Dear Shareholders,

dormakaba has achieved strong organic sales growth in the first half of the financial year 2022/23, mainly driven by pricing. Our adjusted EBITDA margin slightly declined, as positive growth effects were offset by the product mix, an increase in functional costs – mainly due to investments in profitable growth initiatives with a payback in the future – and slower volume growth due to a reduction in customer inventories as supply chain shortages eased.

Riet Cadonau, Chairman

Business and financial performance

Our industry continues to operate in a challenging macroeconomic environment with a continued low visibility. Inflation and rising interest rates still have an unfavorable impact on our and our customers' businesses, the first by increasing materials and labor costs and the second by restraining economic activity. Fluctuating and higher energy prices present obstacles, but also opportunities as they fostering demand for efficient and environmentally sustainable solutions. Finally, geopolitical conflicts and uncertainty including Covid restrictions affected our supply chain and customers' projects during the first half-year 2022/2023.

Against this backdrop, dormakaba has consequently continued on the path towards sequential improvements, while acknowledging that there is still much work to be done, but also that successful implementation of the Shape4Growth (S4G) strategy requires upfront investments. Top-line organic growth for the half-year was 8.0% and net sales rose to CHF 1,419.8 million, mainly driven by successful pricing initiatives. All our business segments contributed positively to this result. We saw stable demand across our regions, although with some variation in individual markets.

Jim-Heng Lee, CEO

Adjusted EBITDA (which excludes items affecting comparability) declined by 4.6% to CHF 184.6 million, reflecting the negative impact of a strong Swiss franc; a negative product mix effect; higher energy, materials; and labor costs; and the destocking of customer inventories in some businesses as supply chain concerns eased. The adjusted EBITDA margin was in line with guidance at 13.0%. We are strongly committed to improving gross margin and profitability with the further implementation of our strategy S4G. The half-year's figures include items affecting comparability amounting to CHF 14.0 million at EBITDA level and costs related to S4G implementation such as reorganization and restructuring. Our operating cash flow margin (net cash flow from operating activities in % of sales) improved by 3.6 percentage points, due to a sequential improvement in Net Working Capital. Free cash flow improved from CHF –53.9 million to CHF 50.1 million benefiting from lower M&A volume versus the previous year. Net profit declined to CHF 84.9 million (previous year: CHF 100.6 million) due to a lower EBITDA contribution and higher financial expenses.

Performance by business segments

Region Americas achieved total sales of CHF 389.8 million in the first half of the 2022/23 financial year (previous year: CHF 366.2 million). Organic sales growth was 8.2%, driven by higher sales prices, steady US commercial construction activity, robust growth in multifamily housing demand, and the positive performance in Latin America. Adjusted EBITDA increased to CHF 68.7 million (previous year: CHF 66.9 million), while the adjusted EBITDA margin declined to 17.6% (previous year: 18.3%). This reduction was mainly due to an unfavorable product mix, along with higher raw materials and freight costs that have not yet been fully compensated by price increases.

Region Asia Pacific had total sales of CHF 305.2 million in the first half of the financial year (previous year: CHF 283.4 million). Organic sales grew by 5.1%, driven both by higher sales prices and by volume gains, despite the challenging Covid-related environment in China. Adjusted EBITDA increased to CHF 49.1 million (previous year: CHF 41.2 million), with an adjusted EBITDA margin of 16.1% (previous year: 14.5%). This increase was largely due to market price and product mix developments, rigorous cost management and efficiency improvements.

Region Europe & Africa achieved total sales of CHF 566.7 million in the first half of the financial year, slightly below the previous year (CHF 567.7 million), due to a negative currency impact of 7.0% compared to the previous year. Organic sales, however, grew by 7.1%, mainly due to price increases to compensate for inflationary pressure. Adjusted EBITDA decreased to CHF 106.7 million (previous year: CHF 125.3 million), which represents an adjusted EBITDA margin of 18.8% (previous year: 22.1%). The adjusted EBITDA margin was affected by lower sales for access door hardware products, particularly door closers, which led to a lower contribution from the manufacturing sites. Further effects included continued cost and labor inflation as well as investments in specification.

Key & Wall Solutions had total sales of CHF 196.0 million in the first half of this financial year (previous year: CHF 174.3 million). The segment achieved organic growth of 14.3%, and the adjusted EBITDA margin was 17.4% (previous year: 12.7%). This increase was driven by a favorable product mix, with higher sales prices and volumes that more than compensated for inflationary impacts.

Strategy: Execution of Shape4Growth

Our strategic emphasis continues to be on accelerating profitable growth by focusing on our core businesses and our customers' needs – reducing the complexity of our operating model, achieving higher operational excellence, deploying capital effectively, and fostering a strong customer-centric culture. This half-year has seen progress in these areas and has revealed opportunities for sequential improvement going forward.

Sustainability achievements recognized

Sustainability is part of our strategic positioning and helps to differentiate us in the marketplace. It represents an essential part of our commitment to satisfy our customers' needs. It is therefore gratifying when our achievements in this area are recognized by leading independent authorities. In November 2022, we achieved Prime Status in the ESG ratings of Institutional Shareholder Services (ISS), making dormakaba eligible as a responsible investment for ISS's over 3,000 institutional investor clients. In late 2022, the CDP (Carbon Disclosure Project) raised our ranking from B to A–, placing dormakaba well above the global average of more than 18,700 assessed companies. Being part of the leadership band means that we are recognized as implementing current best practices for addressing climate issues. Furthermore EcoVadis, the world's largest provider of corporate sustainability ratings, awarded dormakaba with a gold medal. This result places dormakaba among the top five percent of more than 100,000 organizations assessed worldwide. Even more gratifying is recognition from our own customers: in September 2022, the EURO Baubeschlag-Handel, Europe's largest association of wholesalers and distributors in the construction hardware and fittings industry, awarded dormakaba its "Best Sustainability Program 2022" prize.

Outlook

The global macroeconomic and geopolitical situation is characterized by limited visibility and uncertainty. Our customers in the commercial property and construction industries remain exposed to the twin pressures of price inflation and higher interest rates as well as supply chain disruptions.

With these caveats, dormakaba expects a sequential improvement for the adjusted EBITDA margin for the full financial year and continued organic growth above its mid-term target range of 3–5%.

New CFO

We are delighted to welcome Christina Johansson as our Chief Financial Officer, effective as of 1 December 2022. She is a highly valued addition to our leadership team, bringing an excellent track record in a range of leading engineering and technology companies. An entrepreneurially minded finance leader, her skills and experience will be key to fully implementing our growth strategy in the coming years.

Board of Directors

As part of the continuing process of accelerated, staggered renewal of its Board of Directors, announced in 2022, Riet Cadonau will step down as Chair and member of the Board as of 30 April 2023. The Board and the Executive Committee greatly appreciate his valuable contribution to the development of dormakaba and his tireless commitment over so many years and wish him every success in his future endeavors.

Svein Richard Brandtzæg, currently Lead Independent Director and Vice-Chair of the Board, will take over as Chair, with Thomas Aebischer, Chair of the Audit Committee, also assuming the role of Vice-Chair.

Our thanks

Our employees have mastered the challenges of this half-year with energy, creativity, dedication and resilience. Our customers continue to appreciate our innovations and join us in close partnerships that reimagine the world's built environment. We will continue to work hard to deliver on our strategic vision of sustainable profitable growth – and are explicitly grateful for the patience and trust that our shareholders put in us.

Kind regards

Riet Cadonau	Jim-Heng Lee
Chairman	CEO

Letter to shareholders
Business performance
Financial performance
Consolidated financial statements