforms, which inevitably had a negative effect on profitability in the reporting period. However, we are convinced that with these investments we have established a solid foundation to strengthen our competitive position in the years to come in an increasingly digitalized environment.

We continue to attach great importance to the development of our brand and to an open, constructive corporate culture. During the year under review, for example, our teams at all levels throughout the world analyzed and discussed the results of the previous year's employee survey, before working together to develop measures that will help embed our culture even more firmly. A total of more than 800 workshops have been held so far, with over 2,200 team actions in implementation. A sound corporate culture is not only vital for our company's operational performance; it is also a key differentiating factor to retain and recruit talent for our company. And our work is bearing fruit: in Singapore, for example, we were named as the top employer in the security and access solutions industry during the year under review.

Satisfactory performance with increased profitability

The 2018/19 financial year was satisfactory. The achieved results are all above the comparable results from the previous year. In particular, we have further increased profitability, which is reflected in an increase in all key earnings figures and operating sales margins. At CHF 448.0 million, EBITDA was CHF 17.0 million (3.9%) higher than in the previous year, resulting in an EBITDA margin of 15.9% (previous year 15.2%). It was particularly pleasing that all segments contributed to this improvement, by achieving both a higher EBITDA and a higher EBITDA margin. Notably, the AS APAC and Key & Wall Solutions segments made relevant contributions.

Organic sales growth was lower than expected, at 1.3%, mainly because of lower growth momentum in the second half of the year. Total sales for the 2018/19 financial year amounted to CHF 2,818.3 million (previous year CHF 2,841.0 million). With revenue from executed divestments exceeding that from acquisitions, net sales from M&A activities decreased by 1.0% compared to the previous year. The appreciation of the Swiss franc led to a negative impact on sales from currency translation of 1.1%.

While all segments improved overall in terms of profitability, organic sales growth was unevenly distributed. AS APAC achieved continued good growth, while the AS DACH, AS EMEA, and Key & Wall Solutions segments posted solid organic sales growth. The AS AMER segment reported negative organic sales growth, partly because of the base effect created by the completion of a large contract for lodging systems in the 2017/18 financial year. Please find detailed information on each individual segment's results in the segment reports.

dormakaba improved its net profit during the 2018/19 financial year by 5.8% to CHF 252.5 million (previous year CHF 238.7 million). In light of this positive performance, the Board of Directors is proposing that the Annual General Meeting, based on an unchanged dividend policy, increase the dividend for the third consecutive year to now CHF 16.00 per share (previous year CHF 15.00), paid entirely from reserves from capital contributions.

Portfolio management activities: acquisitions and divestments

Over the last years, our active management has strengthened our business portfolio and increased our profitability. We intend to continue to play an active role in the consolidation of our industry.

In June 2019, shortly before the end of the reporting period, we announced the acquisition of Alvarado Manufacturing in the USA. Alvarado is one of North America's leading producers of physical access solutions, including sensor barriers, access systems and turnstiles, mainly for commercial and public buildings. In conjunction with our existing physical access solutions business, this will give dormakaba a leading position in this specific segment of the North American market. The transaction was completed on 31 July 2019, and we expect the acquisition to have a positive impact on the EBITDA margin and earnings per share from the very first day.

In October 2018, we sold our 40% minority stake in ISEO. ISEO, based in Italy, is a manufacturer of security products such as lock cylinders, master key systems, locks and panic fittings, most of which are sold in the European market. The former Dorma originally acquired the minority stake in 2012 with a view to strengthen its business by extending its product portfolio. With the merger to dormakaba and its resulting comprehensive product range, this strategic position was reassessed, prompting our decision to sell. In December 2018, we also divested parts of our US Door Hardware Service business because this business activity did not meet our expectations for profitability.

Sustainability as part of our corporate strategy

Sustainability is a central element of our corporate strategy and an important part of our day-to-day work. Our aim is to achieve measurable progress here too, and to keep improving year by year. During the 2018/19 financial year, for example, we improved our management system for recording the CO_2 emissions of our processes and products. We also committed towards the Science Based Targets initiative (SBTi) to define a science-based reduction target for CO_2 emissions by 2020. At the same time, our products, solutions and services are helping to make buildings more energy efficient, and thus more environmentally friendly. We believe that the market for environmental construction is set to grow steadily which will provide us with above-average sales opportunities. Please find detailed information on our sustainability initiatives in our 2018/19 Sustainability Report.

Annual General Meeting on 22 October 2019

At the last Annual General Meeting you, our valued shareholders, put your trust in me as the new Chairman of the Board of Directors, a role that I am performing in combination with the CEO role on the basis of a dual mandate for a limited period of time. The schedule for a new person to take over as CEO in 2020 or 2021 remains unchanged, and the Board of Directors is confident to be able to announce my successor as CEO in the second half of 2020.

All serving Board members are putting themselves forward for re-election at the upcoming General Meeting for another year-long term, with Hans Hess set to continue as Vice Chairman and Lead Independent Director if re-elected. Rolf Dörig, Hans Gummert and Hans Hess are also standing for a further term as members of the Compensation Committee.

Outlook

We expect that the macroeconomic and geopolitical environment will remain volatile. Various factors, such as trade conflicts, a potential hard Brexit and an intensification of political crises could significantly impact the macroeconomic environment and lead to a downturn at the global level, or in major regions.

Nevertheless, we plan to continue investing just as strongly in innovation during the financial year 2019/20. We also plan to channel significant resources into our digital transformation with the aim to further strengthen the company's competitive position over the coming years within an increasingly digitalized environment.

We will continue to concentrate on profitable growth in future, with a focus on improving profitability still further. For financial year 2019/20, we expect the EBITDA margin and organic growth rate to be above the previous year figures. The medium-term financial targets remain unchanged.

Thanks

The Board of Directors and Executive Committee would like to thank all business partners and customers very much for the good collaboration over the past year. Our thanks also go to our shareholders who have placed their trust in dormakaba. We appreciate that you are supporting the strategic direction of dormakaba and our route to sustainable profitable growth.

The 2018/19 financial year brought many challenging projects and a lot of hard work for our employees. We would like to thank them all for their dedication and their valuable contribution to our company's success.

The results of the past financial year have once again underlined the industrial logic behind the merger to form dormakaba. We will work to maintain this successful development in the years to come.

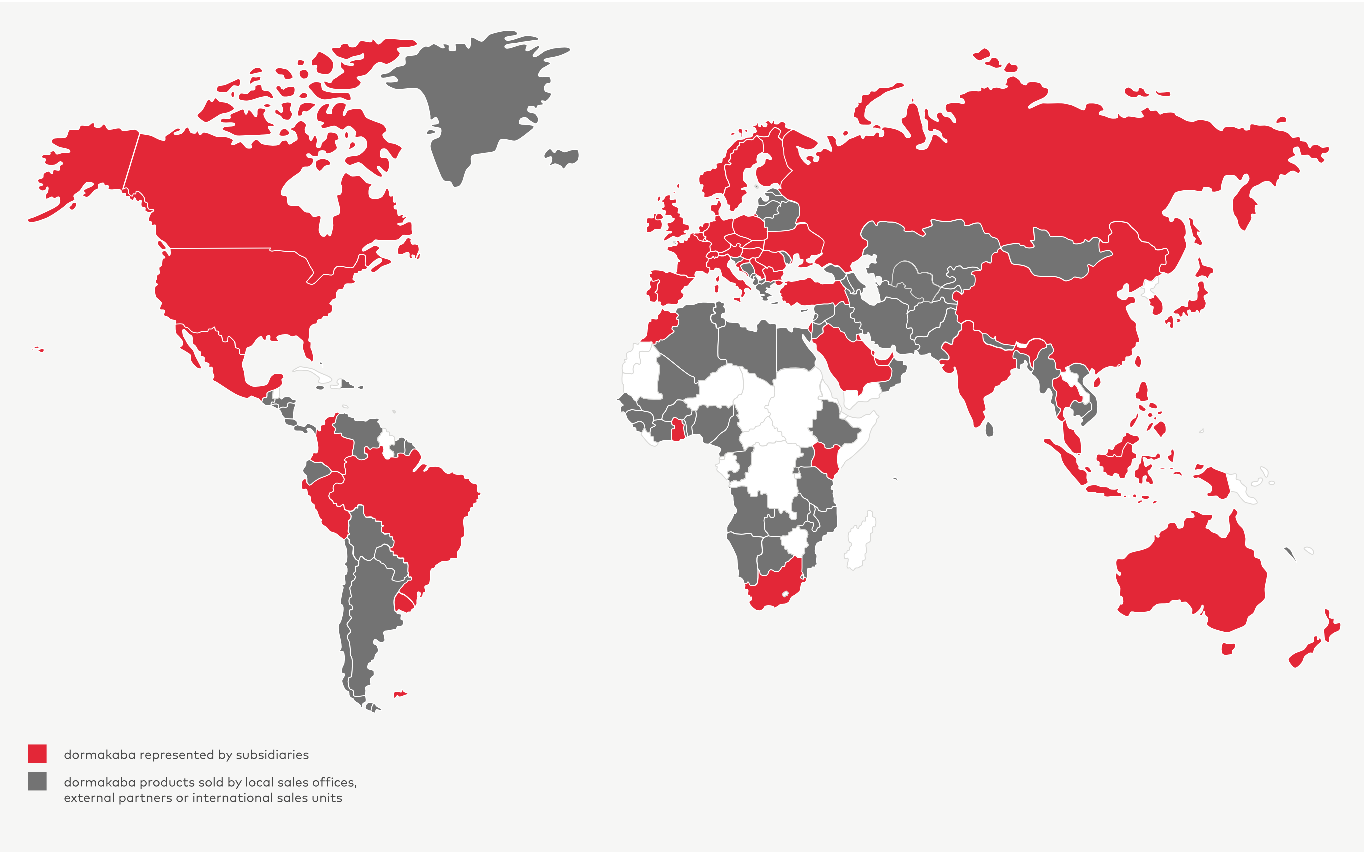
Sincerely yours,

Riet Cadonau
Chairman & CEO

2018/19 in brief

- Sales of CHF 2,818.3 million; organic sales growth of 1.3%
- EBITDA increased by 3.9% to CHF 448.0 million
- EBITDA margin improved to 15.9%
- All segments with positive contribution to increased profitability
- Net profit up 5.8% to CHF 252.5 million
- Dividend proposed to be increased to CHF 16.00 per share

dormakaba worldwide



Segment Access Solutions AMER

Lower sales, higher profitability

Operational performance

The segment AS AMER reported total sales of CHF 816.7 million in the period under review (previous year CHF 828.4 million). Organic sales declined 1.8% compared to the previous year.

The segment continued to focus on profitability which is reflected in the improved EBITDA and EBITDA margin. EBITDA increased by 2.9% to CHF 168.1 million (previous year CHF 163.4 million), the EBITDA margin improved from 19.7% to 20.6%. This improvement was driven by a positive mix effect, cost efficiencies, and higher sales prices, which more than compensated for raw material inflation, higher tariffs, lower volumes, and increased IT costs for the roll-out of global applications.

In addition, the segment already benefited from its ongoing production adjustments, which will lead to an improved cost base. This manufacturing footprint transformation is realized by consolidating various smaller locations into major production hubs, i.e. Indianapolis (USA) for Door Hardware, Montreal (Canada) for Hospitality and Electronic Solutions, Nogales (Mexico) for high-volume assembly products, and Reamstown (USA) for Entrance Systems and Interior Glass Systems. Since the dormakaba merger in September 2015, the segment has closed seven of its production sites due to operational synergies and economies of scale, another two sites have already been announced.

Market development

Organic sales growth in North America was negatively impacted by a weaker Lodging Systems business. After four years of double-digit growth driven by upgrades to mobile access solutions for major hotel chains, the Lodging Systems business was for the first time below previous year when a major project was finalized. Strong demand for access solutions for multi-housing in North America and orders from hotels outside North America partially compensated for this development.

Sales were impacted as well by a weak business environment in Latin America, which was partly compensated by moderate growth in Canada. In addition, there was a negative impact from the North American manual door business (Mesker). Due to operational challenges while implementing a new ERP system, delivery times of products did not meet customers' requirements for a period of time. These issues impacted the second half of financial year 2018/19. The segment is currently in the process to solve the technical issues.

There was strong growth for Safe Locks and Interior Glass Systems, and double-digit growth for the Electronic Access & Data, and the Entrance Systems business. The Entrance Systems business will be further strengthened by the acquisition of Alvarado Manufacturing based in Chino (CA/USA). The acquisition offers a good strategic fit to dormakaba as Alvarado is a leading North American manufacturer of physical access solutions such as speed gates, turnstiles, and other admission devices. Its offering focuses on office, commercial and government buildings as well as sports, leisure and entertainment facilities. The acquisition was closed on 31 July 2019 and will be accretive to EBITDA margin and earnings per share from day one.

AS AMER divested the unprofitable parts of the US Door Hardware Service Business in December 2018 which had a positive effect on its EBITDA margin (sales affected CHF 10 million). Going forward, the Product Cluster Services will focus on more profitable opportunities like the service business for Entrance Systems.

Outlook

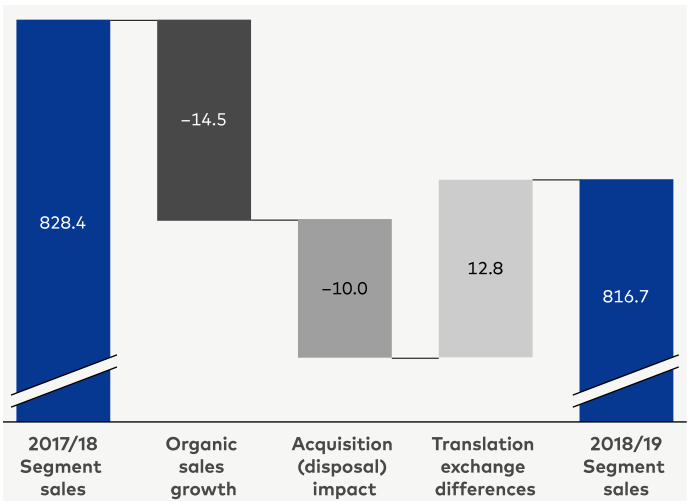
AS AMER expects no major change in the economic environment in the financial year 2019/20 with good underlying demand in North America but continued weakness in Latin America.

The business is expected to return to organic sales growth based on a solid order book. Growth will be supported by the Lodging Systems business which is expected to return to growth as it will not be impacted by the abovementioned base effect anymore. On top it will benefit from new innovative products and solutions like Ambiance, a state-of-the-art lodging access management software solution for hospitality and commercial use, which consolidates different legacy software applications and will be available as a cloud version as well. The segment expects, however, that the challenges with its manual door business will have an impact on the Door Hardware Product Cluster in the first half of financial year 2019/20 as the sales management has to shift resources to rebuild customer trust.

Key figures - segment AS AMER

CHF million, except where indicated	Financial year ended 30.06.2019	%	Financial year ended 30.06.2018	%	Change on previous year in %
Net sales third parties	783.7		796.9		–1.7
Intercompany sales	33.0		31.5		
Total segment sales	**816.7**		**828.4**		**–1.4**
Change in segment sales	–11.7	–1.4	143.4	20.9	
Of which translation exchange differences	12.8	1.6	–11.3	–1.6	
Of which acquisition (disposal) impact	–10.0	–1.2	155.0	22.5	
Of which organic sales growth	**–14.5**	**–1.8**	**–0.3**	**0.0**	
Operating profit before depreciation and amortization (EBITDA)	**168.1**	**20.6**	**163.4**	**19.7**	**2.9**
Average number of full-time equivalent employees	2,875		3,078		

Segment sales (in CHF million) - AS AMER



Segment Access Solutions APAC

Continuous profitable growth

Operational performance

The segment AS APAC generated total sales of CHF 462.3 million in the period under review. The continued focus on profitable growth resulted in organic sales growth of 3.7% compared to the previous year and an increase in EBITDA by 4.7% to CHF 68.9 million (previous year CHF 65.8 million). The EBITDA margin was considerably higher with 14.9% compared to 14.1% in the previous year. This improvement was driven by higher volumes, efficiency improvements, a favorable product mix, and portfolio management measures which more than compensated the effects of raw material inflation and the negative impact of the trade conflict between China and the US.

Market development

The segment generated good growth in most of its major regions. There was continuous strong growth in India and in China. The latter with particular good growth in the commercial sector driven by the expansion of high-end solutions and offerings as well as by the continued success of cost-effective mid-market products. Demand in the residential business in China remained somewhat subdued. The OEM business of Wah Yuet for the US market was negatively affected in the second half of financial year 2018/19 by the ongoing trade conflict between China and the US.

Sales in the Pacific region were above previous year's level despite a slowdown in the economic environment in Australia. South East Asia region was impacted by a weaker construction market and project delays which led to sales below previous year with a more pronounced impact in the second half of financial year 2018/19.

The segment recorded good demand for most of its Product Clusters, with particular good growth in Mechanical Key Systems, Safe Locks, Entrance Systems and Services. Growth in Entrance Systems was supported by a strong Physical Access System (PAS) business for the commercial sector in China. The business gained market share due to the enlarged product offering of the Commercial Building PAS business acquired from Cambaum Group (China) in April 2018. Further, the segment strengthened its production footprint for PAS solutions and invested in new assembly capacities in China, India, and Malaysia.

Net sales of AS APAC were below previous year due to currency translation and the dissolution of the Dorset Kaba joint venture in April 2018. The discontinuation of the joint venture had a positive effect on margins though, and as a result of the new structure, dormakaba expects to be able to further expand profitable growth in this important regional market by addressing customer needs with an enlarged product portfolio.

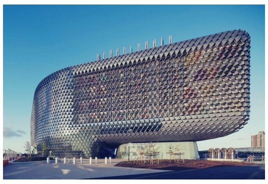
Outlook

AS APAC expects stable growth in financial year 2019/20 and will continue to execute its profitable growth strategy, which is leveraging the combined new product portfolio and further improved cost structures.

The segment does not expect major changes in the general business environment in the region Asia-Pacific in financial year 2019/20, which includes a continuation of the challenging economic environment in Australia and South East Asia. As visibility in the development of the trade conflict between China and the US remains low, countermeasures are in the process to be prepared to mitigate a potential negative financial impact.

Adelaide's Royal Hospital

Empowered with the latest innovations, Adelaide's Royal Hospital gives a glimpse into how the future of healthcare will be.

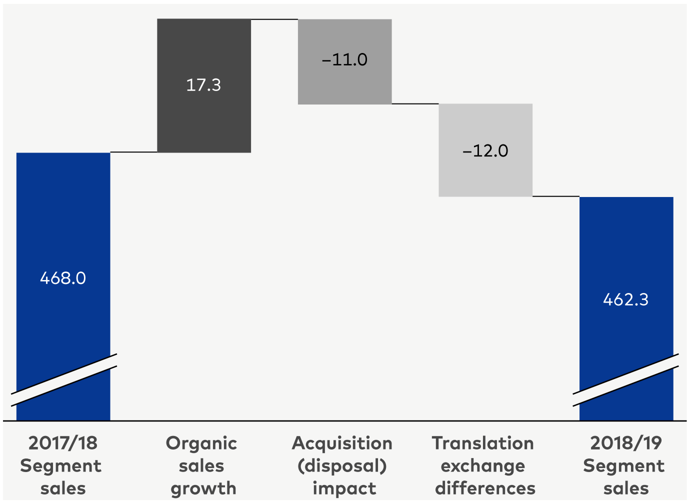


More

Key figures - segment AS APAC

CHF million, except where indicated	Financial year ended 30.06.2019	%	Financial year ended 30.06.2018	%	Change on previous year in %
Net sales third parties	435.8		441.1		–1.2
Intercompany sales	26.5		26.9		
Total segment sales	**462.3**		**468.0**		**–1.2**
Change in segment sales	–5.7	–1.2	47.1	11.2	
Of which translation exchange differences	–12.0	–2.5	0.9	0.2	
Of which acquisition (disposal) impact	–11.0	–2.4	27.4	6.5	
Of which organic sales growth	**17.3**	**3.7**	**18.8**	**4.5**	
Operating profit before depreciation and amortization (EBITDA)	**68.9**	**14.9**	**65.8**	**14.1**	**4.7**
Average number of full-time equivalent employees	3,326		3,836		

Segment sales (in CHF million) - AS APAC



Segment Access Solutions DACH

Sales growth, higher profitability

Operational performance

The segment AS DACH generated total sales of CHF 863.0 million in the period under review. Organic sales growth was 2.8% compared to the previous year. The segment reported an EBITDA of CHF 153.6 million, which is 3.6% higher than previous year. The EBITDA margin increased from 17.4% to 17.8%. The effects of higher sales prices, post-merger integration synergies, cost efficiencies, and higher volumes overcompensated the negative effects from raw material and labor cost inflation, foreign exchange, and lower EBITDA contribution from some of the German production plants.

With the successful relocation of the production of certain standard door closers from Germany to Asia, the segment has achieved its targeted post-merger synergies for the financial year 2018/19 and expects final cost synergies to materialize in financial year 2019/20.

Market development

There was good growth compared to the prior-year period in Germany and Switzerland, and most pronounced in Austria. With regard to Product Clusters, there was particular good growth in Door Hardware – especially door closers – as well as in Services. Sales in Mechanical Key Systems were in line with last year, whereas Interior Glass Systems sales were below previous year.

Entrance Systems contributed to growth driven by several new projects. For example, the business has won contracts for the equipment of several cruise ships, not only installing Entrance Systems products but also cross-selling products from other Product Clusters like Door Hardware and Services.

The Electronic Access & Data (EAD) business continued to improve based on a good order intake, however as there were more smaller projects compared to the previous year, it needs more time until revenues are realized. The segment is in the process to strengthen its market approach for EAD for the project driven businesses and expects to foster growth by allocating additional sales and marketing resources to the attractive multi-housing business.

Outlook

AS DACH expects continued growth in financial year 2019/20 driven by stable underlying demand.

The segment is in the process to improve its competitiveness with a performance-based program throughout the entire organization to sustainably improve profitability. The segment aims to improve its cost efficiency, to further execute on strategic pricing measures and on optimized purchasing, to strengthen its marketing efforts and to invest into an optimized IT infrastructure.

AS DACH started to address the unsatisfactory profitability contribution of some of its German plants, particularly at its site in Ennepetal. Measures will include the improvement of the whole supply chain, further modernization and automatization of production as well as flexibilization in all areas. This will be supported by the realization of the remaining cost synergy potential of the post-merger integration in Germany, which will help to improve the overall cost base.

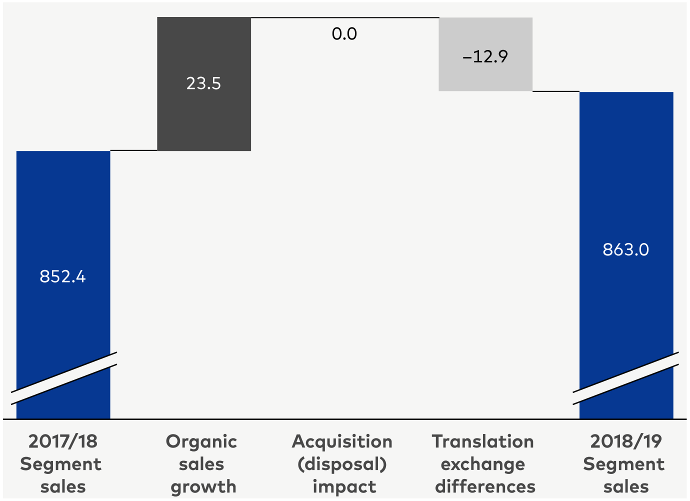
In addition, the segment intends to increase its competitiveness and sales with new products including its innovative half-height sensor barriers Argus (HSB), which are used to manage people flow in areas such as corporate entrances and lobbies. Argus combines an attractive design with a modular and configurable architecture. Additionally, it enables simple integration of biometric recognition devices and cost-efficient production. This new product line has been launched in financial year 2018/19 and already contributed positively to the result by gaining several major orders.

Key figures - segment AS DACH

CHF million, except where indicated	Financial year ended 30.06.2019	%	Financial year ended 30.06.2018 [1]	%	Change on previous year in %
Net sales third parties	534.4		530.8		0.7
Intercompany sales	328.6		321.6		
Total segment sales	**863.0**		**852.4**		**1.2**
Change in segment sales	10.6	1.2	51.4	6.4	
Of which translation exchange differences	–12.9	–1.6	42.8	5.3	
Of which acquisition (disposal) impact	0.0	0.0	–7.9	–1.0	
Of which organic sales growth	**23.5**	**2.8**	**16.5**	**2.1**	
Operating profit before depreciation and amortization (EBITDA)	**153.6**	**17.8**	**148.2**	**17.4**	**3.6**
Average number of full-time equivalent employees	3,481		3,506		

1) In 2017/18: in order to enable fair comparison with current-year data, certain sales have been reclassified within segment AS EMEA and AS DACH.

Segment sales (in CHF million) - AS DACH



Segment Access Solutions EMEA

Organic sales growth, slightly higher profitability

Operational performance

In the period under review, segment AS EMEA generated total sales of CHF 777.8 million and organic sales growth of 1.9% compared to the previous year. EBITDA amounted to CHF 56.7 million, an increase of 0.2% over the last year's figure. The EBITDA margin was slightly higher at 7.3% (previous year 7.2%). Higher volumes, a positive mix effect, and operational efficiency improvements slightly overcompensated higher expenditures in business development and higher IT costs for the roll-out of global applications.

Market development

Sales growth of AS EMEA was driven by double-digit growth rates in Central and Eastern Europe, especially Russia where the business gained several major contracts for retail chains. The Benelux countries and the UK contributed to sales growth as well. Business in the UK benefited from Services, which more than offset the weaker business environment due to political uncertainty. The segment's UK organization has prepared itself for a potential hard Brexit and has increased, amongst other measures, its inventory levels.

Sales in Scandinavia were below previous year's level as double-digit growth in Denmark and Finland could not compensate a very weak performance in Norway. The region Middle East and Africa was flat in terms of sales compared to the previous year due to challenging market conditions in South Africa and Kuwait which offset a favorable development in the UAE, Qatar, and Saudi Arabia. Sales in Southern Europe were below previous year's level due to a strong prior year performance in Spain, where major airport projects were executed. This negative base effect particularly impacted growth in the second half of financial year 2018/19. Growth in France was weaker in the second half of financial year 2018/19 as well, but flat year-on-year.

Growth in the Product Clusters was driven by Entrance Systems, Lodging Systems, and Electronic Access & Data (EAD). The latter benefited from projects like the Doha Oasis project in Qatar where EAD and Lodging Systems solutions were combined to an attractive offering for the customers. Lodging Systems won several major contracts for Mobile Access Solutions from global hotel chains which is another step in establishing this technology in Europe. Safe Locks and Interior Glass Systems were below prior year's level.

The segment has introduced, amongst other products, mobile access for corporates which was successfully launched in February 2019. This solution enables the use of mobile credentials within online, wireless and unconnected readers. The solution scales across large and complex organizations and reduces the effort for managing the badges for corporates.

Outlook

AS EMEA will focus on profitable growth in financial year 2019/20. The business expects a relatively stable market environment despite the ongoing political and economic volatility.

The segment expects that profitable growth will be driven by strategic pricing initiatives as well as strengthening of its Services and project business across regions. Strategic focus will be on specifications and selected verticals such as healthcare, airports, and hospitality. AS EMEA will continue to improve organizational efficiencies by substantially investing in its IT infrastructure and global applications as part of the enterprise excellence and digitalization strategy.

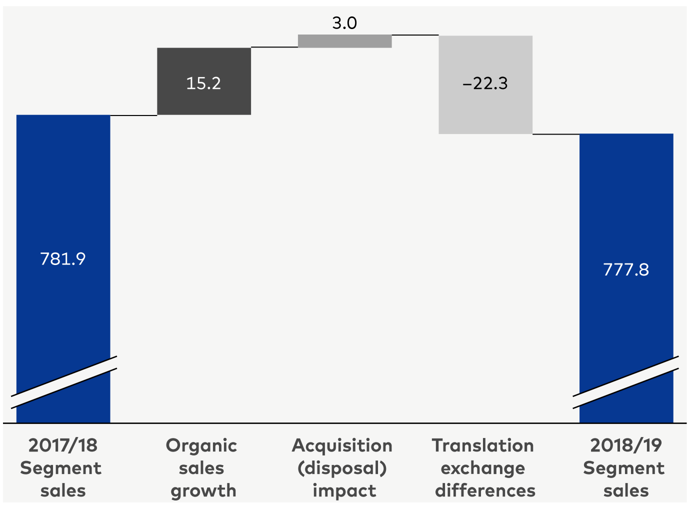
AS EMEA has addressed structural issues in Scandinavia and has selectively strengthened local management; it will implement measures to improve business performance in this region.

Key figures - segment AS EMEA

CHF million, except where indicated	Financial year ended 30.06.2019	%	Financial year ended 30.06.2018 [1]	%	Change on previous year in %
Net sales third parties	660.7		666.2		–0.8
Intercompany sales	117.1		115.7		
Total segment sales	**777.8**		**781.9**		**–0.5**
Change in segment sales	–4.1	–0.5	49.0	6.7	
Of which translation exchange differences	–22.3	–2.8	29.8	4.0	
Of which acquisition (disposal) impact	3.0	0.4	1.2	0.2	
Of which organic sales growth	**15.2**	**1.9**	**18.0**	**2.5**	
Operating profit before depreciation and amortization (EBITDA)	**56.7**	**7.3**	**56.6**	**7.2**	**0.2**
Average number of full-time equivalent employees	3,408		3,378		

1) In 2017/18: in order to enable fair comparison with current-year data, certain sales have been reclassified within segment AS EMEA and AS DACH.

Segment sales (in CHF million) - AS EMEA



Segment Key & Wall Solutions

Sales growth, higher profitability

Operational performance

The segment Key & Wall Solutions generated total sales of CHF 401.9 million in the financial year 2018/19, representing year-on-year organic sales growth of 2.2%. EBITDA stood at CHF 63.0 million, up 11.1% compared to the previous year; the EBITDA margin improved from 14.6% to 15.7%. This increase mainly resulted from good profitable growth in the Movable Walls business in the US, where higher volumes, price increases, and a better product mix more than offset the impact of raw material inflation.

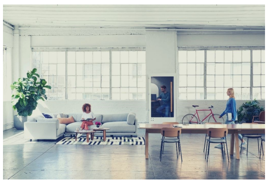
Market development

Strong growth in Asia could not compensate for lower growth in the other regions in the Business Unit Key Systems. Sales were impacted by a weaker key cutting machine business in Europe and a weaker key replacement business in the US, particularly in the second half of financial year 2018/19. Klaus Group, a business acquired in Peru in May 2018, met expectations by making a positive contribution to growth and by increasing its profitability compared to previous year.

There was strong organic growth in the Movable Walls Business Unit with particular strength of the North American business, but all other regions contributed to growth as well. Acquired in year 2017, the Skyfold business has been successfully integrated and delivered top-line synergies as the business can offer now both, vertical and horizontal movable walls. There was also a positive contribution from the progress of the measures to increase the automatization of its production site in Ocholt (Germany) with the aim to sustainably improve the cost base and efficiency of the European business.

Working With Limited Space

With land at a premium, an urban future, where businesses and individuals can thrive, will require flexible room designs that maximizes existing space.



More

Outlook

Key & Wall Solutions expects no major change in the business environment in financial year 2019/20.

Growth in the Business Unit Key Systems will benefit from the launch of new products like “SIX”, a next generation high-end electronic key cutting machine, which is expected to launch in the second half of financial year 2019/20. SIX enables faster operations, more automation, and enhanced connectivity for locksmiths.

Furthermore, Key Systems expects initial contributions from the investments into digital initiatives which will put a stronger emphasis on a higher service component. First products will be launched in 2019/20 including “MyKeys Safe”, a digital wallet for residential and automotive keys that offers end users support for lost key situations. With regards to profitability, Key Systems will continue to invest in its operational efficiency including significant investment into its ERP infrastructure in North America.

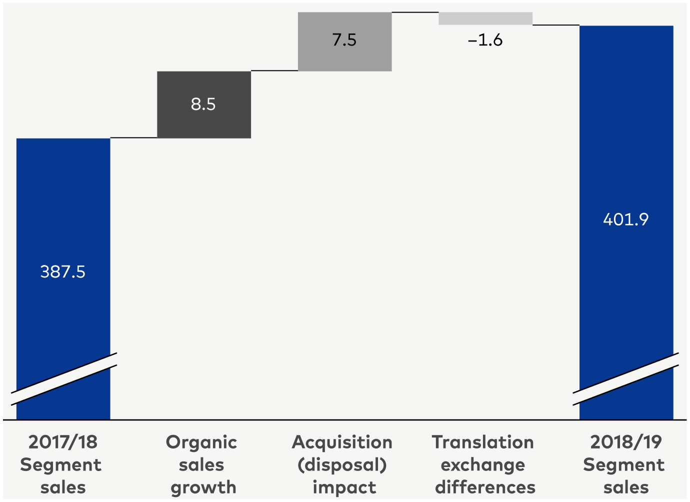
Supported by a good order book, the Business Unit Movable Walls will continue to focus on profitable growth of its businesses in the US as well as in Asia. In Germany, the Business Unit will finalize the automatization of its production site with the aim to sustainably improve the cost base and efficiency of the European business.

Skyfold is expected to continue to contribute positively to growth and profitability. There is significant potential to transform the vertical Movable Walls business which is still very North American centric to a true global business. This business case is supported by first successful orders from Europe, China, and the Middle East.

Key figures - segment Key & Wall Solutions

CHF million, except where indicated	Financial year ended 30.06.2019	%	Financial year ended 30.06.2018	%	Change on previous year in %
Net sales third parties	388.0		374.2		3.7
Intercompany sales	13.9		13.3		
Total segment sales	**401.9**		**387.5**		**3.7**
Change in segment sales	14.4	3.7	55.7	16.8	
Of which translation exchange differences	–1.6	–0.4	7.2	2.1	
Of which acquisition (disposal) impact	7.5	1.9	32.4	9.8	
Of which organic sales growth	**8.5**	**2.2**	**16.1**	**4.9**	
Operating profit before depreciation and amortization (EBITDA)	**63.0**	**15.7**	**56.7**	**14.6**	**11.1**
Average number of full-time equivalent employees	2,296		2,139		

Segment sales (in CHF million) - Key & Wall Solutions



Overview

The 2018/19 financial year was satisfactory. The achieved business figures are all above the comparable results from the previous year. In particular, profitability increased further, which is reflected in an increase in all key earnings figures and operating sales margins. All segments contributed to this improvement by achieving both higher EBITDA and higher EBITDA margins. However, organic sales growth was lower than expected, in particular due to lower growth momentum in the second half of the financial year.

dormakaba generated consolidated net sales of CHF 2,818.3 million, which is slightly below the previous year's figure of CHF 2,841.0 million. Organic sales growth of 1.3% (CHF 35.9 million) could not compensate for negative currency translation and divestment effects. Currency translation had an impact on reported sales growth of –1.1% (CHF –29.6 million) and is due to the strengthening of the Swiss franc in the reporting period versus previous year. Portfolio adjustments reduced sales growth by –1.0% (CHF –29.0 million) as divestments carried out in the reporting period were significantly larger than the acquisitions made.

+1.3%

organic sales growth

+3.9%

increase in EBITDA

+5.8%

increase in net profit

Profitability

dormakaba improved its profitability in the period under review. Its gross margin for the reporting period came to 42.1% (previous year 42.0%) and EBITDA increased by 3.9% to CHF 448.0 million compared to CHF 431.0 million in the previous year. This is despite portfolio adjustments which had a negative net impact on EBITDA as divestments carried out in the reporting period were significantly larger than the acquisitions made and amounted to CHF –1.9 million. EBITDA was also negatively impacted by currency translation by an amount of CHF 2.4 million.

The EBITDA margin rose to 15.9%, compared to 15.2% in the previous year, with all segments contributing higher EBITDA margins. The higher EBITDA margin reflects overall efficiency gains and the positive impact of cost synergies resulting from the dormakaba merger, as well as acquisition and divestment effects. These more than compensated for the significant investments made both in information technology to advance the company's digitization, and in adjusting the company's production footprint. EBIT increased by CHF 10.7 million to CHF 375.0 million (previous year CHF 364.3 million), and the EBIT margin improved to 13.3% compared to 12.8% in the previous year.

Financial result, profit before taxes and income taxes

The net financial result for the reporting period was CHF –42.3 million (previous year CHF –48.6 million). This was mainly attributable to lower interest expenses and the higher result from associates, which was driven by the divestment of the ISEO minority participation. Profit before taxes increased to CHF 332.7 million (previous year CHF 315.7 million). Income taxes for the reporting period amounted to CHF 80.2 million (previous year CHF 77.0 million). The weighted applicable income tax rate of 24.2% is lower than in the previous year (25.3%) mainly as a result of US tax reform (as the reduced US income tax rate now applies to the full reporting period). The effective income tax rate amounts to 24.1% (previous year 24.4%).

Net profit

dormakaba closed the 2018/19 financial year with a 5.8% higher net profit of CHF 252.5 million (previous year CHF 238.7 million). This positive development is mainly attributable to the improved operating performance and a better net financial result. Consequently, net profit after minority interests came to CHF 131.8 million, up from CHF 123.8 million in the previous year. The corresponding earnings per share increased by 6.8% to CHF 31.6 (previous year CHF 29.6).

Cash flow and balance sheet

Cash flow from operations amounted to CHF 372.8 million, and free cash flow increased to CHF 212.9 million (previous year CHF 367.2 million and CHF 37.1 million, respectively). The positive free cash flow of CHF 212.9 million in the period under review resulted primarily from the strong operational cash flow and from the sale of the minority participation in ISEO; it was significantly higher compared to the previous year's free cash flow of 37.1 million, which included acquisitions in subsidiaries such as Skyfold and Kilargo.

Cash flow from investing activities of CHF 67.8 million includes mainly capital expenditures of CHF 111.4 million (previous year CHF 115.3 million) on property, plant and equipment, as well as intangible assets, which in total represents 4.0% of sales (previous year 4.1%). Moreover, it comprises proceeds from the sale of investments in associates and joint ventures in the amount of CHF 40.9 million (previous year CHF 0 million). Cash flow from financing activities came to CHF –223.9 million, which includes dividend payments to company shareholders of CHF 62.2 million, as well as to minority shareholders of CHF 54.9 million (in total CHF 117.1 million; previous year 113.3 million), and purchase of treasury shares in the amount of CHF 38.7 million (previous year CHF 1.9 million), which are intended to serve as long-term incentive (LTI).

The asset structure did not change significantly and largely reflected portfolio management. As at 30 June 2019, total assets were at CHF 1,909.0 million. Within current assets, cash and cash equivalents amounted to CHF 122.4 million, while inventories stood at CHF 454.7 million (23.8% of total assets; previous year 21.8%), and trade receivables at CHF 499.5 million (26.2% of total assets; previous year 25.3%). Non-current assets consisted mainly of property, plant and equipment worth CHF 465.4 million (24.4% of total assets; previous year 23.1%).

The capital structure developed similarly, but improved due to the positive financial performance in the year under review. Total liabilities were at CHF 1,650.5 million (86.5% of total assets; previous year 90.6%), of which CHF 680.5 million mainly reflect the two corporate bonds due in year 2021 and year 2025.

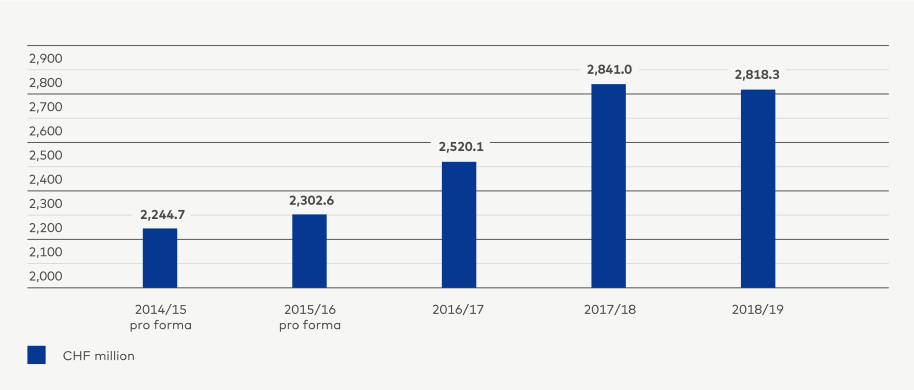
Net financial debt was reduced by CHF 49.8 million to CHF 651.4 million as at 30 June 2019 (30 June 2018: CHF 701.2 million). Financial leverage, which is net debt relative to EBITDA, slightly improved to 1.5 times (30 June 2018: 1.6 times) based on the improved operational profitability as well as the positive cash flow profile of the reporting period.

The company's equity stands at CHF 258.5 million as at 30 June 2019, which represents an equity ratio of 13.5% (CHF 187.0 million or 9.4% as at 30 June 2018). The change in equity is mainly due to higher retained earnings as a result of improved financial performance.

Currency translation effects

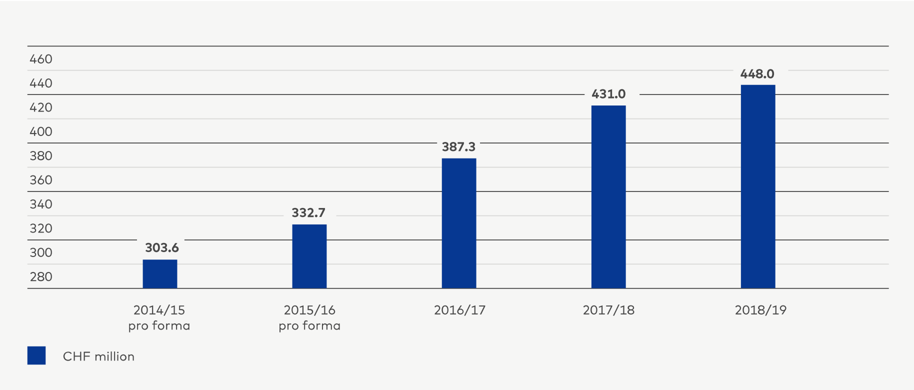
The Swiss franc strengthened by 2.0% year-on-year from CHF 1.1582 to CHF 1.1350 against the average Euro exchange rate, while it weakened by 2.5% from CHF 0.9709 to CHF 0.9949 against the average USD exchange rate. However, as the Swiss franc strengthened against most other major currencies (e.g. AUD, CAD, CNY, GBP, INR, NOK), currency translation had an overall negative impact of CHF 29.6 million on net sales and of CHF 2.4 million on EBITDA.

Sales



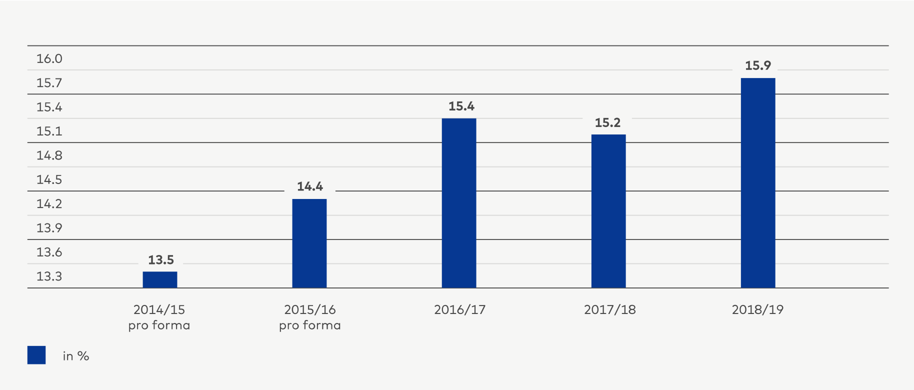
pro forma = former Dorma Group and former Kaba Group both 12 months

EBITDA



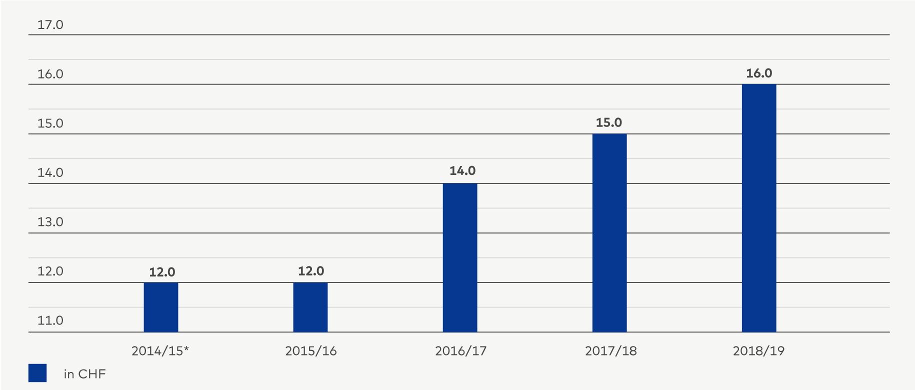
pro forma = former Dorma Group and former Kaba Group both 12 months

EBITDA margin



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

Dividend per share



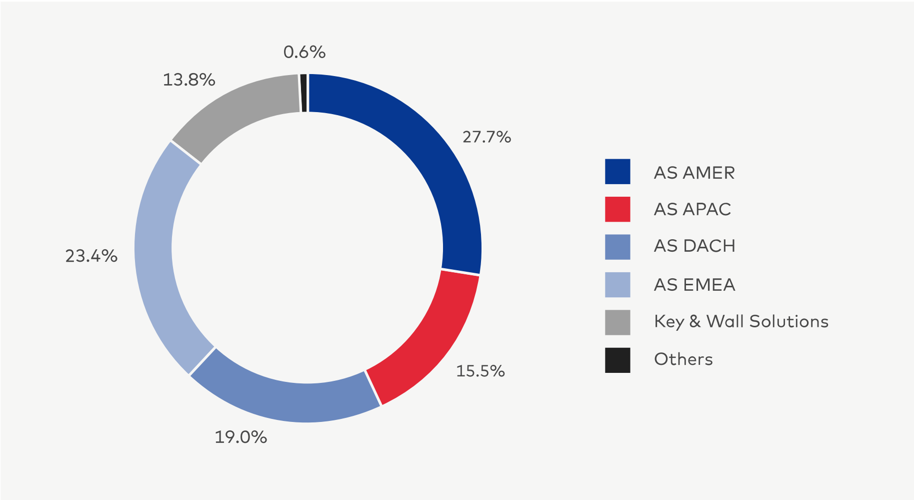
* After closing of dormakaba merger, pay-out of extra dividend of CHF 50.0

Key figures

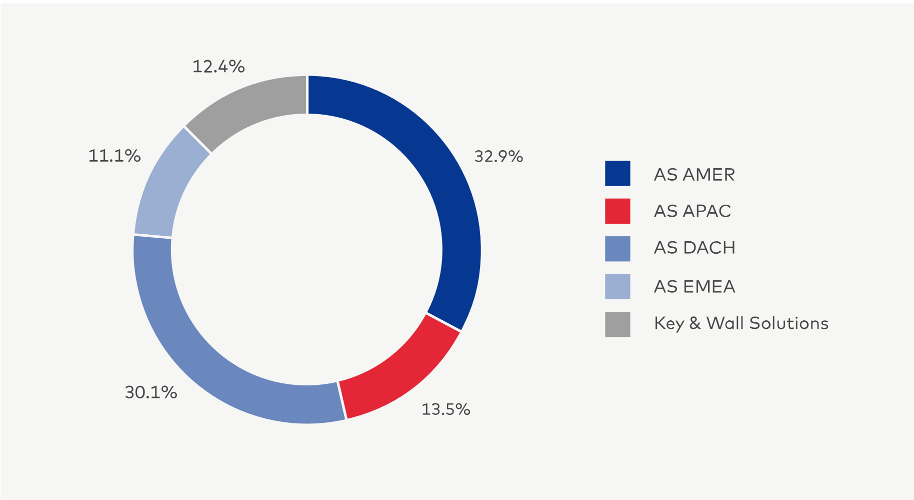
CHF million, except where indicated	Financial year ended 30.06.2019	%	Financial year ended 30.06.2018	%
Net sales	2,818.3	100.0	2,841.0	100.0
Organic sales growth in %	1.3		2.6	
Acquisition (disposal) impact in %	–1.0		8.2	
Translation exchange differences in %	–1.1		1.9	
Operating profit before depreciation and amortization (EBITDA)	**448.0**	**15.9**	**431.0**	**15.2**
Operating profit (EBIT)	**375.0**	**13.3**	**364.3**	**12.8**
Profit before taxes	332.7	11.8	315.7	11.1
Net profit	252.5	9.0	238.7	8.4
Dividend per share (in CHF) [1]	16.0		15.0	
Other key figures				
Total assets	1,909.0		1,982.3	
Net debt	651.4		701.2	
Market capitalization	2,932.8		2,908.0	
Average number of full-time equivalent employees	15,811		16,433	

1) Financial year ended 30.06.2019: 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 main segment EBITDA)



Consolidated financial statements

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Consolidated income statement

CHF million except share amounts	Note	Financial year ended 30.06.2019	%	Financial year ended 30.06.2018	%
Net sales	1.2	**2,818.3**	**100.0**	**2,841.0**	**100.0**
Cost of goods sold		–1,632.4	–57.9	–1,647.3	–58.0
Gross margin		**1,185.9**	**42.1**	**1,193.7**	**42.0**
Other operating income, net		21.2	0.8	12.4	0.4
Sales and marketing		–441.3	–15.7	–446.8	–15.7
General administration		–283.4	–10.1	–286.3	–10.1
Research and development		–107.4	–3.8	–108.7	–3.8
Operating profit (EBIT)		**375.0**	**13.3**	**364.3**	**12.8**
Result from associates	4.2	2.9	0.1	2.5	0.1
Financial expenses	1.4	–47.4	–1.7	–53.5	–1.9
Financial income	1.4	2.2	0.1	2.4	0.1
Profit before taxes		**332.7**	**11.8**	**315.7**	**11.1**
Income taxes	1.5	–80.2	–2.8	–77.0	–2.7
Net profit		**252.5**	**9.0**	**238.7**	**8.4**
Net profit attributable to minority interests		120.7		114.9	
Net profit attributable to the owners of the parent		131.8		123.8	
Basic earnings per share in CHF	3.3	31.6		29.6	
Diluted earnings per share in CHF	3.3	31.5		29.5	
Operating profit before depreciation and amortization (EBITDA)	1.1	**448.0**	**15.9**	**431.0**	**15.2**

Consolidated balance sheet

Assets

CHF million	Note	Financial year ended 30.06.2019	%	Financial year ended 30.06.2018	%
Current assets					
Cash and cash equivalents		122.4	6.4	145.3	7.3
Trade receivables	2.1	499.5	26.2	502.1	25.3
Inventories	2.2	454.7	23.8	432.3	21.8
Current income tax assets		28.2	1.5	49.9	2.6
Other current assets	2.6	58.8	3.1	59.6	3.0
Total current assets		**1,163.6**	**61.0**	**1,189.2**	**60.0**
Non-current assets					
Property, plant, and equipment	2.3	465.4	24.4	458.6	23.1
Intangible assets	2.3	63.7	3.3	51.5	2.6
Investments in associates	4.2	3.5	0.2	40.6	2.0
Non-current financial assets	2.6	39.5	2.1	38.9	2.0
Deferred income tax assets	1.5	173.3	9.0	203.5	10.3
Total non-current assets		**745.4**	**39.0**	**793.1**	**40.0**
Total assets		**1,909.0**	**100.0**	**1,982.3**	**100.0**

Liabilities and equity

CHF million	Note	Financial year ended 30.06.2019	%	Financial year ended 30.06.2018	%
Current liabilities					
Current borrowings	3.1	86.3	4.5	156.5	7.9
Trade payables		134.3	7.0	166.5	8.4
Current income tax liabilities		45.8	2.5	51.3	2.6
Accrued and other current liabilities	2.6	336.7	17.6	338.1	17.0
Provisions	2.4	39.0	2.0	51.1	2.6
Total current liabilities		**642.1**	**33.6**	**763.5**	**38.5**
Non-current liabilities					
Bonds	3.1	680.5	35.6	680.5	34.4
Accrued pension costs and benefits	2.5	295.5	15.5	303.0	15.3
Deferred income tax liabilities	1.5	25.4	1.4	38.8	2.0
Other non-current liabilities	3.1	7.0	0.4	9.5	0.4
Total non-current liabilities		**1,008.4**	**52.9**	**1,031.8**	**52.1**
Total liabilities		**1,650.5**	**86.5**	**1,795.3**	**90.6**
Equity					
Share capital	3.2	0.4	0.0	0.4	0.0
Additional paid-in capital		811.3	42.5	811.3	40.9
Retained earnings		1,244.9	65.2	1,175.1	59.3
Goodwill offset in equity	3.4	–1,809.2	–94.7	–1,805.0	–91.1
Treasury shares	3.2	–40.2	–2.1	–10.3	–0.5
Translation exchange differences	3.5	–10.6	–0.6	2.1	0.1
Total equity owners of the parent		**196.6**	**10.3**	**173.6**	**8.7**
Minority interests		61.9	3.2	13.4	0.7
Total equity	**3.4**	**258.5**	**13.5**	**187.0**	**9.4**
Total liabilities and equity		**1,909.0**	**100.0**	**1,982.3**	**100.0**

Consolidated cash flow statement

CHF million	Note	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Net profit		**252.5**	**238.7**
Depreciation and amortization	2.3	73.0	66.7
Income tax expenses	1.5	80.2	77.0
Interest expenses	1.4	42.1	43.2
Interest income	1.4	–1.4	–2.0
(Gain) Loss on disposal of fixed assets, net		–8.6	–1.0
Adjustment for non-cash items		5.6	10.2
Change in trade receivables		–13.0	–31.5
Change in inventories		–36.2	–12.4
Change in other current assets		–2.2	7.4
Change in trade payables		–27.5	11.8
Change in accrued pension cost		3.9	2.8
Change in accrued and other current liabilities		4.4	–43.7
Cash generated from operations		**372.8**	**367.2**
Income taxes paid		–51.2	–59.8
Interest paid		–42.3	–40.5
Interest received		1.4	2.0
Net cash from operating activities		**280.7**	**268.9**
Cash flows from investing activities			
Additions of property, plant, and equipment	2.3	–84.4	–91.7
Proceeds from sale of property, plant, and equipment	2.3	14.0	3.4
Additions of intangible assets	2.3	–27.0	–23.6
Change in other non-current financial assets and prepaid transaction costs		–3.6	0.8
Acquisition of subsidiaries, net of cash acquired	4.3	–6.2	–140.0
Sale of subsidiaries, net of cash sold	4.3	0.0	20.8
Acquisition of associates and joint ventures	4.2	–1.5	–1.5
Sale of investment in associates and joint ventures	4.2	40.9	0.0
Net cash used in investing activities		**–67.8**	**–231.8**
Cash flows from financing activities			
Other proceeds from (repayment of) current borrowings, net	3.1	–71.6	–694.6
Proceeds from (repayment of) non-current borrowings, net	3.1	4.4	–0.4
Change in other non-current liabilities		–0.9	–0.1
New bonds issued	3.1	0.0	680.5
Dividends paid to company's shareholders	3.3	–62.2	–58.6
Dividends paid to minority shareholders		–54.9	–54.7
(Purchase) Sale of treasury shares	3.2	–38.7	–1.9
Net cash flows from financing activities		**–223.9**	**–129.8**
Translation exchange differences		–11.9	49.7
Net increase (decrease) in cash and cash equivalents		**–22.9**	**–43.0**
Cash and cash equivalents at beginning of period		145.3	188.3
Cash and cash equivalents at end of period		122.4	145.3
Net increase (decrease) in cash and cash equivalents		**–22.9**	**–43.0**

Consolidated statement of changes in equity

CHF million	Share capital	Additional paid-in capital	Retained earnings	Goodwill offset in equity	Treasury shares	Cumul. translation adjustm.	Minority interests	Total equity
Balance at 30.06.2019	**0.4**	**811.3**	**1,244.9**	**–1,809.2**	**–40.2**	**–10.6**	**61.9**	**258.5**
Net profit for the reporting period			131.8				120.7	252.5
Goodwill on acquisitions and divestments (see note 3.4)				–4.2			–3.8	–8.0
Currency translation adjustments						–12.7	–13.7	–26.4
Dividend paid (see note 3.3)			–62.2				–54.9	–117.1
Shares awarded			0.2		8.8		0.2	9.2
Treasury shares (purchased) re-issued					–38.7			–38.7
Balance at 30.06.2018	**0.4**	**811.3**	**1,175.1**	**–1,805.0**	**–10.3**	**2.1**	**13.4**	**187.0**
Net profit for the reporting period			123.8				114.9	238.7
Goodwill on acquisitions and divestments (see note 3.4)				–76.1			–68.9	–145.0
Currency translation adjustments						3.2	12.6	15.8
Dividend paid (see note 3.3)			–58.6				–54.7	–113.3
Shares awarded			0.1		9.5		0.0	9.6
Treasury shares (purchased) re-issued					–1.9			–1.9
Balance at 01.07.2017	**0.4**	**811.3**	**1,109.8**	**–1,728.9**	**–17.9**	**–1.1**	**9.5**	**183.1**

Notes to the consolidated financial statements for the financial year 2018/19

The consolidated financial statements have been optimized in order to provide users better organized and more understandable financial information to explain the financial performance and financial position of the Group. The notes have been divided into five sections. Each section starts with an introduction, which summarizes the information provided. In addition, the accounting policies and accounting estimates applied to prepare the consolidated financial statements now appear at the end of the note to which they relate in order to provide appropriate context.

1. Performance

This section provides information on the operational performance of dormakaba Group. The description of the operating model provides useful information to understand the segment reporting, which corresponds to the Group's internal reporting system. In addition, information is presented on selected income and expense items.

The key headlines concerning the Group's performance are:

- Sales of CHF 2,818.3 million; due to divestments and currency effects slightly below previous year
- EBITDA increased by 3.9% to CHF 448.0 million
- EBITDA margin improved to 15.9%; all segments with positive contribution to increased profitability
- Net profit up 5.8% to CHF 252.5 million

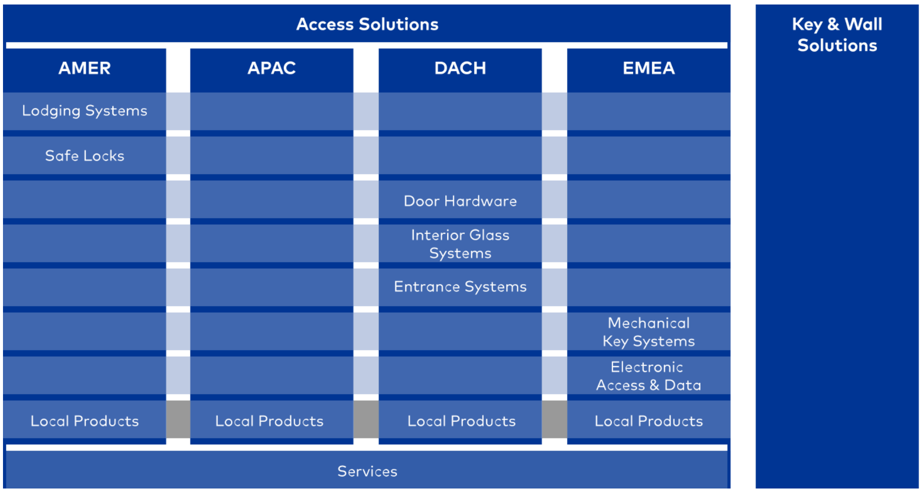
1.1 Segment reporting

Operating model

dormakaba Group has divided the areas of business in which the company is globally active into five segments. Access Solutions (AS) is structured in four segments 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 Key & Wall Solutions segment is global.

To best meet customers' needs, dormakaba Group's operating model is based on a matrix structure, which means that all four Access Solutions segments have a dual responsibility. The Access Solutions global product portfolio is arranged in eight Global Product Clusters: Lodging Systems, Safe Locks, Door Hardware, Interior Glass Systems, Entrance Systems, Mechanical Key Systems, Electronic Access & Data, and Services. The Global Product Clusters are each assigned to specific segments, along with the related production facilities, regardless of the geographical location. These Global Product Clusters are complemented by local products in all Access Solutions segments.

dormakaba Group's worldwide operations are as follows:



AS AMER: this segment includes dormakaba Group's business activities for access solutions in North and South America. It also has overall responsibility across all segments for the Global Lodging Systems and Safe Locks Product Clusters.

AS APAC: this segment includes dormakaba Group's business activities for access solutions in the Asia-Pacific region.

AS DACH: this segment includes dormakaba Group's business activities for access solutions in Germany, Austria, and Switzerland. It also has overall responsibility across all segments for the Door Hardware, Interior Glass Systems, and Entrance Systems Global Product Clusters, including the associated production facilities and competence centers, in particular in Singapore, Suzhou (China), Melaka (Malaysia), and Sofia (Bulgaria).

AS EMEA: this segment includes dormakaba Group's business activities for access solutions in Europe (excluding DACH), the Middle East, and Africa. It also has overall responsibility across all segments 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: this segment combines the two global business units, Key Systems and Movable Walls. Key Systems includes the Keys, Key Cutting Machines, and Automotive Solutions product categories. Movable Walls specializes in acoustic movable partitions and in horizontal and vertical partitioning systems in the space-dividing systems sector. The segment has production facilities in Europe, North and South America, and Asia.

Other business activities, which do not fit into the basic segment structure, are disclosed in the "Other" segment. These mainly consist of operations involving contactless identification systems and trusted services based on the Legic SmartCard and Connect technologies.

Offering

dormakaba stands for security, sustainability, and reliability. It aims to develop products, solutions, and services that make access in life of its customers smart and secure. dormakaba offers an expanded, comprehensive portfolio of products, solutions, and services for access to buildings and rooms from a single source – whether it be hotels, shops, sporting venues, airports, hospitals, the home, or 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 related services. The offering includes the Global Product Clusters (Lodging Systems, Safe Locks, Door Hardware, Interior Glass Systems, Entrance Systems, Mechanical Key Systems, Electronic Access & Data, 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 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.
  The profitability of each AS segment depends on the different market dynamics of the geographical regions but also reflects dormakaba Group's operating model. In compliance with transfer pricing regulation, profit is allocated to entities based on the functions they perform and the risks they assume. As a result, the profitability of AS EMEA, for example, is lower as the segment consists mainly of sales companies and it has fewer production sites; therefore, products sold in this segment might contribute to the financial performance of another segment as well.

- **Key & Wall Solutions segment:** the global Key Systems and Movable Walls business units are combined in this segment. Key Systems offers a range of high-performance key blanks and mechanical, electronic, and (semi-)industrial key-cutting and origination machines. In addition, the portfolio covers solutions for the automotive industry, such as vehicle keys, transponders, and key programming devices and duplication equipment. The Movable Walls unit specializes in acoustic movable partitions as well as horizontal and vertical partitioning systems. The business is global and offers partition solutions that range from manual application to fully automatic/electronic walls.

In accordance with the management organization and the reporting to the Group management level, the reporting segments consist of the businesses as described above. The 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. Net working capital that is directly attributable or can be allocated on a reasonable basis to a specific segment is reported under the segment concerned. With the exception of certain central costs and items that affect comparability, 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.

Segment reporting CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018 Access Solutions AMER	Financial year ended 30.06.2019	Financial year ended 30.06.2018 Access Solutions APAC	Financial year ended 30.06.2019	Financial year ended 30.06.2018 Access Solutions DACH [2]
Net sales third parties	783.7	796.9	435.8	441.1	534.4	530.8
Intercompany sales	33.0	31.5	26.5	26.9	328.6	321.6
Total sales	**816.7**	**828.4**	**462.3**	**468.0**	**863.0**	**852.4**
Operating profit (EBIT)	**154.7**	**151.0**	**60.4**	**58.3**	**136.4**	**131.2**
as % of sales	18.9%	18.2%	13.1%	12.5%	15.8%	15.4%
Depreciation and amortization	13.4	12.4	8.5	7.5	17.2	17.0
Operating profit before depreciation and amortization (EBITDA)	**168.1**	**163.4**	**68.9**	**65.8**	**153.6**	**148.2**
as % of sales	20.6%	19.7%	14.9%	14.1%	17.8%	17.4%
Net working capital	210.2	193.8	109.1	101.9	138.8	115.4
Capital expenditure	19.9	14.6	10.9	11.2	32.3	37.8

		Access Solutions EMEA [2]		Eliminations		Access Solutions TOTAL
Net sales third parties	660.7	666.2	0.0	0.0	2,414.6	2,435.0
Intercompany sales	117.1	115.7	–497.9	–487.4	7.3	8.3
Total sales	**777.8**	**781.9**	**–497.9**	**–487.4**	**2,421.9**	**2,443.3**
Operating profit (EBIT)	**43.6**	**42.6**	**–0.8**	**–0.6**	**394.3**	**382.5**
as % of sales	5.6%	5.4%	0.2%	0.1%	16.3%	15.7%
Depreciation and amortization	13.1	14.0	0.0	0.0	52.2	50.9
Operating profit before depreciation and amortization (EBITDA)	**56.7**	**56.6**	**–0.8**	**–0.6**	**446.5**	**433.4**
as % of sales	7.3%	7.2%	0.2%	0.1%	18.4%	17.7%
Net working capital	199.2	210.6	–14.3	–15.7	643.0	606.0
Capital expenditure	14.4	13.6	0.0	0.0	77.5	77.2

				Key & Wall Solutions		Other [1]
Net sales third parties			388.0	374.2	15.7	31.8
Intercompany sales			13.9	13.3	3.2	3.7
Total sales			**401.9**	**387.5**	**18.9**	**35.5**
Operating profit (EBIT)			**54.0**	**47.9**	**0.8**	**3.0**
as % of sales			13.4%	12.3%	4.0%	8.6%
Depreciation and amortization			9.0	8.8	0.2	0.6
Operating profit before depreciation and amortization (EBITDA)			**63.0**	**56.7**	**1.0**	**3.6**
as % of sales			15.7%	14.6%	5.3%	10.2%
Net working capital			111.5	104.6	3.8	3.8
Capital expenditure			15.4	13.3	1.7	2.5

		Corporate		Eliminations		Group
Net sales third parties	0.0	0.0	0.0	0.0	2,818.3	2,841.0
Intercompany sales	0.0	0.0	–24.4	–25.3	0.0	0.0
Total sales	**0.0**	**0.0**	**–24.4**	**–25.3**	**2,818.3**	**2,841.0**
Operating profit (EBIT)	**–74.1**	**–69.1**	**0.0**	**0.0**	**375.0**	**364.3**
as % of sales	0.0%	0.0%	0.0%	0.0%	13.3%	12.8%
Depreciation and amortization	11.6	6.4	0.0	0.0	73.0	66.7
Operating profit before depreciation and amortization (EBITDA)	**–62.5**	**–62.7**	**0.0**	**0.0**	**448.0**	**431.0**
as % of sales	0.0%	0.0%	0.0%	0.0%	15.9%	15.2%
Net working capital	–6.2	–9.5	1.1	0.8	753.2	705.7
Capital expenditure	16.8	22.3	0.0	0.0	111.4	115.3

1) In 2017/18: the divested GMT commercial door hardware business, acquired as part of Best Access Solutions in the 2016/17 financial year, is disclosed in the segment Other to ensure a fair presentation of the main operational segments.

2) In 2017/18: in order to enable a fair comparison with current-year data, certain sales have been reclassified within the segments AS EMEA and AS DACH.

EBITDA reconciliation

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Operating profit (EBIT)	**375.0**	**364.3**
Depreciation and amortization	73.0	66.7
Operating profit before depreciation and amortization (EBITDA)	**448.0**	**431.0**
Depreciation and amortization	–73.0	–66.7
Result from associates	2.9	2.5
Financial expenses	–47.4	–53.5
Financial income	2.2	2.4
Profit before taxes	**332.7**	**315.7**

Alternative performance measures

Earnings before interest, taxes, depreciation, and amortization (EBITDA) corresponds to the operating result (EBIT) before depreciation on tangible fixed assets and amortization on intangible assets.

Net working capital reconciliation

CHF million	Note	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Net working capital		**753.2**	**705.7**
Trade receivables	2.1	499.5	502.1
Inventories	2.2	454.7	432.3
Trade payables		–134.3	–166.5
Advances from customers		–32.6	–28.5
Deferred income		–34.1	–33.7

Alternative performance measures

Net working capital is used by the Group to measure the performance of the segments. dormakaba defines net working capital as trade receivables plus inventories, minus the sum of trade payables, advances from customers and deferred income.

1.2 Net sales by region

CHF million	Financial year ended 30.06.2019	%	Financial year ended 30.06.2018	%
Net sales to third parties	**2,818.3**	**100.0**	**2,841.0**	**100.0**
Switzerland	176.3	6.3	172.6	6.1
Germany	352.9	12.5	351.4	12.4
Rest of EMEA	836.3	29.7	833.5	29.3
Americas	1,027.4	36.4	1,038.4	36.5
Asia Pacific	425.4	15.1	445.1	15.7

Accounting principles

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 related to tangible and intangible products is recognized when the products have been delivered and the benefits and risks as well as the authority to dispose of the products have been transferred to the customer. Sales related to services is recognized when the services have been performed. Distinctive components related to multi-element contracts are recognized separately.

1.3 Personnel expenses

CHF million	Financial year ended 30.06.2019	%	Financial year ended 30.06.2018	%
Personnel expenses	**1,055.1**	**100.0**	**1,045.6**	**100.0**
Salaries and wages	847.0	80.2	847.0	80.9
Social security expenses	166.4	15.8	166.9	16.0
Share-based payments	9.1	0.9	9.1	0.9
Pension cost (see note 2.5)	25.7	2.4	19.8	1.9
Employment termination expenses	5.9	0.6	2.1	0.2
Other benefits	1.0	0.1	0.7	0.1
Employees at balance sheet date	**15,829**		**15,801**	
Average number of full-time equivalent employees	**15,811**		**16,433**	
Average number of employees per segment	**15,811**	**100.0**	**16,433**	**100.0**
Access Solutions AMER	2,875	18.2	3,078	18.7
Access Solutions APAC	3,326	21.0	3,836	23.3
Access Solutions DACH	3,481	22.0	3,506	21.3
Access Solutions EMEA	3,408	21.6	3,378	20.6
Key & Wall Solutions	2,296	14.5	2,139	13.0
Other	66	0.4	178	1.1
Corporate	359	2.3	318	2.0
Average number of employees per geographical region	**15,811**	**100.0**	**16,433**	**100.0**
Switzerland	804	5.1	802	4.9
Germany	3,022	19.1	3,084	18.8
Rest of EMEA	3,615	22.9	3,567	21.7
Americas	3,975	25.1	4,011	24.4
Asia Pacific	4,395	27.8	4,969	30.2

Share-based payments

The Compensation Committee nominates individual Executive Committee (EC) members and other members of Senior Management for long-term incentive awards. The long-term incentive award is split into two components: two-thirds are granted in the 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 the 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) and, since the 2018/19 financial year, the relative Total Shareholder Return (TSR) of the company over the three-year performance period. The vesting level may range from 0% to a maximum of 200% of the original number of units granted (maximum of two shares for each performance share unit originally granted).

The fair value of the restricted shares corresponds to the value of the closing price of the dormakaba Holding AG share on the SIX Swiss Exchange as at the business day prior to the date of the allocation.

The fair value of the performance share units as at the grant date comprises adjustments for lost dividends during the vesting periods and the TSR performance condition. The expenses for the performance share units are allocated on a straight-line basis over the vesting period.

The restricted shares allocated to the members of the Board of Directors (BoD) are also blocked for three years.

Further information about the allocation of treasury shares is disclosed in the note on share capital and treasury shares (3.2), and further details about long-term incentive stock award plans are outlined in the Compensation Report.

Accounting principles

The fair value of the employee services received in exchange for shares is measured at the fair value of the shares as 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.

1.4 Financial result

CHF million	Note	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Financial income		**2.2**	**2.4**
Interest income		1.4	2.0
Other financial income		0.8	0.4
Financial expense		**47.4**	**53.5**
Interest expenses for Bonds	3.1	4.4	3.2
Interest expenses for forward contracts	3.5	26.3	29.4
Other interest expenses		11.4	10.6
Foreign exchange losses (gains)	3.5	2.4	6.4
Other financial expenses		2.9	3.9

1.5 Taxes

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 change in the weighted applicable tax rate is mainly due to benefits from the US tax reform.

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Profit before taxes	**332.7**	**315.7**
Weighted applicable tax rate	24.2%	25.3%
Tax calculated at applicable tax rate	**80.6**	**79.9**
Current income taxes	67.7	61.0
Deferred income taxes	12.5	16.0
Income taxes	**80.2**	**77.0**
Difference between applicable and effective income taxes	**–0.4**	**–2.9**
Impact of losses and tax loss carryforwards	–2.4	–2.1
Tax-exempt income	–2.6	–5.4
Non-deductible expenses	3.1	6.6
Non-recoverable withholding tax expenses	2.9	2.7
Tax charges (credits) relating to prior periods, net	0.8	–1.1
Other	–2.2	–3.6
Difference between expected and effective income taxes	**–0.4**	**–2.9**
Income taxes charged to equity	0.1	–0.2

Deferred taxes

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Balance sheet presentation of deferred income taxes		
Total deferred income taxes, net	**147.9**	**164.7**
Deferred income tax assets	173.3	203.5
Deferred income tax liabilities	25.4	38.8
Expiration of tax loss carryforwards not recognized as deferred tax assets		
Balance of tax loss carryforwards at end of financial year	**170.0**	**193.8**
Expiry in 1 year	0.2	3.0
Expiry in 2 to 5 years	14.2	19.9
Expiry after 5 years	12.0	13.6
No expiry	143.6	157.3

Accounting principles

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 and substantially enacted income tax rates applied on a comprehensive basis to eligible temporary differences. Deferred income tax assets arising 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 the available deferred tax liabilities.

Use of accounting estimates

The recoverable amount of deferred income tax assets is based on past performance and forecasts of the corresponding taxable entity over a period of several years. Deviations between actual and projected results can lead to impairment losses.

2. Operating assets and liabilities

Detailed information on the operating assets used and liabilities incurred to support the Group's operating activities are disclosed in this section. This includes disclosures on the valuation of trade receivables and inventory as well as movements in tangible and intangible assets, provisions, and employee benefits.

2.1 Trade receivables

Maturity analysis	Financial year ended 30.06.2019			Financial year ended 30.06.2018		
CHF million	**Gross**	**Allow.**	**Net**	**Gross**	**Allow.**	**Net**
Trade receivables	**522.2**	**–22.7**	**499.5**	**527.9**	**–25.8**	**502.1**
Not yet due	345.0	–1.2	343.8	374.3	–1.2	373.1
1–30 day(s) overdue	81.7	–0.2	81.5	69.0	–0.3	68.7
31–60 days overdue	26.3	–0.2	26.1	22.6	0.0	22.6
61–90 days overdue	17.8	–0.1	17.7	12.4	0.0	12.4
91–120 days overdue	10.2	–0.4	9.8	9.6	–0.6	9.0
121–150 days overdue	5.0	–0.3	4.7	5.1	–0.8	4.3
More than 150 days overdue	36.2	–20.3	15.9	34.9	–22.9	12.0

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

Accounting principles

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 the maturity structure. In addition, accounts receivable are individually impaired if there is clear evidence of insolvency or other indications that collectability is severely endangered.

2.2 Inventories

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Inventories, net	**454.7**	**432.3**
Allowance for obsolete and slow-moving items	52.8	54.1
Inventories, gross	**507.5**	**486.4**
Raw materials and supplies	196.3	191.2
Semi-finished goods and work in progress	86.0	83.9
Finished goods	221.2	207.6
Prepayments to suppliers	4.1	3.7

Accounting principles

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.

2.3 Property, plant, and equipment/Intangible assets

CHF million, except where indicated	Land and buildings	Plant, machinery, and equipment	Furniture and fixtures	Pre-payments	Total property, plant, and equipment	Intangible assets
30 June 2019, net	**234.6**	**127.4**	**61.2**	**42.2**	**465.4**	**63.7**
30 June 2018, net	**247.3**	**120.4**	**60.4**	**30.5**	**458.6**	**51.5**
Cost 30 June 2019	**342.4**	**334.7**	**167.5**	**42.3**	**886.9**	**134.0**
Additions	7.8	18.8	19.3	38.5	84.4	27.0
Disposals	–8.1	–8.1	–5.8	0.0	–22.0	–1.3
Reclassifications	2.0	17.3	5.9	–25.5	–0.3	0.3
Acquisition of businesses	0.0	0.1	0.1	0.0	0.2	0.0
Translation exchange differences	–7.3	–8.9	–5.4	–1.2	–22.8	–3.5
30 June 2018	**348.0**	**315.5**	**153.4**	**30.5**	**847.4**	**111.5**
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
1 July 2017	**314.1**	**271.2**	**130.8**	**29.4**	**745.5**	**85.6**
Estimated useful life (in years)	20-50 [1]	4-15	3-15			2-5
Accumulated depreciation 30 June 2019	**107.8**	**207.3**	**106.3**	**0.1**	**421.5**	**70.3**
Additions	11.5	26.8	21.1	0.1	59.5	13.5
Disposals	–2.9	–7.9	–5.9	0.0	–16.7	–1.3
Reclassifications	0.1	–1.3	1.2	0.0	0.0	–0.2
Translation exchange differences	–1.6	–5.4	–3.1	0.0	–10.1	–1.7
30 June 2018	**100.7**	**195.1**	**93.0**	**0.0**	**388.8**	**60.0**
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
1 July 2017	**89.3**	**167.0**	**76.4**	**0.0**	**332.7**	**47.2**

1) Land is not depreciated.

Intangible assets: additions to cost include CHF 5.4 million (2017/18: CHF 2.2 million) invested in research and development projects.

Accounting principles

Property, plant, and equipment are recorded at cost less accumulated depreciation using the straight-line method. 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.

Items of minor value are charged directly to the income statement. All gains and losses on the disposal of property, plant, and equipment are recognized in the income statement.

Intangible assets that embody future economic benefits (such as acquired licenses, patents, and similar rights) and eligible development costs are capitalized at cost and are amortized using the straight-line method.

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.

Use of accounting estimates

Property, plant, and equipment as well as intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. To determine whether impairment exists, estimates are made of the expected future cash flows arising from the use of the asset. Actual cost may differ from the discounted future cash flows based on these estimates.

2.4 Provisions

CHF million	Warranty and customer returns	Re-structuring	Other	Total
Provisions 30 June 2019	**14.9**	**7.5**	**16.6**	**39.0**
Additions	9.9	3.7	5.9	19.5
Releases	–0.8	–0.4	–1.5	–2.7
Usage	–7.5	–12.3	–7.7	–27.5
Translation exchange differences	–0.5	–0.3	–0.6	–1.4
Provisions 30 June 2018	**13.8**	**16.8**	**20.5**	**51.1**
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
Provisions 1 July 2017	**19.0**	**37.7**	**20.2**	**76.9**

Accounting principles

Provisions are recognized when:

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

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

A restructuring is a program planned and controlled by the Management that materially changes the manner in which the business is conducted. Costs relating to restructuring plans or agreements, including the reduction of excess staff, the discontinuation of certain activities, the streamlining of facilities and operations, and other restructuring measures, are recorded in the period in which the Group commits itself to a detailed formal plan.

Other provisions mainly comprise those relating to environmental risks, litigation, and sales agents' indemnities.

Use of accounting 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.

Significant judgment is required to determine the costs of restructuring plans. The actual cost might deviate from the original plan.

2.5 Employee benefit liabilities

CHF million	Economic part of the Corporation: Financial year ended 30.06.2019	Economic part of the Corporation: Financial year ended 30.06.2018	Translation differences	Change to prior year period or recognized in current result of the period, respectively	Contributions concerning the business period	Pension benefit expenses within personnel expenses: Financial year ended 30.06.2019	Pension benefit expenses within personnel expenses: Financial year ended 30.06.2018
Total	**295.5**	**303.0**	**–10.4**	**3.7**	**22.0**	**25.7**	**19.8**
Pension institutions with surplus					9.0	9.0	7.9
Pension institutions without surplus/deficit					12.2	12.2	11.0
Pension institutions without own assets	272.6	279.3	–10.4	3.7	0.8	4.5	0.9
Other long-term employee benefits	22.9	23.7					

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Pension benefit expenses within personnel expenses	**25.7**	**19.8**
Decrease/increase economic obligation from pension institutions without own assets	4.5	0.9
Contributions and changes employer contribution reserves	**21.2**	**18.9**
Contributions to pension institutions from Group entities	21.2	18.9

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

Accounting principles

There are various pension plans in existence within the Group, which are individually aligned with local conditions in the respective countries. The plans 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 economic obligation or an economic benefit arising from a Swiss pension scheme 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.

Use of accounting estimates

dormakaba Group operates pension plans in various countries. The calculation of pension provisions for plans that do not have their own assets is based on actuarial assumptions, which may differ from the actual results.

2.6 Other assets and liabilities

Other assets

CHF million	Note	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Other current assets		**58.8**	**59.6**
Prepaid expenses		21.9	19.1
Retentions		5.5	4.4
Sales, withholding, and other recoverable taxes		28.7	31.6
Fair value of forward contracts	3.5	0.0	0.5
Other receivables and miscellaneous		2.7	4.0
Non-current financial assets		**39.5**	**38.9**
Loans		1.7	3.6
Pension-related assets		21.7	24.6
Long-term prepaid expenses		7.0	7.3
Long-term held securities		9.1	3.4

Accounting principles

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

Other liabilities

CHF million	Note	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Accrued and other current liabilities		**336.7**	**338.1**
Advances from customers		32.6	28.5
Deferred income		34.1	33.7
Sales, withholding and other tax payable		38.7	42.9
Payables to social security and pension fund		13.3	12.4
Accruals for vacation, overtime, and other employee benefits		112.4	112.8
Accrued interest		3.3	3.5
Fair value of forward contracts	3.5	1.9	7.6
Other accruals and current non-interest-bearing liabilities		100.4	96.7

Current borrowings and other non-current liabilities are disclosed in the note on capital management (3.1) as this information relates to capital management disclosures.

Accounting principles

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 from disposal (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest method.

3. Capital and financial risk management

This section outlines the principles and procedures applied to manage the capital structure and the financial risks to which the Group is exposed. Detailed information on dormakaba Group's sources of funding, such as credit facilities and bonds, are also provided here. In addition, the details of the share capital, treasury shares, earnings per share, and dividends are disclosed in this section. The theoretical movement of goodwill provides information about the impact of dormakaba Group's accounting option to offset the goodwill in equity.

3.1 Capital management

Capital management has the following objectives:

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

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

Borrowings and other financial liabilities

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Current borrowings	**86.3**	**156.5**
Short-term bank loans and overdrafts	84.9	148.9
Current portion of other non-current liabilities	1.4	7.6
Bonds	**680.5**	**680.5**
Other non-current liabilities	**7.0**	**9.5**
Other non-interest bearing liabilities	4.0	4.8
Other interest-bearing liabilities	3.0	4.7

Credit facility

As of 30 June 2019, the short-term bank loans and overdrafts amount to CHF 84.9 million (2017/18: CHF 148.9 million).

The majority of the current borrowings relates to a syndicated credit facility of CHF 500 million established in March 2016 for a five-year period, which includes options for a prolongation of two additional years and for an increase of up to CHF 200 million. The single financial covenant is the net debt ratio (calculated as the ratio of net debt to EBITDA). As of 30 June 2019 and throughout the 2018/19 financial year, dormakaba complied with this financial covenant.

The interest expenses on short-term bank loans and overdrafts are recorded within other interest expenses. Interest expenses are disclosed in detail in the note on the financial result (1.4).

Net debt

Disclosed below are the corresponding key figures as at 30 June 2019 and 30 June 2018, respectively, including the maturities.

	Financial year ended 30.06.2019				Financial year ended 30.06.2018			
CHF million	**Up to 1 year**	**2 to 5 years**	**Over 5 years**	**Total**	**Up to 1 year**	**2 to 5 years**	**Over 5 years**	**Total**
Current borrowings	86.3			86.3	156.5			156.5
Other non-current liabilities		6.3	0.7	7.0		8.1	1.4	9.5
Bonds		360.1	320.4	680.5		360.1	320.4	680.5
Cash and cash equivalents	–122.4			–122.4	–145.3			–145.3
Net debt	**–36.1**	**366.4**	**321.1**	**651.4**	**11.2**	**368.2**	**321.8**	**701.2**
EBITDA				448.0				431.0
Net debt/EBITDA (Leverage)				**1.5x**				**1.6x**

The interest expenses for withdrawals from the syndicated credit facility and other credit facilities are recorded within other interest expenses. Interest expenses are disclosed in detail in the note on the financial result (1.4).

Accounting principles

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 borrowing using the effective interest method.

Bonds

Two bonds were placed in September 2017 in the Swiss capital market by dormakaba Finance AG, a Group company of dormakaba Holding AG, as a dual tranche transaction worth a total of CHF 680 million (ISIN CH0384629884 due in 2021 and ISIN CH0384629892 due in 2025).

CHF million	**Coupon % p.a.**	**Financial year ended 30.06.2019**	**Coupon % p.a.**	**Financial year ended 30.06.2018**
Bonds (at fixed interest rates)		**680.5**		**680.5**
CHF 360 million bond 2017 – 2021 Payment date: 13 October 2017 Issue price: 100.298%	0.375	360.1	0.375	360.1
CHF 320 million bond 2017 – 2025 Payment date: 13 October 2017 Issue price: 100.46%	1.000	320.4	1.000	320.4

The interest expenses for the two bonds amount to CHF 4.4 million in 2018/19 (2017/18: CHF 3.2 million). This is disclosed in the note on the financial result (1.4).

Accounting principles

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

3.2 Share capital and treasury shares

Share capital

As of 30 June 2019, the share capital comprised 4,200,026 registered shares with a par value of CHF 0.10 each. The shares are listed on the SIX Swiss Exchange (DOKA/ISIN CH0011795959).

Conditional capital as of 30 June 2019 amounted to CHF 42,438.

In accordance with the resolution of the Annual General Meeting (AGM) of 17 October 2017, the BoD is authorized to increase the share capital, no later than 17 October 2019, by a maximum amount of CHF 42,000 through the issue of a maximum of 420,000 fully paid-in registered shares at 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 2018/19 financial year.

Treasury shares

Treasury shares are recorded as a negative balance within equity and disclosed in the consolidated statement of changes in equity. These registered shares are predominantly intended as share-based compensation. Further information about the long-term incentive stock award plans are disclosed in the note on personnel expense (1.3) and within the Compensation Report.

	Financial year ended 30.06.2019			Financial year ended 30.06.2018		
Equity and treasury shares	**Number of shares**	**Transaction (Ø) price in CHF per share**	**Treasury shares in CHF million**	**Number of shares**	**Transaction (Ø) price in CHF per share**	**Treasury shares in CHF million**
Treasury shares as at 30 June	**54,709**	**735.29**	**40.2**	**12,783**	**803.44**	**10.3**
Purchases of treasury shares	53,028	730.00	38.7	2,015	933.45	1.9
Shares awarded (share-based compensation)	–11,102	788.47	–8.8	–11,670	814.41	–9.5
Treasury shares as at 1 July	12,783	803.44	10.3	22,438	797.47	17.9

In the 2018/19 financial year, a total of 11,102 shares (2017/18: 11,670 shares) were allocated. 9,217 shares (7,659 restricted and 1,558 performance shares) were vested as part of the long-term incentive stock award plans (2017/18: 7,627 shares made up of 5,997 restricted and 1,630 performance shares). In addition, 1,282 restricted shares (2017/18: 1,225 restricted shares) were allocated to the BoD members and 603 shares (2017/18: 2,818 shares) were allocated as consideration for acquisitions from previous years. Further information on the long-term incentive stock award plans is included in the Compensation Report.

3.3 Earnings per share and dividends

Earnings per share

Number of shares, except where indicated	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Net profit attributable to the owners of the parent	131.8	123.8
For basic number of shares		
Number of shares outstanding at end of financial year	**4,145,317**	**4,187,243**
Own shares (acquired)/reissued	–41,926	9,655
Number of shares outstanding at beginning of financial year	4,187,243	4,177,588
Weighted average number of shares outstanding (basic)	4,166,973	4,184,285
Basic earnings per share in CHF	**31.6**	**29.6**
For diluted number of shares		
Weighted average number of shares outstanding (basic)	4,166,973	4,184,285
Eligible shares under stock award plans and shares awarded in acquisitions	13,016	11,222
Weighted average number of shares outstanding (diluted)	4,179,989	4,195,507
Diluted earnings per share in CHF	**31.5**	**29.5**

The earnings per share is calculated based on the profit attributable to the owners of the parent only. Net profit attributable to minority interests is not taken into account. The minorities represent mainly the shareholders who hold 47.5% of the shares of dormakaba Holding GmbH + Co. KGaA, a direct subsidiary of the Group parent, dormakaba Holding AG, which holds the remaining 52.5%. The legal subsidiaries are disclosed in the note on the legal structure of the dormakaba Group (5.3).

Accounting principles

Basic earnings per share is calculated by dividing net profit attributable to the owners of the parent by the weighted average number of shares outstanding during the reporting period.

The diluted earnings per share includes all potentially dilutive effects.

Dividends

CHF million, except where indicated	CHF per share [1)]	Financial year ended 30.06.2019 [2)]	CHF per share	Financial year ended 30.06.2018	CHF per share	Financial year ended 30.06.2017
Dividend for the financial year	**16.00**	**66.3**	**15.00**	**62.2**	**14.00**	**58.6**
Net profit attributable to the owners of the parent		131.8		123.8		116.4
Dividend payout ratio in %		50.3		50.2		50.3

1) In 2018/19: proposal to the AGM; in the form of a distribution of capital reserves. Date of payment: 28 October 2019 (estimated final dividend payable, subject to variations in the number of shares up to the recording date). This dividend has not been recognized as a liability as at 30 June 2019 and will be recognized in subsequent consolidated financial statements.

2) The dividend for the financial year is calculated on the basis of the outstanding shares at the end of the financial year.

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

The dividend distribution is proposed to the AGM and shall be paid from the reserves from capital contributions of the parent entity, dormakaba Holding AG. As a result, the dividend will be paid out on 28 October 2019 free of Swiss withholding tax.

3.4 Theoretical equity and goodwill movement

The total goodwill of CHF 8.0 million, resulting from acquisitions, recorded in the 2018/19 financial year (2017/18: CHF 145.0 million) is offset in equity as disclosed in the consolidated statement of changes in equity. See also the note on business combinations and divestments (4.3). The following tables show the impact on equity and net profit based on the assumption that the goodwill was capitalized and amortized over a period of five years.

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Theoretical book value of goodwill, net	**667.6**	**1,046.5**
Cost 30 June	**1,935.0**	**1,950.2**
Additions from acquisitions	6.5	141.7
Adjustments (earn-out, divestments and others)	1.5	3.3
Translation exchange differences	–23.2	30.4
Cost 1 July	**1,950.2**	**1,774.8**
Accumulated amortization 30 June	**1,267.4**	**903.7**
Additions	376.9	372.9
Translation exchange differences	–13.2	8.2
Accumulated amortization 1 July	**903.7**	**522.6**

	Financial year ended 30.06.2019			Financial year ended 30.06.2018		
CHF million	Effective	Amortization goodwill	Theoretical (incl. amortization goodwill)	Effective	Amortization goodwill	Theoretical (incl. amortization goodwill)
Effects on the income statement						
Operating profit (EBIT)	375.0	–376.9	**–1.9**	364.3	–372.9	**–8.6**
EBIT as % of net sales	13.3	–13.4	**–0.1**	12.8	–13.1	**–0.3**
Net profit	252.5	–376.9	**–124.4**	238.7	–372.9	**–134.2**
Effect on the balance sheet						
Equity according to balance sheet	258.5	667.6	**926.1**	187.0	1,046.5	**1,233.5**
Equity as % of balance sheet total	13.5		**48.5**	9.4		**40.7**

Accounting principles

As goodwill is fully offset in equity at the date of acquisition, an impairment of goodwill does not affect income; it is only disclosed in the notes to the consolidated financial statements.

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the book value as at the acquisition date of any previous equity interest in the acquired entity 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 any 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 the note on the theoretical movement of goodwill.

3.5 Financial risk management

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

Liquidity risk

Liquidity risk arises due to the possibility that dormakaba Group might experience difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Liquidity risk is managed centrally by Group Treasury. The Group's objective is to maintain a balance between the continuity of funding and flexibility by using varied financing instruments across a range of maturities. The Group aims to maintain a spread of maturities to avoid excessive refinancing in any one period. The Group endeavors to maintain funding flexibility by keeping available committed credit lines with a variety of counterparties.

Credit risk

Credit risk is the risk of loss if a counterparty fails to fulfil its obligations to dormakaba. Hence, dormakaba is exposed to credit risk arising from financing activities, including deposits with banks and financial institutions, foreign exchange transactions, and other financial instruments, such as trade receivables, other current assets, and non-current financial assets.

Cash and cash equivalents are mainly held in the form of current accounts and current fixed-term deposits. Counterparty risks with financial institutions are monitored continuously and are minimized by the Group limiting its relationships to high-ranking banks only.

Trade receivables are monitored on an ongoing basis locally and via Group management reporting procedures. The danger of cluster risks on trade receivables 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. The assessment of this risk involves a review of the customer's creditworthiness based on its financial situation and experience. The maturity analysis of trade receivables is disclosed in the note on trade receivables (2.1).

Interest rate risk

Interest rate risk is the risk that the Group's financial situation is impacted by changes in interest rates.

The dormakaba Group's interest rate risk arises from its short-term and long-term borrowings. The interest rate risk is hedged only in a few cases. Management strives for a well-balanced mix of long- and short-term interest rate exposure, taking into consideration the planned funding requirements. Funding and related interest are managed centrally by Group Treasury.

Foreign currency exposure

Translation risk

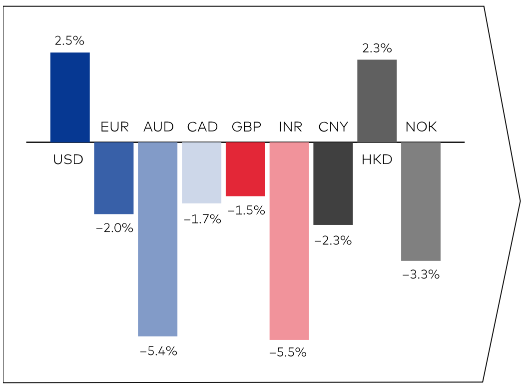
dormakaba Group does not actively manage the translation risk.

In the 2018/19 financial year, the Group's equity was negatively impacted in the amount of CHF 26.4 million (2017/18: CHF 15.8 million positive impact) by foreign currency translation.

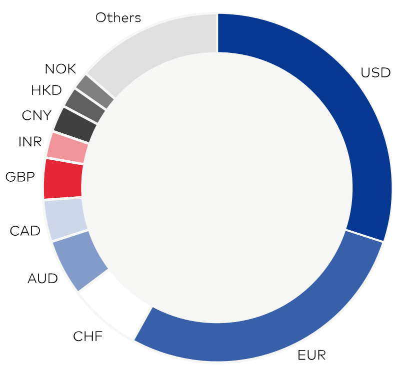
The key exchange rates based on net sales in foreign currencies are disclosed in the table below:

Currency rates (CHF), net sales (CHF million)	Net sales 30.06.2019	Exchange rate 30.06.2019	Average rate 2018/19	Net sales 30.06.2018	Exchange rate 30.06.2018	Average rate 2017/18
Total net sales	**2,818.3**			**2,841.0**		
USD	848.8	0.976	0.995	855.0	0.998	0.971
EUR	791.9	1.110	1.135	792.9	1.154	1.158
CHF	187.0	1.000	1.000	192.4	1.000	1.000
AUD	146.0	0.684	0.712	149.8	0.733	0.753
CAD	109.3	0.745	0.752	111.7	0.752	0.765
GBP	109.2	1.237	1.288	107.6	1.304	1.307
INR	70.9	0.014	0.014	86.8	0.015	0.015
CNY	70.7	0.142	0.146	71.2	0.151	0.149
HKD	55.3	0.125	0.127	55.8	0.127	0.124
NOK	50.6	0.115	0.117	60.6	0.122	0.121
Net sales in other currencies	378.6			357.2		

June 2018 – June 2019
Change of FX-rate in relation to CHF



2018/19
Net sales exposure



In the 2018/19 financial year, dormakaba Group's sales growth was negatively impacted by foreign currency translations in the amount of CHF 29.6 million (2017/18: CHF 47.9 million positive impact) and EBITDA likewise by CHF 2.4 million (2017/18: CHF 9.7 million positive impact).

Transaction risk

Management monitors foreign exchange risks on a regular basis. When Management deems it appropriate to do so, dormakaba uses derivative financial instruments to manage its transaction risk exposure to fluctuations in exchange rates.

Foreign exchange risks relating to intercompany loans are covered to a large extent by forward exchange contracts with third parties. The external counterparties involved are high-ranking financial institutions. dormakaba enters into financial transactions only to hedge against a related off-balance-sheet risk or a highly probable future business transaction. No uncovered short transactions are entered into.

Intercompany invoicing is structured in a way that foreign exchange risks are concentrated in dormakaba's 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 third party and intercompany cross-currency exposures are reduced through natural hedges or they are hedged using financial instruments.

dormakaba Group actively manages the transaction risk arising from net investment in foreign currencies.

The following currency forward contracts for hedging purposes existed as at the balance sheet date:

CHF million	**Financial year ended 30.06.2019**	**Financial year ended 30.06.2018**
Contract value	**740.3**	**633.4**
Fair value – held-for-trading, net	**–1.9**	**–7.1**
Assets from fair value of forward contracts	0.0	0.5
Liabilities from fair value of forward contracts	–1.9	–7.6

In the 2018/19 financial year, the net foreign exchange loss amounts to CHF 2.4 million (2017/18: CHF 6.4 million). While the hedges mitigate the foreign currency effect arising from intercompany loans, the interest expenses for forward contracts amounts to CHF 26.3 million (2017/18: CHF 29.4 million). The foreign exchange gains and losses as well as the interest expenses and income are disclosed in the note on the financial result (1.4).

Accounting principles

Derivative financial instruments for the purpose of hedging balance sheet items are recorded using the same valuation principles as applied to the underlying hedged positions.

4. Other financial information

This section provides details of the various commitments and contingencies as well as information about the associated companies, the acquisitions and divestments, and the legal subsidiaries including the Group companies' shareholdings.

4.1 Commitments and contingencies

Lease commitments

Operating lease payments are charged to income (CHF 40.5 million in 2018/19 and CHF 41.1 million in 2017/18) on a straight-line basis over the lease term. The following table shows the future minimum lease payments resulting from non-cancellable operating leases:

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Future payment commitments for operating leases	**130.0**	**130.7**
Up to 1 year	33.3	36.1
2 to 5 years	74.1	71.8
Over 5 years	22.6	22.8

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

Accounting principles

Operating lease agreements are lease agreements that do not qualify as finance leases and are not capitalized in the balance sheet.

Other commitments and contingencies

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Current endorsement liabilities	3.7	5.0
Investments committed to purchase from third parties:		
Property, plant, and equipment	13.4	15.2
Intangible assets	0.6	1.2

In addition to the table above, contingent liabilities related to the 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.

4.2 Equity accounted investments

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Investments in associates - 30 June	**3.5**	**40.6**
Increase of investments in associates	1.5	1.5
Sale of investments in associates	–37.7	0.0
Dividends received	0.0	–1.4
Share of profit (loss)	–0.3	2.5
Translation exchange differences	–0.6	2.0
Investments in associates - 1 July	**40.6**	**36.0**
Result from associates	**2.9**	**2.5**
Share of profit (loss)	–0.3	2.5
Profit from sale of investments in associates	3.2	0.0

ISEO

The 40% shareholding in ISEO (Italy) was divested on 15 October 2018. ISEO is a manufacturer of security products, such as cylinders, master key systems, locks, and panic hardware, mainly for the European market. Pre-merger Dorma acquired a 40% stake in ISEO in December 2012 to strengthen its business by extending its product range. Following the merger, dormakaba's comprehensive product range led to a reassessment of the strategic position and to the decision to divest.

Accounting principles

Investments in associates and joint ventures where dormakaba Group exercises significant influence but does not have control (i.e. usually 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 associate/joint venture 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 negative balance. Investments in which dormakaba Group does not have significant influence (i.e. dormakaba Group's interest is usually less than 20%) are recorded at cost.

4.3 Business combinations and divestments

Business combinations

In the reporting period, only smaller acquisitions were made: Autodor Services Ltd in New Zealand, GBS Groothandel in Beveiligingssystemen B.V. in the Netherlands, Chartwell Doors Ltd in the United Kingdom, and Locktech BVBA in Belgium.

The following table summarizes the considerations paid for businesses and the amounts of assets and liabilities acquired, recognized at fair value as at the acquisition date.

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Consideration as at acquisition date		
Cash paid	6.2	134.7
Deferred payment	0.1	6.6
Acquisition-related costs	0.3	3.1
Total consideration	**6.6**	**144.4**
Identifiable assets and liabilities		
Cash and cash equivalents	0.4	6.1
Trade receivables	0.7	10.0
Inventories	0.3	6.2
Current income tax assets	0.0	0.6
Other current assets	0.0	2.7
Property, plant, and equipment	0.2	10.2
Intangible assets	0.0	0.4
Non-current financial assets	0.0	0.1
Deferred income tax assets	0.0	0.3
Current borrowings	0.0	–2.9
Trade payables	–0.3	–2.8
Current income tax liabilities	–0.1	–0.7
Accrued and other current liabilities	–0.5	–12.6
Provisions	0.0	–0.1
Non-current borrowings	–0.3	–2.4
Accrued pension costs and benefits	0.0	–0.4
Deferred income tax liabilities	0.0	–2.1
Other non-interest bearing liabilities	0.0	–0.1
Total identifiable net assets	**0.4**	**12.5**
Goodwill	6.2	131.9
Total consideration	**6.6**	**144.4**

Accounting principles

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the book value as at the acquisition date of any previous equity interest in the acquired entity 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 any 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 the note on the theoretical equity and goodwill movement (3.4).

Business divestments

In December 2018, dormakaba divested parts of the US Door Hardware Service Business in the AS AMER segment due to insufficient profitability.

The following table summarizes the considerations paid and received as well as the net assets divested. The resulting net goodwill was offset in equity.

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Consideration as at divestment date		
Cash consideration received	0.0	44.7
Purchase price for minority shares paid	0.0	–8.3
Divestment-related costs paid	0.0	–1.2
Divestment price adjustment [1]	–1.8	0.0
Total consideration	**–1.8**	**35.2**
Assets and liabilities divested		
Cash and cash equivalents	0.0	22.7
Trade receivables	0.0	11.1
Inventories	0.0	12.6
Other current assets	0.0	0.8
Property, plant, and equipment	0.0	12.9
Intangible assets	0.0	0.1
Non-current financial assets	0.0	0.3
Trade payables	0.0	–6.7
Current income tax liabilities	0.0	–0.3
Accrued and other current liabilities	0.0	–3.7
Provisions	0.0	–0.9
Accrued pension costs and benefits	0.0	–0.6
Total net assets divested	**0.0**	**48.3**
Goodwill, net	–1.8	–13.1
Total consideration	**–1.8**	**35.2**

1) In 2018/19: the divestment price adjustment of CHF 1.8 million relates to a business divestment from a previous year.

Accounting principles

Upon the disposal of an entity, the goodwill previously offset in equity is transferred to the income statement.

5. Other disclosures

This section provides a general understanding of the preparation and consolidation principles as well as an overview of the use of accounting estimates. In addition, it details any events occurring between the balance sheet date and the date at which the financial statements are approved by the BoD.

5.1 About this report

Parent company of the Group

The parent company of the Group is dormakaba Holding AG, a company limited by shares that 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 SIX Swiss Exchange.

Basis for preparation

These consolidated financial statements were approved for issue by the BoD on 6 September 2019 and will be presented for approval by the AGM on 22 October 2019.

The consolidated financial statements of dormakaba Group comply with Swiss law and have been prepared using the historical cost principle, except where disclosed in the accounting policies below, and in accordance with Swiss GAAP FER as a whole (GAAP = Generally Accepted Accounting Principles, FER = Fachempfehlung zur Rechnungslegung or "accounting and reporting recommendations"). Furthermore, the accounting complies with the provisions of the Listing Rules of SIX and Swiss company law. The accounting policies have been applied consistently by Group companies. No changes to the Swiss GAAP FER requirements were announced or released in the year under review.

Currency conversion

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 converted into the functional currency of the appropriate entity using the exchange rates prevailing as 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.

The assets and liabilities of subsidiaries reporting in currencies other than Swiss francs are translated at the exchange rates prevailing as 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. Upon 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 the sale.

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 it 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 the uniform measurement and reporting practices prescribed by the Group. In 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 when 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 as of the date when control ceases. All intercompany balances, transactions, and intercompany profits are eliminated upon consolidation. Investments in associates and joint ventures where dormakaba Group exercises significant influence but does not exercise control (i.e. usually 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 associate/joint venture 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 negative balance. Investments in which dormakaba Group does not have significant influence (i.e. dormakaba Group's interest is usually less than 20%) are recorded at cost.

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

In the event that shares of a Group company or associated company 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 the equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling interests and minority interests to reflect their relative interests in the subsidiary.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported value of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events as well as actions that dormakaba Group may undertake in the future, the actual results may differ from the estimates. The most important accounting estimates are described in a blue box at the end of the note to which they relate as per the following table:

Use of accounting estimates	Note
Deferred income taxes	1.5
Provisions	2.4
Testing goodwill and assets for impairment	2.3, 5.1
Accrued pension costs and benefits	2.5

In accordance with Swiss GAAP FER, assets are subject to an impairment test based on indicators reflecting a possible impairment of the individual assets. Therefore, the following accounting estimates apply to all assets in general.

Use of accounting estimates

For the purpose of testing impairment, goodwill and 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.

5.2 Events occurring after the balance sheet date

On 27 June 2019, dormakaba announced that it had signed an agreement to acquire Alvarado Manufacturing Co. Inc., based in Chino (CA/USA). Alvarado is a leading manufacturer of physical access solutions in North America. The transaction was concluded on 31 July 2019.

5.3 Legal structure of the dormakaba Group

As at 30 June 2019

List of substantial Group and associated companies		**Share capital in local currency (000)**	**Voting rights in %**	**Group companies with shareholdings**
dormakaba Holding AG, Rümlang/CH	CHF	420.0		Publicly Quoted Company
dormakaba Holding GmbH + Co. KGaA, Ennepetal/DE	EUR	27,642.1	52.5	dormakaba Holding AG
			47.5	Familie Mankel Industriebeteiligung GmbH + Co. KGaA
dormakaba Beteiligungs-GmbH, Ennepetal/DE	EUR	1,000.0	52.5	dormakaba Holding AG
All of the following companies are held directly or indirectly by dormakaba Holding GmbH + Co. KGaA. The voting rights listed for these companies represent the voting rights of this sub-holding. dormakaba shareholders ultimately benefit from the 52.5% share of the cash flows generated by these entities.				
dormakaba International Holding AG, Rümlang/CH	CHF	101.0	100	dormakaba Holding GmbH + Co. KGaA
ADUK Products Ltd., Haslemere/GB	GBP	0.1	100	Kaba Holding (UK) Ltd.
Advanced Diagnostics Ltd., Haslemere/GB	GBP	0.1	100	ADUK Products Ltd.
Aluminium Services Inc., Scituate/US	USD	30.0	100	dormakaba USA Inc.
any2any GmbH, Munich/DE	EUR	33.2	20	dormakaba International Holding GmbH
ATM-Türautomatik GmbH, Gleisdorf/AT	EUR	35.0	100	dormakaba Austria GmbH
Chartwell Doors Ltd., Hitchin/GB	GBP	0.3	100	DORMA UK Ltd.
Corporación Cerrajera Alba, S.A. de C.V., Edo. de México/MX	MXP	202,059.4	100	dormakaba Canada Inc.
Dörken + Mankel Verwaltungs-Gesellschaft mit beschränkter Haftung, Ennepetal/DE	EUR	30.0	100	dormakaba Holding GmbH + Co. KGaA
DORMA Arabia Automatic Doors Company Ltd., Dammam/SA	SAR	4,000.0	95	Dorma- Vertrieb-International GmbH
			5	DORMA Produktion International GmbH
DORMA Door Controls Pty. Ltd., Hallam/AU	AUD	910.7	100	Dorma- Vertrieb-International GmbH
DORMA Ghana Limited, Accra/GH	GHS	1,850.0	100	Dorma- Vertrieb-International GmbH
DORMA HUEPPE Pty. Ltd., Regents Park/AU	AUD	5'374.4	100	DORMA Door Controls Pty. Ltd.
DORMA Hüppe Asia Sdn. Bhd., Senai, Johor/MY	MYR	2,510.0	100	DORMA Hüppe Raumtrennsysteme GmbH + Co. KG
DORMA Hüppe Austria GmbH, Linz/AT	EUR	146.0	100	DORMA Hüppe Raumtrennsysteme GmbH + Co. KG
DORMA Hüppe Raumtrennsysteme GmbH + Co. KG, Westerstede-Ocholt/DE	EUR	48,300.0	100	dormakaba Holding GmbH + Co. KGaA
DORMA Hüppe S.A., Brugge/BE	EUR	3,300.0	100	DORMA Hüppe Raumtrennsysteme GmbH + Co. KG
DORMA Ireland Ltd., Dublin/IE	EUR	1,500.0	100	Dorma- Vertrieb-International GmbH
DORMA Movable Wall Verwaltungs-GmbH, Ennepetal/DE	EUR	25.0	100	dormakaba Holding GmbH + Co. KGaA
DORMA Produktion International GmbH, Ennepetal/DE	EUR	60.0	100	dormakaba Deutschland GmbH
DORMA UK Ltd., Hitchin/GB	GBP	250.0	100	dormakaba Nederland B.V.
Dorma- Vertrieb-International Gesellschaft mit beschränkter Haftung, Ennepetal/DE	EUR	110.0	100	dormakaba Deutschland GmbH
DORMA-Glas GmbH, Bad Salzuflen/DE	EUR	520.0	100	dormakaba Deutschland GmbH
dormakaba (China) Technologies Ltd., Shenzhen/CN	CNY	69,500.0	100	dormakaba Hong Kong Limited
dormakaba (Thailand) Ltd., Bangkok/TH	THB	13,490.0	100	Dorma- Vertrieb-International GmbH
dormakaba Access Indonesia, PT, Jakarta/IN	IDR	2,555,199.5	90	Dorma- Vertrieb-International GmbH
			10	DORMA Produktion International GmbH
dormakaba Access Solutions LLC, Doha/QA	QAR	200.0	100	Dorma- Vertrieb-International GmbH
dormakaba Australia Pty. Ltd., Hallam/AU	AUD	10.7	100	DORMA Door Controls Pty. Ltd.
dormakaba Austria GmbH, Herzogenburg/AT	EUR	1,460.0	100	dormakaba International Holding AG
dormakaba Belgium N.V., Bruges/BE	EUR	2,416.3	100	dormakaba International Holding AG
dormakaba Brasil Soluções de Acesso Ltda., Sao Paulo/BR	BRL	35,160.7	100	dormakaba International Holding AG
dormakaba Bulgaria Ltd., Sofia/BG	EUR	1,314.1	100	Dorma- Vertrieb-International GmbH
dormakaba Canada Inc., Montreal/CA	CAD	1.0	100	dormakaba International Holding AG
dormakaba Cesko s.r.o., Praha/CZ	CZK	100.0	100	Dorma- Vertrieb-International GmbH
dormakaba China Ltd, Suzhou/CN	CNY	127,759.1	100	Dorma- Vertrieb-International GmbH
dormakaba Danmark A/S, Albertslund/DK	DKK	696.0	100	dormakaba International Holding AG
dormakaba Deutschland GmbH, Ennepetal/DE	EUR	126,780.0	100	dormakaba Holding GmbH + Co. KGaA
DORMAKABA DOO BEOGRAD, Beograd/RS	RSD	4,474.3	100	Dorma- Vertrieb-International GmbH
dormakaba EAD GmbH, Villingen-Schwenningen/DE	EUR	819.1	100	dormakaba Holding GmbH + Co. KGaA
dormakaba España S.A.U., Madrid/ES	EUR	600.0	100	dormakaba International Holding AG

dormakaba Eurasia LLC, Moscow/RU	RUB	213,000.0	100	Dorma- Vertrieb-International GmbH
dormakaba Finance AG, Rümlang/CH	CHF	100.0	100	dormakaba Holding GmbH + Co. KGaA
dormakaba Finance B.V., Dodewaard/NL	EUR	100.0	100	dormakaba Holding GmbH + Co. KGaA
dormakaba Finance GmbH, Ennepetal/DE	EUR	25.0	100	dormakaba Holding GmbH + Co. KGaA
dormakaba France S.A.S., Créteil/FR	EUR	5,617.2	100	dormakaba International Holding AG
dormakaba Gulf FZE, Dubai/AE	USD	9,524.9	100	Dorma- Vertrieb-International GmbH
dormakaba Hong Kong Limited, Hong Kong/HK	HKD	100.0	100	dormakaba Nederland B.V.
dormakaba Hrvatska d.o.o., Zagreb/HR	HRK	5,650.0	100	Dorma- Vertrieb-International GmbH
dormakaba Immobilien GmbH, Villingen-Schwenningen/DE	EUR	50.0	100	dormakaba Holding GmbH + Co. KGaA
dormakaba India Private Limited, Chennai/IN	INR	1,147,197.3	100	Dorma- Vertrieb-International GmbH
dormakaba International Holding GmbH, Ennepetal/DE	EUR	1,000.0	100	dormakaba Holding GmbH + Co. KGaA
dormakaba Italia Srl., Milano/IT	EUR	260.0	100	dormakaba Schweiz AG
dormakaba Japan Co. Ltd., Yokohama/JP	JPY	120,000.0	100	dormakaba Schweiz AG
dormakaba Kapi Ve Güvenlik Sistemleri Sanayi Ve Ticaret A.S., Istanbul/TR	TRY	3,750.0	99	Dorma- Vertrieb-International GmbH
			1	dormakaba Deutschland GmbH
dormakaba Kenya Limited, Nairobi/KE	KES	40,000.0	99	Dorma- Vertrieb-International GmbH
			1	dormakaba Deutschland GmbH
dormakaba Korea Inc., Seoul/KR	KRW	150,000.0	100	Dorma- Vertrieb-International GmbH
dormakaba Kuwait for Ready Made Windows LLC, Kuwait City/KW	KWD	10.0	100	Dorma- Vertrieb-International GmbH
dormakaba Luxembourg S.A., Wecker/LU	EUR	15,191.6	100	dormakaba International Holding AG
dormakaba Magyarorszàg Zrt., Budapest/HU	HUF	251,000.0	100	dormakaba Luxembourg S.A.
dormakaba Malaysia SDN BHD, Selangor/MY	MYR	200.0	100	dormakaba Nederland B.V.
dormakaba Maroc SARL, Casablanca/MA	MAD	2,000.0	100	Dorma- Vertrieb-International GmbH
dormakaba México, S. de R.L. de C.V., Mexico City/MX	MXN	3.0	96.6	Dorma- Vertrieb-International GmbH
			3.4	dormakaba Deutschland GmbH
dormakaba Middle East (LLC), Dubai/AE	AED	7,700.0	100	Dorma- Vertrieb-International GmbH
dormakaba Middle East SPV Limited, Abu Dhabi/AE		N/A	100	dormakaba International Holding AG
dormakaba Nederland B.V., Dodewaard/NL	EUR	11.7	100	Dorma- Vertrieb-International GmbH
dormakaba New Zealand Limited, Auckland/NZ	NZD	384.0	100	dormakaba Nederland B.V.
dormakaba Norge A/S, Drammen/NO	NOK	1,754.5	100	dormakaba International Holding AG
dormakaba Philippines Inc., Makati City/PH	PHP	18,000.0	100	Dorma- Vertrieb-International GmbH
dormakaba Polska sp.z.o.o., Konstancin-Jeziorna/PL	PLN	10,000.0	100	dormakaba International Holding AG
dormakaba Portugal, Unipessoal Lda., Lisbon/PT	EUR	50.0	100	Dorma- Vertrieb-International GmbH
dormakaba Production GmbH + Co. Kommanditgesellschaft, Ennepetal/DE, Singapore/SGP	EUR	2,560.0	100	dormakaba Deutschland GmbH
dormakaba Production GmbH, Ennepetal/DE	EUR	50.0	100	dormakaba Deutschland GmbH
dormakaba Production Malaysia SDN. BHD., Melaka/MY	MYR	5,000.0	100	Dorma- Vertrieb-International GmbH
dormakaba Romania S.R.L., Bucharest/RO	RON	4,705.8	100	Dorma- Vertrieb-International GmbH
dormakaba Schweiz AG, Wetzikon/CH	CHF	6,800.0	100	dormakaba International Holding AG
dormakaba Singapore Pte Ltd, Singapore/SGP	SGD	500.0	100	dormakaba Production GmbH + Co. KG
dormakaba Slovensko s.r.o, Bratislava/SK	EUR	6.6	100	Dorma- Vertrieb-International GmbH
dormakaba South Africa (Pty.) Ltd., Johannesburg/ZA	ZAR	1.0	100	Dorma- Vertrieb-International GmbH
dormakaba Suomi Oy, Helsinki/FI	EUR	67.3	100	Dorma- Vertrieb-International GmbH
dormakaba Sverige AB, Västra Frölunda/SE	SEK	500.0	100	dormakaba Nederland B.V.
dormakaba Ukraine LLC, Kiev/UA	EUR	250.0	99	Dorma- Vertrieb-International GmbH
			1	dormakaba Deutschland GmbH
dormakaba Uruguay S.A, Montevideo/UY	UYU	10.8	100	Dorma- Vertrieb-International GmbH
dormakaba USA Inc., Wilmington/US	USD	1.0	100	Kaba U.S. Holding Ltd.
dormakaba Workforce Solutions LLC, Wilmington/US	USD	19.7	100	Kaba U.S. Holding Ltd.
Farpointe Data Inc., Sunnyvale/US	USD	1,701.7	100	dormakaba USA Inc.
Fermetures GROOM S.A.S., Javené/FR	EUR	1,500.0	100	dormakaba France S.A.S.
Forponto Informática S.A., São Paulo/BR	BRL	10.0	100	Task Sistemas de Computação S.A.
Grupo Klaus S.A.C., Lima/PE	PEN	11,516.2	100	dormakaba International Holding AG
H. Cillekens & ZN BV, Roermond/NL	EUR	15.9	100	dormakaba Nederland B.V.
Kaba do Brasil Ltda., São Paulo/BR	BRL	32,051.2	100	dormakaba International Holding AG
Kaba Gallenschütz GmbH, Bühl/DE	EUR	2,560.0	100	dormakaba Holding GmbH + Co. KGaA
Kaba Holding (UK) Ltd., London/GB	GBP	173.0	100	dormakaba International Holding AG
Kaba Holding AG, Rümlang/CH	CHF	100.0	100	dormakaba International Holding AG
Kaba Ilco Corp., Rocky Mount/US	USD	56,897.6	100	Kaba U.S. Holding Ltd.
Kaba Jaya Security Sdn. Bhd., Selangor/MY	MYR	350.0	70	dormakaba Schweiz AG
			30	dormakaba International Holding AG

Kaba Ltd., Tiverton/GB	GBP	6,300.0	100	Kaba Holding (UK) Ltd.
Kaba Mas LLC, Lexington/US	USD	880.7	100	Kaba U.S. Holding Ltd.
Kaba Security Systems Private Limited, New Delhi/IN	INR	59,630.8	100	dormakaba India Private Limited
Kaba U.S. Holding Ltd., Wilmington/US	USD	200,000.0	61.45	dormakaba Schweiz AG
			17.55	dormakaba Nederland B.V.
			21	dormakaba International Holding AG
Kilargo Pty. Ltd., Hallam/AU	AUD	1.0	100	DORMA Door Controls Pty. Ltd.
KIWS Property LLC, Delaware/US		N/A	100	dormakaba USA Inc.
Lasservice Midt-Norge A/S, Drammen/NO	NOK	100.0	100	dormakaba Norge A/S
Legic Identsystems AG, Wetzikon/CH	CHF	500.0	100	dormakaba Schweiz AG
Mauer Thüringen GmbH, Bad Berka/DE	EUR	255.7	100	dormakaba EAD GmbH
Modernfold Inc., Greenfield/US	USD	0.0	100	dormakaba USA Inc.
Modernfold of Nevada LLC., Greenfield/US	USD	0.0	100	Modernfold Inc.
Path Line (China) Ltd., Hong Kong/HK	HKD	113,900.0	100	Wah Yuet Hong Kong Limited
Rafi Shapira & Sons Ltd., Rishon LeZion/IL	ILS	0.1	30	Dorma- Vertrieb-International GmbH
Railtech Composites Inc., New York/US	USD	0.1	100	Skyfold Inc.
Resolute Testing Laboratories Pty. Ltd., Hallam/AU	AUD	0.1	100	Kilargo Pty. Ltd.
Seca Solutions A/S, Sandnes/NO	NOK	3,000.0	100	dormakaba Norge A/S
Silca GmbH, Velbert/DE	EUR	358.0	100	dormakaba Holding GmbH + Co. KGaA
Silca Key Systems S.A., Barcelona/ES	EUR	162.3	100	dormakaba Luxembourg S.A.
Silca S.A.S., Porcheville/FR	EUR	797.7	100	dormakaba France S.A.S.
Silca S.p.A., Vittorio Veneto/IT	EUR	10,000.0	97	dormakaba Luxembourg S.A.
			3	dormakaba Schweiz AG
Silca South America S.A., Tocancipa/CO	COP	4,973,013.8	65.92	dormakaba International Holding AG
			32.52	dormakaba Schweiz AG
Skyfold Inc., Quebec/CA	CAD	113,994.5	100	dormakaba Canada Inc.
Smart Access Solutions Company Ltd., Riyadh/SA	SAR	25.0	100	dormakaba Middle East SPV Limited
Task Sistemas de Computação S.A., Rio de Janeiro/BR	BRL	26,438.7	100	dormakaba International Holding AG
TLHM Co. Ltd., Taiwan/TWN	TWD	270,000.0	100	dormakaba International Holding AG
Wah Mei (Toishan) Hardware Co., Ltd., Taishan/CN	USD	15,000.0	100	Wah Yuet Hong Kong Limited
Wah Yuet Hong Kong Limited, Hong Kong/HK	HKD	560,250.0	100	dormakaba Schweiz AG
Wah Yuet (Ng's) Overseas Co. Ltd., Tortola/VG	USD	13,289.0	100	Wah Yuet Hong Kong Limited
Wah Yuet Industrial Co. Ltd., Hong Kong/HK	HKD	1,000.0	100	Wah Yuet Hong Kong Limited
Yantai DORMA Tri-Circle Lock Co. Ltd, Yantai City/Shandong/ CN	CNY	10,000.0	60	Dorma- Vertrieb-International GmbH

Apart from dormakaba Holding AG in Rümlang, none of the companies in the dormakaba Group's scope of consolidation is listed on a stock exchange. The registered shares of dormakaba Holding AG are traded on the SIX Swiss Exchange (security no./ISIN: 1179595/CH 0011795959). As at 30 June 2019, the company's market capitalization was CHF 2,932.8 million.

This disclosure 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 income statement for the year ended 30 June 2019, the consolidated balance sheet as at 30 June 2019, the consolidated cash flow statement and the consolidated statement of changes in equity 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 25 to 61) give a true and fair view of the consolidated financial position of the Group as at 30 June 2019 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.

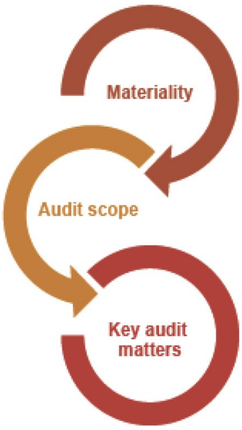
Basis for opinion

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 16'635'000

We concluded full scope audit work at 51 reporting units in 20 countries. Our audit scope addressed 76% of Group's revenue and 75% of Group's assets. In addition, specified procedures were performed for one reporting unit in one country addressing a further 2% of the Group's revenue and 1% of the Group's assets. Reviews were performed for 40 reporting units in 24 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:

Valuation of inventories

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

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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 16'635'000
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 831'750 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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.

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.

Valuation of inventories

Key audit matter	How our audit addressed the key audit matter
Total consolidated inventory of the financial year 2018/2019 amounted to CHF 454.7 million (2017/2018: CHF 432.3 million). Inventory represents a significant share of total assets (about 23.8%). Refer to note 2.2 "Inventories". Inventories are valued at the lower of purchase or manufacturing cost and net realizable value (i.e. the selling price less costs to complete and sell). An allowance for obsolete and slow-moving items is recorded in case of incongruity between inventory levels and expected turnover.	We obtained an understanding of the Group's policies, processes and methods in regards to inventory valuation. We performed, on a sample basis, the following audit procedures for all full scope reporting components of the different segments and for one component performing specified procedures: - We assessed whether the process for identifying any obsolete and slow-moving items is in-line with dormakaba's accounting policy and whether the accounting policy is reasonable.

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We consider the valuation of inventories as a key audit matter because of its significance in the balance sheet and some scope for judgement by Management when assessing the inventory allowance. Inventory write-downs have a direct impact on EBITDA-margin, thus increasing the risk of material misstatement in valuation of inventory.

- We determined whether the inventory allowance is recognised in-line with the accounting policy. In case of deviations, we obtained documentation in order to assess whether the allowance level is supported.
- By comparing the net book value with invoices or sale agreements, we assessed whether the net book value is not in excess of the net realizable value.
- We analysed stock level fluctuations (i.e. inventories in % of net sales compared to prior year) and obtained and corroborated explanations from Management for material fluctuations.

Based on the audit procedures performed, we consider the valuation of inventories to be adequately addressed by Management.

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.

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- 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, 6 September 2019

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Financial statements dormakaba Holding AG

Balance sheet

Assets

CHF million	Note	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Current assets			
Cash and cash equivalents		0.2	0.1
Receivables: Group companies		0.0	0.5
Total current assets		**0.2**	**0.6**
Non-current assets			
Investments	2.1	704.9	704.9
Loans to Group companies	2.2	173.6	173.4
Total non-current assets		**878.5**	**878.3**
Total assets		**878.7**	**878.9**

Liabilities and equity

CHF million	Note	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Current liabilities			
Other current liabilities: third parties		1.1	1.2
Accruals		0.1	0.2
Total current liabilities		**1.2**	**1.4**
Long-term provisions	**2.3**	**13.5**	**13.6**
Equity			
Share capital	2.4	0.4	0.4
Legal capital reserves - reserves from capital contributions		159.9	222.1
Legal reserves		261.0	261.0
Reserves for treasury shares		38.7	8.6
Treasury shares	2.6	0.0	–0.2
Statutory retained earnings - available earnings carried forward		341.9	310.9
Net profit for the year		62.1	61.1
Total equity		**864.0**	**863.9**
Total liabilities and equity		**878.7**	**878.9**

Income statement

CHF million	Note	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Operating revenues			
Income from investments			
- Dividend income	3.1	63.6	63.3
Interest from Group loans		5.4	4.3
Total operating revenues		**69.0**	**67.6**
Operating expenses			
Financial expenses	3.2	–3.5	–2.4
Cost of services provided by Group companies		–0.1	–0.2
Personnel expenses		–1.8	–2.2
Other operating expenses	3.3	–1.1	–1.2
Direct taxes	3.4	–0.4	–0.5
Total operating expenses		**–6.9**	**–6.5**
Net profit for the period		**62.1**	**61.1**

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 [CO]). 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 a management report, a cash flow statement, or additional information in the notes and refers 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 balance sheet date. The valuation is at nominal values, taking into consideration any impairment required.

1.3 Investments
Investments are valued in accordance 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 items

2.1 Investments

		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 30.06.2019	Financial year ended 30.06.2018
dormakaba International Holding AG, Rümlang/CH	CHF	1.00%	173.6	173.4
Total loans to Group companies			**173.6**	**173.4**

2.3 Long-term provisions
These provisions relate to general risks.

2.4 Share capital
As at 30 June 2019, the 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 at 30 June 2019 amounted to CHF 42,438.40.

In accordance with the resolution of the Annual General Meeting (AGM) of 17 October 2017, the Board of Directors (BoD) is authorized to increase the share capital by no later than 17 October 2019 up to a maximum amount of CHF 42,000 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 the authorized capital in the year under review.

2.5 Principal shareholders

	As at 30.06.2019 No. of shares at CHF 0.10 par value	%	As at 30.06.2018 No. of shares at CHF 0.10 par value	%
Pool Shareholders [1]	**1,143,963**	**27.2**	**1,143,508**	**27.2**
Public shareholders				
T. Rowe Price Associates, Inc., Baltimore, USA	135,903	3.2	< 3%	
Other public shareholders	2,897,056	69.0	3,029,069	72.1
Total public shareholders	**3,032,959**	**72.2**	**3,029,069**	**72.1**
BoD and EC members [2]				
BoD members	491,484	11.7	492,619	11.8
EC members	16,251	0.4	14,180	0.3
Less double-counting in respect of R. Cadonau as BoD and EC member [3]	–4,730	–0.1	–	–
Total BoD and EC members	**503,005**	**12.0**	**506,799**	**12.1**
Less double-counting in respect of Pool Shareholders who are BoD members [4]	–479,901	–11.4	–479,350	–11.4
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, as well as Martina Bössow / Dubai, 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) Shareholdings of Riet Cadonau as a BoD and an EC member are included under BoD members and EC members.

4) The shareholdings of Pool Shareholders who are also BoD members are included under Pool Shareholders and BoD members.

2.6 Treasury shares

	Financial year ended 30.06.2019		Financial year ended 30.06.2018	
	CHF million	Number of shares	CHF million	Number of shares
Treasury shares at the beginning of the period	0.2	350	1.0	1,260
Purchased/sold/revalued/share-based-compensation	–0.2	–350	–0.8	–910
Treasury shares at the end of the period	**0.0**	**-**	**0.2**	**350**
Treasury shares held in other Group entities	38.7	54,709	8.7	12,433
Total Group's treasury shares at the end of the period	**38.7**	**54,709**	**8.9**	**12,783**

3. Information on the income statement

3.1 Dividend income

The dividend income for the year is CHF 63.6 million (2017/18: CHF 63.3 million).

3.2 Financial expenses

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

3.3 Other operating expenses

The main expense items relate to external consulting services and marketing expenses.

3.4 Direct taxes

Direct taxes comprise capital taxes and 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 SIX Swiss Exchange.

4.2 Full-time equivalents

As at 30 June 2019, dormakaba Holding AG did not employ any personnel.

4.3 Contingent liabilities

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Guarantees	693.7	693.7
Of which used	0.0	0.0

As in the prior year, the guarantees disclosed relate to the guarantee accorded to the bondholders 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 as a single entity for VAT purposes (Group taxation article 13 Swiss VAT Act). 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

	Financial year ended 30.06.2019		Financial year ended 30.06.2018	
	Share capital value in CHF	Number of shares	Share capital value in CHF	Number of shares
Conditional capital at the end of the period	42,438	424,384	42,438	424,384
Authorized capital at the end of the period	42,000	420,000	42,000	420,000

Conditional capital of CHF 36,000 (2017/18: CHF 36,000) is earmarked for the coverage of convertible bonds and warrant bonds, plus CHF 6,438.40 (2017/18: CHF 6,438.40) for shares or share options to associates and BoD members of which CHF 0 (2017/18: CHF 0) were exercised in the 2018/19 financial year.

The authorized capital at year-end amounts to CHF 42,000 (2017/18: CHF 42,000).

6. Shareholdings of BoD and EC members

As at the reporting date, the individual BoD and EC members (including related parties) held the following numbers of shares in dormakaba Holding AG. None of the BoD and EC members held any options.

Number of shares	Financial year ended 30.06.2019	Financial year ended 30.06.2018
BoD		
Birgersson Jens	52	
Brecht-Bergen Stephanie	190,117	189,958
Cadonau Riet [1]	4,730	
Chiu Elton SK		773
Daeniker Daniel	1,532	1,424
Dörig Rolf	2,471	2,363
Dubs-Kuenzle Karina	99,591	99,483
Graf Ulrich		6,148
Gummert Hans	587	479
Heppner John	743	626
Hess Hans	1,468	1,360
Mankel Christine	190,193	190,005
Total BoD	**491,484**	**492,619**
EC		
Berninger Alwin	80	-
Brinker Bernd	974	550
Cadonau Riet [1]	4,730	4,330
Gaspari Roberto	3,259	2,576
Häberli Andreas	1,872	1,505
Jacob Christoph [2]		132
Kincaid Michael	1,166	1,012
Lee Jim-Heng	1,829	1,396
Lichtenberg Jörg	532	318
Malacarne Beat [2]		867
Sichelschmidt Dieter [3]		
Zocca Stefano	1,809	1,494
Total EC	**16,251**	**14,180**

1) As of 23 October 2018, both a BoD and an EC member, therefore displayed in both groups for the years of membership

2) EC member until 30 June 2018

3) EC member until 31 December 2017

7. Events occurring after the balance sheet date

On 27 June 2019, dormakaba announced that it had signed an agreement to acquire Alvarado Manufacturing Co. Inc., based in Chino (CA/USA). Alvarado is a leading manufacturer of physical access solutions in North America. The transaction was concluded on 31 July 2019.

Appropriation of retained earnings

Proposal for the appropriation of available retained earnings as at 30 June 2019

CHF million	Financial year ended 30.06.2019	Financial year ended 30.06.2018
Retained earnings carried forward from previous year	372.0	301.9
Allocation to/from reserves for treasury shares	–30.1	9.0
Net profit for the period	62.1	61.1
Unappropriated retained earnings at the end of the period	**404.0**	**372.0**
Allocation from reserves from capital contributions	67.2 [1]	63.0
Total at the AGM's disposal	**471.2**	**435.0**

1) Reserves from capital contributions will only be released in the amount of the resolution of the AGM.

The BoD will propose the following appropriation of retained earnings to the shareholders at the AGM on 22 October 2019: distribution from the reserves from capital contributions of CHF 67,200,416 (2017/18: CHF 63,000,390) on the basis of the share capital of CHF 420,002 (4,200,026 shares at CHF 0.10) (2017/18: CHF 420,002); no contribution to other reserves (2017/18: CHF 0).

Proposal for the distribution to the shareholders

CHF million	Proposal to the AGM 2019	Approved by the AGM 2018
Distribution from reserves from capital contributions	67.2 [1]	63.0
To be carried forward	404.0	372.0
Total at the AGM's disposal	**471.2**	**435.0**

1) After approval by the AGM, the amount will be paid out free of Swiss withholding tax from the reserves from capital contributions.

After approval of this proposal by the AGM, the distribution from the reserves from capital contributions will be paid out on 28 October 2019 according to the instructions received: CHF 16.00 (2017/18: CHF 15.00) 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 2019, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 67 to 73) as at 30 June 2019 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

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.

Overall materiality	CHF 4'393'500
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 439'350 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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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.

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

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.

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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, 6 September 2019

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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 (dormakaba) 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 2018/19 financial year is as of 30 June 2019. dormakaba'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 has made some adjustments and simplifications to suit its management and shareholder structure and medium size.

dormakaba'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. The ultimate parent company of dormakaba, dormakaba Holding AG, is listed on SIX Swiss Exchange and is headquartered in Rümlang (Zurich/Switzerland).

Group structure and shareholders

Group structure

dormakaba'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 30.06.2019 No. of shares at CHF 0.10 par value	%	As at 30.06.2018 No. of shares at CHF 0.10 par value	%
Pool Shareholders [1]	**1,143,963**	**27.2**	**1,143,508**	**27.2**
Public shareholders				
T. Rowe Price Associates, Inc., Baltimore, USA	135,903	3.2	< 3%	
Other public shareholders	2,897,056	69.0	3,029,069	72.1
Total public shareholders	**3,032,959**	**72.2**	**3,029,069**	**72.1**
BoD and EC members [2]				
BoD members	491,484	11.7	492,619	11.8
EC members	16,251	0.4	14,180	0.3
Less double-counting in respect of R. Cadonau as BoD and EC member [3]	–4,730	–0.1	–	–
Total BoD and EC members	**503,005**	**12.0**	**506,799**	**12.1**
Less double-counting in respect of Pool Shareholders who are BoD members [4]	–479,901	–11.4	–479,350	–11.4
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, as well as Martina Bössow / Dubai, 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) Shareholdings of Riet Cadonau as a BoD and an EC member are included under BoD members and EC members.

4) The shareholdings of Pool Shareholders who are also BoD members are included under Pool Shareholders and BoD members.

Major shareholders

The above table sets out the shareholder structure of dormakaba Holding AG on the balance sheet date 30 June 2019 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 function 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 Pool Shareholder Group) have concluded a pool agreement that governs the mutual rights and obligations of both parties. The pool agreement states that the Pool Shareholder Group can propose a maximum of five representatives to the General Meeting for election to the Board of Directors (BoD). This proposal right for up to five Board members reflects the majority participation of the Pool Shareholder Group in the operational business of dormakaba. Members of the Pool Shareholder Group hold:

- 27.2% of the 52.5% in dormakaba Holding GmbH + Co. KGaA, which are directly held by the ultimate parent company dormakaba Holding AG; and
- 47.5% in dormakaba Holding GmbH + Co. KGaA (held by the Mankel/Brecht-Bergen Family).

These shareholdings represent an economic interest of 61.8% in dormakaba.

This Pool Shareholder Group undertakes to exercise its voting rights in concert when voting on significant General Meeting resolutions. The members of the Pool 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 Pool 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 Pool 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 further shareholder agreements or other agreements between the major shareholders mentioned that involve the dormakaba Holding AG shares they own or that involve the exercise of the shareholder rights these shares confer.

Cross-shareholdings

dormakaba 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 2019 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 2019, 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 BoD 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 BoD members 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 BoD members subject to one or more sets of regulations to be defined by the BoD and taking into account individual 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 BoD members at a price below the market price. In connection with the issue of option rights to employees and BoD members, 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 (AGM) of 17 October 2017 created authorized capital and authorized the BoD of dormakaba Holding AG to increase the share capital of dormakaba Holding AG 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 BoD 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 BoD can issue new shares by having a bank or third party underwrite them all and then making an offer to existing shareholders. The BoD is authorized to set the issue price of new shares as close as possible to the market value of the shares. The BoD is authorized in this case to restrict or exclude trading with subscription rights. The BoD 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 BoD 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.

The BoD will propose to the AGM on 22 October 2019 to renew the existing authorized capital, which will expire on 17 October 2019. If the AGM agrees to this proposal, the BoD will be authorized until no later than 22 October 2021 to increase the share capital of the company by a maximum of CHF 42,000 through the issuance of not more than 420,000 fully paid-up registered shares with a nominal value of CHF 0.10 each.

Changes in capital in the last four financial years

Due to the allocation and issue of shares under (i) the Directive regarding the compensation for the BoD members of dormakaba Holding AG and (ii) the Executive Stock Award Plans, 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; accordingly, 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.

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

CHF million	30.06.2019	30.06.2018	30.06.2017	30.06.2016
Equity				
Share capital	0.4	0.4	0.4	0.4
Reserve from capital contribution	159.9	222.1	280.7	327.5
Legal reserves	261.0	261.0	261.0	261.0
Reserves for treasury shares	38.7	8.6	17.6	0.0
Treasury shares	0.0	–0.2	–1.0	–2.8
Unappropriated retained earnings	404.0	372.0	301.9	288.2
Total equity	**864.0**	**863.9**	**860.6**	**874.3**

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 the share register of dormakaba Holding AG. 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 BoD of the company. 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 BoD 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 BoD 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 BoD 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 (BoD)

The duties and responsibilities of the BoD of dormakaba Holding AG are defined by the Swiss Code of Obligations, the Articles of Incorporation and the company's Organizational Regulations.

BoD members

The BoD of dormakaba Holding AG has ten members. Other than Riet Cadonau, all members are non-executive. None of the non-executive BoD members have sat on the Executive Committee (EC) of dormakaba Holding AG, Kaba Group or Dorma Group at any time in the last five financial years. Riet Cadonau has been CEO of dormakaba Group since 2015 (and from 2011 to 2015 CEO of Kaba Group) and was elected as BoD Chair in 2018.

Other than Riet Cadonau, no BoD members have significant business relations with dormakaba Holding AG. The maximum number of mandates that BoD members are allowed to take on the governing bodies of legal entities outside dormakaba is regulated in section 27 of the Articles of Incorporation. The following table lists the name, year of birth, date of joining the BoD, gender and nationality of the individual BoD members.

BoD members as of 30 June 2019

Name/Position	Year of birth	Entry	Gender	Nationality
Riet Cadonau (Chair)	1961	2018 [1)]	m	CH
Hans Hess (Lead Independent Director and Vice-Chair)	1955	2012	m	CH
Jens Birgersson	1967	2018	m	SE
Stephanie Brecht-Bergen	1985	2015	f	DE
Daniel Daeniker	1963	2010	m	CH
Rolf Dörig	1957	2004	m	CH
Karina Dubs-Kuenzle	1963	2001	f	CH
Hans Gummert	1961	2015	m	DE
John Heppner	1952	2013	m	US
Christine Mankel	1982	2015	f	DE

1) Riet Cadonau was already a BoD member from 2006 until 2011 (at which time dormakaba Holding AG operated under the name Kaba Holding AG).

Elections and terms of office

The BoD of dormakaba Holding AG is elected by the General Meeting, with each member standing for election individually. The Articles of Incorporation state that the BoD 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 AGM. BoD members can be re-elected. The Organizational Regulations provide that when they reach 70 years of age, BoD members shall resign at the next AGM.

Subject to his re-election as Chair of the BoD by the upcoming AGM in October 2019, Riet Cadonau will continue to serve in a dual role as Chair and CEO, remaining CEO for a period of one to maximum two years. During this period, he will not be a member of any Board committees of the company and will not receive any compensation for his role on the BoD. The BoD intends to re-nominate Hans Hess as the Vice-Chair and Lead Independent Director subject to his re-election as BoD member at the upcoming AGM. This measure will continue to ensure that the BoD 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 BoD 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 EC;
- 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 BoD. The CEO and CFO regularly participate in meetings of the BoD in an advisory capacity. Other EC members are brought in to advise on individual items of the agenda. The BoD held seven meetings during the 2018/19 financial year; these lasted around six hours on average. All BoD members attended each meeting except four Directors who were excused for one meeting each and three Directors who were each partly excused for one meeting. In addition, the Board's committees met 14 times in total. The agendas for Board meetings are defined by the Chair following consultation with the Lead Independent Director. Each BoD member may propose agenda items. BoD members always receive documentation prior to Board meetings so they can prepare for discussion of each item on the agenda. The BoD holds discussions with the company's managers and visits one or more dormakaba Group locations, usually on an annual basis.

Committees

The BoD has formed an Audit Committee, a Compensation Committee, and a Nomination Committee. Members of the Compensation Committee are elected at each AGM. Each committee has written terms of reference that define its tasks and responsibilities. The chairs of these committees are elected by the BoD. 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 BoD members, who have professional or other experience of financing and accounting:

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

The BoD has specified that members of the Audit Committee must meet certain requirements with regard to independence and skills and that they must not be EC members. The term of office is until the conclusion of the next AGM; 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 2018/19 financial year, the Audit Committee held six meetings lasting between one hour to three hours. All members of the Audit Committee attended each 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 2018/19 financial year, representatives of the audit firm participated in three meetings, external consultants, representatives of Internal Audit and the General Counsel in four, and representatives of the Accounting Department in six. 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 BoD for approval;
- Proposing to the whole BoD which external auditor should be recommended to the AGM;
- 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 BoD as a whole about its activities, and it notifies the BoD immediately about important matters.

Nomination Committee

The Nomination Committee consists of three non-executive BoD members:

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

The term of office for each member is until the conclusion of the next AGM; members may be re-elected. The Nomination Committee meets at least once a year. During the 2018/19 financial year, the Nomination Committee met four times, such meetings lasting approximately one hour each. All members of the Nomination Committee attended each meeting, except one member who was excused for one meeting. The CEO and the Senior Vice President Group Human Resources usually take part in the meetings in an advisory capacity. The Nomination Committee sets out the principles for appointing and re-electing BoD members and submits proposals to the BoD about its composition. The Nomination Committee also recommends the appointment and de-selection of EC members; the final decisions on appointments and de-selections are taken by the BoD as a whole. The Nomination Committee minutes its deliberations and decisions and regularly reports to the whole BoD.

Compensation Committee

The organization and members of the Compensation Committee as well as the details of the compensation policy of dormakaba are set out in the Compensation Report. During the financial year 2018/19, the Compensation Committee held four meetings of approximately one hour to two hours each. All members of the Compensation Committee attended each meeting.

Powers and responsibilities

Management organization

The BoD has the highest responsibility for business strategy and supervises management of dormakaba. It has the highest decision-making authority and sets the strategic, organizational, financial planning, and accounting rules that dormakaba must follow. The BoD has delegated management of ongoing business to the EC under the leadership of the CEO. Therefore, the CEO is responsible for overall management of dormakaba. The powers and functions of the EC are set out in the Organizational Regulations of dormakaba Holding AG. The CFO, 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 alignment between segments and functions. These roles have a seat on the EC.

Lead Independent Director

Together with the dual role of BoD Chair and CEO, the BoD established the role of Lead Independent Director (LID) in year 2018. This role is specifically designed to ensure the independence of the BoD from the BoD Chair and CEO and is equipped with competencies that are defined in the Organizational Regulations. The LID

- has a say in the agenda of the Board meetings
- leads private sessions without the participation of the BoD Chair and CEO at each BoD meeting
- chairs in matters related to the BoD Chair and CEO and in case of potential conflicts of interest of the BoD Chair and CEO
- has direct access to all EC members
- can mandate independent reviews by external experts when required.

Chief Executive Officer (CEO)

The CEO manages dormakaba. 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 EC, the CEO submits the strategy, the long- and medium-term objectives and the management guidelines for dormakaba to the BoD for approval. In response to a proposal by the CEO, the BoD decides on the annual budget and the medium-term plan, which covers a three-year period, individual projects, and the consolidated financial statements of dormakaba. The CEO submits recommendations to the Nomination Committee about personnel issues at the EC level. The CEO also makes proposals to the Compensation Committee regarding the remuneration of EC members (including allocation of shares from the share allocation plans). The CEO regularly reports to the BoD about business performance, anticipated important business issues and risks, as well as about changes in management at the operating segment level. BoD members may request and examine further information. The CEO must inform the LID immediately about any important unexpected developments.

Information from and control over the EC

The Management Information System of dormakaba works as follows: monthly, quarterly, semi-annual, and annual financial statements (balance sheet, income statement and cash flow statement) are prepared based on 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 monthly financial statements and in the form of quarterly forecasts. The CEO and CFO submit monthly written financial reports to the BoD 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 BoD meetings, a summary of these reports is discussed and assessed with the CEO and the CFO.

Skills and expertise of the BoD

In line with the guideline of the Swiss Code of Best Practice for Corporate Governance for a well-balanced representation, the BoD members have a broad spectrum of educational background, professional skills and expertise as well as personal qualities from a range of industries.
In addition to age, gender, geographic and tenure diversity, the BoD assesses its level of diversity based on a skills matrix established by its Nomination Committee:

The skills matrix includes the following professional skills/expertise:

- Executive leadership experience
- Corporate governance/compliance skills
- Strategic industry and technology skills
- Financial skills
- Digital business model experience

as well as several personal attributes.

All required competencies are represented in the BoD with emphasis on executive leadership experience as well as strategic industry and technology skills. The BoD intends to further strengthen its competence in the digital transformation area in the future.

For details on age, gender, geographic and tenure diversity, we refer to the table 'BoD members as of 30 June 2019'. For details on the range of business sectors represented by the Board members, we refer to their biographies.

The Nomination Committee annually reviews the composition of the BoD and the Board committees based on the abovementioned characteristics of its members as well as on dormakaba's strategy, business profile, risks, and opportunities in order to determine the need to propose changes to the AGM.

Events after balance sheet day

On 27 June 2019, dormakaba announced that it had signed an agreement to acquire Alvarado Manufacturing Co. Inc., based in Chino (CA/USA). Alvarado is a leading manufacturer of physical access solutions in North America. The transaction was concluded on 31 July 2019.

BoD members

as of 30 June 2019

Riet Cadonau

BoD Chair & CEO

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 2018 Chair of the BoD dormakaba Group[1] (CH); since 2015 CEO and member of the EC dormakaba Group[1] (CH); 2011–2015 CEO and member of the EC Kaba Group[1] (CH);
Ascom: 2007–2011 CEO Ascom Group[1] (CH); until 2007 Managing Director ACS Europe + Transport Revenue; 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 BoD of Georg Fischer AG[1] (CH) and since 2013 member of the BoD of Zehnder Group[1] (CH); 2006–2011 member of the BoD of Kaba Group and Griesser Group (CH)

1) listed company

Hans Hess

LID & Vice-Chair
Chair Nomination Committee
Member Audit and Compensation Committee

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 BoD Reichle & De-Massari Holding AG (CH); member of the BoD* Burckhardt Compression Holdings AG[1] (CH); President of Swissmem (CH); Vice-President of Economiesuisse (CH)

* resigned on 06 July 2019

Jens Birgersson

Swedish citizen

Education
Harvard Advanced Management Program, Harvard Business School, Boston (USA), M. Sc. Engineering Physics, Royal Institute of Technology, Stockholm (SE); B. Sc. Economics, University of Stockholm (SE)

Career
Since 2015 President and CEO of ROCKWOOL International[1] (DK); 2008–2015 with ABB[1] as Group Senior Vice President and Head of Business Unit Network Management (CH); 2005–2008 with IMERYS[1] as Executive Vice President and Head of Business Group Performance Minerals & Pigments (BE); 1992–2005 with ABB[1] in different positions (CH, SE, ZA)

External activities and interests
Since 2018 member of the Advisory Board of NREP (DK); since 2017 Chairman of the BoD of Randers Reb (DK); since 2016 member of the Confederation of Danish Industry Council (DK); since 2015 member of the BoD of Flumroc (CH), an affiliate of ROCKWOOL International[1]; 2012–2014 member of the BoD of Nanjing SAC Automation Co[1] (CN)

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 2017 Managing Director KARL München GmbH & Co. KG (DE); since 2014 Executive Board member Mankel Family Office GmbH (DE); 2010–2013 research assistant, EBS University (DE); since 2009 shareholder dormakaba Holding GmbH + Co. KGaA (DE)

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

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 2019 Senior 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 BoD of Hilti AG, Schaan (FL)

Rolf Dörig

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 BoD Swiss Life Holding AG[1] (CH) and Adecco Group AG[1] (CH); 2000–2002 member of the Executive Board Credit Suisse[1] (CH) and responsible for Swiss Corporate and Retail Banking; 1986–2002 various executive positions at Credit Suisse[1] (CH)

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

1) listed company

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 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 BoD of FEHBA AG (CH)

Hans Gummert

Member Audit, Nomination and Compensation Committee

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
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); member of the Advisory Board Coroplast Fritz Müller GmbH & Co. KG (DE); Board member of Zaplox AB (SE); member of the Supervisory Board of ara AG (DE); member of the Shareholders Committee Hoberg & Driesch Group (DE); member of the Advisory Board of Hoberg & Driesch Röhrenhandel GmbH & Co. KG (DE); member of the BoD Chiron-Werke SE (DE)

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); Member of the Advisory Board of University of Wisconsin Milwaukee Business School (USA)

Christine Mankel

German citizen

Education
Diplomkauffrau, EBS University (DE)

Carreer
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)

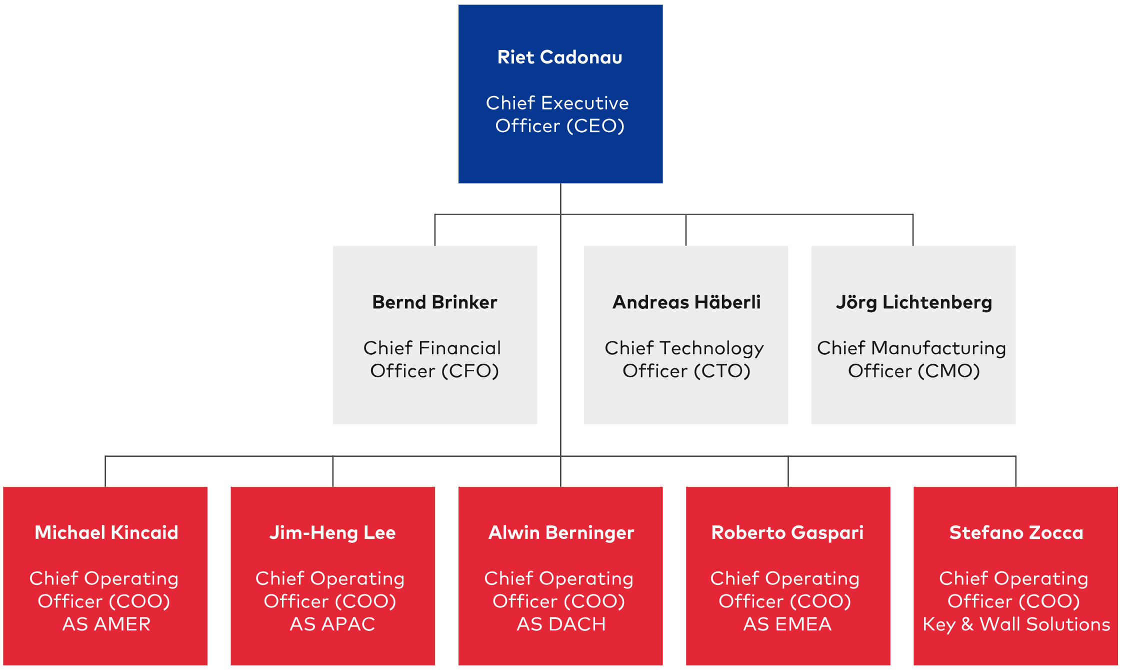
External activities and interests
Since 2008 Management Board member of the foundation "Rudolf Mankel Stiftung" (DE)

Executive Committee (EC)

Management philosophy

dormakaba 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, Legal, Tax and Treasury define and monitor Group-wide standards and are responsible for functional, Group-wide projects. The CFO is responsible for the Group's financial affairs. The COOs are responsible for the business activities of their respective segments, including product development, production, sales, and services. Group Innovation Management focuses on digitization as well as Intellectual Property Management and is strategically managed at EC level by the CTO (Chief Technology Officer). The CMO (Chief Manufacturing Officer) is responsible for the global purchasing as well as the supplier management and advises and supports the segments in optimizing the production and supply chain.

EC dormakaba Group as of 30 June 2019



EC members as of 30 June 2019

Name/Position	Year of birth	Entry	Gender	Nationality
Riet Cadonau CEO	1961	2011	m	CH
Bernd Brinker CFO	1965	2015	m	DE
Michael Kincaid COO Access Solutions AMER	1961	2013	m	US
Jim-Heng Lee COO Access Solutions APAC	1962	2014	m	SG
Alwin Berninger COO Access Solutions DACH	1969	2018	m	DE
Roberto Gaspari COO Access Solutions EMEA	1959	2006	m	IT
Stefano Zocca COO Key & Wall Solutions	1963	2011	m	IT
Andreas Häberli Chief Technology Officer	1968	2011	m	CH
Jörg Lichtenberg Chief Manufacturing Officer	1964	2015	m	DE

EC members

The table above gives the name, position, year of birth, date of joining the EC, gender, and nationality of each EC member. The maximum number of mandates that members of the EC are allowed to take on the governing bodies of legal entities outside dormakaba 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 Code of Conduct, as well as in the dormakaba rules and regulations such as Group Directives and Directives.
Adherence to these rules is extremely important to dormakaba as a globally active, listed company. Major compliance focus areas include anti-bribery and corruption, antitrust and competition law as well as safeguarding the employees' personal integrity. The Code of Conduct and all dormakaba rules and regulations are available to employees of dormakaba on the Group Intranet. Furthermore, all dormakaba rules and regulations are aligned with its 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 Code of Conduct, which applies Group-wide, contains standards and rules on anti-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 dormakaba 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. 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 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 Human Rights Due Diligence regulations such as the UK Modern Slavery Act 2015. dormakaba highly appreciates this valuable approach to eradicate slavery and respect human rights. 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 Code of Conduct, covering human rights, forced, compulsory and child labor, environmental responsibility, and ethical behavior. The company's full Modern Slavery Statement and Statement of Commitment on Human Rights are available online.

Values of the dormakaba Group

The EC and senior management of dormakaba 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 employees work and take and implement decisions; they also serve as guiding principles for conduct and collaboration within the Group and for dormakaba's approach to addressing customer needs.

EC members

as of 30 June 2019

Riet Cadonau

BoD Chair & CEO

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 2018 Chair of the BoD dormakaba Group[1] (CH); since 2015 CEO and member of the EC dormakaba Group[1] (CH); 2011–2015 CEO and member of the EC Kaba Group[1] (CH);
Ascom: 2007–2011 CEO Ascom Group[1] (CH); until 2007 Managing Director ACS Europe + Transport Revenue; 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 BoD of Georg Fischer AG[1] (CH) and since 2013 member of the BoD of Zehnder Group[1] (CH); 2006–2011 member of the BoD of Kaba Group and Griesser Group (CH)

Bernd Brinker

CFO

German citizen

Education
Degree in Business Administration (Diplomkaufmann) from the University of Cologne (DE)

Career
Since 2015 CFO and member of the EC of dormakaba Group[1] (CH); 2014–2015 CFO 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 VIAG AG[1] (today E.ON, DE) and its subsidiary SKW Trostberg AG[1] (DE), lastly as Head of Finance

Michael Kincaid

COO 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 EC of dormakaba Group[1] (CH); 2013–2015 COO Access+Data Systems Americas and member of the EC 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

1) listed company

Jim-Heng Lee

COO 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 EC of dormakaba Group[1)] (CH); 2014–2015 Head of Division Access + Data Systems Asia Pacific and member of the EC of 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

COO 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 EC of dormakaba Group[1)] (CH); 1998–2017 various functions at the Kuka Group[1)] (DE), i.a. 2015–2017 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 Executive Vice President 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

COO Access Solutions EMEA

Italian citizen

Education
Economics Degree from the Bocconi University (IT)

Career
Since 2015 COO Access Solutions EMEA and member of the EC of dormakaba Group[1)] (CH); 2014–2015 Head of Division Access + Data Systems EMEA and member of the EC of Kaba Group[1)] (CH); 2011–2014 Head of Division Access + Data Systems EMEA and APAC and member of the EC of Kaba Group[1)] (CH); 2006–2011 Head of Division Key Systems Europa/Asia Pacific and member of the Executive Board of 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)

1) listed company

Stefano Zocca

COO Key & Wall Solutions

Italian citizen

Education
Economics Degree from the Bocconi University (IT)

Career
Since 2017 COO Key & Wall Solutions and member of the EC of dormakaba Group[1] (CH); 2015–2017 COO Key Systems and member of the EC of dormakaba Group[1] (CH); 2011–2015 member of the EC 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

CTO

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 CTO and member of the EC dormakaba Group[1] (CH); 2011–2015 CTO and member of the EC of 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 2018 member of the Industrial Advisory Board of the Department of Mechanical and Process Engineering of ETH Zurich (CH); since 2017 member of the BoD of Komax Holding AG[1] (CH); since 2016 member of the Research Committee of Swissmem (CH)

Jörg Lichtenberg

CMO

German citizen

Education
Degree in engineering, Degree in economic engineering Universities of Hannover and Brunswick (both DE)

Career
Since 2015 CMO and member of the EC 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 EC 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)

1) listed company

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 the vote 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 BoD members and the process of BoD 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 by law. The BoD 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 at least 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 22 October 2019

Shareholders who are entered in the share register with voting rights by 14 October 2019 will receive a direct invitation to the AGM of 22 October 2019 together with the proposals of the BoD. Once they have sent back the response form, they will receive their entry ticket and voting material. Shareholders who sell their shares before the AGM 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 AGM. No entries will be made in the share register between 15 and 22 October 2019. All information about the AGM 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 an EC member) 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 (see Compensation Report 3.2 Long-term incentive) 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 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 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 fees 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 2.78 million in the 2018/19 financial year. In financial year 2018/19, dormakaba Group also paid expenses in the amount of around CHF 0.46 million for other consultancy services from PricewaterhouseCoopers. Approximately CHF 0.05 million of this was for general advisory services relating to acquisition projects and other consulting projects, and around CHF 0.25 million for taxation services (direct and indirect taxes). Another CHF 0.16 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 Audit Committee of the BoD assesses the performance, fees and independence of the auditor and suggests to the BoD which external auditor should be proposed to the AGM for election. 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 2018/19 and the financial statements as at 30 June 2019 include the Annual Report with financial statements, the Corporate Governance Report, and the Compensation Report, as well as the Group Management Report and the Sustainability Report. All reporting is available only digitally at www.report.dormakaba.com/2018_19. The HTML format can be printed in PDF format or ordered as a printed copy if required. The share price development, 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. dormakaba 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 EC members 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 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 (BoD) only receive a fixed compensation paid in cash and shares restricted for three years. The amount of compensation depends on the function on the BoD.

Basic compensation

in CHF	BoD Chair	BoD member
in cash	*	90,000
in restricted shares	*	80,000

* The BoD Chair does not receive any compensation for his function as long as he acts in a dual role as BoD Chair and CEO

+

Additional compensation

in CHF	Committee Chair	Committee member
Audit Committee	60,000	15,000
Compensation Committee	45,000	10,000
Nomination Committee	45,000	10,000
Lead Independent Director	30,000	

Shareholding ownership guideline

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

Compensation of BoD in financial year 2018/19

The compensation awarded to the BoD in financial year 2018/19 is within the limits approved by the shareholders at the Annual General Meetings (AGM):

Compensation period	Approved amount (CHF)	Effective amount (CHF)
AGM 2017 – AGM 2018	2,750,000	2,345,000
AGM 2018 – AGM 2019	2,190,000	To be determined*

* The compensation period is not yet completed, a definitive assessment will be provided in the Compensation Report for FY 2019/20

Summary of current compensation system of Executive Committee

The compensation system applicable to the Executive Committee (EC) 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, responsibilities), experience and skills of the individual	Establish a level of risk protection for the participants and their dependents	Rewards company and segment performance	Rewards individual and company performance, aligns to shareholders' interests

Shareholding ownership guideline

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

CEO	300% of annual base salary
EC member	200% of annual base salary

Compensation of EC in financial year 2018/19

The compensation awarded to the EC in financial year 2018/19 is within the limits approved by the shareholders at the AGM:

Compensation period	Approved amount (CHF)	Effective amount (CHF)
Financial year 2018/19	19,500,000	12,915,283

Performance in financial year 2018/19

The 2018/19 financial year was satisfactory. Profitability increased further, which is reflected in an increase in all key earnings figures and operating sales margins. At CHF 448.0 million, EBITDA exceeded the previous year's figure by CHF 17 million (+3.9%) and led to an EBITDA margin of 15.9% (previous year 15.2%). Net profit improved by 5.8% to CHF 252.5 million. Only the organic sales growth of 1.3% was lower than expected, in particular due to lower growth momentum in the second half of the financial year. Overall, sales amounted to CHF 2,818.3 million. Consequently, the average short-term incentive payout compared to base salaries is above that of the previous year.

Compensation governance

- The Compensation Committee supports the BoD with matters related to the compensation of the BoD and of the EC.
- Shareholders approve the maximum compensation amounts of the BoD and of the EC. 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 BoD and EC 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

The 2018/19 financial year was satisfactory. The achieved business figures are all above the comparable results of the previous year. Profitability increased further, which is reflected in an increase in all key earnings figures and operating sales margins. At CHF 448.0 million, EBITDA exceeded the previous year's figure by CHF 17 million (+3.9%) and led to an EBITDA margin of 15.9% (previous year 15.2%). All segments contributed to this improvement by achieving both a higher EBITDA and a higher EBITDA margin. Net profit improved by 5.8% to CHF 252.5 million, so that an increase in the dividend to CHF 16.00 per share (previous year CHF 15.00 per share) will be proposed for the third consecutive financial year based on an unchanged dividend policy. Only the organic sales growth of 1.3% was lower than expected, in particular due to lower growth momentum in the second half of the financial year. Overall, sales amounted to CHF 2,818.3 million. Consequently, the average short-term incentive payout compared to base salaries is above that of the previous year.

The Compensation Report explains how these results impacted the variable incentive payments made to the EC members 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 period, the Compensation Committee conducted its annual review of the compensation system of the BoD and of the EC and confirmed that the current compensation system is well aligned with the business strategy and shareholders' interests. As communicated in last year's Compensation Report, the long-term incentive plan newly includes relative total shareholder return as an additional performance indicator in conjunction with earnings per share (EPS) growth. Further, in line with good governance principles, the Compensation Committee decided to introduce clawback and malus provisions on future long-term incentive awards. Additionally, the Compensation Committee performed its regular activities throughout the financial year such as the propositions of compensation for the members of the BoD and EC, as well as the preparation of the Compensation Report and the binding say-on-pay votes at the AGM. At the upcoming AGM, our shareholders will again be asked to prospectively approve the aggregate maximum amounts of compensation of the BoD for the period until the following AGM and of the EC for the financial year 2020/21. Further, our shareholders will have the opportunity to express their opinion about our compensation system and the compensation awarded to the BoD and to the EC by way of a consultative vote on the 2018/19 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 BoD 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 for the **BoD** members consists exclusively of a fixed payment in cash and shares. This ensures that the BoD remains independent in exercising its supervisory duties towards the EC.

The compensation system for the **EC** members 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).

Managing compensation

Compensation Committee

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

The Compensation Committee consists of three BoD members who are elected annually and individually by the AGM for a period of one year. At the AGM 2018, 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 BoD;
- Propose to the BoD the specific design of the fundamental compensation elements and the determination of the compensation-related performance objectives;
- Propose to the BoD the maximum aggregate compensation amount of the BoD and of the EC to be submitted to the shareholders' vote at the AGM;
- Propose to the BoD 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 EC members within the limits approved by the AGM;
- Decide on the share-based compensation to be awarded to the members of the EC and the Senior Management;
- Propose to the BoD the Compensation Report.

The compensation for the EC and for the Senior Management is set as part of an annual process.

Annual process and responsibilities setting the compensation of the BoD and EC

	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 BoD	CC BoD
Compensation Report	CC BoD	AGM			CC
Maximum aggregate compensation amounts of the BoD and EC for next compensation period	CC BoD	AGM			
Compensation structure and level of BoD for next compensation period	CC BoD				CC BoD
Individual target compensation of EC members for next financial year*					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		

red: recommending body
blue: reviewing body
gray: approving body

* Proposals related to the CEO compensation are prepared by the Compensation Committee Chair 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 2018/19, the Compensation Committee held four meetings of approximately one to two hours each. All meetings were attended by all members.

The Compensation Committee Chair reports to the BoD after each meeting on the activities of the committee. The minutes of the committee's meetings are available upon request to the BoD members. As a general rule, the BoD Chair, 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 BoD values the dialogue with shareholders and wants to know and understand their views on executive compensation. In this context, the BoD has held an annual consultative vote on the Compensation Report from financial year 2012/13 onwards. This vote allows shareholders to express their opinion on the compensation policy and systems applicable to the BoD and the EC. Since the 2015 AGM, the BoD also seeks an annual prospective binding approval from shareholders of the maximum aggregate amount of compensation of the BoD and the maximum aggregate amounts of fixed and variable compensation of the EC.

The Articles of Incorporation include the principles of compensation applicable to the BoD and to the EC. 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 BoD

BoD members 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 BoD remains independent while exercising its supervisory duties towards the EC. The amount of compensation for each function of the BoD 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 by Agnès Blust Consulting in financial year 2017/18 based on the following peer companies: Autoneum, Bucher Industries, EMS Chemie, Geberit, Georg Fischer, Landis + Gyr, Logitech, Lonza, OC Oerlikon, Sonova, and Sulzer. The results of the analysis had shown that overall the compensation of the BoD was slightly below market practice. Nevertheless, the BoD had decided to keep the compensation structure and levels unchanged at the time. The compensation system and levels are documented in the BoD compensation directive and are summarized in the table below.

Basic compensation

in CHF	BoD Chair	BoD member
in cash	*	90,000
in restricted shares	*	80,000

* The BoD Chair does not receive any compensation for his function as long as he acts in a dual role as BoD Chair and CEO

+

Additional compensation

in CHF	Committee Chair	Committee member
Audit Committee	60,000	15,000
Compensation Committee	45,000	10,000
Nomination Committee	45,000	10,000
Lead Independent Director	30,000	

1. Composition of compensation

The BoD Chair does not receive any compensation for his function on the BoD as long as he acts in a dual role as Chair of the BoD and CEO.

The compensation paid to the other members of the BoD comprises a cash payment of CHF 90,000 and an award of CHF 80,000 in restricted shares of dormakaba Holding AG. Additional fees are paid in cash for specific functions such as committee chair and/or committee member of the BoD or for performing special additional tasks assigned by the BoD.

The members of the BoD 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 BoD. In addition, a shareholding ownership guideline is in place, requiring Board members to hold a minimum of 500 shares of dormakaba within three years after their election to the BoD.

Compensation is paid on a pro rata basis to Board members twice a year. For the term of office from the AGM 2018 until the AGM 2019, the first compensation period ended on 30 April 2019, the second will end on 31 October 2019. 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 BoD.

For the term of office from the AGM 2019 until the AGM 2020, the basic compensation will be increased to CHF 100,000 in cash and CHF 90,000 in restricted shares (previously CHF 90,000 in cash and CHF 80,000 in restricted shares) and the membership fee for the Audit Committee will be increased to CHF 20,000 (previously CHF 15,000). The BoD has decided to implement the above adjustments in view of the evolving requirements on the BoD members' role and considering that the compensation levels of the BoD had not been adjusted since 2014 despite being below the benchmark (see paragraph above on the benchmarking analysis). The intention is to keep the compensation levels for ordinary members unchanged for the next two to three years.

2. Assessment of actual compensation paid to the BoD in the financial year 2018/19

The actual compensation paid to the BoD for the financial year 2018/19 decreased compared to previous year (–14%). This is because since the AGM 2018, the BoD Chair did not receive any compensation for his function on the BoD in the reporting year due to his dual role as BoD Chair and CEO. The compensation system and levels remained otherwise unchanged compared to the previous year.

At the AGM 2018, the shareholders approved a maximum aggregate amount of CHF 2,190,000 for the BoD for the compensation period from the AGM 2018 until the AGM 2019. The compensation effectively paid for the portion of this term of office included in this Compensation Report (October 2018 – 30 June 2019) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Compensation Report 2019/20.

At the AGM 2017, the shareholders approved a maximum aggregate amount of CHF 2,750,000 for the BoD for the compensation period from the AGM 2017 until the AGM 2018. The compensation effectively paid was CHF 2,345,000 and is within the limit approved by the shareholders.

As at 30 June 2019, in compliance with the Articles of Incorporation, there were no outstanding loans or credit facilities between dormakaba and current or former BoD members, or parties closely related to them. Investments held by BoD members or related persons (including conversion and option rights) – if any – are listed here.

Compensation architecture for the EC

The compensation awarded to EC members 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 EC members 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, responsibilities), experience and skills of the individual	Establish a level of risk protection for the participants 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 markets. Consequently, there is no predefined 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, the following companies were included 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 employees).

The compensation paid to the EC members 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

EC members receive an annual base salary for fulfilling their 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 EC 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 EC members 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.

EC members 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, EC members 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 EC members (cap).

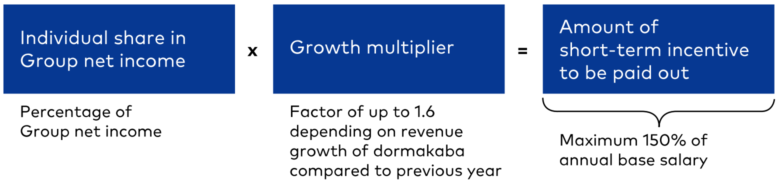
Following the "We are ONE company" principle, the individual short-term incentive paid to the EC members is strictly based on Group and segment financial objectives and not on individual goals. For the CEO and other EC members (CFO, CTO [Chief Technology Officer], CMO [Chief Manufacturing Officer]),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

	Group	Segment	Rationale
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.
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.

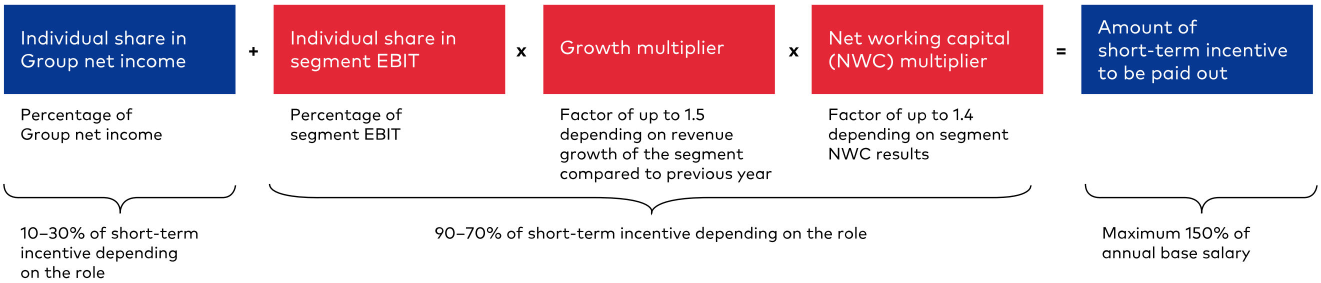
The business results are compared to the previous year's results to drive a continuous improvement of the business achievements, year after year.

The incentive formulas for all EC members are built around the following principle: the short-term incentive consists of a predefined share of profit, which is determined for each function individually, multiplied by a growth multiplier and, for COOs, by a net working capital (NWC) multiplier (see the following illustration).

CEO, CFO, CTO, CMO



COOs



The predefined 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 an 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.

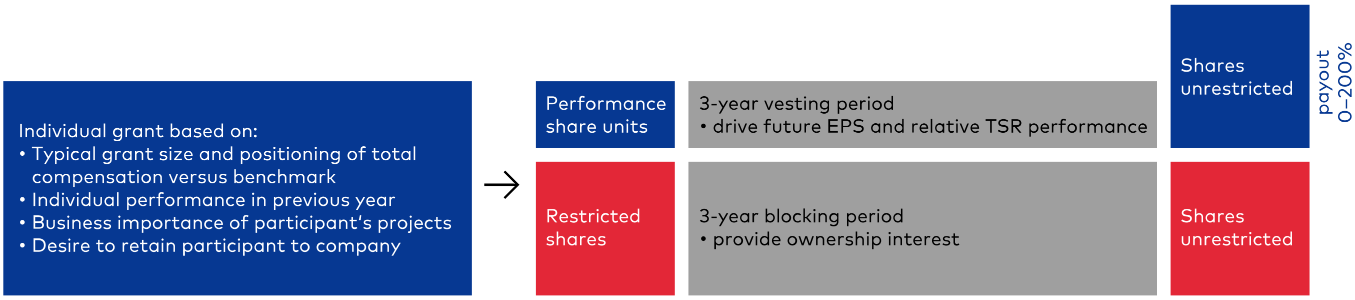
3.2 Long-term incentive

The purpose of the long-term incentive is to give the EC 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), EC members are awarded restricted shares and performance share units 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 predefined 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 EC 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 EC 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 EC members and other members of Senior Management, which is subject to approval by the Compensation Committee. For the CEO, the Compensation Committee Chair formulates a proposal that is subject to the approval of the Compensation Committee. Starting with financial year 2018/19, the long-term incentive grant size is determined as a monetary amount (in previous years: 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 EC members (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) and the relative Total Shareholder Return (TSR) of the company over the three-year performance period. The vesting level 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).

The TSR performance condition has been introduced in the long-term incentive plan starting with the grant in September 2018. TSR is measured relative to companies of the Swiss Market Index Mid (SMIM) and provides for a full vesting for median performance. The EPS growth target is 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 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 and relative TSR).

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 or retirement, restricted shares remain blocked and the performance share units are subject to a pro rata vesting at the regular vesting date. In case of disability, 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 based on a performance assessment by the BoD (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.

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

Starting with the long-term incentive 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 will be awarded in form of performance share units and half of the grant will be awarded in form of restricted shares. Further, the long-term incentive awards will be subject to clawback and malus provisions. In certain circumstances, such as in case of financial restatement due to material non-compliance with financial reporting requirements or of fraudulent behavior or substantial willful misconduct, the BoD may decide to suspend the vesting or forfeit any granted long-term incentive award (malus provision) or to require the reimbursement of vested shares delivered under the long-term incentive (clawback provision).

4. Employment contracts

The EC members are employed under employment contracts of unlimited duration that are subject to a notice period of up to twelve months. EC members 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. The employment contracts of the EC members may include non-competition clauses for a duration of up to a maximum of two years. In cases where the company decides to activate the non-competition provisions, the compensation paid in connection with such non-competition provisions may not exceed the monthly base salary, or half of the total compensation, for a period of twelve months.

5. Shareholding ownership guideline

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

CEO	300% of annual base salary
EC member	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 BoD may, at its discretion, review the minimum ownership requirement.

6. Assessment of actual compensation paid to the EC in the 2018/19 financial year

In comparison to the previous year, total direct compensation (TDC) of the EC decreased by 12%. There are several factors that impacted the level of actual compensation paid to the EC in the 2018/19 financial year, which are summarized below.

- **Change in EC composition:** three former EC members are no longer reported in this financial year. All relevant compensation was reported in the Compensation Report for the financial year 2017/18. On the other side, one new EC member is reported on a full-year basis in this financial year versus pro rata in previous year.
- **Changes in currency exchange rates:** five members of the EC are paid in foreign currencies (three in Euros). Their compensation is converted into Swiss francs for the disclosure in this report. Due to the stronger Swiss franc against other major currencies compared to the previous year, especially with the Euro, the amounts disclosed in Swiss francs decreased even when the compensation amount in local currency has remained unchanged.
- **Base salary increases:** the base salary of one EC member was adjusted during the reporting year. The base salaries of the other EC members did not change compared to the previous financial year. The base salary increase amounts to 0.8% for the EC overall.
- **STI payout:** the STI payout formula is based on performance improvements versus previous year (and not on the achievement of budgeted targets). A payout of 111% of annual base salary (on average) for the EC members corresponds to the level of expected performance for the financial year 2018/19. The STI payout of the EC 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 EC members with global responsibility (CFO, CTO, CMO). All segment (COOs) contributed to the increased profitability compared to the previous year (increased EBITDA and EBIT as well as increased EBITDA margin and EBIT margin). All segments except AS AMER contributed to the organic sales growth of the Group. In the reporting year, the STI payout of EC members is 94% of annual base salary on average (previous year 84%). For the CEO, the STI payout is capped to 150% of annual base salary, as in previous year and as foreseen by the Article of Incorporation 24. Without applying the cap in both years, the STI amount in the reporting year would have been 8% higher than in the previous year.
- **LTI grant in September 2018:** the long-term incentive grant size was determined as monetary amount for the first time (previous year: number of shares). To determine the grant size following the change, the historical grant value as well allocation criteria that were in place for several years (described under section 3.2) such as individual performance in previous year, strategic importance of the projects under responsibility, position against benchmark and retention need were considered. Based on those factors and on the individual performance (achievement of strategic priorities in the year preceding the grant date), the LTI grant size of the CEO and one other EC member was increased compared to previous year, while it was decreased for two EC members. For the other EC members, the LTI grant size remained unchanged compared to previous year. The strategic priorities of the CEO for financial year 2017/18 (considered for determining the grant size in the reporting year) are detailed below and have been implemented successfully.

Strategic priorities of the CEO (financial year 2017/18)*

Business performance	Achieve business performance
Business development	Ensure post-merger integration of the acquired businesses according to plan. Selectively establish further acquisitions/divestments in accordance with the defined strategic priorities
Group innovation	Drive the digitization initiatives (cloud-based solutions) and strengthen the Information Security Management System (ISMS)
Supply chain management	Deliver the defined procurement savings and execute the defined lean and Industry 4.0 projects
Organization	Ensure succession plans for key positions, strengthen leadership teams and develop/retain key talents. Conduct dorrmakaba dialogue (global all-employees engagement program)

* This information is disclosed in summarized form for confidentiality reasons

The performance share units granted under the long-term incentive in September 2015 vested in September 2018 based on the EPS growth over the three-year vesting period at a vesting level of 102.9%. The share price at vesting amounted to CHF 713.00 compared to CHF 653.00 at grant.

Variable compensation forms a major part of total direct compensation (TDC). The percentage of overall compensation paid to the EC as variable compensation in the reporting year was 67% (excluding benefits and social security contributions) and remained stable (previous year 64%). Variable compensation paid out in shares accounted to 32% of TDC (previous year 30%), 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 2017, the shareholders approved a maximum aggregate amount of CHF 19,500,000 for the EC for the financial year 2018/19. The compensation effectively awarded of CHF 12,915,283 is within the limits approved by the shareholders.

As at 30 June 2019, in compliance with the Articles of Incorporation, there were no outstanding loans or credit facilities between dormakaba and current or former EC members, or parties closely related to them. Investments held by EC members or related persons (including conversion and option rights) – if any – are listed here.

Compensation to the BoD and EC

Financial year 2018/19

	Compensation [1]				
	Basic compensation	Additional compensation (committees, special tasks)	Social benefits	Total (CHF)	of which in shares (CHF) [2]
BoD					
Birgersson Jens (since 2018 AGM)	113,333	–	–	113,333	53,233
Brecht-Bergen Stephanie	170,000	–	–	170,000	103,430
Cadonau Riet (since 2018 AGM) Chair of the Board	–	–	–	–	–
Chiu Elton SK (until 2018 AGM)	56,667	–	3,892	60,559	26,271
Daeniker Daniel Chair Audit Committee	170,000	60,000	16,019	246,019	79,504
Dörig Rolf Vice-Chair of the Board (until 2018 AGM) Chair Compensation Committee Member Nomination Committee	170,000	68,333	16,618	254,952	79,504
Dubs-Kuenzle Karina	170,000	20,000	13,201	203,201	79,504
Graf Ulrich (until 2018 AGM) Chair of the Board Chair Nomination Committee	190,000	6,667	10,560	207,227	79,753
Gummert Hans Member Audit Committee Member Compensation Committee Member Nomination Committee	170,000	137,149	–	307,149	79,504
Heppner John	170,000	13,333	–	183,333	83,727
Hess Hans Vice-Chair of the Board (since 2018 AGM) Lead Independent Director (since 2018 AGM) Chair Nomination Committee (since 2018 AGM) Member Audit Committee Member Compensation Committee	170,000	78,333	17,738	266,072	79,504
Mankel Christine	170,000	–	–	170,000	125,682
Total BoD	**1,720,000**	**383,816**	**78,030**	**2,181,845**	**869,618**

1) Compensation for the employer representatives on the Swiss pension fund (Ulrich Graf, Rolf Dörig, Karina Dubs-Kuenzle) of CHF 20,000 p.a. each and compensation for the membership of the Supervisory Board of dormakaba Holding GmbH + Co. KGaA and ISEO (Hans Gummert) of CHF 102,149 are included in the compensation (additional compensation). Business expenses are not included. For Mr Gummert the additional compensation is paid in EUR and remains stable vis-à-vis the previous year, however, fluctuates in CHF due to currency exchange.

2) The compensation for the reporting period is paid out in three installments (November 2018, Mai 2019 and November 2019). Shares are awarded based on a fixed monetary amount of CHF 240,000 for the Chair of the Board (until AGM 2018) and CHF 80,000 for the other Board members. The average of the closing share prices of the last five trading days in the month prior to the payment is used to determine the number of shares allocated (CHF 703.70 for the shares transferred in November 2018 and CHF 767.30 for the shares transferred in May 2019).

	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	
EC								
Cadonau Riet	832,008	140,914	972,922	1,275,000	1,184,696	346,350	2,806,046	3,778,968
Other EC	2,819,911	798,191	3,618,102	2,565,392	2,273,293	679,528	5,518,213	9,136,315
Total EC	**3,651,919**	**939,105**	**4,591,024**	**3,840,392**	**3,457,989**	**1,025,878**	**8,324,259**	**12,915,283**

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 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 23,759 for the CEO and CHF 413,302 for the other EC members.

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

5) In accordance with his employment contract from 2011, the CEO receives a guaranteed allocation of 550 shares (worth CHF 391,254) which are blocked for three years. These shares are not yet included in the shares held as of 30 June 2019 as listed in the table 'Shares held by BoD and EC'. However, they have been included in the long-term incentive compensation figure with a share price of CHF 711.37 (average closing price of May/June 2019).

Financial year 2017/18

	Compensation [1]				
	Basic compensation	Additional compensation (committees, special tasks)	Social benefits	Total (CHF)	of which in shares (CHF) [2]
BoD					
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-Chair 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 Chair 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 BoD	**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 BoD 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 BoD Chair 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 BoD Chair 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	
EC								
Cadonau Riet	832,008	146,263	978,271	1,275,000	934,408	331,102	2,540,510	3,518,781
Other EC	3,598,406	1,054,874	4,653,280	2,902,258	2,687,999	885,318	6,475,575	11,128,855
Total EC	**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 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 EC members.

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

6) In accordance with his employment contract from 2011, 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 June 2018 as listed in the table 'Shares held by BoD and EC'. 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).

Shares held by BoD and EC

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

Number of shares	Financial year ended 30.06.2019	Financial year ended 30.06.2018
BoD		
Birgersson Jens	52	
Brecht-Bergen Stephanie	190,117	189,958
Cadonau Riet [1]	4,730	
Chiu Elton SK		773
Daeniker Daniel	1,532	1,424
Dörig Rolf	2,471	2,363
Dubs-Kuenzle Karina	99,591	99,483
Graf Ulrich		6,148
Gummert Hans	587	479
Heppner John	743	626
Hess Hans	1,468	1,360
Mankel Christine	190,193	190,005
Total BoD	**491,484**	**492,619**
EC		
Berninger Alwin	80	-
Brinker Bernd	974	550
Cadonau Riet [1]	4,730	4,330
Gaspari Roberto	3,259	2,576
Häberli Andreas	1,872	1,505
Jacob Christoph [2]		132
Kincaid Michael	1,166	1,012
Lee Jim-Heng	1,829	1,396
Lichtenberg Jörg	532	318
Malacarne Beat [2]		867
Sichelschmidt Dieter [3]		
Zocca Stefano	1,809	1,494
Total EC	**16,251**	**14,180**

1) As of 23 October 2018, both a BoD and an EC member, therefore displayed in both groups for the years of membership

2) EC member until 30 June 2018

3) EC member until 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 2019. 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 122 to 126 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.

Opinion

In our opinion, the Compensation Report of dormakaba Holding AG for the year ended 30 June 2019 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, 6 September 2019

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Information for investors as at 30 June 2019

			dormakaba Group		Kaba Group
CHF million, except where indicated	2018/19	2017/18	2016/17	2015/16	2014/15
Net sales	**2,818.3**	**2,841.0**	**2,520.1**	**2,302.6***	**1,085.2**
Organic growth in %	1.3	2.6	4.3*	2.3*	5.4
Earnings before depreciation and amortization (EBITDA)	**448.0**	**431.0**	**387.3**	**332.7***	**170.2**
EBITDA in % of net sales	15.9	15.2	15.4	14.4*	15.7
Earnings before interest and tax (EBIT)	**375.0**	**364.3**	**327.0**	**278.2***	**145.0**
EBIT in % of net sales	13.3	12.8	13.0	12.1*	13.3
Net profit 1)	**252.5**	**238.7**	**224.6**	**117.2***	**98.9**
Net profit in % of net sales	9.0	8.4	8.9	5.1*	9.1
Net profit after minorities	**131.8**	**123.8**	**116.4**	**60.4***	**98.4**
Basic earnings per share (in CHF)	31.6	29.6	27.8	14.4*	25.6
Diluted earnings per share (in CHF)	31.5	29.5	27.7	14.4*	25.6
Dividend per share (in CHF)	16.00 2)	15.00	14.00	12.00	12.00
Payout ratio in % 3)	50.3	50.2	50.3	54.6*	51.2
Cash generated from operations	372.8	367.2	354.7	327.6	149.1
Net cash from operating activities	**280.7**	**268.9**	**265.3**	**255.3**	**104.3**
Net cash from operating activities in % of net sales	10.0	9.5	10.5	12.1	9.6
Net cash used in investing activities	–67.8	–231.8	–964.5	13.5	–142.5
Free cash flow (net) before dividend	212.9	37.1	–699.2	268.8	–38.2
Net cash flows from financing activities	–223.9	–129.8	654.1	–213.2	111.4
Of which dividends paid	–62.2	–58.6	–50.4	–240.7	–41.8
Personnel expenses	1,055.1	1,045.6	933.3	792.6	406
Average number of full-time equivalent employees	15,811	16,433	16,250	15,779	8,948
Total assets	**1,909.0**	**1,982.3**	**1,909.0**	**1,579.3**	**734.3**
Total assets in % of net sales	67.7	69.8	75.8	68.6*	67.7
Property, plant and equipment in % of net sales	16.5	16.1	16.4	14.3*	14.3
Inventories in % of net sales	16.1	15.2	16.3	15.8*	16.2
Receivables in % of net sales	17.7	17.7	18.3	17.5*	17.1
Net working capital 4)	**753.2**	**705.7**	**648.0**	**583.1**	**267.6**
Net working capital in % of net sales	26.7	24.8	25.7	25.3*	24.7
Net debt	**651.4**	**701.2**	**627.6**	**–159.1**	**–121.2**
Net debt/EBITDA	1.5	1.6	1.6	–0.5*	–0.7
Interest coverage (EBITDA / interest expense, net)	11.0	10.5	25.0	40.6*	29.9
Shareholders' equity	**258.5**	**187.0**	**183.1**	**680.5**	**442.1**
Return on equity (ROE) in %	97.7	127.6	122.7	17.2*	22.4
Shareholders' equity per share (in CHF)	61.8	44.6	43.5	162.0	114.9

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

2) In 2018/19: 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.

4) In 2018/19, the definition of the net working capital was aligned with the internal and the segment reporting. In order to enable a fair comparison with the current-year data, all prior year information has been adjusted. dormakaba defines net working capital as trade receivables plus inventories, minus the sum of trade payables, advances from customers and deferred income.

* Pro forma based (other items as reported)

Information for investors per share data

		dormakaba Group				Kaba Group
		2018/19	2017/18	2016/17	2015/16	2014/15
Capital stock						
Registered shares at CHF 0.10 par value	No	4,200,026	4,200,026	4,200,026	4,195,026	4,195,026
Outstanding shares at end of financial year	No	4,145,317	4,187,243	4,177,588	4,190,963	4,184,261
Weighted average number of shares outstanding (diluted)	No	4,179,989	4,195,507	4,208,743	4,200,816	3,848,787
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 (registered)	No	9,195	8,874	7,525	7,181	6,683
Figures per share (fully diluted)						
EBITDA per share (Group)	CHF	107.2	102.7	92.0	79.2 *	44.2
Earnings per share (Group)	CHF	31.5	29.5	27.7	14.4 *	25.6
Shareholders' equity per share (Group)	CHF	61.8	44.6	43.5	162.0	114.9
Price per share						
– high	CHF	781.5	1,001.0	888.0	693.5	630.0
– low	CHF	579.0	674.0	659.0	543.0	413.8
– 31 December	CHF	593.0	907.5	757.0	683.5	502.5
– 30 June	CHF	707.5	694.5	833.0	679.5	556.5
Market capitalization						
– high	CHF m	3,239.6	4,191.4	3,709.7	2,906.4	2,636.1
– low	CHF m	2,400.1	2,822.2	2,753.0	2,275.7	1,731.4
– 30 June	CHF m	2,932.8	2,908.0	3,479.9	2,847.8	2,328.5
Dividend yield						
– low	%	2.0 [1]	1.5	1.6	1.7	1.9
– high	%	2.8 [1]	2.2	2.1	2.2	2.9

1) In 2018/19: 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)

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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:

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- the effects and risks of new technologies,
- the company's continuing capital requirements,
- financing costs,
- delays in the integration of mergers 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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Imprint

Editor dormakaba Holding AG, www.dormakaba.com
Project lead Christian Thalheimer, Deputy Vice President External Communications

Design NeidhartSchön AG, Dorfstrasse 29, 8037 Zurich, www.neidhartschoen.ch
Technical Implementation ns.wow by Multimedia Solutions AG, Dorfstrasse 29, 8037 Zurich, www.mmssolutions.ch
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Rümlang/Switzerland, 6 September 2019

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