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.

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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
Chairman

Sabrina Soussan
CEO