dormakaba Holding AG

Annual Report

Group Management Report, financial statements, governance and compensation

Financial Year

2019/20

dormakaba

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Group Management Report

Dear Shareholders,

Financial year 2019/20 was a year of two very different halves, which is reflected in our business performance and results. Whereas the first half-year was largely in line with expectations, the outbreak and spread of Covid-19 led to an unprecedented slump in business activity from February 2020 to the end of our financial year.

Riet Cadonau, Chairman & CEO

The resulting worldwide crisis has been unique, with both supply and demand heavily impacted at the same time in almost all industries, and it has forced companies, governments, and communities to take extensive, unparalleled measures. The pandemic and related restrictions – particularly the government-mandated blanket lockdowns – had a substantial negative effect on our business, leading to supply chain issues and a significant reduction in sales. Owing to our global presence in procurement, production and sales, dormakaba was affected by these measures right from the beginning.

Our top priorities throughout this pandemic have been business continuity and the health and safety of all our employees. Our company was early to implement a comprehensive crisis management with the aim to ensure that all employees remain safe and at the same time to minimize the impact on our business operations and supply chains, and thus on our customers. In addition, we also adjusted our financial management in order to retain our entrepreneurial flexibility and financial stability at all times.

Over the past months, many of our employees have worked under challenging conditions in production, logistics, and services to maintain the supply chain to our customers, others have been working under unfamiliar circumstances in the field or in home-office. I remain impressed with the way our employees are handling these challenges and continuing our business, but I am not surprised. Over the past years since the merger, we have attached great importance to building a strong corporate culture. In February 2020, shortly before the worldwide spread of Covid-19, we conducted our second worldwide employee survey "dormakaba dialogue", to once again measure enablement and engagement of our employees. 80% of our employees used the opportunity to provide feedback. The global results show positive development across all 25 survey items against the first survey in 2018. One key strength continues to be that employees show a high level of commitment toward the dormakaba values in their ways of working, and that employees feel a strong sense of community in being "one dormakaba". While there is still room for improvement, a sound culture is a strong asset to help us navigate these challenging times. Please read more on dormakaba dialogue in our 2019/20 Sustainability Report.

Since our merger in 2015, we have significantly improved our risk profile. Our company has gained scale, while remaining financially flexible and noticeably expanding our product portfolio and global presence. Therefore, today, we are well-positioned with our wide range of products, solutions, and services to address customer demand for smart and secure access to buildings and rooms. This includes the demand emerging from the pandemic for example in the area of seamless and touchless access solutions.

Nevertheless, it is evident that the Covid-19 pandemic will continue to impact our environment and business activities for the time being. Mastering the effects of the pandemic and doing everything that we can for dormakaba to come out stronger will be a marathon, not a sprint. It is inevitable that we have to reduce costs. To achieve this, various measures have already been taken to adjust capacities and costs in all segments and on corporate level. Unfortunately, measures also include a reduction of our global workforce. We do not do so lightly – however, to stay a healthy company with a solid financial profile, we need to take these steps.

At the same time, we also need to invest to ensure business continuity, future competitiveness, and long-term profitable growth in the post-Covid-19 period. Our sound business and financial profile has enabled us to consistently execute initiatives to achieve our key strategic objectives even during the current crisis. It also allows us continued investment activity. While projects have been assessed again and re-prioritized, dormakaba continues to invest in innovation, digital transformation, and sustainability. Further, we intend to remain an active participant in the industry consolidation, which is likely to gain momentum again after the pandemic.

Business performance and results impacted by Covid-19
Following organic sales growth in the first half of financial year 2019/20 of 0.8% with an EBITDA margin at 15.5%, our company recorded negative organic sales growth of 14.3% and an EBITDA margin of 9.6% for the second half-year as a result of the Covid-19 pandemic. Consequently, results for the financial year 2019/20 as a whole were significantly lower than the previous-year figures, with organic sales growth of –6.9% and an EBITDA margin of 12.8%. Beyond that, the strengthening of the Swiss franc over the course of the financial year had an additional negative currency translation effect on sales and EBITDA.

While all segments added to the decline in operating results, their performance varied. Segment performance in the second half of 2019/20 was overshadowed by the severity of the pandemic in individual countries. The sales decline was therefore most pronounced in the Key & Wall Solutions segment where in the Key Systems business unit all major production sites and end markets were impacted by Covid-19. However, even in this difficult business environment, the Movable Walls business unit was able to achieve organic sales growth and an improvement in profitability, which was driven by strong volume growth in the US market. Access Solutions (AS) APAC was hit first timewise by Covid-19, and countries within this segment like India experienced a 90% decline in sales between April and June 2020 versus the previous year period. There was a strong negative impact on AS AMER as well. AS DACH was least impacted by the regional lockdown, with Switzerland and Germany even experiencing organic sales growth for the full year 2019/20, while the impact on AS EMEA was somewhere in-between.

To further address the ongoing Covid-19 pandemic-related substantial volume contraction and to maintain operational and financial efficiency, dormakaba has initiated a Group-wide cost savings and restructuring program in the fourth quarter of 2019/20. Measures include a sizeable headcount reduction, mainly in manufacturing in Asia and the Americas, to adjust capacities due to lower demand. Overall, up to 1,300 full-time equivalents are affected, of which around 900 were already reduced by the end of June 2020. Costs of the program are expected to amount to CHF 26 million, of which CHF 12 million have already been expensed in financial year 2019/20.

Net profit was 35.0% lower compared to the previous year at CHF 164.1 million, primarily because of the decline in operating profit. Based on an unchanged dividend policy to envisage a payout ratio of minimum 50% of consolidated net profit after minority interests, the Board of Directors proposes that CHF 10.50 per share be paid out for the financial year 2019/20, down from the CHF 16.00 per share paid for the previous year. The reduction in dividend is in line with the decline in net profit.

Early in the pandemic, dormakaba introduced measures aimed at improving cash flow, following the "cash is king" principle. One particularly successful measure was to reduce outstanding trade receivables by more than CHF 100 million. This has led to a noteworthy improvement in net working capital and supported net debt development from CHF 836.1 million as of 31 December 2019 to CHF 667.7 million as of 30 June 2020. Leverage (ratio of net debt to EBITDA) thus remained solid at 2.1x despite the strain caused by the crisis. Another key element of dormakaba's financial stability is the availability of sufficient committed credit lines. These are solid, with an unused amount of more than CHF 500 million at the end of the financial year 2019/20.

Continued strong focus on sustainability

The Covid-19 pandemic illustrates how important sustainability factors like health at workplaces and social responsibility are for our company and our communities. At the same time, we continue to face a global climate challenge with serious impacts for people and all the natural systems that sustain us. In the face of these interconnected challenges, we cannot afford only to tackle one or the other. We can – and must – tackle both. That is why dormakaba committed to fostering sustainable development along our value chain in line with our economic, environmental, and social responsibilities, and to the UN Sustainable Development Goals. Despite the challenges and disruptions brought by the pandemic we have remained steadfast in our sustainability activities and have again made good progress on achieving our communicated targets. Please find detailed information on our sustainability initiatives in our 2019/20 Sustainability Report.

In the period under review, we have also strengthened our sustainability governance by developing and bringing into force a Sustainability Charter, which clearly outlines the responsibilities and contributions expected from all levels of the business. For example, accountabilities are now also attributed on Board of Directors' level, with the Chairman being mandated to monitor and evaluate the implementation of the sustainability strategy and the sustainability risks and opportunities.

Our efforts and progress in sustainability have been acknowledged by independent experts in this field. In December 2019, we have been awarded a gold medal for sustainability by EcoVadis, placing us in the top 5% of our assigned sector.

Changes in the Executive Committee

In the period under review, we announced various changes in the Executive Committee. As of 1 January 2020, Steve Bewick (53) has taken over as Chief Operating Officer for the segment AS EMEA. After joining our company on 1 April for a three-month onboarding period, Alex Housten (39) has taken over as Chief Operating Officer for the segment AS AMER as of 1 July 2020. In addition, with Chief Manufacturing Officer Jörg Lichtenberg leaving dormakaba on 30 June 2020, it was decided to discontinue the Chief Manufacturing Officer role. Over four years after the merger, the company's new operating model is well established which allows management to reassign the Chief Manufacturing Officer's respective responsibilities within the organization.

Sabrina Soussan new Chief Executive Officer as of 1 April 2021

Following a thorough search process, the Board of Directors has appointed Sabrina Soussan to be my successor as Chief Executive Officer. She combines strong leadership and interpersonal skills, profound industrial knowledge and a successful track record of growing businesses profitably. Along with my colleagues of the Board of Directors, I am convinced that, with her global business experience, her know-how in the field of technology and her drive for innovation as well as her authentic personality, she is an excellent fit for dormakaba and has everything it takes to successfully advance our business. With a view to ensuring a smooth transition, Sabrina Soussan will join dormakaba at the beginning of 2021 as a member of the Executive Committee and assume the CEO function on 1 April 2021. With this, in line with previous communications, my dual mandate as Chairman and CEO will end.

Annual General Meeting on 20 October 2020

As announced in September 2019, Rolf Dörig, member of the Board of Directors of dormakaba since 2004 and Vice-Chairman from 2006 to 2018, has decided to retire from the Board at the next Annual General Meeting on 20 October 2020. The Board of Directors is proposing John Liu to be elected as a new member. Over the course of his career, John Liu held several leadership positions in businesses driven by digitalization and thus is a recognized digital technology expert with in-depth knowledge of Asian markets. All other members of the Board of Directors will stand for re-election for another one-year term of office, with myself as Chairman and Hans Hess as Vice-Chairman and Lead Independent Director.

Outlook

Financial performance in the months of June and July 2020 indicate an improvement of the economic environment for dormakaba's businesses compared with the very weak months of April and May 2020. While some important countries for dormakaba continue to suffer from negative Covid-19 impacts, other important countries show resilience and an improved business performance.

However, due to the ongoing Covid-19 pandemic, global business visibility is still very limited. Geopolitical risks like the ongoing trade conflicts create additional uncertainty.

Under the assumption that Covid-19 or geopolitical tensions will not create additional significant deterioration of the business environment, dormakaba expects for the first quarter of financial year 2020/21 to outperform financial results of the fourth quarter of 2019/20, both in terms of organic growth and EBITDA margin. Based upon the same framework, expectation for the first half of financial year 2020/21 is to outperform second half of financial year 2019/20.

Due to the lack of visibility to the further course of business dormakaba does not provide any additional financial and business guidance for the financial year 2020/21 and beyond.

Thanks

The past financial year was an unprecedented year for all of us. The Covid-19 pandemic has significantly affected the way we live, work, and interact with each other. I want to thank our team – the Board of Directors, the Executive Committee and all dormakaba employees – for their steadfast focus in navigating dormakaba through these challenging times as a healthy, stable company.

On behalf of the Board of Directors and the Executive Committee, I thank our customers and partners for the continued productive collaboration and the openness to interact in new ways. Our thanks also go to all shareholders who continue to support dormakaba. We appreciate that even in these challenging times you are endorsing the strategic direction of dormakaba. I am confident that dormakaba has the strong foundation necessary to continue mastering this ongoing crisis while enhancing future competitiveness and long-term profitable growth.

Stay healthy.

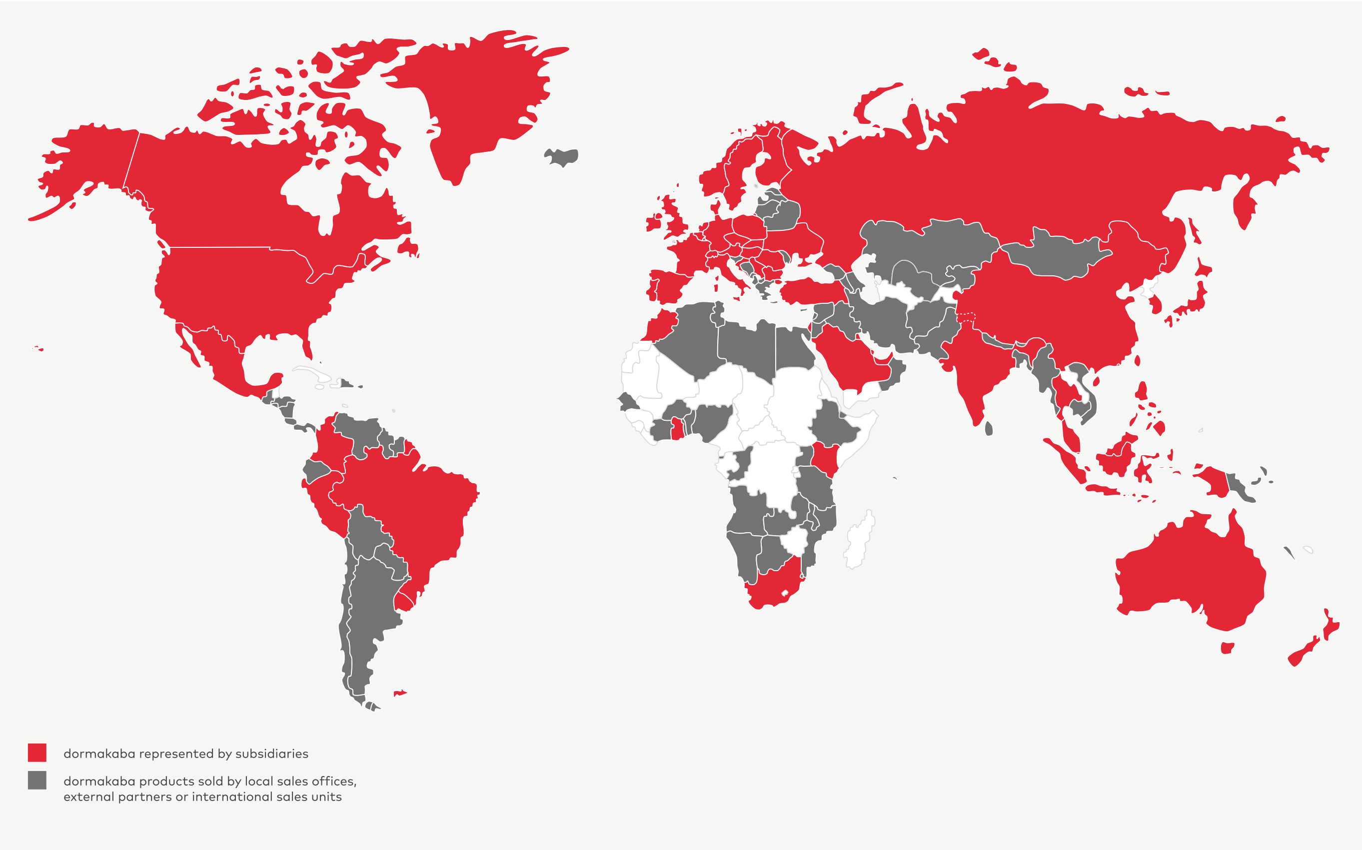
Sincerely yours,

Riet Cadonau
Chairman & CEO

2019/20 in brief

- Consolidated net sales of CHF 2,539.8 million
- Organic sales decrease of 6.9%
- EBITDA reaches CHF 325.0 million, with an EBITDA margin of 12.8%
- Net profit of CHF 164.1 million
- Dividend proposal of CHF 10.50 per share in accordance with dividend policy

dormakaba worldwide



Segment Access Solutions AMER

Organic sales and profitability heavily impacted by Covid-19 pandemic

Operational performance

AS AMER achieved total sales of CHF 755.3 million in the financial year 2019/20. Organic sales decreased 8.1% compared to the previous year. Segment EBITDA reached CHF 128.1 million (previous year CHF 168.1 million), the EBITDA margin was at 17.0% (previous year 20.6%).

While the business recorded organic growth in the first half of financial year 2019/20, organic sales and profitability were heavily influenced by the Covid-19 pandemic in the second half. Impact was driven by the contraction of operational capacity that came as a result of government-mandated manufacturing site closures and restrictions on manufacturing employee density. While in the United States these impacts were short in duration, the manufacturing sites in Canada, Mexico, and Brazil experienced material, unfavorable capacity impact in the period. In addition to capacity impact, the Covid-19 pandemic resulted in increased shipping costs and challenges with supply chain component availability.

The segment's performance was still impacted by challenges in its hollow metal door business (Mesker), which continued to affect both the top line and profitability. While the technical issues had been resolved early on in the period under review, the business performance remains under pressure, as Covid-19 risk management measures slowed efforts.

Despite favorable price realization, procurement savings, a positive M&A effect from the acquisition of Alvarado, as well as cost measures including lower discretionary spending and reduced personnel costs, the strong volume contraction resulted in a lower EBITDA margin.

As part of the Group-wide cost savings and restructuring program to address the ongoing Covid-19 pandemic-related substantial volume contraction and to maintain operational and financial efficiency, AS AMER in the fourth quarter of financial year 2019/20 has initiated specific measures to adjust capacities and costs. Measures include a reduction of around 150 full-time equivalents. This comprises responsible and necessary headcount reductions across multiple AS AMER entities with the objective to shift job duties and to automate processes and the further consolidation of smaller manufacturing and distribution sites, while maintaining commitment to key strategic priorities such as new digital product development and the advancement of the dormakaba brand.

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Market development

In the first half of 2019/20, growth in AS AMER was driven by Door Hardware, Safe Locks, Interior Glass Systems, and the Lodging Systems business in North America. Latin America contributed to growth as well, driven by an improvement in Mexico.

However, sales in the second half of 2019/20 were heavily impacted by the Covid-19 pandemic. Revenue contracted for all countries and product clusters, as sales development was harmed by project execution constraints resulting from lockdowns in individual locations. Markets experienced sequential order rate improvement beginning in April 2020 and extending through the end of the reporting period. While construction site activities in the US resumed normal levels by the end of the financial year 2019/20, US interstate travel restrictions continue to limit service and installation activities.

Beyond Door Hardware and Electronic Access & Data, which were negatively impacted most in terms of volume by the Covid-19 pandemic, the Lodging Systems business has experienced notable impact, as this product cluster is tightly connected to the strength of the hospitality industry. However, given the segment's innovative Lodging product portfolio, including wireless devices and mobile key solutions, as well as touchless solution synergies with other product cluster offerings, dormakaba is well positioned to support health-oriented hotel facility improvement and participate in market recovery.

Outlook

Assuming no further disruptions related to Covid-19, AS AMER expects a sequential improvement in the first quarter of financial year 2020/21 versus the fourth quarter of financial year 2019/20. However, there will be still a negative impact of Covid-19 in financial year 2020/21. Therefore, sales for the first half of financial year 2020/21 will be below previous year's period which was not affected by Covid-19.

The segment will continue to drive operational efficiency and reduce its cost base to compensate for lower demand. Initiatives to maximize benefits of scale and assure integration synergies will be prioritized, as these steps also support positive capability development to serve customers.

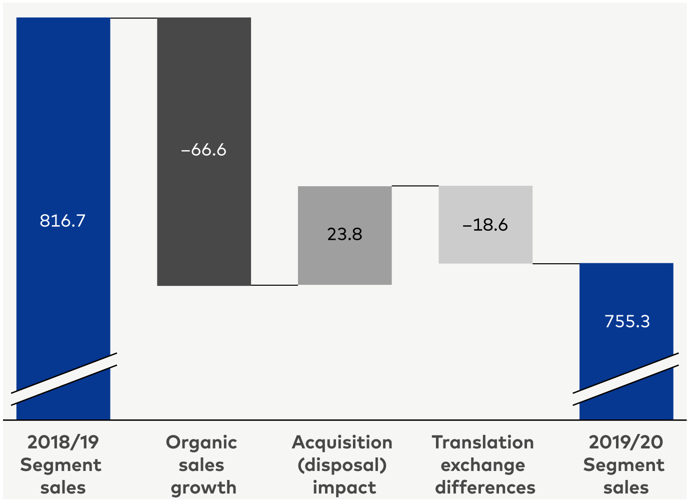
The Covid-19 era will disrupt customary practices in the access solutions marketplace. Access and credentialing policies across all vertical end markets will be strengthened, with emphasis on adaptability, versatility, and health. As such, the segment believes it is well-equipped with key products and interoperable solutions to realize the growth potential in the area of seamless and touchless access solutions. Furthermore, the segment is expected to capitalize on targeted technology investments made over recent years with successful launch of new and innovative products. The most recent example is Switch Tech, a highly durable, digital lock replacement for small-format interchangeable cores. This device replaces a traditional mechanical lock cylinder and extends electronic access control and mobile credentials to the simple mechanical doorway.

Alex Housten assumed responsibility as COO of AS AMER on 1 July 2020 after an onboarding period of three months. He and his team will focus on strategic investments and efficiencies to support sustainable profitable growth. In addition, priorities will be to further strengthen relationships with key customers and build the dormakaba brand reputation and trust in the key market USA.

Key figures - segment AS AMER

CHF million, except where indicated	Financial year ended 30.06.2020	%	Financial year ended 30.06.2019	%	Change on previous year in %
Net sales third parties	720.4		783.7		–8.1
Intercompany sales	34.9		33.0		
Total segment sales	**755.3**		**816.7**		**–7.5**
Change in segment sales	–61.4	–7.5	–11.7	–1.4	
Of which translation exchange differences	–18.6	–2.3	12.8	1.6	
Of which acquisition (disposal) impact	23.8	2.9	–10.0	–1.2	
Of which organic sales growth	**–66.6**	**–8.1**	**–14.5**	**–1.8**	
Operating profit before depreciation and amortization (EBITDA)	**128.1**	**17.0**	**168.1**	**20.6**	**–23.8**
Average number of full-time equivalent employees	2,811		2,875		

Segment sales (in CHF million) - AS AMER



Segment Access Solutions APAC

Despite strong negative impact from Covid-19 pandemic on sales, EBITDA margin kept at a good level

Operational performance

AS APAC achieved total sales of CHF 402.4 million in the financial year 2019/20. Organic sales for the full financial year 2019/20 were 8.5% below previous year's level as the second half of 2019/20 was severely impacted by the outbreak of the Covid-19 pandemic. Segment EBITDA reached CHF 54.8 million, which is 20.5% lower than a year earlier (CHF 68.9 million). Nevertheless, the EBITDA margin was at 13.6% (previous year 14.9%) as effective cost management, reduction of personnel expenses, efficiency improvements, and a favorable product mix could to some extend offset the negative effects of substantially lower volume.

As part of the Group-wide cost savings and restructuring program to address the ongoing Covid-19 pandemic-related substantial volume contraction and to maintain operational and financial efficiency, AS APAC has initiated specific measures to adjust capacities and costs. Measures impact all regions of AS APAC and will include a reduction of around 500 full-time equivalents, most of this being effective already at the end of financial year 2019/20.

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Market development

In AS APAC, the second half of the financial year 2019/20 was heavily impacted by the Covid-19 pandemic and its fallout.

The major impact in the third quarter of 2019/20 came from China, where the lockdown in various provinces had a strong negative impact on local demand, whereas production and supply chain could be maintained at a reasonable level. The commercial business, which is a major driver for the segment's performance in China, held up well in 2019/20 versus a strong basis from previous year despite the Covid-19 impact. Therefore, organic sales for China for the financial year 2019/20 were only slightly below previous year.

In the fourth quarter of 2019/20, all major markets across ASEAN region were severely impacted by Covid-19, which not only led to lower local demand but also to bottlenecks in production and supply chain. The biggest negative impact for the business from Covid-19 was attributable to region South Asia, especially India. Fourth quarter sales of our organization in India came close to a standstill being down by roughly 90% compared to previous years' level. However, the Pacific region and particularly Australia have yet been less affected by the impact of Covid-19 and even experienced organic sales growth for the financial year 2019/20, with growth supported by a strong Services business.

Similarly to previous year, sales were still impacted by the ongoing trade conflict between China and the USA, which negatively affects dormakaba's OEM business in China (Wah Yuet) for the US market. AS APAC has initiated countermeasures such as starting to shift capacity to Chinese domestic customers and insourcing production to compensate the top-line shortfall.

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Outlook

Barring newer waves of Covid-19 outbreaks, AS APAC expects an improvement in the first half of financial year 2020/21 versus the second half of financial year 2019/20. However, there will be a continued negative impact of Covid-19 as some regions are still in lockdown respectively hit by a second wave of the coronavirus such as Australia. Therefore, sales for the first half of 2020/21 will be below a comparable base that was not affected by Covid-19.

The segment will continue to adjust its cost base to compensate for lower demand due to the fallout of the Covid-19 pandemic.

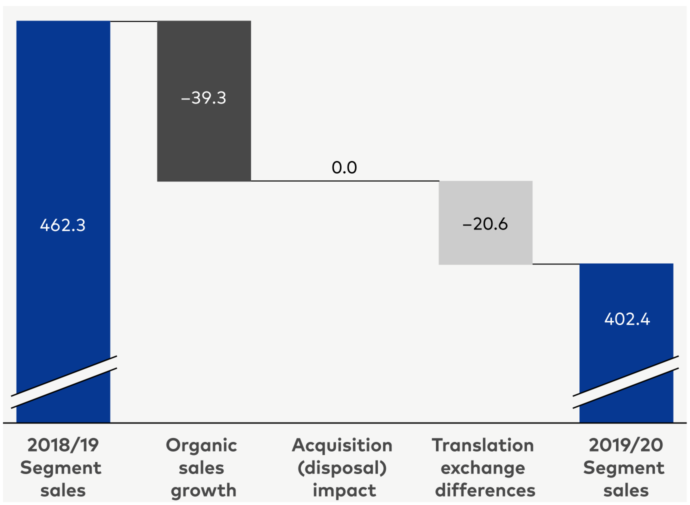
The segment will focus on new and innovative products, like dormakaba 9160, a new face recognition terminal, which can be easily integrated with automatic doors or physical access systems thus enabling touchless access to buildings and rooms. This terminal will be launched in China in the first half of the financial year 2020/21 and for further markets in the second half of 2020/21.

Another product particularly attractive for the Chinese market is IC 800, a cost-effective digital door lock with basic fingerprint functions for the retail and project channel which will be launched in the financial year 2020/21.

Key figures - segment AS APAC

CHF million, except where indicated	Financial year ended 30.06.2020	%	Financial year ended 30.06.2019	%	Change on previous year in %
Net sales third parties	378.2		435.8		–13.2
Intercompany sales	24.2		26.5		
Total segment sales	**402.4**		**462.3**		**–13.0**
Change in segment sales	–59.9	–12.9	–5.7	–1.2	
Of which translation exchange differences	–20.6	–4.4	–12.0	–2.5	
Of which acquisition (disposal) impact	0.0	0.0	–11.0	–2.4	
Of which organic sales growth	**–39.3**	**–8.5**	**17.3**	**3.7**	
Operating profit before depreciation and amortization (EBITDA)	**54.8**	**13.6**	**68.9**	**14.9**	**–20.5**
Average number of full-time equivalent employees	3,299		3,326		

Segment sales (in CHF million) - AS APAC



Segment Access Solutions DACH

Overall negative impact from Covid-19 pandemic

Operational performance

AS DACH generated total sales of CHF 791.9 million in the financial year 2019/20. Following moderate organic sales growth in the first half of 2019/20, the segment reported an organic sales decline of 3.5% for full financial year 2019/20 due to the negative impact of the Covid-19 pandemic.

EBITDA stood at CHF 129.3 million which represents a 15.8% decrease compared to previous year (CHF 153.6 million). The EBITDA margin was at 16.3% (previous year 17.8%). The segment was able to compensate the negative volume impact partly by benefiting from its performance-based program started in financial year 2018/19 to further improve competitiveness. This was supplemented by effective cost management, efficiency improvements, procurement savings, and final merger synergies.

As part of this performance-based program, the segment initiated profitability measures to improve its German site in Ennepetal such as strengthening the management and improving the supply chain as well as the level of automatization and flexibilization of production. In addition, it comprises opportunities to convert personnel from indirect to direct labor and the introduction of flexible production experts' teams. These initiatives will lead to headcount reduction of around 100 full-time equivalents by the end of financial year 2020/21.

As part of the Group-wide cost savings and restructuring program to address the ongoing Covid-19 pandemic-related volume contraction and to maintain operational and financial efficiency, AS DACH in the fourth quarter of financial year 2019/20 has initiated specific measures to adjust capacities and costs. It comprises the rightsizing of the German production facilities in Bad Salzuflen and Buehl to address lower volumes and price pressures in the market. Initiatives have already started in the financial year 2019/20 and will include headcount reductions of another around 100 full-time equivalents predominately until end of financial year 2021/22.

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Market development

The business experienced organic sales growth for the first nine months of the financial year 2019/20; the third quarter particularly benefited from the reduction of the backlog of project business in Germany. However, this could not offset the strong negative impact of the Covid-19 pandemic in the fourth quarter of financial year 2019/20, which particularly impacted April and May 2020, while June 2020 was on previous year's level.

Switzerland was able to deliver organic growth in the financial year 2019/20 which was driven by the Product Clusters Electronic Access & Data and Mechanical Key Systems. Sales in the German market were slightly above last years' level, whereas the segments' plants suffered from the global shortfall of intercompany demand due to Covid-19.

The Covid-19 impact was by far most pronounced for Austria, which experienced a decline in sales for the financial year 2019/20. This is due to the country's full lockdown during which major construction companies closed all sites for several weeks.

Since the Door Hardware production sites in Singapore, Melaka (Malaysia) and Suzhou (China) belong to AS DACH, there was a substantial negative impact on sales and margins for the segment because of lower intercompany demand for global door hardware products due to Covid-19, which impacted capacity utilization at these sites. On a more positive note, the segment was able to ensure its supply chain continuity despite several regional lockdowns at its major production sites.

Outlook

Assuming no further disruptions related to Covid-19, AS DACH expects a sequential improvement in the first quarter of financial year 2020/21 versus the fourth quarter of financial year 2019/20. However, there will be still a negative impact of Covid-19 due to lower global intercompany demand for its main product range. Therefore, sales for the first half of financial year 2020/21 will be below previous year's period which was not affected by Covid-19.

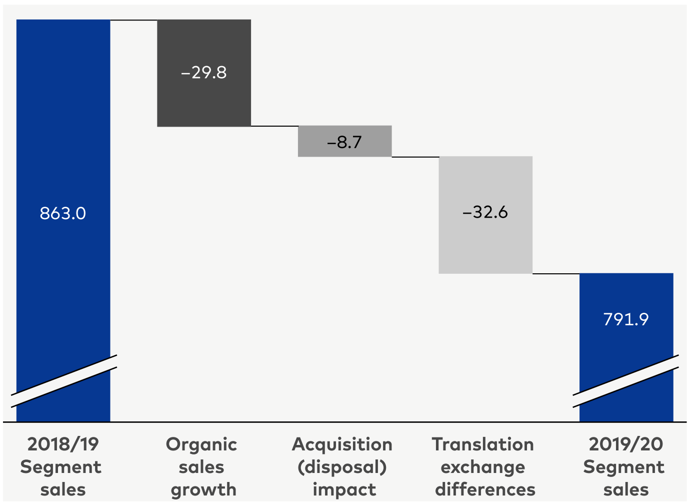
The segment expects to maintain its bottom line by efficiency improvements and benefits from its cost savings and restructuring programs as well as the execution of its performance-based program.

The segment will continue to focus on the introduction of new and innovative products such as the new self-boarding gate dormakaba ARGUS AIR. This product combines dormakaba's latest design-oriented sensor barriers (Argus) with biometric control allowing for touchless access and will be launched in the second quarter of the financial year 2020/21. In addition, the segment will introduce a new generation of highly performing sliding doors and strengthen, driven by current market demand, the marketing efforts on its product portfolio based on touchless access solutions.

Key figures - segment AS DACH

CHF million, except where indicated	**Financial year ended 30.06.2020**	**%**	**Financial year ended 30.06.2019**	**%**	**Change on previous year in %**
Net sales third parties	501.4		534.4		–6.2
Intercompany sales	290.5		328.6		
Total segment sales	**791.9**		**863.0**		**–8.2**
Change in segment sales	–71.1	–8.2	10.6	1.2	
Of which translation exchange differences	–32.6	–3.7	–12.9	–1.6	
Of which acquisition (disposal) impact	–8.7	–1.0	0.0	0.0	
Of which organic sales growth	**–29.8**	**–3.5**	**23.5**	**2.8**	
Operating profit before depreciation and amortization (EBITDA)	**129.3**	**16.3**	**153.6**	**17.8**	**–15.8**
Average number of full-time equivalent employees	3,452		3,481		

Segment sales (in CHF million) - AS DACH



Segment Access Solutions EMEA

Sales and profitability negatively impacted by Covid-19 pandemic

Operational performance

AS EMEA generated total sales of CHF 696.1 million in the financial year 2019/20. Organic sales for the full year were impacted by the Covid-19 pandemic with 5.7% below previous year's level despite organic growth during the first nine months of the financial year 2019/20. Segment EBITDA reached CHF 45.5 million, which is 19.8% lower than a year earlier (CHF 56.7 million).

The EBITDA margin reached 6.5% (previous year 7.3%). Volumes dropped substantially during the last four months of the financial year as a consequence of the Covid-19 pandemic. Strong cost management, reduction of personnel expenses (including furlough compensation and overtime reduction), efficiency improvements, and procurement savings could partly offset the negative volume impact.

As part of the Group-wide cost savings and restructuring program to address the ongoing Covid-19 pandemic-related volume contraction and to maintain operational and financial efficiency, AS EMEA has adjusted its market organizations with an overall headcount reduction of around 150 (around 5% of total AS EMEA headcount) through the consolidation of certain regional support functions and business model alignments.

Market development

AS EMEA experienced organic growth in the first nine months of the financial year 2019/20 which was driven by high single-digit growth rates in most markets in Central & Eastern Europe as well as double digit growth in Turkey. The UK and Benelux as well as South Europe also contributed to organic growth in the first nine months, the latter region with both solid product and project business activity in France.

All markets were to some degree negatively impacted by the Covid-19 pandemic during the last four months of financial year 2019/20. The Covid-19 impact was significant in South Europe in countries such as Italy, France and Spain, followed by UK and Benelux (where only Netherlands continued to achieve solid growth), in Middle East & Africa and Central & Eastern Europe (especially Russia), whereas the Covid-19 impact in Scandinavia was less pronounced. Even stable business activities such as Services were negatively impacted due to restricted access to customer premises during lockdown.

Overall, for the financial year 2019/20, the region Central & Eastern Europe continued to deliver solid growth in most markets except Russia. In addition, Saudi Arabia, Finland and Netherlands were other countries with growth despite Covid-19.

Outlook

Assuming no further disruptions related to Covid-19, AS EMEA expects a gradual improvement in the first quarter of financial year 2020/21 (as compared to the fourth quarter of financial year 2019/20) with the completion of previously delayed projects and stronger products sales. There will continue to be a negative impact of Covid-19 during the financial year 2020/21 with the return to stable business as individual countries open up post lockdown. Therefore, sales for the first half of financial year 2020/21 are expected to be lower than previous year.

As of 1 January 2020, the segment is led by a new COO, Steve Bewick. Steve and his team have successfully addressed structural issues in Scandinavia, and EBITDA in Sweden has significantly improved. The Norwegian business will improve operational efficiency through the divestment of its project installation business as well as enhanced business model. The divestment includes approximately 80 employees and is expected to close end of August 2020.

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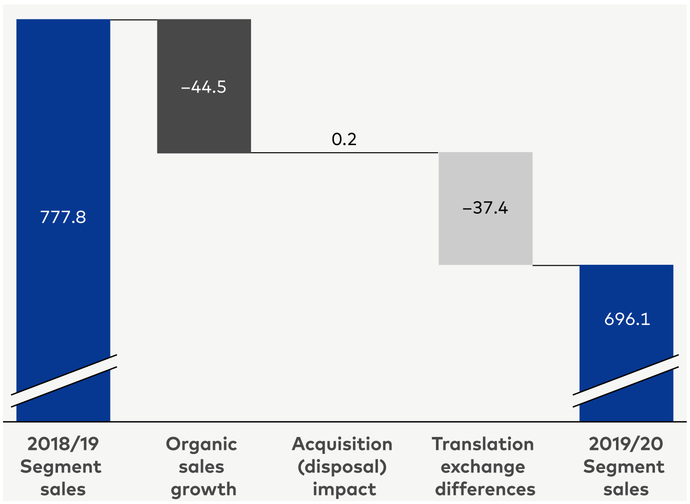
The segment will continue to introduce new and innovative solutions, such as an automatic door system that uses 3D and thermal imaging to control the flow of people in stores and meets the legal requirements of several countries imposed as a result of the Covid-19 pandemic. This innovative solution was developed in only two months and launched in June 2020. AS EMEA has already received a major order in the UK, which also includes a service component.

Key figures - segment AS EMEA

CHF million, except where indicated	Financial year ended 30.06.2020	%	Financial year ended 30.06.2019	%	Change on previous year in %
Net sales third parties	585.2		660.7		–11.4
Intercompany sales	110.9		117.1		
Total segment sales	**696.1**		**777.8**		**–10.5**
Change in segment sales	–81.7	–10.5	–4.1	–0.5	
Of which translation exchange differences	–37.4	–4.8	–22.3	–2.8	
Of which acquisition (disposal) impact	0.2	0.0	3.0	0.4	
Of which organic sales growth	**–44.5**	**–5.7**	**15.2**	**1.9**	
Operating profit before depreciation and amortization (EBITDA)	**45.5**	**6.5**	**56.7**	**7.3**	**–19.8**
Average number of full-time equivalent employees	3,468		3,408		

Segment sales (in CHF million) - AS EMEA



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Segment Key & Wall Solutions

Despite strong negative impact from Covid-19 pandemic on sales, EBITDA margin kept at a good level

Operational performance

While the Key Systems Business Unit was severely affected by the pandemic, the Movable Walls Business Unit recorded sales and profitability above the previous year. Overall, the segment Key & Wall Solutions generated total sales of CHF 351.4 million in the financial year 2019/20, representing a year-on-year organic sales decline of 8.9%. EBITDA stood at CHF 50.5 million, 19.8% below previous year; the EBITDA margin came to 14.4% (previous year 15.7%).

While the segment experienced organic sales growth of 2.8% in the first half of the financial year 2019/20, both organic sales and profitability came heavily under pressure by the Covid-19 pandemic in the second half of 2019/20.

The EBITDA margin for the financial year 2019/20 was impacted by lower volume. Therefore, the segment has initiated swift mitigation measures to adjust costs for the lower volumes, including lower discretionary spending and the reduction of personnel expenses.

As part of the Group-wide cost savings and restructuring program to address the ongoing Covid-19 pandemic-related substantial volume contraction and to maintain operational and financial efficiency, Key & Wall Solutions in the fourth quarter of financial year 2019/20 has initiated specific measures to adjust capacities and costs. Measures include overall headcount reductions of around 350 full-time equivalents, which mainly consists of the rightsizing of its North American Key Systems business and further headcount reductions in Latin America, in India, in Malaysia and in Germany.

Market development

The Key Systems Business Unit was heavily impacted by the Covid-19 pandemic in the second half of 2019/20. April and May 2020 in particular were impacted by a sales decline of more than 60%, as major production sites in the US, in Italy, India, Columbia and Peru were unexpectedly and temporarily closed. Furthermore, regional lockdowns in most of the major business markets led to a significant decline in demand, which was particularly pronounced in India and Latin America. Sales were also impacted by an unprecedented slump in the global automotive industry, which is an important customer for the segment. However, the business unit saw sales increase in June 2020 above the low levels of May and April.

The Movable Walls Business Unit was impacted by a temporary shutdown of its major production sites in Canada and Malaysia, with the latter impacting particularly the sizeable Australian business. Moreover, customers have postponed some major projects due to regional lockdowns. Despite this challenging environment, the Movable Walls Business Unit achieved good organic growth in the financial year 2019/20, especially based on a strong performance of its US-based Modernfold business. The EBITDA margin in the financial year 2019/20 increased as well. The margin improvement was supported by a positive contribution from measures to increase the automatization of the production site in Ocholt (Germany) as well as by a strong performance of the Modernfold and Skyfold (Canada) businesses.

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Outlook

Assuming no further disruptions related to Covid-19, the segment expects a sequential improvement in the first quarter of financial year 2020/21 versus the fourth quarter of financial year 2019/20 due to the suspension of regional lockdowns and because major end-consumer markets such as the automotive industry are showing first signs of recovery. However, there will be still a negative impact of Covid-19 on individual countries in financial year 2020/21. Therefore, sales for the first half of financial year 2020/21 for the segment will be below previous year's period which was not affected by Covid-19.

Sales in the Movable Walls business are expected to be driven both by good order intake and by a strong backlog of projects that could not be finalized in the financial year 2019/20.

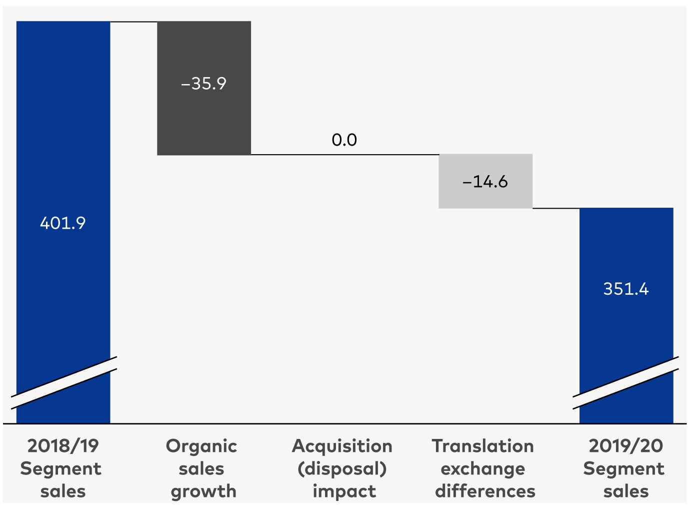
Key & Wall Solutions will continue to adjust its cost base to compensate for lower demand. Additional cost savings and restructuring measures are in preparation and will put in place dependent on the economic development and on the duration and severity of the impact of the Covid-19 pandemic.

The segment sees growth potential for new products such as cost-effective automated movable walls which will be launched in autumn 2020. Key Systems is expected to further benefit from new digital solutions, including "MyKeys Safe", a digital wallet for residential and automotive keys that offers end users support for lost key situations, that has been successfully launched in 2019/20.

Key figures - segment Key & Wall Solutions

CHF million, except where indicated	Financial year ended 30.06.2020	%	Financial year ended 30.06.2019	%	Change on previous year in %
Net sales third parties	340.2		388.0		–12.3
Intercompany sales	11.2		13.9		
Total segment sales	**351.4**		**401.9**		**–12.6**
Change in segment sales	–50.5	–12.6	14.4	3.7	
Of which translation exchange differences	–14.6	–3.7	–1.6	–0.4	
Of which acquisition (disposal) impact	0.0	0.0	7.5	1.9	
Of which organic sales growth	**–35.9**	**–8.9**	**8.5**	**2.2**	
Operating profit before depreciation and amortization (EBITDA)	**50.5**	**14.4**	**63.0**	**15.7**	**–19.8**
Average number of full-time equivalent employees	2,188		2,296		

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



Overview

The company's business performance and results for the financial year 2019/20 reflect a year of two very different halves. Whereas the first half-year was largely in line with expectations, the outbreak and spread of Covid-19 led to an unprecedented slump in business activity both on the supply and demand side from February 2020 until the end of the financial year. The pandemic and related restrictions – particularly the government-mandated blanket lockdowns – had a substantial negative effect on supply and business, leading to a significant reduction in sales. Owing to its global presence in procurement, production, and sales, dormakaba was affected by these measures right from the start of the pandemic. As a result, the company recorded negative organic sales growth of 14.3% for the second half of the financial year 2019/20, consequently, organic sales for the financial year 2019/20 as a whole were with –6.9% below previous year. Beyond that, the strengthening of the Swiss franc over the course of the financial year had an additional negative currency translation effect on net sales.

To cope with the emerging Covid-19 pandemic, dormakaba was early to implement a comprehensive crisis management. The aim has been to ensure the health and safety of all employees and at the same time to minimize the impact on business operations and supply chains, and thus on customers. In parallel, dormakaba has adjusted its financial management in order to retain its entrepreneurial flexibility and financial stability at all times during the pandemic. dormakaba introduced measures aimed at improving cash flow, following the "cash is king" principle. To further address the ongoing Covid-19 pandemic-related substantial volume contraction and to maintain operational and financial efficiency, dormakaba has initiated a Group-wide cost savings and restructuring program in the fourth quarter of financial year 2019/20. Measures include a sizeable headcount reduction, mainly in manufacturing in Asia and the Americas, due to lower demand. Overall, up to 1,300 full-time equivalents are affected, of which around 900 were already reduced by the end of June 2020. Costs of the program are expected to amount to CHF 26 million, of which CHF 12 million have already been expensed in financial year 2019/20.

–6.9%
organic sales growth

12.8%
EBITDA margin

CHF 10.50
dividend per share

Sales
Following organic sales growth in the first half of financial year 2019/20 of 0.8%, the business in the second half was impacted by the Covid-19 pandemic which resulted in a slump in organic sales growth of –6.9% for the full financial year 2019/20. Consolidated net sales for the financial year 2019/20 were also impacted by a negative effect from currency translation of 3.7% (CHF 104.3 million), due to the strengthening of the Swiss franc in the reporting period versus previous financial year. Portfolio adjustments increased sales growth by 0.7% (CHF 19.0 million) as acquisitions made in the reporting period were slightly larger than divestments. Overall, consolidated net sales amounted to CHF 2,539.8 million (previous year CHF 2,818.3 million), a decline by 9.9% (CHF 278.5 million).

Profitability
The decline in sales and lower volumes due to the Covid-19 pandemic impacted profitability in the period under review as reflected in both a lower gross margin and a lower EBITDA margin. The gross margin for the reporting period was at 41.1% (previous year 42.1%). EBITDA decreased by 27.5% to CHF 325.0 million compared to CHF 448.0 million in the previous year. EBITDA was also negatively impacted by currency translation effects by an amount of CHF 16.0 million which was partly compensated by a positive effect from portfolio adjustments of CHF 9.3 million on EBITDA.

The EBITDA margin declined to 12.8%, compared to 15.9% in the previous year and compared to a 15.5% EBITDA margin in the first half of the financial year 2019/20. In addition to the lower volumes, extraordinary non-recurring costs for restructuring and some other projects impacted the reporting period. These effects overcompensated improvements in operational efficiencies, final merger-related cost synergies, positive acquisition and divestment effects, and lower raw material costs.
EBIT decreased by CHF 121.8 million to CHF 253.2 million (previous year CHF 375.0 million), and the EBIT margin was at 10.0% compared to 13.3% in the previous year.

While all segments added to the decline in operating results, their performance varied. Segment performance in the second half of financial year 2019/20 was overshadowed by the severity of the Covid-19 pandemic in individual countries. The sales decline was most pronounced in the Key & Wall Solutions segment. AS APAC was hit first by Covid-19, already in February 2020, and countries within this segment like India experienced a 90% sales decline between April and June 2020 versus previous year period. There was a strong negative impact on AS AMER as well. AS DACH was least impacted by Covid-19 and regional lockdowns, with Switzerland and Germany even experiencing organic sales growth for the full year 2019/20, while the impact on AS EMEA was somewhere in-between.

Financial result, profit before taxes, and income taxes
The net financial result for the reporting period was slightly better at CHF –42.0 million (previous year CHF –42.3 million) as interest expenses declined due to ongoing amortization, lower interest rates and reduced USD/EUR and USD/CHF interest rate spreads. These effects overcompensated higher debt due to acquisitions and due to a base effect, as previous year's result from associates was slightly inflated by a positive contribution from the divestment of the ISEO minority participation (closed on 15 October 2018).

Profit before taxes decreased to CHF 211.2 million (previous year CHF 332.7 million). Income taxes for the reporting period amounted to CHF 47.1 million (previous year CHF 80.2 million). The weighted applicable income tax rate of 23.4% is lower than in the previous year (24.2%) mainly as a result of countries with lower-than-average tax rates contributing more to the tax profit of the Group. The effective income tax rate amounts to 22.3% (previous year 24.1%) due to a positive one-off effect in the USA.

Net profit
dormakaba closed the 2019/20 financial year with a net profit of CHF 164.1 million (previous year CHF 252.5 million), a decline of 35.0%. This is mainly attributable to the reduced operating performance due to Covid-19 which more than overcompensated the positive effects of a lower income tax rate and a slightly improved financial result.

Net profit after minority interests declined to CHF 84.6 million (previous year CHF 131.8 million). The corresponding basic earnings per share amounted to CHF 20.4 (previous year CHF 31.6).

Based on an unchanged dividend policy to envisage a payout ratio of minimum 50% of consolidated net profit after minority interests, the Board of Directors proposes that CHF 10.50 per share be paid out for the financial year 2019/20, down from the CHF 16.00 per share paid for the previous year. This corresponds with a payout ratio of 52.1%. The reduction in dividend is thus in line with the reduction in net profit.

Cash flow and balance sheet

Cash flow from operations amounted to CHF 407.9 million (previous year CHF 372.8 million) as net working capital was substantially reduced by 121.3 million. This is a successful result of the “cash is king” principle, that was swiftly implemented after the start of the Covid-19 pandemic.

Free cash flow of CHF 95.7 million was below previous year (CHF 212.9 million) due to acquisitions; in addition, previous year’s free cash flow benefited from the sale of the minority participation in ISEO.

Cash flow from investing activities of CHF –232.4 million includes mainly capital expenditures of CHF 94.9 million (previous year CHF 111.4 million) on property, plant, and equipment, as well as intangible assets, which in total represents 3.7% of sales (previous year 4.0%).

Moreover, it includes acquisitions of CHF 147.2 million, whereas last year’s result benefited from the proceeds from the sale of investments in associates and joint ventures in the amount of CHF 40.9 million. Cash flow from financing activities came to CHF –65.8 million, which includes dividend payments to company shareholders of CHF 66.5 million, as well as to minority shareholders of CHF 59.0 million (in total CHF 125.5 million; previous year CHF 117.1 million). There was no purchase of treasury shares in the financial year 2019/20 (previous year CHF 38.7 million).

The asset structure did not change significantly and largely reflects our portfolio management transactions as well as improvements in net working capital. As of 30 June 2020, total assets are at CHF 1,808.6 million. Within current assets, cash and cash equivalents amount to CHF 156.8 million, while inventories stand at CHF 445.0 million (24.6% of total assets; previous year 23.8%); due to measures which have been initiated because of the Covid-19 pandemic, trade receivables declined to CHF 388.1 million (21.4% of total assets; previous year 26.2%). Non-current assets consist mainly of property, plant, and equipment worth CHF 441.8 million (24.5% of total assets; previous year 24.4%).

Total liabilities are at CHF 1,667.3 million (92.2% of total assets; previous year 86.5%), of which CHF 680.4 million reflect the two corporate bonds due in October 2021 and October 2025.

Net financial debt increased by CHF 16.3 million to CHF 667.7 million as of 30 June 2020 (previous year CHF 651.4 million). Financial leverage, which is net debt relative to EBITDA is at 2.1 times and basically stable compared to 31 December 2019, but at a higher level than at 30 June 2019, which was 1.5 times. The change is mainly due to the lower EBITDA contribution and acquisitions in the reporting period.

The company's equity stands at CHF 141.3 million as of 30 June 2020, which represents an equity ratio of 7.8% (previous year CHF 258.5 million or 13.5%). The change in equity is mainly due to acquisition-related goodwill, which has been entirely offset against equity.

Currency translation effects

The average euro exchange rate against the Swiss franc fell by 4.8% year-on-year from CHF 1.135 to CHF 1.080. The average exchange rate of the US dollar decreased by 1.8% from CHF 0.995 to CHF 0.977. Most other major currencies also depreciated against the Swiss franc, such as the Australian dollar by 7.9%, the British pound by 4.4%, and the Chinese renminbi by 4.7%. Therefore, the currency translation had an overall negative impact of CHF 104.3 million on net sales and of CHF 16.0 million on EBITDA.

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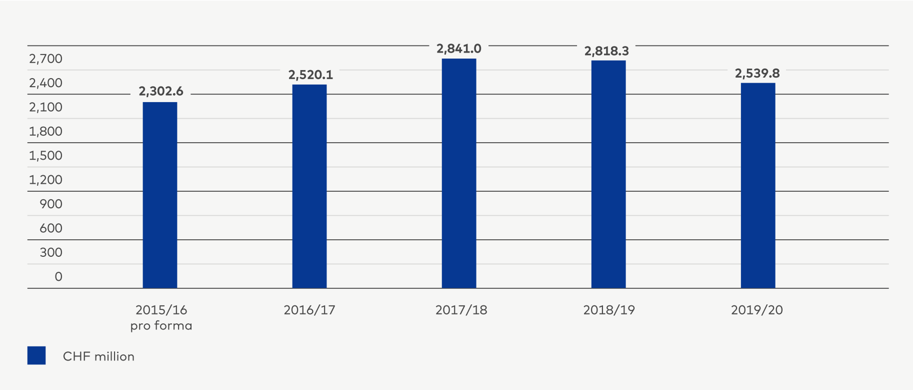
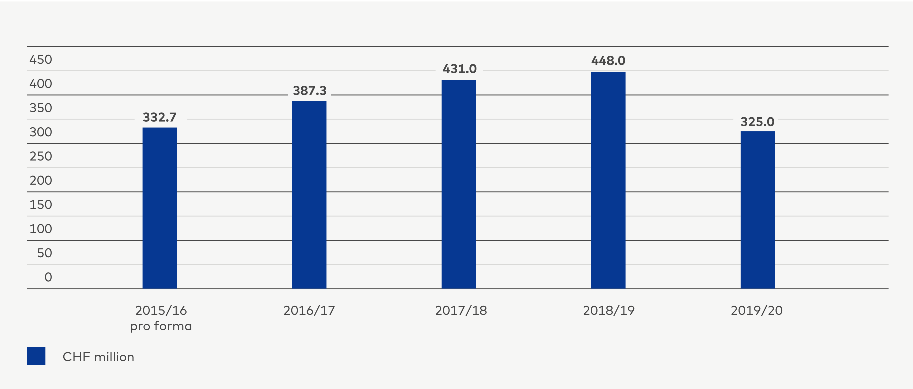
Sales



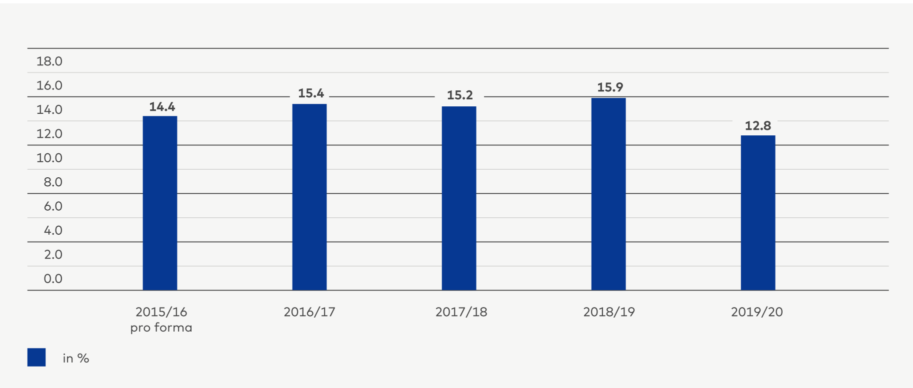
pro forma = former Dorma Group and former Kaba Group both 12 months

EBITDA



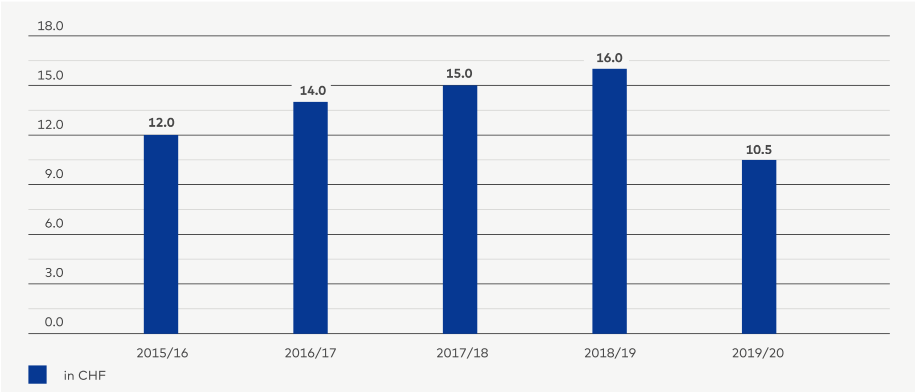
pro forma = former Dorma Group and former Kaba Group both 12 months

EBITDA margin



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

Dividend per share

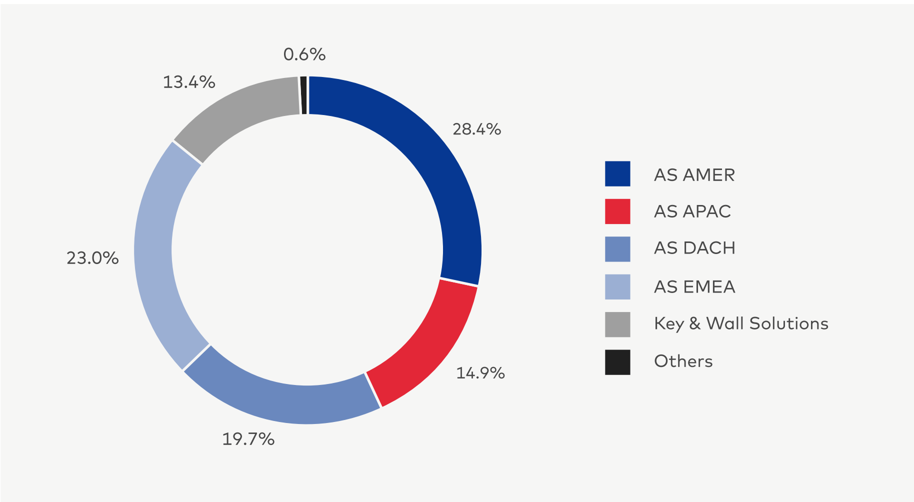


Key figures

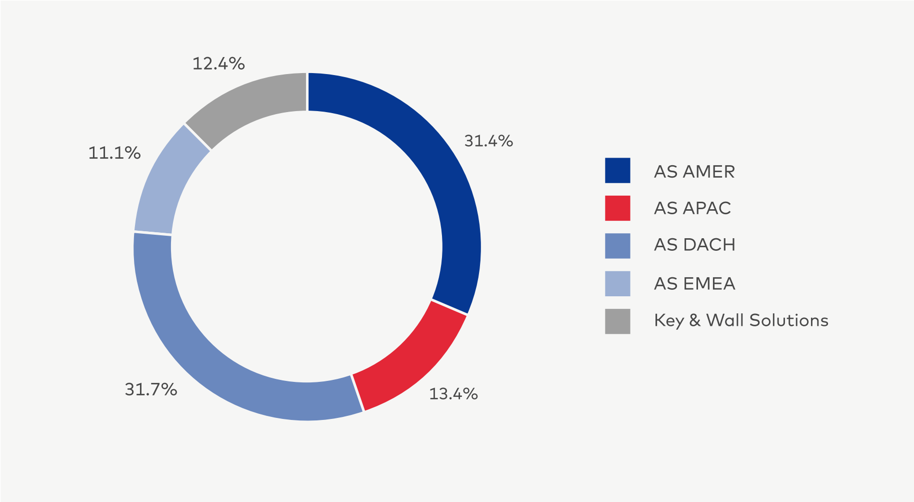
CHF million, except where indicated	Financial year ended 30.06.2020	%	Financial year ended 30.06.2019	%
Net sales	2,539.8		2,818.3	
Change in sales	–278.5	–9.9	–22.7	–0.8
Of which translation exchange difference	–104.3	–3.7	–29.6	–1.1
Of which acquisition (disposal) impact	19.0	0.7	–29.0	–1.0
Of which organic sales growth	**–193.2**	**–6.9**	**35.9**	**1.3**
Operating profit before depreciation and amortization (EBITDA)	**325.0**	**12.8**	**448.0**	**15.9**
Operating profit (EBIT)	**253.2**	**10.0**	**375.0**	**13.3**
Profit before taxes	211.2	8.4	332.7	11.8
Net profit	164.1	6.5	252.5	9.0
Dividend per share (in CHF) [1]	10.5		16.0	
Other key figures				
Total assets	1,808.6		1,909.0	
Net debt	667.7		651.4	
Market capitalization	2,147.2		2,932.8	
Average number of full-time equivalent employees	15,676		15,811	

1) Financial year ended 30.06.2020: proposal to the Annual General Meeting; distribution of an equal share from the reserves from capital contributions and from statutory retained earnings.

Third-party sales by segments



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



Fundamental information about dormakaba

dormakaba Holding AG is the ultimate parent company of dormakaba Group. dormakaba Group was formed by merging the two previously unaffiliated enterprises, Dorma and Kaba, on 1 September 2015. Since then dormakaba Holding AG owns 52.5% of dormakaba Holding GmbH + Co. KGaA, which as an intermediate holding company combines all operating entities of the Group and is fully consolidated in dormakaba Group's consolidated financial statements, prepared by the parent company, dormakaba Holding AG, as at 30 June 2020[1)]. Minority interests are shown separately as part of equity capital. dormakaba Holding AG has prepared its consolidated financial statements in Swiss francs (CHF) and in accordance with Swiss GAAP FER to the end of the financial year that runs from 1 July 2019 to 30 June 2020. Swiss GAAP FER is an internationally accepted accounting standard for small and medium-sized organizations and groups of organizations with a presence in Switzerland. dormakaba Holding AG is listed on the SIX Swiss Exchange and is headquartered in Rümlang (Zurich/Switzerland).

In addition to the provisions of Swiss GAAP FER, dormakaba Holding AG produces a Group Management Report that meets the requirements of the Schweizer Obligationenrecht (OR, Swiss Code of Obligations), particularly Art. 961c, and of the Deutsches Handelsgesetzbuch (HGB, German Commercial Code) § 315 HGB, and of Deutscher Rechnungslegungs Standard (DRS 20, German Accounting Standard).

1) Under § 290 of the Deutsches Handelsgesetzbuch (HGB, German Commercial Code), dormakaba Holding GmbH + Co KGaA is obliged to prepare consolidated financial statements, and under § 315 HGB it is obliged to prepare a Group Management Report. However, under § 292 HGB dormakaba Holding GmbH + Co KGaA is exempt from these obligations if consolidated financial statements and a Group Management Report are produced and published at the level of the parent company in Switzerland. dormakaba Holding GmbH + Co KGaA's single-company financial statements were produced in accordance with the relevant provisions of HGB.

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Business model

dormakaba Group (dormakaba) is one of the leading companies in the global security and access solutions market. With its comprehensive portfolio and strong brands, dormakaba offers its customers products, solutions, and services for access to buildings and rooms from a single source. The portfolio includes locking systems – from cylinders, keys, and locks right through to fully networked electronic access solutions as well as cloud-based solutions – but also physical access systems and automatic door systems, as well as a comprehensive range of door hinges and fittings, door closers, and doorstoppers. These are augmented by products for time and enterprise data recording, high-security locks, horizontal and vertical sliding walls, and movable partitions. The business is also a market leader for key blanks, key cutting machines, and automotive solutions, such as transponder keys and programmers.

dormakaba is active in over 130 countries and has a presence in all relevant markets through production sites and/or distribution and service offices as well as through collaboration with local partners.

dormakaba has a long tradition of innovation and engineering skills. On the way to its strategic objective of innovation leadership within the industry, dormakaba links customer requirements to technological trends and continuously develops state-of-the-art solutions that create added value for customers and end users.

The company's business is divided into five segments which are aligned to the implemented management structure. The four Access Solutions segments are based on geographical markets and offering. Segment Key & Wall Solutions is also based on offering but operating globally. A detailed description of the segments can be found in the notes to the consolidated financial statements for financial year 2019/20.

Goals and strategies

As a stock-listed company, dormakaba pursues the overall objective of increasing its enterprise value on a lasting basis, i.e. across industry cycles and economic ups and downs. In addition to creating shareholder value, the company's strategy takes into account the interests of other stakeholder groups, too. Above all, this includes satisfied customers and partners, based on a successful positioning of the company's products, solutions, and services in its target markets. dormakaba has distribution channels and production facilities in all of the industries' key markets and will accelerate global expansion through a strong presence in Europe, the Americas, and Asia-Pacific.

dormakaba has a strong Pool Shareholder Group that will ensure its long-term-oriented strategy. In order to grow profitably, dormakaba focuses on a clearly defined strategy with the following pillars:

- Providing a superior offering of products, along with services to meet the needs of customers and their installations along the entire life cycle;
- Expanded presence in existing markets, vertical extension of these markets, and expansion into new markets;
- Achieving enterprise excellence by improving processes and driving efficiency and competitiveness along the entire value chain;
- Leadership in innovation for superior customer value;
- Active management of the portfolio of business activities and disciplined pursuit of options for corporate transactions (acquisitions, divestments, joint ventures); and
- Efficient deployment of employees: having "the right people in the right roles".

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

Internal management system

dormakaba is led strategically by the Board of Directors (BoD) of dormakaba Holding AG. The duties and responsibilities of the BoD are defined by the Swiss Code of Obligations and the company's Articles of Incorporation and Organizational Regulations. The BoD has delegated management of ongoing business to the Executive Committee (EC) under the leadership of the Chief Executive Officer (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. Further details on the internal management system can be found in the Corporate Governance Report 2019/20.

Compensation system for BoD and EC

The principles for compensating the BoD and EC are set out in the Articles of Incorporation. The following regulations are particularly important:

- Basic principles of compensation for the BoD (Article 23);
- Basic principles of compensation for the EC (Article 24);
- Binding vote by the General Meeting (Article 22);
- Maximum additional amount of compensation for new EC members (Article 25);
- Loans (Article 28).

The Compensation Report, which provides further details on the compensation system and on compensation paid out in the financial year 2019/20, can be found here.

Sustainability reporting

dormakaba has defined sustainability as a foundation of its business strategy. The company is committed to foster a sustainable development along the entire value chain in line with its economic, environmental, and social responsibilities toward current and future generations.

Detailed information on sustainability strategy, measures and progress can be found in the dormakaba Sustainability Report 2019/20, published in accordance with the Global Reporting Initiative Standards. dormakaba also publicly reports on sustainability-related matters on an annual basis in the dormakaba Modern Slavery Statement, the Communication on Progress to the UN Global Compact, and in its submission to the Carbon Disclosure Project.

Research and development

The innovative strength of dormakaba and the development of new products, solutions, and services are key to the company's sustainable profitable growth. The aim is to invest 4–5% of consolidated sales in R&D every financial year. Research and development activities are coordinated across all segments. In financial year 2019/20, digitization continued to be an important driver in research and development work. The digitization of processes, products, solutions, and services creates opportunities for new business models and value streams.

In recent years, the product portfolio of dormakaba has increasingly embraced electronics and connectivity. For example, the company has achieved strong growth supported by its Mobile Access Solutions, which allow e.g. hotel guests to open their doors with their smartphones. This technology is now expanded into Exos 9300, a flexible and scalable access management solution, and into Matrix Professional Access solution, which meets individual requirements with regard to access control, time recording, and time management. In financial year 2019/20, the company comprehensively launched the Mobile Access technology for components such as online readers, terminals, fittings and also cylinders which can now all be delivered prepared for mobile access support.

Exivo, another web-based access solution, enables small and mid-sized enterprises to individually plan, configure, customize, and install access systems with both electronic and wireless components, and dynamically assign access rights. With this networked solution, dormakaba is operating as a service provider with a new business model, known as "Access as a Service".

dormakaba also wants to continue to expand its market leadership in mechanical solutions with innovations. For example, it produces high-performance, high-quality products to meet the growing demand for cost-effective solutions in Asia. In Europe and in America another goal is to extend services as a strong part of its offering.

The products launched in the financial year 2019/20 included:

- Argus: further development of this new generation of sensor barrier which is based on the company's XEA design language and offers various features for more convenience while at the same time providing the same high level of safety and security. New features include elements to support access control in times of a pandemic.
- Self-locking panic locks: launch of the new generation of self-locking panic locks with new advanced features like an advanced locking action, the possibility to be operated by three protocols, and a LED indicator which eases handling by the installer and service technician.
- Switch Tech (Switch Core): a battery-powered, Bluetooth-enabled Small Format Interchangeable Core (SFIC) core that can replace a traditional mechanical core in an existing lock, allowing customers to bring electronic access control to openings that would not traditionally have been practical for economic reasons. Switch Tech allows to go from mechanical to digital in minutes and at a fraction of the costs of traditional hardwired access control.
- Swing Door Operators - ED "Force Balancing Technology": major enhancement to our winning swing door operators ED series which significantly extends service lifetime.
- FH9 Digital Door Lock: a handle fingerprint lock in high-security design for advanced home security for the Asian markets, with various features such as vibration feedback, silent unlock, encryption management, and multiple alarms.
- Universal Motion: the self-closing patch fitting for toughened glass assemblies in Universal design. The door closes softly by itself, all components are integrated in the patch fitting, no power supply needed. Smart, almost invisible, comfortable and easy to install.
- Variflex Moduline: a redesign of the existing versatile Variflex system range, resulting in simplified production and sales processes. The products sport an optimized design to achieve high acoustic performance and offer advantages in terms of weight as well as in smaller dimension for space saving in stacking and operation.
- My Keys Safe: an innovative B2C (Business-to-Customer) digital service to allow end users to store digitalized data of their residential and automotive keys into a secure cloud wallet. Both key digitalizing and copying operations with Silca electronic machines at a locksmith's shop are controlled by the user.

dormakaba will continue to invest substantially in the development of new and existing products, of services and platforms as part of its solutions, as well as in modernizing its production facilities and developing its information technology systems. dormakaba will also allocate additional funds to digital transformation in the coming years and is convinced that these investments are vital to further shape the competitive position of the company and to develop new products and solutions to address market opportunities.

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Macroeconomic and sector-specific conditions

The overall economic environment for the financial year 2019/20 was characterized by an almost unprecedented level of uncertainty. While the first half of financial year 2019/20 showed growth, which was slightly below previous year but still solid, the Covid-19 pandemic dealt a substantial blow to the global economy. Global GDP is expected to contract by 5.2% in 2020 according to the World Bank (June 2020), the deepest recession over the past eighty years. This represents a 7.7% downgrade from the 2.5% global GDP growth anticipated by the World Bank in pre-Covid-19 forecasts (January 2020). Restrictions such as government-mandated blanket lockdowns and closed borders, while necessary to slow down the Covid-19 spread, disrupted international trade. Overall, global trade is expected to suffer an 11.9% decline, with specific sectors such as travel and tourism facing considerably more damage (IMF World Economic Outlook, June 2020).

Certain geographies were more affected than others, as size and duration of outbreaks as well as stringency of government responses differed widely. The impact of Covid-19 was deeply felt in regions across North and Latin America as well as in Asia, especially in China, region ASEAN and India, while in Europe it was most pronounced in France, Italy, Spain and Austria.

Furthermore, pre-crisis geopolitical and economical challenges were reinforced by the world's increased vulnerability ensuing from the pandemic. Trade tensions between the United States, China, and the European Union, but also in other parts of the world, made doing business more challenging as well.

dormakaba as a globally operating company is active in very heterogenous regional markets and was therefore substantially negatively impacted by the Covid-19 pandemic. In addition to a description of impact on the entire Group, the company discloses information about the economic development in each of its segments.

The dormakaba Covid-19 crisis management has continuously aimed at ensuring the health and safety of its employees, while at the same time limiting the impact on its business operations, preventing disruptions in its supply chain and securing financial stability. The company reacted quickly and decisively to this financial year's numerous external market environment challenges. While the Covid-19 pandemic is a setback for some of dormakaba's verticals like hospitality, it does not question the five megatrends that will shape our industry in the longer-term:

- Prosperity will increase globally, especially in growth markets with growing middle classes, and this will fuel the desire for additional protection (Growth driver: Increasing prosperity);
- At the same time, the average life expectancy is rising steadily, which means that institutions and private homes increasingly need barrier-free solutions that allow senior citizens to move easily from room to room (Growth driver: Demographic change);
- Then, urbanization is creating more conurbations and more cities with over a million inhabitants, requiring ever more complex infrastructure solutions (Growth driver: Urbanization);
- There is an increasing need that buildings and land must be secured, while flow of people must be managed in ways that ensure optimum efficiency and convenience (Growth driver: Need for security);
- Finally, technology influences practically every aspect of the access and security market, from digitization to distribution channels to the networking of products in the "Internet of Things" (Growth driver: Technology).

All these factors are contributing to a growing demand for smart and secure access solutions. With its comprehensive service offering and global presence, dormakaba is playing a significant role in these markets.

In addition to these five megatrends, dormakaba is well-positioned to address demand emerging from the Covid-19 pandemic. The company expects access and credentialing policies across all vertical end markets to be strengthened, with emphasis on adaptability, versatility, and health. As such, dormakaba believes it is well equipped with key products and interoperable solutions to realize the growth potential, for example in the area of seamless and touchless access solutions.

Course of business and position at the end of the financial year

Detailed information on the business performance and the average number of full-time equivalent employees in the financial year 2019/20 can be found in the financial performance section of this Group Management Report and in the consolidated financial statements for financial year 2019/20.

Non-financial performance indicators

dormakaba continuously tracks non-financial performance indicators. These indicators have a strategic focus respective objective, however dormakaba is not being operated by them. The main non-financial performance indicators are the following:

Customers and products

One of the things the dormakaba brand stands for is high-quality products. Product quality and customer satisfaction are therefore crucial and must remain a focus at all stages along the entire value chain. Customer satisfaction is measured regularly through customer dialog as well as through local surveys. Customers usually consider the expanded offering from a single source as a benefit.

Human resources

Employees are crucial to the success of dormakaba. Therefore, the company strives to shape a work environment which enables professional growth and engagement. As part of this, dormakaba implemented a Group-wide employee engagement program called "dormakaba dialogue" in the financial year 2017/18. In February 2020, all dormakaba employees around the globe were invited to participate in the second round of the corresponding survey. The high response rate of 80% shows that a vast majority of dormakaba employees used the opportunity to provide feedback – a substantial increase compared to the participation rate of the survey conducted two years ago (72%). Overall, the global results show a positive development across all survey items compared to the first results from 2018.

dormakaba offers various trainings and development programs to continuously develop and engage its employees, for instance courses on sales skills, project management, intercultural awareness, or leadership. More information on human resources can be found in the dormakaba Sustainability Report 2019/20.

Compliance and human rights

When conducting its business, it is a matter of course for dormakaba to comply not only with applicable law and legal regulations at the local, national, and international level but also with internal company directives at all its locations. This applies to internal processes as well as to relations with external partners, including customers, authorities and suppliers. To live up to its responsibilities in these areas, dormakaba has developed measures and processes to ensure its responsibilities are met and to prevent abuse. These measures and processes are continuously improved and developed further. The company sets binding rules in its Group-wide Code of Conduct which is available to employees on the Group Intranet in various languages and to external stakeholders on the dormakaba website. Furthermore, the segments ensure that all dormakaba employees participate in the mandatory Code of Conduct trainings. The Code and additional directives form an important foundation for the sustained economic success of dormakaba all over the world.

dormakaba acknowledges its responsibility to respect human rights as outlined in the Code of Conduct and the Supplier Code of Conduct (see paragraph on supply chain below).

In August 2019, dormakaba published its Statement of Commitment on Human Rights in line with international standards including the UN Guiding Principles on Business and Human Rights. The commitment clarifies:

1. The relevant international human rights frameworks that the company subscribes to,
2. Salient human rights issues of dormakaba, and
3. The company's Human Rights Due Diligence (HRDD) framework describing the appropriate policies and processes to implement its human rights commitment.

Based on the human rights-related risks and impacts identified, dormakaba will continue to develop prevention and mitigation measures integrated into company operations, training programs, policies, and management systems. This will be achieved through the implementation of a human rights roadmap which was established in the financial year 2018/19 and approved by the EC in the context of the HRDD process development. Further information on human rights can be found in the Sustainability Report 2019/20.

Environment

dormakaba uses resources in the manufacture of its products and generates waste and emissions. Environmental issues are therefore a key aspect of sustainability and are relevant along the entire value chain. A detailed overview of the company's sustainability work and the most important benchmarks, including greenhouse gas emissions, energy consumption, water consumption and waste management can be found in the Sustainability Report 2019/20.

Supply chain

dormakaba pursues a comprehensive and consistent procurement policy. Based on a detailed analysis of all expenditures, goods, and services are grouped into material categories according to their characteristics. By means of this analysis, all products and quantities as well as the complete supplier portfolio are identified and then classified into either global, regional, or local material groups.

The process to approve a supplier is in accordance with DIN and ISO requirements, as are the supplier evaluation and assessment processes. Audits are performed on demand, for example, for new suppliers or covering quality and sustainability issues. In addition, the dormakaba Supplier Code of Conduct outlines minimal requirements with regards to human rights, fair working conditions, environmental responsibility, and business ethics, among others. Further information can be found in the chapter supplier social and environmental assessment of the Sustainability Report 2019/20.

Opportunity and risk report

Opportunities

Opportunities arising from market position and synergy effects

dormakaba is one of the global leaders in the fragmented market for security and access solutions, and offers its customers high-quality products, solutions, and services for access to buildings and rooms from a single source. dormakaba is expanding its competitive position based on its expanded complementary product portfolios, combined geographical presence, and optimized value chains.

Opportunities arising from the "dormakaba" brand

The brands Dorma and Kaba are being continued under "dormakaba" following the merger. Both brands and their sub-brands are well known in the relevant customer groups as representing high-quality, innovative products. By combining the two brands to one master brand for Access Solutions, opportunities are being created by complementary strengths, firstly through the cross-selling potential, and secondly through the ability to offer customers a comprehensive product portfolio from a single source.

Opportunities arising from industry consolidation

Opportunities also arise from the ongoing and anticipated consolidation of the industry dormakaba operates in. Despite the consolidation that has already occurred, the market for security and access solutions remains highly fragmented. The three biggest companies in the industry together account for only about 30% of market share. dormakaba wants to build up its market position substantially and thus continues to play an active role in industry consolidation. The focus for any acquisition activity is to strengthen the Group's global presence and to secure targeted improvements in technologies and/or the product portfolio, innovations, and services, while at the same time maintaining a solid financial profile.

Opportunities through innovation

The market for security and access solutions is in transformation. Megatrends such as the rising need for security, urbanization, demographic change, technology, and increasing prosperity in emerging economies, are driving the demand, but also require new technological approaches. dormakaba intends to invest 4–5% of sales annually in innovation and product development to exploit the growth opportunities brought by these megatrends, and to achieve its desired innovation leadership (see also the statements on Research and Development above).

Risk policy, risk management, and risks at dormakaba

Risk policy

dormakaba manages a globally active business. All its business activities are conducted with the aim of securing economic success. However, these activities can also bring about risks. The overriding goal of the risk policy of dormakaba is to secure the future development of the Group, to achieve sustainable profitable growth, and thus to increase enterprise value. In the course of its business activities, dormakaba is exposed to the general risks inherent in any entrepreneurial operation, and these may impede or prevent the achievement of its goals. Consequently, it is sometimes necessary to take certain calculable and controllable risks to exploit the opportunities this risk-taking creates. Opportunities are therefore taken in the course of the Group's business activities; the associated risks are identified early, actively monitored and reassessed on a continuous basis.

dormakaba always takes strategic and operational decisions on the basis of a systematic analysis and evaluation of the opportunities and risks relating to its assets, financial position, and earnings. It never enters into incalculable, unreasonably high or existential risks.

Opportunities, as understood in the Group's opportunity and risk policy, are chances to use events, developments or active operations to achieve or exceed planned quantitative and qualitative objectives. Risks, as understood in the risk policy of dormakaba, are all those internal and external events and developments that could have a negative effect on the Group's planned economic success. In addition to direct, quantitatively measurable risks, qualitative risks, such as reputational risks, are also taken into account.

Risk management
The overriding aim of dormakaba is to sustainably increase its enterprise value (see also Chapter Goals and Strategies above). Active risk management helps the company's management to achieve this goal.

Opportunities and risks should be identified at an early stage and actively controlled. To do this, dormakaba has implemented a comprehensive risk management system.

a) Internal Control System based on Group accounting
In line with the Swiss Code of Obligations, dormakaba has implemented an Internal Control System (ICS) based on the consolidated (Group) accounting (in the following section "accounting"). The ICS ensures that business activities are correctly recorded, analyzed, evaluated, and transmitted to the external accounts.

The essential characteristics of the ICS with respect to accounting are:

- A clear organizational, business, controlling, and monitoring structure;
- Computer systems used for accounting are protected against unauthorized access;
- Internal regulations about the specific requirements are developed, implemented, and communicated;
- The departments and persons involved in accounting meet the requirements in terms of quantity and quality;
- The ICS, as it relates to accounting, and the internal reporting systems ensure and continuously check the correctness and completeness of data in the accounting system; the Internal Audit department regularly conducts spot checks of the implemented processes and controls;
- The two-pairs-of-eyes principle has to be applied to all processes relevant to accounting, and the separation of functions has to be respected, both to the extent organizationally possible, which is subject to special audits;
- The BoD regularly deals with the main topics relevant to accounting, risk management, Internal Audit, the external audit mandate, and external audit priorities.

In addition, statutory and specific internal corporate guidelines and directives are used to ensure that accounting is consistent and proper. The application of clear and consistent accounting rules and a uniform consolidation software tool ensures consistent accounting throughout the Group in line with legal and statutory requirements.

Further information can be found in the Corporate Governance Report 2019/20.

b) Risk management system
Risk management is integrated into the regular business and decision-making processes, codified in internal rules and regulations, and made binding to all Group companies. It includes an impact-focused assessment of risks, implementation of appropriate risk control measures, regular review of identified risks and measures, and transparent reporting of the risk situation. Responsibility for the definition and monitoring of risk management ("risk governance") lies with the BoD, while the Audit Committee monitors implementation. Responsibility for implementing and applying the risk management system rests with the EC and with line managers throughout the internal hierarchy.

The company's risk management system distinguishes between operational and strategic risks:

- Operational risks are future events that could hurt the efficiency or effectiveness of business processes, or that could compromise compliance with regulations or reporting requirements in day-to-day business. Responsibility for identifying and controlling these risks lies with segment heads.

- Strategic risks are future events that may compromise the long-term development of dormakaba and prevent it from reaching its strategic objectives. Reports about strategic risks from the segments and Group functions are consolidated at Group level into risk maps that show likelihood of occurrence and potential amount of damage, with both dimensions divided into four evaluation categories. Strategic risks are discussed within the medium-term planning process and consolidated by the EC into a "Group Risk Assessment" that is presented for approval to the BoD through its Audit Committee. The EC reviews the risk situation every half year. Additionally, the risk situation is scheduled for discussion and review during the segments' Monthly Performance Review meetings every quarter.

The Group Internal Audit function is responsible for internal audits at dormakaba. Internal Audit reports directly to the Audit Committee, though in functional terms it reports to the CFO. All audits performed in financial year 2019/20 were in line with the (yearly) audit plan and approved by the Audit Committee.

Risks faced by dormakaba

a) Risks arising from business transactions

The planned growth strategy is also implemented by means of acquisitions. This creates risks in the evaluation, transaction and integration of the corresponding entities and assets. To minimize these risks, dormakaba manages the acquisition projects rigorously, using well-trained specialist employees and professional support from outside the Group.

b) Opportunities and risks arising from the business model

In recent years, dormakaba has continued to extend its product portfolio on electronic and cloud-based solutions. Its products are very frequently used in security-relevant applications such as access control systems; increasingly often these are connected. dormakaba is therefore more exposed to the risk that hackers will gain unauthorized access to sites and premises protected by products and thus cause damage to the Group's reputation and possibly expose dormakaba to liability claims. dormakaba counters the increasing significance of such hacking scenarios during the product development process by using the latest methods to identify points that could be attacked, and then closing these known vulnerabilities in the hardware and software with upgrades before new products are launched on the market. Equally important, existing products (mechanical, electronic, and cloud-based) are subject to continuous testing to keep them robust against new threats. dormakaba has taken out product liability insurance to be protected against these hacking threats to an extent that is economically reasonable.

Digital transformation is progressing rapidly, and it is essential to the success of dormakaba that it keeps pace with this development. This applies to the Group's products and their connectivity, but also to operational processes. Sudden, disruptive developments are not rare these days, and there is a risk that existing competitors or new entrants to the markets of dormakaba could use such disruptive leaps to create significant advantages for themselves. The company's innovation management team systematically monitors and analyzes the relevant technologies. As part of medium-term planning, targeted analysis of information relating to the state of the market and the competition is conducted to ensure that local peculiarities are also taken into consideration.

For dormakaba, as a manufacturer and supplier of high-quality access products and solutions in the premium market segment, the growing pressure on prices in relevant markets and specific product areas also represents a risk. It counters this risk through the targeted development of new products that offer customers a broader range of services, and thus help to secure the Group's market position. This strategy is complemented by elaborate strategic pricing efforts.

A significant risk in product manufacturing is the possibility of a lengthy interruption to operations at one or several of the Group's worldwide production sites, for example because of fire. Supplier failure and poor-quality raw materials and components also constitute a risk. Alongside the essential insurance protection, a central goal of the loss prevention programs in place at all manufacturing sites is to minimize the risk of fire. Through these programs, the measures in place to prevent fire are regularly updated, formulated and implemented. This is a recurring process that includes regular site visits and systematic risk grading analyses, conducted by the company's global insurance provider who also organizes feedback loops and supports in improvement projects.

Manufacturing processes create the risk of air and water pollution. To minimize this risk, dormakaba invests continuously in environmental protection measures. dormakaba has ISO 14001 certification for 28% of its manufacturing sites worldwide.

As a globally active company, dormakaba is exposed to risks created by the political situation in individual countries and regions, and also to risks resulting from trade conflicts between countries or country groups. Both risk drivers can rarely be influenced. dormakaba carefully monitors such situations and tries to implement prompt and appropriate risk control measures. Its top priority is always to protect its own employees.

In early 2020, these political tensions and the overall economic development started to be impacted by the Covid-19 pandemic. The pandemic and the regulatory consequences implemented by most governments worldwide resulted in a unprecedented slump in business activity in many countries dormakaba is doing business in. This effect is visible in the company's financial year 2019/20 revenues and profitability, and it can be expected to impact revenues and profitability in financial year 2020/21 and possibly further into the future. dormakaba has reacted by implementing state-of-the-art crisis management processes both to ensure the health and safety of employees and to minimize the impact on business operations and supply chains, and thus on customers, while at the same time placing a strong focus on its cash situation and financial stability. Additionally, scenario planning methods are used to identify organizational and geographic units that provide opportunities for cost reduction measures. The scenarios are also used to find opportunities to introduce new products or fine-tune the business approach to specific markets. In this context, dormakaba is keeping a close watch on its supply chains to make sure that imminent disruptions caused by non-performing vendors or regulatory hindrances are noticed at an early stage and an adequate reaction can be initialized. Monitoring and re-evaluation of the current situation is institutionalized and repeated at a quick pace in order to keep up with geopolitical and economic developments. The target is to be and remain capable of reacting quickly and adequately to changes that might occur.

c) Personnel risks

Committed employees and managers are crucial to the sustainable business success of dormakaba and to the implementation of its strategy. The most common personnel risks evaluated by the Group are those relating to succession planning, fluctuation, and competences. There is a risk that vacant positions cannot be filled properly, and that competent employees could be lost. In the wake of various personnel initiatives, and with the aim of fostering long-term employee retention, these risks are addressed throughout the Group with the help of employee surveys, talent and succession management, and through individual, targeted employee development. The Group has also developed various change management measures aimed at further fostering the development of the new corporate culture.

d) IT risks

The main business processes and customer solutions of dormakaba are supported by IT systems. The failure of these systems and the permanent loss of data through operating or program error, or as a result of increasingly prevalent external influences (e.g. cybercrime) represent a risk. To limit the risk of critical systems and infrastructure failing, the company's IT strategy is to use state-of-the-art standards such as email address validation, client security, identity and access control management, network security management, network and infrastructure management (e.g. 24x7 monitoring, high-level firewall protection tools, redundant network connections), and IT continuity operating plans as provision of redundant data and systems. dormakaba is using advanced threat protection solutions and operates a security operations center to further mitigate cyber security risks. A global information security management system (ISMS) according to ISO 27001 is in place. Cyber security risk awareness trainings (e-Learnings, behavior trainings concerning phishing malware) are globally mandatory for each employee with access to corporate IT systems. Additionally, dormakaba has taken out insurance to be protected against cyber threats to an extent that is economically reasonable.

Successful and timely execution of the global IT strategy (standardization of applications and infrastructure) is vital for the company's future success. Failure could result in delay of integration projects and underperformance of important business or Group-wide processes, including financial damage. dormakaba manages such risks by an IT governance model, which involves all relevant stakeholders including operational business.

e) Legal and tax risks

As a globally active group of companies, dormakaba is exposed to the risk of legal disputes. These legal disputes can concern e.g. product liability claims as well as potential competition and antitrust law and trademark or patent rights infringements. Risks are managed with the aid of Group-wide standards, trainings, and controls. The internal Legal department and/or external lawyers are brought in for legal matters associated with specific risks.

International business activities can also give rise to tax risks. As tax law is in the responsibility of each jurisdiction, external tax assessments might not be aligned and might lead to double taxation. To identify and manage such tax risks, dormakaba sets directives and manuals based on a defined tax policy. The responsibility for the tax policy rests with the BoD. For intra-Group transactions dormakaba follows the dealing at arm's length principle of the OECD (Organization for Economic Cooperation and Development). This leads to tax payments where the economic value is created. dormakaba publishes the amount of taxes paid in a yearly CbCR (Country-by-Country Report). Transactions may further be subject to export control regulations. Compliance is managed through Group-wide standards, including directives and employee trainings. The internal Tax department works closely together with the local internal finance and legal organization and consults external advisors in case of need.

f) Compliance risks

It is Group Compliance's mission to support the dormakaba organization and every dormakaba employee to take appropriate decisions consistent with applicable laws and corporate regulations and to act with integrity.

This mission is based on the following strategic goals:

- Enable employees to work in accordance with legal requirements as well as dormakaba´s company values, its Code of Conduct and other internal rules and regulations.
- Support the BoD and EC to ensure that all provisions of the law and dormakaba's rules and regulations are complied with. The objective is to achieve compliance by all Group entities.
- Reduce undue risks for dormakaba, its employees and management.
- Implement and operate a Compliance Management System (CMS) which meets the most stringent certification-demands according to best practice standards.

That is why prevention is the priority: the implemented system is intended to avoid infringements, and employees are properly trained and advised.

On 1 July 2016, a new Code of Conduct was introduced. The subsequent mandatory Code of Conduct trainings have been successfully completed for all dormakaba employees. Procedures are in place to ensure that new employees sign the dormakaba Code of Conduct and are trained. In addition, dormakaba placed emphasis on antitrust trainings for a defined target group of employees who are particularly exposed (Senior Management, Sales, etc.). A full set of internal rules and regulations on Group Directive level covering the main activities of dormakaba is available and regularly updated. The implemented compliance mechanisms are adjusted to changing circumstances where necessary.

Compliance risks arise as a result of a business model involving worldwide production and sales units, a growth strategy in emerging countries and increasingly internationalized procurement. Risks also result from the wide variety of distribution channels, from participation in tendering processes, from the use of products in public spaces and private buildings, and from active work within trade associations. Significant compliance risks include bribery and corruption, infringements of antitrust and competition law, fraud, preferential treatment of business partners from personal motives, violation of intellectual property protection rights, and shortages or improper installation of products. These risks can result in financial, liability and reputational damage.

g) Other risks

The company's business model could also give rise to other risks not mentioned so far. These could be, for instance, liability risks resulting from local laws that are not known at Group level. dormakaba counters these risks by keeping the quality of its products and services consistently high, by engaging legal experts when the risk of a legal dispute is identified, and by taking out appropriate insurance cover.

h) Financial risks

dormakaba is exposed to various financial risks on account of its international activities. As well as the risk of default on claims, e.g. trade receivables, liquidity and credit risks, these include market price risks in particular (interest rate, currency, and other price risks).

Further details on dormakaba's financial risk exposure and its risk avoidance and mitigation measures can be found in the consolidated financial statements for financial year 2019/20.

Since 1 April 2014, the "European Market Infrastructure Regulation" (EMIR), the EU initiative to regulate OTC trade in derivatives, has imposed an audit duty. During the annual audit under § 20 para. 1 of the German Securities Trading Act for the audit period from 1 July 2018 to 30 June 2019, it was confirmed that dormakaba has an overall and in all respects appropriate and effective system for ensuring compliance with the statutory requirements. Since 1 January 2016, Switzerland regulates the OTC trade in derivatives with the Finanzmarktinfrastrukturgesetz (FinfraG). All Swiss-based Group companies classify as "NFC" (small non-financial counterparties) and have signed agreements with their banks regarding the delegation of reporting duties.

The funding for dormakaba Group companies is managed centrally. A five-year syndicated credit facility, agreed for dormakaba during financial year 2015/16 with a consortium of banks, amounts to CHF 500 million with options to extend by another two years and to increase the facility by CHF 200 million. There are also agreements with various regional banks for bilateral credit facilities. dormakaba thus has sufficient liquidity reserves to ensure that even unexpected events do not have a significant effect on its liquidity position.

Assessment of overall risk and opportunity situation

In conclusion, the company's opportunity and risk situation can be rated as moderate.

Existing risks are identified, continuously monitored through the risk management system, and hedged where necessary using appropriate countermeasures. With the organizational and process structure in place, and with the existing innovation structure and approach, the prospects of further profitable growth for dormakaba remain promising.

Apart from the ramifications of a possible worsening of the Covid-19 situation, there is no expectation of a significant change in the risk situation, compared with the previous financial year. There is no sign of any risks that would endanger the continued existence of dormakaba. Currently no risk has been identified that could significantly affect the assets, financial position, or earnings of dormakaba, neither there is evidence of any liquidity risk. A material deterioration in the future assets, financial position and earnings is not expected given the current risk situation.

Future prospects (forward-looking report)

The Covid-19 pandemic led to a global economic shock of significant and unprecedented magnitude. Forecasts from the World Bank anticipate a 5.2% contraction in global GDP for 2020, the deepest recession over the past eighty years. As global trade is expected to experience a sharp decline of 11.9%, certain sectors such as travel and hospitality face considerable and potentially long-lasting damage (IMF World Economic Outlook, June 2020). Therefore, future developments will be closely linked to the evolution of the ongoing Covid-19 pandemic. Medical breakthroughs, increased preparedness to new cases, and limited new outbreaks are factors that could positively affect the Covid-19 situation.

As stated by the IMF, other risks were exacerbated by the pandemic (IMF World Economic Outlook, June 2020). First, the trade tensions between the United States, China, and the European Union, but also in other parts of the world, make doing business more challenging and less profitable. Secondly, the resilience of the financial sector is expected to be challenged. Amongst others, sovereign and private debt levels are considered "uncomfortably high" in some countries (OECD Economic Outlook, 2020). Thirdly, rising national political instability and social unrests could contribute to negatively impact the economic situation. In short, the global macroeconomic environment shows acute levels of uncertainty with a very low visibility.

Since the merger to form dormakaba in September 2015, the company's risk profile has improved significantly; dormakaba has gained scale, while remaining financially flexible and noticeably diversifying its product portfolio and global presence. This enables the company to continue to execute its strategy consistently even during the current crisis and thus creating a solid basis for its competitiveness and sustainable profitable growth in the post-crisis period. This includes consistently continuing to invest around 4–5% of annual sales into R&D. After the crisis, dormakaba will most likely also consider investing in the ongoing consolidation of the industry, which is likely to accelerate and depends on the progression of the Covid-19 pandemic.

Financial performance in the months of June and July 2020 indicate an improvement of the economic environment for dormakaba's businesses compared with the very weak months of April and May 2020. While some important countries for dormakaba continue to suffer from negative Covid-19 impacts, other important countries show resilience and an improved business performance.

However, due to the ongoing Covid-19 pandemic, global business visibility is still very limited. Geopolitical risks like the ongoing trade conflicts create additional uncertainty.

Under the assumption that Covid-19 or geopolitical tensions will not create additional significant deterioration of the business environment, dormakaba expects for the first quarter of financial year 2020/21 to outperform financial results of the fourth quarter of 2019/20, both in terms of organic growth and EBITDA margin. Based upon the same framework, expectation for the first half of financial year 2020/21 is to outperform second half of financial year 2019/20.

Due to the lack of visibility to the further course of business dormakaba does not provide any additional financial and business guidance for the financial year 2020/21 and beyond.

Capital structure

Detailed information on dormakaba Holding AG's capital structure can be found in the Corporate Governance Report 2019/20.

Consolidated financial statements

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Consolidated income statement

CHF million, except share amounts	Note	Financial year ended 30.06.2020	%	Financial year ended 30.06.2019	%
Net sales	1.2	**2,539.8**	**100.0**	**2,818.3**	**100.0**
Cost of goods sold		–1,497.0	–58.9	–1,632.4	–57.9
Gross margin		**1,042.8**	**41.1**	**1,185.9**	**42.1**
Other operating income, net		11.3	0.4	21.2	0.8
Sales and marketing		–428.7	–16.9	–441.3	–15.7
General administration		–269.7	–10.6	–283.4	–10.1
Research and development		–102.5	–4.0	–107.4	–3.8
Operating profit (EBIT)		**253.2**	**10.0**	**375.0**	**13.3**
Result from associates	4.2	–0.2	0.0	2.9	0.1
Financial expenses	1.4	–43.2	–1.7	–47.4	–1.7
Financial income	1.4	1.4	0.1	2.2	0.1
Profit before taxes		**211.2**	**8.4**	**332.7**	**11.8**
Income taxes	1.5	–47.1	–1.9	–80.2	–2.8
Net profit		**164.1**	**6.5**	**252.5**	**9.0**
Net profit attributable to minority interests		79.5		120.7	
Net profit attributable to the owners of the parent		84.6		131.8	
Basic earnings per share in CHF	3.3	20.4		31.6	
Diluted earnings per share in CHF	3.3	20.3		31.5	
Operating profit before depreciation and amortization (EBITDA)	1.1	**325.0**	**12.8**	**448.0**	**15.9**

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Consolidated balance sheet

Assets

CHF million	Note	Financial year ended 30.06.2020	%	Financial year ended 30.06.2019	%
Current assets					
Cash and cash equivalents		156.8	8.7	122.4	6.4
Trade receivables	2.1	388.1	21.4	499.5	26.2
Inventories	2.2	445.0	24.6	454.7	23.8
Current income tax assets		33.9	1.9	28.2	1.5
Other current assets	2.6	60.4	3.3	58.8	3.1
Total current assets		**1,084.2**	**59.9**	**1,163.6**	**61.0**
Non-current assets					
Property, plant, and equipment	2.3	441.8	24.5	465.4	24.4
Intangible assets	2.3	83.7	4.6	63.7	3.3
Investments in associates	4.2	3.3	0.2	3.5	0.2
Non-current financial assets	2.6	35.9	2.0	39.5	2.1
Deferred income tax assets	1.5	159.7	8.8	173.3	9.0
Total non-current assets		**724.4**	**40.1**	**745.4**	**39.0**
Total assets		**1,808.6**	**100.0**	**1,909.0**	**100.0**

Liabilities and equity

CHF million	Note	Financial year ended 30.06.2020	%	Financial year ended 30.06.2019	%
Current liabilities					
Current borrowings	3.1	139.9	7.7	86.3	4.5
Trade payables		129.0	7.1	134.3	7.0
Current income tax liabilities		44.5	2.5	45.8	2.5
Accrued and other current liabilities	2.6	312.6	17.3	336.7	17.6
Provisions	2.4	43.9	2.4	39.0	2.0
Total current liabilities		**669.9**	**37.0**	**642.1**	**33.6**
Non-current liabilities					
Bonds	3.1	680.4	37.7	680.5	35.6
Accrued pension costs and benefits	2.5	288.4	16.0	295.5	15.5
Deferred income tax liabilities	1.5	24.4	1.3	25.4	1.4
Other non-current liabilities	3.1	4.2	0.2	7.0	0.4
Total non-current liabilities		**997.4**	**55.2**	**1,008.4**	**52.9**
Total liabilities		**1,667.3**	**92.2**	**1,650.5**	**86.5**
Equity					
Share capital	3.2	0.4	0.0	0.4	0.0
Additional paid-in capital		811.3	44.9	811.3	42.5
Retained earnings		1,261.4	69.7	1,244.9	65.2
Goodwill offset in equity	3.4	–1,881.3	–104.1	–1,809.2	–94.7
Treasury shares	3.2	–31.4	–1.7	–40.2	–2.1
Translation exchange differences	3.5	–22.3	–1.2	–10.6	–0.6
Total equity owners of the parent		**138.1**	**7.6**	**196.6**	**10.3**
Minority interests		3.2	0.2	61.9	3.2
Total equity	**3.4**	**141.3**	**7.8**	**258.5**	**13.5**
Total liabilities and equity		**1,808.6**	**100.0**	**1,909.0**	**100.0**

Consolidated cash flow statement

CHF million	Note	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Net profit		**164.1**	**252.5**
Depreciation and amortization	2.3	71.8	73.0
Income tax expenses	1.5	47.1	80.2
Interest expenses	1.4	36.7	42.1
Interest income	1.4	–1.2	–1.4
(Gain) Loss on disposal of fixed assets, net		–2.8	–8.6
Adjustment for non-cash items		9.6	5.6
Change in trade receivables		94.7	–13.0
Change in inventories		–5.6	–36.2
Change in other current assets		–2.9	–2.2
Change in trade payables		0.1	–27.5
Change in accrued pension cost		3.7	3.9
Change in accrued and other current liabilities		–7.4	4.4
Cash generated from operations		**407.9**	**372.8**
Income taxes paid		–44.7	–51.2
Interest paid		–36.3	–42.3
Interest received		1.2	1.4
Net cash from operating activities		**328.1**	**280.7**
Cash flows from investing activities			
Additions of property, plant, and equipment	2.3	–59.6	–84.4
Proceeds from sale of property, plant, and equipment	2.3	8.8	14.0
Additions of intangible assets	2.3	–35.3	–27.0
Change in non-current financial assets		0.9	–3.6
Acquisition of subsidiaries, net of cash acquired	4.3	–147.2	–6.2
Acquisition of associates and joint ventures	4.2	0.0	–1.5
Sale of investment in associates and joint ventures	4.2	0.0	40.9
Net cash used in investing activities		**–232.4**	**–67.8**
Free cash flow	**5.1**	**95.7**	**212.9**
Cash flows from financing activities			
Other proceeds from (repayment of) current borrowings, net	3.1	59.0	–71.6
Proceeds from (repayment of) non-current borrowings, net	3.1	2.1	4.4
Change in other non-current liabilities		–1.4	–0.9
Dividends paid to company's shareholders	3.3	–66.5	–62.2
Dividends paid to minority shareholders		–59.0	–54.9
(Purchase) Sale of treasury shares	3.2	0.0	–38.7
Net cash flows from financing activities		**–65.8**	**–223.9**
Translation exchange differences		4.5	–11.9
Net increase (decrease) in cash and cash equivalents		**34.4**	**–22.9**
Cash and cash equivalents at beginning of period		122.4	145.3
Cash and cash equivalents at end of period		156.8	122.4
Net increase (decrease) in cash and cash equivalents		**34.4**	**–22.9**

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 30.06.2020	**0.4**	**811.3**	**1,261.4**	**–1,881.3**	**–31.4**	**–22.3**	**3.2**	**141.3**
Net profit for the reporting period			84.6				79.5	164.1
Goodwill on acquisitions and divestments (see note 3.4)				–72.1			–65.3	–137.4
Currency translation adjustments						–11.7	–12.5	–24.2
Dividend paid (see note 3.3)			–66.5				–59.0	–125.5
Shares awarded (share-based compensation)			–1.6		8.8		–1.4	5.8
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 (share-based compensation)			0.2		8.8		0.2	9.2
Treasury shares (purchased) re-issued					–38.7			–38.7
Balance at 01.07.2018	**0.4**	**811.3**	**1,175.1**	**–1,805.0**	**–10.3**	**2.1**	**13.4**	**187.0**

Notes to the consolidated financial statements for the financial year 2019/20

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:

- Consolidated net sales of CHF 2,539.8 million (previous year CHF 2,818.3 million)
- EBITDA reaches CHF 325.0 million (previous year CHF 448.0 million), with an EBITDA margin of 12.8% (previous year 15.9%)
- Net profit of CHF 164.1 million (previous year CHF 252.5 million)
- Operating cash flow margin up to 12.9% (previous year 10.0%)

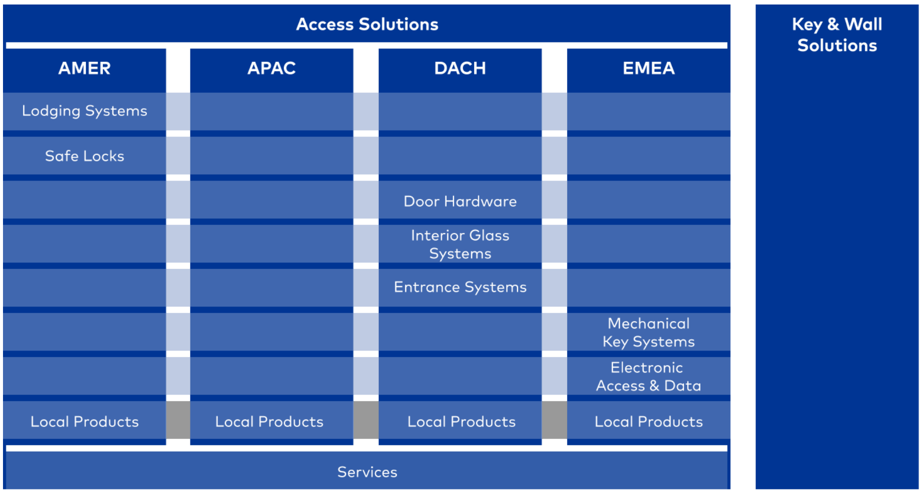
1.1 Segment reporting

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.

CHF million	Access Solutions AMER Financial year ended 30.06.2020	Access Solutions AMER Financial year ended 30.06.2019	Access Solutions APAC Financial year ended 30.06.2020	Access Solutions APAC Financial year ended 30.06.2019	Access Solutions DACH Financial year ended 30.06.2020	Access Solutions DACH Financial year ended 30.06.2019
Net sales third parties	720.4	783.7	378.2	435.8	501.4	534.4
Intercompany sales	34.9	33.0	24.2	26.5	290.5	328.6
Total sales	**755.3**	**816.7**	**402.4**	**462.3**	**791.9**	**863.0**
Operating profit (EBIT)	**114.8**	**154.7**	**46.6**	**60.4**	**112.3**	**136.4**
as % of sales	15.2%	18.9%	11.6%	13.1%	14.2%	15.8%
Depreciation and amortization	13.3	13.4	8.2	8.5	17.0	17.2
Operating profit before depreciation and amortization (EBITDA)	**128.1**	**168.1**	**54.8**	**68.9**	**129.3**	**153.6**
as % of sales	17.0%	20.6%	13.6%	14.9%	16.3%	17.8%
Net working capital	165.8	210.2	100.4	109.1	136.5	138.8
Capital expenditure	24.3	19.9	8.0	10.9	16.8	32.3

CHF million	Access Solutions EMEA 30.06.2020	Access Solutions EMEA 30.06.2019	Eliminations 30.06.2020	Eliminations 30.06.2019	Access Solutions TOTAL 30.06.2020	Access Solutions TOTAL 30.06.2019
Net sales third parties	585.2	660.7	0.0	0.0	2,185.2	2,414.6
Intercompany sales	110.9	117.1	–454.3	–497.9	6.2	7.3
Total sales	**696.1**	**777.8**	**–454.3**	**–497.9**	**2,191.4**	**2,421.9**
Operating profit (EBIT)	**32.8**	**43.6**	**–2.1**	**–0.8**	**304.4**	**394.3**
as % of sales	4.7%	5.6%	0.5%	0.2%	13.9%	16.3%
Depreciation and amortization	12.7	13.1	0.0	0.0	51.2	52.2
Operating profit before depreciation and amortization (EBITDA)	**45.5**	**56.7**	**–2.1**	**–0.8**	**355.6**	**446.5**
as % of sales	6.5%	7.3%	0.5%	0.2%	16.2%	18.4%
Net working capital	167.1	199.2	–14.5	–14.3	555.3	643.0
Capital expenditure	11.8	14.4	0.0	0.0	60.9	77.5

CHF million	30.06.2020	30.06.2019	Key & Wall Solutions 30.06.2020	Key & Wall Solutions 30.06.2019	Other 30.06.2020	Other 30.06.2019
Net sales third parties			340.2	388.0	14.4	15.7
Intercompany sales			11.2	13.9	4.5	3.2
Total sales			**351.4**	**401.9**	**18.9**	**18.9**
Operating profit (EBIT)			**41.7**	**54.0**	**0.4**	**0.8**
as % of sales			11.9%	13.4%	2.1%	4.0%
Depreciation and amortization			8.8	9.0	0.1	0.2
Operating profit before depreciation and amortization (EBITDA)			**50.5**	**63.0**	**0.5**	**1.0**
as % of sales			14.4%	15.7%	2.6%	5.3%
Net working capital			84.0	111.5	3.8	3.8
Capital expenditure			10.4	15.4	7.0	1.7

CHF million	Corporate 30.06.2020	Corporate 30.06.2019	Eliminations 30.06.2020	Eliminations 30.06.2019	Group 30.06.2020	Group 30.06.2019
Net sales third parties	0.0	0.0	0.0	0.0	2,539.8	2,818.3
Intercompany sales	0.0	0.0	–21.9	–24.4	0.0	0.0
Total sales	**0.0**	**0.0**	**–21.9**	**–24.4**	**2,539.8**	**2,818.3**
Operating profit (EBIT)	**–93.3**	**–74.1**	**0.0**	**0.0**	**253.2**	**375.0**
as % of sales	0.0%	0.0%	0.0%	0.0%	10.0%	13.3%
Depreciation and amortization	11.7	11.6	0.0	0.0	71.8	73.0
Operating profit before depreciation and amortization (EBITDA)	**–81.6**	**–62.5**	**0.0**	**0.0**	**325.0**	**448.0**
as % of sales	0.0%	0.0%	0.0%	0.0%	12.8%	15.9%
Net working capital	–13.2	–6.2	2.0	1.1	631.9	753.2
Capital expenditure	16.6	16.8	0.0	0.0	94.9	111.4

1.2 Net sales by region

CHF million	Financial year ended 30.06.2020	%	Financial year ended 30.06.2019	%
Net sales to third parties	**2,539.8**	**100.0**	**2,818.3**	**100.0**
Switzerland	178.9	7.0	176.3	6.3
Germany	329.8	13.0	352.9	12.5
Rest of EMEA	726.9	28.6	836.3	29.7
Americas	942.5	37.2	1,027.4	36.4
Asia Pacific	361.7	14.2	425.4	15.1

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 30.06.2020	%	Financial year ended 30.06.2019	%
Personnel expenses	**1,027.7**	**100.0**	**1,055.1**	**100.0**
Salaries and wages	815.4	79.3	847.0	80.2
Social security expenses	163.8	16.0	166.4	15.8
Share-based payments	6.0	0.6	9.1	0.9
Pension cost (see note 2.5)	25.9	2.5	25.7	2.4
Employment termination expenses	15.4	1.5	5.9	0.6
Other benefits	1.2	0.1	1.0	0.1
Employees at balance sheet date	**15,189**		**15,829**	
Average number of full-time equivalent employees	**15,676**		**15,811**	
Average number of employees per segment	**15,676**	**100.0**	**15,811**	**100.0**
Access Solutions AMER	2,811	17.9	2,875	18.2
Access Solutions APAC	3,299	21.0	3,326	21.0
Access Solutions DACH	3,452	22.0	3,481	22.0
Access Solutions EMEA	3,468	22.1	3,408	21.6
Key & Wall Solutions	2,188	14.0	2,296	14.5
Other	61	0.4	66	0.4
Corporate	397	2.6	359	2.3
Average number of employees per geographical region	**15,676**	**100.0**	**15,811**	**100.0**
Switzerland	825	5.3	804	5.1
Germany	2,971	19.0	3,022	19.1
Rest of EMEA	3,688	23.5	3,615	22.9
Americas	3,825	24.4	3,975	25.1
Asia Pacific	4,367	27.8	4,395	27.8

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: in the 2019/20 financial year one-half (2018/19: two-thirds) is 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 second half (2018/19: one-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. Both performance conditions are equally weighted at 50%. 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 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 30.06.2020	Financial year ended 30.06.2019
Financial income		**1.4**	**2.2**
Interest income		1.2	1.4
Other financial income		0.2	0.8
Financial expense		**43.2**	**47.4**
Interest expenses for bonds	3.1	4.5	4.4
Interest expenses for forward contracts	3.5	22.1	26.3
Other interest expenses		10.1	11.4
Foreign exchange losses (gains)	3.5	2.8	2.4
Other financial expenses		3.7	2.9

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 30.06.2020	Financial year ended 30.06.2019
Profit before taxes	**211.2**	**332.7**
Weighted applicable tax rate	23.4%	24.2%
Tax calculated at applicable tax rate	**49.4**	**80.6**
Current income taxes	39.0	67.7
Deferred income taxes	8.1	12.5
Income taxes	**47.1**	**80.2**
Difference between applicable and effective income taxes	**–2.3**	**–0.4**
Impact of losses and tax loss carryforwards	–4.2	–2.4
Tax-exempt income	–2.7	–2.6
Non-deductible expenses	3.3	3.1
Non-recoverable withholding tax expenses	3.5	2.9
Tax charges (credits) relating to prior periods, net	1.8	0.8
Other	–4.0	–2.2
Income taxes charged to equity	0.5	0.1

Deferred taxes

CHF million	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Balance sheet presentation of deferred income taxes		
Total deferred income taxes, net	**135.3**	**147.9**
Deferred income tax assets	159.7	173.3
Deferred income tax liabilities	24.4	25.4
Expiration of tax loss carryforwards not recognized as deferred tax assets		
Balance of tax loss carryforwards at end of financial year	**139.9**	**170.0**
Expiry in 1 year	0.0	0.2
Expiry in 2 to 5 years	8.3	14.2
Expiry after 5 years	3.0	12.0
No expiry	128.6	143.6

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 30.06.2020			Financial year ended 30.06.2019		
CHF million	Gross	Allow.	Net	Gross	Allow.	Net
Trade receivables	**412.8**	**–24.7**	**388.1**	**522.2**	**–22.7**	**499.5**
Not yet due	271.4	–0.4	271.0	345.0	–1.2	343.8
1–30 day(s) overdue	42.5	–0.3	42.2	81.7	–0.2	81.5
31–60 days overdue	18.3	–0.1	18.2	26.3	–0.2	26.1
61–90 days overdue	17.9	–0.1	17.8	17.8	–0.1	17.7
91–120 days overdue	12.6	–0.4	12.2	10.2	–0.4	9.8
121–150 days overdue	7.8	–0.5	7.3	5.0	–0.3	4.7
More than 150 days overdue	42.3	–22.9	19.4	36.2	–20.3	15.9

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 30.06.2020	Financial year ended 30.06.2019
Inventories, net	**445.0**	**454.7**
Allowance for obsolete and slow-moving items	57.1	52.8
Inventories, gross	**502.1**	**507.5**
Raw materials and supplies	205.8	196.3
Semi-finished goods and work in progress	74.6	85.9
Finished goods	218.7	221.2
Prepayments to suppliers	3.0	4.1

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 2020, net	**234.8**	**127.7**	**58.7**	**20.6**	**441.8**	**83.7**
30 June 2019, net	**234.6**	**127.4**	**61.2**	**42.2**	**465.4**	**63.7**
Cost 30 June 2020	**348.1**	**345.1**	**176.0**	**20.6**	**889.8**	**166.0**
Additions	4.2	18.2	16.2	21.0	59.6	35.3
Disposals	–7.4	–8.2	–6.2	–0.1	–21.9	–0.5
Reclassifications	20.2	12.8	6.1	–41.5	–2.4	2.3
Acquisition of businesses	0.0	0.1	0.4	0.0	0.5	0.0
Translation exchange differences	–11.3	–12.5	–8.0	–1.1	–32.9	–5.1
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
1 July 2018	**348.0**	**315.5**	**153.4**	**30.5**	**847.4**	**111.5**
Estimated useful life (in years)	20-50 [1]	4-15	3-15			2-5
Accumulated depreciation 30 June 2020	**113.3**	**217.4**	**117.3**	**0.0**	**448.0**	**82.3**
Additions	9.7	25.7	21.3	0.0	56.7	15.1
Disposals	–2.4	–8.0	–5.6	0.0	–16.0	–0.4
Reclassifications	0.1	–0.4	0.4	–0.1	0.0	0.0
Divestment of businesses	0.0	0.0	0.0	0.0	0.0	0.0
Translation exchange differences	–1.9	–7.2	–5.1	0.0	–14.2	–2.7
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
1 July 2018	**100.7**	**195.1**	**93.0**	**0.0**	**388.8**	**60.0**

1) Land is not depreciated.

Intangible assets: additions to cost include CHF 9.6 million (2018/19: CHF 5.4 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	Restructuring	Other	Total
Provisions 30 June 2020	**14.3**	**12.6**	**17.0**	**43.9**
Additions	9.0	10.5	7.8	27.3
Releases	–1.0	–1.0	–0.7	–2.7
Usage	–8.2	–4.0	–5.5	–17.7
Acquisition of businesses	0.1	0.0	0.0	0.1
Translation exchange differences	–0.5	–0.4	–1.2	–2.1
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 1 July 2018	**13.8**	**16.8**	**20.5**	**51.1**

The additions in the provisions for restructuring mainly relates to initiatives to address the ongoing Covid-19 pandemic.

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	Financial year ended 30.06.2020	Financial year ended 30.06.2019				Financial year ended 30.06.2020	Financial year ended 30.06.2019
		Economic part of the Corporation	Translation differences	Change to previous year period or recognized in current result of the period, respectively	Contributions concerning the business period	Pension benefit expenses within personnel expenses	
Total	**288.4**	**295.5**	**–10.0**	**0.4**	**25.5**	**25.9**	**25.7**
Pension institutions with surplus					9.5	9.5	9.0
Pension institutions without surplus/deficit					15.0	15.0	12.2
Pension institutions without own assets	263.0	272.6	–10.0	0.4	1.0	1.4	4.5
Other long-term employee benefits	25.4	22.9					

CHF million	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Pension benefit expenses within personnel expenses	**25.9**	**25.7**
Decrease/increase economic obligation from pension institutions without own assets	1.4	4.5
Contributions and changes employer contribution reserves	**24.5**	**21.2**
Contributions to pension institutions from Group entities	24.5	21.2

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 30.06.2020	Financial year ended 30.06.2019
Other current assets		**60.4**	**58.8**
Prepaid expenses		17.5	21.9
Retentions		5.7	5.5
Sales, withholding and other recoverable taxes		33.0	28.7
Fair value of forward contracts	3.5	1.0	0.0
Other receivables and miscellaneous		3.2	2.7
Non-current financial assets		**35.9**	**39.5**
Loans		0.0	1.7
Pension-related assets		19.4	21.7
Long-term prepaid expenses		6.6	7.0
Long-term held securities		9.9	9.1

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 30.06.2020	Financial year ended 30.06.2019
Accrued and other current liabilities		**312.6**	**336.7**
Advances from customers		38.8	32.6
Deferred income		33.4	34.1
Sales, withholding and other tax payable		35.7	38.7
Payables to social security and pension fund		17.3	13.3
Accruals for vacation, overtime, and other employee benefits		89.3	112.4
Accrued interest		3.6	3.3
Fair value of forward contracts	3.5	0.7	1.9
Other accruals and current non-interest-bearing liabilities		93.8	100.4

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.

As a consequence of the Covid-19 pandemic, dormakaba has adjusted its financial management in order to retain entrepreneurial flexibility and financial stability at all times during this crisis. Measures aimed at focusing on cash flow by following the "cash is king" principle. This includes daily monitoring of the liquidity and financial debt status on group level, also regarding financial covenants and undrawn credit facilities. Further increased attention was on the net working capital management, which also includes a strict credit management and collection discipline on the trade receivables as well as restrictions on capital expenditures.

Borrowings and other financial liabilities

CHF million	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Current borrowings	**139.9**	**86.3**
Short-term bank loans and overdrafts	139.0	84.9
Current portion of other non-current liabilities	0.9	1.4
Bonds	**680.4**	**680.5**
Other non-current liabilities	**4.2**	**7.0**
Other non-interest bearing liabilities	0.1	4.0
Other interest-bearing liabilities	4.1	3.0

Credit facility

As of 30 June 2020, the short-term bank loans and overdrafts amount to CHF 139.0 million (2018/19: CHF 84.9 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 2020 and throughout the 2019/20 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 2020 and 30 June 2019, respectively, including the maturities.

	Financial year ended 30.06.2020				Financial year ended 30.06.2019			
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	139.9			139.9	86.3			86.3
Other non-current liabilities		2.0	2.2	4.2		6.3	0.7	7.0
Bonds		360.0	320.4	680.4		360.1	320.4	680.5
Cash and cash equivalents	–156.8			–156.8	–122.4			–122.4
Net debt	**–16.9**	**362.0**	**322.6**	**667.7**	**–36.1**	**366.4**	**321.1**	**651.4**
EBITDA				325.0				448.0
Net debt/EBITDA (Leverage)				**2.1x**				**1.5x**

The interest expenses for drawdowns 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 30.06.2020**	**Coupon % p.a.**	**Financial year ended 30.06.2019**
Bonds (at fixed interest rates)		**680.4**		**680.5**
CHF 360 million bond 2017 – 2021 Payment date: 13 October 2017 Issue price: 100.298%	0.375	360.0	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 4.5 million in 2019/20 (2018/19: CHF 4.4 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 2020, 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 2020 amounted to CHF 42,438.

In accordance with the resolution of the Annual General Meeting (AGM) of 22 October 2019, the BoD is authorized to increase the share capital, no later than 22 October 2021, 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 2019/20 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 for 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 30.06.2020			Financial year ended 30.06.2019		
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	**42,810**	**733.00**	**31.4**	**54,709**	**735.29**	**40.2**
Purchases of treasury shares	0	0.00	0.0	53,028	730.00	38.7
Shares awarded (share-based compensation)	–11,899	743.55	–8.8	–11,102	788.47	–8.8
Treasury shares as at 1 July	54,709	735.29	40.2	12,783	803.44	10.3

In the 2019/20 financial year, a total of 11,899 shares (2018/19: 11,102 shares) were allocated. 10,104 shares (6,006 restricted and 4,098 performance shares) were vested as part of the long-term incentive stock award plans (2018/19: 9,217 shares made up of 7,659 restricted and 1,558 performance shares). In addition, 1,787 restricted shares (2018/19: 1,282 restricted shares) were allocated to the BoD members and 8 shares (2018/19: 603 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 30.06.2020	Financial year ended 30.06.2019
Net profit attributable to the owners of the parent	84.6	131.8
For basic number of shares		
Number of shares outstanding at end of financial year	**4,157,216**	**4,145,317**
Own shares (acquired)/reissued	11,899	–41,926
Number of shares outstanding at beginning of financial year	4,145,317	4,187,243
Weighted average number of shares outstanding (basic)	4,149,791	4,166,973
Basic earnings per share in CHF	**20.4**	**31.6**
For diluted number of shares		
Weighted average number of shares outstanding (basic)	4,149,791	4,166,973
Eligible shares under stock award plans and shares awarded in acquisitions	9,945	13,016
Weighted average number of shares outstanding (diluted)	4,159,736	4,179,989
Diluted earnings per share in CHF	**20.3**	**31.5**

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 30.06.2020 2)	CHF per share	Financial year ended 30.06.2019	CHF per share	Financial year ended 30.06.2018
Dividend for the financial year	**10.50**	**43.7**	**16.00**	**66.5**	**15.00**	**62.2**
Net profit attributable to the owners of the parent		84.6		131.8		123.8
Dividend payout ratio in %		51.6		50.5		50.2

1) In 2019/20: proposal to the AGM; distribution of an equal share from the reserves from capital contributions and from statutory retained earnings.
Date of payment: 26 October 2020 (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 2020 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 in the form of an equal distribution from legal capital reserves and statutory retained earnings of the parent entity, dormakaba Holding AG. After approval of this proposal by the AGM, the distribution from the reserves from capital contributions as well as dividend distribution from statutory retained earnings will be paid out on 26 October 2020 according to the instructions received: CHF 10.50 (2018/19: CHF 16.00) gross per listed registered share at CHF 0.10 par value, whereof only the distribution from reserves from capital contributions will be paid free of Swiss withholding tax in accordance with Art. 5 para. 1^{bis} of the Federal Law on Withholding Tax.

3.4 Theoretical equity and goodwill movement

The total goodwill of CHF 137.4 million, resulting from acquisitions, recorded in the 2019/20 financial year (2018/19: CHF 8.0 million) is offset in equity as disclosed in the consolidated statement of changes in equity. See also the note on business combinations (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 30.06.2020	Financial year ended 30.06.2019
Theoretical book value of goodwill, net	**406.2**	**667.6**
Cost 30 June	**2,026.7**	**1,935.0**
Additions from acquisitions	136.9	6.5
Adjustments (earn-out, divestments and others)	0.5	1.5
Translation exchange differences	–45.7	–23.2
Cost 1 July	**1,935.0**	**1,950.2**
Accumulated amortization 30 June	**1,620.5**	**1,267.4**
Additions	383.7	376.9
Translation exchange differences	–30.6	–13.2
Accumulated amortization 1 July	**1,267.4**	**903.7**

	Financial year ended 30.06.2020			Financial year ended 30.06.2019		
CHF million	Effective	Amortization goodwill	Theoretical (incl. amortization goodwill)	Effective	Amortization goodwill	Theoretical (incl. amortization goodwill)
Effects on the income statement						
Operating profit (EBIT)	253.2	–383.7	**–130.5**	375.0	–376.9	**–1.9**
EBIT as % of net sales	10.0	–15.1	**–5.1**	13.3	–13.4	**–0.1**
Net profit	164.1	–383.7	**–219.6**	252.5	–376.9	**–124.4**
Effect on the balance sheet						
Equity according to balance sheet	141.3	406.2	**547.5**	258.5	667.6	**926.1**
Equity as % of balance sheet total	7.8		**24.7**	13.5		**48.5**

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.

With regard to the Covid-19 pandemic, the BoD in April 2020 assessed and acknowledged the comprehensive crisis management measures implemented by the Group management. The aim of the measures is to ensure the health and safety of all employees and at the same time to minimize the impact on business operations and supply chains, and thus on customers. In parallel, dormakaba adjusted its financial management as well as its forecast structures in order to retain its entrepreneurial flexibility and financial stability at all times during the Covid-19 pandemic. dormakaba also initiated a Group-wide cost savings and restructuring program in the fourth quarter of financial year 2019/20 to adjust capacities and costs which is assessed by the board on an ongoing basis and through dialogue with the EC. This ensures that operating risks are given due attention, reported accordingly and the BoD has a comprehensive overview of the key risks and measures taken.

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 Group. Hence, dormakaba Group 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

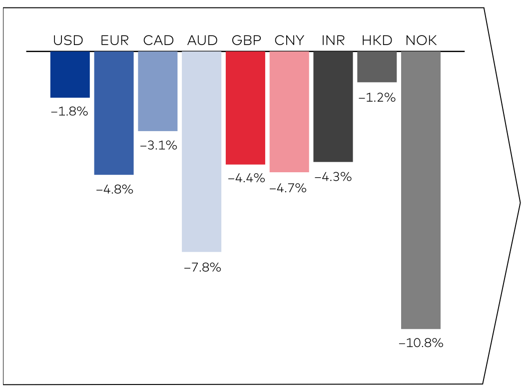
dormakaba Group does not actively manage the translation risk.

In the 2019/20 financial year, the Group's equity was negatively impacted in the amount of CHF 24.2 million by foreign currency translation (2018/19: CHF 26.4 million positive impact).

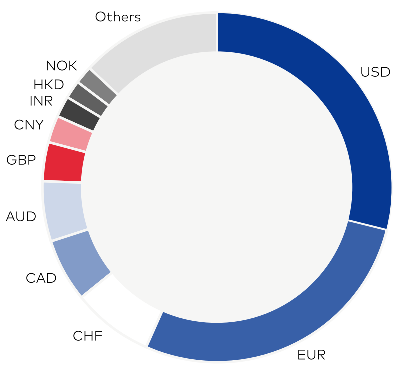
The key exchange rates based on net sales in foreign currencies are disclosed in the table below:

Currency rates (CHF), net sales (CHF million)	Net sales 30.06.2020	Exchange rate 30.06.2020	Average rate 2019/20	Net sales 30.06.2019	Exchange rate 30.06.2019	Average rate 2018/19
Total net sales	**2,539.8**			**2,818.3**		
USD	736.4	0.952	0.977	848.8	0.976	0.995
EUR	707.5	1.069	1.080	791.9	1.110	1.135
CHF	189.3	1.000	1.000	187.0	1.000	1.000
CAD	148.9	0.696	0.729	109.3	0.745	0.752
AUD	138.0	0.653	0.656	146.0	0.684	0.712
GBP	91.3	1.170	1.231	109.2	1.237	1.288
CNY	65.2	0.134	0.139	70.7	0.142	0.146
INR	49.3	0.013	0.014	70.9	0.014	0.014
HKD	44.2	0.123	0.125	55.3	0.125	0.127
NOK	40.8	0.098	0.105	50.6	0.115	0.117
Net sales in other currencies	328.9			378.6		

June 2019 – June 2020
Change of average FX-rate in relation to CHF



2019/20
Net sales exposure



In the 2019/20 financial year, dormakaba Group's sales growth was negatively impacted by foreign currency translations in the amount of CHF 104.2 million (2018/19: CHF 29.6 million negative impact) and EBITDA likewise by CHF 16.0 million (2018/19: CHF 2.4 million negative 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 30.06.2020	Financial year ended 30.06.2019
Contract value	**739.1**	**740.3**
Fair value – held-for-trading, net	**0.3**	**–1.9**
Assets from fair value of forward contracts	1.0	0.0
Liabilities from fair value of forward contracts	–0.7	–1.9

In the 2019/20 financial year, the net foreign exchange loss amounts to CHF 2.8 million (2018/19: CHF 2.4 million). While the hedges mitigate the foreign currency effect arising from intercompany loans, the interest expenses for forward contracts amounts to CHF 22.1 million (2018/19: CHF 26.3 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 the legal subsidiaries including the Group companies' shareholdings.

4.1 Commitments and contingencies

Lease commitments

Operating lease payments are charged to income (CHF 36.0 million in 2019/20 and CHF 40.5 million in 2018/19) 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 30.06.2020	Financial year ended 30.06.2019
Future payment commitments for operating leases	**118.8**	**130.0**
Up to 1 year	34.2	33.3
2 to 5 years	62.7	74.1
Over 5 years	21.9	22.6

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 30.06.2020	Financial year ended 30.06.2019
Current endorsement liabilities	2.1	3.7
Investments committed to purchase from third parties:		
Property, plant, and equipment	5.5	13.4
Intangible assets	1.5	0.6

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4.2 Equity accounted investments

CHF million	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Investments in associates - 30 June	**3.3**	**3.5**
Increase of investments in associates	0.0	1.5
Sale of investments in associates	0.0	–37.7
Share of profit (loss)	–0.2	–0.3
Translation exchange differences	0.0	–0.6
Investments in associates - 1 July	**3.5**	**40.6**
Result from associates	**–0.2**	**2.9**
Share of profit (loss)	–0.2	–0.3
Profit from sale of investments in associates	0.0	3.2

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

The following table summarizes all considerations paid for businesses, as well as the assets and liabilities acquired and recognized at fair value as at the acquisition date for the full financial year 2019/20 and for the full financial year 2018/19 in comparison.

CHF million			**Financial year ended 30.06.2020**	**Financial year ended 30.06.2019**
	Alvarado	**Others**	**Total**	**Total**
Total consideration	**159.6**	**1.7**	**161.3**	**6.6**
Cash paid	158.0	1.1	159.1	6.2
Deferred payment	0.7	0.6	1.3	0.1
Acquisition-related costs	0.9	0.0	0.9	0.3
Identifiable assets and liabilities	**23.8**	**0.1**	**23.9**	**0.4**
Cash and cash equivalents	16.8	0.0	16.8	0.4
Trade receivables	4.1	0.1	4.2	0.7
Inventories	5.3	0.0	5.3	0.3
Current income tax assets	1.8	0.0	1.8	0.0
Other current assets	0.2	0.0	0.2	0.0
Property, plant, and equipment	0.4	0.1	0.5	0.2
Deferred income tax assets	0.2	0.0	0.2	0.0
Trade payables	–0.3	–0.1	–0.4	–0.3
Current income tax liabilities	0.0	0.0	0.0	–0.1
Accrued and other current liabilities	–4.6	0.0	–4.6	–0.5
Provisions	–0.1	0.0	–0.1	0.0
Non-current borrowings	0.0	0.0	0.0	–0.3
Goodwill	**135.8**	**1.6**	**137.4**	**6.2**

Alvarado Manufacturing Co. Inc.

On 27 June 2019, dormakaba signed an agreement to acquire Alvarado Manufacturing Co. Inc., based in Chino (CA/USA). The transaction was closed on 31 July 2019. Alvarado is a leading manufacturer of physical access solutions in North America such as speed gates, turnstiles, and other admission devices with a focus on office, commercial and government buildings, as well as sports, leisure and entertainment facilities.

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).

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 27 August 2020 and will be presented for approval by the AGM on 20 October 2020.

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 Covid-19 pandemic has a significant impact on the global economic environment. In light of these changes, dormakaba has reviewed all areas involving significant accounting estimates and assumptions. In this process also net book value of goodwill disclosed in note theoretical equity and goodwill movement (3.4) was assessed for impairments. Other areas, such as valuation of trade receivables (2.1) and inventories (2.2) were also in the focus of review. There was no impairment loss as a result of the review. In addition, the Covid-19 pandemic had no material impact on the remaining significant accounting estimates and assumptions.

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.

Alternative performance measures (APM)

Some of the key figures used by dormakaba to measure the financial performance are not defined by Swiss GAAP FER. The comparability of these figures with those of other companies might be limited. Explanations and reconciliations of these APMs are disclosed below.

Capital expenditure

Capital expenditure (Capex) consists of the additions in property, plant, and equipment and the additions of intangible assets.

CHF million	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Capital expenditure	**94.9**	**111.4**
Additions of property, plant, and equipment	59.6	84.4
Additions of intangible assets	35.3	27.0

Free cash flow and free cash flow before acquisition/divestments

Free cash flow consists of cash flow from operating activities together with cash flow from investing activities. Free cash flow before acquisition/divestments excludes the cash effective movements arising from acquisitions/divestments.

CHF million	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Free cash flow before acquisitions/divestments	**242.9**	**179.7**
Acquisition of subsidiaries, net of cash acquired	–147.2	–6.2
Acquisition of associates and joint ventures	0.0	–1.5
Sale of investment in associates and joint ventures	0.0	40.9
Free cash flow	**95.7**	**212.9**
Net cash from operating activities	328.1	280.7
Net cash used in investing activities	–232.4	–67.8

Net working capital

Net working capital is used by the Group to measure the efficiency of the segment in managing financial resources and complements the Group's performance management. dormakaba defines net working capital as trade receivables plus inventories, minus the sum of trade payables, advances from customers and deferred income.

CHF million	Note	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Net working capital		**631.9**	**753.2**
Trade receivables	2.1	388.1	499.5
Inventories	2.2	445.0	454.7
Trade payables		–129.0	–134.3
Advances from customers		–38.8	–32.6
Deferred income		–33.4	–34.1

Operating cash flow margin

Operating cash flow margin is calculated as the ratio of net cash from operating activities to net sales.

CHF million	Note	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Operating cash flow margin		**12.9%**	**10.0%**
Net sales	1.2	2,539.8	2,818.3
Net cash from operating activities		328.1	280.7

Operating profit before depreciation and amortization (EBITDA)

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.

CHF million	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Operating profit (EBIT)	**253.2**	**375.0**
Depreciation and amortization	71.8	73.0
Operating profit before depreciation and amortization (EBITDA)	**325.0**	**448.0**
Depreciation and amortization	–71.8	–73.0
Result from associates	–0.2	2.9
Financial expenses	–43.2	–47.4
Financial income	1.4	2.2
Profit before taxes	**211.2**	**332.7**

Organic sales growth

Organic growth in sales refers to the growth compared to the same period of previous year adjusted for the impacts from currency translation as well as impacts from acquisition and divestment.

5.2 Events occurring after the balance sheet date

There were no events between 30 June 2020 and 27 August 2020 which would necessitate adjustments to the book value of the Group's assets or liabilities, or which require additional disclosure in the consolidated financial statements.

5.3 Legal structure of the dormakaba Group

As at 30 June 2020

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 Listed 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., Randolph/US	USD	30.0	100	dormakaba USA Inc.
Alvarado Manufacturing Co. Inc., Chino/US	USD	100.0	100	dormakaba U.S. Holding Ltd.
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	MXN	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	10.0	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., Kildare/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 Services B.V., Dodewaard/NL	EUR	100.0	100	dormakaba Nederland B.V.
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	AED	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	1,769.0	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	2,000.0	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	dormakaba U.S. Holding Ltd.
dormakaba Workforce Solutions LLC, Wilmington/US	USD	19.7	100	dormakaba 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	dormakaba 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	dormakaba U.S. Holding Ltd.
Kaba Security Systems Private Limited, New Delhi/IN	INR	59,630.8	100	dormakaba India Private Limited
dormakaba U.S. Holding Ltd., Wilmington/US	USD	235,000.0	59.52	dormakaba Schweiz AG
			17	dormakaba Nederland B.V.
			23.48	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
Minda Silca Engineering Pvt. Ltd., New Delhi/IN	INR	107,510.0	65	dormakaba International Holding AG
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
Poksundo GmbH, Villingen-Schwenningen/DE	EUR	38.4	35	dormakaba International Holding GmbH
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 2020, the company's market capitalization was CHF 2,147.2 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 2020, the consolidated balance sheet as at 30 June 2020, 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 44 to 79) give a true and fair view of the consolidated financial position of the Group as at 30 June 2020 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.

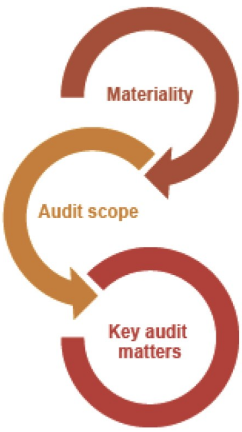
Basis for opinion

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 14’326’000

We concluded full scope audit work at 49 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 35 reporting units in 22 countries addressing a further 9% of the Group's revenue and 15% of the Group's assets.

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

Valuation and existence of trade receivables.

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 14'326'000
How we determined it	5% of the average profit before tax for the last three years
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. The three-year average takes into account the volatility as a consequence of the Covid-19 crisis.

We agreed with the Audit Committee that we would report to them misstatements above CHF 700'000 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 and existence of trade receivables

Key audit matter	How our audit addressed the key audit matter
Total consolidated trade receivables of the financial year 2019/2020 amounted to CHF 388.1 million (2018/2019: CHF 499.5 million). Trade receivables represent a significant share of total assets (about 21.4%). Refer to note 2.1 "Trade receivables". Trade receivables 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, trade receivable	We obtained an understanding of the Group's policies, processes and methods in regards to trade receivables valuation and existence. 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 controls relating to the valuation and existence of trade receivables as per

are individually impaired if there is clear evidence of insolvency or other indications that collectability is at risk.

We consider the valuation and the existence of trade receivables in the current economical environment (COVID-19) as a key audit matter, because of its significance in the balance sheet and some scope for estimates by Management when assessing the existence and allowance for doubtful accounts. Trade receivable write-downs have a direct impact on EBITDA-margin, thus increasing the risk of material misstatement in valuation of trade receivables.

the dormakaba internal control system are adhered to.

- We determined whether the general allowance for doubtful accounts is determined and recognized in-line with the dormakaba accounting policy.
- We obtained and reviewed supporting documents for the calculation of specific allowances and assessed whether the underlying management estimates are reasonable.
- We assessed the existence of trade receivables by circularizing confirmation letters, reviewing supporting documents, performing subsequent payment testing as well as roll-forward testing in case the confirmation letters were issued prior to the balance sheet date as of 30 June 2020.

Based on the audit procedures performed, we consider the valuation and the existence of trade receivables 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, actions taken to eliminate threats or safeguards applied.

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, 27 August 2020

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Financial statements dormakaba Holding AG

Balance sheet

Assets

CHF million	Note	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Current assets			
Cash and cash equivalents		0.1	0.2
Total current assets		**0.1**	**0.2**
Non-current assets			
Investments	2.1	704.9	704.9
Loans to Group companies	2.2	170.9	173.6
Total non-current assets		**875.8**	**878.5**
Total assets		**875.9**	**878.7**

Liabilities and equity

CHF million	Note	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Current liabilities			
Other current liabilities: third parties		0.7	1.1
Accruals		0.1	0.1
Total current liabilities		**0.8**	**1.2**
Long-term provisions	**2.3**	**11.3**	**13.5**
Equity			
Share capital	2.4	0.4	0.4
Legal capital reserves - reserves from capital contributions		93.5	159.9
Legal reserves		261.0	261.0
Reserves for treasury shares	2.6	31.4	38.7
Statutory retained earnings - available earnings carried forward		411.3	341.9
Net profit for the year		66.2	62.1
Total equity		**863.8**	**864.0**
Total liabilities and equity		**875.9**	**878.7**

Income statement

CHF million	Note	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Operating revenues			
Income from investments			
- Dividend income	3.1	67.5	63.6
Interest from Group loans		5.4	5.4
Total operating revenues		**72.9**	**69.0**
Operating expenses			
Financial expenses	3.2	–3.6	–3.5
Cost of services provided by Group companies		0.0	–0.1
Personnel expenses		–1.8	–1.8
Other operating expenses	3.3	–1.0	–1.1
Direct taxes	3.4	–0.3	–0.4
Total operating expenses		**–6.7**	**–6.9**
Net profit for the period		**66.2**	**62.1**

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 30.06.2020	Financial year ended 30.06.2019
dormakaba International Holding AG, Rümlang/CH	CHF	1.00%	170.9	173.6
Total loans to Group companies			**170.9**	**173.6**

2.3 Long-term provisions

These provisions relate to general risks.

2.4 Share capital

As at 30 June 2020, 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 2020 amounted to CHF 42,438.40.

In accordance with the resolution of the Annual General Meeting (AGM) of 22 October 2019, the Board of Directors (BoD) is authorized to increase the share capital by no later than 22 October 2021 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 30.06.2020 No. of shares at CHF 0.10 par value	%	As at 30.06.2019 No. of shares at CHF 0.10 par value	%
Pool Shareholders [1]	**1,205,449**	**28.7**	**1,143,963**	**27.2**
Group's treasury shares	**42,810**	**1.0**	**54,709**	**1.3**
Public shareholders				
T. Rowe Price Associates, Inc., Baltimore, USA [2]			135,903	3.2
Other public shareholders	2,926,306	69.7	2,842,347	67.7
Total public shareholders	**2,926,306**	**69.7**	**2,978,250**	**70.9**
BoD and EC members [3]				
BoD members	553,987	13.2	491,484	11.7
EC members [4]	17,497	0.4	16,251	0.4
Less double-counting in respect of Riet Cadonau [5]	–5,840	–0.1	–4,730	–0.1
Total BoD and EC members	**565,644**	**13.5**	**503,005**	**12.0**
Less double-counting in respect of Pool Shareholders [6]	–540,183	–12.9	–479,901	–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 / Meilen, heirs of Anja Bremi, Ulrich Bremi / Zollikon, Balz Dubs / Zurich, Karina Dubs / 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) Shareholdings as at 30 June 2020 is below 3%.
3) Including related parties.
4) Includes restricted shares granted at hiring date on 1 April 2020 to the (then designated) COO AS AMER as part of a replacement award in order to compensate for part of the forfeited long-term incentive plan at his previous employer. Further details are provided in the chapter 'Compensation architecture for the EC' of the Compensation Report.
5) Shareholdings of Riet Cadonau as BoD and EC member are included under BoD members and EC members.
6) Shareholdings of Pool Shareholders who are also BoD members are included under Pool Shareholders and BoD members.

2.6 Treasury shares

	Financial year ended 30.06.2020 CHF million	Financial year ended 30.06.2020 Number of shares	Financial year ended 30.06.2019 CHF million	Financial year ended 30.06.2019 Number of shares
Treasury shares at the beginning of the period	0.0	–	0.2	350
Purchase	1.1	1,787	0.7	880
Share-based compensation	–1.0	–1,787	–0.9	–1,230
Revaluation	–0.1	–	0.0	–
Treasury shares at the end of the period	**0.0**	**–**	**0.0**	**–**
Treasury shares held in other Group entities	31.4	42,810	38.7	54,709
Total Group's treasury shares at the end of the period	**31.4**	**42,810**	**38.7**	**54,709**

3. Information on the income statement

3.1 Dividend income

The dividend income for the year is CHF 67.5 million (2018/19: CHF 63.6 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 2020, dormakaba Holding AG did not employ any personnel.

4.3 Contingent liabilities

CHF million	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Guarantees	693.7	693.7
Of which used	0.0	0.0

As in the previous 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 30.06.2020		Financial year ended 30.06.2019	
	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 (2018/19: CHF 36,000) is earmarked for the coverage of convertible bonds and warrant bonds, plus CHF 6,438.40 (2018/19: CHF 6,438.40) for shares or share options to associates and BoD members of which CHF 0 (2018/19: CHF 0) were exercised in the 2019/20 financial year.

The authorized capital at year-end amounts to CHF 42,000 (2018/19: 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 30.06.2020	Financial year ended 30.06.2019
BoD		
Birgersson Jens	347	52
Brecht-Bergen Stephanie	220,156	190,117
Cadonau Riet [1]	5,840	4,730
Daeniker Daniel	1,687	1,532
Dörig Rolf	2,626	2,471
Dubs-Kuenzle Karina	99,746	99,591
Gummert Hans	762	587
Heppner John	919	743
Hess Hans	1,623	1,468
Mankel Christine	220,281	190,193
Total BoD	**553,987**	**491,484**
EC		
Berninger Alwin	210	80
Bewick Stephen [2]	199	
Brinker Bernd	1,549	974
Cadonau Riet [1]	5,840	4,730
Gaspari Roberto [3]		3,259
Häberli Andreas	2,265	1,872
Housten Alex [4]	564	
Kincaid Michael [5]	1,543	1,166
Lee Jim-Heng	2,329	1,829
Lichtenberg Jörg [5]	853	532
Zocca Stefano	2,145	1,809
Total EC	**17,497**	**16,251**

1) BoD and EC member, therefore displayed in both groups for the years of membership.
2) EC member as of 1 January 2020.
3) EC member until 31 December 2019.
4) Designated EC member from 1 April 2020 until 30 June 2020. EC member (successor of Michael Kincaid) as of 1 July 2020. The shares were granted at hiring date on 1 April 2020 as part of a replacement award in order to compensate for part of the forfeited long-term incentive plan at his previous employer. Further details are provided in the chapter 'Compensation architecture for the EC' of the Compensation Report.
5) EC member until 30 June 2020.

7. Events occurring after the balance sheet date

There were no events between 30 June 2020 and 27 August 2020 which would necessitate adjustments to the book value of the Group's assets or liabilities, or which require additional disclosure in the financial statements.

Appropriation of retained earnings

Proposal for the appropriation of available retained earnings as at 30 June 2020

CHF million	Financial year ended 30.06.2020	Financial year ended 30.06.2019
Net profit for the period	66.2	62.1
Allocation from reserves for treasury shares	7.3	–30.1
Statutory retained earnings carried forward from previous year	404.0	372.0
Unappropriated retained earnings at the end of the period	**477.5**	**404.0**
Allocation from reserves from capital contributions [1]	22.1	67.2
Total at the AGM's disposal	**499.6**	**471.2**

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

The BoD will propose to the shareholders at the AGM on 20 October 2020 a total distribution of CHF 44.2 million on the basis of the share capital of CHF 420,002 (4,200,026 shares at CHF 0.10) without contribution to other reserves, to be equally paid out from the reserves from capital contributions and statutory retained earnings:

- CHF 22.1 million (2018/19: CHF 67.2 million) from capital contributions without deduction of Swiss withholding tax; and
- CHF 22.1 million (2018/19: CHF 0) from statutory retained earnings subject to Swiss withholding tax

CHF million	Proposal to the AGM 2020	Approved by the AGM 2019
Distribution from reserves from capital contributions [1]	22.1	67.2
Dividend distribution from statutory retained earnings [1]	22.1	0.0
To be carried forward	455.4	404.0
Total at the AGM's disposal	**499.6**	**471.2**

1) Calculated based on the number of total shares as at 30 June 2020. The total amount of the distribution depends on the number of shares entitled to dividend as at 21 October 2020. Treasury shares are not entitled to dividend payout.

After approval of this proposal by the AGM, the distribution from the reserves from capital contributions as well as dividend distribution from statutory retained earnings will be paid out on 26 October 2020 according to the instructions received: CHF 10.50 (2018/19: CHF 16.00) 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 2020, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 85 to 91) as at 30 June 2020 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 4'379'500
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 437'950 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, actions taken to eliminate threats or safeguards applied.

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, 27 August 2020

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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 financial year 2019/20 is as of 30 June 2020. 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 as well as its 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 30.06.2020 No. of shares at CHF 0.10 par value	%	As at 30.06.2019 No. of shares at CHF 0.10 par value	%
Pool Shareholders 1)	**1,205,449**	**28.7**	**1,143,963**	**27.2**
Group's treasury shares	**42,810**	**1.0**	**54,709**	**1.3**
Public shareholders				
T. Rowe Price Associates, Inc., Baltimore, USA 2)			135,903	3.2
Other public shareholders	2,926,306	69.7	2,842,347	67.7
Total public shareholders	**2,926,306**	**69.7**	**2,978,250**	**70.9**
BoD and EC members 3)				
BoD members	553,987	13.2	491,484	11.7
EC members 4)	17,497	0.4	16,251	0.4
Less double-counting in respect of Riet Cadonau 5)	–5,840	–0.1	–4,730	–0.1
Total BoD and EC members	**565,644**	**13.5**	**503,005**	**12.0**
Less double-counting in respect of Pool Shareholders 6)	–540,183	–12.9	–479,901	–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 / Meilen, heirs of Anja Bremi, Ulrich Bremi / Zollikon, Balz Dubs / Zurich, Karina Dubs / 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) Shareholdings as at 30 June 2020 is below 3%.

3) Including related parties.

4) Includes restricted shares granted at hiring date on 1 April 2020 to the (then designated) COO AS AMER as part of a replacement award in order to compensate for part of the forfeited long-term incentive plan at his previous employer. Further details are provided in the chapter 'Compensation architecture for the EC' of the Compensation Report.

5) Shareholdings of Riet Cadonau as BoD and EC member are included under BoD members and EC members.

6) 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 2020 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 of shareholders (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:

- 28.7% 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 62.6% 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 2020 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 2020, 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 of shareholders (AGM) of 22 October 2019 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 22 October 2021 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.

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	30.06.2020	30.06.2019	30.06.2018	30.06.2017
Equity				
Share capital	0.4	0.4	0.4	0.4
Reserves from capital contributions	93.5	159.9	222.1	280.7
Legal reserves	261.0	261.0	261.0	261.0
Reserves for treasury shares	31.4	38.7	8.6	17.6
Treasury shares	0.0	0.0	–0.2	–1.0
Unappropriated retained earnings	477.5	404.0	372.0	301.9
Total equity	**863.8**	**864.0**	**863.9**	**860.6**

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 the first time 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 2020

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 AGM, 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 on 20 October 2020, Riet Cadonau will continue to serve in a dual role as Chair and CEO, remaining CEO for the period until and including 31 March 2021. 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.

Following the announcement on 12 September 2019 by Rolf Dörig not to stand for re-election as member of the BoD at the AGM 2020, the BoD is proposing to the AGM on 20 October 2020 that all other serving members of the BoD be re-elected, and that John Liu be elected as new member of the BoD.

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 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 locations, usually on an annual basis.

The BoD held eight meetings during the financial year 2019/20; one lasted two days, two around six hours, three around four hours and two lasted two hours or less. The following table shows the attendance of the individual BoD members at the Board meetings and of the individual committee members at the committee meetings during the financial year 2019/20:

Attendance at Board and Committee meetings during the financial year 2019/20

	BoD	AC	CC	NC
Number of meetings held	8	8	4	6
Riet Cadonau (Chair)	8			
Hans Hess (Lead Independent Director and Vice-Chair)	8	8	4	6
Jens Birgersson	8			
Stephanie Brecht-Bergen	8			6
Daniel Daeniker	8	8		
Rolf Dörig	5		3	4
Karina Dubs-Kuenzle	8			
Hans Gummert	8	8	4	
John Heppner	7			
Christine Mankel	8			

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 financial year 2019/20, the Audit Committee held eight meetings, one lasting three hours, four lasting around two hours and three meetings lasting around one hour. 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 financial year 2019/20, representatives of the audit firm participated in three meetings, external consultants and representatives of Internal Audit in four, the General Counsel in eight, and representatives of the Accounting Department in five meetings. 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, Group Management Report, Corporate Governance Report) 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)
- **Stephanie Brecht-Bergen**
- **Rolf Dörig**

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 financial year 2019/20, the Nomination Committee held six meetings, one meeting lasting more than four hours, one meeting lasting around 2.5 hours and four meetings lasting around one hour. The Nomination Committee invested substantially more time than in previous years as it dealt with the search for succession of two COOs, the CEO, and one BoD member. 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 2019/20, the Compensation Committee held four meetings lasting around one to two hours each. The BoD Chair, the CEO, the Senior Vice President Group Human Resources, the Deputy Vice President Global Compensation & Benefits and member(s) of the external executive compensation consultancy usually take part in the meetings in an advisory capacity. They do not attend the parts of the meetings, where their own compensation and/or performance are being discussed. The Compensation Committee minutes its deliberations and decisions and regularly reports to the whole BoD.

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. More than four years after the merger, dormakaba's new operating model is well established which allowed to discontinue the CMO role as of 1 July 2020 and reassign the CMO's respective responsibilities within the organization.

Lead Independent Director

Together with the dual role of BoD Chair and CEO, the BoD established the role of Lead Independent Director (LID) in the 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; and
- 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 individual as well as 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 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 previous 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 regular forecasts. The CEO and CFO submit monthly written financial reports to the BoD about progress against the budget and comparisons with the previous 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. With the proposal of the BoD to the AGM on 20 October 2020 that John Liu be elected as new member of the BoD, the BoD intends to further strengthen its competence in new business models driven by digitization as well as in Asian culture and business experience in Asia.

Details on age, gender, geographic and tenure diversity can be found in the table 'BoD members as of 30 June 2020'. Details on the range of business sectors represented by the Board members can be found in their biographies.

The Nomination Committee annually reviews the composition of the BoD and its 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 date

In line with its commitment to doing business responsibly in accordance with the ten principles of the UN Global Compact, the BoD decided on 24 June and 27 August 2020 to further strengthen the Group's sustainability framework by:

- Proposing to the AGM 2020 to amend the purpose clause of the Articles of Incorporation by including an explicit reference to dormakaba Holding AG's long-term sustainable value creation;
- Mandating the BoD Chair to monitor and evaluate the implementation of the sustainability strategy and the sustainability risks and opportunities; and
- Allocating the Chair of the Group Sustainability Council to the CEO.

On 9 July 2020, dormakaba announced that the BoD:

- Has appointed Sabrina Soussan as new Chief Executive Officer of the Group effective 1 April 2021. She will succeed Riet Cadonau, who will focus on his role as BoD Chair, in line with previous communication;
- Will propose John Liu as a new member of the BoD to the AGM on 20 October 2020, while Rolf Dörig does not stand for re-election, as previously announced.

On 27 August 2020, the BoD decided to propose to the AGM 2020 to combine the Compensation Committee and the Nomination Committee of the BoD into one Nomination and Compensation Committee by amending §§ 19 and 20 of the Articles of Incorporation.

BoD members

as of 30 June 2020

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[1] and Griesser Group (CH)

Hans Hess

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

Swiss citizen

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

Career
Since 2006 owner of Hanesco AG (CH); 2006–2019 Chairman of the BoD of Burckhardt Compression Holdings AG[1] (CH); 2005–2019 Chairman of the BoD of Comet Holding AG[1] (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); President of Swissmem (CH); Vice-President of economiesuisse (CH)

Jens Birgersson

Swedish citizen

Education
Harvard Advanced Management Program, Harvard Business School, Boston (MA/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)

1) listed company

Stephanie Brecht-Bergen

Member Nomination Committee

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 Management 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, Boston (MA/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

*) resigned on 16 April 2020

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 and Compensation Committees

German citizen

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

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

External activities and interests
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); Chairman of the Advisory Board Coroplast Fritz Müller GmbH & Co. KG (DE); 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); member of the Supervisory Board of WIBU Wirtschaftsbund sozialer Einrichtungen eG (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)

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

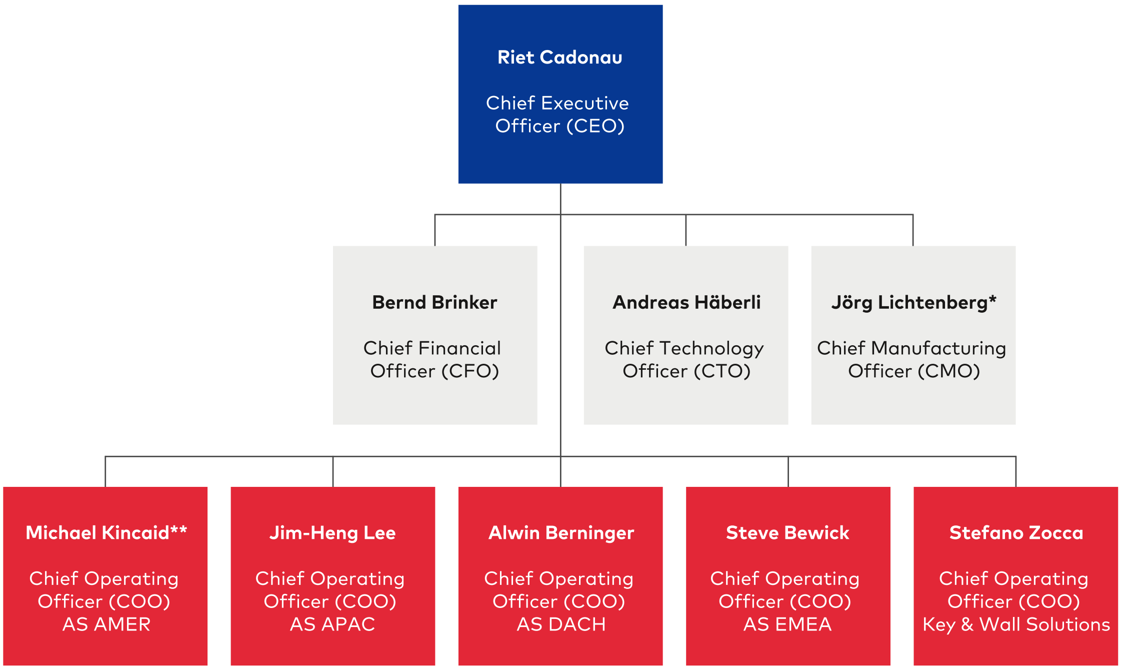
External activities and interests
Since 2008 Management Board member of the foundation "Rudolf Mankel Stiftung" (DE)

Executive Committee (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 as well as other Group functions such as IT and Group Development. 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). Until the end of June 2020, the CMO (Chief Manufacturing Officer) was responsible for the global purchasing as well as the supplier management and advised and supported the segments in optimizing the production and supply chain. As of 1 July 2020, the CMO role was discontinued and the respective responsibilities were reassigned within the organization.

EC dormakaba Group as of 30 June 2020



* resigned as of 30 June 2020
** resigned as of 30 June 2020 and succeeded by Alex Housten

EC members as of 30 June 2020

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/CA
Jim-Heng Lee COO Access Solutions APAC	1962	2014	m	SG
Alwin Berninger COO Access Solutions DACH	1969	2018	m	DE
Steve Bewick COO Access Solutions EMEA	1966	2020	m	GB
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.

During the financial year 2019/20, the following changes within the EC have been made or announced:

- The dormakaba BoD appointed Steve Bewick as COO of the Segment Access Solutions EMEA as of 1 January 2020. He followed Roberto Gaspari, who decided to leave the company after almost 20 years in various management and leadership roles, to take up a new professional challenge outside of dormakaba.
- The dormakaba BoD appointed Alex Housten as COO of the Segment Access Solutions AMER as of 1 July 2020. He followed Michael Kincaid, who will continue to support dormakaba in a Senior Management role.
- Jörg Lichtenberg, CMO, stepped down from his position and as EC member as of 30 June 2020. He will take up a new professional challenge outside of dormakaba.

External mandates

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.

EC members

as of 30 June 2020

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[1] 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);
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 (until 30 June 2020)

US and Canadian 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);
Kuka Group[1] (DE): various positions, 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)

Steve Bewick

COO Access Solutions EMEA

British citizen

Education
BSc Hons in Combined Sciences from the University of Glamorgan (UK)

Career
Since 2020 COO Access Solutions EMEA and member of the EC of dormakaba Group[1] (CH); 2016–2019 Senior Vice President UK, Ireland and Benelux dormakaba; 2014–2015 Senior Vice President Market North Nordics Kaba and 2010–2019 Managing Director Kaba UK; 2008–2009 Contracting Business Director Kaba UK; 2007–2008 Sales and Marketing Director Surelock McGill (UK); 2005–2006 Sales & Marketing Director EDM Group (UK)

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;
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 2020 member of the BoD Kardex Holding AG[1] (CH); 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 (until 30 June 2020)

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

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Five-year performance overview

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 Annual General Meeting of 20 October 2020

Only shareholders entered in the share register with voting rights by 12 October 2020 will be entitled to vote at the AGM of 20 October 2020. They will receive the invitation to the AGM together with the motions of the BoD. After the return of the reply form, the admission ticket and voting slips will be sent out. No entries will be made in the share register from 13 to 20 October 2020. Shareholders who sell their registered shares prior to the AGM are not entitled to vote. In the event of a partial sale or additional purchase of registered shares, the admission ticket must be exchanged at the information desk on the day of the AGM. All information about the AGM 2020 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 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 individual and consolidated annual 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 3.06 million in the financial year 2019/20. In financial year 2019/20, dormakaba Group also paid expenses in the amount of around CHF 0.47 million for other consultancy services from PricewaterhouseCoopers. Approximately CHF 0.06 million of this was for general advisory services relating to acquisition projects and other consulting projects, and around CHF 0.18 million for taxation services (direct and indirect taxes). Another CHF 0.23 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 the financial year 2019/20 and the financial statements as at 30 June 2020 include the Group Management Report with the consolidated financial statements, the financial statements of dormakaba Holding AG, the Corporate Governance Report, the Compensation Report, and the Sustainability Report. All reporting is available only digitally at www.report.dormakaba.com/2019_20. 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 or calls 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 at least every half year. The information on how the business is performing is available at www.dormakaba.com/en/news-media/media-center 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

General introduction

The Compensation Report describes the principles underlying the compensation policy and provides information about the steering process and the compensation awarded to the Board of Directors (BoD) and Executive Committee (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 company's business performance and results for the financial year 2019/20 reflect a year of two very different halves. Whereas the first half-year was largely in line with expectations, the outbreak and spread of Covid-19 led to an unprecedented slump in business activity from February 2020 to the end of the financial year. The pandemic and related restrictions – particularly the government-mandated blanket lockdowns – had a substantial negative effect on business, leading to a significant reduction in sales. As a result, the company recorded negative organic sales growth of 6.9% (previous year +1.3%) and EBITDA of CHF 325.0 million (previous year CHF 448.0 million; –27.5%). Correspondingly net profit was down by 35.0% to CHF 164.1 million. Based on an unchanged dividend policy, the BoD proposes that CHF 10.50 per share to be paid out for the financial year 2019/20, down from the CHF 16.00 per share paid for the previous year. The reduction in dividend of 34.4% is thus in line with the reduction in net profit.

Due to the pandemic, all members of the BoD and the EC decided to take a voluntary and temporary reduction in their monthly base pay from May 2020 onwards. In addition, and following the reduction in net profit, the average short-term incentive payout for EC members is significantly below previous year's level.

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 Annual General Meeting (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 2021/22. 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 Compensation Report 2019/20.

At the AGM 2019, binding votes were conducted on the aggregate maximum compensation amounts for the BoD and for the EC, as well as a consultative vote on the Compensation Report. The shareholders approved the maximum compensation amounts for both the BoD and the EC with approval rates exceeding 95%, while the consultative vote on the Compensation Report received a lower approval rate of 71%. In response to this result, the Compensation Committee reviewed the shareholders' feedback to understand and address their concerns on the compensation policy and decided to introduce the following changes:

- Net working capital and sales growth elements will be added to the short-term incentive formula for the CEO and the EC members with functional responsibilities (CFO and CTO [Chief Technology Officer]). This will harmonize the short-term incentive formula across the entire EC by aligning the CEO and Group function leaders with their Chief Operating Officer (COO) colleagues and further strengthen their accountability for an efficient management of the company's financial resources and growth driven value creation.
- The mix between restricted shares and performance share units under the long-term incentive will be further shifted and the transition to 100% performance share units will be completed with the grant in the year 2021.
- The performance peer group for the total shareholder return under the long-term incentive plan is currently being reviewed, considering that it consists of SMIM companies and that dormakaba will no longer be part of the SMIM as of September 2020. The results of the review will be communicated in the Compensation Report 2020/21.
- At the AGM 2020, the BoD will propose to shareholders to combine the Compensation Committee and the Nomination Committee to a new Nomination and Compensation Committee to increase the efficiency of the committees.
- As previously announced, as of 1 April 2021, Riet Cadonau will step down from his role as CEO of dormakaba and continue in his role as BoD Chair only. As of then, he will start being remunerated in his capacity as BoD Chair, while his compensation for the CEO role will end.

We are convinced that the compensation system is well aligned with the business strategy and the long-term interests of shareholders and allows to attract, engage, and retain executives to drive performance and to encourage behaviors that are aligned with the values of dormakaba. Further, we trust that the amendments described above will address shareholders' concerns. We will continue to regularly review our compensation policy to promote sustainable performance, alignment with the long-term interests of our shareholders and employees' engagement, while being compliant with the regulatory environment. The Compensation Committee would like to thank our shareholders for their valuable feedback on our approach to executive compensation.

Compensation at a glance

Summary of current compensation system of the BoD

To ensure their independence, BoD members 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	*	100,000
in restricted shares	*	90,000

* 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

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Additional compensation

in CHF	Committee Chair	Committee member
Audit Committee	60,000	20,000
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 the BoD in financial year 2019/20

The compensation awarded to the BoD in financial year 2019/20 is within the limits approved by the shareholders at the AGM:

Compensation period	Approved amount (CHF)	Effective amount (CHF)
AGM 2018 – AGM 2019	2,190,000	1,820,000
AGM 2019 – AGM 2020	2,390,000	To be determined*

* The compensation period is not yet completed, a definitive assessment will be provided in the 2020/21 Compensation Report.

Summary of current compensation system of the EC

The compensation system applicable to the 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 the EC in financial year 2019/20

The compensation awarded to the EC in financial year 2019/20 is within the limits approved by the shareholders at the AGM:

Compensation period	Approved amount (CHF)	Effective amount (CHF)*
Financial year 2019/20	18,000,000	12,442,335

* Includes the replacement award for the (designated) COO AS AMER in the amount of CHF 517,066. Further details can be found in the chapter "Compensation architecture for the EC" under "6. Assessment of actual compensation paid to the EC in the financial year 2019/20".

Performance in financial year 2019/20

The company's business performance and results for the financial year 2019/20 reflect a year of two very different halves. Whereas the first half-year was largely in line with expectations, the outbreak and spread of Covid-19 led to an unprecedented slump in business activity from February 2020 to the end of the financial year. As a result, the company recorded negative organic sales growth of 6.9% (previous year +1.3%) and EBITDA of CHF 325.0 million (previous year CHF 448.0 million; –27.5%). Correspondingly, net profit was down by 35.0% to CHF 164.1 million. Consequently, the average short-term incentive payout is significantly below previous year's level.

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.

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 2019, the shareholders elected Rolf Dörig (Chair), Hans Gummert, and Hans Hess as members of the Compensation Committee.

The Compensation Committee's main tasks are:

- 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 in 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 of EC members for previous financial year*	CEO CC				
Individual share awards of EC members and Senior Management*	CEO CC				CEO CC
Review of external stakeholder feedback on compensation disclosure and [discussion of] 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 2019/20, the Compensation Committee held four meetings of approximately one to two hours each. Meeting attendance details, incl. participation of members of executive management and external advisors, are provided in the Corporate Governance Report.

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 to the BoD members.

The Compensation Committee may decide to consult external advisors on specific compensation matters. 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. This firm does not have any non-Human Resources related mandates 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 AGM 2015, 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 to members of the Board of Directors and Executive Committee (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.

In view of the evolving requirements on the BoD members' role and considering that the compensation levels of the BoD remained unchanged since 2014 despite being below benchmark, they were increased effective for the term of office from the AGM 2019 until the AGM 2020. The basic compensation was 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 was increased to CHF 20,000 (previously CHF 15,000). The intention is to keep the compensation levels for ordinary members unchanged for the time being.

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 100,000 and an award of CHF 90,000 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 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	*	100,000
in restricted shares	*	90,000

* 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	20,000
Compensation Committee	45,000	10,000
Nomination Committee	45,000	10,000
Lead Independent Director	30,000	

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 2019 until the AGM 2020, the first compensation period ended on 30 April 2020, the second will end on 31 October 2020. 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.

Effective 1 April 2021, the BoD Chair will step down from his dual role and hand over the CEO role to his successor. While compensation for his CEO role will stop as of the same date, he will start being remunerated in his capacity as BoD Chair with an annual fee of CHF 680,000, of which CHF 360,000 will be paid in cash and CHF 320,000 in restricted shares (following a similar ratio between cash and share compensation as for the other BoD members). The annual fee for the BoD Chair role was determined based on the expected time and effort required to effectively perform this role and with consideration of remuneration levels of defined benchmark companies. The BoD Chair is not eligible to receive any additional committee fees.

For the term of office from the AGM 2020 until the AGM 2021 and subject to approval by the AGM 2020, the BoD compensation system will be modified to accommodate the formation of the Nomination and Compensation Committee. The Committee Chair fee for the new Nomination and Compensation Committee will be CHF 60,000 and the membership fee will be CHF 20,000. This structure was determined based on the expected level of time and effort required to effectively run the committee and to be consistent with the existing structure for the Audit Committee. Upon implementation of the Nomination and Compensation Committee, the individual Compensation and Nomination Committees and their respective fee structures will be discontinued.

2. Assessment of actual compensation paid to the BoD in the financial year 2019/20

The actual compensation paid to the BoD for the financial year 2019/20 decreased compared to the previous year (–6%) mainly due to the former BoD Chair still being remunerated until he stepped down at the AGM 2018. Although the change in the compensation levels mentioned above resulted in slightly higher fees overall, all members of the BoD voluntarily and temporarily waived 10% of their basic compensation, starting from May 2020. Therefore, two months of the reporting period (May/June) were impacted by this reduction.

At the AGM 2019, the shareholders approved a maximum aggregate amount of CHF 2,390,000 for the BoD for the compensation period from the AGM 2019 until the AGM 2020. The compensation effectively paid for the portion of this term of office included in this Compensation Report (October 2019 – 30 June 2020) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Compensation Report 2020/21.

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 was CHF 1,820,000 and is within the limit approved by the shareholders.

As of 30 June 2020, in compliance with the Articles of Incorporation, no loans or credits were granted to 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 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 last benchmark analysis conducted in the financial year 2018/19 covering Swiss listed industrial companies of similar size in terms of market capitalization, revenue, and number of employees: Autoneum, Bucher Industries, EMS Chemie, Geberit, Georg Fischer, Landis+Gyr, Logitech, Lonza, OC Oerlikon, Sonova, and Sulzer.

As a principle, the compensation paid to the EC members must 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 mainly consist 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 benefits offered by the pension fund of dormakaba in Switzerland are 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 a 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 Articles of Incorporation, 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, CMO), the incentive formula relates exclusively to Group results. For the 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).

Letter to shareholders
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Five-year performance overview

CEO, CFO, CTO, CMO

Individual share in Group net income	x	Net income growth multiplier	=	Amount of short-term incentive to be paid out
Percentage of Group net income		Factor of up to 1.6 depending on net income growth of dormakaba compared to previous year		Maximum 150% of annual base salary

COOs

Individual share in Group net income	+	Individual share in segment EBIT	x	Sales growth multiplier	x	Net working capital (NWC) multiplier	=	Amount of short-term incentive to be paid out
Percentage of Group net income		Percentage of segment EBIT		Factor of up to 1.5 depending on sales growth of the segment compared to previous year		Factor of up to 1.4 depending on segment NWC results		
10–30% of short-term incentive depending on the role		90–70% of short-term incentive depending on the role						Maximum 150% of annual base salary

The 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 net income growth or on the segment's sales 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, for the COOs, top-line results (sales growth) and an 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.

For the financial year 2020/21, the short-term incentive formula for the CEO and other EC members in a Group function role (CFO and CTO) will be modified to include both a sales growth and a net working capital multiplier in addition to the current net income growth multiplier. This modification is intended to harmonize the incentive formulas across the entire EC and further strengthen the accountability for the efficient use of the company's financial resources as well as growth-driven value creation. The new multipliers will be applied in similar fashion to those currently in place for the COOs:

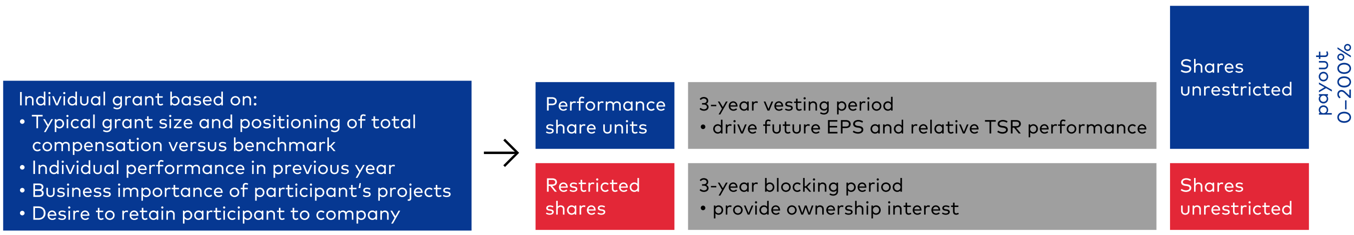
Individual share in Group net income	x	Net income growth multiplier	x	Sales growth multiplier	x	Net working capital (NWC) multiplier	=	Amount of short-term incentive to be paid out
Percentage of Group net income		Factor of up to 1.6 depending on net income growth of dormakaba compared to previous year		Factor of up to 1.5 depending on sales growth of dormakaba compared to previous year		Factor of up to 1.4 depending on NWC results of dormakaba compared to previous year		Maximum 150% of annual base salary

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 based on 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. Pursuant to the Articles of Incorporation, 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: one half is 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 second half 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. Both performance conditions are equally weighted at 50%. 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).

TSR is measured relative to companies of the Swiss Market Index Mid (SMIM) – in which dormakaba is included as at 30 June 2020 – and provides for a 100% vesting for median performance. The SMIM was selected as a performance benchmark because of the insufficient number of direct competitors of dormakaba that are listed. Therefore, the SMIM as an index of companies of comparable size listed on the SIX Swiss Exchange was the most appropriate alternative.

In response to dormakaba having to leave the SMIM in September 2020, the performance peer group is currently being reviewed by the Compensation Committee. The results of this review will be provided in the Compensation Report 2020/21.

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 (50%)	25th percentile of peers	Median of peers	83.33th percentile of peers
EPS growth (50%)	70% of target	EPS growth 2% points above GDP growth	140% of target

The vesting formula has been designed in line with market practice for Swiss publicly traded companies to combine pay for performance compensation principles and reach alignment with the long-term shareholder interest. It has both challenging targets and no excessive leverage. To reach the target, the company needs to outperform half of the peers in respect of relative TSR and needs to outperform GDP growth by 2% points on the EPS condition. While there is no payout below the threshold levels of performance, a partial payout is still possible for a performance between the threshold and the target. On the other side, an extraordinary performance is required to reach the cap of 200%.

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.

The long-term incentive awards are subject to clawback and malus provisions since 2019. In certain circumstances, such as in the 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).

The mix between restricted shares and performance share units under long-term incentive will continue to be shifted and the transition to a fully performance based long-term incentive will be completed in the financial year 2021/22 as follows:

- Grant in September 2020: two-thirds performance share units and one-third restricted shares.
- Grant in September 2021: 100% performance share units (discontinuation of allocation of restricted shares).

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 financial year 2019/20

In comparison to the previous year, total direct compensation (TDC) of the EC decreased by 8%. There are several factors that impacted the level of actual compensation paid to the EC in the 2019/20 financial year, which are summarized below.

- **Changes in EC composition:** one EC member left the company at the end of December 2019 and two members stepped down at the end of the reporting period. On the other hand, two individuals are reported on a pro rata basis starting from January respectively April 2020. As part of their on-boarding, these individuals received one-time relocation support. In addition, one individual received a replacement award in lieu of the forfeited compensation at the previous employer. Further details can be found below.
- **Impact of currency exchange rates:** six members of the EC are paid in foreign currencies. Their compensation is converted into Swiss francs for the disclosure in this report and has changed due to a change in currency exchange rates even when the compensation amount in local currency has remained unchanged. This leads to a slightly reduced compensation in comparison to the previous reporting period.
- **Base salary changes:** the target base salary of five EC members was adjusted at the beginning of the reporting year, to account for their individual performance and to further align them with market levels. The base salaries of the CEO and the other EC members did not change. Starting from May 2020, the EC members voluntarily agreed to a reduction in monthly base salary of 10% in the context of the Covid-19 pandemic and as a sign of solidarity with the global workforce. Overall, the annual base salaries paid out decreased by 2%.

- **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 112% of annual base salary (on average) for the EC members corresponds to the level of originally expected performance for the financial year 2019/20. The STI payout of the EC members reflects the underlying financial performance in the reporting year, especially the obviously lower 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 segments (COOs) achieved a significantly lower profitability compared to the previous year (lower EBITDA and EBIT as well as lower EBITDA margin and EBIT margin). All segments contributed to the negative organic sales growth of the Group. In the reporting year, the STI payout of EC members is 70% of annual base salary on average (previous year 94%).
- **LTI grant in September 2019:** to determine the individual grant size, the allocation criteria 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, the LTI grant size of two EC members was increased compared to previous year, while it was decreased for one other EC member. For the CEO and the other EC members, the LTI grant size remained unchanged compared to previous year. The strategic priorities of the CEO for financial year 2018/19 (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 2018/19)*

Business performance	Achieve business performance in line with guidance.
Business development	Selectively establish further acquisitions/divestments in accordance with the defined strategic priorities.
Group innovation	Drive the digitization initiatives (cloud-based solutions).
Supply chain management	Deliver the defined procurement savings and execute the agreed Industry 4.0 initiatives.
Organization	Ensure succession plans for key positions, strengthen leadership teams and develop/retain key talents. Implement the defined IT strategy.

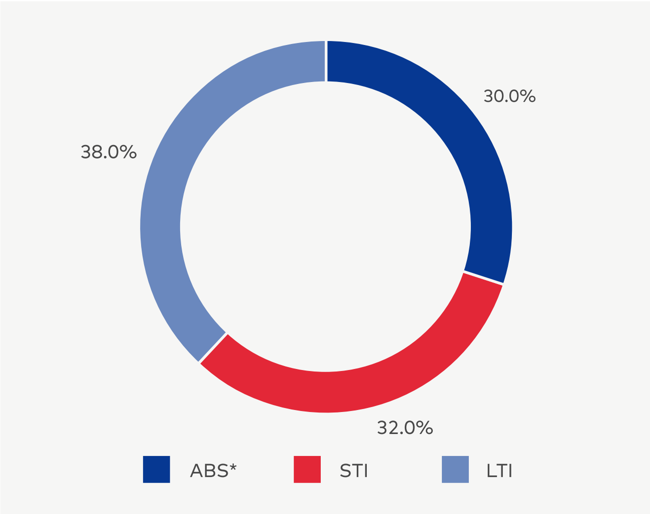
* This information is disclosed in summarized form for confidentiality reasons.

The replacement awards for the (designated) COO AS AMER relate to the forfeited compensation at the previous employer. The replacement award in cash for forfeited cash compensation at the previous employer amounts to CHF 109,422. The replacement award in equity amounts to CHF 246,581 in restricted shares and CHF 161,063 in PSU to compensate for part of the forfeited LTI at the previous employer. The shares and PSU have been granted at the hiring date on 1 April 2020. The shares are subject to a blocking period of 1 year and 5 months and 2 years and 5 months, respectively. The PSU are subject to a vesting period of 1 year and 5 months and 2 years and 5 months respectively, based on the EPS and rTSR performance conditions used in the dormakaba LTI plan. The blocking period of the shares and the vesting period of the PSU mirror the restriction periods of the outstanding plans at dormakaba (LTI grants 2018 and 2019, vesting in 2021 and 2022 respectively) and broadly reflect those of the forfeited awards at the previous employer.

The performance share units granted under the long-term incentive in September 2016 vested in September 2019 based on the EPS growth over the three-year vesting period at a vesting level of 200%. The share price at vesting amounted to CHF 638.50 compared to CHF 735.50 at grant.

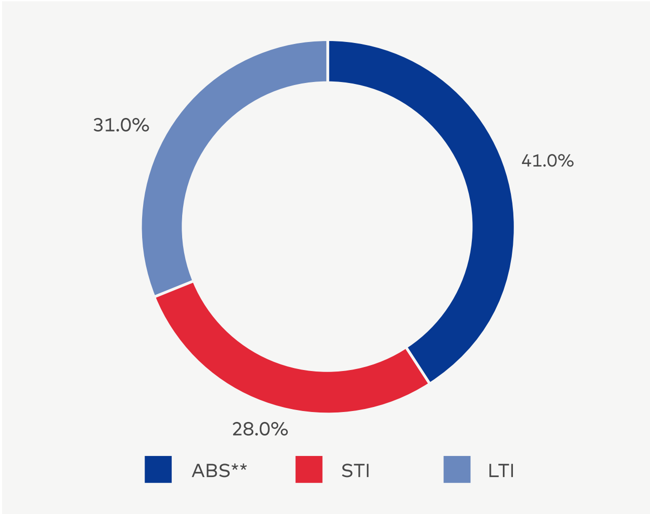
Variable compensation forms a major part of total direct compensation (TDC). The percentage of overall compensation paid to the EC as variable compensation in the reporting year was 62% (excluding benefits and social security contributions) and dropped (previous year 67%) due to decrease in STI payout. Variable compensation paid out in shares accounted for 33% of the TDC (previous year 32%), which is in line with the compensation strategy to award 30% or more of total compensation in equity-based compensation by applying increases primarily on the long-term incentive component rather than on the other compensation elements.

CEO



* Annual Base Salary

EC*



* EC excl. CEO
** Annual Base Salary

At the AGM 2018, the shareholders approved a maximum aggregate amount of CHF 18,000,000 for the EC for the financial year 2019/20. The compensation effectively awarded of CHF 12,442,335 is within the limits approved by the shareholders. This includes the replacement award for the (designated) COO AS AMER in the amount of CHF 517,066.

As at 30 June 2020, in compliance with the Articles of Incorporation, no loans or credits were granted by dormakaba to 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 2019/20

	Compensation [1]				
	Basic compensation	Additional compensation (committees, special tasks)	Social benefits	Total (CHF)	of which in shares (CHF) [2]
BoD					
Birgersson Jens	180,167	–	–	180,167	148,785
Brecht-Bergen Stephanie Member Nomination Committee (since AGM 2019)	180,167	6,667	–	186,833	128,486
Cadonau Riet Chair of the Board	–	–	–	–	–
Daeniker Daniel Chair Audit Committee	180,167	60,000	16,835	257,001	84,613
Dörig Rolf Chair Compensation Committee Member Nomination Committee	180,167	75,000	17,902	273,069	84,613
Dubs-Kuenzle Karina	180,167	20,000	13,988	214,154	84,613
Gummert Hans Member Audit Committee Member Compensation Committee Member Nomination Committee (until AGM 2019)	180,167	96,487	–	276,654	84,613
Heppner John	180,167	–	–	180,167	94,737
Hess Hans Vice-Chair of the Board Lead Independent Director Chair Nomination Committee Member Audit Committee Member Compensation Committee	180,167	103,333	20,294	303,794	84,613
Mankel Christine	180,167	–	–	180,167	148,785
Total BoD	**1,621,500**	**361,487**	**69,019**	**2,052,006**	**943,857**

1) Compensation for the employer representatives on the Swiss pension fund (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 (Hans Gummert) of CHF 64,153.04 are included in the compensation (additional compensation). Business expenses are not included. For Mr Gummert the additional compensation is paid in EUR and is lower compared to the previous period due to him leaving the Surpervisory Board of ISEO.

2) The compensation for the reporting period is paid out in three installments (November 2019, May 2020, and November 2020). Shares are awarded based on a fixed monetary amount of CHF 90,000 for the 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 635.70 for the shares transferred in November 2019 and CHF 482.12 for the shares transferred in May 2020).

	Fixed compensation			**Variable compensation**				**Total CHF**
	Fixed basic payment	Benefits and social / pension contributions 1)	Total aggregate amount	STI 2)	LTI 3) 4)	Social / pension contributions	Total aggregate amount	
EC members active on 30 June 2020								
Cadonau Riet	818,142	175,249	993,391	859,294	1,016,401	328,687	2,204,381	3,197,772
Other EC 5)	2,856,665	1,113,745	3,970,410	1,909,994	2,129,375	717,718	4,757,087	8,727,497
Subtotal	**3,674,807**	**1,288,994**	**4,963,801**	**2,769,288**	**3,145,776**	**1,046,405**	**6,961,468**	**11,925,269**

1) 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, company car allowance, service anniversary, housing contributions, and one-time relocation allowances for two new EC members to facilitate their relocation following their appointment to the EC role. Fringe benefits amount to CHF 31,882 for the CEO and CHF 625,174 for the other EC members.

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

3) The grant value of the LTI includes CHF 1,606,294 in restricted shares and CHF 1,539,481 in performance share units (PSU). The fair value on the grant date is CHF 667.50 per restricted share. The value of the PSUs is based on their fair value on the grant date which includes adjustments for lost dividends during the vesting period and the TSR performance conditions.

4) In accordance with his employment contract from 2011, the CEO receives a guaranteed allocation of 550 shares (worth CHF 285,979) which are blocked for three years. These shares are not yet included in the shares held as of 30 June 2020 as listed in the table 'Shares held by BoD and EC' as they were not yet allocated by the end of the financial year (grant date of 1 September 2020). However, they have been included in the long-term incentive compensation figure with a share price of CHF 519.96 (average closing price of May/June 2020).

5) Includes the compensation for the (designated) COO AS AMER, who joined the company on 1 April 2020 as designated COO and assumes COO and EC responsibility as of 1 July 2020. His compensation for the period from 1 April to 30 June 2020 comprises base salary, pro rata STI and LTI, and a one-time relocation allowance. The replacement awards in cash and equity relating to the forfeited compensation at the previous employer are not included. The replacement award in cash for forfeited cash compensation at the previous employer amounts to CHF 109,422. The replacement award in equity amounts to CHF 246,581 in restricted shares and CHF 161,063 in PSU to compensate for part of the forfeited LTI at the previous employer. The shares and PSU have been granted at the hiring date on 1 April 2020. The shares are subject to a blocking period of 1 year and 5 months and 2 years and 5 months, respectively. The PSU are subject to a vesting period of 1 year and 5 months and 2 years and 5 months respectively, based on the EPS and rTSR performance conditions used in the dormakaba LTI plan. The blocking period of the shares and the vesting period of the PSU mirror the restriction periods of the outstanding plans at dormakaba (LTI grants 2018 and 2019, vesting in 2021 and 2022 respectively) and broadly reflect those of the forfeited awards at the previous employer.

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, May 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 1)	Total aggregate amount	STI 2)	LTI 3) 4)	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**

1) 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.

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

3) The grant value of the LTI includes CHF 2,378,955 in restricted shares and CHF 1,078,993 in performance share units (PSU). The fair value on the grant date is CHF 680.50 per restricted share. The value of the PSUs is based on their fair value on the grant date which includes adjustments for lost dividends during the vesting period and the TSR performance conditions.

4) 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' as they were not yet allocated by the end of the financial year (grant date of 1 September 2019). 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).

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 30.06.2020	Financial year ended 30.06.2019
BoD		
Birgersson Jens	347	52
Brecht-Bergen Stephanie	220,156	190,117
Cadonau Riet [1)]	5,840	4,730
Daeniker Daniel	1,687	1,532
Dörig Rolf	2,626	2,471
Dubs-Kuenzle Karina	99,746	99,591
Gummert Hans	762	587
Heppner John	919	743
Hess Hans	1,623	1,468
Mankel Christine	220,281	190,193
Total BoD	**553,987**	**491,484**
EC		
Berninger Alwin	210	80
Bewick Stephen [2)]	199	
Brinker Bernd	1,549	974
Cadonau Riet [1)]	5,840	4,730
Gaspari Roberto [3)]		3,259
Häberli Andreas	2,265	1,872
Housten Alex [4)]	564	
Kincaid Michael [5)]	1,543	1,166
Lee Jim-Heng	2,329	1,829
Lichtenberg Jörg [5)]	853	532
Zocca Stefano	2,145	1,809
Total EC	**17,497**	**16,251**

1) BoD and EC member, therefore displayed in both groups for the years of membership.

2) EC member as of 1 January 2020.

3) EC member until 31 December 2019.

4) Designated EC member from 1 April 2020 until 30 June 2020. EC member (successor of Michael Kincaid) as of 1 July 2020. The shares were granted at hiring date on 1 April 2020 as part of a replacement award in order to compensate for part of the forfeited long-term incentive plan at his previous employer. Further details are provided in the chapter 'Compensation architecture for the EC' of the Compensation Report.

5) EC member until 30 June 2020.

Report of the statutory auditor

to the General Meeting of dormakaba Holding AG

Rümlang

We have audited the Compensation Report of dormakaba Holding AG for the year ended 30 June 2020. 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 141 to 145 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 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 2020 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, 27 August 2020

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Information for investors as at 30 June 2020

CHF million, except where indicated	2019/20	2018/19	2017/18	2016/17	2015/16
Net sales	**2,539.8**	**2,818.3**	**2,841.0**	**2,520.1**	**2,302.6 ***
Organic growth in %	–6.9	1.3	2.6	4.3 *	2.3 *
Earnings before depreciation and amortization (EBITDA)	**325.0**	**448.0**	**431.0**	**387.3**	**332.7 ***
EBITDA in % of net sales	12.8	15.9	15.2	15.4	14.4 *
Earnings before interest and tax (EBIT)	**253.2**	**375.0**	**364.3**	**327.0**	**278.2 ***
EBIT in % of net sales	10.0	13.3	12.8	13.0	12.1 *
Net profit 1)	**164.1**	**252.5**	**238.7**	**224.6**	**117.2 ***
Net profit in % of net sales	6.5	9.0	8.4	8.9	5.1 *
Net profit after minorities	**84.6**	**131.8**	**123.8**	**116.4**	**60.4 ***
Basic earnings per share (in CHF)	20.4	31.6	29.6	27.8	14.4 *
Diluted earnings per share (in CHF)	20.3	31.5	29.5	27.7	14.4 *
Dividend per share (in CHF) 2)	10.50	16.00	15.00	14.00	12.00
Payout ratio in % 3)	51.6	50.5	50.2	50.3	54.6 *
Cash generated from operations	407.9	372.8	367.2	354.7	327.6
Net cash from operating activities	**328.1**	**280.7**	**268.9**	**265.3**	**255.3**
Operating cash flow margin in %	12.9	10.0	9.5	10.5	12.1
Net cash used in investing activities	–232.4	–67.8	–231.8	–964.5	13.5
Free cash flow (net) before dividend	95.7	212.9	37.1	–699.2	268.8
Net cash flows from financing activities	–65.8	–223.9	–129.8	654.1	–213.2
Of which dividends paid	–66.5	–62.2	–58.6	–50.4	–240.7
Personnel expenses	1,027.7	1,055.1	1,045.6	933.3	792.6
Average number of full-time equivalent employees	15,676	15,811	16,433	16,250	15,779
Total assets	**1,808.6**	**1,909.0**	**1,982.3**	**1,909.0**	**1,579.3**
Total assets in % of net sales	71.2	67.7	69.8	75.8	68.6 *
Property, plant and equipment in % of net sales	17.4	16.5	16.1	16.4	14.3 *
Inventories in % of net sales	17.5	16.1	15.2	16.3	15.8 *
Receivables in % of net sales	15.3	17.7	17.7	18.3	17.5 *
Net working capital 4)	**631.9**	**753.2**	**705.7**	**648.0**	**583.1**
Net working capital in % of net sales	24.9	26.7	24.8	25.7	25.3 *
Net debt	**667.7**	**651.4**	**701.2**	**627.6**	**–159.1**
Net debt/EBITDA	2.1	1.5	1.6	1.6	–0.5 *
Interest coverage (EBITDA / interest expense, net)	9.2	11.0	10.5	25.0	40.6 *
Shareholders' equity	**141.3**	**258.5**	**187.0**	**183.1**	**680.5**
Return on equity (ROE) in %	116.1	97.7	127.6	122.7	17.2 *
Shareholders' equity per share (in CHF)	34.0	61.8	44.6	43.5	162.0

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

2) In 2019/20: proposal to the Annual General Meeting; distribution of an equal share from the reserves from capital contributions and from statutory retained earnings.

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

4) As from 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 previous 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

		2019/20	2018/19	2017/18	2016/17	2015/16
Capital stock						
Registered shares at CHF 0.10 par value	No	4,200,026	4,200,026	4,200,026	4,200,026	4,195,026
Outstanding shares at end of financial year	No	4,157,216	4,145,317	4,187,243	4,177,588	4,190,963
Weighted average number of shares outstanding (diluted)	No	4,159,736	4,179,989	4,195,507	4,208,743	4,200,816
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	9,389	9,195	8,874	7,525	7,181
Figures per share (fully diluted)						
EBITDA per share (Group)	CHF	78.1	107.2	102.7	92.0	79.2 *
Earnings per share (Group)	CHF	20.3	31.5	29.5	27.7	14.4 *
Shareholders' equity per share (Group)	CHF	34.0	61.8	44.6	43.5	162.0
Price per share						
– high	CHF	737.0	781.5	1,001.0	888.0	693.5
– low	CHF	396.4	579.0	674.0	659.0	543.0
– 31 December	CHF	692.5	593.0	907.5	757.0	683.5
– 30 June	CHF	516.5	707.5	694.5	833.0	679.5
Market capitalization						
– high	CHF m	3,063.9	3,239.6	4,191.4	3,709.7	2,906.4
– low	CHF m	1,647.9	2,400.1	2,822.2	2,753.0	2,275.7
– 30 June	CHF m	2,147.2	2,932.8	2,908.0	3,479.9	2,847.8
Dividend yield						
– low [1)]	%	1.4	2.0	1.5	1.6	1.7
– high [1)]	%	2.6	2.8	2.2	2.1	2.2

1) In 2019/20: 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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For definition of alternative performance measures, please refer to the chapter 5.1 of the notes to the consolidated financial statements of the Annual Report 2019/20 of dormakaba.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

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