Jim-Heng Lee (CEO) and Riet Cadonau (Chairman)

# Strong organic sales growth with margins impacted by supply chain constraints and inflationary trends

## Dear Shareholders,

dormakaba posted strong growth despite external headwinds for financial year 2021/22. Organic sales growth was at 7.7% and above the guidance range of 3 to 5%. Growth was most pronounced in the Regions Asia Pacific and Americas, but also good in Europe & Africa. In Key & Wall Solutions, growth picked up in the second half-year as Movable Walls started to convert part of its Covid-related project backlog into sales. External headwinds such as shortages of electronic components, labor and building materials in general prevented even better growth.

Adjusted EBITDA improved to CHF 372.3 million (previous year: CHF 362.0 million). The adjusted EBITDA margin at 13.5% was below the guidance given on 2 March, when it was still too early to assess the full impact of the war in Ukraine. The subsequent accelerated inflation could only partly be compensated with price increases in the short-term. The margin was further impacted by supply chain constraints, as for example orders for high-margin electronic products could not be processed due to the components shortage.

In the period under review, dormakaba underwent some changes in management and in the way of how we conduct our business going forward. From 1 January 2022 onwards, Jim-Heng Lee has taken on the role as CEO of dormakaba, and the company started implementing its new strategy Shape4Growth under his leadership.

Shape4Growth aims to accelerate profitable growth through focusing our core businesses, core markets and customer-centricity, enabled by enhancements in operational excellence and scale, capital deployment and a high-performance company culture. The new strategy also includes a change in operating model designed to enable a stronger focus on our customers, to increase our operational efficiency, to gain scale and to increase transparency and accountability. Looking back on the first six months of implementation, while there is still a significant way to go, we already achieved several milestones. These include strengthening our sales and specification organization, accelerating the IT platform harmonization, and focusing on selling our core products as integrated solutions and services such as for example our EntriWorX Ecosystem. Another important step for implementing of our growth strategy was the divestment of the dilutive hollow metal doors business Mesker in the USA. With the transaction completed on 21 June 2022, the Region Americas team is now able to fully focus on our access solutions core business to improve our performance on the North American market.

Digitalization continues to be an important driver in our industry and embraces processes, products, and services alike. dormakaba's new setup creates opportunities for new business models, enhanced market positioning and a clear differentiation when it comes to providing customers with sustainable solutions along the building lifecycle.

To expand our market position, dormakaba entered various partnerships in the past year, for example with Vanderlande. In July 2022, we announced a strategic partnership with Schüco, one of Europe's market leaders for innovative building envelopes. Under the partnership agreement, dormakaba and Schüco will work together to accelerate strategic development projects in digitalization and access control. In a first step, the two companies will develop a door-integrated access management system and link up the EntriWorX digital platform for door solutions with the SchüCal configuration and calculation tool. Our EntriWorX Ecosystem solution continues to convince partners and customers alike: in April, it was awarded as the most innovative "Smart Buildings" product by the renowned German trade magazine S&B.

Our approach to innovation and commitment to customer-centricity won us numerous prestigious tenders during the period under review. Avinor Group, the operator of all the state-owned airports in Norway, chose us as its exclusive partner to supply and service 450 self-boarding gates, providing seamless but secure flow to its passengers. Other wins include access solutions for the Jakarta Stadium in Indonesia or managing people flow and access in the latest Smart City development Bernapark in the Swiss capital.

Finally, we have strengthened our core business in various markets with acquisitions. For example, in France: With Fermatic Group, we expanded our market presence and offering especially in the Services business, doubling the share of Services in our product mix in the country. In addition, joining forces offered various cross-selling opportunities for other areas of our core business, enabling us to better support our customers in generating value over the lifecycle of their buildings. Further acquisitions in key markets such as Australia (RELBDA) and the Netherlands (AtiQx, Alldoorco) complemented our approach to increase our competitiveness.

## Financial Performance

Shape4Growth includes the transition to a new operating model, with related changes in organizational setup and financial reporting. On 1 January 2022, we shifted our setup to three customer-centric Regions and sales organizations for Access Solutions – Americas, Asia Pacific, and Europe & Africa. The previous segments AS DACH and AS EMEA were merged accordingly, the Market Middle East was consolidated into Asia Pacific. In addition, three global functions (Marketing & Products, Operations and Product Development ) were introduced to support above Regions. Key & Wall Solutions remains unchanged as a self-contained global business. A more detailed description of the new operating model is available in the Notes on the Financial Statements.

dormakaba increased net sales by 10.3% to CHF 2,756.9 million in 2021/22 (previous year: CHF 2,499.7 million). Organic sales growth contributed most with 7.7% (thereof 3.5% pricing) to the overall sales increase. In addition, portfolio adjustments (inorganic growth) added 2.8% to higher net sales, and currency translation effects were almost flat with a contribution of -0.1%.

Adjusted EBITDA increased by 2.8% to CHF 372.3 million (previous year: CHF 362.0 million). The adjusted EBITDA margin was 13.5% (previous year: 14.5%). There was a positive margin contribution due to higher sales volumes, increased sales prices, and improvements in operational efficiency. However, these effects were more than offset by inflation including higher raw material, freight, labor, and energy costs. The impact of inflationary pressure was more pronounced in the second half of the year.

Items affecting comparability were at CHF -88.6 million on EBIT (previous year: CHF -9.3 million) and mainly related to the Mesker divestment and the strategy development and implementation.

## Performance of Regions (Access Solutions) and Key & Wall Solutions

dormakaba experienced good demand in most of its markets, with good order intakes and order backlogs.

Organic sales in Region Americas (North and South America) increased by 8.3% year-on-year, driven by the continued recovery in the US commercial construction market and by market share gains. The adjusted EBITDA margin was 17.8% (previous year: 19.3%) and was impacted by cost inflation and a negative product mix effect. The Mesker business, which was divested in mid-June 2022, had a negative effect of 210 basis points (previous year: 240 basis points) on the Region's adjusted EBITDA margin.

Organic sales in Region Asia Pacific grew by 11.3% year-on-year, with all major Markets contributing to growth. The adjusted EBITDA margin was 18.9% (previous year: 18.5%). The slightly higher margin was supported by good volume growth, which overcompensated a negative mix effect.

Organic sales for Region Europe & Africa grew by 5.9% year-on-year. All Markets experienced solid growth despite headwinds. The adjusted EBITDA was 20.6% (previous year: 21.1%), as higher sales volumes, price increases, operational efficiency and effective cost management could not fully offset the inflationary pressure and the margin dilution from lower sales in high-margin Electronic Access & Data products.

Organic sales in Key & Wall Solutions grew by 5.7% year-on-year. There was strong organic growth for Business Unit Key Systems (10.4%). Organic sales for Business Unit Movable Walls were 0.6% lower than in the previous year due to delays in the release of orders and projects resulting from labor shortages across the construction market; sales recovered during the second half, with high single-digit growth in the final quarter. The adjusted EBITDA margin was 14.0% (previous year: 15.9%).

## Cash flow and net profit

Cash flow from operations decreased to CHF 188.4million (previous year: CHF 384.5 million). The reduction on the previous year is due to an increase in net working capital driven by a rise in inventories due to higher volumes and higher raw material prices, build-up of safety stock for electronic components and certain other raw materials, as well as higher goods in transit due to freight and supply chain constraints.

dormakaba closed the financial year 2021/22 with a net profit of CHF 122.5 million (previous year: CHF 193.3 million) which was impacted by the divestment of the Mesker business in mid-June 2022 (CHF 61.4 million) as well as by investments linked to the implementation of the new strategy Shape4Growth.

The Board of Directors has decided to exclude the effect of the Mesker divestment in the dividend payout calculation. As the transaction has no material impact on the company's cash flow, the Board proposes that CHF 11.50 per share be paid out for the financial year 2021/22 (previous year: CHF 12.50 per share). This corresponds to a payout ratio of 50.4%.

## Sustainability progress

dormakaba has committed to an industry-leading framework for sustainability, with over 30 ambitious ESG targets as part of Shape4Growth. dormakaba shares the belief that sustainability is core to the future of the building industry, and thus to the business model. With Shape4Growth, we have further integrated sustainability into our solutions, operations, and processes to better respond to customers' expectations.

For example, we have launched the ST PRO Green RC3 on the Austrian and Swiss markets. The product is a new, energy-saving automatic sliding door with a thermally separated profile system that reduces energy loss in the building due to a very low heat transfer coefficient. This is our first product aligned to EU Taxonomy climate change mitigation objectives, which is the classification system established to clarify which investments are environmentally sustainable, in the context of the European Green Deal. The aim of the taxonomy is to prevent greenwashing and to help investors and customers make greener choices.

As regards our key sustainability objectives, dormakaba showed a positive performance in the year under review. We have achieved a 2.4% year-on-year reduction in Scope 1 and 2 carbon emissions. As at 30 June 2022, 67% of our plants, local assembly centers and regional logistic centers have established energy management systems (previous year: 21%). Good energy management is a key lever to meeting our climate targets.

And as part of the commitment towards a 1.5°C future and to reduce our operational emissions by 42% by 2030, we started a Value Discovery Audit process in partnership with Siemens at ten of our largest manufacturing sites. The aim of the partnership is to execute projects based on audits to discover energy efficiency and carbon saving potentials, to maximize energy and $CO_2$ savings by implementing the right strategies and measures for the individual site. The Value Discovery Audit has been successfully closed, with a result of a potential for over 4,000 $tCO_2$ reduction. To reach our 42% reduction target, further initiatives are planned, including the electrification of our fleet, and green electricity projects.

Towards our goal to assess all high-risk suppliers for their sustainability management by a third-party until 2027, the company has improved the assessment rate from 10% in the prior reporting period to 18.7% in the financial year 2021/2022. Further, we have seen a slight improvement in diversity and inclusion objectives, with female representation on management level at 20% (previous year: 19%).

Our sustainability performance continues to be acknowledged by external parties. dormakaba was named as one of the most climate-conscious companies in Switzerland in a recent ranking by BILANZ, Le Temps and Statista. The ranking acknowledges our emissions reduction efforts and with it, our contribution to a low-carbon economy. In addition, our MSCI rating improved from A to AA in the reporting period.

For further details, please visit the 2021/22 Sustainability Report.

## Annual General Meeting on 11 October 2022

As part of a staggered renewal of the Board of Directors, Vice-Chair and Lead Independent Director Hans Hess (67), John Heppner (70) and Christine Mankel (40) will step down from the Board of Directors and not stand for re-election at the Annual General Meeting in October. The Board and the Executive Committee highly appreciate their valuable contribution to the development of dormakaba and their tireless commitment over many years. Our best wishes accompany them on their future endeavors.

The Board of Directors is proposing Svein Richard Brandtzæg (64), Kenneth Lochiatto (59) and Michael Regelski (57) to be elected as new independent members. The Board intends to appoint Svein Richard Brandtzæg as Vice-Chair and Lead Independent Director subject to his election by the Annual General Meeting. With these nominations, the Board also further strengthens its industry expertise and competence in digital transformation and commercial building ecosystems. Further information on the proposed new Board members can be found here.

All other members of the Board of Directors will stand for re-election for another one-year term of office. This includes Riet Cadonau as Chairman, who has announced that he will step down from his role latest by the Annual General Meeting in October 2023.

## Business outlook

The current business environment is characterized by uncertainties and lack of visibility. Geopolitical risks have further increased in the last months particularly in Asia and Europe. Spillover effects of the war in Ukraine could lead to a sudden stop of European gas imports from Russia and result in an energy crisis. Further, higher interest rates of the central banks to fight rising inflation might impact general economic growth including new construction activities. And finally, renewed Covid-19 outbreaks and lockdowns might suppress growth and further deteriorate global supply chains going forward.

Due to the aforementioned lack of visibility and as geopolitical and macroeconomic risks increase, dormakaba's outlook applies to the first half of 2022/23. The company will continue to carefully assess the economic situation in the next months and will update its guidance for the financial year 2022/23 with its half year results.

Based on a healthy order intake and backlog at the end of 2021/22, dormakaba expects a good start in the financial year 2022/23. For the first half-year of 2022/23, the company expects organic growth slightly above the mid-term target range of annually 3 - 5%. Expecting a sequential improvement on the 2021/22 second half-year performance excluding the dilutive effect of the divested Mesker business, the company expects an adjusted EBITDA margin of around 13% in the first half of financial year 2022/23.

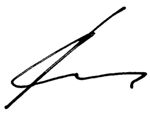
Independent from macroeconomic conditions dormakaba will continue to focus on the execution of its Shape4Growth initiatives which includes both growth and cost management measures such as pricing and expense management.

## Thanks

On behalf of all members of the Board of Directors and the Executive Committee, we would like to express our heartfelt thanks to our employees. We are proud of their dedication and tireless efforts in this challenging market environment. We are even more grateful to our customers, for whom we were once again their partner of choice in the past year. A significant increase in sales year-over-year demonstrates this loyalty.

And we thank you, our valued shareholders, for trusting us to create further value by implementing our strategy in the years to come.

Yours sincerely,



Riet Cadonau
Chairman

Jim Heng Lee
CEO