dormakaba Holding AG

Group Management Report

Financial Year

2016/2017

dormakaba

Table of Content

1. Introduction

dormakaba Group was formed from the merger between two previously unaffiliated companies, Dorma and Kaba, on 1 September 2015.

The former Kaba Holding AG, Rümlang (Switzerland), operating as dormakaba Holding AG since 24 October 2016, brought its group companies into dorma+kaba Holding GmbH + Co KGaA (Ennepetal, Germany), which was henceforth jointly owned. dorma+kaba Holding GmbH + Co KGaA changed its name to dormakaba Holding GmbH & Co. KGaA with effect from 29 September 2016. dormakaba Holding AG owns 52.5% of this holding company and Familie Mankel Industriebeteiligung GmbH + Co KGaA 47.5%. The acquiring company is therefore dormakaba Holding AG (Rümlang, Switzerland). This company was renamed from Kaba Holding AG, which continues to exist in legal terms. dormakaba Holding GmbH + Co. KGaA is fully consolidated in dormakaba Group's consolidated financial statements, which the parent company, dormakaba Holding AG, prepared as at 30 June 2017[1]. Minority interests are shown separately as part of equity capital. dormakaba Holding AG's headquarters is in Rümlang (Switzerland). dormakaba Holding AG has prepared its consolidated financial statements in Swiss Franc (CHF) and in accordance with Swiss GAAP FER, which is an internationally well accepted accounting standard for small and medium-sized organizations and groups of organizations with a presence in Switzerland, to the end of the financial year that runs from 1 July 2016 to 30 June 2017. dormakaba Holding AG is listed on the SIX Swiss Exchange.

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

2. Fundamental information about dormakaba

2.1. Business model

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

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

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

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

dormakaba's business is divided globally into six segments. These segments are based on geographical markets and products, and are aligned to the implemented management structure.

A detailed description of the segments can be found in the Notes to the consolidated Financial Statements for financial year 2016/17 at the following web address:
go.dormakaba.com/annual-report-2016-2017

2.2. Goals and strategies

As a capital market-focused company, dormakaba pursues the overall objective of increasing its enterprise value on a lasting basis, i.e. across industry cycles and economic ups and downs. In addition to increasing its enterprise value, dormakaba's strategy takes into account the interests of other stakeholder groups. Above all this includes satisfied customers and successful positioning of the company's products and services in its target markets.

Corporate strategy is based on global brand power and sustainability, and is made up of six pillars, each with its own operational goals. These strategic pillars are:

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

2.3. Internal management system

dormakaba is led strategically by the Board of Directors. The tasks and responsibilities of the Board of Directors are set out in the Swiss Code of Obligations. These tasks include formulating corporate strategy and monitoring the achievement of targets. The Board of Directors has 10 members, who are organized into various committees, e.g. an Audit Committee and a Compensation Committee. As at 30 June 2017, 30% of the Board of Directors was made up of women.

The Executive Committee is responsible for the operational management of dormakaba. Its responsibilities are divided up according to, among other things, segment and Group functions. Delegation of authority is implemented in such a way, that decisions can be made as quickly as possible, e.g. on the basis of information from local markets.

Management of the Group is based on budgetary and medium-term planning, which is formulated every year. The budget covers a period of one year, which represents the first year of a three-year planning timeframe. This planning serves to put the corporate strategy into operational practice, and to implement the defined goals. The plans take account of how markets, and especially segments, are developing. Forecasts about these developments form the basis for forecasting incoming orders and thus for setting sales and earnings targets. These then allow the Group to make further plans, e.g. about human resources, investments and funding.

The operational implementation of management objectives, which are focused on the overriding goal of a sustainable increase in enterprise value, requires a management system. The same management system is used throughout all the relevant individual companies within the Group. This management system includes internal Group rules on compliance and risk management, and is based on financial and non-financial key figures. The financial key figures are based on Swiss GAAP FER rules, which are used across the whole Group.

Individual companies use a so-called Management Information System software to report the relevant information on defined dates each month, quarter, half-year and year. This information is consolidated at segment and Group level and compared to the prior year and to the budget.

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) report each month to the Board of Directors about the extent to which financial targets have been met. Monthly performance reviews are also held with the segment heads, the Chief Operating Officers (COO), where significant deviations from the budget and the previous year are discussed and any necessary measures formulated.

The following benchmark figures have been defined in order to operationalize the financial targets and manage dormakaba on a continuous basis:

- Sales revenues, in particular organic growth in sales
- EBITDA and EBITDA margin

Organic growth in sales is understood to mean the positive trend in sales revenues, excluding any changes attributable to corporate transactions or currency translation effects.

dormakaba defines EBITDA in the industry-standard way as operational earnings before interest, taxes, depreciation and amortization. The EBITDA margin benchmark is expressed as the ratio in percent between EBITDA and sales. EBITDA and EBITDA margin are both shown in the consolidated financial statements as benchmark figures.

2.4. Basic elements of the compensation system for Board of Directors and Executive Committee

The principles for compensating the Board of Directors and Executive Committee are set out in the Articles of Incorporation. The term "Executive Committee" refers here to the members of the Executive Committee. The relevant regulations are published via Internet on the homepage of the company[2]. The following regulations are particularly important:

- Basic principles of compensation for the Board of Directors (Article 23)
- Basic principles of compensation for the Executive Committee (Article 24)
- Binding vote by the General Meeting (Article 22)
- Maximum additional amount of compensation for new Executive Committee members (Article 25)
- Loans (Article 28)

a) Compensation of the Board of Directors

Members of the Board of Directors only receive a fixed compensation based on the responsibilities and time requirement of their function, without any entitlement to performance related compensation. This ensures that the Board of Directors remains independent while exercising its supervisory duties towards the Executive Committee. The amount of compensation for each function of the Board of Directors is determined annually considering the market compensation trends and comparisons with other listed Swiss industrial companies which operate internationally. The compensation system and levels are documented in a compensation directive.

b) Compensation of the Executive Committee

The compensation awarded to the Executive Committee is primarily driven by the success of the company.

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

- Annual base salary
- Benefits (such as retirement benefits, insurances and perquisites)
- Short-term incentive (cash-based)
- Long-term incentive (share-based)

To ensure consistency across the organization, roles within the organization have been evaluated using the job grading methodology of Hay Group. The grading system is the basis for compensation activities such as benchmarking and determination of compensation structure and levels.

b1) Annual base salary

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

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

b2) Benefits

As the Executive Committee is international in its nature, the members participate in the benefit plans available in their country of employment. Benefits consist mainly of retirement, insurance and health care plans that are designed to provide a reasonable level of protection for the participants and their dependents in respect to the events of retirement, disability, death, and illness/accident. Members of the Executive Committee are also provided with certain executive perquisites such as company cars or car allowances, representation allowances and other benefits in kind according to competitive market practices in their country of employment.

2 The Compensation Report, with further details of the 2016/17 financial year, can be found at the following web address: go.dormakaba.com/annual-report-2016-2017

b3) Variable compensation

- Short-term incentive (cash-based)

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

- Long-term incentive (share-based)

The purpose of the long-term incentive is to give the Executive Committee an ownership interest in dormakaba and a participation in the long-term performance of the company and thus to align their interests to those of the shareholders. Pursuant to the article of incorporation 24 the fair value of the LTI may not exceed 150% of the individual annual base salary for the members of the Executive Committee (cap).

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

2.5. Environmental protection and sustainability reporting

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

dormakaba seeks an open and transparent dialogue with its stakeholders to define strategies and actions based on clear targets and continuous improvement, and it actively reports on its progress in its annual Sustainability Report. dormakaba is a member of the UN Global Compact and publishes its annual "Communication on Progress" on the UN Global Compact website.

dormakaba also reports to the Carbon Disclosure Project annually, for which it achieved a B- score for the 2015/2016 financial year.

dormakaba's environmental management focuses mainly on the energy and emissions-intensive processes of electroplating and surface finishing, painting, melting and zinc and aluminium die casting. Measures are taken to reduce energy consumption, and to monitor and reduce CO_2 emissions, water consumption, waste water and general waste. Currently approximately one third of the production sites covered in the scope of its sustainability reporting are certified to an environmental management system such as ISO 14001.

More information can be found in the dormakaba Sustainability Report 2016/2017 at the following web address: go.dormakaba.com/sustainability-report-2016-2017

2.6. Research and development

dormakaba's innovative strength plays a crucial role, and the development of new products, solutions and services is key to its sustainable, profitable growth. To make the company even more competitive globally, dormakaba has increased the pace of innovation and accelerated product development and the time-to-market of new products. The aim is to invest 4–5% of consolidated sales in innovation and product development every year. Research and development activities are coordinated across all segments. In financial 2016/17, digitization continued to be important in research and development work. The digitization of processes and products creates opportunities for new business models and value streams.

In recent years, dormakaba's product portfolio has increasingly embraced electronics and connectivity. For example, the company has achieved strong growth with its Mobile Access Solutions, which allow e.g. hotel guests to open their doors with their smartphones, which is now expanding in other product segments.

exivo is another web-based access solution that is launched internationally: exivo enables small and mid-sized enterprises to individually plan, configure, customize, and install access systems with both electronic and wireless components, and dynamically assign access rights. With this network solution, dormakaba is operating as a service provider with a forward-looking business model, known as "Access as a Service", and is breaking new ground in digitization within its industry.

dormakaba also wants to continue to expand its market leadership in mechanical solutions with innovations. For example, it produces high performance, high quality products to meet the growing demand for cost-effective solutions in Asia. In Europe and in America another goal is to extend services as a strong part of its solutions. The products launched in the 2016/17 financial year included:

- Ambiance, the next-generation access control software solution for lodging and multi-housing;
- Cencon motorized dead bolt with BLE (bluetooth low energy) enabled Input Unit which allows opening and closing via mobile phone;
- Keylink for easy planning and flexible adaptation of mechanical systems;
- TS 98 XEA cam-action door closer for various installation positions; and
- the award winning battery-operated hold-open device G-EMR UBIVIS XEA, which can be mounted on single-leaf doors with widths up to 1250 millimeters.

dormakaba will continue to invest substantially in the development of new and existing products, of services and platforms as part of its solutions, as well as in modernizing its production facilities and developing its information technology systems.

3. Presentation of the course of business and economic position

3.1. Macroeconomic and sector-specific conditions

The overall economic environment during the 2016/17 financial year was similar to the previous year and was characterized by moderate growth.

According to an analysis of the World Bank, the global growth in the second half of 2016/17 was firming, contributing to an improvement in confidence. A recovery in industrial activity has coincided with a pickup in global trade, after two years of marked weakness. As a result, and despite substantial political uncertainty, global growth is projected to accelerate to 2.7% in 2017, up from a low of 2.4% in 2016 (Source: World Bank Group, Global Monthly, June 2017).

dormakaba as a global operating company is active in very heterogenous regional markets. The company discloses information about the economic developments in each of its geographical segments (see Executive Report 2016/17 at the following web address: go.dormakaba.com/exucutive-report-2016-2017) which illustrates how heterogeneous developments in the global markets influenced dormakaba's economic success during the year under review.

In the 2016/17 financial year, dormakaba operated in a market environment characterized by a growing global demand for security. Four further trends also point to a positive performance in future. Prosperity is increasing globally, especially in growth markets with growing middle classes, and this is fuelling the desire for additional protection. At the same time, average life expectancy is rising steadily, which means that institutions and private homes increasingly need barrier-free solutions that allow senior citizens to move easily from room to room.

Around the world, urbanization is creating more conurbations and more cities with over a million inhabitants, requiring ever more complex infrastructure solutions. Buildings and land have to be secured, while flows of people have to be managed in ways that ensure optimum efficiency and convenience. Last but not least, technology influences practically every aspect of the access and security market, from digitization to distribution channels to the networking of products in the "Internet of Things".

All of these factors are contributing to a growing demand for secure, intelligent access solutions. With its comprehensive service portfolio and global presence, dormakaba is playing a significant role in this fast-growing market.

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

The 2016/17 financial year was characterized in particular by being the first full financial year operating as dormakaba in the new structures. Integration is progressing largely according to plan and despite all the work required for the integration process, the Group generated very good results overall. The financial targets set for 2016/17, e.g. revenue and profitability targets, were achieved in full. In addition, operating cash flow and net profit was up on the previous year as well.

The average number of full-time equivalent employees in the 2016/17 financial year was 16,250 (previous year: 15,779 full-time equivalent employees). The increase was mainly related to the acquisitions of Mesker (Mesker Openings Group) and Best Access Solutions (Mechanical Security businesses of Stanley Black & Decker), which more than overcompensated headcount reductions related to post-merger initiatives, restructuring measures in Wah Yuet (China) as well as divestments of non-core businesses.

dormakaba's financial performance in the financial year 2016/17 is to be rated very positive.

3.3. dormakaba's earnings, financial and asset position

In order to make dormakaba's economic position transparent and to allow better comparison following the merger in the previous year, additional "pro forma" data for 2015/16 as though Dorma Group was already consolidated from 1 July 2015 is also disclosed and considered as the appropriate comparison to assess the actual performance. "Actual financial information" in accordance with Swiss GAAP FER for the previous year is also published. This information is referenced by the term "reported".

3.3.1. Group earnings situation

dormakaba generated net sales of CHF 2,520.1 million in the financial year 2016/17, an increase of 9.4% compared to the same period of the previous year. There was a small negative impact of foreign currencies on growth in 2016/17 (0.2%), while acquisitions contributed to growth by 5.4%. Organic sales growth was 4.3% compared to the same period of the previous year.

dormakaba's profitability for the 2016/17 financial year was higher than in the previous year, EBITDA rose by 16.4% compared to the previous year's pro forma figure to CHF 387.3 million. The EBITDA margin increased to 15.4% (previous year: 14.4%). The higher EBITDA margin for the Group was mainly due to a positive business development of AS APAC and AS AMER, a positive effect from acquisitions and divestments as well as to cost savings from the merger which more than compensated additional integration-related IT and branding costs. EBIT for the year under review came to CHF 327.0 million, a rise of 17.5% on a pro forma basis. The EBIT margin increased from 12.1% in the previous year to 13.0%.

The ordinary result increased by 12.7% from CHF 262.0 million (pro forma basis) in the previous year to CHF 295.2 million. In line with guidance provided at the time of the merger, a disclosure of an extraordinary result (CHF –89.4 million pro forma and reported) was limited to the financial year 2015/16, where the business combination of Dorma and Kaba took place. This previous year's figure covered exclusively integration costs relating to the merger of dormakaba.

The income tax rate for 2016/17 (23.9%) was substantially below the pro forma tax rate of previous year (32.1%). While in the previous year the tax rate was negatively impacted by merger-related integration projects, in 2016/17 it was positively impacted by the utilization of tax loss carry forwards, which had not been recognized as deferred tax assets, and because of tax benefits from acquisitions. The latter effect will be recurring for the next years.

dormakaba generated a net profit of CHF 224.6 million compared to a pro forma net profit figure of CHF 117.2 million in the previous year. The increase was driven by an improved profitability and the lower tax rate in 2016/17. Additionally, the previous year's figure was impacted by the merger-related integration costs of CHF 89.4 million, which were disclosed as extraordinary result.

For the same reasons net profit after minorities was CHF 116.4 million compared to CHF 60.4 million pro forma in the same period of the previous year.

in CHF million	FY 16/17 (reported)	FY 15/16[1] (Pro forma)	FY 15/16[1] (reported)	FY 16/17 (reported)	FY 15/16[1] (Pro forma)	FY 15/16[1] (reported)
		AS AMER			AS APAC	
Total sales[2]	685.0	514.9	478.0	435.1	376.1	338.1
EBITDA	144.0	106.6	104.6	53.8	35.2	30.1
in % sale	21.0	20.7	21.9	12.4	9.3	8.9
		AS DACH			AS EMEA	
Total sales[2]	801.0	790.0	712.4	732.9	745.1	686.3
EBITDA	149.5	143.2	126.6	49.4	47.5	48.4
in % sale	18.7	18.1	17.8	6.7	6.4	7.1
		Access Solutions total[3]			Key Systems[4]	
Total sales[2]	2,193.9	1,985.4	1,815.2	217.2	208.5	208.5
EBITDA	397.5	332.5	309.6	37.6	35.2	35.3
in % sale	18.1	16.7	17.1	17.3	16.9	16.9
		Movable Walls[5]			Group (after eliminations)	
Total sales[2]	114.6	113.8	95.6	2,520.1	2,302.6	2,115.9
EBITDA	9.8	12.8	11.0	387.3	332.7	311.4
in % sale	8.6	11.2	11.5	15.4	14.4	14.7

1) In order to enable a fair comparison with current-year data, certain expenses and intercompany transactions have been reclassified within the segments
2) Incl. intercompany sales
3) Intercompany sales between Access Solutions segments excluded; intercompany sales with non-Access Solutions segments included
4) Former Dorma Group was not active in the Key System segment
5) Former Kaba Group was not active in the Movable Walls segment

3.3.2. Earnings position by segment

The wider economic picture varied greatly between different regions and segments during the 2016/17 financial year.

The overview table above shows the key earnings figures as reported for 2016/17 and 2015/16, as well as the financial data on a pro forma basis for 2015/16. Further information on the results in the individual segments can be found in the dormakaba Executive Report 2016/17 at the following web address: go.dormakaba.com/executive-report-2016-2017

3.3.3. Financial and asset position

dormakaba has a very solid balance sheet structure. Total assets as at the balance sheet date of 30 June 2017 came to CHF 1,909.0 million. The rise in total assets compared with the previous year (CHF 1,579.3 million) is mainly due to the acquisitions of Mesker and Best Access Solutions, which had a significant impact on the financial profile and balance sheet structure of dormakaba.

The proportion of current assets at 30 June 2017 was down from the prior year's 67.7% to 61.8%, while the proportion of non-current assets was up to 38.2% (previous year 32.3%). As at 30 June 2017, the main elements here are property, plant and equipment of CHF 412.8 million and the deferred income tax assets of CHF 204.2 million which have increased by CHF 82.8 million and CHF 132.7 million respectively.

In the 2016/17 financial year, property, plant and equipment also increased by CHF 73.3 million due to investments to further develop the existing business activities of the Group and by CHF 73.4 million in relation to acquisitions.

On the liability side, the proportion of current liabilities rose to 73.9% (previous year 37.9%), and the non-current liabilities represent 16.5% (previous year 18.9%) of the total balance sheet. The change in the current liabilities mainly sources in the acquisition of Best Access Solutions which was bridge-financed through current borrowings.

Equity, including minorities, as a proportion of the balance sheet total came to 9.6% (previous year 43.2%). In accordance with Swiss GAAP FER, goodwill from acquisitions is charged directly to equity with no effect on earnings. If the goodwill (reported in note 15 to the consolidated financial statements) was capitalized and amortized over a period of five years, the equity ratio would come to 45.4% (previous year 63.7%). The decrease in equity results from netted goodwill in the amount of CHF 657.0 million of new acquired businesses in the year under review.

Total dividends from Group companies to shareholders came to CHF 77.9 million during the year under review, with CHF 12.00 per share paid out from the 2015/16 profit to the shareholders of the parent company, while minority shareholders have received CHF 27.5 million.

Following positive currency effects in the previous year (CHF 17.9 million), the year under review saw another positive currency impact in equity of CHF 14.7 million on an overall balance of CHF –15.8 million. In relation to minority interests, the corresponding amounts came to CHF 8.4 million in the previous year, and CHF 12.4 million in the year under review.

Cash generated from operations in financial year 2016/17 came to CHF 354.7 million compared to CHF 327.6 million of the previous year. Cash flow was influenced in 2016/17 by progress on post-merger integration, especially expenditures for restructuring projects, production footprint changes and layoff of employees. Cash flow in the subsequent years will also be impacted related to the progress in the post-merger integration projects.

Net cash from operating activities was impacted by higher interests and tax paid at CHF 265.3 million (previous year CHF 255.3 million).

Cash flow from investing activities came to a net CHF –964.5 million, which includes gross investments of CHF 84.7 million in fixed assets and intangibles as well as business acquisitions of CHF 884.9 million.

Free cash flow (net cash from operating activities plus cash flow from investing activities) was CHF –699.2 million compared to CHF 268.8 million in the same period of the previous year. The free cash flow figure in 2016/17 includes the cash outflow of CHF 884.9 million in regards to acquisition of subsidiaries.

Cash flow from financing activities amounted to CHF 654.1 million and essentially includes the cash outflow to finance the above-mentioned acquisitions.
Cash and cash equivalents decreased to CHF 188.3 million during the year under review (previous year: CHF 213.2 million), as available cash was used to support financing of

the negative free cash flow.

The CHF 500 million credit facility, which was established with a consortium of banks in March 2016 and a maturity of five years, was temporarily increased to CHF 1,150 million until 31 December 2017 in order to bridge finance the acquisition of Best Access Solutions. The options for prolongation of two additional years and increase of up to CHF 200 million are suspended as a result of the temporary increase.
The options will be reactivated after the refinancing through different financial instruments.

3.4. Non-financial performance indicators

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

- Customers and products
  One of the things that the "dormakaba" brand stands for is high-quality products. Product quality and customer satisfaction are, therefore, crucial and must remain a focus at all stages of the value chain. Customer satisfaction is measured regularly through customer dialog as well as through local online surveys. Customer satisfaction is trending upwards, confirming the industrial logic underlying the merger to dormakaba. Customers consider the expanded offering from a single source usually as a benefit.
- Human Resources
  Employees are crucial to the success of dormakaba. Therefore, the company strives to shape a work environment which enables professional growth and engagement.
  A global employee survey planned for January 2018 will set the baseline for engagement at dormakaba and provide the teams all over the world with indications on where they can improve. After the company invited more than 3,000 employees from different countries to pulse surveys as part of the change management activities in 2016, this comprehensive survey will give all employees the chance to voice their opinion. At the same time dormakaba offers various trainings and development programs in order to continuously develop and engage its employees, for instance courses on sales skills, project management, intercultural awareness or leadership. In financial year 2016/17, dormakaba started two leadership programs offering development and exchange on a global level, namely the Talent Development Program (TDP) and the Advanced Management Program (AMP), with 31 participants from 15 nations. More information on Human Resources can be found in the dormakaba Sustainability Report at the following web address: go.dormakaba.com/sustainability-report-2016-2017
- Compliance and human rights
  When conducting its business, it is essential for dormakaba to comply with local laws and internal company rules at every one of its locations. This applies to internal processes as well as to relations with external partners, including customers, the authorities and suppliers. In order to live up to its responsibilities in these areas, dormakaba has developed measures and processes to ensure its responsibilities are met and to prevent abuse. These measures and processes are continuously developed and improved. The company sets binding rules in its Group-wide Code of Conduct which was made available to employees on an internal platform on 1 July 2016. The Code and additional directives form an important foundation for dormakaba's sustained economic success all over the world. Employees are given specific training in the Code of Conduct as well as in the individual topics it covers.
- Environment
  dormakaba uses resources in the manufacture of its products, and generates waste and emissions (see also 2.5). Environmental issues are therefore a key aspect of sustainability, and are relevant along the whole value chain. A detailed overview of dormakaba's sustainability work and the most important benchmarks, including greenhouse gas emissions, energy consumption, water consumption and waste management can be found in the dormakaba Sustainability Report at the following web address: go.dormakaba.com/sustainability-report-2016-2017
- Supply chain
  dormakaba pursues a comprehensive and consistent procurement policy. Based on a detailed analysis of all expenditures, goods and services are grouped into material categories according to their characteristics. By means of this analysis, all products and quantities as well as the complete supplier portfolio are identified and then classified into either global, regional or local material groups.
  There is a multistep process for the approval of suppliers that is closely aligned with the standards in the automotive industry, and suppliers are evaluated and audited at regular intervals. In addition, the dormakaba Supplier Code of Conduct (SCoC) came into effect in the 2016/17 financial year and outlines minimal requirements with regards to human rights, fair working conditions, environmental responsibility and business ethics, among others.

4. Forecast, opportunity and risk report

4.1. Opportunity and risk report

4.1.1 Opportunities

- Opportunities arising from market position and synergy effects
  The merger to dormakaba on 1 September 2015 has opened up numerous opportunities for the Group. dormakaba is one of the global leaders in the fragmented market for security and access solutions, and can offer its customers high quality products, solutions and services for access to buildings and rooms from a single source. dormakaba is expanding its competitive position based on Dorma and Kaba's complementary product portfolios, combined geographical presence and optimized value chains.
- Opportunities arising from the "dormakaba" brand
  The two well-known brands Dorma and Kaba are being continued under "dormakaba" following the merger. Both brands and their sub-brands are well known in the relevant customer groups as representing high quality, innovative products. By combining the two brands to one brand for Access Solutions (AS), opportunities are being created by complementary strengths, firstly through the cross-selling potential, and secondly through the ability to offer customers a comprehensive product portfolio from a single source.

- Opportunities arising from industry consolidation
  Opportunities also arise from the ongoing and anticipated consolidation of the industry. Despite the consolidation that has already occurred, the market for security and access solutions remains highly fragmented. The three biggest companies in the industry together account for only about 25% of market share. dormakaba wants to build up its market position substantially and thus continue to play an active role in industry consolidation. The focus for any acquisition activity is to strengthen the Group's global presence, and to secure targeted improvements in technologies and/or the product portfolio, innovations and services, while at the same time maintaining a solid financial profile
- Opportunities through innovation
  The market for security and access solutions is in upheaval. Megatrends, such as the rising need for security, urbanization, demographic change, technology and increasing prosperity in emerging economies, are driving the demand, but also require new technological approaches. In the coming years, dormakaba plans to invest 4–5% of sales annually in innovation and product development in order to exploit the growth opportunities brought by these megatrends, and to achieve its desired innovation leadership (see also the statements on research and development under 2.6).

4.1.2 Risk policy, risk management and risks at dormakaba

- Risk policy
  dormakaba is a globally active business. All its business activities are conducted with the aim of securing economic success. However, these activities can also bring risks. The overriding goal of the Executive Committee's risk policy is to secure the future development of dormakaba, to achieve sustainable profitable growth and thus to increase shareholder value[3]. Opportunities are therefore taken in the course of the Group's business activities; the associated risks are identified early, actively monitored and reassessed on a continuous basis.
  dormakaba always takes strategic and operational decisions on the basis of a systematic analysis and evaluation of the opportunities and risks relating to its asset, financial and earnings position. It never enters into incalculable, unreasonably high or existential risks.
  Opportunities, as understood in the Group's opportunity and risk policy, are chances to use events, developments or active operations to achieve or exceed planned quantitative and qualitative objectives. Risks, as understood in dormakaba's risk policy, are all those internal and external events and developments that could have a negative effect on the Group's planned economic success. In addition to direct, quantitatively measurable risks, qualitative risks, such as reputational risks, are also taken into account.
- Risk management
  dormakaba's overriding aim is to sustainably increase its enterprise value (see also 2.2). Active risk management helps the company's management achieve this goal. Opportunities and risks should be identified at an early stage and actively controlled. To do this, dormakaba has implemented a comprehensive risk management system.

a) Internal control system based on Group accounting
dormakaba has implemented an internal control system (ICS) based on the (Group) accounting[4] as defined in Art. 728a of the Swiss Code of Obligations. With respect to accounting, the ICS ensures that business activities are correctly recorded, analysed, evaluated and transmitted to the external accounts.

The essential characteristics of dormakaba's ICS with respect to accounting are:

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

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

Further information can be found in the dormakaba Corporate Governance Report 2016/17 at the following web address: go.dormakaba.com/annual-report-2016-2017

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

3 In the course of its business activities, dormakaba is exposed to the general risks inherent in any entrepreneurial operation, and these may impede or prevent the achievement of its goals. Consequently, it is sometimes necessary to take certain calculable and controllable risks in order to exploit the opportunities this risk-taking creates.

4 The following section talks about "accounting", by which is meant consolidated Group accounting.

Risk management distinguishes between operational and strategic risks:

- Within dormakaba's risk management system, operational risks are future events that could hurt the efficiency or effectiveness of business processes, or that could compromise compliance with regulations or reporting requirements in day-to-day business. Responsibility for identifying and controlling these risks lies with local segment heads.
- Strategic risks are future events that may compromise the long-term development of dormakaba and prevent it from reaching its strategic objectives. Reports about strategic risks from the segments and Group functions are consolidated at Group level into risk maps that show likelihood of occurrence and potential amount of damage, divided into four evaluation categories. Strategic risks are discussed within the medium-term planning process and consolidated by the Executive Committee into a "Group Risk Assessment" that is presented for approval to the Board of Directors through its Audit Committee. The Executive Committee reviews the risk situation every half year. Additionally, the risk situation is scheduled for discussion and review during the segments' Monthly Performance Review meetings every quarter.

The Group Internal Audit function is responsible for internal audits at dormakaba. Internal Audit reports directly to the Audit Committee, though in functional terms it reports to the CFO. Group Internal Audit performed all audits approved by the Audit Committee in 2016/2017. The internal audit approach, approved after the completion of the merger in December 2015, was further developed and again approved in June 2017 for the upcoming years.

Risks faced by dormakaba

- **Risks arising from the merger to dormakaba**

The merger to dormakaba on 1 September 2015 placed particular requirements on the new company with regard to the design of its organizational and process structure, harmonization of processes, maintaining performance levels, stability of the new operating model, and the merging of business cultures. To ensure these processes are comprehensively managed with adequate resources, an Integration Management Office was set up, led by the Chief Integration Officer whose job is to plan, monitor and control all the integration projects.

- **Risks arising from business transactions**

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

- **Opportunities and risks arising from the business model**

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

The trend toward "Industry 4.0" is progressing rapidly, and it is essential to dormakaba's success that it keeps pace with this development. This applies to the Group's products and their connectivity, but also to operational processes. Sudden, disruptive developments are not rare these days, and there is a risk that competitors could use such disruptive leaps to create significant advantages for themselves. dormakaba's innovation management team systematically observes and analyses the relevant technologies. As part of medium-term planning, targeted analysis of information relating to the state of the market and the competition is conducted to ensure that local peculiarities are also taken into consideration.

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

A significant risk in the area of product manufacturing is the possibility of a lengthy interruption to operations at one or several of the Group's worldwide production sites, for example because of fire. Supplier failure and poor quality raw materials and components also constitute a risk. Alongside the essential insurance protection, a central goal of the loss prevention programs is in place at all manufacturing sites to minimize the risk of fire. Through these programs, the measures in place to prevent fire are regularly updated, formulated and implemented.

Manufacturing processes create the risk of air and water pollution. To minimize this risk, dormakaba invests continuously in environmental protection measures. dormakaba has ISO 14001 certification for 15 of its sites worldwide.

As a globally active company, dormakaba is exposed to risks created by the political situation in individual countries and regions, which it is scarcely able to influence. dormakaba carefully monitors such situations and tries to implement prompt and appropriate risk control measures. Its top priority is always to protect its own employees.

- **Personnel risks**

Committed employees and managers are crucial to the sustainable business success of dormakaba and to the implementation of its strategy. Alongside the current integration risks and the uncertainties these may cause for employees, the most common personnel risks evaluated by the Group are those relating to succession planning, fluctuation and competence. There is a risk that vacant positions cannot be filled properly, and that competent employees could be lost. In the wake of various personnel initiatives, and with the aim of fostering long-term employee retention, these risks are addressed in the segments with the help of employee surveys, talent and succession management, and through individual, targeted employee development. The company has also developed various change management measures aimed at supporting employees in phases of uncertainty during the integration, and thus contributing to the development of a new corporate culture.

- IT risks
  dormakaba's main business processes and customer solutions are supported by IT systems. The failure of these systems and the permanent loss of data through operating or program error, or as a result of increasingly prevalent external influences (e.g. cybercrime) represent a risk. In order to limit the risk of critical systems failing, dormakaba's IT strategy uses standards such as Client Security, Access and Access Control Management, Network Security Management, Network and Infrastructure Management (e.g. redundant network connections) and Data Center Management (e.g. provision of redundant data and systems).
  Successful and timely execution of the global IT strategy (standardization of applications and infrastructure), which has been defined following the merger, is a risk. Failure could result in delay of integration projects and underperformance of important business or Group-wide processes, including financial damage. dormakaba manages such risks by an IT governance model, which involves all relevant stakeholders including operational business.
- Legal and tax risks
  As a globally active group of companies, dormakaba is exposed to the risk of legal disputes. These legal disputes can concern e.g. product liability, competition and antitrust law, trademark rights or patent rights. Risks are minimized with the aid of Group-wide standards. The internal Legal department and/or external lawyers are brought in for legal matters associated with specific risks. Such risks are not currently expected to have any significant effect on dormakaba Group's asset, financial or earnings position.
  As well as legal risks, international business activities can also give rise to tax risks, e.g. changes in the law that influence transfer pricing rules within the Group. Changes can have an impact on tax costs and can lead to higher tax payments. These risks are addressed through constant monitoring of statutory regulations by the internal tax departments, and through changes to Group-specific rules where these become necessary.
- Compliance risks
  The goal of dormakaba's Compliance Management System is to prevent damage to the company and its employees arising from breaches of the applicable law and internal directives. Prevention is the priority: the implemented system is intended to avoid infringements, and employees are trained and advised.
  In wake of the merger to dormakaba, the merged company initiated a harmonization of the entire Compliance Management System rules. On 1 July 2016, a new Code of Conduct and largely harmonized Group directives and guidelines entered into force and were made available to employees on an internal platform. To avoid any organizational gaps, transitional regulations were and still are in place until the harmonization of the rules is complete.
  Such a system can only work if employees are sensitized to the whole subject of compliance, so dormakaba managers are regularly trained in the subject. The implemented compliance mechanisms are adjusted to changing circumstances where necessary.
  Compliance risks arise as a result of a business model involving worldwide production and sales units, a growth strategy in emerging countries and increasingly internationalized procurement. Risks also result from the wide variety of distribution channels, from participation in tendering processes, from the use of products in public spaces and private buildings, and from active work within trade associations. Significant compliance risks include bribery and corruption, infringements of antitrust and competition law, fraud, preferential treatment of business partners from personal motives, violation of intellectual property protection rights, and shortages or improper installation of products. These risks can result in financial, liability and reputational damage.
- Other risks
  dormakaba's business model could also give rise to other risks not mentioned so far. These could be, for instance, liability risks resulting from local laws that are not known at Group level. dormakaba counters these risks by keeping the quality of its products and services consistently high, by engaging legal experts when the risk of a legal dispute is identified, and by taking out appropriate insurance cover. Currently no other risks have been identified that could significantly affect the asset, financial or earnings position.
- Financial risks
  dormakaba is exposed to various financial risks on account of its international activities. As well as the risk of default on claims, e.g. trade receivables, liquidity and credit risks, these include market price risks in particular (interest rate, currency and other price risks).
  Trade receivables are settled by customers on the basis of previously agreed payment terms. In order to minimize the risk of non-payment, a strict credit management system is applied, and creditworthiness is checked against internal rules. Individual overdue receivables are written down in the accounts in accordance with the relevant rules. The Group's risk policy is risk-avoidance by using as much natural hedges as possible on the income statement and on the balance sheet.
  The financial risks incurred by entering into financial instruments are managed and monitored centrally by the Group Treasury department on the basis of a financial directive. Significant risk positions are reported using a standardized procedure based on currency-differentiated planning and/or average historical values. Group Treasury analyses and evaluates the risks and decides centrally whether to use hedging instruments.
  Default risks are associated with financial investments, bank credit balances and positive market values of financial derivatives. These risks are countered by selecting highly creditworthy banks and defining maximum amounts for each bank used. Counterparty risk is checked by analysing the creditworthiness of the financing partner every month. Where necessary, the amount of business done with each partner is adjusted as appropriate.

The Group's global focus results in currency risks. Exchange rate fluctuations cause transaction risk on future foreign currency payments, so these risks are limited by means of a worldwide intercompany netting system. Foreign currency risk is hedged on the basis of transactions that are extremely likely to occur, so called anticipatory hedging relationships. The hedging instruments used are foreign exchange spot and forward transactions, plain-vanilla currency options and non-deliverable forwards. The intra-Group loans made as part of the central financing strategy are hedged by signing forward exchange contracts against exchange rate fluctuations. This risk hedging is not disclosed in the financial statements in the form of valuation units, nor is hedge accounting used in the financial statements.

Interest rate risks are managed and monitored centrally. Owing to the current interest rate environment and market expectations, no interest rate hedges were used in the 2016/17 financial year.

The granting of financial assurances (guarantees, letters of comfort) to Group companies is also centrally controlled by Group Treasury.

Since 1 April 2014, the "European Market Infrastructure Regulation" (EMIR), the EU initiative to regulate OTC trade in derivatives, has imposed an audit duty. During the annual audit under § 20 para. 1 of the German Securities Trading Act for the audit period from 1 July 2016 to 30 June 2017, it was confirmed that dormakaba has an overall and in all respects appropriate and effective system for ensuring compliance with the statutory requirements.

Most of the funding for dormakaba's companies is managed centrally. The five-year, CHF 500 million syndicated credit facility, agreed for dormakaba during financial year 2015/16 with a consortium of banks, was temporarily increased to CHF 1,150 million latest until 31 December 2017 in order to bridge finance the acquisition of Best Access Solutions. These funds will help create further financial flexibility and help refinance dormakaba's existing lines of credit. There are also agreements with various banks for bilateral credit facilities. dormakaba thus has sufficient liquidity reserves to ensure that even unexpected events do not have a significant effect on its liquidity position. Currently there is no evidence of any liquidity risks.

4.2. Assessment of overall risk and opportunity situation

In conclusion, dormakaba's opportunity and risk situation can be rated as moderate. Existing risks are identified, continuously monitored through the risk management system, and where necessary hedged using appropriate counter-measures. With the merger to dormakaba, with the Integration Management Office specially established under the leadership of the Chief Integration Officer to ensure a purposeful merger process, with the newly created organizational and process structure, and with the existing innovation structures and approaches, the prospects of further profitable growth for dormakaba remain excellent.

Beyond the actions required to finalize the integration following the merger, there is no expectation of a significant change in the risk situation, and certainly not a worsening of risk, compared with the previous year. There is no sign of any risks that would endanger the continued existence of dormakaba. A material deterioration in the future asset, financial and earnings position is not expected given the current risk situation.

4.3. Future prospects (forward-looking report)

According to forecasts from the World Bank, the world economy will grow by 2.7% in 2017 and by 2.9% in 2018 (Source: World Bank Group, Global Monthly, June 2017).

According to an IMF report, risks around the global growth forecast appear broadly balanced in the near term. On the upside, the cyclical rebound could be stronger and more sustained in Europe, where political risk has diminished. On the downside, rich market valuations and very low volatility in an environment of high political uncertainty raise the likelihood of a market correction, which could dampen growth and confidence. Monetary policy normalization in some advanced economies, notably the United States, could trigger a faster-than-anticipated tightening in global financial conditions. And other risks including a turn toward inward looking policies and geopolitical risks, remain salient (Source: World Economic Outlook, July 2017, IMF).

dormakaba's Executive Committee believes that the global macroeconomic and geopolitical environment remains volatile and therefore challenging. dormakaba expects the economic climate to be good in North America and most countries in Asia Pacific and largely moderate in Europe. Meanwhile the situation in the Middle East, Africa and Latin America will remain very demanding. In addition, dormakaba expects further consolidation in the access and security solutions industry in coming years, firstly because the sector is still very fragmented, and secondly because technological advances in the industry – from mechanical solutions to electromechanical and cloud-based solutions – will present some of its smaller and more local competitors with challenges.

dormakaba's strategic focus is on sustainable, profitable growth. Innovative new products and the strength of the combined product portfolio should in future allow dormakaba to grow faster than the weighted GDP of the markets relevant to the company.

For the next financial year, 2017/18, dormakaba expects further organic sales growth. This growth will be supported by the strength of the new combined product portfolio, as well as by the increasing success of innovative products such as the Mobile Access Solutions for hotels. On top of that the digitization of processes, products and solutions creates opportunities for additional growth.

Thanks to higher purchase volumes, optimized infrastructure costs and efficiency gains, the company expects annual cost synergies from the merger of CHF 60–70 million per year. These savings are partly included in the financial year 2016/17 (about 55% resp. CHF 39 million) and should be fully effective from financial year 2018/19.

As in financial year 2016/17 the positive effect on earnings will be partly offset by further integration costs in financial year 2017/18 again, e.g. for IT projects and the penetration of a joint umbrella brand.

dormakaba's target for the 2018/19 financial year is to achieve an EBITDA margin of 18%. This objective is based on cost synergies from the merger as well as on successful implementation of the "stand-alone plans", i.e. the initiatives planned before the merger to achieve higher profitability. Organic growth should be at least 200 basis points above the GDP growth of the markets relevant to dormakaba.

Amongst other important projects, the Group has started to relocate the production of certain standardized products from Germany to Singapore and China, while continuing to strengthen the site in Ennepetal (Germany) to become a competence center for product development. Synergies from the merger, allied to improved cost structures, will also mean that individual sites will see job reductions or relocations. The restructuring related negotiations in Germany to find the most socially acceptable solutions for the employees concerned, are finalized. The company is currently working on the implementation of the restructuring in Germany.

dormakaba believes that the global macroeconomic and geopolitical environment remains volatile and therefore challenging. Therefore, for financial year 2017/18, dormakaba expects organic growth of 150 to 200 basis points above the GDP growth (which is currently expected to be 2.5%) for dormakaba's relevant markets. dormakaba expects a slightly higher EBITDA margin compared to the previous year (15.4%) as the positive effects from operational improvements, post-merger cost synergies and acquisition benefits will be offset by further merger-related integration costs, particularly for IT, as well as by integration costs for the acquired companies.

4.4. Capital Structure

dormakaba Holding AG's share capital as at 30 June 2017 came to CHF 420,002.60, divided into 4,200,026 registered shares with a nominal value of CHF 0.10 each. Each share carries the right to one vote. Conditional capital stood at CHF 42,438 on 30 June 2017. A capital increase of 5,000 shares out of the Conditional capital was carried out on 16 September 2016 in the 2016/17 financial year to serve the company's long term employee benefit plan.

Further information can be found in the dormakaba Corporate Governance Report 2016/17 at the following web address: go.dormakaba.com/annual-report-2016-2017

5. Disclaimer

The dormakaba Group Management Report contains forward-looking statements on expected developments. These statements are based on current estimates and are by their nature subject to risks and uncertainties. Actual events may deviate from those predicted in these statements. We cannot therefore assume any liability for the correctness and completeness of the statements or for the actual occurrence of the predicted events.

Rümlang/Switzerland, 6 September 2017

Financial statements Group

Consolidated income statement

in CHF million except per share amounts	Note	Financial year ended 30.06.2017	in %	Financial year ended 30.06.2016	in %
Net sales	**5**	**2,520.1**	**100.0**	**2,115.9**	**100.0**
Cost of goods sold		–1,445.0	–57.3	–1,222.7	–57.8
Gross margin		**1,075.1**	**42.7**	**893.2**	**42.2**
Other operating income, net	6	11.5	0.5	14.8	0.7
Sales and marketing		–402.6	–16.0	–360.9	–17.1
General administration		–259.4	–10.3	–204.4	–9.7
Research and development		–97.6	–3.9	–81.1	–3.8
Operating profit (EBIT)		**327.0**	**13.0**	**261.6**	**12.3**
Result from associates	16	2.7	0.1	2.5	0.1
Financial expenses	8	–37.6	–1.5	–19.1	–0.9
Financial income	9	3.1	0.1	3.9	0.2
Ordinary result		**295.2**	**11.7**	**248.9**	**11.7**
Extraordinary result	20	0.0	0.0	–89.4	–4.2
Profit before taxes		**295.2**	**11.7**	**159.5**	**7.5**
Income taxes	10	–70.6	–2.8	–54.8	–2.6
Net profit		**224.6**	**8.9**	**104.7**	**4.9**
Net profit attributable to minority interests		108.2		50.8	
Net profit attributable to the owners of the parent		116.4		53.9	
Basic earnings per share (in CHF)	3	27.8		12.9	
Diluted earnings per share (in CHF)	3	27.7		12.8	
Operating profit before depreciation and amortization (EBITDA)	**27**	**387.3**	**15.4**	**311.4**	**14.7**

The notes on pages 19 to 46 are an integral part of these consolidated financial statements.

Consolidated balance sheet
Assets

in CHF million	Note	Financial year ended 30.06.2017	in %	Financial year ended 30.06.2016	in %
Current assets					
Cash and cash equivalents		188.3	9.9	213.2	13.5
Trade receivables	11	461.4	24.2	403.7	25.6
Inventories	12	411.4	21.5	364.0	23.0
Current income tax assets		36.1	1.9	41.4	2.6
Other current assets	13	82.5	4.3	47.4	3.0
Total current assets		**1,179.7**	**61.8**	**1,069.7**	**67.7**
Non-current assets					
Property, plant and equipment	14	412.8	21.6	330.0	20.9
Intangible assets	14	38.4	2.0	37.7	2.4
Investments in associates	16	36.0	1.9	33.9	2.1
Non-current financial assets	17	37.9	2.0	36.5	2.4
Deferred income tax assets	23	204.2	10.7	71.5	4.5
Total non-current assets		**729.3**	**38.2**	**509.6**	**32.3**
Total assets		**1,909.0**	**100.0**	**1,579.3**	**100.0**

Consolidated balance sheet
Liabilities and equity

in CHF million	Note	Financial year ended 30.06.2017	in %	Financial year ended 30.06.2016	in %
Current liabilities					
Current borrowings	18	814.6	42.7	52.6	3.3
Trade payables		151.8	8.0	120.1	7.6
Current income tax liabilities		38.7	2.0	47.9	3.0
Accrued and other current liabilities	19	328.4	17.2	290.2	18.4
Provisions	20	76.9	4.0	88.6	5.6
Total current liabilities		**1,410.4**	**73.9**	**599.4**	**37.9**
Non-current liabilities					
Non-current borrowings	18	1.3	0.1	1.5	0.1
Accrued pension costs and benefits	21	285.1	14.9	275.0	17.4
Deferred income tax liabilities	23	29.1	1.5	22.9	1.4
Total non-current liabilities		**315.5**	**16.5**	**299.4**	**18.9**
Total liabilities		**1,725.9**	**90.4**	**898.8**	**56.8**
Equity					
Share capital	3	0.4	0.0	0.4	0.0
Additional paid-in capital		811.3	42.5	807.6	51.1
Retained earnings		–619.1	–32.4	–347.8	–22.0
Treasury stock		–17.9	–0.9	–1.6	–0.1
Translation exchange differences		–1.1	–0.1	–15.8	–0.9
Total equity owners of the parent		**173.6**	**9.1**	**442.8**	**28.1**
Minority interests		9.5	0.5	237.7	15.1
Total equity	**2.10, 15**	**183.1**	**9.6**	**680.5**	**43.2**
Total liabilities and equity		**1,909.0**	**100.0**	**1,579.3**	**100.0**

The notes on pages 19 to 46 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

in CHF million	Note	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Net profit		**224.6**	**104.7**
Depreciation and amortization	14	60.3	49.8
Income tax expenses	10	70.6	54.8
Interest expenses	8	17.3	9.7
Interest income	9	–1.8	–1.5
(Gain) Loss on disposal of fixed assets, net		–2.3	0.0
Adjustment for non-cash items[1]		16.5	13.8
Change in trade receivables		–28.9	–7.9
Change in inventories		–13.9	8.7
Change in other current assets		–16.4	15.3
Change in trade payables		13.5	0.5
Change in accrued pension cost		0.6	–0.7
Change in accrued and other current liabilities		14.6	80.4
Cash generated from operations		**354.7**	**327.6**
Income taxes paid		–74.5	–70.2
Interest paid		–16.7	–3.5
Interest received		1.8	1.4
Net cash from operating activities		**265.3**	**255.3**
Cash flows from investing activities			
Additions of property, plant and equipment	14	–73.3	–47.1
Proceeds from sale of property, plant and equipment	14	8.1	4.9
Acquisition of subsidiaries, net of cash acquired	4	–884.9	64.4
Acquisition of associates and joint ventures		–1.0	0.0
Sale of subsidiaries, net of cash sold		–0.3	0.0
Additions of intangible assets	14	–11.4	–14.7
Change in other non-current financial assets and prepaid transaction costs		–1.7	6.0
Net cash used in investing activities		**–964.5**	**13.5**
Cash flows from financing activities			
Other proceeds from (repayment of) current borrowings, net	18	756.7	29.0
Proceeds from (repayment of) non-current borrowings	18	–8.4	–1.6
Change in other non-current liabilities		0.8	0.1
Dividends paid to minority shareholders		–27.5	0.0
(Purchase) sale of treasury stock		–20.8	0.0
New shares issued		3.7	0.0
Dividends paid to company's shareholders		–50.4	–240.7
Net cash flows from financing activities		**654.1**	**–213.2**
Translation exchange differences		20.2	15.1
Net increase (decrease) in cash and cash equivalents		**–24.9**	**70.7**
Cash and cash equivalents at beginning of period		213.2	142.5
Cash and cash equivalents at end of period		188.3	213.2
Net increase (decrease) in cash and cash equivalents		**–24.9**	**70.7**

1) Only in 2015/2016: adjustments for non-cash items include impairments of intangible assets CHF 8.1 million and impairment of property, plant and equipment CHF 0.6 million.

Consolidated statement of changes in equity

in CHF millon	Share capital	Additional paid-in capital	Retained earnings	Treasury stock	Cumul. translation adjustm.	Minority interests	Total equity
Financial year ended 30.06.2016							
Balance at 30.06.2015	**0.4**	**807.6**	**–330.6**	**–4.3**	**–33.7**	**2.7**	**442.1**
Net profit for the reporting period			53.9			50.8	104.7
Goodwill on acquisitions (see note 15)			–982.2				–982.2
Fair value of Kaba business transferred			1,158.8				1,158.8
Currency translation adjustments					17.9	8.4	26.3
Dividend paid			–240.7				–240.7
Minority interest on acquisition of subsidiary			–9.3			175.8	166.5
Shares awarded			2.3	2.7			5.0
Balance at 30.06.2016	**0.4**	**807.6**	**–347.8**	**–1.6**	**–15.8**	**237.7**	**680.5**
Financial year ended 30.06.2017							
Balance at 30.06.2016	**0.4**	**807.6**	**–347.8**	**–1.6**	**–15.8**	**237.7**	**680.5**
Net profit for the reporting period			116.4			108.2	224.6
Goodwill on acquisitions (see note 15)			–346.1			–313.2	–659.3
Currency translation adjustments					14.7	12.4	27.1
Dividend paid			–50.4			–27.5	–77.9
New shares issued		3.7					3.7
Shares awarded			0.7	5.1			5.8
Treasury stock (purchased) re-issued			8.1	–21.4		–8.1	–21.4
Balance at 30.06.2017	**0.4**	**811.3**	**–619.1**	**–17.9**	**–1.1**	**9.5**	**183.1**

The notes on pages 19 to 46 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for financial year 2016/2017

1. General information

Description of business

Strategy

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

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

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

Operating model

dormakaba has divided the areas of business in which the company is globally active into six segments. Access Solutions (AS), which comprises four segments, is structured by region: AS AMER (North and South America), AS APAC (Asia-Pacific), AS DACH (Germany, Austria, and Switzerland) and AS EMEA (Europe, Middle East, and Africa). The two other globally focused segments are Key Systems and Movable Walls.

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

- **Access Solutions AMER (AS AMER):** The AS AMER segment includes dormakaba Group's business activities for access solutions in North and South America. AS AMER also has overall responsibility across all segments for the global Product Clusters Services, Lodging Systems and Safe Locks.
- **Access Solutions APAC (AS APAC):** This segment includes dormakaba Group's business activities for access solutions in the Asia-Pacific region.
- **Access Solutions DACH (AS DACH):** The AS DACH segment includes the dormakaba Group's business activities for access solutions in Germany, Austria, and Switzerland. AS DACH also has cross-segment responsibility for the following global Product Clusters: Door Hardware, Interior Glass Systems and Entrance Systems, including the associated production facilities and competence centers, in particular in Singapore, Suzhou (China), Melaka (Malaysia), and Sofia (Bulgaria).
- **Access Solutions EMEA (AS EMEA):** This segment includes the dormakaba Group's business activities for access solutions in Europe (excluding DACH), the Middle East, and Africa. AS EMEA also has cross-segment responsibility for the global Product Clusters Mechanical Key Systems and Electronic Access & Data, including the associated production facilities and competence centers, in particular in Wetzikon and Rümlang (Switzerland), Herzogenburg and Eggenburg (Austria), and Villingen-Schwenningen (Germany).
- **Key Systems:** As a globally active segment Key Systems includes its established product categories Keys, Key Cutting Machines, and Automotive Solutions.
- **Movable Walls:** The Movable Walls segment has global activities in the space-dividing systems sector. Movable Walls specializes in partitioning systems with its two product groups Acoustic Movable Partitions and Glass Horizontal Sliding Walls. It has production facilities in Germany, the U.S., and Malaysia.
- **Other:** Operations involving contactless identification systems and trusted services that do not fit into the basic segment structure are included in this segment. These systems are based on Legic SmartCard and Connect technologies.

Offering

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

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

Parent company of the Group

The parent company of the Group is dormakaba Holding AG, which is a company limited by shares, incorporated and domiciled in Rümlang (Switzerland).

The address of its registered office is: Hofwisenstrasse 24, 8153 Rümlang, Switzerland.

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

2. Significant accounting policies

2.1 Basis of preparation

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

dormakaba analyzed the new recommendations of the Swiss GAAP FER Framework concerning revenue recognition as well as those in Swiss GAAP FER 3 and 6.

The revised principles concerning revenue recognition had no impact on the disclosures in the consolidated balance sheet and income statement, as the accounting policies which have been applied by dormakaba in the past already comply with the new regulations of revenue recognition in Swiss GAAP FER in all material aspects.

The most important revenue sources are disclosed in note 1 by segment and the corresponding revenue recognition policy in note 2.13.

The accounting policies have been applied consistently by Group companies. A summary of the significant accounting policies is provided below.

2.2 Basis of consolidation

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

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

2.3 Use of estimates

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

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

2.4 Foreign currency translation

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

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

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

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

	Exchange rate at 30.06.2017	Exchange rate at 30.06.2016	Average rate 2016/2017	Average rate 2015/2016
AED	0.260	0.267	0.270	0.267
AUD	0.735	0.729	0.748	0.713
BRL	0.289	0.303	0.308	0.266
CAD	0.735	0.756	0.747	0.739
CNY	0.141	0.148	0.146	0.152
EUR	1.094	1.089	1.080	1.087
GBP	1.243	1.317	1.257	1.454
HKD	0.122	0.126	0.128	0.126
INR	0.015	0.015	0.015	0.015
NOK	0.114	0.117	0.118	0.117
SEK	0.113	0.116	0.112	0.116
SGD	0.693	0.727	0.712	0.705
USD	0.956	0.981	0.991	0.980

2.5 Cash and cash equivalents

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

2.6 Financial assets

Long-term held securities are recorded at fair value. All realized and unrealized gains and losses are recognized in the income statements.

Other non-current financial assets are stated at amortized cost less valuation adjustments.

2.7 Trade receivables

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

2.8 Inventories

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

Cash discounts from suppliers are treated as purchase cost reductions.

2.9 Property, plant and equipment

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

Depreciation is computed using the straight-line method based on the following estimated useful lives:

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

Land is not depreciated. Where an asset comprises various components having different useful lives, each component is depreciated separately.

Items of minor value are charged directly to the income statement.

All gains and losses on disposal of property, plant and equipment are recognized in the income statement.

2.10 Intangible assets

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

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

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

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

2.11 Impairment of assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.20 Risk assessment and risk management

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

Financial risk policy

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

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

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

Foreign exchange risk

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

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

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

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

Interest rate risk

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

Liquidity risk

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

Credit risk

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

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

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

2.21 Segment reporting

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

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

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

2.22 Share-based payments

Stock award plans

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

2.23 Extraordinary result

In the financial year 2015/16, the extraordinary result includes only cost related to the business combination between Dorma and Kaba, namely restructuring cost, impairment losses, and the cost of combining the brands into the dormakaba master brand. Restructuring cost are those necessarily entailed by the restructuring, and not associated with the ongoing activities of the entity, such as severance cost, early termination cost, and restructuring-related advisory cost. Business combination-related projects have been approved by the Board.

3. Shares

	Financial year ended 30.06.2017	Financial year ended 30.06.2016
For basic number of shares	**Par value CHF 0.10**	**Par value CHF 0.10**
Number of shares outstanding at beginning of financial year	4,190,963	4,184,261
New shares issued	5,000	–
Own shares (acquired) re-issued	–18,375	6,702
Number of shares outstanding at end of financial year	4,177,588	4,190,963
Weighted average number of shares outstanding (basic)	4,194,106	4,188,772
Profit applicable for calculation of earnings per share (basic and diluted) (in CHF million)	116.4	53.9
Basic earnings per share (in CHF)	**27.8**	**12.9**
For diluted number of shares		
Weighted average number of shares outstanding (basic)	4,194,106	4,188,772
Eligible shares under stock award plans and shares awarded in acquisitions	14,637	12,044
Weighted average number of shares outstanding (diluted)	4,208,743	4,200,816
Profit applicable for calculation of earnings per share (basic and diluted) (in CHF million)	116.4	53.9
Diluted earnings per share (in CHF)	**27.7**	**12.8**
Dividend (in the form of a distribution of capital reserves) per share (in CHF)	**14.0**	**12.0**
Conditional shares at beginning of financial year	429,384	429,384
New conditional shares created	–	–
New conditional shares issued	–5,000	–
Conditional shares at end of financial year	424,384	429,384
Authorized shares	419,000	419,000
Number of shares authorized but not yet issued	419,000	419,000
Number of own shares held	22,438	4,063

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

4. Business combinations

Best Access Solutions

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

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

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

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

Mesker Openings Group

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

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

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

Other acquisitions/divestments in the reporting period

Acquisition of ATM Türautomatik GmbH, Austria

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

The acquired net assets amounted to CHF 0.9 million.

Acquisition of Seca Solutions A/S, Norway

On 28 February 2017, dormakaba acquired Seca Solutions AS, an expert in physical access control and airport solutions in Norway.

The acquired net assets amounted to CHF 0.8 million.

Divestment Ascot Doors Ltd, United Kingdom

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

The divested net assets amounted to CHF 3.6 million.

Divestment of the sanitary business of Provitris GmbH, Germany

The sanitary business of Provitris was divested on 20 February 2017 as part of the post-merger process of the dormakaba business combination.

The divested net assets amounted to CHF 0.9 million.

Prior-year acquisitions

Business combination with Dorma

On 1 September 2015, Dorma and Kaba completed the business combination announced on 30 April 2015. Excluding retained net assets of CHF 179.7 million, the transaction involved the transfer of all other assets and liabilities of the former Kaba Group to the joint sub-holding company, dormakaba Holding GmbH+Co. KGaA, which originally held all assets and liabilities of the former Dorma Group. In exchange, dormakaba Holding AG received 52.5% of the ownership rights of this entity. Retained net assets mainly consisted of an intercompany loan.

The following table summarizes the transaction. The identifiable assets and liabilities reflect the fair value at the date of the business combination.

The value of the Kaba businesses was calculated based on the weighted average share price of Kaba on the SIX Swiss Stock Exchange during the last five trading days before closing the transaction, reduced by the value of retained net assets.

in CHF million	As at the acquisition date
Consideration at 1 September 2015	
Cash paid	0.6
Acquisition-related costs	6.9
Total cash outflow	**7.5**
Fair value of Kaba business transferred	1,158.8
Total consideration	**1,166.3**
Identifiable assets and liabilities	
Cash and cash equivalents	73.0
Trade receivables	205.1
Inventories	191.5
Current income tax assets	40.0
Other current assets	44.4
Property, plant and equipment	168.4
Intangible assets	12.4
Investments in associates	32.3
Non-current financial assets	21.8
Deferred income tax assets	49.5
Current borrowings	–3.3
Trade payables	–60.3
Current income tax liabilities	–42.9
Accrued and other current liabilities	–124.3
Provisions	–25.0
Non-current borrowings	–1.0
Accrued pension costs and benefits	–226.1
Deferred income tax liabilities	–4.6
Other non-interest bearing liabilities	–0.3
Total identifiable net assets	**350.6**
Minority interests on net assets	–166.5
Goodwill	982.2
Total consideration	**1,166.3**

As per 1 September 2015, goodwill was increased by a net CHF 1.1 million due to the revaluation of accrued pension costs and benefits (CHF –4.2 million, CHF –2.5 million net of tax) and property, plant and equipment (CHF 3.6 million).

5. Net sales

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Total net sales	**2,520.1**	**2,115.9**
Additional information for long-term contracts applying the percentage-of-completion method		
Amounts included in net sales based on the percentage-of-completion method	70.4	73.3
Cumulative progress invoices on contracts in progress	20.4	21.8
Construction contracts in progress (assets)	10.4	9.9
Billings in excess of cost of construction contracts (liabilities see note 19)	–1.3	–0.6
Accumulated contract costs including recognized profits (losses)	**29.5**	**31.1**
Advances for construction contracts (liabilities)	–5.4	–4.0
Retentions on construction contracts in progress (assets)	0.0	0.1

6. Other operating income, net

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Rent	0.8	0.7
Gain from the sale of fixed assets/business units	3.9	5.3
Re-invoiced cost	0.5	0.8
Licence income	0.1	0.7
Insurance reclaim	0.1	0.6
Other revenues	6.4	7.0
Other operating expense	–0.3	–0.3
Total other operating income (net)	**11.5**	**14.8**

7. Personnel expenses

in CHF million	Financial year ended 30.06.2017	in %	Financial year ended 30.06.2016	in %
Salaries and wages	758.4		639.1	
Social security expenses	145.7		120.8	
Share-based payments	6.7		4.9	
Pension cost (see note 21)	20.4		20.6	
Employment termination expenses	1.2		6.3	
Other benefits	0.9		0.9	
Total personnel expenses	**933.3**		**792.6**	
Employees at balance sheet date	**16,965**		**15,786**	
Average number of full-time equivalent employees	**16,250**		**15,779**	
Average number of employees per geographic region				
Switzerland	793	5	799	5
Germany	3,400	21	3,523	22
Rest of EMEA	3,366	21	3,457	22
Americas	3,292	20	2,813	18
Asia Pacific	5,399	33	5,187	33
Total	**16,250**	**100**	**15,779**	**100**

8. Financial expenses

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Interest expenses	17.3	9.7
Foreign exchange losses/(gains)	15.9	6.6
Other financial expenses	4.4	2.8
Total financial expenses	**37.6**	**19.1**

9. Financial income

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Interest income	1.8	1.5
Other financial income	1.3	2.4
Total financial income	**3.1**	**3.9**

10. Income taxes

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Profit before taxes	**295.2**	**159.5**
Weighted applicable tax rate	28.3%	28.0%
Tax calculated at applicable tax rate	**83.5**	**44.7**
Current income taxes	70.0	67.3
Deferred income taxes	0.6	–12.5
Income taxes	**70.6**	**54.8**
Difference between applicable and effective income taxes	**–12.9**	**10.1**
Impact of losses and tax loss carryforwards	–9.3	5.3
Tax-exempt income	–5.2	–4.8
Non-deductible expenses	7.2	7.1
Non-recoverable withholding tax expenses	2.3	0.2
Tax charges (credits) relating to prior periods, net	–2.2	0.8
Other	–5.7	1.5
Difference between expected and effective income taxes	**–12.9**	**10.1**
Income taxes charged to equity	0.5	–1.5

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 from prior year is mainly due to the different contributions of individual Group companies to the total Group profit.

The main difference between applicable and effective taxes in the period lies in the fact that dormakaba does not recognize deferred tax assets on tax loss carry-forwards regardless of the likelihood that such tax loss carry-forwards can be utilized in the future.

11. Trade receivables

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Accounts receivable from third parties	477.1	421.7
Accounts receivable from associates	0.3	0.1
Construction contracts in progress	10.4	9.9
Total trade receivables, gross	**487.8**	**431.7**
Allowance for doubtful accounts	–26.4	–28.0
Total trade receivables, net	**461.4**	**403.7**

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Maturity analysis of trade receivables	**Gross**	**Gross**
Not yet due	350.1	303.4
1–30 day(s) overdue	59.2	52.7
31–60 days overdue	20.2	18.0
61–90 days overdue	12.7	9.3
91–120 days overdue	6.1	6.1
121–150 days overdue	5.0	3.9
More than 150 days overdue	34.5	38.3
Total trade receivables, gross	**487.8**	**431.7**

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

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Details of allowance for doubtful accounts		
Allowance at beginning of financial year	–28.0	–5.6
Additions	–11.0	–3.8
Releases	8.5	2.0
Usage	5.0	2.7
Acquisition of businesses	–1.5	–23.0
Translation exchange differences	0.6	–0.3
Allowance at end of financial year	**–26.4**	**–28.0**

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

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

12. Inventories

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Raw materials and supplies	168.4	160.8
Semi-finished goods and work in progress	79.6	76.4
Finished goods	216.0	175.6
Prepayments to suppliers	3.6	2.3
Total inventories, gross	**467.6**	**415.1**
Allowance for obsolete and slow-moving items	–56.2	–51.1
Total inventories, net	**411.4**	**364.0**
Details allowance for obsolete and slow-moving items		
Allowance beginning of year	–51.1	–29.4
Additions	–10.9	–9.2
Acquisition of businesses	–5.4	–19.5
Releases	4.9	1.9
Usage	5.3	5.9
Translation exchange differences	1.0	–0.8
Allowance end of year	**–56.2**	**–51.1**

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

13. Other current assets

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Prepaid expenses	18.8	15.0
Retentions	2.1	1.3
Sales, withholding and other recoverable taxes	36.0	26.3
Fair value of forward contracts (see note 26)	23.4	2.6
Other receivables and miscellaneous	2.2	2.2
Total other current assets	**82.5**	**47.4**

14. Property, plant and equipment/Intangible assets

in CHF million	Land and buildings	Plant, machinery and equipment	Furniture and fixtures	Prepayments	Total property, plant and equipment	Intangible assets
Cost						
30 June 2015	154.6	192.0	77.8	7.6	432.0	54.1
Additions	3.5	14.5	15.7	13.4	47.1	14.7
Disposals	–2.5	–14.2	–11.9	–0.5	–29.1	–6.5
Reclassifications	2.0	9.8	1.7	–13.5	0.0	0.0
Acquisition of businesses	97.0	33.4	30.1	7.9	168.4	12.4
Translation exchange differences	5.7	5.8	2.6	0.3	14.4	1.8
30 June 2016	**260.3**	**241.3**	**116.0**	**15.2**	**632.8**	**76.5**
Accumulated depreciation						
30 June 2015	75.2	143.1	58.8	0.0	277.0	28.1
Additions[1]	6.8	21.1	14.6	0.0	42.5	15.9
Disposals	–1.2	–13.6	–9.4	0.0	–24.2	–6.5
Reclassifications	0.4	0.2	–0.6	0.0	0.0	0.0
Translation exchange differences	1.2	4.2	2.1	0.0	7.5	1.3
30 June 2016	**82.4**	**155.0**	**65.5**	**0.0**	**302.8**	**38.8**
Net book value as of						
30 June 2015 net	79.4	48.9	19.0	7.6	155.0	26.0
30 June 2016 net	177.9	86.3	50.5	15.2	330.0	37.7
Net carrying amount of assets under finance leases as of						
30 June 2015 net			0.3		0.3	
30 June 2016 net			1.3		1.3	
Cost						
30 June 2016	260.3	241.3	116.0	15.2	632.8	76.5
Additions	14.3	14.1	18.1	26.9	73.3	11.4
Disposals	–4.2	–9.2	–8.2	–0.5	–22.3	–1.6
Reclassifications	11.6	4.8	–2.8	–13.8	0.0	0.0
Acquisition of businesses	36.2	25.8	9.1	2.3	73.4	0.1
Translation exchange differences	–4.1	–5.6	–1.4	–0.7	–11.7	–0.8
30 June 2017	**314.1**	**271.2**	**130.8**	**29.4**	**745.5**	**85.6**
Accumulated depreciation						
30 June 2016	82.4	155.0	65.5	0.0	302.8	38.8
Additions	8.5	22.9	18.2	0.0	49.7	10.7
Disposals	–0.9	–8.5	–6.4	0.0	–15.3	–2.1
Reclassifications	–0.1	0.8	–0.2	0.0	0.0	0.0
Translation exchange differences	–0.6	–3.2	–0.7	0.0	–4.5	–0.2
30 June 2017	**89.3**	**167.0**	**76.4**	**0.0**	**332.7**	**47.2**
Net book value as of						
30 June 2016 net	177.9	86.3	50.5	15.2	330.0	37.7
30 June 2017 net	224.8	104.2	54.4	29.4	412.8	38.4
Net carrying amount of assets under finance leases as of						
30 June 2016 net			1.3		1.3	
30 June 2017 net		0.2	1.8		2.0	

1) Additions include impairments of intangible assets CHF 8.1 million and impairment of property, plant and equipment CHF 0.6 million.

Intangible assets: additions to cost include CHF 1.4 million (2015/16 CHF 7.7 million) invested in research and development projects.

15. Theoretical movement of goodwill

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Cost		
Opening	1,153.2	175.0
Additions from acquisitions	657.0	982.2
Adjustments (earn-out, others)	–2.2	0.0
Translation exchange differences	–37.7	–4.0
Closing	**1,770.3**	**1,153.2**
Accumulated amortization		
Opening	255.2	59.8
Additions	270.6	196.3
Translation exchange differences	–4.9	–0.9
Closing	**520.9**	**255.2**
Theoretical book values, net		
Opening	898.0	115.2
Closing	1,249.4	898.0

Effect on the income statement

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Operating profit (EBIT)	327.0	261.6
EBIT in % of net sales	13.0	12.3
Amortization goodwill	–270.6	–196.3
Theoretical operating profit (EBIT) incl. amortization goodwill	56.4	65.3
Theoretical EBIT in % of net sales	2.2	3.1
Net profit	224.6	104.7
Amortization goodwill	–270.6	–196.3
Theoretical net loss/profit incl. amortization goodwill	–46.0	–91.6

Effect on the balance sheet

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Equity according to balance sheet	183.1	680.5
Theoretical capitalization net book value goodwill	1,249.4	898.0
Theoretical equity incl. net book value goodwill	1,432.5	1,578.5
Equity in % of balance sheet total	9.6	43.2
Theoretical equity incl. net book value goodwill in % of balance sheet total	45.4	63.7

As described in note 2.10, goodwill resulting from acquisitions is offset in equity at the date of acquisition against retained earnings. These tables show the impact on equity and net profit based on the assumption that this goodwill had been capitalized and amortized over a period of five years.

16. Investments in associates and joint ventures

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Associates		
Beginning of year	**33.9**	**0.0**
Acquisition of Dorma associate ISEO Serrature S.p.A.	0.0	32.3
Acquisition of investments in associates	1.0	0.0
Dividends received	–1.8	–1.1
Share of profit/(loss)	2.7	2.5
Translation exchange differences	0.2	0.3
Total investments in associates	**36.0**	**33.9**
Details of material investments in associates		
Entity name		
ISEO Serrature S.p.A., Pisogne/IT		
Assets	183.7	171.4
Liabilities	114.8	111.9
Revenues	158.2	142.7
Profit/(Loss)	6.6	6.1
Interest held in %	40.0	40.0
Goodwill included in investments in associates	11.0	11.0

17. Non-current financial assets

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Non-current financial assets		
Loans	4.0	0.1
Pension-related assets	22.8	22.7
Long-term prepaid expenses	7.6	8.6
Prepaid financing cost	0.0	0.0
Long-term held securities	3.5	5.1
Total non-current financial assets	**37.9**	**36.5**

18. Borrowings

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Current borrowings		
Bank overdrafts	10.6	9.1
Short-term bank loans	797.3	6.6
Current portion of debt	6.7	36.9
Total current borrowings	**814.6**	**52.6**

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

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Non-current borrowings		
Bank loans	0.2	0.1
Other long-term liabilities	0.0	0.2
Finance lease obligation	1.1	1.2
Total non-current borrowings	**1.3**	**1.5**

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
At year-end, maturities of debt were as follows:		
Within 1 year	6.7	36.9
Within 2 to 5 years	1.3	1.5
After 5 years	0.0	0.0
Total debt	**8.0**	**38.4**
Current portion of debt	6.7	36.9
Total long-term debt	**1.3**	**1.5**

19. Accrued and other current liabilities

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Advances from customers	27.9	23.7
Billings in excess of cost of construction contracts	1.3	0.6
Deferred income	44.1	40.1
Sales, withholding and other tax payable	49.1	36.5
Social security payable	10.2	9.1
Payable to pension fund	0.9	0.8
Accruals for vacation, overtime and other employee benefits	102.5	93.6
Accrued interest	0.6	0.1
Fair value of forward contracts (see note 26)	0.8	5.4
Other accruals and current non-interest-bearing liabilities	91.0	80.3
Total accrued and other current liabilities	**328.4**	**290.2**

20. Provisions

in CHF million	Warranty and customer returns	Restructuring	Other	Total
Financial year ended 30.06.2016				
Opening balance as at 01.07.2015	**6.5**	**0.5**	**2.6**	**9.6**
Additions	7.8	81.3	0.6	89.7
Releases	–0.5	–0.4	–1.7	–2.6
Usage	–6.3	–25.3	–2.1	–33.7
Acquisition of businesses	7.1	1.4	16.5	25.0
Translation exchange differences	0.3	0.1	0.2	0.6
Balance at 30.06.2016	**14.9**	**57.6**	**16.1**	**88.6**
Thereof due within 1 year	14.9	57.6	16.1	88.6
Thereof due 2 to 5 years	0.0	0.0	0.0	0.0
Total	**14.9**	**57.6**	**16.1**	**88.6**
Financial year ended 30.06.2017				
Opening balance as at 01.07.2016	**14.9**	**57.6**	**16.1**	**88.6**
Additions	7.6	–0.2	10.5	17.9
Releases	–0.2	0.0	–0.4	–0.6
Usage	–8.2	–19.5	–6.4	–34.1
Acquisition of businesses	5.2	0.0	0.6	5.8
Translation exchange differences	–0.3	–0.2	–0.2	–0.7
Balance at 30.06.2017	**19.0**	**37.7**	**20.2**	**76.9**
Thereof due within 1 year	19.0	37.7	20.2	76.9
Thereof due 2 to 5 years	0.0	0.0	0.0	0.0
Total	**19.0**	**37.7**	**20.2**	**76.9**

Warranty and customer return provisions

In certain markets there are lock models installed for which dormakaba developed upgrades. dormakaba committed to offer the upgrades at no cost to its customers and as a result a provision amounting to CHF 15.1 million was recognized as per 30 June 2011. Due to customers making use of dormakaba's offer, the provision has been reduced to CHF 1.5 million as per 30 June 2017, representing expected cash outflows in 2017/18 related to this initiative.

Restructuring provisions

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

The major part of these restructuring provisions is due to post-merger integration projects following the merger between Kaba and Dorma as per 1 September 2015 which have been approved by the Board. These provisions mainly include severance cost, early termination cost, and restructuring-related advisory cost (as per accounting policy 2.23).

Other provisions

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

21. Employee benefit liabilities

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016					Financial year ended 30.06.2017	Financial year ended 30.06.2016
	Economic part of the Corporation	Economic part of the Corporation	Acquisition of Businesses Economical part of the Corporation	Translation differences	Change to prior year period or recognized in the current result of the period, respectively	Contributions concerning the business period	Pension benefit expenses within personnel expenses	Pension benefit expenses within personnel expenses
Pension institutions with surplus						7.5	7.5	7.5
Pension institutions with deficit								
Pension institutions w/o surplus/deficit						9.9	9.9	9.1
Pension institutions without own assets	264.9	256.8	9.3	0.6	−1.8	4.8	3.0	4.0
Other long-term employee benefits	20.2	18.2						
Total	**285.1**	**275.0**	**9.3**	**0.6**	**−1.8**	**22.2**	**20.4**	**20.6**

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Contributions to pension institutions from Group entities	17.4	16.6
Contributions to pension institutions from employer contribution reserves (ECR)	0.0	0.0
Total contributions	17.4	16.6
+/- Changes ECR from asset development, value adjustments, etc.	0.0	0.0
Contributions and changes employer contribution reserves	**17.4**	**16.6**
Increase/decrease economical benefit group from surplus	0.0	0.0
Decrease/increase economical obligation group from deficit	0.0	0.0
Decrease/increase economical obligation group from pension institutions without own assets	3.0	4.0
Total changes economical effects from surplus/deficit	3.0	4.0
Pension benefit expenses within personnel expenses in the period under review	**20.4**	**20.6**

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

22. Lease commitments

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Operating leases		
Expenses for operating leases amounted to	36.3	33.4
Future minimum lease payments resulting from non-cancellable operating lease contracts are due as follows:		
Liabilities under leases up to 1 year	33.8	36.6
Liabilities under leases 2 to 5 years	64.9	43.6
Liabilities under leases over 5 years	22.1	17.2
Total future payment commitments for operating leases	**120.8**	**97.4**

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

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Finance leases		
Expenses for finance leases amounted to	2.0	1.3
Future minimum lease payments resulting from non-cancellable finance lease contracts are due as follows:		
Liabilities under leases up to 1 year	0.9	0.5
Liabilities under leases 2 to 5 years	1.1	0.7
Liabilities under leases over 5 years	0.0	0.0
Total finance lease obligation including current portion (net present value)	2.0	1.3
Less current portion	0.9	0.5
Long-term finance lease obligation	**1.1**	**0.8**

23. Deferred income taxes

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Expiration of tax loss carry-forwards not recognized as deferred tax assets		
Expiry in 1 year	3.4	5.9
Expiry in 2 to 5 years	16.1	10.4
Expiry after 5 years	3.3	2.7
No expiry	154.9	170.0
Balance of tax loss carry-forwards at end of financial year	**177.7**	**188.9**

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Balance sheet presentation of deferred income taxes		
Deferred income tax assets	204.2	71.5
Deferred income tax liabilities	29.1	22.9
Total deferred income taxes, net	**175.1**	**48.6**

Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the asset can be utilized.

The increase in deferred tax assets is related to the acquisitions of Best Access Solutions and Mesker Openings Group described in note 4. It reflects future tax benefits from the amortization of goodwill.

24. Capital management

Management of capital is governed by the following objectives:

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

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

The syndicated credit facility of CHF 500 million, established in March 2016 for a five-year period was temporarily increased to CHF 1,150 million until 31 December 2017. The options for prolongation of two additional years and increase of up to CHF 200 million are suspended as a result of the temporary increase. The options will be reactivated after the refinancing through different financial instruments.

The only financial covenant is the net debt ratio (calculated as the ratio of net debt to EBITDA). As of 30 June 2017 dormakaba complied with this financial covenant.

The corresponding key figures as at 30 June 2017 and 30 June 2016 respectively are shown below:

in CHF million, except where indicated	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Gearing		
Earnings before interest, taxes, depreciation and amortization (EBITDA)	387.3	311.4
Net debt	627.6	–159.1
Net debt/EBITDA (Gearing)	1.6	–0.5

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

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

The Group is not subject to externally imposed capital restrictions.

25. Commitments and contingencies

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Current endorsement liabilities	3.0	2.7
Investments committed to purchase from third parties:		
Property, plant and equipment	27.9	9.8
Intangible assets	0.5	0.0

26. Derivative financial instruments

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
The following forward contracts existed for hedging purposes on the balance sheet date:		
Currencies		
– Contract value	1,195.3	515.1
– Fair value – held-for-trading, net	22.6	–2.8

The increase in forward contract value mainly relates to hedges of exposures from intercompany loans, which were established to finance acquisitions disclosed in note 4.

27. Segment reporting

in CHF million	Access Solutions AMER Financial year ended 30.06.2017	Access Solutions AMER Financial year ended 30.06.2016[1]	Access Solutions APAC Financial year ended 30.06.2017	Access Solutions APAC Financial year ended 30.06.2016[1]	Access Solutions DACH Financial year ended 30.06.2017	Access Solutions DACH Financial year ended 30.06.2016[1]
Net sales third parties	656.2	446.8	412.7	320.1	496.4	467.4
Intercompany sales	28.8	31.2	22.4	18.0	304.6	245.1
Total sales	**685.0**	**478.0**	**435.1**	**338.1**	**801.0**	**712.4**
Operating profit (EBIT)	**134.4**	**98.8**	**47.0**	**26.1**	**132.7**	**113.0**
in % of sales	19.6%	20.7%	10.8%	7.7%	16.6%	15.8%
Depreciation and amortization	9.6	5.7	6.8	4.0	16.9	13.7
Operating profit before depreciation and amortization (EBITDA)	**144.0**	**104.6**	**53.8**	**30.1**	**149.5**	**126.6**
in % of sales	21.0%	21.9%	12.4%	8.9%	18.7%	17.8%
Result from associates						
Financial expenses						
Financial income						
Ordinary result						
Extraordinary result						
Profit before taxes						
Operating assets	341.6	274.2	227.0	180.4	312.4	299.4
Operating liabilities	–119.6	–80.0	–92.5	–60.5	–362.6	–355.8
Net operating assets	221.9	194.2	134.6	119.9	–50.1	–56.4
Capital expenditure	11.7	7.6	10.8	6.4	27.8	14.8

in CHF million	Key Systems Financial year ended 30.06.2017	Key Systems Financial year ended 30.06.2016[1]	Movable Walls Financial year ended 30.06.2017	Movable Walls Financial year ended 30.06.2016[1]	Other Financial year ended 30.06.2017	Other Financial year ended 30.06.2016[1]
Net sales third parties	214.4	205.3	107.0	87.1	13.6	13.1
Intercompany sales	2.8	3.2	7.6	8.5	3.2	1.7
Total sales	**217.2**	**208.5**	**114.6**	**95.6**	**16.8**	**14.8**
Operating profit (EBIT)	**31.9**	**30.1**	**8.0**	**9.9**	**0.1**	**–1.0**
in % of sales	14.7%	14.4%	7.0%	10.4%	0.4%	–6.8%
Depreciation and amortization	5.8	5.2	1.8	1.1	0.2	0.2
Operating profit before depreciation and amortization (EBITDA)	**37.6**	**35.3**	**9.8**	**11.0**	**0.3**	**–0.8**
in % of sales	17.3%	16.9%	8.6%	11.5%	1.5%	–5.8%
Result from associates						
Financial expenses						
Financial income						
Ordinary result						
Extraordinary result						
Profit before taxes						
Operating assets	131.7	129.1	41.3	40.5	14.9	17.5
Operating liabilities	–47.6	–43.8	–26.5	–25.1	–3.1	–2.6
Net operating assets	84.1	85.3	14.7	15.3	11.8	14.9
Capital expenditure	7.9	8.3	0.7	1.2	0.3	6.4

1) In order to enable a fair comparison with current-year data, certain expenses and intercompany transactions have been reclassified within the segments.

	Access Solutions EMEA		Eliminations		Access Solutions TOTAL	
	Financial year ended 30.06.2017	Financial year ended 30.06.2016[1]	Financial year ended 30.06.2017	Financial year ended 30.06.2016[1]	Financial year ended 30.06.2017	Financial year ended 30.06.2016[1]
in CHF million						
Net sales third parties	619.8	576.2	0.0	0.0	2,185.1	1,810.5
Intercompany sales	113.1	110.1	–460.1	–399.6	8.8	4.7
Total sales	**732.9**	**686.3**	**–460.1**	**–399.6**	**2,193.9**	**1,815.2**
Operating profit (EBIT)	**35.9**	**32.9**	**0.7**	**0.0**	**350.7**	**270.7**
in % of sales	4.9%	4.8%	–0.2%	0.0%	16.0%	14.8%
Depreciation and amortization	13.6	15.5	0.0	0.0	46.8	39.0
Operating profit before depreciation and amortization (EBITDA)	**49.4**	**48.4**	**0.7**	**0.0**	**397.5**	**309.6**
in % of sales	6.7%	7.1%	–0.2%	0.0%	18.1%	17.1%
Result from associates						
Financial expenses						
Financial income						
Ordinary result						
Extraordinary result						
Profit before taxes						
Operating assets	315.0	346.9	–15.4	–14.5	1,180.7	1,086.3
Operating liabilities	–137.1	–140.8	0.1	0.5	–711.7	–636.6
Net operating assets	177.9	206.0	–15.3	–14.0	469.0	449.7
Capital expenditure	10.5	14.2	0.0	0.0	60.7	43.0

	Corporate		Eliminations		Group	
	Financial year ended 30.06.2017	Financial year ended 30.06.2016[1]	Financial year ended 30.06.2017	Financial year ended 30.06.2016	Financial year ended 30.06.2017	Financial year ended 30.06.2016
in CHF million						
Net sales third parties	0.0	0.0	0.0	–0.1	2,520.1	2,115.9
Intercompany sales	0.0	0.0	–22.4	–18.1	0.0	0.0
Total sales	**0.0**	**0.0**	**–22.4**	**–18.2**	**2,520.1**	**2,115.9**
Operating profit (EBIT)	**–63.7**	**–48.1**	**0.0**	**0.0**	**327.0**	**261.6**
in % of sales	0.0%	0.0%	0.0%	0.0%	13.0%	12.3%
Depreciation and amortization	5.8	4.3	0.0	0.0	60.3	49.8
Operating profit before depreciation and amortization (EBITDA)	**–57.9**	**–43.7**	**0.0**	**0.0**	**387.3**	**311.4**
in % of sales	0.0%	0.0%	0.0%	0.0%	15.4%	14.7%
Result from associates					2.7	2.5
Financial expenses					–37.6	–19.1
Financial income					3.1	3.9
Ordinary result					**295.2**	**248.9**
Extraordinary result					-	–89.4
Profit before taxes					**295.2**	**159.5**
Operating assets	42.8	–64.0	0.0	0.0	1,411.2	1,209.4
Operating liabilities	–52.0	–59.9	0.0	0.0	–840.9	–768.1
Net operating assets	–9.3	–123.8	0.0	0.0	570.4	441.4
Capital expenditure	15.1	2.9	0.0	0.0	84.7	61.8

Reconciliation of assets and liabilities

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Segment operating assets	**1,411.2**	**1,209.4**
Cash and cash equivalents	188.3	213.2
Current income tax assets	36.1	41.4
Other current assets	25.6	4.9
Investments in associates	36.0	33.9
Non-current financial assets	7.6	5.0
Deferred income tax assets	204.2	71.5
Total assets	**1,909.0**	**1,579.3**
Segment operating liabilities	**–840.9**	**–768.2**
Current borrowings	–814.6	–52.6
Current income tax liabilities	–38.7	–47.9
Accrued and other current liabilities	–1.3	–5.7
Non-current borrowings	–1.3	–1.5
Deferred income tax liabilities	–29.1	–22.9
Total liabilities	**–1,725.9**	**–898.8**

28. Segment reporting – key figures by region

in CHF million	Net sales to third parties	in %	Non-current assets	in %	Capital expenditure	in %
Prior financial year ended 30.06.2016						
Switzerland	155.8	7	64.7	12	11.4	18
Germany	300.1	14	210.0	42	11.5	19
Rest of EMEA	728.4	35	72.6	14	15.7	25
Americas	583.0	28	99.4	20	11.7	19
Asia Pacific	348.6	16	62.8	12	11.5	19
Total	**2,115.9**	**100**	**509.6**	**100**	**61.8**	**100**
Financial year ended 30.06.2017						
Switzerland	167.2	7	209.8	28	17.0	20
Germany	324.0	13	210.5	30	15.7	18
Rest of EMEA	775.7	30	66.4	9	8.9	11
Americas	830.0	33	137.5	19	16.1	19
Asia Pacific	423.2	17	105.1	14	27.0	32
Total	**2,520.1**	**100**	**729.3**	**100**	**84.7**	**100**

29. Stock award plans

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

In 2013, the Executive Stock Award Plan "ESAP Plus 3" was introduced for new participants. ESAP Plus 3 has the same design as ESAP Plus except that under ESAP Plus, existing ESAP 1 participants were entitled to choose between an allocation under ESAP 1 or under ESAP Plus.

Under ESAP Plus 3, this choice is no longer available. ESAP 1 and ESAP Plus were discontinued from 2014/15 financial year onwards.

In 2015, the Executive Stock Award Plan "ESAP 5" was introduced. Under ESAP 5, participants, nominated each year by the Compensation Committee, are granted Award Shares and Performance Share Units that are subject to a three-year vesting period ("Vesting Period") conditional upon (i) the continuous employment of the participant with a dormakaba Group company at the end of the Vesting Period and (ii) the fulfilment of the Earnings per Share ("EPS") performance condition during the Vesting Period, as determined in the ESAP 5 plan rules.

At the vesting date, Performance Share Units are converted into shares ("Matching Shares") based on a payout percentage of between 0% and 200% (0 to 2 Matching Shares for each Performance Share Unit based on the achieved EPS performance).

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

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

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

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

The impact on dormakaba's 2016/17 income statement amounts to CHF 3,855,312 for the Award Shares and CHF 989,530 for the Matching Shares (2015/16: CHF 2,669,464 for Award Shares and CHF 557,760 for the Matching Shares).

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

30. Related parties

in CHF million	Financial year ended 30.06.2017	Financial year ended 30.06.2016
Transactions with associates		
Sales of goods and services		
Associates	0.6	0.6
Purchase of goods and services		
Associates	2.2	1.9
Accounts receivable		
Associates	0.3	0.1
Accounts payable		
Associates	0.3	0.1

31. Events after the reporting period

On 14 July 2017 dormakaba has acquired Canadian Skyfold Investment Inc. The company, which is based in Montreal, is a provider of automated vertical folding wall systems with a strong presence in the North American market.

dormakaba has also acquired the Australian company Kilargo Pty Ltd as per 17 July 2017. Kilargo, which is based in Brisbane, complements dormakaba's integrated portfolio of products, solutions and services for access to buildings and rooms from a single source in the Pacific region.

With effect as of 10 July 2017 the business of DORMA Beschlagtechnik GmbH was sold to Flacks Group, Miami (Florida/USA).

32. Release of consolidated financial statements for publication

These consolidated financial statements have been approved for issue by the Board of Directors on 6 September 2017 and will be presented for approval by the General Meeting of Shareholders of 17 October 2017.

Legal structure of the dormakaba Group as at 30 June 2017

List of substantial Group and associated companies		**Share capital in local currency**	**Voting rights in %**	**Participation of...**
dormakaba Holding AG, Rümlang/CH	**CHF**	420,002.60		Public Quoted Company
dormakaba Holding GmbH + Co. KGaA, Ennepetal/DE	**EUR**	27,642,105.00	52.5	dormakaba Holding AG
			47.5	Familie Mankel Industriebeteiligung GmbH + Co. KGaA
dormakaba Beteiligungs GmbH, Ennepetal/DE	**EUR**	1,000,000.00	52.5	dormakaba Holding AG
All of the following companies are directly or indirectly held by dormakaba Holding GmbH + Co. KGaA. Voting rights listed for these companies are the voting rights of this subholding. dormakaba Shareholders ultimately benefit with 52.5% from the cash flows generated by these entities.				
dormakaba International Holding AG, Rümlang/CH	**CHF**	101,000.00	100	dormakaba Holding GmbH + Co. KGaA
ADUK Products Ltd., Haslemere/UK	**GBP**	53.73	100	Kaba Holding (UK) Ltd.
Advanced Diagnostics Ltd., Haslemere/UK	**GBP**	100.00	100	ADUK Products Ltd.
Aluminium Services Inc., Scituate/US	**USD**	30,000.00	100	DORMA USA Inc.
ATM-Türautomatik GmbH, Gleisdorf/AT	**EUR**	35,000.00	100	dormakaba Austria GmbH
Bellwether Capital Ptv. Ltd., Singapore/SGP	**USD**	85,828,000.00	100	dormakaba Singapore Pte. Ltd.
Best Access Solutions Inc., Delaware/US	**USD**	10.00	100	Kaba U.S. Holding Ltd.
Computerized Security Systems Inc., Madison Heights/US	**USD**	50,000.00	100	Kaba Corporation
Corporación Cerrajera Alba, S.A. de C.V., Edo. de México/MX	**MXP**	202,059,403.00	100	Kaba Ilco Inc.
Design Hardware, LLC, Delaware/US		N/A	100	MDDH Holdings, LLC
Dörken + Mankel Verwaltungs-Gesellschaft mit beschränkter Haftung, Ennepetal/DE	**EUR**	30,000.00	100	dormakaba Holding GmbH + Co. KGaA
DORMA Arabia Automatic Doors Company Ltd., Dammam/SA	**SAR**	4,000,000.00	95	DORMA Vertrieb-International GmbH
			5	DORMA Produktion International GmbH
DORMA Beschlagtechnik GmbH, Velbert/DE	**EUR**	5,120,000.00	100	dormakaba Holding GmbH + Co. KGaA
DORMA Colombia S.A.S., Bogota/CO	**COP**	950,000,000.00	100	DORMA Vertrieb-International GmbH
DORMA Door Controls Ltd., Mississauga/CA	**CAD**	10.00	100	dormakaba International Holding AG
DORMA Door Controls Pty. Ltd., Hallam/AU	**AUD**	910,700.00	100	DORMA Vertrieb-International GmbH
DORMA Door Systems d.o.o. Beograd, Beograd/RS	**RSD**	4,474,250.00	100	DORMA Vertrieb-International GmbH
DORMA Finance B.V., Dodewaard/NL	**EUR**	100,000.00	100	dormakaba Holding GmbH + Co. KGaA
DORMA Ghana Limited, Accra/GH	**GHS**	1,850,000.00	100	DORMA Vertrieb-International GmbH
DORMA Gulf Door Controls FZE, Dubai/AE	**USD**	9,524,934.10	100	DORMA Vertrieb-International GmbH
DORMA HUEPPE Pty. Ltd., Canberra/AU	**AUD**	374,406.72	100	DORMA Door Controls Pty. Ltd.
DORMA Hüppe Asia Sdn. Bhd., Senai, Johor/MY	**MYR**	2,510,000.00	100	DORMA Hüppe Raumtrennsysteme GmbH + Co. KG
DORMA Hüppe Austria GmbH, Linz/AT	**EUR**	146,000.00	100	DORMA Hüppe Raumtrennsysteme GmbH + Co. KG
DORMA Hüppe Raumtrennsysteme GmbH + Co. KG, Westerstede-Ocholt/DE	**EUR**	48,300,000.00	100	dormakaba Holding GmbH + Co. KGaA
DORMA Hüppe S.A., Marquain-lez-Tournai/BE	**EUR**	3,300,000.00	100	DORMA Hüppe Raumtrennsysteme GmbH + Co. KG
DORMA Hüppe Schweiz AG, St. Gallen/CH	**CHF**	100,000.00	100	DORMA Hüppe Raumtrennsysteme GmbH + Co. KG
DORMA India Private Ltd., Chennai/IN	**INR**	808,197,260.00	100	DORMA Vertrieb-International GmbH
DORMA Ireland Ltd., Dublin/IE	**EUR**	1,500,002.54	100	DORMA Vertrieb-International GmbH
DORMA Kuwait for Ready Doors and Windows WLL, Kuwait/KW	**KWD**	10,000.00	100	DORMA Vertrieb-International GmbH
DORMA Middle East (LLC), Dubai/AE	**AED**	7,700,000.00	100	DORMA Vertrieb-International GmbH
DORMA Movable Wall Verwaltungs-GmbH, Hagen/DE	**EUR**	25,000.00	100	dormakaba Holding GmbH + Co. KGaA
DORMA NZ Ltd., Auckland/NZ	**NZD**	384,000.00	100	dormakaba Nederland B.V.
DORMA Philippines Corp., Makati City/PH	**PHP**	18,000,000.00	100	DORMA Vertrieb-International GmbH
DORMA Production GmbH + Co. Kommanditgesellschaft, Ennepetal/DE, Singapore/SGP	**EUR**	2,560,000.00	100	dormakaba Deutschland GmbH
DORMA Production GmbH, Ennepetal/DE	**EUR**	50,000.00	100	dormakaba Deutschland GmbH
DORMA Produktion International GmbH, Ennepetal/DE	**EUR**	60,000.00	100	dormakaba Deutschland GmbH
DORMA Sistemas de Controles Para Portas LTDA., Sao Paulo/BR	**BRL**	35,160,684.00	100	dormakaba International Holding AG
DORMA Time + Access GmbH, Bonn/DE	**EUR**	500,000.00	100	dormakaba Holding GmbH + Co. KGaA
DORMA UK Ltd., Hitchin/GB	**GBP**	250,000.00	100	dormakaba Nederland B.V.
DORMA Ukraine LLC, Kiev/UA	**EUR**	100,000.00	99	DORMA Vertrieb International GmbH
			1	dormakaba Deutschland GmbH

List of substantial Group and associated companies		Share capital in local currency	Voting rights in %	Participation of...
DORMA Uruguay S.A, Montevideo/UY	**UYU**	10,800.00	100	DORMA Vertrieb-International GmbH
DORMA USA Inc., Delaware/US	**USD**	1,000.00	100	Kaba U.S. Holding Ltd.
DORMA Vertrieb-International Gesellschaft mit beschränkter Haftung, Ennepetal/DE	**EUR**	110,000.00	100	dormakaba Deutschland GmbH
DORMA-Glas GmbH, Bad Salzuflen/DE	**EUR**	520,000.00	100	DORMA Beschlagtechnik GmbH
dormakaba (Thailand) Ltd., Bangkok/TH	**THB**	13,490,000.00	100	DORMA Vertrieb-International GmbH
dormakaba Access Indonesia, PT, Jakarta/IN	**IDR**	1,136,300,000.00	90	DORMA Vertrieb-International GmbH
			10	DORMA Produktion International GmbH
dormakaba Access Solutions LLC, Doha/QA	**QAR**	200,000.00	100	DORMA Vertrieb-International GmbH
dormakaba Australia Pty. Ltd., Hallam/AU	**AUD**	10,702.00	100	DORMA Door Controls Pty. Ltd.
dormakaba Austria GmbH, Herzogenburg/AT	**EUR**	1,460,000.00	100	dormakaba International Holding AG
dormakaba Belgium N.V., Bruges/BE	**EUR**	2,416,273.79	100	dormakaba International Holding AG
dormakaba Bulgaria Ltd., Sofia/BG	**EUR**	1,314,147.96	100	DORMA Vertrieb-International GmbH
dormakaba Cesko s.r.o., Praha/CZ	**CZK**	100,000.00	100	DORMA Vertrieb-International GmbH
dormakaba China Ltd, Suzhou/CN	**CNY**	127,759,074.00	100	DORMA Vertrieb-International GmbH
dormakaba Danmark A/S, Rodovre/DK	**DKK**	696,000.00	100	dormakaba International Holding AG
dormakaba Deutschland GmbH, Ennepetal/DE	**EUR**	126,780,000.00	100	dormakaba Holding GmbH + Co. KGaA
dormakaba EAD GmbH, Heiligenhaus/DE	**EUR**	819,100.00	100	dormakaba Holding GmbH + Co. KGaA
dormakaba España S.A.U., Madrid/ES	**EUR**	600,000.00	100	dormakaba International Holding AG
dormakaba Eurasia LLC, Moscow/RU	**RUB**	213,000,000.00	100	DORMA Vertrieb-International GmbH
dormakaba Finance AG, Rümlang/CH	**CHF**	100,000.00	100	dormakaba Holding GmbH + Co. KGaA
dormakaba Finance GmbH, Ennepetal/DE	**EUR**	25,000.00	100	dormakaba Holding GmbH + Co. KGaA
dormakaba France S.A.S., Certeil/FR	**EUR**	5,617,200.00	100	dormakaba International Holding AG
dormakaba Hong Kong Limited, Hong Kong/CN	**HKD**	100,000.00	100	dormakaba Nederland B.V.
dormakaba Hrvatska d.o.o., Zagreb/HR	**HRK**	5,650,000.00	100	DORMA Vertrieb-International GmbH
dormakaba International Holding GmbH, Ennepetal/DE	**EUR**	1,000,000.00	100	dormakaba Holding GmbH + Co. KGaA
dormakaba Italia Srl., Milano/IT	**EUR**	260,000.00	100	dormakaba Schweiz AG
dormakaba Japan Co. Ltd., Yokohama/JP	**JPY**	120,000,000.00	100	dormakaba Schweiz AG
dormakaba Kapi Ve Güvenlik Sistemleri Sanayi Ve Ticaret A.S., Istanbul/TR	**TRY**	3,750,000.00	99	DORMA Vertrieb-International GmbH
			1	dormakaba Deutschland GmbH
dormakaba Kenya Limited, Nairobi/KE	**KES**	40,000,000.00	99	DORMA Vertrieb-International GmbH
			1	dormakaba Deutschland GmbH
dormakaba Korea Inc., Seongnam Ciy/KR	**KRW**	150,000,000.00	100	DORMA Vertrieb-International GmbH
dormakaba Luxembourg S.A., Wecker/LU	**EUR**	15,191,560.72	100	dormakaba International Holding AG
dormakaba Magyarorszàg Zrt., Budapest/HU	**HUF**	251,000,000.00	100	dormakaba Luxembourg S.A.
dormakaba Malaysia SDN BHD, Kuala Lumpur/MY	**MYR**	200,000.00	100	dormakaba Nederland B.V.
dormakaba Management AG, Rümlang/CH	**CHF**	50,000.00	100	dormakaba International Holding AG
dormakaba México, S. de R.L. de C.V., Mexico City/MX	**MXN**	3,000.00	97	DORMA Vertrieb-International GmbH
			3	dormakaba Deutschland GmbH
dormakaba Morocco S.A.R.L., Casablanca/MA	**MAD**	2,000,000.00	100	DORMA Vertrieb-International GmbH
				dormakaba Deutschland GmbH
dormakaba Nederland B.V., Dodewaard/NL	**EUR**	11,662.00	100	DORMA Vertrieb-International GmbH
dormakaba Norge A/S, Oslo/NO	**NOK**	1,754,500.00	100	dormakaba International Holding AG
dormakaba Polska sp.z.o.o., Konstancin-Jeziorna/PL	**PLN**	14,255,500.00	100	dormakaba International Holding AG
dormakaba Portugal, Unipessoal Lda., Lisbon/PT	**EUR**	50,000.00	100	DORMA Vertrieb-International GmbH
dormakaba Production Malaysia SDN. BHD., Melaka/MY	**MYR**	5,000,000.00	100	DORMA Vertrieb-International GmbH
dormakaba Romania S.R.L., Bucharest/RO	**RON**	4,705,845.65	100	DORMA Vertrieb-International GmbH
dormakaba Schweiz AG, Wetzikon/CH	**CHF**	6,800,000.00	100	dormakaba International Holding AG
dormakaba Singapore Pte, Singapore/SGP	**SGD**	500,000.00	100	DORMA Production GmbH + Co. KG
dormakaba Slovensko s.r.o, Bratislava/SK	**EUR**	6,639.00	100	DORMA Vertrieb-International GmbH
dormakaba South Africa (Pty.) Ltd., Southdale/ZA	**ZAR**	950.00	100	DORMA Vertrieb-International GmbH
dormakaba Suomi Oy, Vantaa/FI	**EUR**	67,275.17	100	DORMA Vertrieb-International GmbH
dormakaba Sverige AB, Västra Frölunda/SE	**SEK**	500,000.00	100	dormakaba Nederland B.V.
Dorset Kaba Security Systems Pvt. Ltd., New Delhi/IN	**INR**	59,630,770.00	74	dormakaba International Holding AG
DOR-TECH Automation Ltd., Burlington/CA	**CAD**	100.00	100	DORMA Door Controls Ltd.
Farpointe Data Inc., Sunnyvale/US	**USD**	1,701,734.88	100	DORMA USA Inc.

List of substantial Group and associated companies		Share capital in local currency	Voting rights in %	Participation of...
Fermetures GROOM S.A.S., Fougères/FR	**EUR**	1,500,000.00	100	dormakaba France S.A.S.
Forponto Informática S.A., São Paulo/BR	**BRL**	10,000.00	100	Task Sistemas de Computação S.A.
H. Cillekens & ZN BV, Roermond/NL	**EUR**	15,882.31	100	dormakaba Nederland B.V.
HMX, LLC, Phoenix/US		N/A	100	MDDH Holdings, LLC
ISEO Serrature S.p.A., Pisogne/IT	**EUR**	23,969,040.00	40	DORMA Vertrieb International GmbH
Jiangsu Tongfeng Hardware Co. Ltd., Shanghai/CN	**USD**	3,180,000.00	100	Bellwether Capital Ptv. Ltd.
Joint Prosperity Investment Private Ltd., Singapore/SGP	**USD**	1,050,000.00	100	Bellwether Capital Ptv. Ltd.
Kaba (China) Technologies Ltd., Shenzhen/CN	**CNY**	69,500,000.00	100	Kaba Ltd. (HK)
Kaba Corporation, Rocky Mount/US	**USD**	201,731,000.00	100	Kaba Finance Corp.
Kaba Delaware, LLC, Wilmington/US		N/A	100	dormakaba Schweiz AG
Kaba do Brasil Ltda., São Paulo/BR	**BRL**	22,514,978.00	100	dormakaba International Holding AG
Kaba Finance Corp., Wilmington/US	**USD**	1,400.00	100	Kaba U.S. Holding Ltd.
Kaba Gallenschütz GmbH, Bühl/DE	**EUR**	2,560,000.00	100	dormakaba Holding GmbH + Co. KGaA
Kaba Holding (UK) Ltd., London/GB	**GBP**	173,000.00	100	dormakaba International Holding AG
Kaba Holding AG, Rümlang/CH	**CHF**	100,000.00	100	dormakaba International Holding AG
Kaba Ilco Corp., Rocky Mount/US	**USD**	56,897,640.00	100	Kaba Corporation
Kaba Ilco Inc., Montreal/CA	**CAD**	1,000.00	100	dormakaba International Holding AG
Kaba Immobilien GmbH, Villingen-Schwenningen/DE	**EUR**	50,000.00	100	dormakaba Holding GmbH + Co. KGaA
Kaba Jaya Security Sdn. Bhd., Kuala Lumpur/MY	**MYR**	350,000.00	70	dormakaba Schweiz AG
			30	dormakaba International Holding AG
Kaba Ltd., Hong Kong/HK	**HKD**	560,250,000.00	100	dormakaba Schweiz AG
Kaba Ltd., Tiverton/GB	**GBP**	6,300,000.00	100	Kaba Holding (UK) Ltd.
Kaba Mas LLC, Lexington/US	**USD**	880,679.00	100	Kaba Corporation
Kaba New Zealand Ltd., Auckland/NZ	**NZD**	3,365,000.00	100	DORMA NZ Ltd.
Kaba U.S. Holding Ltd., Wilmington/US	**USD**	93,000,000.00	97	Kaba Delaware, LLC
			3	dormakaba Schweiz AG
Kaba Workforce Solutions, LLC, Wilmington/US	**USD**	19,712.76	100	Kaba U.S. Holding Ltd.
Keyscan Inc., Whitby/CA	**CAD**	533.00	100	Kaba Ilco Inc.
Lasservice Midt-Norge A/S, Drammen/NO	**NOK**	100,000.00	100	dormakaba Norge A/S
Legic Identsystems AG, Wetzikon/CH	**CHF**	500,000.00	100	dormakaba Schweiz AG
Mauer Thüringen GmbH, Bad Berka/DE	**EUR**	255,700.00	100	dormakaba EAD GmbH
MDDH Holdings, LLC, Delaware/US		N/A	100	Mesker Holdings, LLC
Mesker Door, LLC, Delaware/US		N/A	100	MDDH Holdings, LLC
Mesker Holdings, LLC, Delaware/US		N/A	85.66	DORMA USA Inc.
			14.34	PRT Blocker LLC
Minda Silca Engineering Pvt. Ltd., New Delhi/IN	**INR**	107,510,000.00	65	dormakaba International Holding AG
			35	Minda Group
Modernfold Inc., Greenfield Indiana/US	**USD**	1.00	100	DORMA USA Inc.
Modernfold of Nevada LLC., Las Vegas/US	**USD**	1.00	100	Modernfold Inc.
Path Line (China) Ltd., Hong Kong/HK	**HKD**	113,900,000.00	100	Kaba Ltd. (HK)
provitris GmbH, Rietberg/DE	**EUR**	52,000.00	100	dormakaba Holding GmbH + Co. KGaA
PRT Blocker LLC, Pennsylvania/US		N/A	100	DORMA USA Inc.
Rafi Shapira & Sons Ltd., Rishon LeZion/IL	**ILS**	143.00	70	Rafi Shapira
			30	DORMA Vertrieb International GmbH
Rutherford Controls Int'l Corp., Virginia Beach/US	**USD**	54,300.00	100	DORMA USA Inc.
Rutherford Controls Int'l Inc., Cambridge/CA	**CAD**	1.00	100	dormakaba International Holding AG
Seca Solutions A/S, Stavanger/NO	**NOK**	3,000,000.00	100	dormakaba Norge A/S
Shanghai East Iron Hardware Co. Ltd., Shanghai/CN	**USD**	5,500,000.00	100	Bellwether Capital Ptv. Ltd.
Silca GmbH, Velbert/DE	**EUR**	358,000.00	100	dormakaba Holding GmbH + Co. KGaA
Silca Key Systems S.A., Barcelona/ES	**EUR**	162,296.90	100	dormakaba Luxembourg S.A.
Silca Ltd., Crawley/GB	**GBP**	411,050.00	100	Kaba Holding (UK) Ltd.
Silca S.A.S., Porcheville/FR	**EUR**	797,670.00	100	dormakaba France S.A.S.
Silca S.p.A., Vittorio Veneto/IT	**EUR**	10,000,000.00	97	dormakaba Luxembourg S.A.
			3	dormakaba Schweiz AG
Silca South America S.A., Tocancipa/CO	**COP**	4,973,013,775.00	64.42	dormakaba International Holding AG
			32.52	dormakaba Schweiz AG

List of substantial Group and associated companies		**Share capital in local currency**	**Voting rights in %**	**Participation of...**
Task Sistemas de Computação S.A., Rio de Janeiro/BR	**BRL**	26,438,731.00	100	dormakaba International Holding AG
Tung Lung Hardware Manufacturing Co. Ltd., Taiwan/TWN	**TWD**	665,000,000.00	100	dormakaba International Holding AG
Wah Mei (Toishan) Hardware Co., Ltd., Taishan/CN	**USD**	15,000,000.00	100	Path Line (China) Ltd.
Wah Yuet (Ng's) Overseas Co. Ltd., Tortola/VG	**USD**	13,289,000.00	100	Kaba Ltd. (HK)
Wah Yuet Industrial Co. Ltd., Hong Kong/HK	**HKD**	1,000,000.00	100	Kaba Ltd. (HK)
Yantai DORMA Tri-Circle Lock Co. Ltd, Yantai City/Shandong/CN	**CNY**	10,000,000.00	60	DORMA Vertrieb-International GmbH
			40	Yantai Tri-Circle Intelligent Lock Co. Ltd.

Apart from dormakaba Holding AG in Rümlang, there are no companies in the dormakaba Group's scope of consolidation whose securities are listed on a stock exchange. The registered shares of dormakaba Holding AG are traded on the Swiss Reporting Standard board of the SIX Swiss Exchange (security no./ISIN: 1179595/CH 001179595 9; ISIN: 28214814/CH 028214814 4). As at 30 June 2017, the company's market capitalization was CHF 3,479.9 million.

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

Report on the audit of the consolidated financial statements

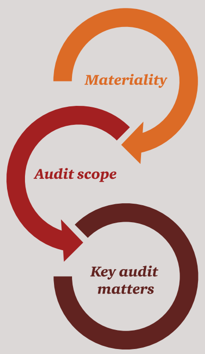
Opinion
We have audited the consolidated financial statements of dormakaba Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 June 2017 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity 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 7 to 43) give a true and fair view of the consolidated financial position of the Group as at 30 June 2017 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 14.75 million

We concluded full scope audit work at 55 reporting units in 21 countries. Our audit scope addressed over 66% of the Group's revenue and 71% of the Groups' assets.

In addition, specified procedures were performed for 3 reporting units in 2 countries addressing a further 9% of the Group's revenue and 5% of the Group's assets. Limited reviews were performed for 51 reporting units in 24 countries addressing a further 14% of the Group's revenue and 18% of the Group's assets.

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

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 six business segments: Access Solutions AMER, Access Solutions APAC, Access Solutions DACH, Access Solutions EMEA, Key Systems and Movable Walls. 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, site visits to review their working papers and discuss their audit findings as well as to participate in meetings with the component's management.

Materiality

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

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

Overall Group materiality	CHF 14.75 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 625,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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

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

Acquisition accounting

Key audit matter

During the financial year, the Group made a number of acquisitions with the following two being the main acquisitions:

- on 22 February 2017, the Mechanical Security businesses from Stanley Black & Decker and
- on 12 December 2016 the Mesker Openings Group.

Accounting for business combinations and the allocation of the purchase price to assets and goodwill involves significant judgements and estimates, and has a significant impact on the current and future year financial statements.

Management determined that the fair value of the net identifiable assets acquired is CHF 253.6 million which includes an amount of CHF 135.1 million relating to deferred tax assets. In doing so, Management engaged external experts for the appraisal of property and plants and for the assessment of deferred tax assets. The Goodwill arising from the acquisitions amounts to CHF 650 million. In line with the dormakaba accounting policy the goodwill is fully offset against equity. The consequences of a theoretical recognition and subsequent amortization is disclosed in the notes to the consolidated financial statements.

Refer to page 19 – note 4 Business combinations and page 26 – note 15 Theoretical movement of goodwill.

How our audit addressed the key audit matter

To assess the appropriateness of the identifiable assets acquired and liabilities assumed at the acquisition date we assessed the procedures performed by management to identify the assets and liabilities and considered the clauses laid out in the Purchase Agreements. In particular, we performed the following audit procedures on the purchase price allocation prepared by management:

- We evaluated the professional competence and objectivity of Management's experts.
- We assessed the completeness of identifiable assets and liabilities against our expectations formed from discussions with Management, the review of the due diligence reports prepared during the acquisition and industry knowledge.
- We compared the valuation of land and buildings to appraisals prepared by management's experts in order to assess the appropriate valuation of these assets.
- We challenged management's assessment on the recognition of the deferred tax asset and management's assumptions in the business plan used for the valuation of deferred tax assets by comparing them to the past performance of the Group.
- We verified the accuracy of the calculations performed including mathematical correctness.
- We assessed whether the transaction was accounted for and disclosed in the consolidated financial statements in accordance with the provisions of Swiss GAAP FER 30.

Based on the procedures performed, the valuation of opening balance of the acquired business is supportable and the related disclosures are appropriate.

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG
Zurich, 6 September 2017

Beat Inauen
Audit expert
Auditor in charge

Reto Tognina
Audit expert

Contact
Investor Relations
Siegfried Schwirzer
Phone +41 44 818 90 28
investor@dormakaba.com

Media Relations
Germaine Müller
Phone +41 44 818 92 01
communications@dormakaba.com

dormakaba Holding AG
Hofwisenstrasse 24
8153 Rümlang, Switzerland

CE

www.dormakaba.com

dormakaba Holding AG
Hofwisenstrasse 24
8153 Rümlang
Switzerland