dormakaba
Annual Report 22/23

Group Management Report

Strong organic growth driven by price and continued sequential improvements

Svein Richard Brandtzæg (Chairman) and Jim-Heng Lee (CEO)

Dear Shareholders,

I am pleased to address you for the first time as Chairman of the Board of dormakaba and report to you, together with our CEO, on the progress and results of our company for the financial year 2022/23.

This year was marked by some important milestones. First and foremost, we achieved our short-term goals, improving sequentially over the course of the past two half-years. Second, we have made some significant moves to ensure the successful implementation of our Shape4Growth (S4G) strategy to attain our mid-term strategic and financial targets. Streamlining our organizational setup, we are sharpening our focus on key markets and core businesses and further simplifying our processes to improve operational efficiency. Furthermore, we have announced a transformation program designed to make the company more agile, customer-focused, and profitable to make sure that we are able to compete for top positions and deliver strong, reliable financial performance going forward.

dormakaba achieved strong organic sales growth of 8.4%, with an 3.4% absolute rise in adjusted EBITDA and a stable adjusted EBITDA margin of 13.5% in the financial year 2022/23. This result was in line with our guidance and was supported by a stronger and robust second half-year performance and improvement in all sales regions.

Price realization, strict cost management, procurement optimization, and stable volume growth, particularly in the US commercial market, all contributed to the positive development. External headwinds – including cost inflation in Europe, high attrition in the US, and de-stocking along the construction industry supply chain – affected profitability and inhibited even higher organic growth. The company's cash flow position improved significantly, thanks to effective reduction of working capital in both receivables management and in manufacturing inventories.

Adjusted EBITDA rose to CHF 384.8 million (previous year: CHF 372.3 million) and the adjusted EBITDA margin was 13.5% (previous year: 13.5%). These figures reflect the year's strong price realizations and improvements in operational efficiency, partially offset by a negative product mix and increased functional costs, mainly relating to strategic investments in growth and profitability initiatives. Stronger performance in the second half of the financial year helped to overcome these headwinds.

Continued investment in digitalization and related product innovation has positioned dormakaba well to provide its customers with effective solutions to their fast-evolving needs for safe, secure, and sustainable buildings. The financial year 2022/23 saw a wide array of new product launches around the globe, many of which were showcased and awarded at the two leading Trade Fairs in our industry, ICS West 2023 in Las Vegas, and Bau 2023 in Munich.

Throughout the financial year 2022/23, dormakaba continued the execution of its S4G strategy. The new operating model implemented during the previous financial year was further refined in March 2023 by the announcement of a streamlined organizational setup, reducing the number of the Executive Committee members from nine to six to simplify and improve the speed of processes and thus, further benefit customer-centricity. The company introduced two new roles to strengthen its commercial and innovation capabilities: a Chief Commercial Officer (CCO) and a Chief Innovation Officer (CIO). Under the lead of the new CCO, dormakaba will intensify its emphasis on core markets where it holds strong competitive positions and optimize its go-to-market approach. The introduction of a CIO role allows dormakaba to focus all global engineering capabilities and R&D efforts under one lead, working with one global strategy and roadmap to serve customers with an improved time-to-market. The leadership team was further strengthened by welcoming Christina Johansson as new Chief Financial Officer (CFO).

With this focused and leaner set-up, we are confident that the S4G transformation program communicated in early July 2023 will succeed. The program represents an important step to achieve better profitability and sustainable volume growth. Among other goals it aims to further consolidate the global production footprint, to reduce the supplier base and to improve sourcing capabilities, as well as to optimize the setup of general administration functions such as Finance and Human Resources by leveraging shared service centers. The program is projected to deliver combined cost savings of a yearly run-rate improvement of up to CHF 170 million by the end of 2025/26, enabling us to free up capacity for further investments in growth and innovation. At the same time, the program comes with an estimated net reduction of approximately 800 full-time equivalent positions worldwide. All the organizational changes will come into effect step-by-step starting in 2023/24 once negotiations with the respective workers' representatives have been completed in a socially responsible manner.

Financial performance

dormakaba's net sales rose by 3.3% to CHF 2,848.8 million in the financial year 2022/23 (previous year: CHF 2,756.9 million). Organic sales growth contributed 8.4% (of which 6.9% relates to pricing) to the overall increase. The impact on sales growth from acquisitions and divestments was –0.5%, and currency translation effects were –4.0%.

Adjusted EBITDA increased by 3.4% to CHF 384.8 million (previous year: CHF 372.3 million). The adjusted EBITDA margin was 13.5% (previous year: 13.5%). Positive contributions to margins from strong price realizations and increased operational efficiency were partly offset by a negative product mix, higher functional costs from strategic investments in growth and profitability, customer inventory destocking, the residual impact of inflation on freight, labor, and energy costs, and adverse currency exchange effects.

Items affecting comparability totaled CHF –59.0 million at the EBITDA level (previous year: CHF –30.3 million). These costs principally relate to the organizational transformation program (CHF 42.4 million) and IT optimization (CHF 14.1 million).

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

dormakaba saw solid demand in most of its markets during the financial year 2022/23, with satisfactory order intakes and backlogs. All business segments made positive contributions to organic growth.

Organic sales in Region Americas rose by 10.5% to CHF 781.8 million, driven by higher sales prices, steady US commercial construction activity, and robust growth in multi-housing. Adjusted EBITDA increased to CHF 145.7 million (previous year: CHF 130.2 million), while the adjusted EBITDA margin improved to 18.6% (previous year: 17.5%). Price realization compensated for inflationary pressures; dormakaba also realized efficiencies in the sales process, reaping benefits from an internal reorganization executed earlier in the financial year.

Organic sales in Region Asia Pacific rose by 2.2% and stood at CHF 572.2 million year-on-year, mainly influenced by the lack of recovery in the Chinese market and a decrease of orders in the OEM business in H2. Adjusted EBITDA declined to CHF 92.6 million (previous year: CHF 101.2 million), with an adjusted EBITDA margin of 16.2% (previous year: 17.6%) mainly driven by lower plant outputs.

Organic sales for Region Europe & Africa grew by 8.0% to CHF 1,166.5 million year-on-year, driven by strong price increases and volume growth. Adjusted EBITDA decreased to CHF 219.8 million (previous year: CHF 232.6 million), which represents an adjusted EBITDA margin of 18.8% (previous year: 20.3%). The reduced margin resulted from a lower global demand for door hardware that led to a decrease in plant outputs.

Organic sales in Key & Wall Solutions grew by 12.1% to CHF 395.0 million year-on-year. Adjusted EBITDA margin substantially improved and concluded at 18.0% (previous year: 13.8%). This increase was mainly driven by a strong growth of profitable sales in the US market where Business Unit Movable Walls was able to leverage the situation of a changed competitive landscape. Simultaneously, Business Unit Key Systems was able to increase adjusted EBITDA margin by offsetting inflationary pressure with strong price realization.

Cash flow and net profit

Cash flow from operations increased to CHF 363.4 million (previous year: CHF 188.4 million). The operating cash flow margin (net cash flow from operating activities as a percentage of sales) increased to 10.1% (previous year: 4.6%) mainly due to tightly managed – and therefore decreasing net working capital. Free cash flow recovered from CHF −31.6 million to CHF 176.6 million.

dormakaba closed the financial year 2022/23 with a net profit of CHF 88.5 million (previous year: CHF 38.8 million). The net profit figure for the current year reflects a negative impact of CHF 59.5 million from goodwill amortization. dormakaba decided to fully apply the revised Swiss GAAP FER standard (FER30) starting in financial year 2022/23. This led to a change in regarding the standard's accounting policy choice for goodwill accounting to increase transparency and improved comparability regarding acquired businesses. Goodwill is now being capitalized and amortized in the income statement.

The Board will propose to the 2023 Annual General Meeting (AGM) that a dividend of CHF 9.50 per share be paid out for the financial year 2022/23 (previous year: CHF 11.50). This corresponds to a payout ratio of 51.9%, taking into account the costs related to organizational transformation but excluding the effects of the revised goodwill accounting described above.

Sustainability progress

dormakaba is committed to an industry-leading sustainability framework as part of its S4G strategy, with over 30 ambitious ESG targets. The financial year 2022/23 saw positive performance in several key indicators.

dormakaba's sustainability innovations included a sensor-controlled automatic door system that significantly improves a building's energy balance, reduces costs, and ensures greater user safety. A new Door Efficiency Calculator lets customers include sustainability factors when choosing suitable automatic doors for their buildings. These innovations received a highly positive reception at the BAU 2023 trade fair. Integrating a comprehensive list of sustainability criteria in their design phase met dormakaba's 2023 target for all new product development and optimization to comply with its circularity policy.

dormakaba achieved its annual target to reduce its Scope 1+2 carbon emissions by 4,004 tCO2 in line with the IPCC's global <1.5°C pathway. Since January 2023, the company's Chennai (India) manufacturing facility has operated 440 solar panels with a capacity of 240 kilowatts peak (kWp), providing enough on-site solar energy to cover 100% of its electricity needs – just a part of dormakaba's 50% overall increase in on-site solar energy generation.

dormakaba is well-positioned to respond to the new requirements of rapidly evolving global sustainability regulations. The EU Corporate Sustainability Reporting Directive, the German Supply Chain Due Diligence Act, and mandatory requirements to apply recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) in various jurisdictions are just some of the factors changing the way companies do business. As a first step in alignment with the TCFD, dormakaba has made public its climate transition plan in the Sustainability Report 2022/23.

Changes in the Board of Directors (BoD)

As of 1 May 2023, Svein Richard Brandtzæg took over as Chairman from Riet Cadonau, who left the Board at end of April. At the same time Thomas Aebischer assumed the role of Vice-Chair. Board member Daniel Daeniker will step down as of the AGM on 5 October 2023. All other members will stand for re-election for another one-year term of office, ending the next AGM. The BoD and the Executive Committee (EC) are highly appreciative of the very valuable contributions Daniel Daeniker has made to the development of dormakaba during his tenure. We wish him all the best for his future endeavors.

The Board of Directors intends to propose Ines Pöschel (55) and Till Reuter (55) for election as new members at the upcoming AGM. Further information on the proposed new Board members can be found at dk.world/news. Through the changes that have taken place since the last AGM in 2022, the position of the Chair as well as the positions of all committee Chairs are assigned to independent and non-executive Board members.

Further, the company proposes to increase the quota of women at the BoD by an additional 10% with these nominations. Based on a long-term proactive succession planning process with sustainable renewal of experienced Board members, dormakaba intends to further increase this quota in the future.

Business outlook

The current business environment remains strongly characterized by uncertainties and a lack of visibility. Geopolitical risks continued to be on a high level, particularly in Asia and Europe (especially from the war in Ukraine). Further increasing interest rates in the fight on inflation might continue to slow down general economic growth including new construction activities.

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Based on a healthy order intake and orderbook at the end of 2022/23, dormakaba however expects to continually improve sales on year-on-year basis. For 2023/24, the company expects organic growth to be in line with its 3–5% mid-term guidance and profitability with a sequential improvement above 2022/23 performance.

We remain focused on the rigorous execution of the Shape4Growth transformation which includes both growth and cost management measures such as pricing, expense management through footprint optimization and organizational efficiency.

Thanks

We and the other members of the Board of Directors and the Executive Committee want to take this opportunity to express our appreciation for the commitment and dedication of our employees to the call to transform our company. We are aware that these are challenging times for a significant number of our employees and are all the more appreciative of their continued high level of engagement and contributions. A warm-hearted “thank you” to all colleagues for your resilience and time invested to make our joint vision a reality. We are deeply grateful to our customers, whose needs are at the center of all that we do and whose loyalty is key to our success. And we renew our warmest thanks to our shareholders for their continued trust in the potential of our company to accelerate sustainable and profitable growth.

Yours sincerely,

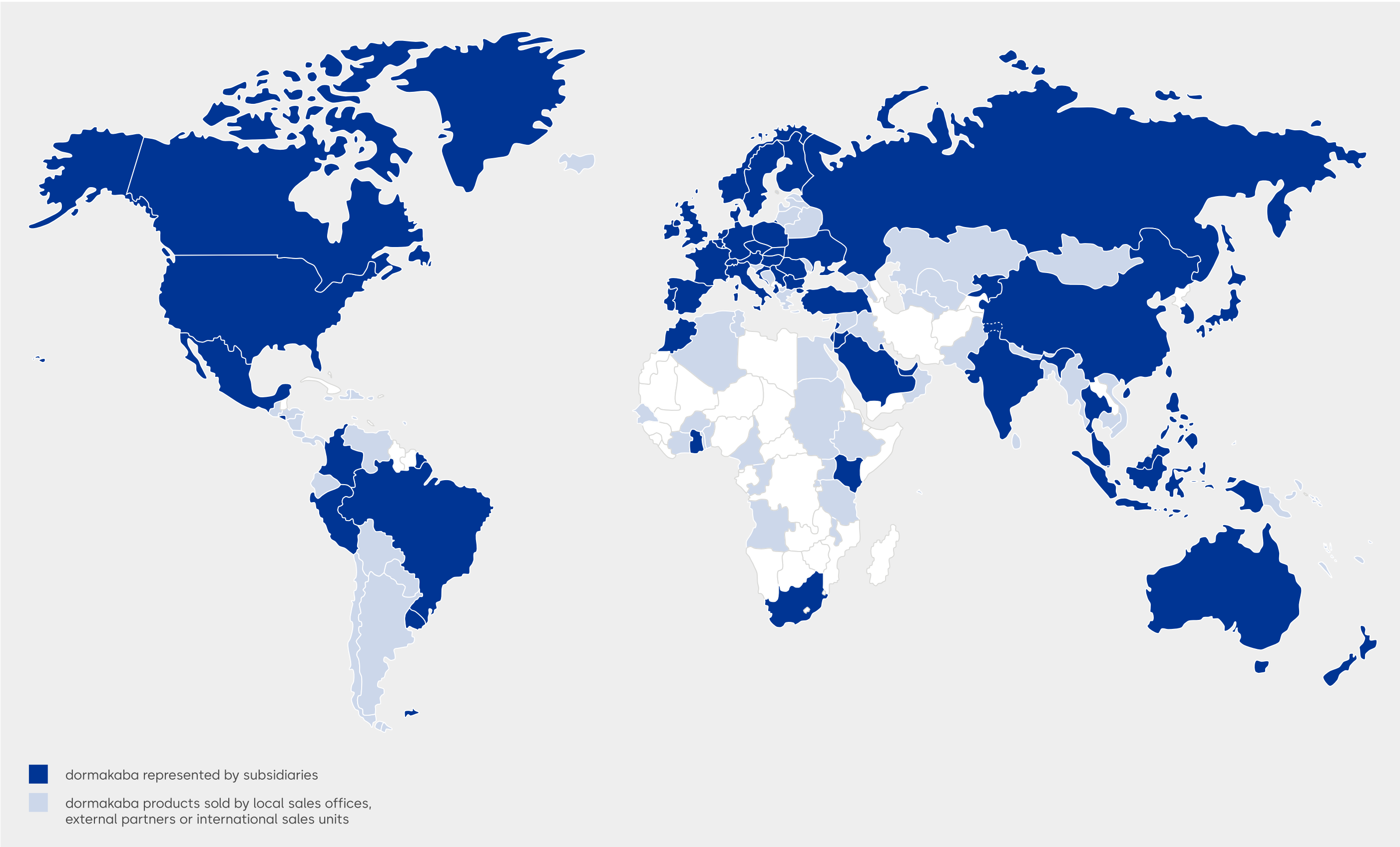
Svein Richard Brandtzæg
Chairman

Jim Heng Lee
CEO

2022/23 in brief

- Net sales of CHF 2,848.8 million, growth of 3.3%
- Organic sales growth of 8.4%
- Adjusted EBITDA increased by 3.4% to CHF 384.8 million with an adjusted EBITDA margin of 13.5%
- Net profit of CHF 88.5 million
- Operating cash flow margin increased to 10.1%
- Dividend proposal of CHF 9.50 per share

dormakaba worldwide



Region Americas

Region Americas is comprised of the former segment Access Solutions AMER (AS AMER). All figures were consolidated according to the operating model valid until and including 30 June 2023.

Region Americas achieved total sales of CHF 781.8 million in the financial year 2022/23 (previous year: CHF 744.7 million). Organic sales growth was a strong 10.5%, with accelerated growth in the second half. Pricing contributed 7.8% to sales growth, offsetting inflationary pressure. The increase was driven by double-digit growth in the US, which benefited from a catch-up in price realization and strong volume growth contributions, notably from vertical markets for electronic airport, multi-housing, and hospitality security solutions.

All Product Clusters contributed to the top-line development except for Door Closers (excluding recently launched innovations such as the EHD9000). The Lodging business experienced strong growth across retrofit projects in hospitality and new construction installations in multi-housing, where dormakaba gained market share. Despite a decline in the crypto-currency ATM market, the Safe Locks business contributed strongly to the Region's overall growth. While the supply chain normalized and freight issues abated, the operating environment remained challenging due to labor availability challenges in the US. Electronic Access & Data recovered from the impact of historic scarcity of electronic components over the past few years, and now enjoys more normal supply conditions.

In the financial year 2022/23 dormakaba launched three major innovations in the Americas, supporting its focus on core product offerings:

- The Lyazon multifamily housing access integration platform, enabling API-based interoperability between the leading property technology offerings and dormakaba's Saffire multifamily housing system
- The BEST EHD9000 door closer: dormakaba's global door closer body platform in a region-specific housing with market leading features for installation ease, and exceptional product durability
- The Alvarado Argus V60 optical sensor barrier, enabling physical sensor barrier access control in spaces that were previously un-addressable due to space constraints (e.g., elevator lobbies)

All three new products were featured in the prestigious ISC West innovation showcase, with the EHD9000 and Alvarado Argus V60 winning awards. These innovations contributed to the strong regional result in financial year 2022/23 and set the ground for continued growth of dormakaba's latest market offerings.

Adjusted EBITDA improved to CHF 145.7 million (previous year: CHF 130.2 million) resulting in an adjusted EBITDA margin of 18.6% (previous year: 17.5%). The margin was positively impacted by price realizations which offset inflation, including higher costs for services and personnel. Additionally, dormakaba realized efficiencies in the sales process, thanks to an internal reorganization executed early in the fiscal year which reallocated territory and solution sales resources to improve customer reach and internal processing effectiveness.

As part of its execution of the Shape4Growth strategy, Region Americas increased investment in specification writers, whose number was increased during the year, and tools to support their market success. Total specification writing and specification output per FTE increased significantly in the year.

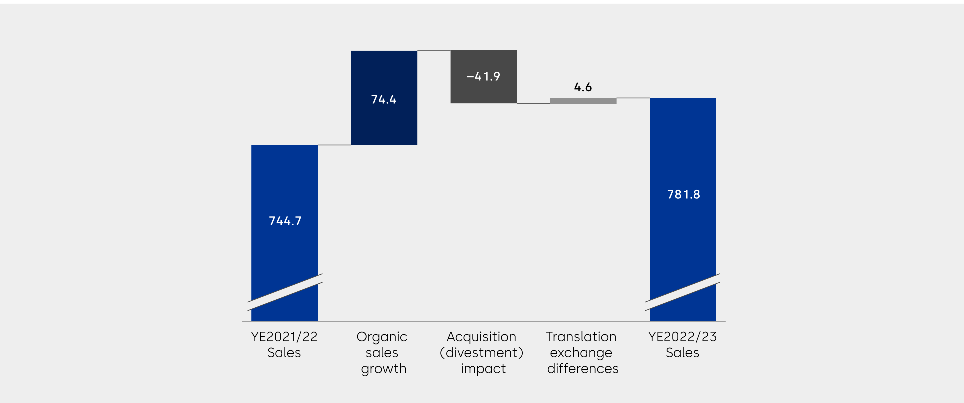
Overall sales showed good volume growth, with the second half of the financial year contributing strongly. The positive effects on margins more than offset inflationary pressures and a one-time inventory cost. Region Americas saw a substantial improvement in profitability in the second half-year of 200 basis points (vs first half-year 2022/23).

Key figures – Region Americas

CHF million, except where indicated	Financial year ended 30.06.2023	%	Financial year ended 30.06.2022 (restated)[1]	%	Change on previous year in %
Net sales third parties	772.2		736.8		4.8
Intercompany sales	9.6		7.9		
Total segment sales	**781.8**		**744.7**		**5.0**
Change in segment sales	37.1	5.0	72.7	10.8	
Of which translation exchange differences	4.6	0.6	17.2	2.6	
Of which acquisition impact	0.0	0.0	0.0	0.0	
Of which divestment impact	–41.9	–5.6	–1.3	–0.2	
Of which organic sales growth	**74.4**	**10.5**	**56.8**	**8.3**	
Adjusted EBITDA (Operating profit before depreciation and amortization)	**145.7**	**18.6**	**130.2**	**17.5**	**11.9**
Average number of full-time equivalent employees	1,534		1,730		

[1] dormakaba changed the Group internal accounting principles for IT cost allocation. To enable a fair comparison with the current year, the prior-year disclosures have been restated. Please refer to the chapter 5.1 of the notes to the consolidated financial statements of the Annual Report 2022/23 of dormakaba.

Sales (CHF million) – Region Americas



Region Asia Pacific

Region Asia Pacific comprises the former segment Access Solutions Asia Pacific (AS APAC) and the Market Middle East which used to be a part of the former segment Access Solution Europe Middle East & Africa (AS EMEA). All figures were consolidated according to the operating model valid until and including 30 June 2023.

Region Asia Pacific achieved total sales of CHF 572.2 million in the 2022/23 financial year compared to CHF 574.0 million in the previous year. Organic sales growth was CHF 12.1 million, a 2.2% year-on-year increase. Organic growth was secured by good growth in the Pacific market (including growth in the RELBDA business); additionally, airport projects in China and India supported overall sales. The project business in India showed strong sales in the first half of the financial year. The Asian OEM business recorded a decrease in orders in the second half-year, impacting regional sales. Overall, the second half-year was weaker in sales than the very good first half of 2022/23.

All major markets contributed to growth. India, Pacific, and the Middle East continued to post strong double-digit growth. Greater China recorded a substantial decline in sales, still being impacted by post Covid-19 effects. Door Hardware, Entrance Systems, Lodging Systems, and Mechanical Key Systems recorded double-digit growth.

Total adjusted EBITDA decreased to CHF 92.6 million (previous year: CHF 101.2 million), with an adjusted EBITDA margin of 16.2% (previous year: 17.6%). While the region showed good price realization, volumes stagnated. Margins benefited from a slightly better product mix resulting from decreased OEM sales; however, plant outputs in Asia Pacific decreased. This led to a negative impact on EBITDA as costs could not be reduced quickly enough to fully offset the volume drop.

From 1 July 2023 onwards, the OEM business of Wah Yuet (CN) and THLM (TW) will be reported in the Key & Wall Solutions and OEM segment.

Key figures – Region Asia Pacific

CHF million, except where indicated	Financial year ended 30.06.2023	%	Financial year ended 30.06.2022 (restated)[1]	%	Change on previous year in %
Net sales third parties	542.5		543.1		–0.1
Intercompany sales	29.7		30.9		
Total segment sales	**572.2**		**574.0**		**–0.3**
Change in segment sales	–1.8	–0.3	111.9	24.2	
Of which translation exchange differences	–26.1	–4.5	5.9	1.3	
Of which acquisition impact	12.2	2.2	55.8	12.0	
Of which divestment impact	0.0	0.0	–2.4	–0.5	
Of which organic sales growth	**12.1**	**2.2**	**52.6**	**11.3**	
Adjusted EBITDA (Operating profit before depreciation and amortization)	**92.6**	**16.2**	**101.2**	**17.6**	**–8.5**
Average number of full-time equivalent employees	3,561		3,527		

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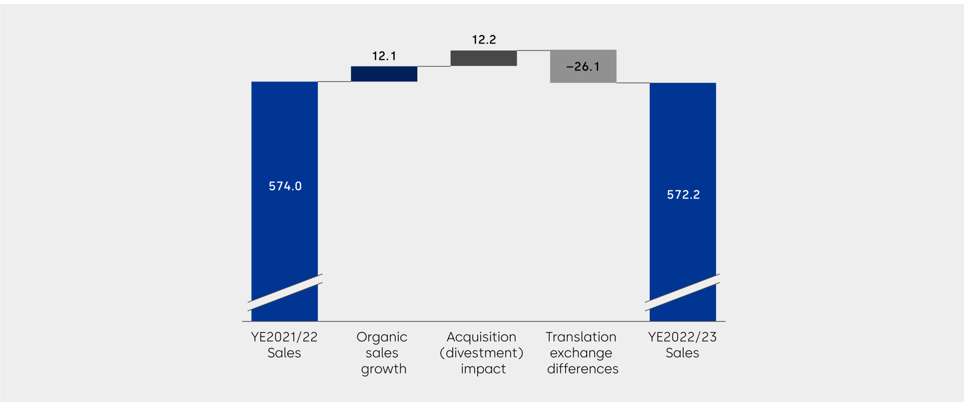
Sales (CHF million) – Region Asia Pacific



Region Europe & Africa

Region Europe & Africa is comprised of the former segments AS EMEA and AS DACH excluding the Market Middle East. All figures were consolidated according to the operating model valid until and including 30 June 2023.

Europe & Africa achieved total sales of CHF 1,166.5 million for the 2022/23 financial year (up 1.9% from CHF 1,144.5 million in 2021/22 financial year). Sales growth was substantially up in the second half of 2022/23, driven equally by volume and pricing. Organic sales growth of 8.0% was driven by a strong price increase realization of 5.6%.

All major markets contributed to the development of organic growth, which was mainly driven by the performances of core markets including Germany with double-digit growth, and Switzerland and UK & Ireland with mid-single-digit growth. Netherlands and Italy also achieved double-digit growth rates. Netherlands benefited from a weaker base in the past financial year.

Sales growth in France and Sub-Sahara Africa was lower, due to a lack of large projects compared to the previous year in addition to partial destocking activities of door closers in France and weaker underlying macro-economic conditions within Sub-Sahara Africa. As a consequence, and in line with dormakaba's Shape4Growth strategy, the legal entity in Kenya is currently in the process of being closed. The market will be served through an export model.

Entrance Systems recorded double-digit growth. Lodging Systems and Mechanical Key Systems also contributed to growth. Door Hardware, in particular door closers, were below prior-year level partially due to destocking in some European channels.

Adjusted EBITDA was CHF 219.8 million, translating to a margin of 18.8% putting it 150 basis points below the 2021/22 financial year. The benefit of overall strong price realization, which offset inflationary pressure and additional cost control measures, could not cover the negative contribution from the plants. This negative impact was mainly driven by a lower global demand for Door Hardware in the financial year 2022/23.

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Key figures – Region Europe & Africa

CHF million, except where indicated	Financial year ended 30.06.2023	%	Financial year ended 30.06.2022 (restated)[1]	%	Change on previous year in %
Net sales third parties	1,152.5		1,125.7		2.4
Intercompany sales	14.0		18.8		
Total segment sales	**1,166.5**		**1,144.5**		**1.9**
Change in segment sales	22.0	1.9	38.7	3.5	
Of which translation exchange differences	–70.4	–6.1	–25.6	–2.3	
Of which acquisition impact	21.7	2.0	34.6	3.3	
Of which divestment impact	–14.2	–1.2	–32.4	–2.9	
Of which organic sales growth	**84.9**	**8.0**	**62.1**	**5.9**	
Adjusted EBITDA (Operating profit before depreciation and amortization)	**219.8**	**18.8**	**232.6**	**20.3**	**–5.5**
Average number of full-time equivalent employees	4,093		3,932		

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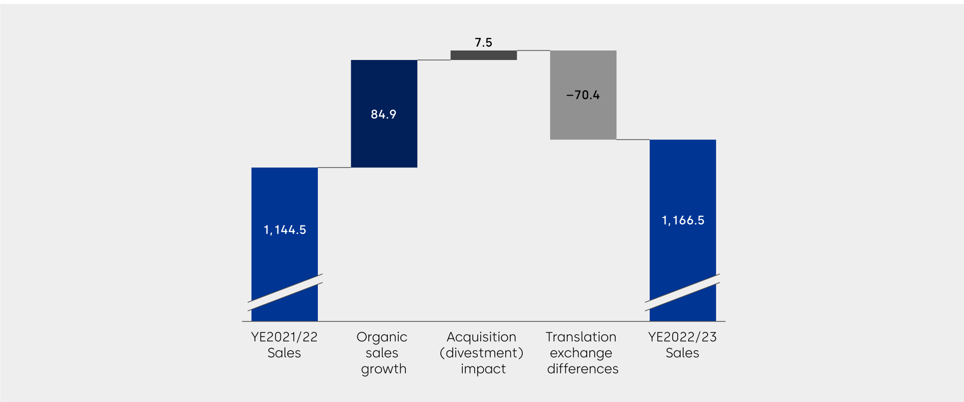
Sales (CHF million) – Region Europe & Africa



Key & Wall Solutions

In the financial year 2022/23, Key & Wall Solutions generated total sales of CHF 395.0 million (previous year: CHF 364.1 million). The segment grew organically by 12.1% for the full year, exceeding the growth rate of the prior year (5.7%).

Both Business Units the Key Systems and Movable Walls recorded good financial performances in the reporting period. Key Systems grew 3.9% organically, showing good demand in the Keys and Automotive Solutions business lines, while Key Cutting Machines recorded lower demand in major markets compared to the financial year 2021/22.

Sales for the Business Unit Movable Walls recorded double-digit growth in the financial year 2022/23. The improvement was mainly driven by a good conversion into sales of a Covid-related project backlog, in addition to strong market share gains in the US and excellent price realization throughout all regions. Consequently, organic growth for the full financial year was 24.0% (previous year: –0.6%).

Adjusted EBITDA for Key & Wall Solutions substantially improved during the year as well, at CHF 71.1 million for the full financial year compared to CHF 50.3 million for 2021/22 (a gain of 41.4%). The adjusted EBITDA margin increased by 420 basis points for the full year 2022/23 to 18.0% (previous year: 13.8%).

The adjusted EBITDA of the Business Unit Key Systems increased to 16.2% (previous year: 15.3%). The Business Unit was able to offset inflationary pressures with higher sale prices.

The adjusted Movable Walls Business Unit EBITDA margin increased significantly due to strong growth in profitable US market sales. The Business Unit was able to leverage the changed competitive landscape. As a result, adjusted EBITDA increased significantly by 860 basis points to 20.2% (previous year: 11.6%).

From 1 July 2023, the Key & Wall Solutions business segment integrated dormakaba's OEM (original equipment manufacturer) production operating under the new name Key & Wall Solutions and OEM. This will allow dormakaba to harvest synergies in the area of OEM manufacturing by leveraging the existing global experience in the Key & Wall Solutions segment stemming from the automotive business line.

Key figures – Key & Wall Solutions

CHF million, except where indicated	Financial year ended 30.06.2023	%	Financial year ended 30.06.2022 (restated)[1]	%	Change on previous year in %
Net sales third parties	381.6		351.3		8.6
Intercompany sales	13.4		12.8		
Total segment sales	**395.0**		**364.1**		**8.5**
Change in segment sales	30.9	8.5	19.3	5.6	
Of which translation exchange differences	–11.7	–3.2	–0.2	–0.1	
Of which acquisition impact	0.0	0.0	0.0	0.0	
Of which divestment impact	0.0	0.0	0.0	0.0	
Of which organic sales growth	**42.6**	**12.1**	**19.5**	**5.7**	
Adjusted EBITDA (Operating profit before depreciation and amortization)	**71.1**	**18.0**	**50.3**	**13.8**	**41.4**
Average number of full-time equivalent employees	1,905		1,918		

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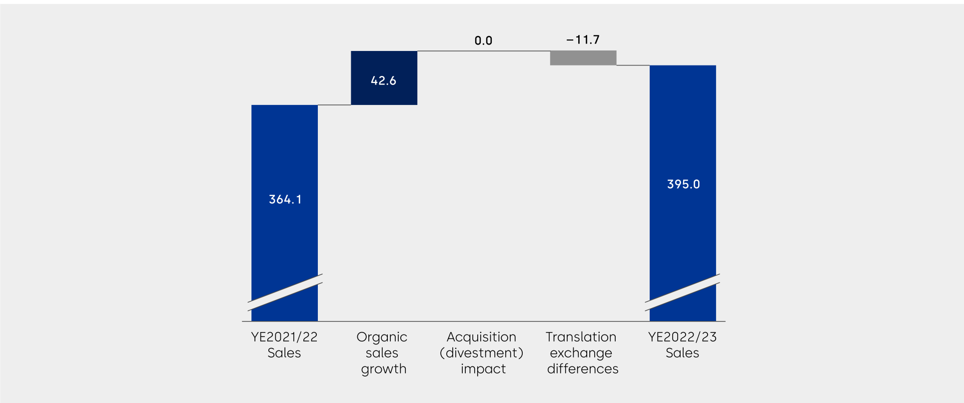
Sales (CHF million) – Key & Wall Solutions



Outlook

Market development and geographies

Despite the level of uncertainty that arose over the course of 2022/23, relating in particular to inflation and the effects stemming from the ongoing war in Ukraine, dormakaba expects macro-economic factors to remain stable for the commercial construction industry.

In the 2023/24 financial year, the company expects continued organic growth in the Americas based on healthy order intake, a strong order book, and continued pricing activities. Growth will be further supported by increased focus on specification, strong project pipelines with major brands, and a beneficial market development in K-12 education, Government, Multi-housing and Hospitality verticals.

For Region Asia Pacific, the company expects moderate growth in the financial year 2023/24. China will eventually emerge from the negative impacts resulting from Covid-19 and related strict policies and is expected to return gradually to normal growth of business. The Pacific market has a strong pipeline and predicts continued growth in healthcare supported by a strong commercial market with refurbishments and repurposing of buildings. India will continue its focus on infrastructure development supported by strong economic growth indicators.

The uncertain economic environment in Europe limits forward visibility. However, the outlook across Europe & Africa remains broadly positive with order intake surpassing sales revenue during the year, resulting in a high single-digit increase of orders at hand. As Germany, Switzerland, and UK & Ireland represent three of the five focus countries, they will benefit from additional initiatives under the transformation program, announced on 3 July 2023, adding to the ongoing initiatives of sales excellence, price realization, and consolidation of smaller countries as well as operational efficiency gains. Talent acquisition remains a significant issue in many European markets which could hinder dormakaba's ability to capitalize on the healthy order book and pipeline.

Key & Wall Solutions and OEM expects continued organic sales growth in 2023/24 based on a good order intake and backlog. The order book of Movable Walls shows a strong backlog in Europe and the Americas, remaining at a record level. Key Systems sees weak demand for Key Cutting Machines which may continue in the foreseeable future. Overall, the segment expects Business Unit Key Systems to remain stable and Business Unit Movable Walls to continue growing.

The company therefore expects that 2023/24 financial year will show organic growth in line with its mid-term target range of 3-5% along with a continuation of the sequential improvement in its adjusted EBITDA margin.

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Financial Overview

The annual report 2022/23 incorporates two changes in accounting principles, leading to a restatement of the previous period in comparison to last year's report:

- The revised Swiss GAAP FER "Consolidated Financial Statements" (FER 30) has already been adopted as of financial year 2022/23. The reassessment of accounting policies under the new standard resulted in a change in the accounting policy for goodwill. In order to increase transparency and comparability of acquired companies, goodwill is now capitalized and amortized in the income statement.
- From July 2022, dormakaba simplified its internal IT cost allocation principles in alignment with the Shape4Growth (S4G) corporate strategy. IT costs are now allocated to regions and functions by number of users, as a share of the total costs, increasing transparency in segment performance and the functional cost. In the past, charges to regions and functions were based on consumed services within a catalogue.

For more information, please refer to the "Consolidated Financial Statements Chapter 5.1 Change in accounting principles and restatement of previous period" section of this report.

The financial year 2022/23 was characterized by strong organic growth which was most pronounced in the Regions Americas, and Europe & Africa, and the Key & Wall Solutions segment. Asia Pacific continued to experience the effects of a slower development in China, where Covid-related lockdowns until January 2023 and cash constraints affected the construction industry. While supply chains recovered, inflationary pressure remained high in Europe and the US. Despite these headwinds, dormakaba was able to show a sequential improvement in profitability over the year, especially from the first to the second half of the financial year.

dormakaba increased absolute net sales by 3.3% to CHF 2,848.8 million in 2022/23 (previous year: CHF 2,756.9 million); organic sales increased by CHF 217.4 million, or 8.4% (impact from acquisitions & divestments: -0.5%, translation exchange effects: -4.0%). Absolute adjusted EBITDA increased by 3.4% to CHF 384.8 million (previous year: CHF 372.3 million); adjusted EBITDA margin remained at the level of the previous year at 13.5%. Net profit of CHF 88.5 million (previous year: CHF 38.8 million (restated)) was impacted by the change in goodwill accounting mentioned above, as well as by expenses linked to strategy implementation, including the conception of the S4G transformation program announced on 3 July 2023.

The transformation program represents an important step towards achieving better profitability and sustainable volume growth. It is designed to ensure that the company's mid-term financial targets are attained: annual organic sales growth of 3-5% for each future financial year, a 16% to 18% adjusted EBITDA margin achieved in 2025/26 financial year, and a ROCE of above 30% starting from the 2025/26 financial year. This program is projected to deliver estimated combined cost savings with a yearly run-rate basis of approximately CHF 170 million per year by the end of 2025/26. One-off costs of approximately CHF 225 million and a one-time additional CAPEX investment of around CHF 100 million in IT and operations will be incurred starting in 2023/24. The main impact on Items Affecting Comparability (IAC) will materialize in the same year. For 2022/23, there was an impact on items affecting comparability of CHF 59.0 million.

Sales

dormakaba increased absolute net sales by 3.3% to CHF 2,848.8 million in 2022/23 (previous year: CHF 2,756.9 million). Organic sales growth made the largest contribution (8.4%) to the overall sales increase, of which 6.9% represents pricing. In addition, portfolio adjustments (inorganic growth) added -0.5% to higher net sales, while currency translation effects had a negative impact of 4.0% on the top line.

Profitability

Absolute adjusted EBITDA increased by 3.4% and amounted to CHF 384.8 million (previous year: CHF 372.3 million). This includes a negative currency translation effect of CHF 14.6 million as well as a positive effect from acquisitions and divestments of CHF 9.4 million.

The gross margin for the reporting period was 39.9%, an increase on the previous year's level of 39.2% (restated). Strong realization of price increases offset inflationary pressure on raw materials and labor costs.

Continuing investment in strategy implementation, initial investment for the new transformation program, and increased sales and marketing activities impacted sales, marketing, and general administration costs. At CHF 767.3 million, these were above the previous year's level of CHF 715.3 million and represented 27.0% of sales.

The adjusted EBITDA margin for financial year 2022/23 was 13.5% (previous year: 13.5%). Profitability improved sequentially during the financial year (second half-year 2022/23: 14.0%, first half-year 2022/23: 13.0%). Due to higher sales volumes, tight cost management, and increased sales prices, which more than offset inflationary pressures including higher raw material, labor, and energy costs.

Total items affecting comparability amounted to CHF –118.5 million on EBIT (previous year: CHF –190.4 million, restated). These were mainly related to goodwill amortization and the implementation of the Shape4Growth strategy and included CHF 59.5 million depreciation and amortization (previous year: CHF 160.1 million), CHF 56.5 million in reorganization and restructuring expenses (previous year: CHF 32.1 million), and CHF 2.5 million in other exceptional items (previous year: CHF 0.3 million). Items affecting comparability did not include any gain or loss on divestment of businesses (previous year: CHF -2.1 million).

EBIT increased by CHF 86.0 million to CHF 189.0 million (previous year: CHF 103.0 million), and the EBIT margin was at 6.6% compared to 3.7% in the previous year.

Performance of Regions and Key & Wall Solutions

In financial year 2022/23, dormakaba continued to experience good demand in most markets, with price increase realization driving strong organic growth. Even better growth was impeded by labor shortages in key markets, especially in the service and installation business affecting the finalization of construction projects, and destocking activities in the door hardware business (door closers) which impacted sales in Europe in the first half of the financial year and in North America in the second half.

Organic sales growth in the **Region Americas** (North and South America) increased by 220 basis points to 10.5% in the financial year 2022/23. Growth was driven by continued recovery in the US commercial construction market (particularly in renovation and replacement), by good growth in hospitality and multi-housing, and by market share gains. The adjusted EBITDA margin of 18.6% (previous year: 17.5%) stemmed from better price realization and organizational efficiency gains from Shape4Growth initiatives. Margins were further supported by a favorable product mix.

Organic sales in **Region Asia Pacific** grew by 2.2% year-on-year, secured by good growth in the Pacific Area (including growth in the RELBDA business), as well as airport projects in China and India supporting overall sales. The project business in India showed strong sales in the first half of the financial year which more than compensated for weaker growth in China where the economy still suffered under restricted investment and cautious consumer expenditure stemming from Covid-19. The adjusted EBITDA margin was 16.2% (previous year: 17.6%). The region showed good price realization but volumes stagnated and plant outputs in Asia Pacific decreased, resulting in a negative impact on EBITDA.

Organic sales for **Region Europe & Africa** grew by 8.0% year-on-year. All markets except France and Sub-Sahara experienced strong growth and good price realization despite

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continuing project delays due to external construction site activity being low. The adjusted EBITDA was 18.8% (previous year: 20.3%). Higher sales volumes and price increases could not fully offset the negative impact of lower plant utilization in door hardware due to destocking activities.

Organic sales in **Key & Wall Solutions** experienced double-digit growth of 12.1% year-on-year. Organic sales of 24.0% for Business Unit Movable Walls resulted mainly from exceptional performance in the US supported by market share gains due to changes in the local competitive landscape. Business Unit Key Systems experienced organic sales growth of 3.9% year-on-year. The adjusted EBITDA margin for the segment was 18.0% (previous year: 13.8%). Both Business Units contributed to the increase in EBITDA margin with most of the growth stemming from Movable Walls.

Financial result, profit before taxes, and income taxes

The net financial result for the financial year 2022/23 amounted to CHF −47.4 million (previous year: CHF −28.4 million) due to higher interest rates in 2022/23.

Profit before taxes increased to CHF 142.2 million (previous year: CHF 74.9 million). Income taxes for the financial year increased to CHF 53.7 million (previous year: CHF 36.1 million). The effective income tax rate of 37.8%, (previous year: 48.5%) is significantly impacted by the amortization of goodwill.

Net profit

dormakaba closed the financial year 2022/23 with a net profit of CHF 88.5 million (previous year: CHF 38.8 million). Based on an unchanged dividend policy that aims to maintain a minimum payout ratio of 50% of consolidated net profit after minority interests, the Board of Directors proposes that CHF 9.50 per share be paid out for financial year 2022/23 (previous year: CHF 11.50), corresponding to a payout ratio of 51.9%.

Cash flow and balance sheet

Cash flow from operations increased to CHF 363.4 million (previous year: CHF 188.4 million) mainly resulting from tight net working capital management, focusing on inventories and trade receivables. As a result, inventories decreased by 9.2% to CHF 487.7 million (previous year: CHF 537.0 million), and accounts receivables totaled to CHF 461.2 million (previous year: CHF 482.8 million).

Net cash from operating activities of CHF 288.4 million (previous year: CHF 127.3 million) represented a good operating cash flow margin of 10.1% (previous year: 4.6%). Cash flow from investing activities of CHF −111.8 million (previous year: CHF −158.9 million) was mainly driven by investments in property, plant, and equipment totaling CHF 61.5 million (previous year: CHF 52.7 million). Cash flow from financing activities amounted to CHF −177.8 million (previous year: CHF −0.4 million) resulting from repayments of current borrowings.

As a result, free cash flow recovered to CHF 176.6 million, significantly above the previous year (CHF −31.6 million).

As of 30 June 2023, total assets stand at CHF 1,946.5 million. Of these current assets, cash and cash equivalents amount to CHF 122.1 million, while inventories stand at CHF 487.7 million (25.1% of total assets; previous year: 25.9%); trade receivables decreased to CHF 461.2 million (23.7% of total assets; previous year: 23.3%). Non-current assets consist mainly of property, plant, and equipment worth CHF 398.1 million (20.5% of total assets; previous year: 19.8%).

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Total liabilities at financial year-end totaled CHF 1,611.9 million (82.8% of total assets; previous year: 82.6%), of which CHF 320.1 million is accounted for by the corporate bond due in October 2025. A CHF 275.0 million Swiss domestic bond was issued in October 2022. With the collected funds and own cash on hand, the CHF 300 million "bridge to bond" credit facility with a major Swiss bank that was secured in June 2022 was fully repaid.

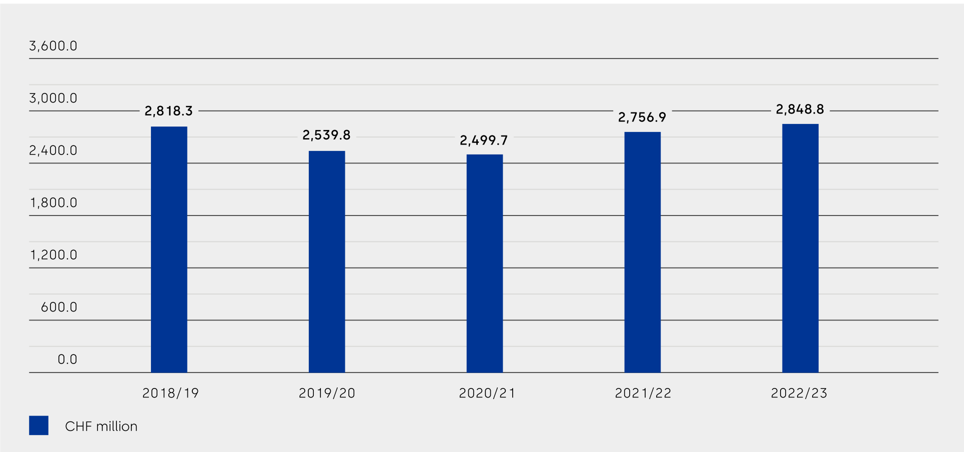
Net financial debt decreased by CHF 111.2 million to CHF 596.9 million as of 30 June 2023 (previous year: CHF 708.1 million). Financial leverage, defined as net debt relative to adjusted EBITDA, was 1.6x (30 June 2022: 1.9x net debt/adjusted EBITDA). The company fully complies with the syndicated credit facility covenant.

As of 30 June 2023, the company's equity stands at CHF 334.6 million, which represents an equity ratio of 17.2% (previous year: CHF 360.6 million or 17.4%).

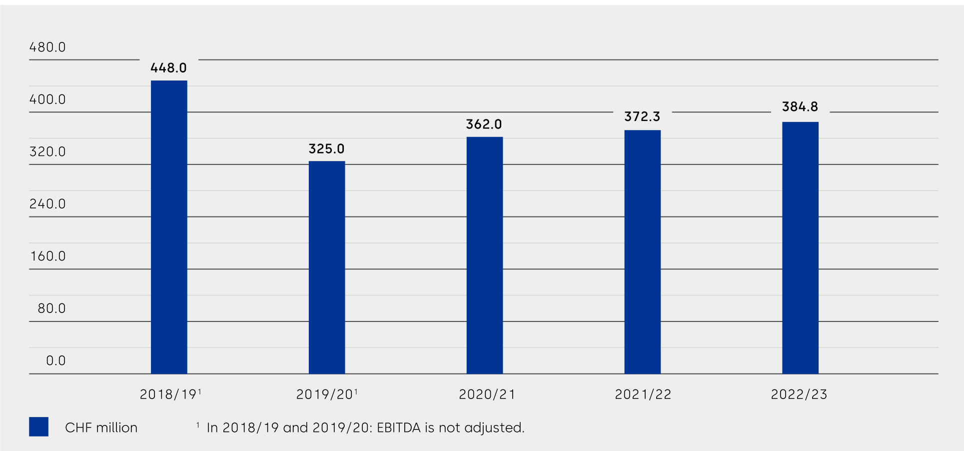
Currency effects

During the financial year 2022/23, the average euro exchange rate against the Swiss franc decreased by 6.5% from 1.050 to 0.982. The average Swiss franc exchange against the US dollar rose slightly from 0.932 to 0.939. Most other major currencies appreciated against the Swiss franc, including the Canadian dollar by 4.8%, the British pound by 9.0%, and the Chinese renminbi by 6.2%. Currency translation had a negative impact of CHF 109.2 million on net sales and a negative impact of CHF 14.6 million on adjusted EBITDA.

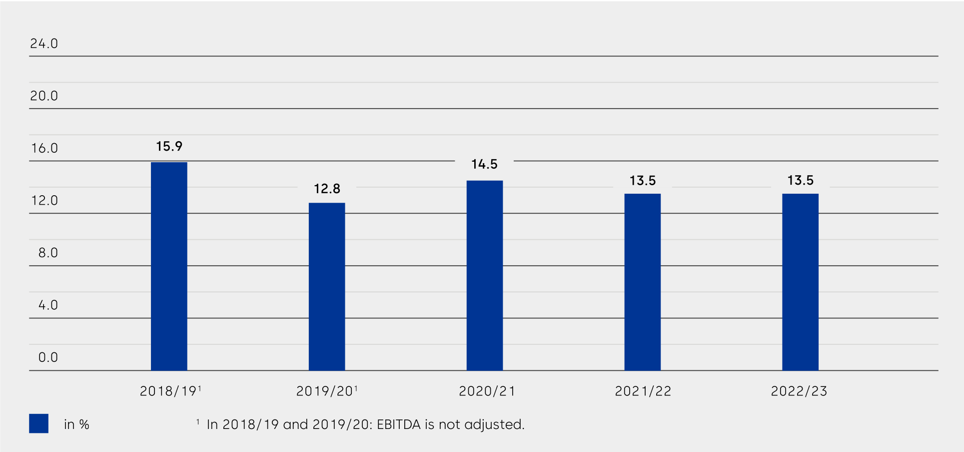
Sales



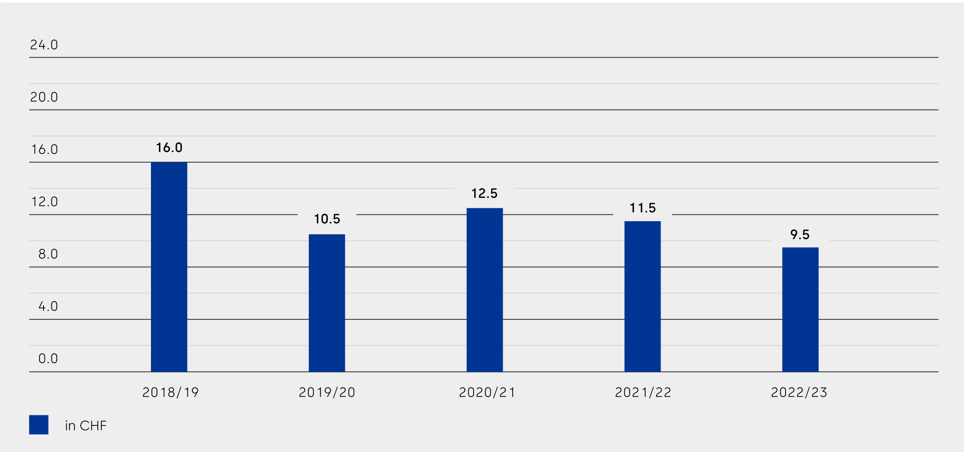
Adjusted EBITDA



Adjusted EBITDA margin



Dividend per share

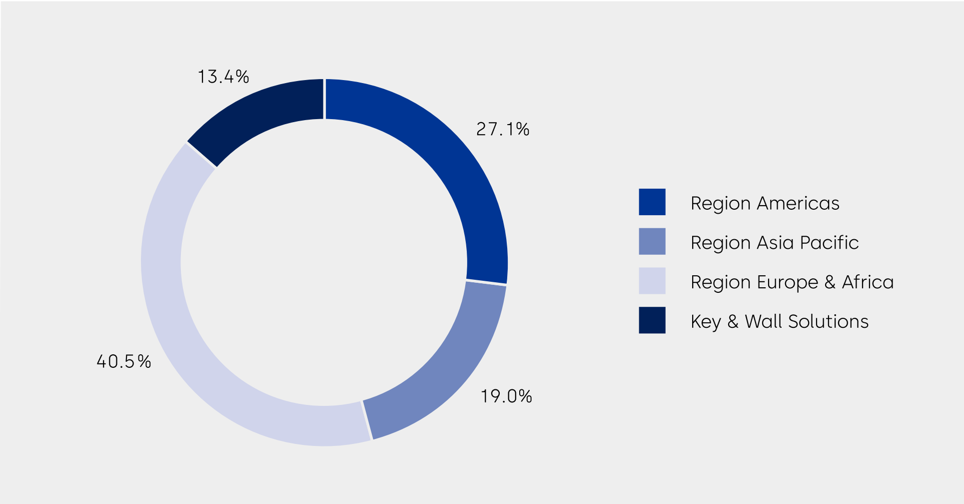


Key figures

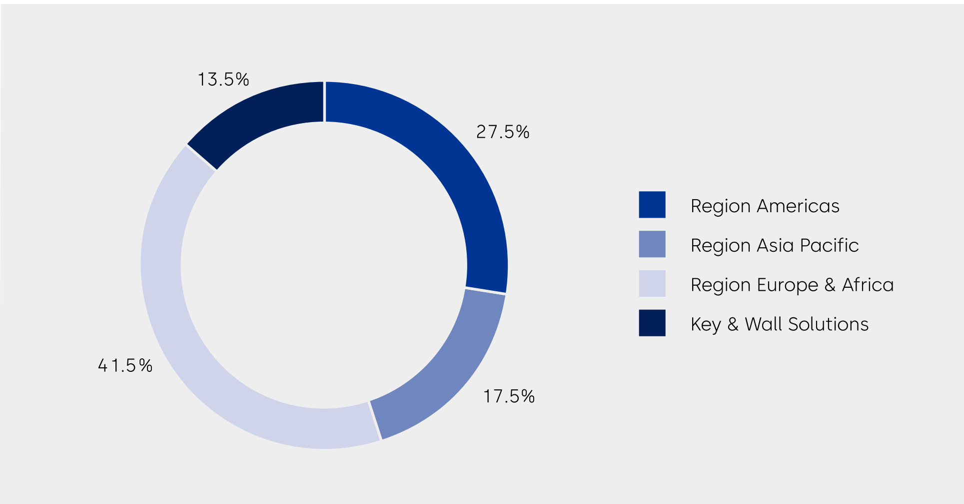
CHF million, except where indicated	Financial year ended 30.06.2023	%	Financial year ended 30.06.2022 (restated) [2]	%
Net sales	**2,848.8**		**2,756.9**	
Change in sales	91.9	3.3	257.2	10.3
Of which translation exchange difference	–109.2	–4.0	–3.0	–0.1
Of which acquisition impact	33.9	1.3	90.4	3.7
Of which divestment impact	–50.2	–1.8	–20.9	–0.8
Of which organic sales growth	**217.4**	**8.4**	**190.7**	**7.7**
Adjusted EBITDA (Operating profit before depreciation and amortization)	**384.8**	**13.5**	**372.3**	**13.5**
Adjusted EBIT (Operating profit)	**307.5**	**10.8**	**293.4**	**10.6**
Profit before taxes	142.2	5.0	74.9	2.7
Net profit	88.5	3.1	38.8	1.4
Dividend per share (in CHF)[1]	9.5		11.5	
Other key figures				
Total assets	1,946.5		2,071.9	
Net debt	596.9		708.1	
Market capitalization	1,683.0		1,740.3	
Average number of full-time equivalent employees	15,519		15,495	

1 Financial year ended 30.06.2023: proposal to the Annual General Meeting; distribution of an equal share from the reserves from capital contributions and from statutory retained earnings.
2 dormakaba changed the choice of accounting policies for goodwill accounting. To enable a fair comparison with the current year, the prior-year disclosures have been restated. Please refer to the chapter 5.1 of the notes to the consolidated financial statements of the Annual Report 2022/23 of dormakaba.

Third-party sales by segments



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



Corporate Information

dormakaba Holding AG is the parent company of dormakaba Group, which was formed by the merger on 1 September 2015 of two previously unaffiliated enterprises: the family-owned German company Dorma Holding and the Swiss Kaba Group. Following the merger, dormakaba Holding AG owns 52.5% of dormakaba Holding GmbH + Co. KGaA, an intermediate holding company that comprises all the operating entities of the Group and is fully consolidated in the financial statements prepared by the parent company. Minority interests are shown separately as part of equity capital. dormakaba Holding AG's consolidated financial statements are reported in Swiss francs (CHF) and for the financial year that runs from 1 July 2022 to 30 June 2023. They are prepared in accordance with Swiss GAAP FER, 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).

Beyond its obligations under Swiss GAAP FER, dormakaba Holding AG produces a Group Management Report that meets the requirements of the Swiss Code of Obligations (Schweizer Obligationenrecht, OR), particularly Art. 961c; of Section 315 of the German Commercial Code (Deutsches Handelsgesetzbuch, HGB); and of Standard 20 of the German Accounting Standards (Deutscher Rechnungslegungs Standard Nr. 20, DRS20).

[1] Section (§) 290 of the German Commercial Code (Deutsches Handelsgesetzbuch, HGB) requires dormakaba Holding GmbH + Co KGaA to prepare consolidated financial statements, and § 315 obliges it to prepare a Group Management Report. However, § 292 exempts dormakaba Holding GmbH + Co KGaA 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 have been produced in accordance with the relevant provisions of the HGB.

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 world's top three companies providing smart, secure, and sustainable access solutions. Its comprehensive portfolio of strong brands offers customers a broad range of products, solutions, and services for secure access to premises, buildings, and rooms. With a clear portfolio segmentation, dormakaba concentrates on global core businesses such as Access Automation Solutions (door operators, sliding doors, and revolving doors), Access Control Solutions (connected devices and engineered solutions), Access Hardware Solutions (door closers, exit devices, and mechanical key systems), and services. The company is also a market leader for Key Systems (key blanks, key cutting machines, and automotive solutions such as transponder keys and programmers), as well as Movable Walls including acoustic movable partitions and horizontal and vertical partitioning systems.

dormakaba has a long tradition of innovation and engineering expertise. It strives to be an innovation leader that anticipates and fulfills customer needs through continuous technological advancement, creating state-of-the-art solutions that add value for customers and end users alike.

dormakaba is active in around 130 countries and is present in all relevant markets through production sites, distribution and service offices, and collaboration with local partners.

Goals and strategies

As a publicly listed company, dormakaba's fundamental goal is to increase its long-term enterprise value across industry cycles and economic fluctuations. It is assisted in this by a strong Pool Shareholder Group that ensures the long-term orientation of its strategy. The company aims to create shareholder value while also furthering the interests of other stakeholders: most importantly its customers, as well as technology and distribution partners, employees, and associates.

dormakaba's corporate strategy – Shape4Growth (S4G) – is about transforming the company, shaping it to its full potential, and accelerating profitable growth. It does so by building on five strategic pillars:

- Accelerating profitable growth: To strengthen commercial and innovation capabilities. The regional layers were dissolved: all Access Solutions business, starting 1 July 2023, is now the responsibility of the Chief Commercial Officer (CCO), with the company's seven key markets (USA/Canada, Germany, Australia, Switzerland, UK/Ireland, China, and India) reporting directly to the CCO.
- Focus on customer centricity: The customer is at the heart of everything we do. As a result, dormakaba invests in tailoring services to the needs of our customers and specification capabilities, as well as reducing complexity in the operating model. Furthermore, the company puts sustainability at the center of its business model: Recognizing that sustainable operations are key to continued growth, Shape4Growth sets out an industry-leading sustainability framework with ambitious targets across three strategic areas: Planet, People, and Partnerships.
- Improve operational excellence and gain scale: dormakaba strives to continuously improve efficiency and effectiveness across the entire value chain. To support that, the company is driving a more global management of functions (e.g. HR, Finance, Operations) and driving economies of scale by bundling our activities across markets and functions. Furthermore, dormakaba is harmonizing its processes driven by global operating standards, optimized operating procedures, and investments in machines and technology to enable people and processes, as well as quality and efficiency.
- Realize effective capital deployment: Innovation is a key priority for dormakaba and the foundation that secures the company's future success by clearly differentiating ourselves from competition and delivering on true customer needs. dormakaba will pursue innovation with an increased focus on technologies, products and markets that offer the highest growth and profit potential. In addition, we continue to diligently manage our portfolio of businesses, products, and locations to reduce complexity, gain scale, and enable attractive returns on capital employed.
- Customer-centric and high-performance culture: dormakaba plays to win – fostering a culture that focuses on the customer and on high performance. We act as one global dormakaba team with effective, cross-functional collaboration enabled by transparency and accountability, and supported by state-of-the-art processes and technology.

Operating Model

Shape4Growth includes a change in dormakaba's operating model. The model builds on a more globalized management of our Operations and Product Development (Innovation) functions to secure efficiencies of scale and business synergies. This setup will be extended to globally managed Finance and HR functions.

The Executive Committee has been streamlined in line with the strategy and as of 1 July 2023 consists of the CEO, CFO, and COO plus a newly-appointed Chief Commercial Officer (CCO) and Chief Innovation Officer (CIO), along with the President Key & Wall Solutions and OEM.

The CCO will lead all Access Solutions market organizations. Those in the 5+2 core markets report directly, while the remaining markets are managed as three country clusters for greater efficiency. Customer excellence functions such as Strategic Marketing, Sales & OEM, Services, and the Product Management for Access Hardware Solutions and Access Automation Solutions are also under the CCO's lead.

Product Development, along with the combined Access Control Solutions and EntriWorX product management organization, remain the responsibility of the CIO. This distinction reflects the different requirements of mature versus emerging businesses – more mature product segments in Access Hardware Solutions and Access Automation Solutions move closer to the core markets and customers, enabling disruptive innovation in less mature and more dynamic segments. A detailed description of the new operating model appears in the Notes to the Consolidated Financial Statements for financial year 2022/23.

Management responsibilities

Strategic leadership of dormakaba is exercised 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, combined with the company's Articles of Incorporation and Organizational Regulations. The BoD delegates responsibility for day-to-day management of the business to the Chief Executive Officer (CEO), supported by the Executive Committee (EC). The powers and functions of the EC are set out in the Organizational Regulations. Further details of the internal management system are provided in the Corporate Governance Report 2022/23.

Compensation for the BoD and EC

The principles governing compensation for the BoD and EC are set out in the Articles of Incorporation. These include: the basic principles of compensation for the BoD (Article 23); the basic principles of compensation for the EC (Article 24); a binding vote on compensation at the General Meeting of Shareholders (Article 22); the maximum additional amount of compensation for new EC members (Article 25); agreements with members of the Board of Directors and the Executive Committee, and notice periods for the members of the Executive Committee (Article 26); and their credits and loans (Article 28).

The Compensation Report, which provides further details on the compensation system and on compensation paid out in the financial year 2022/23, is available here.

Sustainability reporting

Responding to the needs and expectations of society, customers, and employees, dormakaba has made a long-term commitment to fostering sustainable development along its entire value chain, recognizing its economic, environmental, and social responsibilities to current and future generations.

The company's sustainability framework is based on a rigorous materiality assessment: Monitoring global trends and engaging with key stakeholders, dormakaba has identified ten material topics that are most relevant for stakeholders and where the company has the highest potential impact. The framework outlines sustainability standards and measures for

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the period from 2021 to 2027, grouping topics according to three broad categories: People, Planet, and Partnerships.

The dormakaba Sustainability Report 2022/2023, prepared in accordance with Global Reporting Initiative (GRI) standards, contains detailed information on the company's sustainability framework, measures, and progress. The information published on dormakaba's sustainable economic activities is in line with the EU's Taxonomy Regulation. dormakaba is taking active steps to comply with forthcoming regulations on non-financial reporting, including the Swiss ordinance on disclosure based on the indirect counter-proposal to the Responsible Business Initiative, and the recommendations of the Task Force on Climate Related Financial Disclosures. The Sustainability Report is supplemented by annually issued reports on related matters, such as the Modern Slavery Statement, the Communication on Progress to the UN Global Compact, and in the submission to the Carbon Disclosure Project.

Research and development

The key to dormakaba's sustainable profitable growth is its strength in innovation. As of 1 July 2023, dormakaba will be putting even more focus on its innovative strengths: The newly established role of Chief Innovation Officer will lead all global engineering capabilities and be responsible for dormakaba's innovation strategy, including the platform and connectivity initiatives through the EntriWorX ecosystem. The company continuously develops new products, solutions, and services, supported by a substantial annual investment in R&D.

In the last two financial years, dormakaba has submitted applications for more than 100 technical patent families. Employees around the world contribute to the Group's innovation and product development, increasingly using data-driven ecosystems to create solutions that will satisfy future needs of customers and markets. The company has also set up a range of technology partnerships to realize the potential of its offerings in vertical markets such as airports, healthcare, lodging, and multi-housing.

The new operating model introduced under the Shape4Growth strategy means that all R&D and product development efforts are now organized as one global function. This has led to a range of initiatives to rationalize dormakaba's product offerings onto common hardware and software platforms, reducing time-to-market while increasing efficiency in product development. The company continues to enhance the value of digital transformation through sophisticated service offerings, including the first comprehensive support package covering the full life cycle of its products: not just planning and installation, but continuous, digitally provided day-to-day services. Further, dormakaba is building on its newly introduced security operating model by continuously improving of our management processes in accordance with international standards for information security such as ISO 27001.

Continued investment in digitalization and related product innovation has positioned the company well to provide its customers with effective solutions to their fast-evolving needs for safe, secure, and sustainable buildings. The adoption of seamless, touchless access and mobile solutions, originally prompted by the Covid-19 pandemic, has accelerated further, opening opportunities for dormakaba in attractive vertical markets such as healthcare and multi-housing.

dormakaba continues to embed sustainability in the core of its product development. Several sustainability innovations have been brought to the market, including an energy efficiency calculator and a novel sensor system for automatic doors to optimize each building's energy consumption.

This financial year has seen a wide array of new product launches around the globe including the following business areas: Digital Services, Access Control, Access Automation, Access Hardware Solutions together with Key Systems and Movable Walls.

In digital services, dormakaba has launched a range of linked products based on the **9240 EntriWorX Unit**, which coordinates and controls communication between devices and the **Exos** access management system. The **EntriWorX Setup App** distributes "digital twin" data from a door planned in **EntriWorX Planner** to commission the physical door for its intended function. The **EntriWorX Door Insights** web app gives customers a self-service option to monitor installations and receive help in resolving minor issues. EntriWorX Supported Service allows more major problems to be resolved remotely by dormakaba experts, and provides

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on-site technicians with all the information required. dormakaba Lyazon integrates with third-party systems, giving fluid control over access points using the customer's preferred platform. Meanwhile, Exos with KONE People Flow offers combined software-based elevator and access control.

The **Saffire EVO Lock,** another new launch, connects directly through Wi-Fi to provide an easy-to-use, secure, and flexible access control solution, using mobile BLE credentials, RFID Cards/Fobs or PIN codes for access to residential units or common doors.

New access automation products include the **Argus V60,** a space-saving speed gate with proprietary tailgating sensory technology; it allows installation in the smallest spaces and has won international security and design awards. The RC Touch touchscreen remote control allows simultaneous or individual control of up to ten access-control units equipped with the new Connector One expansion unit, which provides a LAN interface to integrate doors and security gates into modern OPC UA standard smart building systems.

New access hardware includes the **ES PROLINE** range of drive systems for automatic sliding doors, with modular features allowing use in almost all applications. This system has been launched in central European markets and has a global launch scheduled for August 2023. In the institutional market, the **EHD9000** extra heavy-duty cast-iron rack-and-pinion closer competes directly with the leading North American market closer product.

Flexy represents a semi-industrial solution for key systems executing automatically different key working phases including milling, dimple drilling, and bitting operations. The machine is driven directly by 3D CAD information. It is completely reconfigurable and customizable based on specific needs of different industries and users. In the professional automotive locksmithing market, dormakaba's cloud cloning solutions can duplicate 99% of the transponders for around 99% of the cloneable vehicle keys in global circulation.

Finally, **Skyfold Prisma** is the first and only vertical folding acoustic glass partition; its beta installation is scheduled for the second quarter of the 2023/24 financial year. Skyfold Prisma ensures confidentiality for meetings, classes, and collaboration while providing unencumbered sightlines and natural illumination.

Market conditions

In the financial year 2022/23 dormakaba operated in a business environment that was characterized by various factors. On the positive side, demand in the commercial construction area remained at a high level in all regions and the company closed the year with a good order intake and backlog in all regions. This enabled dormakaba to increase organic growth to 8.3% in the financial year 2022/23.

The macroeconomic environment showed a recovery in supply chains with shipping costs and suppliers' delivery times going back to pre-Covid levels in late 2022. As a consequence of the recovery in the supply chain, some customers and distributor destocked their inventories during 2022/23, which impacted demand in Europe in the first half of 2022/23 and in the Americas in the second half. Meanwhile, the risk for further disruptions and resulting insecurities remained high due to the ongoing war in Ukraine. Demand in China recovered compared to the prior year but was still below expectations due to Covid-19 restrictions and shutdowns. Shortages in labor and a highly competitive employment situation in the US caused delays especially in the Project and Services business. Inflationary pressure remained high causing central banks especially, in the US and Europe to increase interest rates frequently. dormakaba successfully continued to increase sales prices to offset inflation, driving sequential improvement of profitability in all sales regions in the second half of the financial year 2022/23 despite the first half being historically stronger.

The impacts of the war in Ukraine and further accelerated inflation continued to slow down GDP growth development. In the first and second quarters of the financial year 2022/23, GDP in the G20 countries recorded quarter-on-quarter growth of 1.3% and 0.3%, respectively (OECD, 2022). In the third quarter of the financial year 2022/23, GDP growth slightly recovered, at 0.9% with the biggest quarter-on-quarter changes occurring in China, Brazil, and India (OECD, 2023).

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 2022/23 can be found in the Financial Performance section of this Group Management Report and in the Consolidated Financial Statements for the financial year 2022/23.

Non-financial performance indicators

dormakaba has defined a set of strategic non-financial performance indicators for the current strategy cycle. These were introduced during the Capital Markets Day in November 2021 and are continuously tracked, although not used for operational control. The main non-financial performance indicators are the following:

Customers and products

Customer satisfaction and product quality are crucial for dormakaba as a brand that stands for its high-quality products. Customer satisfaction is assessed through regular dialog as well as through local surveys.

Net Promoter Score (NPS)

This is a well-known metric that measures customer loyalty and satisfaction through one simple KPI: the likelihood of a customer recommending dormakaba. The NPS is collected on an annual basis through surveys covering all customer groups and product clusters in core markets. The results are monitored by management to identify any changes necessary to drive improvement in customer satisfaction.

Innovation Power

This metric captures how successful innovations are in relevant markets, and therefore how R&D efforts contribute to the overall success of the Group. As a KPI, it has become part of the Group incentive program, helping to ensure that innovation processes are well aligned to customer needs.

Human resources

Two indicators, Employee Engagement and Diversity & Inclusion, help to track dormakaba's success in its transformation towards a customer-centric and performance-oriented work culture that fosters accountability and ownership and enables professional growth.

dormakaba measures its Employee Engagement Index through periodic global surveys, the most recent of which was conducted in February 2023. Over 12,000 employees participated, responding to 32 questions on topics such as Me & My Work Environment, My Manager, Engagement, Shape4Growth, Inclusion, and Wellbeing. The results showed an Employee Engagement Index of 71% and an Employee Enablement Index of 74%.

dormakaba is committed to diversity in employment and has established concrete targets to improve the gender balance of management teams, including 33% of managers to be women by 2027, and 25% women in succession planning for senior management positions by the same date. There is further information on the targets and initiatives in the Sustainability Report.

Compliance and human rights

As a matter of course, dormakaba complies with all applicable laws and regulations at local, national, and international levels. Its internal company directives, based on a binding Group-wide Code of Conduct, apply globally and cover internal processes as well as relations with external partners, including customers, authorities, and suppliers. dormakaba has developed a range of measures and processes to prevent abuses and ensure that responsibilities are met; these measures and processes are continuously reviewed and refined. The Code of Conduct is available, in several languages, to all employees on the Group Intranet and to external stakeholders on the dormakaba website. All dormakaba employees participate in mandatory Code of Conduct training sessions.

The Code of Conduct and the Supplier Code of Conduct confirm dormakaba's commitment to respecting human rights. The Group's Human Rights Due Diligence (HRDD) framework and material topics are further described in its Statement of Commitment on Human Rights, which aligns with international standards, including the UN Guiding Principles on Business and Human Rights, and which will be revised to reflect the forthcoming requirements under the German Supply Chain Due Diligence Act.

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. In the financial year 2022/23, a key focus has been to further assess the salient issues of child labor through the continuation of a supply chain traceability project in collaboration with suppliers. In addition, the Statement of Commitment on Human Rights has been revised to reflect new requirements coming from the German Supply Chain Due Diligence Act, which will apply to dormakaba as of 2024. There is further information on human rights in the Sustainability Report 2022/23.

Environment

As a manufacturer, dormakaba inevitably consumes resources and generates waste and emissions; environmental issues are therefore highly relevant along the Group's entire value chain. In September 2021/22, dormakaba adopted its Environment Policy Directive, which defines its fundamental requirements and regulations for environmental performance. The directive has since been updated with new product development standards to reflect dormakaba's commitment to a circular economy. A detailed overview of the company's sustainability work and key benchmarks, including greenhouse gas emissions, energy consumption, water consumption, and waste management, is available in the Sustainability Report 2022/23.

Supply chain

dormakaba maintains a comprehensive, globally consistent procurement policy, based on detailed analysis of its own needs and rigorous assessment of current and potential suppliers, supported where necessary by on-site quality audits.

The dormakaba Supplier Code of Conduct outlines minimum requirements relating to human rights, fair working conditions, environmental responsibility, and business ethics, among other criteria. Supply chain risk assessment is based on seven families of indicators: energy and emissions; effluents and waste; occupational health and safety; materials; training and education; freedom of association; and human rights. dormakaba assesses suppliers' sustainability performance in collaboration with EcoVadis, the world's most trusted business sustainability ratings provider, and requires improvement plans where assessment results are unsatisfactory.

Further information is available in the Supplier Sustainable Development chapter of the Sustainability Report 2022/23.

Opportunity & Risk Report

Opportunities

Opportunities from market trends

The market for security and access solutions is in transformation. Megatrends such as the rising need for security, urbanization, demographic change, and increasing prosperity in emerging economies as well as new technological opportunities are driving demand but also require new approaches. Increasing digitalization of services, often cloud-based, is transforming our relationship with our physical surroundings. Patterns of work and travel have adapted to a “new normal” that is very unlike pre-pandemic life, and the need to reduce carbon emissions is becoming a global imperative. dormakaba intends to continue to invest significantly in innovation, product development, and sustainability in order to exploit the growth opportunities brought by these megatrends, and to achieve innovation leadership (see also the statements on Research and Development above).

Opportunities from industry consolidation

Opportunities also arise from the ongoing and anticipated consolidation of the industry in which dormakaba operates. 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 plans to further strengthen its market position and will therefore continue to play an active role in industry consolidation.

Opportunities from market position

dormakaba is already a global leader in security and access solutions; Its commitment to innovation and sustainability will help it maintain and improve that position as the industry consolidates. Its business is characterized by high resilience and barriers to entry. Digitalization, country-specific regulation, complex system integration, and continuing after-sales service all contribute to customers’ need for a close and continuing partnership with their chosen supplier. As a trusted innovator, with a comprehensive solutions portfolio, broad and deep global market presence, and strong pricing power, dormakaba is well-positioned to anticipate, influence, and participate in all significant developments in the building industry.

Opportunities from the “dormakaba” brand

The company’s brands are key assets in its business development as they play a significant role in creating customer loyalty and differentiation. The company’s main brand, “dormakaba” is well-known and appreciated in the market for its seamless flow and integrated access. It emerged from the combination of the renowned brands Dorma and Kaba following the merger in 2015. In addition, segmentation through strong regional, local, and independent brands help the company to improve channel penetration and market reach. This is why the company’s brand portfolio, beside the main brand dormakaba includes constituent brands such as Best, Alvarado, Kilargo, Groom, Dorma Hüppe, Modernfold, Skyfold, Silca, and Ilco that are just as well-established in the market and inspire long-term customer loyalty. The streamlining of the company’s operational model introduced by the Shape4Growth strategy will enable the Group as a whole to gain optimal benefit from market segmentation while maintaining strategic focus and operational efficiency.

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, section Goals and Strategies). 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 (see bullet points below). 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 ensure 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 2022/23.

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 the heads of Regions and Global Functions.
- Strategic risks are future events that may compromise the long-term development of dormakaba and prevent it from achieving its strategic objectives. Reports about strategic risks from the Regions and Global 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 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, although in functional terms it reports to the CFO. All audits performed in the financial year 2022/23 were in line with the (yearly) audit plan and approved by the Audit Committee.

Risks faced by dormakaba

a) Risks arising from business transactions

Our new strategy includes active portfolio management, acquisition, and divestments. 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 due diligence and 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 which are increasingly often connected. dormakaba is therefore more exposed to cybersecurity risks, e.g., hackers gaining 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 cybersecurity threats 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 cyber 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 as well as services, 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 mid-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, services, business models, and continuous improvement in operational excellence (efficiency), thus helping 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 support in improvement projects. To counter the increasing risk of cyberattacks aimed at information technology as well as operational technology, dormakaba established an information security organization that assesses cyber threats and orchestrates 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. Please see the Sustainability Report for specific information about measures and relevant certifications.

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 pandemics as well as war and trade conflicts between countries or country groups. Such 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.

Transnational activities might continue to be impacted by supply chain disruptions, while transportation prices remain at a high level. Shortages of certain commodities and components as well as energy have a negative impact on prices and availability. The war in Ukraine continues to exacerbate these tendencies, as do recent tensions relating to the Taiwan situation. For the time being, central banks' monetary policies remain on the stricter side, with further interest rate hikes to be expected especially, by the European Central Bank.

To adequately react to changes that might occur from a macroeconomic downturn, dormakaba implements state-of-the-art contingency planning to minimize the impact on business operations and supply chains, and thus on customers and employees, while at the same time placing a strong focus on its 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. 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.

Many industries face serious skills 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 that 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. Through employee engagement surveys, HR monitors employee engagement and management puts plans in place at several levels to work on elements where engagement should be improved.

c) Personnel risks

dormakaba's success depends on skilled and committed employees. The most significant personnel risks therefore involve skills shortages, where vacant positions cannot be filled properly, or competent employees leave the company. These risks are addressed through extensive employer branding initiatives, expanded talent acquisition practices, improved benefits and succession management, and through individual, targeted employee development programs.

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 for provision of redundant data and systems. dormakaba uses advanced threat protection solutions and operates a security operations center to further mitigate cybersecurity risks. A global information security management system (ISMS) in accordance with 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 the delay of integration projects and underperformance of important business or Group-wide processes, including financial damage.

e) Legal and tax risks

As a globally active group of companies, dormakaba is exposed to the risk of legal disputes involving such matters as product liability, competition and antitrust law, or intellectual property rights. Group-wide standards, training, and controls are in place to mitigate this risk.

Similarly, international business activities can give rise to potential tax-related risks. To identify and manage such tax risks, dormakaba sets directives and manuals based on a defined tax policy set by the Board of Directors. Intra-Group transactions can raise issues about the applicable tax jurisdiction: dormakaba applies the "arm's length" principle of the OECD (Organization for Economic Cooperation and Development), which dictates tax payment where the economic value is created. dormakaba files 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

All business activities have their compliance risks, especially when the business model involves worldwide production and sales, growth into new markets, and international procurement. Significant compliance risks include bribery and corruption, infringements of antitrust and competition law, fraud, preferential treatment of business partners out of personal motives, violation of intellectual property protection rights, and shortages of products or their improper installation.

The mission of Group Compliance is to support dormakaba management and employees in taking appropriate decisions, consistent with applicable laws and corporate regulations, and in acting with integrity. Its Compliance Management System meets the most stringent certification demands according to best practice standards. A Group Directive covering the main activities of dormakaba provides a full set of relevant internal rules and regulations and is regularly updated. In addition to the mandatory Code of Conduct trainings for all dormakaba employees, those whose roles expose them to compliance risks receive further training in antitrust and anticorruption measures.

g) Financial risks

dormakaba is exposed to the various financial risks that are part of doing business internationally, including default on trade receivables, liquidity and credit risks, and pricing risks from interest-rate and currency fluctuations.

The "European Market Infrastructure Regulation" (EMIR), the EU initiative to regulate OTC trade in derivatives, imposes an audit duty. During the annual audit under § 20 para. 1 of the German Securities Trading Act for the audit period from 1 July 2021 to 30 June 2022, it was confirmed that dormakaba has an overall and in all respects appropriate and effective system for ensuring compliance with the statutory requirements.

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.

The bridge-to-bond credit facility with a major Swiss bank signed in June 2022 was repaid with a successful debt capital market issuance of a CHF 275 million bond for 2022-2027 in September 2022. The new CHF bond, besides the existing CHF 320 million bond for 2017-2025, ensures a solid and well-balanced long- & short-term maturity structure of dormakaba's debt portfolio.

h) Other risks

The company's business model could also give rise to other risks not mentioned so far. These could be, for instance, sustainability compliance risks including compliance with materials restrictions laws or human rights due diligence laws, climate change risks, and liability risks resulting from local laws that are not known at Group level. dormakaba counters these risks by diverse measures, including its sustainability framework and organization, the consistently high quality of its products and services, the engagement of legal experts when the risk of a legal dispute is identified, or by taking out appropriate insurance cover. A full disclosure of climate change-related risks is made available in dormakaba's annual submission to the CDP.

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 and continuously monitored through the risk management system. When necessary, they are hedged using appropriate countermeasures.

With strong brands, 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. The Shape4Growth strategy places its focus on customer centricity and accelerating profitable growth, giving dormakaba even more leverage to make use of these strengths.

There is no sign of any risks that would endanger the continued existence of dormakaba. Currently no specific risk has been identified that could significantly affect the assets, financial position or earnings of dormakaba, neither is there evidence of any material liquidity risk. A material deterioration in the future assets, financial position and earnings is not expected given the current risk situation. This assessment is based on the assumption that no global economic recession hits the markets in the near future.

Forward-looking Report

Future prospects (forward-looking report)

The 2023/24 financial year has started with a normalization of the global supply chain. However, continuing concerns about the geopolitical and macroeconomic outlook remain present. Year-on-year, global GDP growth is projected to decline from 3.5% in 2022 to 3.0% in 2023 and 2024 (IMF World Economic Outlook, July 2023). With the war in Ukraine continuing, the widespread uncertainty continues to yield inflation of costs and the potential for a food crisis on a broader scale with the related risk of widespread unrest. Energy and commodity prices have dropped significantly since their peak in 2022 and supply chains normalized. While strong actions taken by authorities to contain turbulences in US and Swiss banking led to a reduction of turmoil in the financial sector, inflation is expected to remain above target for 2023 in 96 percent of economies with inflation targets. Both movements led to a decrease in headline inflation in most countries. However, strong growth of wages in labor-intense markets together with weak productivity growth, core inflation remains on a high level and showing a more gradual decline. As a consequence, central banks in Europe and the Americas have continued to increase rates while signaling further increases to come. For East Asian economies in particular meanwhile, core inflation has remained low, with the Chinese central bank cutting policy interest rates and the Bank of Japan keeping interest rates close to zero.

Global growth is expected to slow down in 2023 to 3.0%, remaining at that level in 2024. Due to a shift in composition towards domestic services, world trade growth is projected to decline significantly from 5.2% in 2022 to 2.0% in 2023 before rising again in 2024. While the slowdown is expected to be most visible in the most advanced economies, especially in the European Union, United Kingdom and the US, Asian economies outside China continue to outperform global growth trends (IMF World Economic Outlook, July 2023).

As a globally operating company, dormakaba will always be exposed to a wide range of risks and opportunities in the regions it operates in. To optimize its risk profile, dormakaba remains focused on gaining scale and optimizing its global presence to further improve the company's risk exposure, while leveraging business opportunities that emerge from global trends. The pursuit of the company strategy Shape4Growth including the recently announced transformation program, will set the company up to move toward a stronger focus on customer centricity driven by operational efficiency and optimal capital utilization. This gives dormakaba the capability to address increasing differentiation in its industry, fulfilling the demand for smart, seamless, and secure access solutions that not only meet increasingly rigorous sustainability criteria but leverage them for unique business opportunities.

dormakaba's technical and commercial development will remain driven by the following fundamental industry trends:

- The world as a whole is becoming more prosperous; the needs for security and protection that characterize the middle classes in developed countries will become the norm in ever more places (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);
- The world is becoming more urban, cities larger, and infrastructure more complex, requiring sophisticated solutions to support the seamless flow of people to where they want to go (growth driver: urbanization);
- Buildings and land should be both easily accessible and secure from a wide spectrum of threats. Meeting these combined needs efficiently and conveniently demands a comprehensive access solution (growth driver: need for security);
- Finally, technology influences practically every aspect of the access and security market, from digitalization and distribution channels to the networking of products in the Internet of Things. Customers expect that their experience of access solutions

should integrate seamlessly with their personal digital environments (growth driver: technology).

These five trends together with the increasing demand for seamless access and sustainable solutions continue to impact all of dormakaba's activities, starting from strategy definition and execution through product development to marketing and sales. In addition to these five megatrends, dormakaba expects access and credentialing policies across all vertical end markets to be strengthened, as well as solutions that offer a positive impact on more sustainable buildings. dormakaba is well equipped with its key products and interoperable and interconnected solutions to realize growth potential, for example in seamless and touchless access solutions. The company is also open to considering investments in the ongoing consolidation of the industry, which is likely to accelerate.

Outlook for the financial year 2023/24

The current business environment remains strongly characterized by uncertainties and a lack of visibility. Geopolitical risks continue to be at a high level, particularly in Asia and Europe (esp. from the war in Ukraine). Further increasing of interest rates in the fight against inflation might continue to slow general economic growth including new construction activities.

Based on a healthy order intake and order book at the end of 2022/23, dormakaba expects to continually improve on year-on-year basis. For 2023/24, the company expects organic growth to be in line with mid-term guidance and profitability above its 2022/23 performance.

dormakaba will remain focused on the rigorous execution of its Shape4Growth transformation which includes both growth and cost management measures such as pricing, expense management through footprint optimization and organizational efficiency.

Capital structure

Detailed information on dormakaba Holding AG's capital structure can be found in the Corporate Governance Report 2022/23.