Group Management Report

Dear Shareholders,

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

Riet Cadonau, Chairman & CEO

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

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

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

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

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

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

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

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

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

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

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

Continued strong focus on sustainability

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

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

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

Changes in the Executive Committee

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

Sabrina Soussan new Chief Executive Officer as of 1 April 2021

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

Annual General Meeting on 20 October 2020

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

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

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

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

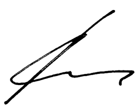
Due to the lack of visibility to the further course of business dormakaba does not provide any additional financial and business guidance for the financial year 2020/21 and beyond.

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

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

Stay healthy.

Sincerely yours,

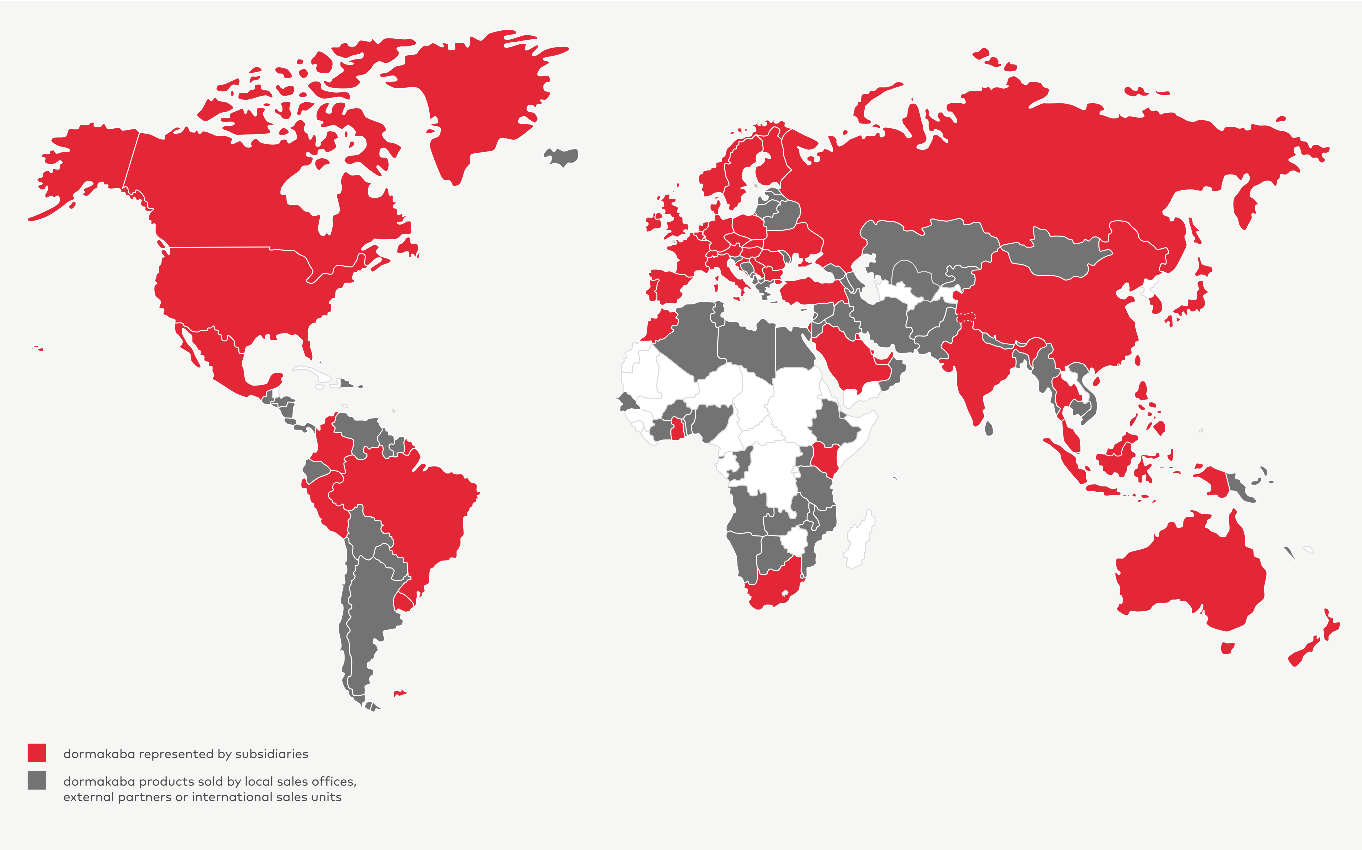


Riet Cadonau
Chairman & CEO

2019/20 in brief

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

dormakaba worldwide



Segment Access Solutions AMER

Organic sales and profitability heavily impacted by Covid-19 pandemic

Operational performance

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

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

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

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

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

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Market development

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

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

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

Outlook

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

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

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

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

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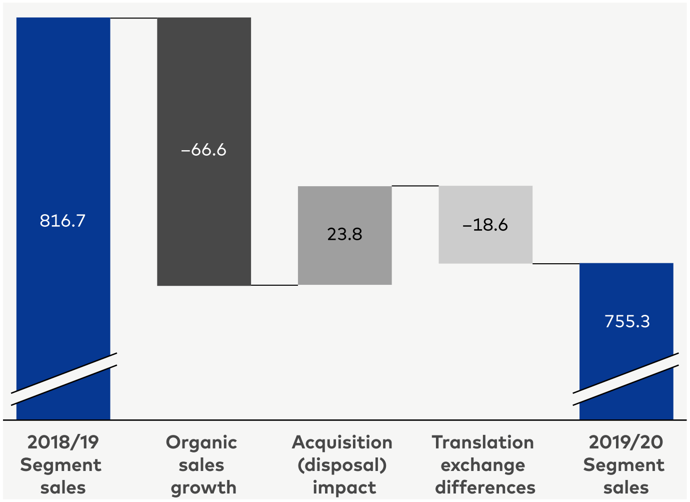
Key figures - segment AS AMER

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

Segment sales (in CHF million) - AS AMER



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Segment Access Solutions APAC

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

Operational performance

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

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

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Market development

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

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

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

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

Outlook

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

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

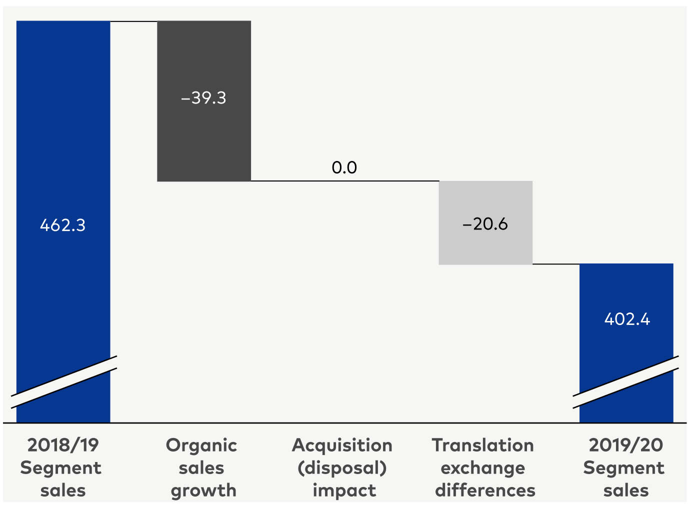
The segment will focus on new and innovative products, like dormakaba 9160, a new face recognition terminal, which can be easily integrated with automatic doors or physical access systems thus enabling touchless access to buildings and rooms. This terminal will be launched in China in the first half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

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

Key figures - segment AS APAC

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

Segment sales (in CHF million) - AS APAC



Segment Access Solutions DACH

Overall negative impact from Covid-19 pandemic

Operational performance

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

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

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

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

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Market development

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

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

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

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

Outlook

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

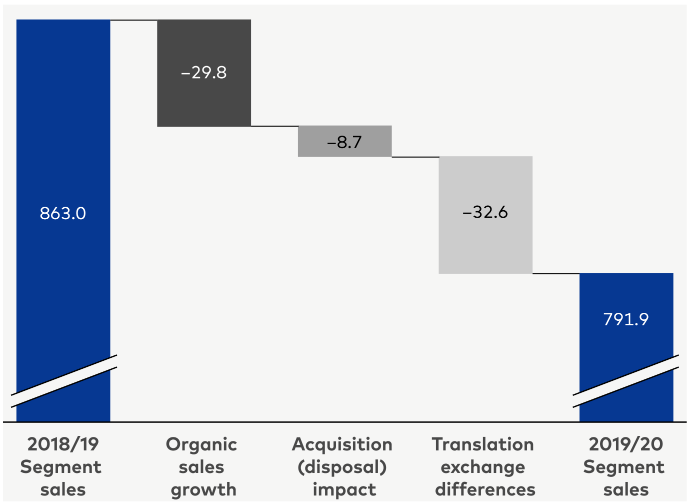
The segment expects to maintain its bottom line by efficiency improvements and benefits from its cost savings and restructuring programs as well as the execution of its performance-based program.

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

Key figures - segment AS DACH

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

Segment sales (in CHF million) - AS DACH



Segment Access Solutions EMEA

Sales and profitability negatively impacted by Covid-19 pandemic

Operational performance

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

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

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

Market development

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

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

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

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Outlook

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

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

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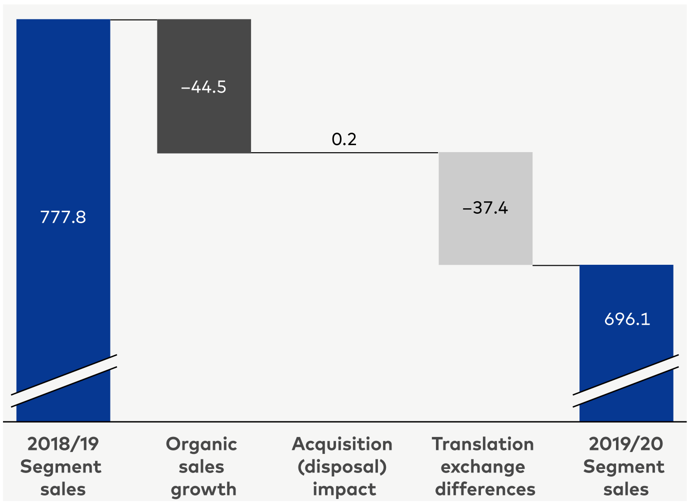
The segment will continue to introduce new and innovative solutions, such as an automatic door system that uses 3D and thermal imaging to control the flow of people in stores and meets the legal requirements of several countries imposed as a result of the Covid-19 pandemic. This innovative solution was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

Key figures - segment AS EMEA

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

Segment sales (in CHF million) - AS EMEA



Segment Key & Wall Solutions

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

Operational performance

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

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

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

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

Market development

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

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

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Outlook

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

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

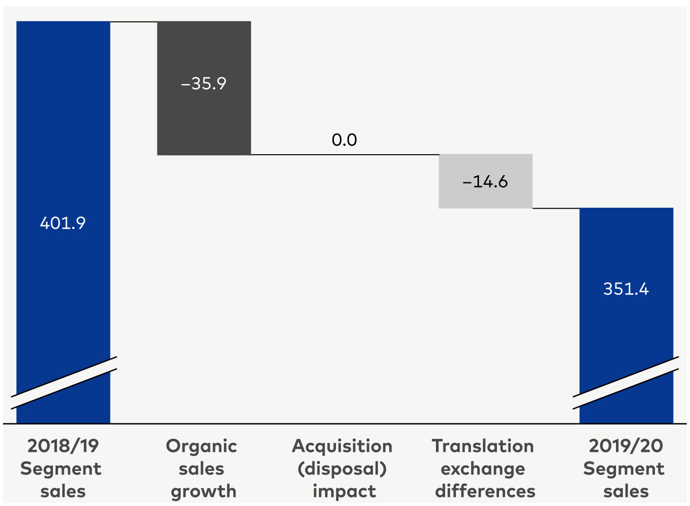
Key & Wall Solutions will continue to adjust its cost base to compensate for lower demand. Additional cost savings and restructuring measures are in preparation and will put in place dependent on the economic development and on the duration and severity of the impact of the Covid-19 pandemic.

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

Key figures - segment Key & Wall Solutions

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

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



Overview

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

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

–6.9%
organic sales growth

12.8%
EBITDA margin

CHF 10.50
dividend per share

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

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

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

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

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

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

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

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

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

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Cash flow and balance sheet

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

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

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

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

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

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

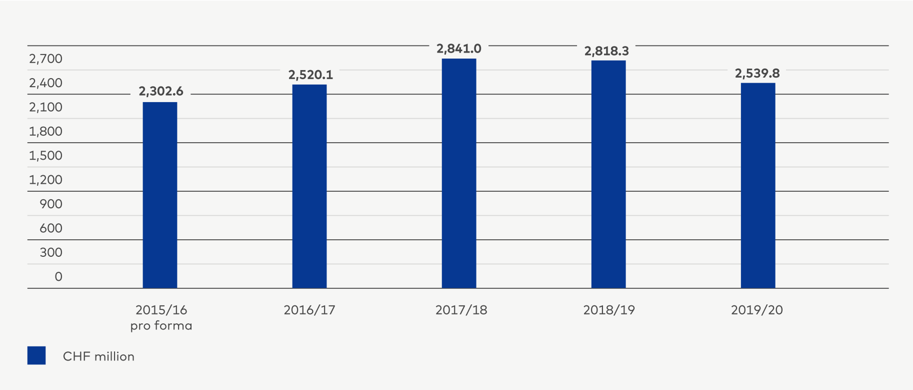
Net financial debt increased by CHF 16.3 million to CHF 667.7 million as of 30 June 2020 (previous year CHF 651.4 million). Financial leverage, which is net debt relative to EBITDA is at 2.1 times and basically stable compared to 31 December 2019, but at a higher level than at 30 June 2019, which was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

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

Currency translation effects

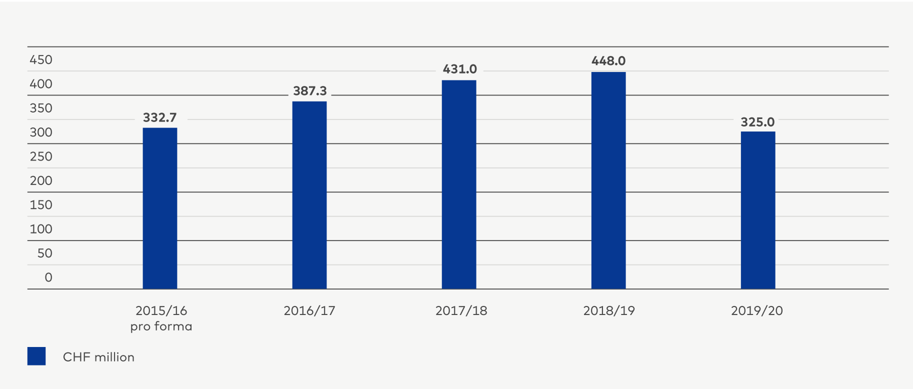
The average euro exchange rate against the Swiss franc fell by 4.8% year-on-year from CHF 1.135 to CHF 1.080. The average exchange rate of the US dollar decreased by 1.8% from CHF 0.995 to CHF 0.977. Most other major currencies also depreciated against the Swiss franc, such as the Australian dollar by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

Sales



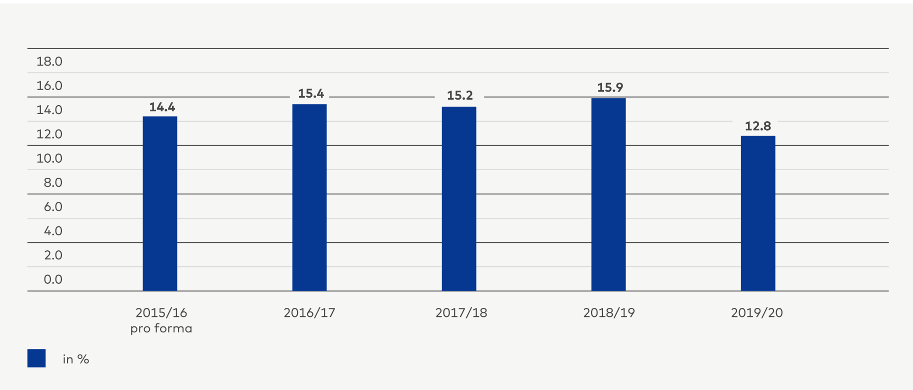
pro forma = former Dorma Group and former Kaba Group both 12 months

EBITDA



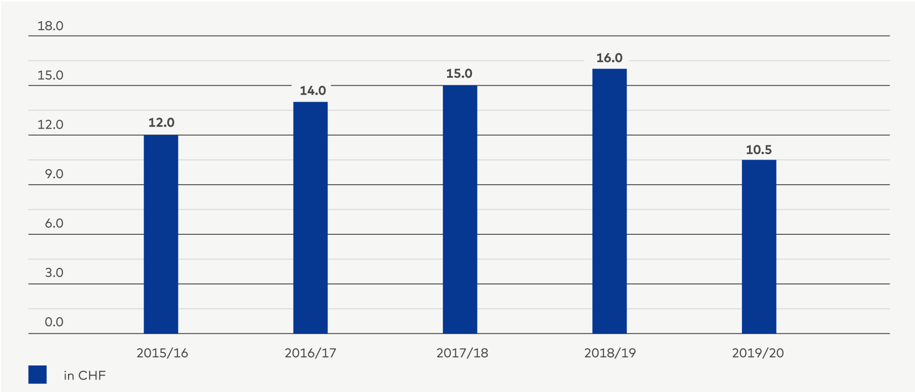
pro forma = former Dorma Group and former Kaba Group both 12 months

EBITDA margin



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

Dividend per share

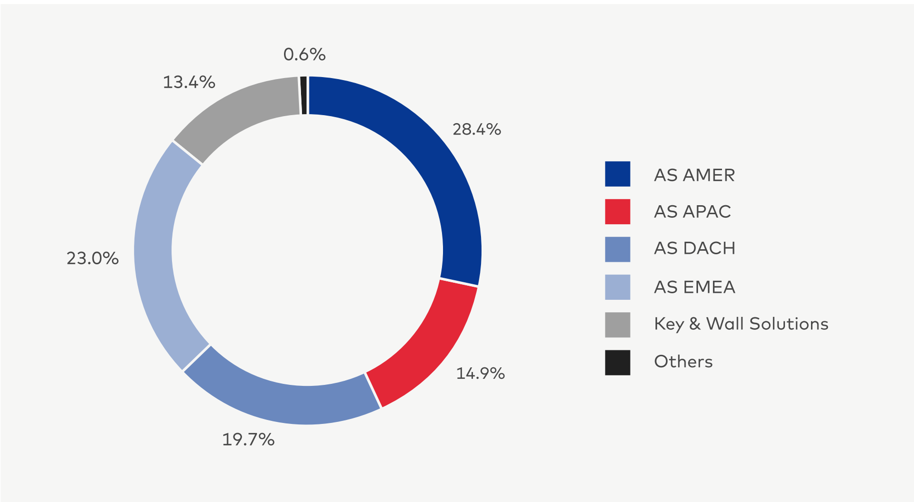


Key figures

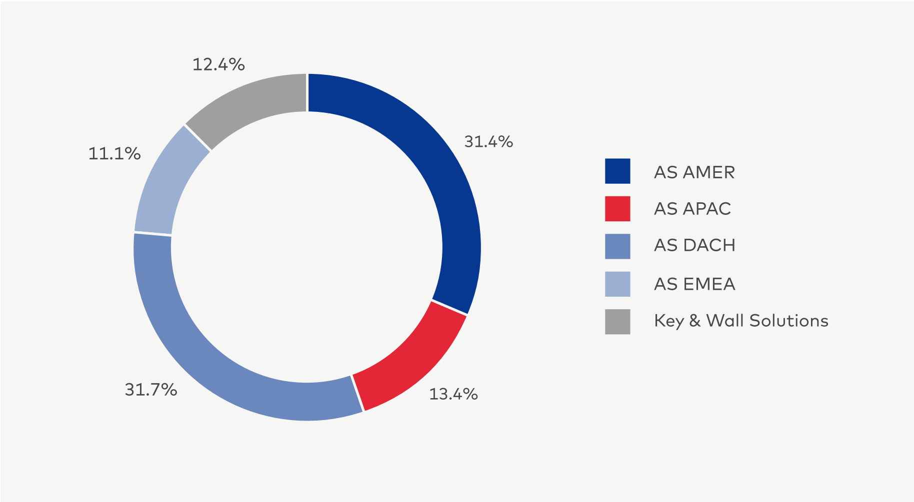
CHF million, except where indicated	Financial year ended 30.06.2020	%	Financial year ended 30.06.2019	%
Net sales	2,539.8		2,818.3	
Change in sales	–278.5	–9.9	–22.7	–0.8
Of which translation exchange difference	–104.3	–3.7	–29.6	–1.1
Of which acquisition (disposal) impact	19.0	0.7	–29.0	–1.0
Of which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

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

Third-party sales by segments



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



Fundamental information about dormakaba

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

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

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

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Business model

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

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

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

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

Goals and strategies

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

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

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

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

Internal management system

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

Compensation system for BoD and EC

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

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

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

Sustainability reporting

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

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

Research and development

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

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

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

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

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

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

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

Macroeconomic and sector-specific conditions

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

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

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

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

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

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

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

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

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

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

Non-financial performance indicators

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

Customers and products

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

Human resources

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

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

Compliance and human rights

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

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

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

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

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

Environment

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

Supply chain

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

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

Opportunity and risk report

Opportunities

Opportunities arising from market position and synergy effects

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

Opportunities arising from the "dormakaba" brand

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

Opportunities arising from industry consolidation

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

Opportunities through innovation

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

Risk policy, risk management, and risks at dormakaba

Risk policy

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

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

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

Risk management

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

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

a) Internal Control System based on Group accounting

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

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

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

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

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

b) Risk management system

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

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

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

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

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

Risks faced by dormakaba

a) Risks arising from business transactions

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

b) Opportunities and risks arising from the business model

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

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

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

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

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

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

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

c) Personnel risks

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

d) IT risks

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

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

e) Legal and tax risks

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

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

f) Compliance risks

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

This mission is based on the following strategic goals:

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

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

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

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

g) Other risks

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

h) Financial risks

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

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

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

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

Assessment of overall risk and opportunity situation

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

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

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

Future prospects (forward-looking report)

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

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

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

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

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

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

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

Capital structure

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