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**

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%)

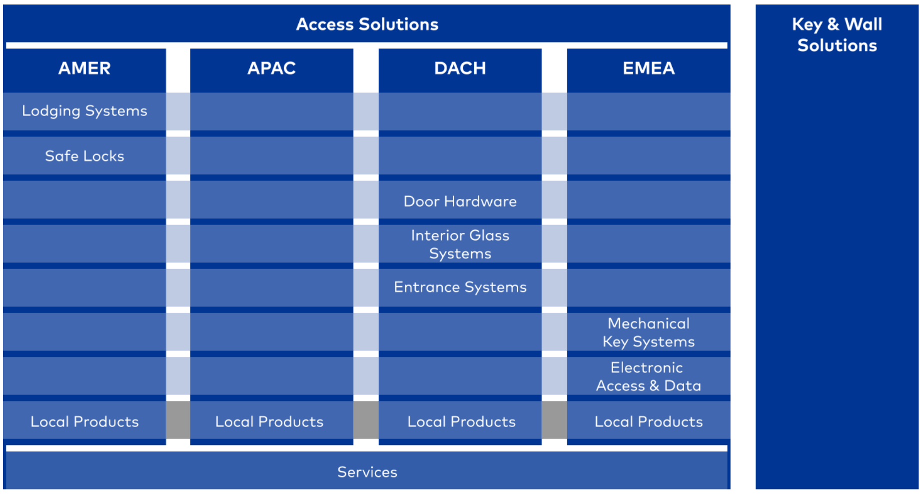
1.1 Segment reporting

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	Financial year ended 30.06.2020	Financial year ended 30.06.2019	Financial year ended 30.06.2020	Financial year ended 30.06.2019	Financial year ended 30.06.2020	Financial year ended 30.06.2019
	Access Solutions AMER		Access Solutions APAC		Access Solutions DACH	
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

	Access Solutions EMEA		Eliminations		Access Solutions TOTAL	
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

			Key & Wall Solutions		Other	
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

	Corporate		Eliminations		Group	
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.

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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.

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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

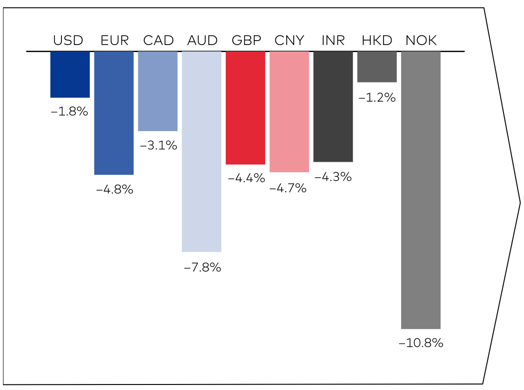
dormakaba Group does not actively manage the translation risk.

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).

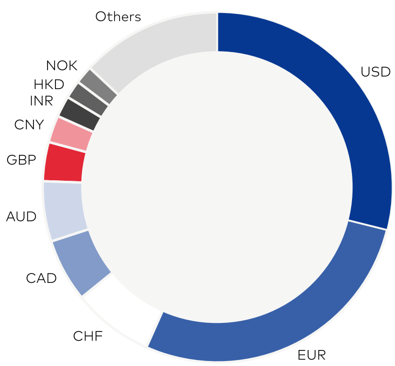
The key exchange rates based on net sales in foreign currencies are disclosed in the table below:

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

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.

Consolidated financial statements
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Report of the statutory auditor

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).

Consolidated financial statements
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Performance
Operating assets and liabilities
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Other disclosures
Report of the statutory auditor

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.

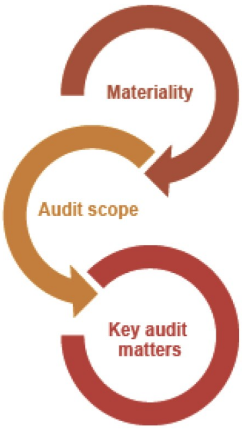
Basis for opinion

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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