Group Management Report

Riet Cadonau (Chairman) and Sabrina Soussan (CEO)

Good and improved business results in a demanding environment

Dear Shareholders,

The past financial year has seen a transition in the management of dormakaba. After stepping into our newly split roles of Chairman and CEO on 1 April, we are both pleased to inform you about our company's performance in financial year 2020/21 for the first time in this new setup. While profitability was in line with our guidance, organic growth was slightly higher. The main reason for the good results was the strong performance of our European and Asian businesses; additional contributing factors were the early implementation of cost-saving measures, as well as the company's focus on cash flow and thus on maintaining financial stability at all times.

Our company's development continued to be impacted by the Covid-19 pandemic. Therefore, our primary focus remained on the health and the safety of our employees. In April 2021, we conducted a "Pulse Check" amongst our employees to get a sense of their personal well-being during the pandemic and their individual work situation, amongst other things. Approximately 70% of our global workforce took part in the survey. We were pleased that 86% of respondents said that dormakaba took sufficient safety precautions for them around the pandemic and that 80% have confidence in the future of dormakaba. However, we are mindful of the strain the overall situation has taken on the well-being of our employees: only 51% of respondents said they feel personally well these days. We are thus all the more grateful for the continued resilience and commitment of our employees who have kept their focus firmly on serving our customers and on ensuring business continuity – notably in our manufacturing, procurement, supply chain and services operations.

The pandemic has accelerated the demand for seamless and touchless access solutions, in particular in markets such as healthcare, travel and multi-housing. Our continued investment in product innovation and digitalization has positioned our company well to offer our customers the required solutions, as exemplified by the contracts concluded with the largest hospital in Austria, AKH Wien, with 60,000 doors, and the Drammen hospital in Norway.

More generally, dormakaba has been at the forefront of the digital transformation of the building technology industry, opening up new business models and value streams. An excellent example of this is EntriWorX, which supports smart planning processes for buildings, simple installation of door solutions and secure, smooth operations of these solutions. EntriWorX networks door technology components through simple plug & play instead of complex wiring and different transmission protocols, thus enabling door systems to be commissioned using a simple app. Once the building is in operation, the data from the connected door components can be processed in the customer's existing management system or with our own all-in-one customized solution for managing access, occupancy, energy supply and maintenance. At the same time, the interfaces between the door components and the customer's system can be reduced from up to four interfaces to one. Overall, EntriWorX creates significant productivity gains for our customers throughout the entire building life cycle; for example, the initial time for commissioning a complex door is reduced from several hours to less than 30 minutes. We launched the solution in the German market at the end of April 2021, with a phased, international market rollout planned in the coming year.

Financial Performance

As anticipated, our sales performance improved during the 2020/21 financial year: year-on-year, organic sales growth came to 1.3%. While organic sales in the first half-year were still down at –6.0%, the second half saw double-digit organic sales growth of 10.0%, driven notably by a strong fourth quarter. Overall, net sales came to CHF 2,499.7 million (previous year CHF 2,539.8 million). Currency translation effects impacted sales negatively by 3.0%.

Compared to the previous year, the EBITDA margin improved from 12.8% to 14.1%. The increase in profitability was driven by higher volume, sales price increases, improvements in operational efficiency and effective cost management such as in procurement, which more than offset the effect of higher raw material and freight costs.

Segment Access Solutions (AS) APAC (Asia-Pacific) achieved organic sales growth of 4.3%, with a 24.0% improvement in the second half-year against the previous year. The segment achieved above-expected market growth, driven by the recovery in China and India in the second half-year. The EBITDA margin improved to 14.2% (previous year 13.6%).

Segment AS DACH (Germany, Austria, and Switzerland) achieved organic sales growth of 2.6%, with an 8.6% improvement in the second half-year against the previous year. Market growth in Germany, Austria and Switzerland was significantly stronger than overall segment growth which was diluted by weak intercompany sales particularly in the first half-year. The EBITDA margin improved to 17.3% (previous year 16.3%).

Segment AS EMEA (Europe, Middle East, and Africa) achieved 4.4% organic sales growth, with a 13.0% improvement in the second-half year against the previous year. The good growth was driven by all European regions, particularly Southern Europe, the UK, and Benelux. The EBITDA margin even surpassed pre-Covid level at 8.5% (previous year 6.5%).

Segment Key & Wall Solutions achieved 1.8% organic sales growth, with a 16.0% improvement in the second half-year against the previous year. The EBITDA margin was at a pre-Covid level of 15.7% (previous year 14.4%). While Business Unit Key Systems recorded an impressive bounce-back, Business Unit Movable Walls as expected saw a decline in growth compared to the previous year due to postponed customer projects and a strong base effect from last year. Its EBITDA margin, however, was at record levels and order intake for the coming year is strong.

This positive picture was not mirrored by Segment AS AMER (North and South America): while organic sales increased by 1.6% in the second half-year, organic sales for the full year contracted by 5.2%. The EBITDA margin was at 16.4% (previous year 17.0%). Performance was impacted by the lagging demand of the US commercial market, the continued weak lodging business, and ongoing issues at our Mesker business (hollow metal doors), with Mesker alone reducing the segment's profitability by 240 basis points. The impact of Mesker on the Group EBITDA margin was 60 basis points. As the performance at Mesker continued to be very unsatisfactory, we must focus on the turnaround of the business; on top, we are evaluating our strategic options. Fortunately, we have seen some silver lining in other clusters within the AS AMER segment, notably in the promising fields of touchless entrance systems products and electronic access solutions.

Operational cash flow was kept at a high level during the year under review. The strong focus on the "cash is king" principle led to a further improvement in key parameters, the increase in business volume over the course of the year could be absorbed comfortably. In light of the pandemic, meanwhile, only selective investments were made in property, plant, and equipment and in smaller acquisitions. Consequently, net debt was CHF 158.9 million lower against the previous year as of balance sheet date. This leaves a leverage ratio of net debt/EBITDA of 1.4x, which gives dormakaba a healthy amount of financial leeway for future strategic measures.

Net profit increased by 17.8% year-on-year to CHF 193.3 million, primarily because of the significantly improved operating profit and an improved financial result, while the income tax rate remained mostly unchanged. Pleasingly, the significantly improved net profit allows the Board of Directors to propose a 19.0% higher dividend than the previous year based on an unchanged dividend policy: the previous year's dividend was set at CHF 10.50 per share, while the proposed dividend for the 2020/21 financial year is CHF 12.50 per share.

Sustainability progress

It has been a very encouraging year for sustainability, with considerably heightened investor interest on ESG (Environmental, Social and Governance). Governments and regulators continue to require increased transparency about ESG risk and investment, particularly in key markets through the EU Taxonomy system, through the adoption of a proposal for a Corporate Sustainability Reporting Directive and, in Switzerland, through the indirect counterproposal to the Corporate Responsibility Initiative.

With our portfolio and sustainability activities, dormakaba aims to lead industry's efforts towards addressing these market and societal shifts while also walking the talk in our internal operations.

This starts with transparent reporting of our progress on sustainability and aligning our financial processes accordingly. For example, the renewal of the CHF 525 million syndicated loan during the reporting period included terms for incentives for the achievement of ambitious sustainability performance objectives.

In addition, we have achieved our five key strategic objectives that were expiring in the year under review, related to climate change mitigation, certification of our environmental management system, transparency about our product's environmental impacts for our customers and supplier due diligence.

We would particularly like to highlight the approval from the Science Based Targets initiative for the long-term operational and value chain emissions reduction targets that we have submitted. We are proud to be the first company in our sector to have targets approved by this leading organization – an achievement that has required concerted effort across our company since 2018. For further details, please visit our 2020/21 Sustainability Report.

Annual General Meeting on 12 October 2021

Karina Dubs-Kuenzle, member of the Board of Directors of dormakaba since 2001, has decided to retire from the Board at the next Annual General Meeting on 12 October 2021. The members of the Board are appreciative of the very valuable contributions Karina Dubs-Kuenzle has made to the successful development of dormakaba over the past two decades and wish her all the best for the future.

The Board of Directors is proposing Thomas Aebischer to be elected as a new independent member. With this nomination, the Bord of Directors intends to further strengthen its competence in Finance: Thomas Aebischer brings broad financial know-how in a global, industrial, and publicly listed environment. Over the course of his career, Thomas Aebischer has held several positions as CFO in industrial businesses such as Holcim/LafargeHolcim and LyondellBasell Industries. Since 2021, he is CFO of the biotech start-up RWDC Industries Limited based in Singapore.

All other members of the Board of Directors will stand for re-election for another one-year term of office, with Riet Cadonau as Chairman and Hans Hess as Vice-Chairman and Lead Independent Director.

Business outlook

The coming months may well see a high level of uncertainty and volatility including continued negative effects associated with Covid-19. This may include selective regional restrictions and lockdowns, increasing shipping costs, shortages of electronic components, and raw material price inflation. Further factors may be geopolitical such as trade conflicts.

As part of its financial reporting going forward, the company has decided to introduce an adjusted EBITDA margin which reflects the underlying financial performance before exceptional items affecting the comparability.

The company is currently expecting moderate organic sales growth for financial year 2021/22 as well as a slight year-on-year increase in the adjusted EBITDA margin (adjusted EBITDA margin for financial year 2020/21: 14.2%).

Strategy outlook

Our company's current strategy cycle comes to an end this year. In April 2021, we therefore initiated the process to define our new strategy and resulting initiatives which we are calling "Shape4Growth". As part of this strategy review, we are currently conducting a thorough full-potential analysis. First results highlight that we have strong assets to leverage going forward such as our broad product portfolio, our brands, our innovative strength, our dedicated, skilled people and our customer loyalty; they also point towards improvement potential with regards to, for example, greater customer-centricity, less complexity, and greater process efficiency in operations, IT and procurement, as well as further progress in capital deployment. Building on these levers, we expect to accelerate growth and increase profitability with the "Shape4Growth" program.

We are looking forward to sharing our vision, strategy, and targets at our Capital Markets Day on 15 November 2021.

Thanks

We owe our good results to the resilience, commitment, and expertise of our employees. On behalf of the Board of Directors and the Executive Committee, we would once again like to express our gratitude and appreciation for our people's continued focus on servicing our customers in this personally demanding environment. Further, we thank our customers and partners for the excellent, constructive collaboration and their loyalty to our offering and brands. We will work to make sure that we deserve their loyalty, focusing on meeting their needs for secure, seamless, and sustainable access solutions.

Finally, we thank you, our loyal shareholders, for your continued support and confidence in our company's future. We are looking forward to a continued good exchange and partnership.

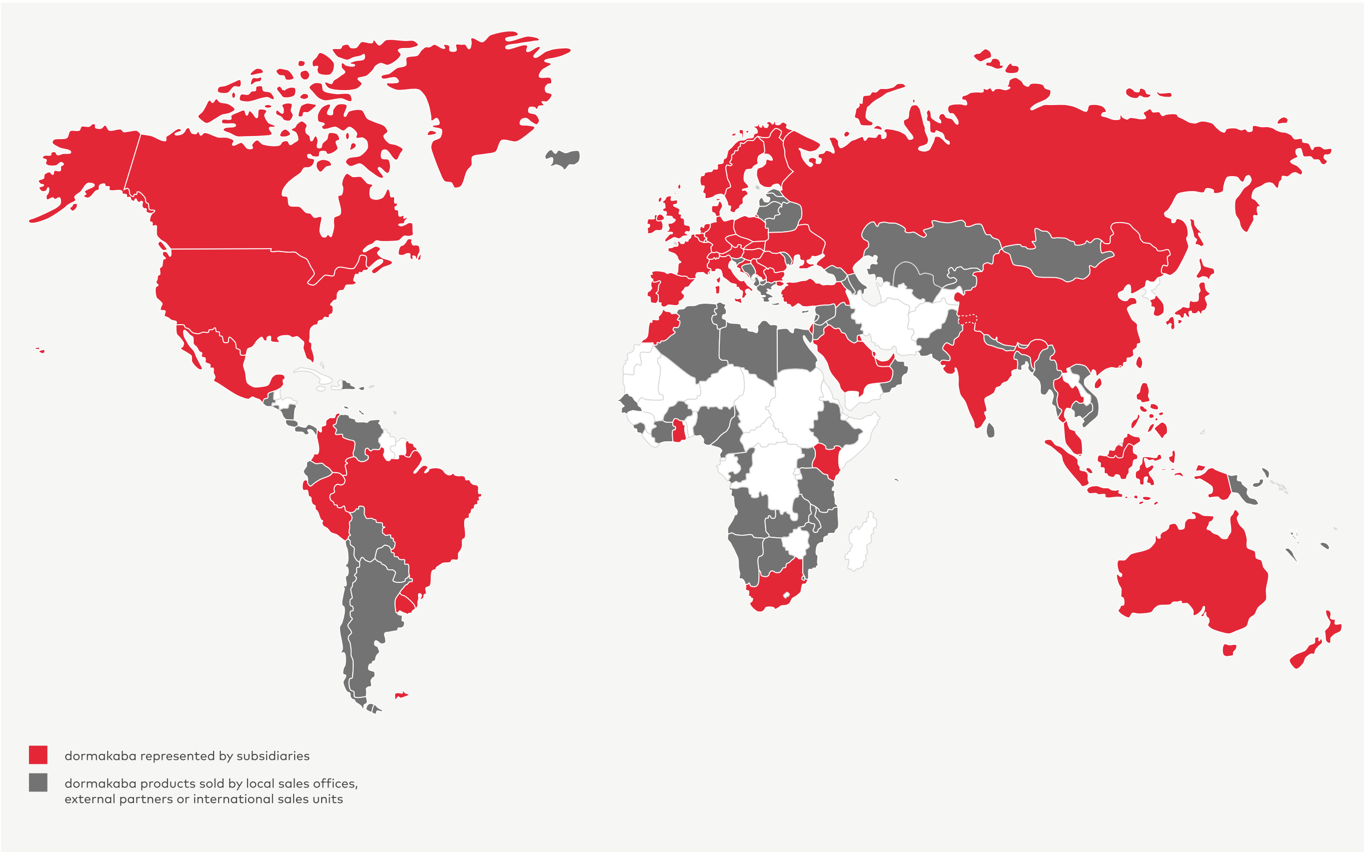
Yours sincerely

Riet Cadonau	Sabrina Soussan
Chairman	CEO

2020/21 in brief

- Consolidated net sales of CHF 2,499.7 million
- Organic sales growth of 1.3%, with a strong second half-year (10.0%)
- EBITDA reaches CHF 353.1 million, with an EBITDA margin of 14.1%
- Cash flow margin of 12.5%
- Strong balance sheet; reduced net debt and higher equity ratio
- Net profit of CHF 193.3 million
- Dividend proposal of CHF 12.50 per share

dormakaba worldwide



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Five-year performance overview

Segment Access Solutions AMER

AS AMER achieved total sales of CHF 669.6 million in financial year 2020/21. Organic sales declined by 5.2% compared to the previous year. Due to the weakening of the US commercial business the sales recovery in 2020/21 was less pronounced than in Europe and Asia – organic sales increased by just 1.6% in the second half of 2020/21 compared to the previous year.

The Lodging Systems business showed the most notable decline with organic sales 20% below the pre-Covid level; this is due to its high proportion of customers in the severely impacted hospitality industry. However, business sentiment and the aftermarket business continued to recover. Safe Locks and Mechanical Key Systems experienced double-digit sales growth whereas Door Hardware, Interior Glass Systems, and Services were below the previous year.

Major parts of the Entrance Systems business, including its touchless offering, experienced a good sequential recovery. This was supported by the continued strong performance of Alvarado, which was acquired in 2019. Sales in Electronic Access & Data were above the previous year's level due to good demand for integrated electronic security systems and several well-received product launches.

EBITDA was at CHF 109.8 million (previous year CHF 128.1 million). The EBITDA margin was at 16.4% (previous year 17.0%), impacted by volume contraction, the very weak performance of Mesker, increasing raw material costs, and higher freight costs which offset lower discretionary spending and cost-saving measures. The continued weak hollow metal door business (Mesker) had a negative effect of 240 basis points on the segment's EBITDA margin. As the performance at Mesker continued to be very unsatisfactory, the segment must focus on the turnaround of the business; on top, management is evaluating strategic options.

The segment expects moderate organic growth in financial year 2021/22 driven by a recovery of the US commercial market which already showed an uptick during the fourth quarter of 2020/21. In addition, the order book and the project pipeline improved based on several contract acquisitions, including a number of airport projects in the US, and Resorts World in Las Vegas, a hospitality project that includes 4,000 digital door locks interlinked to the Ambiance software platform. Strategic investments will support further performance progress and profitable growth over time. These efforts include a dedicated Sales Excellence initiative, which is designed to drive performance by tailoring sales activities more effectively to geographic and market opportunities.

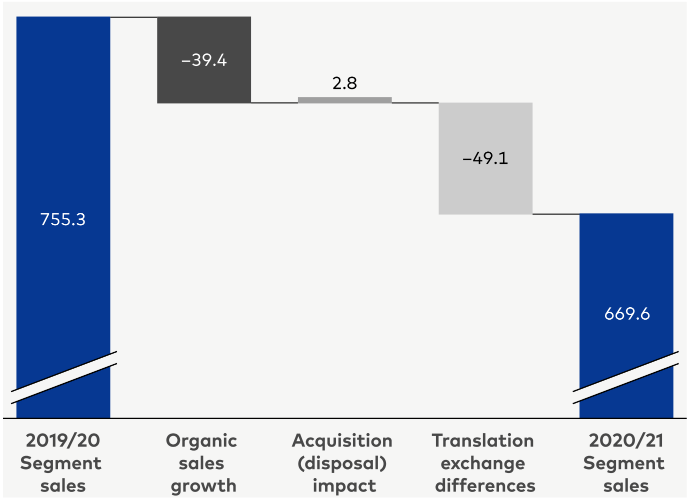
Growth is also expected from new, innovative solutions in Electronic Access & Data, Entrance Systems, and Safe Locks.

AS AMER will continue to increase sales prices to compensate for higher raw material costs and has initiated measures to secure supplies of scarce electronic components to enable further growth for its electronic access solutions.

Key figures - segment AS AMER

CHF million, except where indicated	Financial year ended 30.06.2021	%	Financial year ended 30.06.2020	%	Change on previous year in %
Net sales third parties	640.9		720.4		–11.0
Intercompany sales	28.7		34.9		
Total segment sales	**669.6**		**755.3**		**–11.3**
Change in segment sales	–85.7	–11.3	–61.4	–7.5	
Of which translation exchange differences	–49.1	–6.5	–18.6	–2.3	
Of which acquisition (disposal) impact	2.8	0.4	23.8	2.9	
Of which organic sales growth	**–39.4**	**–5.2**	**–66.6**	**–8.1**	
Operating profit before depreciation and amortization (EBITDA)	**109.8**	**16.4**	**128.1**	**17.0**	**–14.3**
Average number of full-time equivalent employees	2,677		2,811		

Segment sales (CHF million) - AS AMER



Segment Access Solutions APAC

AS APAC achieved total sales of CHF 415.2 million in the financial year 2020/21. Organic sales grew by 4.3% year-on-year. In the first half of 2020/21, organic sales were 10.5% below the previous year due to the pandemic and related project delays. Despite major countries (e.g. Australia) and regions (e.g. Southeast Asia) still being negatively impacted by regional lockdowns, there was a strong recovery in the second half-year, thanks to good demand in China and India. This resulted in 24.0% organic growth compared to the second half of 2019/20.

Most Product Clusters contributed to growth. Good growth came from Services, electronic products such as digital locks, and particularly from the business with touchless access solutions in China where dormakaba is a market leader.

EBITDA reached CHF 58.9 million (previous year CHF 54.8 million). The EBITDA margin increased by 0.6 percentage points to 14.2% compared to the previous year's level of 13.6%. The EBITDA margin improvement was driven by higher volumes, cost and efficiency gains as well as procurement savings, which offset a negative mix effect caused by stronger sales in the lower margin OEM business (Wah Yuet, China) for the US market.

Barring new waves of Covid-19 outbreaks, AS APAC expects moderate organic growth based on continued strength in China, a strong order intake and a solid project pipeline. The segment will benefit from project wins, including several hospitals in Australia, airports in China and India, the Shangri-La Hotel in Beijing, and the Shanghai Bank in China.

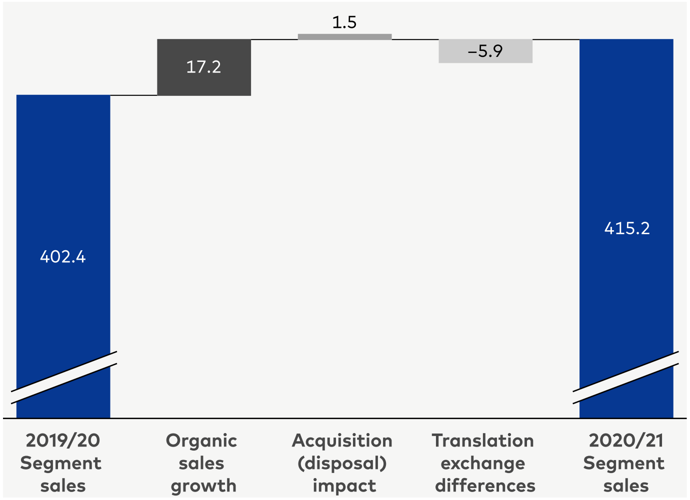
Growth will also be driven by new, innovative products for touchless solutions, like a new face recognition terminal that is easily integrated with automatic doors or physical access systems, thus enabling touchless access to buildings and rooms. Another example is anti-microbial surface protection for hardware which people have to touch. This product has been certified as helping to prevent transmission of Covid-19. It has been launched in India in February 2021 and will be rolled out to other countries during financial year 2021/22.

The segment will continue to increase sales prices to compensate for higher raw material costs. It has initiated measures to secure supplies of scarce electronic components to enable further growth for its electronic access solutions.

Key figures - segment AS APAC

CHF million, except where indicated	Financial year ended 30.06.2021	%	Financial year ended 30.06.2020	%	Change on previous year in %
Net sales third parties	390.2		378.2		3.2
Intercompany sales	25.0		24.2		
Total segment sales	**415.2**		**402.4**		**3.2**
Change in segment sales	12.8	3.2	–59.9	–12.9	
Of which translation exchange differences	–5.9	–1.5	–20.6	–4.4	
Of which acquisition (disposal) impact	1.5	0.4	0.0	0.0	
Of which organic sales growth	**17.2**	**4.3**	**–39.3**	**–8.5**	
Operating profit before depreciation and amortization (EBITDA)	**58.9**	**14.2**	**54.8**	**13.6**	**7.5**
Average number of full-time equivalent employees	3,073		3,299		

Segment sales (CHF million) - AS APAC



Segment Access Solutions DACH

AS DACH generated total sales of CHF 812.9 million in financial year 2020/21. Organic sales grew by 2.6% compared to the previous year’s level. Total third-party sales in Germany, Switzerland, and Austria were 6.3% above the prior-year period. While the first half of 2020/21 was still impacted by the effect of the Covid-19 pandemic, there was a good recovery particularly in intercompany demand, resulting in organic growth of 8.6% for AS DACH in the second half of 2020/21 compared to prior-year period.

Sales growth in the DACH countries in 2020/21 was driven by the Product Clusters Electronic Access & Data (EAD) and Services, both with double-digit growth, as well as Entrance Systems. The segment benefited from the strategic transformation program initiated back in 2018. Besides improvements in operating efficiency (e.g. reduction of personnel expenses, productivity improvements) measures included a strengthening of marketing efforts. On top, the segment intensified its R&D efforts and successfully launched innovative products like EntriWorX (see below).

EBITDA stood at CHF 140.9 million which represents an 9.0% increase year-on-year (CHF 129.3 million). The EBITDA margin was up to 17.3% from the previous year's 16.3%. This improvement was driven by a positive contribution from the strategic transformation program, higher volumes, positive mix effects, productivity improvements and effective cost management.

AS DACH expects moderate organic growth for the financial year 2021/22 based on a good order backlog and continued growth in Product Clusters such as EAD. Further contributions are expected from several project wins, for example for the campus of the University of Vienna (Austria), where the offered solutions include several product clusters enabling touchless access.

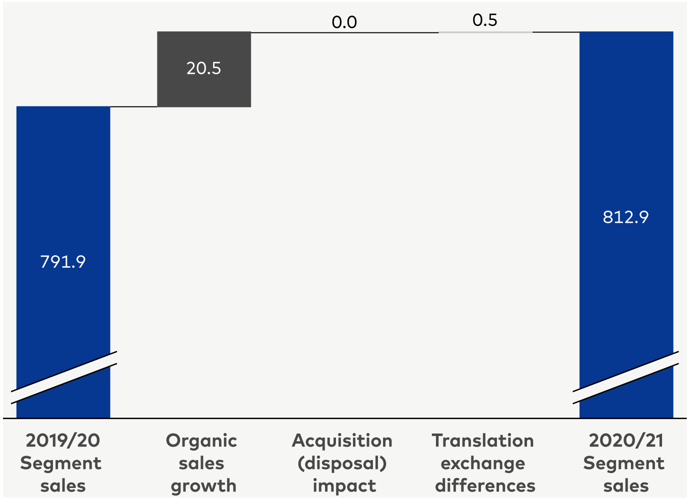
The segment will continue to focus on the introduction of new, innovative products such as EntriWorX, which supports smart planning processes for buildings, simple installation of door solutions and secure, smooth operations of these solutions. EntriWorX networks door technology components through simple plug & play instead of complex wiring and different transmission protocols, thus enabling door systems to be commissioned using a simple app. Once the building is in operation, the data from the connected door components can be processed in the customer’s existing management system or with dormakaba's own all-in-one customized solution for managing access, occupancy, energy supply and maintenance. At the same time, the interfaces between the door components and the customer’s system can be reduced from up to four interfaces to one. Overall, EntriWorX creates significant productivity gains for the customers throughout the entire building life cycle; for example, the initial time for commissioning a complex door is reduced from several hours to less than 30 minutes. AS DACH launched the solution in the German market at the end of April 2021, with a phased, international market rollout across all Access Solutions segments planned in the coming year.

The segment will continue to increase sales prices to compensate for higher raw material costs. It has initiated measures to secure supplies of scarce electronic components to enable continued growth for its electronic access solutions.

Key figures - segment AS DACH

CHF million, except where indicated	**Financial year ended 30.06.2021**	**%**	**Financial year ended 30.06.2020**	**%**	**Change on previous year in %**
Net sales third parties	531.9		501.4		6.1
Intercompany sales	281.0		290.5		
Total segment sales	**812.9**		**791.9**		**2.7**
Change in segment sales	21.0	2.7	–71.1	–8.2	
Of which translation exchange differences	0.5	0.1	–32.6	–3.7	
Of which acquisition (disposal) impact	0.0	0.0	–8.7	–1.0	
Of which organic sales growth	**20.5**	**2.6**	**–29.8**	**–3.5**	
Operating profit before depreciation and amortization (EBITDA)	**140.9**	**17.3**	**129.3**	**16.3**	**9.0**
Average number of full-time equivalent employees	3,315		3,452		

Segment sales (CHF million) - AS DACH



Segment Access Solutions EMEA

AS EMEA achieved total sales of CHF 712.9 million in the 2020/21 financial year. Organic sales grew by 4.4% compared to the previous year. Financial year 2020/21 continued to be impacted by the pandemic; however, the sequential quarter-by-quarter recovery resulted in 13.0% organic growth in the second half of 2020/21 compared to the prior-year period.

All major countries and regions saw good growth. There was a particular strong upswing in growth in Southern Europe, with France reaching all-time high sales levels, as well as good growth in the UK and Benelux. Scandinavia returned to organic growth supported by the successful turnaround of the business in Norway. The Norwegian business returned to organic growth and profitability thanks to the successful divestment of its project installation business in August 2020. The only region with negative organic growth was Middle East owing to larger non-repeated projects in the 2019/20 financial year as well as market liquidity constraints.

Sales growth in AS EMEA was driven by strong double-digit growth for the Product Cluster Electronic Access & Data (EAD). Most other Product Clusters experienced good growth as well, though Lodging Systems showed a double-digit decline due to the severe impact of the pandemic on the hospitality vertical.

EBITDA increased by CHF 15.4 million to CHF 60.9 million compared to the prior-year period, supported by strong volume growth and favorable product mix including price increases, as well as tight cost control and procurement benefits. At the same time, there was higher factory output especially with the growth of the EAD product cluster. The EBITDA margin therefore rose by 2.0 percentage points to 8.5%, which is above the pre-Covid level.

For the 2021/22 financial year, AS EMEA expects moderate organic growth with continued recovery of its main markets supported by a good order book above prior-year level in all regions. The segment will benefit from several project wins, for example for major airports in Spain, Poland, and the Middle East, a major business park in Moscow as well as a major contract for the Drammen hospital in Norway. In all these projects, the installed solutions will include several Product Clusters.

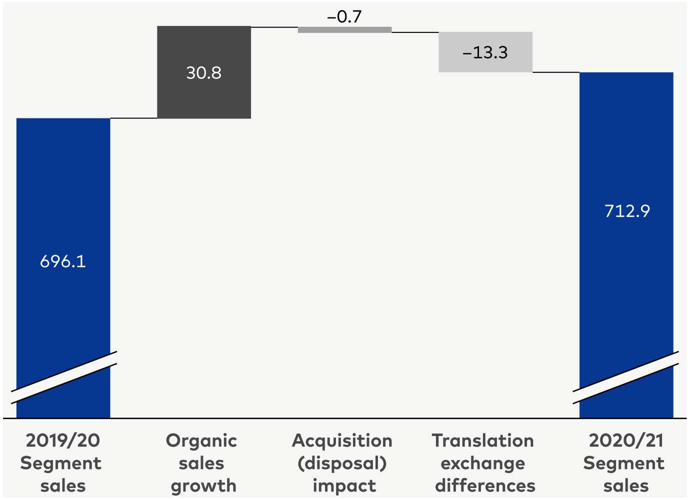
Recent product development efforts focus on the development of new, innovative solutions such as an automatic door system that uses biometric and telemetry imaging to manage people flow especially in stores with Covid-19 distancing requirements. The solution was launched in 2020/21 in the UK and the rollout across various other markets will continue in 2021/22.

The segment will continue to increase sales prices to compensate for higher raw material costs and has initiated measures to secure supplies of scarce electronic components to enable growth for its electronic access solutions.

Key figures - segment AS EMEA

CHF million, except where indicated	Financial year ended 30.06.2021	%	Financial year ended 30.06.2020	%	Change on previous year in %
Net sales third parties	591.1		585.2		1.0
Intercompany sales	121.8		110.9		
Total segment sales	**712.9**		**696.1**		**2.4**
Change in segment sales	16.8	2.4	–81.7	–10.5	
Of which translation exchange differences	–13.3	–1.9	–37.4	–4.8	
Of which acquisition (disposal) impact	–0.7	–0.1	0.2	0.0	
Of which organic sales growth	**30.8**	**4.4**	**–44.5**	**–5.7**	
Operating profit before depreciation and amortization (EBITDA)	**60.9**	**8.5**	**45.5**	**6.5**	**33.8**
Average number of full-time equivalent employees	3,358		3,468		

Segment sales (CHF million) - AS EMEA



Segment Key & Wall Solutions

Key & Wall Solutions generated total sales of CHF 344.9 million in the financial year 2020/21. Organic sales grew by 1.8% year-on-year. In the first half of 2020/21, organic sales were 9.2% below the previous year due to the impact of the pandemic, with key shops still closed due to regional lockdowns for example. In the second half-year, demand improved in most regions, which resulted in 16.0% organic sales growth compared to the second half of 2019/20.

Business Unit Key Systems recorded double-digit growth in the year under review. Growth was driven by a good recovery in demand from the global automotive industry, and a strong key cutting machines business that benefitted from the introduction of a new platform of high-end electronic key cutting machines and a major contract in the USA. In addition, the previous year provided a weak baseline particularly for Key Systems as both supply and demand in major markets such as Italy, India, and Latin America were heavily impacted by the pandemic.

Organic sales for **Business Unit Movable Walls** were below the previous year due to a base effect stemming from having finalized a major project in Las Vegas. On top, delays in the finalization of existing projects, postponed construction projects as well as regional lockdowns had an impact. However, both order backlog and order entry remained strong.

EBITDA stood at CHF 54.2 million, up by 7.3% compared to the previous year. The EBITDA margin increased to 15.7% (previous year 14.4%) and has already achieved pre-Covid levels. Both Business Units improved their EBITDA margin, with Movable Walls reaching an all-time high. The increase in profitability was driven by higher volumes, continued tight cost management, and the reduction of personnel expenses as well as procurement savings and a favorable product mix in Movable Walls.

Barring new additional waves of Covid-19, Key & Wall Solutions expects moderate organic growth. Growth will be driven by both a good order backlog in Movable Walls and good demand for Key Systems in major regions and markets such as the automotive industry. The Movable Wall business has won several major contracts that will support growth such as the Shangri-La Hotel in Beijing (China), the expansion of the Las Vegas Convention Center (USA), and The Circle convention center at Zurich airport (Switzerland).

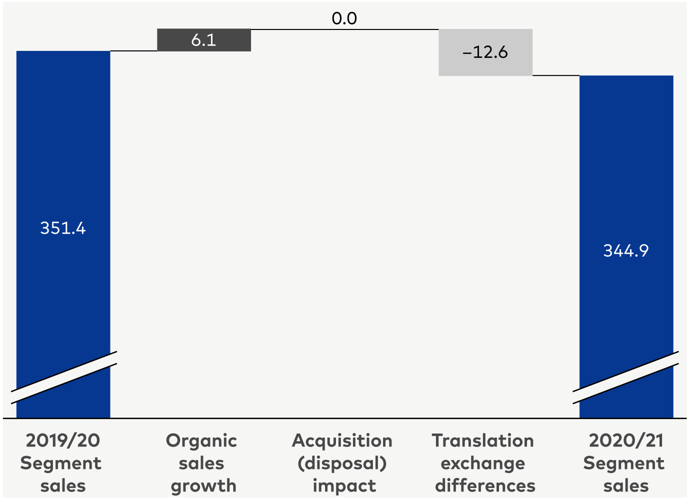
Sales will continue to be driven by new, innovative products like the Unocode F Series, a new platform of five models of high-end electronic key cutting machines. The Unocode F Series was launched successfully in the second half of 2020/21 and already contributed to growth in the financial year 2020/21. For Movable Walls, growth potential is expected from new cost-effective automated movable walls.

Both Business Units will continue to increase sales prices to compensate for higher raw material costs.

Key figures - segment Key & Wall Solutions

CHF million, except where indicated	Financial year ended 30.06.2021	%	Financial year ended 30.06.2020	%	Change on previous year in %
Net sales third parties	329.8		340.2		–3.1
Intercompany sales	15.1		11.2		
Total segment sales	**344.9**		**351.4**		**–1.8**
Change in segment sales	–6.5	–1.8	–50.5	–12.6	
Of which translation exchange differences	–12.6	–3.6	–14.6	–3.7	
Of which acquisition (disposal) impact	0.0	0.0	0.0	0.0	
Of which organic sales growth	**6.1**	**1.8**	**–35.9**	**–8.9**	
Operating profit before depreciation and amortization (EBITDA)	**54.2**	**15.7**	**50.5**	**14.4**	**7.3**
Average number of full-time equivalent employees	2,001		2,188		

Segment sales (CHF million) - Key & Wall Solutions



Overview

dormakaba finished the 2020/21 financial year with good business results that marked an improvement on the previous year. The company recorded organic sales growth of 1.3% and an EBITDA margin of 14.1% (previous year 12.8%). In addition, cash flow from operations remained high at CHF 384.5 million (previous year CHF 407.9 million). Overall, the results did not yet reach pre-Covid level.

There was a strong recovery of the European and Asian businesses in 2020/21, while the performance of the Access Solutions business in the Americas was below previous year. Several countries and regions which are important for dormakaba were still impacted by the Covid-19 pandemic. dormakaba benefited from the cost-savings and restructuring program it introduced in the previous financial year, which led to a headcount reduction of around 1,230 employees throughout the entire program lifetime and net savings of CHF 34.7 million for financial year 2020/21.

1.3%
organic sales growth

14.1%
EBITDA margin

CHF 12.50
dividend per share

Sales

Organic growth was unevenly distributed across the financial year. While organic sales in the first six months were still down at –6.0%, the second half of the financial year saw double-digit organic sales growth of 10.0% with a strong fourth quarter. Growth in the second half was not only supported by the lower comparable base, but also by a sequential improvement of the business in the second half of 2020/21. Overall year-on-year organic sales growth came to 1.3%. Currency translation had a negative impact on sales of 3.0% (CHF 76.6 million) due to the strengthening of the Swiss franc against major currencies compared to the previous year. Acquisitions and divestments had a 0.1% positive effect (previous year 0.7%). Overall, consolidated net sales amounted to CHF 2,499.7 million (previous year CHF 2,539.8 million), a decline of 1.6% (CHF 40.1 million).

Profitability

The recovery in organic growth and the associated higher volumes were also reflected in a higher gross margin and a higher EBITDA margin compared with the previous year. The gross margin for the reporting period was at 41.8% (previous year 41.1%).

Group EBITDA increased by 8.6% and amounted to CHF 353.1 million (previous year CHF 325.0 million). EBITDA includes a negative currency translation effect of CHF 11.1 million due to the strong Swiss franc, which was partly compensated by a positive effect from acquisitions and divestments of CHF 4.8 million.

The EBITDA margin increased to 14.1%, compared to 12.8% in the previous year. The increase in profitability was driven by higher volume, improvements in operational efficiency and effective cost management such as in procurement, which more than compensated for the effect of higher raw material and freight costs. The EBITDA margin progression was also supported by the aforementioned cost-savings and restructuring program, which was designed to address the negative impact of the pandemic. Further improvement was held back by weak results in AS AMER. The net effect of exceptional items on the EBITDA margin in the period under review was –0.1 percentage points (adjusted EBITDA margin of 14.2% for financial year 2020/21); however, these exceptional items were unequally distributed on a semiannual basis, with a positive effect on the EBITDA margin of 0.7 percentage points in the first half of 2020/21 (adjusted EBITDA margin of 14.1%) and a negative effect of 0.8 percentage points in the second half (adjusted EBITDA margin of 14.3%).

EBIT increased by CHF 21.1 million to CHF 274.3 million (previous year CHF 253.2 million), and the EBIT margin was at 11.0% compared to 10.0% in the previous year.

The business performance of all segments showed an improvement compared to the previous financial year, except for AS AMER.
Organic sales increased by 1.6% in AS AMER in the second half of 2020/21 compared to previous year but declined by 5.2% for the full year. The performance of AS AMER was impacted by the lagging demand of the US commercial market, the continued weak lodging business, and ongoing issues at the Mesker business (hollow metal doors), with Mesker alone negatively impacting the segment's EBITDA margin by 240 basis points. All other segments experienced good to strong growth and an improved EBITDA margin with AS EMEA and Key & Wall Solutions already at or above pre-Covid levels. There was good growth in AS EMEA with 13.0% organic sales growth in the second half of 2020/21 and 4.4% organic sales growth for the full year, driven particularly by Southern Europe, the UK, and Benelux. AS DACH achieved 8.6% organic sales growth in the second half of 2020/21 compared to previous-year period and 2.6% organic sales growth for the full year; total third party sales growth in the German, Austrian, and Swiss markets was 6.3% above previous year, and thus significantly stronger than overall segment growth, which was held back by weak intercompany sales, particularly in the first half-year. AS APAC experienced a particularly good recovery in China and India in the second half of 2020/21 with a 24.0% organic sales growth for the segment. Although the first half of 2020/21 was still impacted by the pandemic, AS APAC achieved 4.3% year-on-year organic sales growth overall. Key & Wall Solutions experienced a strong recovery with 16.0% organic sales growth in the second half of 2020/21 driven by Business Unit Key Systems which resulted in 1.8% organic sales growth for financial year 2020/21.

Financial result, profit before taxes, and income taxes

The net financial result for the reporting period improved to CHF –24.7 million (previous year CHF –42.0 million). This was due to a more favorable interest rate environment and the pandemic-related crisis management focus on "cash is king", including comprehensive credit and collection management as well as reduced investment spending, which enabled consistent deleveraging.

Profit before taxes increased to CHF 249.6 million (previous year CHF 211.2 million). Income taxes for the reporting period amounted to CHF 56.3 million (previous year CHF 47.1 million). The effective income tax rate amounts to 22.6% and was basically in line with the previous year (22.3%).

Net profit

dormakaba closed the 2020/21 financial year with a net profit of CHF 193.3 million (previous year CHF 164.1 million), an increase of 17.8%. This is attributable to the recovery in the operating performance and to the better net financial result. Net profit after minority interests increased to CHF 100.8 million (previous year CHF 84.6 million). The corresponding basic earnings per share amounted to CHF 24.2 (previous year CHF 20.4).

Based on an unchanged dividend policy of maintaining a minimum payout ratio of 50% of consolidated net profit after minority interests, the Board of Directors proposes that CHF 12.50 per share be paid out for financial year 2020/21, up from the CHF 10.50 per share paid for the previous year. This corresponds to a payout ratio of 52.2%.

Cash flow and balance sheet

Cash flow from operations was kept at a high level of CHF 384.5 million (previous year CHF 407.9 million). The slight decrease compared to the previous year is due to the increase in net working capital, which was linked to the economic recovery and strong growth in the fourth quarter of 2020/21. Net cash from operating activities stood at CHF 313.5 million (previous year CHF 328.1 million), representing a relatively high operating cash flow margin of 12.5% (previous year 12.9%).

Cash flow from investing activities of CHF –95.5 million was driven by the pandemic-related "cash is king" principle which led to lower capital expenditures of CHF 76.1 million (previous year CHF 94.9 million) on property, plant, and equipment and intangible assets. This represents 3.0% of sales (previous year 3.7%). Some smaller acquisitions were made during the year under review (CHF 18.6 million), whereas last year's cash flow included a major acquisition (Alvarado) as well as some smaller ones, totaling to CHF 147.2 million.

As a result, the free cash flow figure of CHF 218.0 million was significantly above the previous year's (CHF 95.7 million).

Cash flow from financing activities amounted to CHF -231.9 million (previous year CHF -65.8 million). This includes dividend payments to company shareholders of CHF 43.7 million as well as to minority shareholders of CHF 39.7 million (in total CHF 83.4 million, previous year CHF 125.5 million).

The asset structure did not change significantly. As of 30 June 2021, total assets stand at CHF 1,869.8 million. Within current assets, cash and cash equivalents amount to CHF 169.1 million, while inventories stand at CHF 450.6 million (24.1% of total assets; previous year 24.6%); trade receivables increased to CHF 424.5 million (22.7% of total assets; previous year 21.4%). Non-current assets consist mainly of property, plant, and equipment worth CHF 435.9 million (23.2% of total assets; previous year 24.5%).

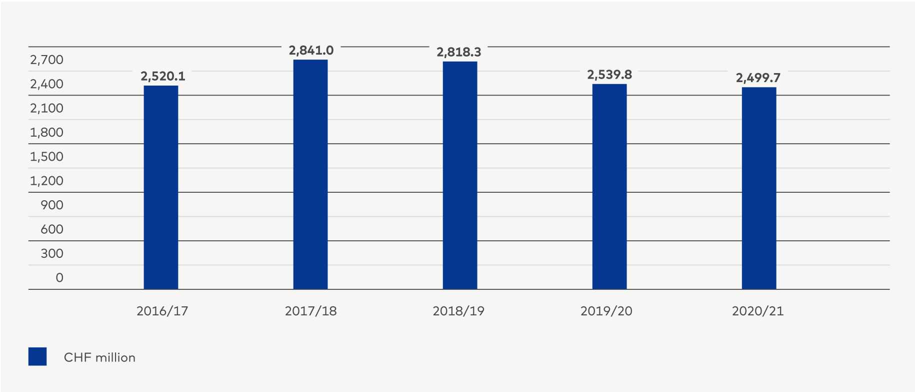
Total liabilities come to CHF 1,604.9 million (85.8% of total assets; previous year 92.2%), of which CHF 320.3 million is accounted by the corporate bond due in October 2025. Current borrowings increased compared to last year because a corporate bond with a net value of CHF 340.0 million was reclassified from non-current liabilities to current liabilities due to its upcoming maturity in October 2021. Net financial debt decreased by CHF 158.9 million to CHF 508.8 million as of 30 June 2021 (previous year CHF 667.7 million). Financial leverage, which is net debt relative to EBITDA, is at 1.4x and has substantially decreased (30 June 2020: 2.1x net debt/EBITDA). Furthermore, in the period under review dormakaba has secured a new five-year CHF 525 million syndicated credit facility with favorable and improved terms and conditions, which is a strong indicator of financial flexibility and stability. The loan agreement includes interest rate-relevant sustainability objectives, reinforcing dormakaba's strategic goals and commitment to fulfil important ESG criteria.

The company's equity stands at CHF 264.9 million as of 30 June 2021, which represents an equity ratio of 14.2% (previous year CHF 141.3 million or 7.8%).

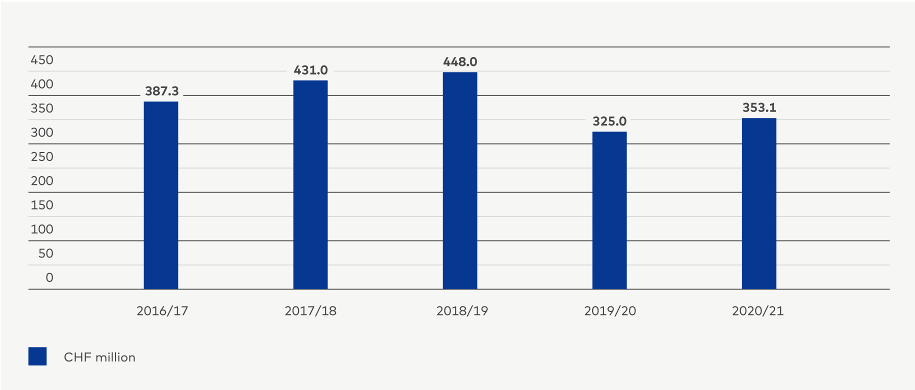
Currency translation effects

The average euro exchange rate against the Swiss franc rose by 0.5% year-on-year from 1.080 to 1.085. The average exchange rate of the US dollar decreased by 6.8% from 0.977 to 0.910. Compared to previous years, most other major currencies depreciated against the Swiss franc, such as the Canadian dollar by 2.6%, the British pound by 0.5% and the Chinese renminbi by 1.1%. Currency translation had an overall negative impact of CHF 76.6 million on net sales and of CHF 11.1 million on EBITDA.

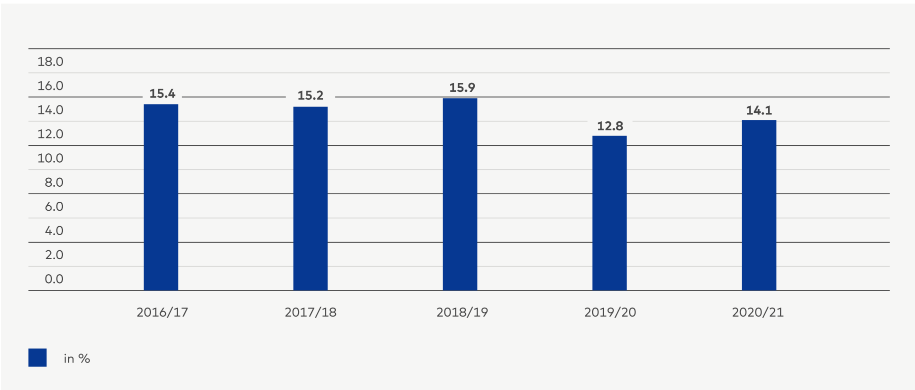
Sales



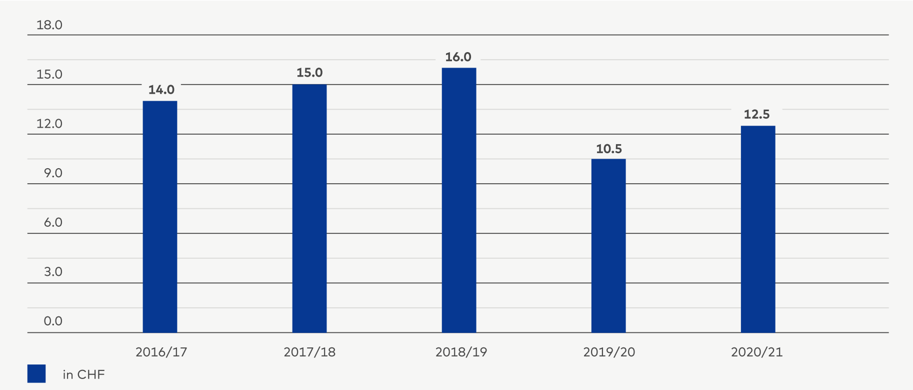
EBITDA



EBITDA margin



Dividend per share

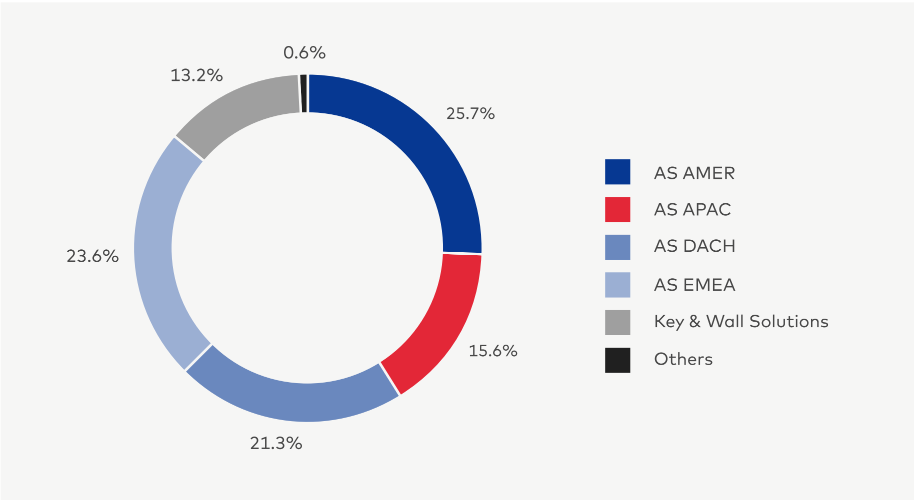


Key figures

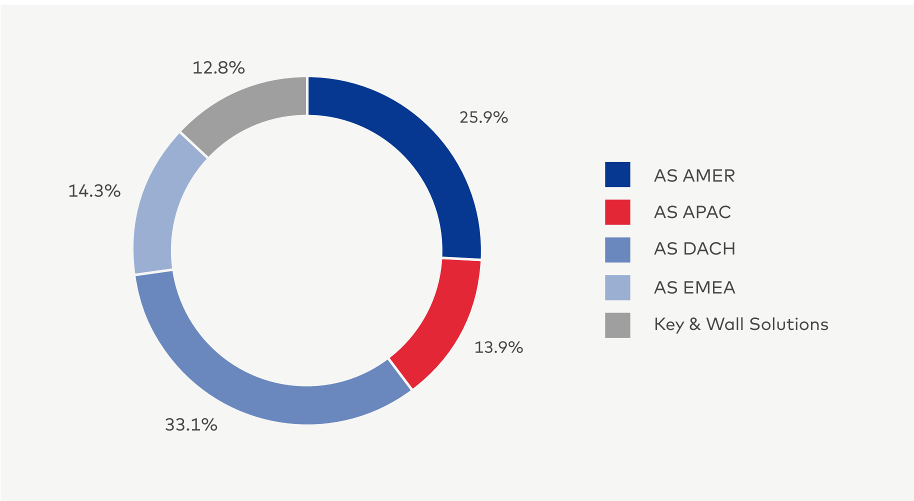
CHF million, except where indicated	Financial year ended 30.06.2021	%	Financial year ended 30.06.2020	%
Net sales	2,499.7		2,539.8	
Change in sales	–40.1	–1.6	–278.5	–9.9
Of which translation exchange difference	–76.6	–3.0	–104.3	–3.7
Of which acquisition (disposal) impact	3.6	0.1	19.0	0.7
Of which organic sales growth	**32.9**	**1.3**	**–193.2**	**–6.9**
Operating profit before depreciation and amortization (EBITDA)	**353.1**	**14.1**	**325.0**	**12.8**
Operating profit (EBIT)	**274.3**	**11.0**	**253.2**	**10.0**
Profit before taxes	249.6	10.0	211.2	8.4
Net profit	193.3	7.7	164.1	6.5
Dividend per share (in CHF) [1]	12.5		10.5	
Other key figures				
Total assets	1,869.8		1,808.6	
Net debt	508.8		667.7	
Market capitalization	2,628.4		2,147.2	
Average number of full-time equivalent employees	14,989		15,676	

1) Financial year ended 30.06.2021: 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 2021[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 2020 to 30 June 2021. 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.

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 places, 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, fittings, and door closers. The access solution business is complemented 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 anticipates and 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 2020/21.

Goals and strategies

As a stock-listed company, dormakaba pursues the overall objective of increasing its enterprise value on a long-term 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. Under the leadership of the new CEO, Sabrina Soussan, who started on 1 April 2021, a strategy review process has been initiated. Details of the new strategy are expected to be communicated in the second quarter of the financial year 2021/22.

The current strategy is based on 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 Chief Executive Officer (CEO), supported by the Executive Committee (EC). 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 2020/21.

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 2020/21, 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 2020/21, 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, as exemplified by a continuous investment over time of 4–5% of sales in R&D. Research and development activities are coordinated across all segments. In financial year 2020/21, 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, connectivity, and digital solutions. The continued investment in product innovation and digitization has positioned the company well to offer its customers attractive solutions for their demands emerging in this new environment. The pandemic has accelerated the adoption of seamless and touchless access solutions overall and specifically in attractive verticals such as healthcare and multi-housing.

One such solution is Entrivo Occupancy Insights (OI) which is designed to help businesses and building operators manage the occupancy of spaces. Using discreet sensors at the room entrance, people traffic is calculated and assessed by the software. A display at the entrance shows the user whether the maximum number of people has been reached inside or whether access is possible. This avoids additional staffing, access bottlenecks, and queues. The secure, cloud-based Entrivo Engage application provides control over room occupancy settings, showing both real-time and time-course insights into door usage, occupancy, and compliance for individual rooms as well as for an enterprise-wide network. Occupancy bottlenecks or special events are reported via SMS or email notification. The software also enables the analysis of traffic routes to optimize access management and staff distribution.

More generally, dormakaba has been at the forefront of the digital transformation of the building technology industry, opening up new business models and value streams. An excellent example of this is EntriWorX, which supports smart planning processes for buildings, simple installation of door solutions, and secure, smooth operations of these solutions. EntriWorX networks door technology components through simple plug & play instead of complex wiring and different transmission protocols, thus enabling door systems to be commissioned using a simple app. Once the building is in operation, the data from the connected door components can be processed in the customer's existing management system or with dormakaba's own all-in-one customized solution for managing access, occupancy, energy supply, and maintenance. At the same time, the interfaces between the door components and the customer's system can be reduced from up to four interfaces to one. Overall, EntriWorX creates significant productivity gains for the customers throughout the entire building life cycle; for example, the initial time for commissioning a complex door is reduced from several hours to less than 30 minutes. dormakaba launched the solution in the German market at the end of April 2021, with a phased, international market rollout planned in the coming year.

The products launched in the financial year 2020/21 included:

- **SafeRoute**: doors in emergency exits and escape routes represent an enormous challenge in terms of safety, as they have to fulfill conflicting requirements: protecting human life on the one hand, securing property on the other. The new escape route system SafeRoute ensures that planners, architects, and building operators can effortlessly harmonize the requirements of doors in emergency and escape routes.
- **HD8000**: new ANSI/BHMA A156.4 certified, heavy-duty door closer. Its robustness in combination with a wide range of arms and accessories makes it suitable for daily use in high-traffic environments.
- The **"Security and Health Check" tool** analyzes and assesses the security and up-to-dateness of our access systems in terms of software, hardware (firmware), and badge technology. It also supports sales actions such as migrations, the introduction of new functions and technologies, and the conclusion of maintenance contracts (dormakaba care) by providing recommendations for action.
- **ST PRO Green**: while developing this new sliding door system, attention was paid to energy efficiency and resource conservation right from the selection of the materials used and throughout the entire production process. The profiles of the ST PRO Green series are thermally insulated and achieve a UD value (heat transfer coefficient) of up to 1.0 W/(m2-K) with triple glazing.
- **ES PROLINE**: with this new energy-efficient operator system for automatic sliding doors, most requirements of sliding doors can be implemented. The new system can move up to 400 kg and has been certified to have a longer life cycle of 1.5 million cycles and a low energy requirement. The electronic components used are state of the art. Thanks to the sensor technology integrated into the cover, there is no need to install a disturbing detector on the inside of the door. This product combined with our new sliding door generation ST PRO Green allows for significant savings in energy and heating costs of a building.
- **I6 Digital Door Lock:** a smart digital lock with Bluetooth Low Energy (BLE) function developed predominantly for the Asian markets. I6 provides multiple unlocking methods: card, fingerprint, PIN, key, and mobile. The fingerprint-on-handle design

helps users open the door with one easy action. The BLE function allows users to share temporary passwords remotely.

- **Antiviral/Antimicrobial coating**: dormakaba now offers products with specialized antiviral/antimicrobial coating, paving the way for safer and more hygienic access across multiple products like lever handles, pull handles, panic devices, tripods, turnstiles and sensor barriers, hotel locks, and digital door locks. The coating from dormakaba has been certified for protection against coronavirus.
- **LAGARD 700 Series**: launched in October 2020, the 700 series offers a new LCD option with greater functionality and BLE capabilities. The harmonized keypad and lock bodies provide a more efficient experience to our distribution and OEM partners for ordering, inventory management and improving their ability to serve our end-user clients.
- A new and comprehensive solution for visitor management in multi-housing, giving the residents the power to manage visitor PIN codes and mobile keys with a significantly enhanced **BlueSky app** (available for iOS & Android), which works seamlessly with the Community access management system.
- **MUTO Comfort L 80 Pocket**: a sliding door system for housing the open door in a wall pocket. Wall areas adjacent to the passage area remain freely usable. In this sliding door variant, modified MUTO components allow for easy installation of the track elements for glass or timber doors with or without a glass side panel, even in a ceiling slot or a suspended ceiling.
- **Unocode F series**: an all-in-one solution for duplicating flat keys, automating the key feeding, engraving, cutting, and sorting. Designed for specialist locksmiths, our latest electronic key cutting machine under the brand Silca automates and simplifies the complete key duplication process to improve the speed and quality of service to their customers. Faster key duplication means significantly improved returns on each key sold.

dormakaba will continue to invest substantially in the development of new and existing products, platforms, solutions, and services, as well as in modernizing and optimizing its production facilities and systems, its processes, and 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 and trends.

Macroeconomic and sector-specific conditions

dormakaba operated in a difficult business environment in the financial year 2020/21, which was still impacted by the challenges posed by the Covid-19 pandemic. Restrictions such as government-mandated blanket lockdowns and closed borders continued to impact many countries and to disrupt to some extent international trade, with specific sectors such as travel and tourism facing considerably more harm. Nevertheless, the first half of the financial year 2020/21 was marked by an economic recovery in comparison to the second half of the previous financial year 2019/20, which was shaped by significant decline of the global economy.

This recovery was also reflected in GDP development, which grew by 8% in the first quarter of financial year 2020/21 in the G20 countries compared to the previous quarter (OECD, 2020). After this noticeable rebound due to a weak previous quarter, the sequential recovery continued at a more linear pace in the following quarters. This resulted in GDP growth rates of only around 1.5% in the second and third quarter of financial year 2020/21 in the most important industrialized and emerging countries (OECD, 2020).

This recovery was also reflected in global trade. Its volume increased by 11.6% in the period from July to September 2020 compared to the previous quarter but was still more than 5% lower compared to the same period in the year before (WTO, 2020). A sustained sequential recovery was also visible in the following quarters. As a globally operating company, dormakaba benefited from this upturn. The companies' financial performance improved sequentially in the first half of the 2020/21 financial year compared to the months before that were heavily affected by the pandemic. There were also geographical differences in this recovery. In the second half of the financial year 2020/21, there have been further improvements especially in terms of growth for most regions and countries. Yet in some countries like the USA, growth in the commercial construction business was still below the level of the previous year; this impacted dormakaba as it is mainly exposed to the commercial sector and therefore for example could not benefit from the significant growth rate for the US residential market.

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 2020/21 can be found in the financial performance section of this Group Management Report and in the consolidated financial statements for financial year 2020/21.

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

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 addressed 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. In the financial year 2020/21, team leaders were asked to discuss the results in dedicated sessions to develop improvement actions with their teams.

In order to feel the pulse of the organization, get strategic feedbacks and get to know how the employees are feeling during the ongoing pandemic, a global dormakaba Pulse Check was conducted in April 2021. The high response rate of 70% shows that a vast majority of dormakaba employees used the opportunity to provide feedback.

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 2020/21.

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).

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. Human rights-related risks identification and mitigation are a central part of supplier due diligence as well. This will be achieved through the implementation of a human rights roadmap approved by the EC in the context of the HRDD process development.

In the financial year 2020/21, dormakaba completed a Human Rights Impact Assessment in its operations in Singapore and Malaysia. A key focus has also been to further assess the salient issues of conflict and child labor through a supply chain traceability project in collaboration with a Swiss university. In addition, Responsible Labor and Zero Recruitment Fees policies have been developed. Further information on human rights can be found in the Sustainability Report 2020/21.

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 2020/21.

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.

dormakaba carries out on-site quality audits via a standard audit questionnaire to examine suppliers' quality management. Suppliers are selected for audits based on a risk assessment process that takes into account the potential risk from specific locations, products, and performance. This risk assessment results in a score ranking, indicating the frequency of auditing required for the relevant supplier.

In addition, the dormakaba Supplier Code of Conduct outlines minimum requirements with regards to human rights, fair working conditions, environmental responsibility, and business ethics, among others. To ensure our suppliers contribute to social and environmental well-being, dormakaba focuses on three areas: identifying supply chain risks; supplier off-site sustainability assessments; and setting improvement plans. The risk assessment is based on risk indicators for materials compliance and geography for: (1) Energy and Emissions; (2) Effluents and Waste; (3) Occupational Health and Safety; (4) Materials; (5) Training and Education; (6) Freedom of Association; and (7) Human Rights. Around 2,200 suppliers are included in the risk group. Thus far, we have assessed the sustainability performance of approximately 10% of these suppliers. Improvement plans have been allocated to 45 of these suppliers. In order to continuously improve the assessment rate of the entire risk group, allocations for inviting 500 suppliers per year to participate have been made through to the financial year 2026/27.

Further information can be found in the chapter supplier social and environmental assessment of the Sustainability Report 2020/21.

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 places, 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 and inspire great brand loyalty. By combining the two brands to one master brand for Access Solutions, opportunities are being created by complementary strengths through the cross-selling potential.

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 one third of market share. dormakaba wants to further strengthen its market position and thus intends to continue to play an active role in industry consolidation.

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 continue to invest significantly 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. In this context, opportunities to be utilized to meet or exceed planned targets are analyzed to identify and assess the risks they bring about. In the course of business, these risks are monitored and managed carefully, and their mitigation plans are continuously adapted to changes.

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 avoids risks that are assessed to be incalculable, unreasonably high, or existential.

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 supports the company's management in achieving 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 expertise;
- 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 four-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 as well as the chosen accounting framework Swiss GAAP FER.

Further information can be found in the Corporate Governance Report 2020/21.

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 mitigation 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 2020/21 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 through standardized PMI processes, 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 dormakaba products, causing damage to the Group's reputation and possibly exposing 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 solutions and 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 or cyberattacks. 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 these risks. 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. To counter the increasing risk of cyberattacks, dormakaba established an information security organization that is capable of assessing cyber threats and orchestrating adequate mitigation projects to protect vital assets.

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 43% 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 an unprecedented slump in business activity in many countries dormakaba is doing business in. This effect is visible in the company's revenues and profitability, and it can be expected to impact revenues and profitability further into the future. dormakaba 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 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 pivotal 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 an extensive employer branding initiative, employee surveys, talent and succession management, and through individual, targeted employee development.

Since the beginning of the Covid-19 pandemic, large focus was put on defining guidelines and specific measures such as strengthened safety precautions in the production environment as well as for sales staff and service technicians. Further guidelines include working from home for a longer period of time for office workers or travel restrictions. Another integral part was and still is providing employees with informational material on safety precautions and safe behavior to avoid the spread of the virus as well as continuously communicating updates to related measures, stay-at-home policies or lockdowns set by local governments.

Many industries face serious skill shortages, which also affect a technology-driven company like dormakaba. To mitigate possible talent shortages, dormakaba is increasing its efforts to find suitable candidates supported by its global employer branding initiative which is regularly adapted and tailored to the needs of the organization. This also includes career path models for certain functions such as product development and IT, as well as remote working models.

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 including operational technology (OT) in manufacturing, the company's IT strategy is to use state-of-the-art protection standards. These are for example email address validation, client security protection and monitoring, identity and access control management, network security management, network and infrastructure management (e.g. 24x7 monitoring, high-level firewall protection tools, redundant network connections), special OT cybersecurity measures, 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. Cybersecurity 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

Compliance risks arise as a result of a business model involving worldwide production and sales units, a growth strategy, 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, from the wide and international supplier base, 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.

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 were 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.

g) 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 2020/21.

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 2019 to 30 June 2020, 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 sustainability-linked credit facility, agreed for dormakaba during financial year 2020/21 with a consortium of banks, amounts to CHF 525 million with options to extend by another two years and to increase the facility by CHF 200 million. There are also agreements in place 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.

h) 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.

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 strong brand, the broad existing portfolio, the wide market presence, 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)

After the Covid-19 pandemic negatively impacted the global economy in the calendar year 2020, most countries started to recover during the first half of 2021, and there are signs of a continued economic recovery for the second half of 2021 and 2022. Macroeconomic data indicate that the global economy measured by GDP will grow by about 6.0% in 2021 and by about 4.4% in 2022 (IMF World Economic Outlook, April 2021). At the same time, however, the speed of growth is forecast to vary greatly by country and region. For example, while China has already reached its pre-Covid level end of 2020, the United States and further Western countries will potentially reach their pre-Covid level of economic strength as early as 2021 or 2022. Furthermore, many emerging and developing countries, which were or are heavily impacted by the pandemic, will not achieve the corresponding economic level through their recovery until 2023 (IMF World Economic Outlook, April 2021). Nevertheless, the forecasts are to a large extent influenced by further developments of the pandemic, such as the need for further lockdown measures due to proliferating mutations of the Corona virus.

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Furthermore, risks have emerged due to the measures taken while combating the economic consequences of the pandemic. First, many countries had to incur enormous financial debt to support their domestic economies. This potentially poses a threat to the stability of the global financial system. In addition, increased inflation is expected by the central banks, although it is unclear what the impact on the economy will be. A third risk arises from continuing geopolitical tensions between the United States and China, which potentially pose a threat to global trade and supply chains. On top, scarcity of supply of semiconductors and further electronic components could also have a negative impact on dormakaba's business in the financial year 2021/22.

As a globally operating company, dormakaba will continue to be exposed to a wide range of risks in the individual regions. For this reason, the company also publishes details on the development of the individual regional segments in addition to the information about the business performance of the Group. However, dormakaba believes that its business and regional profile puts it in a good position to respond flexibly to regional changes. 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 pandemic and thus to create a solid basis for its competitiveness and sustainable profitable growth in the post-pandemic period.

dormakaba has reacted quickly and decisively to the challenges of the pandemic in the financial years 2019/20 and 2020/21. While many of its end-user markets have recovered during the financial year 2020/21, the pandemic is still a setback for some of dormakaba's verticals like hospitality and airports. However, this does not invalidate the five megatrends that continue to 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, seamless, and secure access solutions. With its comprehensive solutions and services 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 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. dormakaba is also willing to consider investments in the ongoing consolidation of the industry, which is likely to accelerate.

At the present time, it is not yet possible to estimate how lasting the changes resulting from the pandemic will be, particularly in heavily affected verticals like hospitality and airports. In the case of hospitality in particular, the effects will only become apparent in the long term and will have an impact on dormakaba's business environment if, for example, travel figures settle at a lower level in the medium and long term. The commercial construction activity for office space could also face a changing environment due to the pandemic, e.g. if people tend to work more from home, this could impact new office construction. However, at the same time, higher demand for upgrading office space is expected, which includes increasing requests for touchless and seamless access solutions; further, dormakaba also expects existing office space to be used differently going forward (shared offices, new workplace models).

The coming months may well see a high level of uncertainty and volatility including continued negative effects associated with Covid-19. This may include selective regional restrictions and lockdowns, increasing shipping costs, shortages of electronic components, and raw material price inflation. Further factors may be geopolitical such as trade conflicts.

As part of its financial reporting going forward, the company has decided to introduce an adjusted EBITDA margin which reflects the underlying financial performance before exceptional items affecting the comparability.

The company is currently expecting moderate organic sales growth for financial year 2021/22 as well as a slight year-on-year increase in the adjusted EBITDA margin (adjusted EBITDA margin for financial year 2020/21: 14.2%).

Capital structure

Detailed information on dormakaba Holding AG's capital structure can be found in the Corporate Governance Report 2020/21.