dormakaba Holding AG

Half-year Report

Consolidated financial statements

First half of financial year

2020/21

dormakaba

Table of contents

Dear Shareholders,

In the first half of financial year 2020/21, dormakaba was able to improve its performance and to outperform the second half of the previous financial year both in terms of sales development and EBITDA. The strong focus on cash as well as benefits resulting from our cost savings and restructuring program introduced at the beginning of the fourth quarter of the previous financial year were key drivers for our company's ability to compensate for the continued negative impact of the Covid-19 pandemic on sales, to protect our EBITDA margin and to improve cash flow. Overall, our markets saw a good sequential improvement despite a continued negative impact due to the pandemic, which nevertheless strongly correlated from country to country depending on the severity of the pandemic and the related government measures and restrictions.

Riet Cadonau, Chairman & CEO

Our top priorities in navigating this pandemic environment remain ensuring the health and safety of our employees while at the same time minimizing the impact on our business operations and supply chains, and thus on our customers. I continue to be proud of all our employees, many of which continue to work under challenging conditions especially in production, logistics, and services, but in all other areas and functions as well.

Business and financial performance

dormakaba achieved consolidated net sales of CHF 1,227.5 million (previous year CHF 1,385.7 million), which represents a year-on-year decline of 11.4%. Organic sales decreased by 6.0% year-on-year, however improved by 8.3 percentage points compared to the second half of the previous financial year. The overall decline in sales includes a strong negative currency translation effect of 5.5%, or CHF 76.2 million, due to the ongoing strength of the Swiss franc against major currencies.

The business performance of all segments showed sequential improvement compared to the second half of the previous financial year. However, due to the impact of the Covid-19 pandemic, organic growth was below previous year. Organic sales at Access Solutions (AS) EMEA and AS DACH was only slightly below the first half of financial year 2019/20, with third-party sales in Germany, Switzerland, Austria, the Netherlands, Norway and Denmark even rising above previous year's level. Both AS DACH and AS EMEA increased their EBITDA margin compared to the first half of financial year 2019/20. There was still a pronounced negative Covid-19 impact on sales at AS AMER, AS APAC, and Key & Wall Solutions. The EBITDA margin of AS AMER declined as cost savings could not compensate the impact of volume contraction and increasing cost of commodities. AS APAC was able to almost keep its EBITDA margin on previous year's level despite a double-digit decline in volume. Key & Wall Solutions even improved its EBITDA margin by 0.7 percentage points despite a nearly double-digit decline in organic sales.

Group EBITDA amounted to CHF 181.9 million (previous year CHF 214.1 million) and the EBITDA margin stood at 14.8% (previous year 15.5%); while this represents a year-on-year decline, the figures improved significantly compared to the second half of the previous financial year (CHF 110.9 million, 9.6%). EBITDA includes a negative currency translation effect of CHF –13.2 million due to the strong Swiss franc. Exceptional one-time items in the reporting period amounted to CHF 6.6 million and thus had a positive impact of 0.5 percentage points on the EBITDA margin.

Already in the fourth quarter of the previous financial year 2019/20, dormakaba initiated a Group-wide cost savings and restructuring program to address the negative impact of the pandemic on business activities and to maintain operational efficiency and financial stability. Planned measures included a sizeable headcount reduction of up to 1,300 full-time equivalents, mainly in manufacturing in Asia and the Americas, to adjust capacities to the lower demand. Most of these measures were already executed by 31 December 2020, including a headcount reduction of around 1,100 full-time equivalents. The program, which was initially dilutive to EBITDA in the fourth quarter of the previous financial year, had a net positive impact on EBITDA in the period under review. Some parts of the business are recovering faster than expected in the scenario upon the restructuring program was based; therefore, dormakaba has started to selectively build up its workforce in certain areas.

Profit before taxes in the first half of the 2020/21 financial year amounted to CHF 129.8 million (previous year CHF 157.1 million) and net profit came to CHF 99.9 million (previous year CHF 119.4 million).

Net cash from operating activities rose to CHF 194.3 million (previous year CHF 139.1 million), representing an operating cash flow margin of 15.8% (previous year 10.0%). This continued positive development can be attributed to the early measures taken in spring 2020 to focus on the "cash is king" principle during the pandemic, resulting in a strong reduction of the company's net debt to CHF 556.3 million (previous year CHF 836.1 million). Consequently, leverage (ratio of net debt to half-year EBITDA x2) improved to 1.5x (full year ended 30 June 2020: 2.1x), despite the challenging economic environment due to the pandemic. Furthermore, in the period under review, dormakaba has secured a new five-year CHF 525 million syndicated credit facility with favorable and improved terms and conditions, which is a strong indicator of financial flexibility and stability. The loan agreement includes interest rate-relevant sustainability objectives, reinforcing our strategic goals and our commitment to fulfil important ESG criteria.

Continued substantial investment in key strategic initiatives
The solid business and financial profile of dormakaba allowed us to continue our strategic initiatives, again investing substantially in innovation and digital transformation as well as sustainability. A total of CHF 56.2 million, or 4.6% of net sales, was invested in relevant R&D projects and activities with the aim to continue strengthening our company's competitive position in the years to come in an increasingly digitalized environment and to foster profitable growth by innovative products, solutions, and services.

Our continued investment in product innovation and digitization has positioned us well to offer our customers attractive solutions for their demands emerging in this new environment. The pandemic has accelerated the adoption of seamless and touchless access solutions overall and specifically in attractive verticals such as healthcare and multi-housing. For example, our new face recognition terminal dormakaba 9160 easily integrates with automatic doors, sensor gates, and speed barriers to enable touchless access to buildings and rooms. We launched this terminal in China in the first half of the financial year 2020/21; further markets will follow in the second half of 2020/21. Another example is the new self-boarding gate dormakaba ARGUS AIR which combines our latest design-oriented sensor barriers with biometric control allowing for touchless access. The solution has been successfully tested with Lufthansa at Frankfurt Airport (Germany) and was launched at the FTE APEX Virtual Expo 2020 in December 2020. Our product pipeline is well stocked and will ensure our competitiveness going forward.

The benefit of our products continues to be acknowledged by our customers and industry experts. For example, in December 2020, our new sliding door operator ES Proline won the German Innovation Award. Combined with our new sliding door generation ST PRO Green, this offering allows for significant savings in ongoing energy and heating costs of a building and thus the reduction of CO_2 emissions. The new sliding door drive has certifiably a longer life cycle, and its low energy requirement contributes to the positive energy balance of the door.

Outlook
The current business environment is still characterized by uncertainties and lack of visibility due to the Covid-19 pandemic. Short-term postponements or delays may occur on the sales side, while on the procurement side raw material costs have risen. However, dormakaba anticipates positive organic sales growth for the second half of financial year 2020/21, resulting in flat year-on-year organic sales growth for the financial year overall. The EBITDA margin for financial year 2020/21 as a whole will likely be somewhat lower than the one for the first half of the financial year. The Group-wide cost savings and restructuring program launched in the previous financial year will be consistently completed and is intended to protect profitability.

Thanks

In the period under review, the pandemic continued to affect and change the way we live, work, and interact with each other. I like to express my personal gratitude to our team – the Board of Directors, the Executive Committee, and all dormakaba employees – for their high commitment and steadfast focus on keeping dormakaba a healthy, stable company.

On behalf of the Board of Directors and the Executive Committee, I thank our customers and partners for the continued productive collaboration and the openness to interact in new ways. Our thanks also go to all shareholders who continue to support dormakaba. We appreciate that even in these challenging times you are endorsing the strategic direction of dormakaba.

On 1 April 2021, Sabrina Soussan will take over as CEO of dormakaba. For the past ten years, I had the honor to lead our company as CEO, and during that time the world and access to buildings and rooms have evolved significantly. During my tenure, dormakaba has successfully made the technological leap from the electronic to the cloud-based world which is a cornerstone of our digitization strategy. The main milestone, however, was the merger of former Dorma and Kaba to dormakaba which transformed both companies from niche players with international reach to one truly global full-range supplier. This move allowed our company to offer customers everything related to access to buildings and rooms from a single source, and to do so around the globe with the necessary critical mass. It has also allowed both former companies to proactively determine their future in an increasingly consolidated industry as one of the top three sector leaders. Furthermore, we also significantly improved our risk profile, gaining scale and widening our offering while remaining financially flexible and therefore more resilient which is vital in today's environment.

dormakaba also substantially expanded its market position in the USA, through important acquisitions to better exploit the market potential in North America, the most profitable market in our industry. While it is true that the segment AS AMER has not yet leveraged the benefits of this move, the measures we introduced in the past year make me confident that dormakaba will achieve its goals over time also in this region.

Finally, I am proud that we have established a company that lives a strong culture based on constructive leadership behavior. Furthermore, based on our engagement survey, our employees show a high level of commitment toward the dormakaba values in their ways of working, and they feel a strong sense of community in being "one dormakaba". Our established culture is a strength that has proven to be a tangible asset to help us navigate the current times and beyond.

In the past years, we have built a strong foundation for the future of dormakaba. Going forward, I am convinced that my successor Sabrina Soussan, with her substantial track record and her market focus, will successfully advance and grow our business.

I would like to thank our loyal shareholders and customers for their trust which was very valuable in leading dormakaba. I also would like to thank the Board of Directors, my colleagues on the Executive Committee and in the Senior Management team as well as every dormakaba employee for their excellent collaboration, commitment, and support.

Sincerely yours,

Riet Cadonau
Chairman & CEO

Segment Access Solutions AMER

Organic sales and profitability below previous year

Operational performance

AS AMER achieved total sales of CHF 339.7 million in the first half of financial year 2020/21. Organic sales grew by 6.6 percentage points compared to the second half of financial year 2019/20 but were 10.8% below previous year's level as sales were still impacted by the Covid-19 pandemic.

EBITDA reached CHF 58.5 million (previous year CHF 87.2 million). The EBITDA margin was at 17.2% (previous year 20.9%) and was impacted by volume contraction, increasing cost of commodities, higher freight, employee medical expenses, and investments into strategic growth initiatives which will position the segment well for post-pandemic recovery. The incremental cost drivers were partially offset by lower discretionary spending and reduced personnel costs.

As part of the Group-wide cost savings and restructuring programs to address the ongoing pandemic-related volume contraction, AS AMER implemented specific measures in the previous year to adjust capacities and costs, which included headcount reduction of around 160 full-time equivalents. Most of the measures were successfully executed by the end of the first half of 2020/21 and contributed with savings to the EBITDA performance.

AS AMER is in the course to implement strategic pricing initiatives to offset higher raw material prices, with effects beginning in March 2021.

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Market development

Despite the sequential improvement of the market environment, the segment's performance in North and Latin America is still negatively impacted by the pandemic and subject to uncertainty. Volatile factory absenteeism due to the pandemic, along with construction project delays, continue to have a negative impact. However, the segment started to implement growth initiatives which are expected to improve the results over time.

The performance of the hollow metal door business (Mesker) improved sequentially during the first half of 2020/21, as the business steadily but slowly regained customer trust due to improved delivery and quality performance.

Electronic Access & Data products performed with organic growth due to market demand for integrated electronic security systems. Sales of access control software, credentials, card readers, and electronic locks grew sequentially in the period, boosted by key new product offerings. Electronic Access & Data product revenue to the data center vertical was notably strong.

The Entrance Systems business experienced lower sales of revolving and sliding automatic doors to support the segment's traditionally strong premium projects in urban city centers. However, the segment saw a positive development in the deployment of touchless Entrance Systems products to commercial and public sector facilities, as building operators seek to rebuild occupant confidence with visible entrance upgrades that reduce the spread of disease.

Strong performance of Alvarado, acquired in 2019, continues, supported by its diverse Entrance Systems product offering. Alvarado's sports and entertainment access products grew strongly as these venues prepare to reopen from pandemic restrictions. Sales for Safe Locks, the architectural Door Hardware products and the Services business were negatively impacted by the pandemic. This impact was more pronounced for the Services business as maintenance and repair activity decreased due to low traffic levels in commercial offices and public infrastructure, such as airports. In addition, new products installations were limited by the continued urban worksite and travel restrictions.

The Lodging Systems business has experienced the most notable decline due to its high proportion of customers in the highly impacted hospitality industry. However, the segment's innovative Lodging product portfolio also includes smart, connected locking devices, mobile key credential services, property access management software, and touchless entry solutions aimed at the multi-family and vacation rental housing sectors. These sectors of the Lodging business experienced continued growth, boosted by the multi-family housing market strength in the US.

Outlook

Going forward, there is limited visibility on the progression of the pandemic in all regions as well as on the yet unknown impact by the new US administration and potential economic stimulus programs. As such, the segment will continue to control costs while prioritizing investment in growth drivers. AS AMER expects a sequential and a year-on-year improvement in the second half of financial year 2020/21 based on a low comparable base particularly in the fourth quarter of 2020/21. The segment will likely benefit from certain market verticals such as K-12 education and healthcare, which are well positioned to benefit from government stimulus, as well as the trend to deploy touchless entrances.

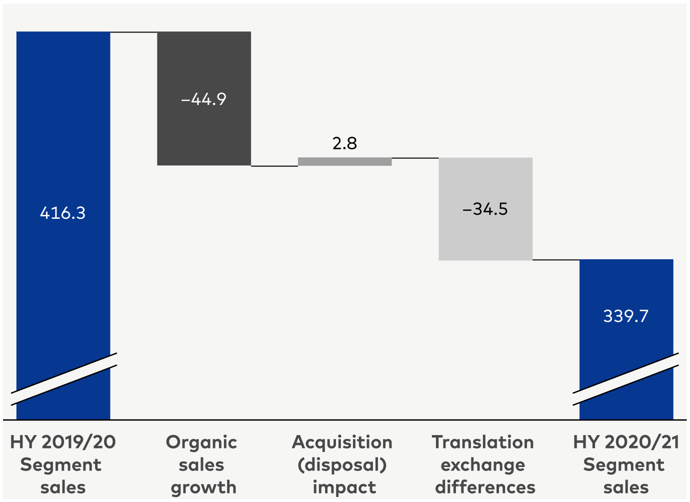
Strategic investments in the segment will support further performance progress over time. These efforts include a dedicated Sales Excellence initiative, which is designed to drive performance through better adaptation of selling efforts to geographic and market opportunities. Growth will be driven as well by new and innovative solutions in the Electronic Access & Data, Entrance Systems, and Safe Lock product clusters.

Switch Tech, the durable smart device that replaces a traditional mechanical lock cylinder, extends electronic access control and mobile credentials to the traditional mechanical doorway at an efficient installed cost point. As an alternative to traditional wired access points, Switch Tech enables integrators and end users to economically deploy more controlled access points to a project. The segment's new Entrance Systems product Crane Motion Assist, a revolving door control platform, creates a new and attractive low-touch revolving door product category which deploys advanced motor control technology to detect force applied by a pedestrian and precisely control rotating motion accordingly. The dormakaba LA GARD 700 smart Safe Lock was also released in the reporting period and is gaining market acceptance due its new user interface, an integrated software platform and the introduction of Bluetooth wireless communication capabilities to improve secure usability and traceability.

Key figures – segment AS AMER

CHF million, except where indicated	Reporting half-year ended 31.12.2020	%	Reporting half-year ended 31.12.2019	%	Change on previous year in %
Net sales third parties	326.8		399.7		–18.2
Intercompany sales	12.9		16.6		
Total segment sales	**339.7**		**416.3**		**–18.4**
Change in segment sales	–76.6	–18.4	14.2	3.5	
Of which translation exchange differences	–34.5	–8.3	–1.5	–0.4	
Of which acquisition (disposal) impact	2.8	0.7	10.2	2.5	
Of which organic sales growth	**–44.9**	**–10.8**	**5.5**	**1.4**	
Operating profit before depreciation and amortization (EBITDA)	**58.5**	**17.2**	**87.2**	**20.9**	**–32.9**
Average number of full-time equivalent employees	2,622		2,793		

Segment sales (CHF million) – AS AMER



Segment Access Solutions APAC

Lower sales, but EBITDA margin close to previous year's level

Operational performance

AS APAC achieved total sales of CHF 195.0 million in the first half of financial year 2020/21, which was still affected by the Covid-19 pandemic.

Organic sales grew by 6.5 percentage points compared to the second half of financial year 2019/20 but declined by 10.5% compared to the previous year.

EBITDA reached CHF 28.5 million (previous year CHF 35.1 million). The EBITDA margin was at 14.6% and thus close to previous year's level of 15.2%. The solid EBITDA margin was due to effective cost management, reduction of personnel expenses, procurement savings, efficiency improvements, and a favorable product mix.

In the second half of the financial year 2019/20, AS APAC initiated specific measures to adjust capacities and costs as part of a Group-wide cost savings and restructuring program to address the ongoing pandemic-related substantial volume contraction. The program included a headcount reduction of around 500 full-time equivalents. Most of the initiated measures are already executed and thus contributed with noteworthy savings to the EBITDA performance.

Market development

Sales in the first half of the financial year 2020/21 improved compared to the second half of 2019/20 but were still impacted by the pandemic and its aftermath. In China, the segment experienced strong, sequentially increasing business activities during the first half of 2020/21. However, sales were still below previous year due to Covid-19-related project delays in the commercial sector particularly for projects with international customers and those funded by the private sector. In the Pacific region, organic growth was negatively impacted by regional lockdowns. The decline in sales was partly compensated by growth in the Kilargo business, a door seals business in Australia which was acquired in July 2017. In South East Asia all major markets such as Singapore, Philippines, Malaysia, Indonesia, and Thailand were still impacted by the pandemic, as most construction sites were opening slowly with many restrictions and specific protection concepts. On top, labor shortage due to worker travels and movement restrictions impacted the finalization of construction projects. Sales in South Asia experienced a strong improvement compared to the last quarter of previous financial year. Growth in India was still impacted by delays in the project business; however, sales improved gradually after relaxation in lockdown restrictions. The Wah Yuet business experienced strong growth due to improved sales to the OEM business for the US market; in addition, the segment has successfully started to shift capacity to Chinese domestic customers.

Outlook

Barring new additional waves of Covid-19 outbreaks, AS APAC expects a strong improvement in most of its regions in the second half of financial year 2020/21 based on sequentially improved order intake and good backlog of orders. Moreover, the business gained several major projects, for example for touchless entrance solutions in China, a Singapore Power project, the Jinan airport expansion project in China, and several airport and hospital projects in Australia.

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Growth will also be driven by new and innovative products for touchless solutions. A recent example is dormakaba 9160, a new face recognition terminal, which can be easily integrated with automatic doors or physical access systems thus enabling touchless access to buildings and rooms. This terminal was launched in China in the first half of the financial year 2020/21; further markets will follow in the second half of 2020/21.

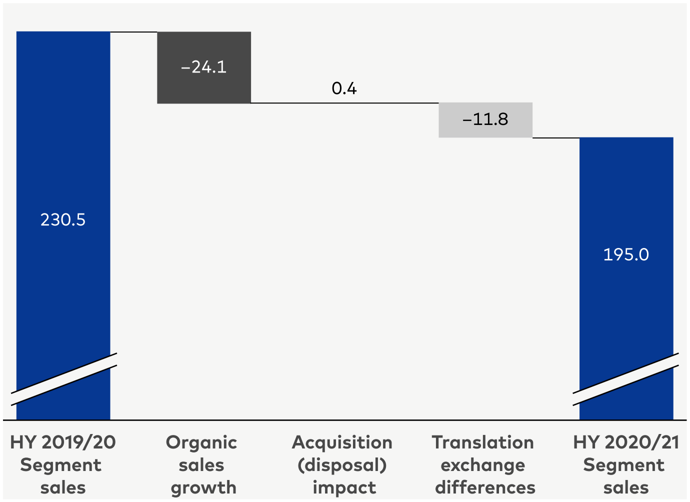
The segment expects that major markets like China and India will return to organic growth in the second half of 2020/21 as well as for the full year 2020/21.

As the recovery is faster than anticipated in parts of AS APAC, in particular in the Wah Yuet business, the segment has started to selectively build up workforce.

Key figures – segment AS APAC

CHF million, except where indicated	Reporting half-year ended 31.12.2020	%	Reporting half-year ended 31.12.2019	%	Change on previous year in %
Net sales third parties	184.0		217.2		–15.3
Intercompany sales	11.0		13.3		
Total segment sales	**195.0**		**230.5**		**–15.4**
Change in segment sales	–35.5	–15.4	–6.0	–2.5	
Of which translation exchange differences	–11.8	–5.1	–5.2	–2.2	
Of which acquisition (disposal) impact	0.4	0.2	0.0	0.0	
Of which organic sales growth	**–24.1**	**–10.5**	**–0.8**	**–0.3**	
Operating profit before depreciation and amortization (EBITDA)	**28.5**	**14.6**	**35.1**	**15.2**	**–18.8**
Average number of full-time equivalent employees	3,099		3,329		

Segment sales (CHF million) – AS APAC



Letter to shareholders
Business performance
Financial performance
Consolidated financial statements

Segment Access Solutions DACH

Organic sales growth in third-party sales in all regional markets and improved EBITDA margin, lower intercompany sales

Operational performance

AS DACH generated total sales of CHF 396.2 million in the first half of financial year 2020/21. Organic sales grew by 4.7 percentage points compared to the second half of financial year 2019/20 and were 2.9% below previous year's level.

EBITDA stood at CHF 67.5 million, down by 4.0% compared to the previous year. The EBITDA margin was at 17.0%, thus slightly higher than previous year's level (16.9%) as the segment was able to completely offset the negative intercompany volume impact by benefiting from its effective cost management, lower discretionary spending, efficiency improvements, and procurement savings. In addition, there was a positive contribution from the finalization of the performance-based program started in financial year 2018/19. This program led to a headcount reduction of around 100 full-time equivalents and an improved operating efficiency by the enhancement of the supply chain, further modernization and automatization of production as well as flexibilization in all areas.

As part of the Group-wide cost savings and restructuring program to address the ongoing pandemic-related substantial volume contraction, AS DACH initiated specific measures in the previous year to adjust capacities and costs, which includes an additional headcount reduction of around 100 full-time equivalents predominately until end of financial year 2021/22. The program, which includes the rightsizing of the German production facilities in Bad Salzuflen and Buehl to address lower volumes and price pressures in the market, is on track; 50 full-time equivalents have already been reduced by the end of the first half of financial year 2020/21.

Market development

The business performance in the first half of financial year 2020/21 was still impacted by the pandemic. However, there was a sequential improvement in demand month by month; as a result, organic third-party sales in Germany, Switzerland, and Austria in the first half of 2020/21 were more than 6% above the same period of previous year.

Sales growth in the DACH countries was driven by the Product Clusters Entrance Systems, Services, Interior Glass Systems, and Electronic Access & Data (EAD), the latter with double-digit growth.

As in the second half of 2019/20, the segments' plants still suffered from the global shortfall of intercompany demand due to the pandemic, particularly at the beginning of the first half of 2020/21.

The segment has successfully developed new and innovative products such as the new self-boarding gate dormakaba ARGUS AIR. This product combines dormakaba's latest design-oriented sensor barriers (Argus) with biometric control allowing for touchless access. The solution has been successfully tested with Lufthansa at Frankfurt Airport (Germany) and was launched at the FTE APEX Virtual Expo 2020 in December 2020.

dormakaba news

Read more

Letter to shareholders
Business performance
Financial performance
Consolidated financial statements

Outlook

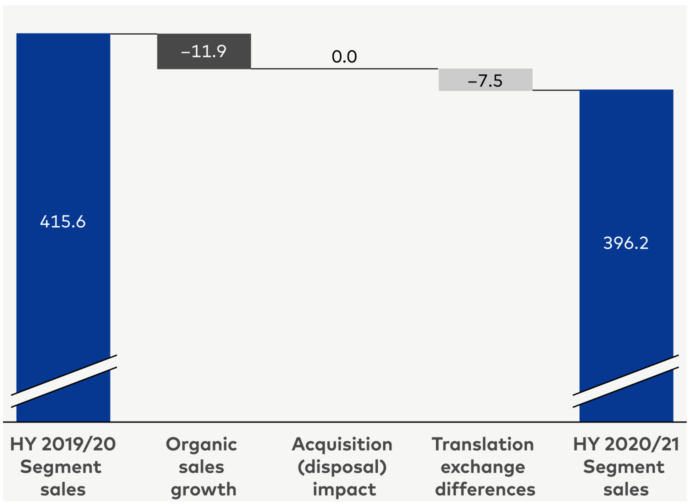
The business expects to return to organic growth in the second half of financial year 2020/21 despite anticipating a continued negative impact of Covid-19 due to lower global intercompany demand for its main product clusters. Growth will be supported by a good order backlog, a low comparable base, by continued good growth in Product Clusters like EAD and by several project gains like a contract for the largest Austrian hospital, where several product clusters will contribute products and solutions including touchless access.

The segment will continue to explore new growth opportunities in multi-housing. One of the latest examples in this vertical is a cooperation with the Artisa Group for 1000 micro apartments in Switzerland ("City Pop" apartments). The cooperation includes a platform for mobile access integrating dormakaba's exivo platform (a cloud-based solution), door hardware as well as Services. In addition, the segment strives to further improve its performance with new products including our new sliding door operator ES PROLINE which gained the German Innovation Award in December 2020. This new generation of own developed gearless direct drives stands out for its improved dynamic load performance and certified longer life cycle. Combined with our new sliding door ST PRO GREEN and RC2, it offers a twofold advantage as it allows to operate larger dimensioned doors with higher thermal insulation and security degrees using less energy and thus contributing to reduction of CO_2 emissions.

Key figures – segment AS DACH

CHF million, except where indicated	Reporting half-year ended 31.12.2020	%	Reporting half-year ended 31.12.2019	%	Change on previous year in %
Net sales third parties	265.5		252.7		5.1
Intercompany sales	130.7		162.9		
Total segment sales	**396.2**		**415.6**		**–4.7**
Change in segment sales	–19.4	–4.7	–14.4	–3.4	
Of which translation exchange differences	–7.5	–1.8	–12.3	–2.9	
Of which acquisition (disposal) impact	0.0	0.0	–5.1	–1.2	
Of which organic sales growth	**–11.9**	**–2.9**	**3.0**	**0.7**	
Operating profit before depreciation and amortization (EBITDA)	**67.5**	**17.0**	**70.3**	**16.9**	**–4.0**
Average number of full-time equivalent employees	3,341		3,464		

Segment sales (CHF million) – AS DACH



Letter to shareholders
Business performance
Financial performance
Consolidated financial statements

Segment Access Solutions EMEA

Lower sales, but higher EBITDA and EBITDA margin

Operational performance

AS EMEA achieved total sales of CHF 342.9 million in the first half of financial year 2020/21, which was still affected by the Covid-19 pandemic.

Organic sales grew by 9.6 percentage points compared to the second half of financial year 2019/20 and was 3.0% below prior year's level. EBITDA increased by CHF 1.7 million to CHF 32.1 million compared to the previous-year period. The EBITDA margin rose by 1.3 percentage points to 9.4% thanks to a strong focus on cost reductions, lower personnel expenses, the divestment of the project installation business in Norway, as well as a favorable product mix and price increases. In addition, factory output was higher than in the previous year with strong sales especially to the German market.

As part of the Group-wide cost savings and restructuring program to prepare for a pandemic-related volume contraction, AS EMEA initiated specific measures to adjust capacities and costs, which included headcount reductions of up to 150 full-time equivalents. Corresponding adjustments to capacity utilization contributed to the EBITDA performance through cost savings in personnel expenses.

Market development

Business performance continued to be impacted by the pandemic with most countries faced by a second wave, albeit less severe than the first Covid-19 wave. Demand continued to be negatively impacted by postponed project commencements, restricted access to building sites, as well as lower stock replenishment among distributors. However, demand benefited from the completion of earlier project delays caused by the various lockdowns during the second half of 2019/20 business period.

Countries such as Turkey, Denmark, and the Netherlands continued to deliver solid growth together with Norway following the divestment of the project installation business, whereas most other countries narrowed the gap versus the previous year as the first half of 2020/21 progressed. Central and Eastern Europe faced a second wave of lockdowns in most markets. However, business activities returned to previous-year levels towards the end of 2020. Middle East and Africa, which is mainly shaped by project business, showed a decline due to delayed projects and lack of major projects such as Dubai EXPO and Qatar football world cup which contributed to sales growth in previous years. The Scanbalt region saw a slow return of business activities following the extended summer break but was back on pre-Covid-19 levels during the last months of the first half of financial year 2020/21. The region also benefited from the divestment of the project installation business in Norway as of 1 September 2020. Southern Europe was the region mostly impacted by the pandemic but benefited from the completion of previously delayed projects as well as strong product sales in France. Part of the decline in demand in Italy was compensated by sales to the Rome Airport, whereas Spain was negatively impacted by Covid-19 and the timing of several airport projects, despite the Mallorca airport extension. UK and the Benelux showed increased service activity, which in the UK is on an all-time high level. There was good sales growth in the Netherlands benefiting from an airport project and by the expansion of the Services business.

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Outlook

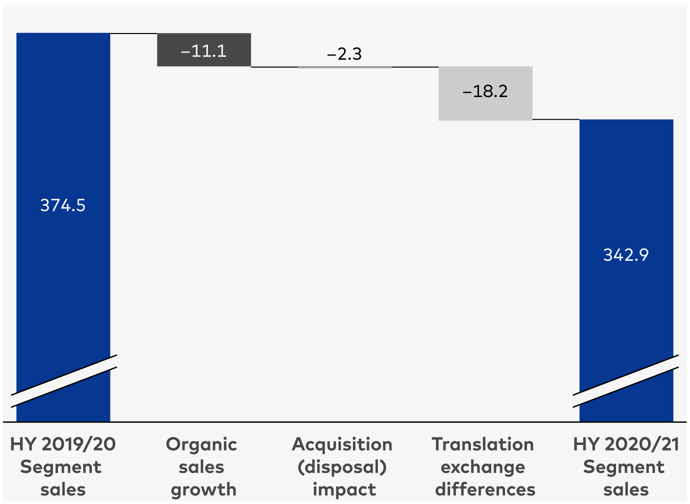
Business activities in most regions are back on pre-Covid-19 level and the project pipeline is solid, amongst others the segment gained a major contract for several data centers of a leading global e-commerce and technology corporation. The second half of the financial year 2020/21 is expected to outperform both the first half of 2020/21 as well as the second half of 2019/20, subject to no further serious lockdowns. The increase in demand is expected from the continued pick-up in product sales, higher service levels, as well as the launch of larger projects such as Sita Riyadh airport, or the Shapoorji King Abdullah Financial District in Saudi Arabia.

The segment will continue to benefit from new and innovative solutions, such as an automatic door system that uses biometric and telemetry imaging to manage people flow especially in stores following the Covid-19 distancing requirements. This innovative solution was developed in only two months and launched in June 2020 and rolled out successfully across various markets.

Key figures – segment AS EMEA

CHF million, except where indicated	Reporting half-year ended 31.12.2020	%	Reporting half-year ended 31.12.2019	%	Change on previous year in %
Net sales third parties	283.3		317.6		–10.8
Intercompany sales	59.6		56.9		
Total segment sales	**342.9**		**374.5**		**–8.4**
Change in segment sales	–31.6	–8.4	–6.6	–1.7	
Of which translation exchange differences	–18.2	–4.8	–12.2	–3.2	
Of which acquisition (disposal) impact	–2.3	–0.6	0.2	0.1	
Of which organic sales growth	**–11.1**	**–3.0**	**5.4**	**1.4**	
Operating profit before depreciation and amortization (EBITDA)	**32.1**	**9.4**	**30.4**	**8.1**	**5.6**
Average number of full-time equivalent employees	3,364		3,456		

Segment sales (CHF million) – AS EMEA



Segment Key & Wall Solutions

Lower sales, but EBITDA margin above previous year's level

Operational performance

The segment Key & Wall Solutions generated total sales of CHF 169.1 million in the first half of financial year 2020/21. Organic sales grew by 11.0 percentage points compared to the second half of financial year 2019/20 but declined by 9.2% compared to the previous year as sales were still impacted by the Covid-19 pandemic.

EBITDA stood at CHF 26.6 million, down by 10.7% compared to the previous year. The EBITDA margin increased to 15.7% (previous year 15.0%) due to successful mitigation measures to protect margins including continued tight cost management, lower discretionary spending, and the reduction of personnel expenses. On top, procurement savings and a favorable product mix enabled an improvement in the EBITDA margin for both business units, Key Systems as well as Movable Walls.

As part of the Group-wide cost savings and restructuring program to address the ongoing pandemic-related substantial volume contraction, Key & Wall Solutions initiated specific measures in the previous year to adjust capacities and costs, which includes a headcount reduction of around 350 full-time equivalents. Most of the measures, including rightsizing of its North American Key Systems business and further headcount reductions in Latin America, in India, in Malaysia, and in Germany, were successfully executed by the end of the first half of financial year 2020/21 and contributed with significant savings to the financial performance.

Thanks to the better performance of the business compared to the scenario the restructuring program was built upon, the segment has selectively started to build up workforce on a temporary basis.

Business Units Key Systems as well as Movable Walls will implement strategic pricing initiatives at the beginning of the second half of 2020/21 to compensate for higher raw material prices.

Market development

The Key Systems Business Unit sales improved sequentially compared to the second half of 2019/20, although sales were still below previous year's level as for example key shops were closed due to regional lockdowns. There was a more pronounced negative impact of the Covid-19 pandemic at the beginning of the first half of 2020/21 in North America and India. In Italy, France, and Spain there was also not a linear improvement as sales in the individual countries were impacted by several regional lockdowns during the first half of 2020/21. Underlying demand improved sequentially in most regions. There was a particular good recovery in demand by the global automotive industry, which is an important customer group for the Business Unit, at the end of the first half of 2020/21.

Sales in the Movable Walls Business Unit were impacted by delays in the finalization of existing projects, by postponed construction projects as well as by regional lockdowns. The latter impacted particularly the sizeable business in Asia-Pacific. In addition, there was still the effect of travel restrictions and unplanned absenteeism of employees due to Covid-19 at dormakaba's facilities as well as key distributors. However, sales improved month by month during the first half of 2020/21, and the EBITDA margin could be improved in the first half of 2020/21 despite the double-digit negative volume impact.

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Read more

Letter to shareholders
Business performance
Financial performance
Consolidated financial statements

Outlook

Assuming no further disruptions related to the pandemic, the business expects a continued sequential improvement and an increase in organic sales growth in the second half of 2020/21. Growth will be driven by both a good order backlog in Movable Walls and a further sequential improvement for Key Systems in major regions and markets such as the automotive industry.

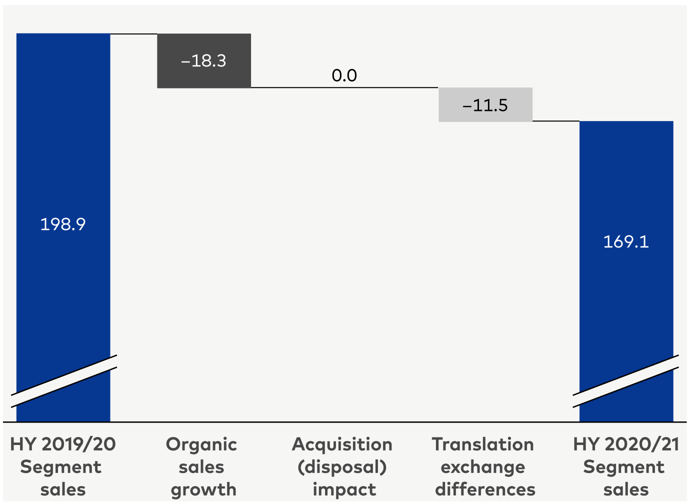
The business has gained several major contracts that will support the sequential improvement. Amongst others there are two customized product solutions for key cutting machines supplying approximately 500 US dealers of a major Japanese car manufacturer and several major projects for Movable Walls like the "The Circle" convention center at Zurich Airport and the expansion of the Las Vegas Convention Center.

Sales will be driven by new innovative products like the Unocode F Series, a new platform of five models of high-end electronic key cutting machines, which will be launched in the second half of 2020/21. This new generation of machines enables faster operations, more automation, easier machine setup, enhanced connectivity, and easy machine updating. For the Movable Walls Business Unit, growth potential is expected from new cost-effective automated movable walls which have been successfully launched in autumn 2020.

Key figures – segment Key & Wall Solutions

CHF million, except where indicated	Reporting half-year ended 31.12.2020	%	Reporting half-year ended 31.12.2019	%	Change on previous year in %
Net sales third parties	162.0		191.5		–15.4
Intercompany sales	7.1		7.4		
Total segment sales	**169.1**		**198.9**		**–15.0**
Change in segment sales	–29.8	–15.0	1.6	0.8	
Of which translation exchange differences	–11.5	–5.8	–3.9	–2.0	
Of which acquisition (disposal) impact	0.0	0.0	0.0	0.0	
Of which organic sales growth	**–18.3**	**–9.2**	**5.5**	**2.8**	
Operating profit before depreciation and amortization (EBITDA)	**26.6**	**15.7**	**29.8**	**15.0**	**–10.7**
Average number of full-time equivalent employees	2,024		2,255		

Segment sales (CHF million) – Key & Wall Solutions



Overview

In the first half of financial year 2020/21, dormakaba was able to improve its performance and to outperform the second half of the previous financial year both in terms of sales development and EBITDA. The strong focus on cash as well as benefits resulting from the company's cost savings and restructuring program introduced in the previous financial year were key drivers for the company's ability to compensate for the continued negative impact of the Covid-19 pandemic on sales, to protect its EBITDA margin and to improve cash flow. As a result, the company recorded an EBITDA margin of 14.8% which was only 0.7 percentage points below the previous year despite a decline in organic growth of 6.0% due to the pandemic. In addition, cash flow from operations improved to CHF 233.6 million compared to CHF 192.1 million in the previous year.

Despite a continued negative impact due to the pandemic, markets overall saw a good sequential improvement, which nevertheless strongly correlated from country to country depending on the severity of the pandemic and related government measures and restrictions.

Already in the fourth quarter of the previous financial year 2019/20, dormakaba initiated a Group-wide cost savings and restructuring program to address the negative impact of the pandemic on business activities and to maintain operational efficiency and financial stability. Planned measures included a sizeable headcount reduction of up to 1,300 full-time equivalents, mainly in manufacturing in Asia and the Americas, to adjust capacities to the lower demand. Most of these measures were already executed by 31 December 2020, including a headcount reduction of around 1,100 full-time equivalents. The program, which was initially dilutive to EBITDA in the fourth quarter of the previous financial year, had a net positive impact on EBITDA in the period under review. Some parts of the business are recovering faster than expected in the scenario upon the restructuring and cost saving program was based; therefore, dormakaba has started to selectively build up its workforce in certain areas.

CHF 1,227.5 million
consolidated net sales

CHF 181.9 million
EBITDA

14.8%
EBITDA margin

Sales
In the first half of financial year 2020/21, dormakaba achieved consolidated net sales of CHF 1,227.5 million (previous year CHF 1,385.7 million), which represents a year-on-year decline of 11.4%. Organic sales decreased by 6.0% year-on-year, however improved 8.3 percentage points compared to the second half of the previous financial year. The overall decline in sales includes a strong negative currency translation effect of –5.5%, or CHF –76.2 million, due to the ongoing strength of the Swiss franc against major currencies. Acquisitions and divestments had a 0.1% positive effect compared to the previous year.

Profitability
In line with the development of the pandemic and its impact on volumes, profitability of dormakaba was below previous year's level which was reflected in both a slightly lower gross margin and a lower EBITDA margin. The gross margin for the reporting period was 41.7% (previous year 42.5%).

Group EBITDA amounted to CHF 181.9 million (previous year CHF 214.1 million) and the EBITDA margin stood at 14.8% (previous year 15.5%); while this represents a year-on-year decline, the figures improved significantly compared to the second half of the previous financial year (CHF 110.9 million, 9.6%). EBITDA includes a negative currency translation effect of CHF –13.2 million due to the strong Swiss franc. The relatively stable EBITDA margin despite the Covid-19-related volume decline was due to improvements in operational efficiencies, effective cost management, procurement savings, and to the reduction of personnel expenses. The latter was supported by the Group-wide cost savings and restructuring program to address the negative impact of the pandemic on business activities and to maintain operational efficiency and financial stability. In addition, exceptional one-time items in the period under review amounted to CHF 6.6 million and thus had a positive impact of 0.5 percentage points on the EBITDA margin.

EBIT decreased by CHF 33.9 million to CHF 144.2 million (previous year CHF 178.1 million), consequently the EBIT margin stood at 11.7% (previous year 12.9%).

The business performance of all segments showed sequential improvement compared to the second half of the previous financial year. However, due to the impact of the Covid-19 pandemic, organic growth was below previous year. Organic sales at Access Solutions (AS) EMEA and AS DACH was only slightly below the first half of financial year 2019/20, with third-party sales in Germany, Switzerland, Austria, the Netherlands, Norway, and Denmark even rising above previous year's level. Both AS DACH and AS EMEA increased their EBITDA margin compared to the first half of financial year 2019/20. There was still a pronounced negative Covid-19 impact on sales at AS AMER, AS APAC, and Key & Wall Solutions. The EBITDA margin of AS AMER declined as cost savings could not compensate the impact of volume contraction and increasing cost of commodities. AS APAC was able to almost keep its EBITDA margin on previous year's level despite a double-digit decline in volume. Key & Wall Solutions even improved its EBITDA margin by 0.7 percentage points despite a nearly double-digit decline in organic sales.

Financial result, profit before taxes, and income taxes
The net financial result for the reporting period improved to CHF –14.4 million compared to CHF –21.0 million in the previous year. This was due to the pandemic-related crisis management focus on "cash is king" and a lower interest environment. The "cash is king" initiative was launched in the second half of financial year 2019/20 and includes comprehensive credit and collection management as well as reduced investment spending enabling consistent deleveraging. Profit before taxes decreased to CHF 129.8 million in the period under review (previous year CHF 157.1 million). Income taxes for the reporting period amounted to CHF 29.9 million, resulting in an effective income tax rate of 23.0% compared to 24.0% in the previous year. The lower income tax expense was a result of country profit mix as well as several smaller positive one-time impacts.

Net profit
dormakaba closed the first half of financial year 2020/21 with a net profit of CHF 99.9 million (previous year CHF 119.4 million). The positive effects of a lower income tax rate and the improved financial result were able to partially offset the reduced operating performance due to the pandemic. Net profit after minority interests was at CHF 52.3 million (previous year CHF 61.3 million).

Cash flow and balance sheet
Cash flow from operations amounted to CHF 233.6 million due to improvements in working capital management (previous year CHF 192.1 million). Free cash flow of CHF 153.3 million was above previous year (CHF –52.7 million) due to the strong operating cash flow; the previous year's free cash flow included sizeable acquisitions. Cash flow from investing activities of CHF –41.0 million was driven by lower capital expenditures of CHF –30.8 million (previous year CHF –50.2 million) in property, plant, and equipment and intangible assets, which represent 2.5% of sales (previous year 3.6%). Cash flow from financing activities of CHF –214.1 million includes the dividend payments to company shareholders as well as to minority shareholders in total of CHF 83.4 million.

This continued positive cash flow development can be attributed to the early measures taken in spring 2020 to focus on a "cash is king" principle during the pandemic, resulting in a strong reduction of the company's net debt to CHF 556.3 million (previous year CHF 836.1 million). Consequently, leverage (ratio of net debt to half-year EBITDA x2) improved to 1.5x (full year ended 30 June 2020: 2.1x), despite the challenging economic environment due to the pandemic. Furthermore, in the period under review, dormakaba has secured a new five-year CHF 525 million syndicated credit facility with favorable and improved terms and conditions, which is a strong indicator of financial flexibility and stability. The loan agreement includes interest rate-relevant sustainability objectives, reinforcing our strategic goals and our commitment to fulfil important ESG criteria.

Letter to shareholders
Business performance
Financial performance
Consolidated financial statements

As of 31 December 2020, total assets were at CHF 1,721.1 million. Within current assets, cash and cash equivalents amounted to CHF 138.0 million; inventories stood at CHF 414.2 million (24.1% of total assets; previous year 24.8%), and trade receivables at CHF 375.2 million (21.8% of total assets; previous year 25.4%). Non-current assets consisted mainly of property, plant, and equipment worth CHF 428.8 million (25.0% of total assets; previous year 25.1%).

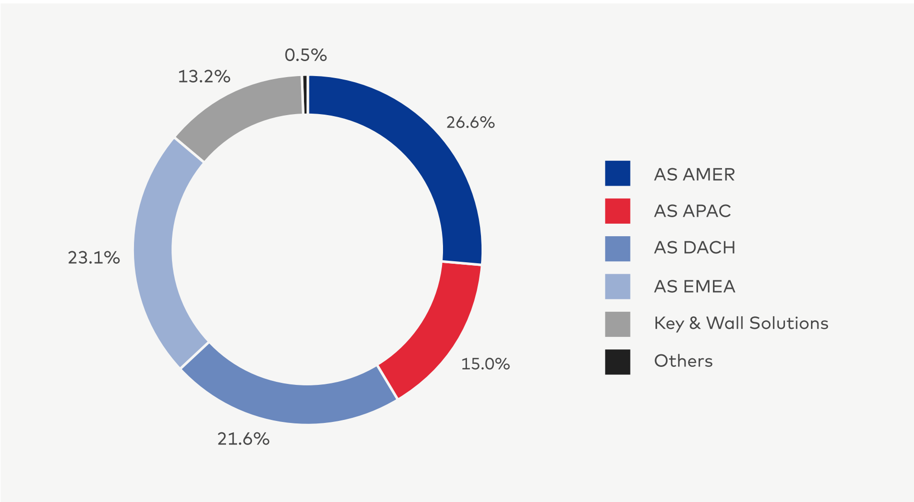
Total liabilities were at CHF 1,545.5 million (89.8% of total assets; previous year 94.1%), of which CHF 680.3 million reflects the two corporate bonds due in 2021 and 2025. Net financial debt decreased to CHF 556.3 million (30 June 2020: CHF 667.7 million, 31 December 2019: CHF 836.1 million). The decrease was related to the higher cash generated from operations, lower investment spending and to lower dividend payments for the financial year 2019/20. dormakaba's equity increased to CHF 175.6 million as of 31 December 2020, with an equity ratio of 10.2% (CHF 110.4 million or 5.9% as of 31 December 2019).

Currency effects
In the first half of financial year 2020/21 all major currencies for dormakaba depreciated against the Swiss franc compared to previous year. The average Euro exchange rate against the Swiss franc fell by 1.8% year-on-year from CHF 1.0961 to CHF 1.0765, the US dollar fell by 7.7% from CHF 0.9880 to CHF 0.9118, the Australian dollar by 2.5%, the British pound by 4.3% and the Chinese renminbi by 4.1%. Therefore, the currency translation had an overall negative impact on net sales and operational profitability.

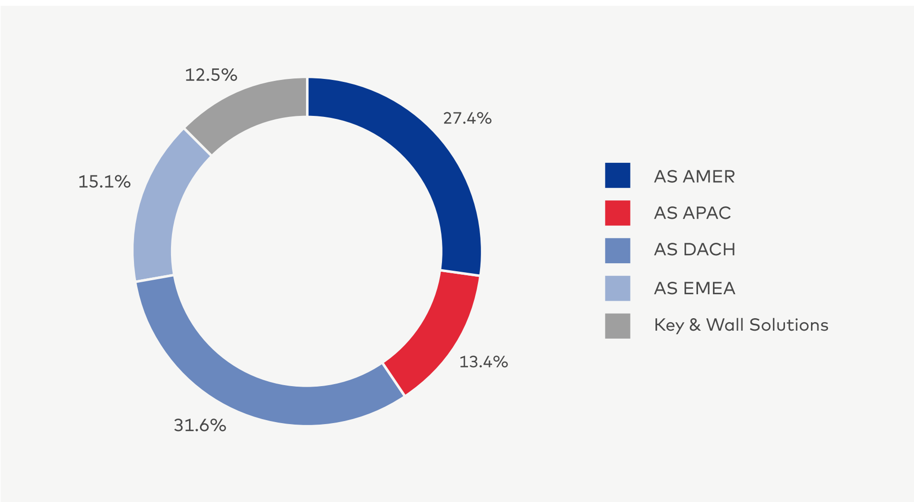
Key figures

CHF million, except where indicated	Reporting half-year ended 31.12.2020	%	Reporting half-year ended 31.12.2019	%
Net sales	1,227.5		1,385.7	
Change in sales	–158.2	–11.4	–10.8	–0.8
Of which translation exchange difference	–76.2	–5.5	–28.4	–2.1
Of which acquisition (disposal) impact	1.0	0.1	7.1	0.5
Of which organic sales growth	**–83.0**	**–6.0**	**10.5**	**0.8**
Operating profit before depreciation and amortization (EBITDA)	**181.9**	**14.8**	**214.1**	**15.5**
Operating profit (EBIT)	**144.2**	**11.7**	**178.1**	**12.9**
Profit before taxes	129.8	10.6	157.1	11.3
Net profit	99.9	8.1	119.4	8.6
Other key figures				
Total assets	1,721.1		1,878.2	
Net debt	556.3		836.1	
Market capitalization	2,093.5		2,877.7	
Average number of full-time equivalent employees	15,006		15,746	

Third-party sales by segments



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



Consolidated financial statements

Consolidated income statement

CHF million, except share amounts	Reporting half-year ended 31.12.2020	%	Reporting half-year ended 31.12.2019	%
Net sales	**1,227.5**	**100.0**	**1,385.7**	**100.0**
Cost of goods sold	–715.6	–58.3	–796.7	–57.5
Gross margin	**511.9**	**41.7**	**589.0**	**42.5**
Other operating income, net	10.7	0.8	5.0	0.4
Sales and marketing	–198.1	–16.1	–224.3	–16.2
General administration	–128.1	–10.4	–140.3	–10.1
Research and development	–52.2	–4.3	–51.3	–3.7
Operating profit (EBIT)	**144.2**	**11.7**	**178.1**	**12.9**
Result from associates	–0.1	0.0	–0.1	0.0
Financial expenses	–14.9	–1.1	–21.6	–1.6
Financial income	0.6	0.0	0.7	0.0
Profit before taxes	**129.8**	**10.6**	**157.1**	**11.3**
Income taxes	–29.9	–2.5	–37.7	–2.7
Net profit	**99.9**	**8.1**	**119.4**	**8.6**
Net profit attributable to minority interests	47.6		58.1	
Net profit attributable to the owners of the parent	52.3		61.3	
Basic earnings per share in CHF	12.6		14.8	
Diluted earnings per share in CHF	12.5		14.7	
Operating profit before depreciation and amortization (EBITDA)	**181.9**	**14.8**	**214.1**	**15.5**

Consolidated balance sheet

Assets

CHF million	Reporting half-year ended 31.12.2020	%	Financial year ended 30.06.2020	%	Reporting half-year ended 31.12.2019	%
Current assets						
Cash and cash equivalents	138.0	8.0	156.8	8.7	100.2	5.4
Trade receivables	375.2	21.8	388.1	21.4	476.9	25.4
Inventories	414.2	24.1	445.0	24.6	466.0	24.8
Current income tax assets	36.5	2.1	33.9	1.9	26.7	1.4
Other current assets	54.0	3.1	60.4	3.3	64.0	3.4
Total current assets	**1,017.9**	**59.1**	**1,084.2**	**59.9**	**1,133.8**	**60.4**
Non-current assets						
Property, plant, and equipment	428.8	25.0	441.8	24.5	470.9	25.1
Intangible assets	82.7	4.8	83.7	4.6	65.9	3.5
Investments in associates	5.2	0.3	3.3	0.2	3.4	0.2
Non-current financial assets	38.0	2.2	35.9	2.0	39.7	2.1
Deferred income tax assets	148.5	8.6	159.7	8.8	164.5	8.7
Total non-current assets	**703.2**	**40.9**	**724.4**	**40.1**	**744.4**	**39.6**
Total assets	**1,721.1**	**100.0**	**1,808.6**	**100.0**	**1,878.2**	**100.0**

Liabilities and equity

CHF million	Reporting half-year ended 31.12.2020	%	Financial year ended 30.06.2020	%	Reporting half-year ended 31.12.2019	%
Current liabilities						
Current borrowings	370.1	21.4	139.9	7.7	250.0	13.3
Trade payables	149.3	8.7	129.0	7.1	127.5	6.8
Current income tax liabilities	42.2	2.5	44.5	2.5	44.7	2.4
Accrued and other current liabilities	306.7	17.8	312.6	17.3	306.4	16.3
Provisions	30.3	1.8	43.9	2.4	35.7	1.9
Total current liabilities	**898.6**	**52.2**	**669.9**	**37.0**	**764.3**	**40.7**
Non-current liabilities						
Accrued pension costs and benefits	293.8	17.1	288.4	16.0	293.8	15.6
Deferred income tax liabilities	28.9	1.7	24.4	1.3	23.4	1.3
Non-current liabilities	324.2	18.8	684.6	37.9	686.3	36.5
Total non-current liabilities	**646.9**	**37.6**	**997.4**	**55.2**	**1,003.5**	**53.4**
Total liabilities	**1,545.5**	**89.8**	**1,667.3**	**92.2**	**1,767.8**	**94.1**
Equity						
Share capital	0.4	0.0	0.4	0.0	0.4	0.0
Additional paid-in capital	811.3	47.1	811.3	44.9	811.3	43.2
Retained earnings	1,269.1	73.7	1,261.4	69.7	1,238.3	65.9
Goodwill offset in equity	–1,884.0	–109.4	–1,881.3	–104.1	–1,880.8	–100.1
Treasury shares	–24.8	–1.4	–31.4	–1.7	–32.6	–1.7
Translation exchange differences	–11.9	–0.7	–22.3	–1.2	–15.1	–0.8
Total equity owners of the parent	**160.1**	**9.3**	**138.1**	**7.6**	**121.5**	**6.5**
Minority interests	15.5	0.9	3.2	0.2	–11.1	–0.6
Total equity	**175.6**	**10.2**	**141.3**	**7.8**	**110.4**	**5.9**
Total liabilities and equity	**1,721.1**	**100.0**	**1,808.6**	**100.0**	**1,878.2**	**100.0**

Consolidated cash flow statement

CHF million	Reporting half-year ended 31.12.2020	Reporting half-year ended 31.12.2019
Net profit	**99.9**	**119.4**
Depreciation and amortization	37.7	36.0
Income tax expenses	29.9	37.7
Interest expenses	9.7	19.9
Interest income	–0.5	–0.4
(Gain) Loss on disposal of fixed assets, net	–0.1	–0.3
Adjustment for non-cash items	7.4	3.7
Change in trade receivables	7.5	20.8
Change in inventories	22.6	–12.7
Change in other current assets	9.6	–0.6
Change in trade payables	21.2	–5.2
Change in accrued pension cost	2.4	4.7
Change in accrued and other current liabilities	–13.7	–30.9
Cash generated from operations	**233.6**	**192.1**
Income taxes paid	–27.4	–31.2
Interest paid	–12.4	–22.2
Interest received	0.5	0.4
Net cash from operating activities	**194.3**	**139.1**
Cash flows from investing activities		
Additions of property, plant, and equipment	–21.3	–39.9
Proceeds from sale of property, plant, and equipment	0.1	0.8
Additions of intangible assets	–9.5	–10.3
Change in non-current financial assets	–2.8	–1.0
Acquisition of subsidiaries, net of cash acquired	–5.7	–141.4
Sale of subsidiaries, net of cash sold	0.2	0.0
Acquisition of associates and joint ventures	–2.0	0.0
Net cash used in investing activities	**–41.0**	**–191.8**
Free cash flow	**153.3**	**–52.7**
Cash flows from financing activities		
Other proceeds from (repayment of) current borrowings, net	–129.9	167.7
Proceeds from (repayment of) non-current borrowings, net	–0.4	–0.7
Change in other non-current liabilities	–0.4	–0.8
Dividends paid to company's shareholders	–43.7	–66.5
Dividends paid to minority shareholders	–39.7	–59.0
Net cash flows from financing activities	**–214.1**	**40.7**
Translation exchange differences	42.0	–10.2
Net increase (decrease) in cash and cash equivalents	**–18.8**	**–22.2**
Cash and cash equivalents at beginning of period	156.8	122.4
Cash and cash equivalents at end of period	138.0	100.2
Net increase (decrease) in cash and cash equivalents	**–18.8**	**–22.2**

Consolidated statement of changes in equity

CHF million	Share capital	Additional paid-in capital	Retained earnings	Goodwill offset in equity	Treasury shares	Cumul. translation adjustm.	Minority interests	Total equity
Balance at 31.12.2020	**0.4**	**811.3**	**1,269.1**	**–1,884.0**	**–24.8**	**–11.9**	**15.5**	**175.6**
Net profit for the reporting period			52.3				47.6	99.9
Goodwill on acquisitions and divestments				–2.7			–2.5	–5.2
Currency translation adjustments						10.4	7.7	18.1
Dividend paid			–43.7				–39.7	–83.4
Shares awarded (share-based compensation)			–0.9		6.6		–0.8	4.9
Balance at 01.07.2020	**0.4**	**811.3**	**1,261.4**	**–1,881.3**	**–31.4**	**–22.3**	**3.2**	**141.3**
Balance at 31.12.2019	**0.4**	**811.3**	**1,238.3**	**–1,880.8**	**–32.6**	**–15.1**	**–11.1**	**110.4**
Net profit for the reporting period			61.3				58.1	119.4
Goodwill on acquisitions and divestments				–71.6			–64.8	–136.4
Currency translation adjustments						–4.5	–6.1	–10.6
Dividend paid			–66.5				–59.0	–125.5
Shares awarded (share-based compensation)			–1.4		7.6		–1.2	5.0
Balance at 01.07.2019	**0.4**	**811.3**	**1,244.9**	**–1,809.2**	**–40.2**	**–10.6**	**61.9**	**258.5**

Notes to the consolidated financial statements

Basis of preparation

The consolidated financial statements of dormakaba Group ("dormakaba") includes the operations of dormakaba Holding AG and all direct and indirect subsidiaries in which dormakaba controls more than 50% of votes or otherwise has the power to govern the financial and operating policies. Investments in associates where dormakaba exercises significant influence, but does not have control (normally with an interest between 20% and 50%), and in joint ventures are considered for using the equity method of accounting.

The unaudited consolidated half-year financial statements cover the period from 1 July 2020 until 31 December 2020 and are prepared in accordance with the rules of the Swiss GAAP FER 31 ("Complementary Recommendation for Listed Public Companies") relating to interim financial reporting (Generally Accepted Accounting Principles/FER = Fachempfehlungen zur Rechnungslegung).

The consolidated half-year report should be read in conjunction with the consolidated financial statements compiled for the financial year ended 30 June 2020, as it represents an update of the last complete financial statements and therefore does not contain all information and disclosures required in year-end consolidated financial statements. The consolidated financial statements are prepared in accordance with Swiss GAAP FER and comply with the provisions of the listing rules of the SIX Swiss Stock Exchange as well as the Swiss company law.

The Covid-19 pandemic continues to have a significant impact on the global economic environment. The established comprehensive crisis management measures implemented by the Group management in the last financial year are ongoing. The aim of the measures is to ensure the health and safety of all employees, to minimize the impact on business operations and supply chains, and thus on customers, and to focus on cash flow by following a "cash is king" principle. dormakaba adjusted its financial management as well as its forecast structures in order to always retain its entrepreneurial flexibility and financial stability. This includes the daily monitoring of cash flows, liquidity and the status of financial debt at Group level, also regarding available undrawn credit facilities. In November 2020 dormakaba renewed its main credit facility with a new five-year syndicated loan in the amount of CHF 525 million. Further increased attention is on the net working capital management, which also includes a strict credit management and collection discipline on the trade receivables, as well as restrictions on capital expenditures.

The operational performance and the market development are described in the chapter "Business performance" and should be read in conjunction with this consolidated half-year report.

Income tax expense is recognized based upon the best estimate of the weighted average annual income tax rate expected for the full financial year. The preparation of the consolidated half-year financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and disclosure of contingent liabilities at the date of the consolidated half-year financial statements. If in future such estimates and assumptions, which are based on management's best judgment at the date of the consolidated half-year financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the reporting period in which the circumstances change.

dormakaba treats transactions with minority interests that do not result in a loss of control as transactions with equity owners of dormakaba. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and minority interests to reflect their relative interests in the subsidiary.

Segment reporting

CHF million	Reporting half-year ended 31.12.2020	Reporting half-year ended 31.12.2019	Reporting half-year ended 31.12.2020	Reporting half-year ended 31.12.2019	Reporting half-year ended 31.12.2020	Reporting half-year ended 31.12.2019
	Access Solutions AMER		Access Solutions APAC		Access Solutions DACH	
Net sales third parties	326.8	399.7	184.0	217.2	265.5	252.7
Intercompany sales	12.9	16.6	11.0	13.3	130.7	162.9
Total sales	**339.7**	**416.3**	**195.0**	**230.5**	**396.2**	**415.6**
Operating profit (EBIT)	**51.0**	**80.7**	**24.6**	**31.0**	**59.7**	**61.5**
as % of sales	15.0%	19.4%	12.6%	13.4%	15.1%	14.8%
Depreciation and amortization	7.5	6.5	3.9	4.1	7.8	8.8
Operating profit before depreciation and amortization (EBITDA)	**58.5**	**87.2**	**28.5**	**35.1**	**67.5**	**70.3**
as % of sales	17.2%	20.9%	14.6%	15.2%	17.0%	16.9%
Net working capital	150.0	212.9	95.2	117.9	120.1	129.7
Capital expenditure	7.2	16.7	3.3	4.9	5.3	9.6
	Access Solutions EMEA		Eliminations		Access Solutions TOTAL	
Net sales third parties	283.3	317.6	0.0	0.0	1,059.6	1,187.2
Intercompany sales	59.6	56.9	–211.1	–246.2	3.1	3.5
Total sales	**342.9**	**374.5**	**–211.1**	**–246.2**	**1,062.7**	**1,190.7**
Operating profit (EBIT)	**26.2**	**23.9**	**0.1**	**–1.3**	**161.6**	**195.8**
as % of sales	7.6%	6.4%	0.0%	0.5%	15.2%	16.4%
Depreciation and amortization	5.9	6.5	0.0	0.0	25.1	25.9
Operating profit before depreciation and amortization (EBITDA)	**32.1**	**30.4**	**0.1**	**–1.3**	**186.7**	**221.7**
as % of sales	9.4%	8.1%	0.0%	0.5%	17.6%	18.6%
Net working capital	156.9	195.4	–10.9	–13.2	511.3	642.7
Capital expenditure	5.9	6.6	0.0	0.0	21.7	37.8
			Key & Wall Solutions		Other	
Net sales third parties			162.0	191.5	5.9	7.0
Intercompany sales			7.1	7.4	2.5	2.4
Total sales			**169.1**	**198.9**	**8.4**	**9.4**
Operating profit (EBIT)			**21.9**	**25.4**	**–0.5**	**0.1**
as % of sales			13.0%	12.8%	–6.0%	1.1%
Depreciation and amortization			4.7	4.4	0.2	0.0
Operating profit before depreciation and amortization (EBITDA)			**26.6**	**29.8**	**–0.3**	**0.1**
as % of sales			15.7%	15.0%	–3.6%	1.1%
Net working capital			81.0	103.0	2.8	4.2
Capital expenditure			3.0	5.6	3.4	2.7
	Corporate		Eliminations		Group	
Net sales third parties	0.0	0.0	0.0	0.0	1,227.5	1,385.7
Intercompany sales	0.0	0.0	–12.7	–13.3	0.0	0.0
Total sales	**0.0**	**0.0**	**–12.7**	**–13.3**	**1,227.5**	**1,385.7**
Operating profit (EBIT)	**–38.8**	**–43.2**	**0.0**	**0.0**	**144.2**	**178.1**
as % of sales	0.0%	0.0%	0.0%	0.0%	11.7%	12.9%
Depreciation and amortization	7.7	5.7	0.0	0.0	37.7	36.0
Operating profit before depreciation and amortization (EBITDA)	**–31.1**	**–37.5**	**0.0**	**0.0**	**181.9**	**214.1**
as % of sales	0.0%	0.0%	0.0%	0.0%	14.8%	15.5%
Net working capital	–12.9	–5.1	0.3	2.6	582.5	747.4
Capital expenditure	2.7	4.1	0.0	0.0	30.8	50.2

Business combinations and divestments

Business combinations

The following table summarizes all considerations paid for businesses, as well as the assets and liabilities acquired and recognized at fair value as at the acquisition date in the first half year 2020/21 and for the full year 2019/20 in comparison.

CHF million	Reporting half-year ended 31.12.2020	Financial year ended 30.06.2020
	Total	**Total**
Total consideration	**6.3**	**161.3**
Cash paid	6.3	159.1
Deferred payment	0.0	1.3
Acquisition-related costs	0.0	0.9
Identifiable assets and liabilities	**1.1**	**23.9**
Cash and cash equivalents	0.4	16.8
Trade receivables	1.3	4.2
Inventories	0.4	5.3
Current income tax assets	0.0	1.8
Other current assets	0.7	0.2
Property, plant, and equipment	0.1	0.5
Deferred income tax assets	0.0	0.2
Current borrowings	–0.4	0.0
Trade payables	–0.5	–0.4
Accrued and other current liabilities	–0.8	–4.6
Provisions	0.0	–0.1
Non-current borrowings	–0.1	0.0
Goodwill	**5.2**	**137.4**

In the first half year 2020/21 dormakaba has acquired E Plus Nominees Pty Ltd., based in Melbourne (AUS), and 1st Access Group Ltd., based in Hertfordshire (UK). The goodwill resulting from these acquisitions is offset in equity against retained earnings.

Divestments

Norwegian project installation business

On 31 August 2020, dormakaba divested its project installation business in Norway. The purchaser of the business is Låssenteret, which is a well-established Norwegian security installation group. With this transaction, Låssenteret and dormakaba will further strengthen their already existing commercial relationship.

Alternative performance measures (APM)

Some of the key figures used by dormakaba to measure the financial performance are not defined by Swiss GAAP FER. The comparability of these figures with those of other companies might be limited. Explanations and reconciliations of these APMs are disclosed below.

Capital expenditure

Capital expenditure (Capex) consists of the additions in property, plant, and equipment and the additions of intangible assets.

CHF million	Reporting half-year ended 31.12.2020	Reporting half-year ended 31.12.2019
Capital expenditure	**30.8**	**50.2**
Additions of property, plant, and equipment	21.3	39.9
Additions of intangible assets	9.5	10.3

Free cash flow and free cash flow before acquisitions/divestments

Free cash flow consists of cash flow from operating activities together with cash flow from investing activities. Free cash flow before acquisitions/divestments excludes the cash effective movements arising from acquisitions/divestments.

CHF million	Reporting half-year ended 31.12.2020	Reporting half-year ended 31.12.2019
Free cash flow before acquisitions/divestments	**160.8**	**88.7**
Acquisition of subsidiaries, net of cash acquired	–5.7	–141.4
Sale of subsidiaries, net of cash sold	0.2	0.0
Acquisition of associates and joint ventures	–2.0	0.0
Free cash flow	**153.3**	**–52.7**
Net cash from operating activities	194.3	139.1
Net cash used in investing activities	–41.0	–191.8

Net debt

Net debt describes the current borrowings and non-current liabilities minus cash and cash equivalents.

CHF million	Reporting half-year ended 31.12.2020	Reporting half-year ended 31.12.2019
Net debt	**556.3**	**836.1**
Current borrowings	370.1	250.0
Non-current liabilities	324.2	686.3
Cash and cash equivalents	–138.0	–100.2

Net working capital

Net working capital is used by the Group to measure the efficiency of the segment in managing financial resources and complements the Group's performance management. dormakaba defines net working capital as trade receivables plus inventories, minus the sum of trade payables, advances from customers and deferred income.

CHF million	Reporting half-year ended 31.12.2020	Reporting half-year ended 31.12.2019
Net working capital	**582.5**	**747.4**
Trade receivables	375.2	476.9
Inventories	414.2	466.0
Trade payables	–149.3	–127.5
Advances from customers	–35.8	–39.5
Deferred income	–21.8	–28.5

Operating cash flow margin

Operating cash flow margin is calculated as the ratio of net cash from operating activities to net sales.

CHF million	Reporting half-year ended 31.12.2020	Reporting half-year ended 31.12.2019
Operating cash flow margin	**15.8%**	**10.0%**
Net sales	1,227.5	1,385.7
Net cash from operating activities	194.3	139.1

Operating profit before depreciation and amortization (EBITDA)

Earnings before interest, taxes, depreciation, and amortization (EBITDA) corresponds to the operating result (EBIT) before depreciation on tangible fixed assets and amortization on intangible assets.

CHF million	Reporting half-year ended 31.12.2020	Reporting half-year ended 31.12.2019
Operating profit (EBIT)	**144.2**	**178.1**
Depreciation and amortization	37.7	36.0
Operating profit before depreciation and amortization (EBITDA)	**181.9**	**214.1**
Depreciation and amortization	–37.7	–36.0
Result from associates	–0.1	–0.1
Financial expenses	–14.9	–21.6
Financial income	0.6	0.7
Profit before taxes	**129.8**	**157.1**

Organic sales growth

Organic growth in sales refers to the growth compared to the same period of the previous year adjusted for the impacts from currency translation as well as impacts from acquisition and divestment.

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- delays in the integration of mergers or acquisitions,
- changes in the operating expenses,
- currency and raw material price fluctuations,
- the company's ability to recruit and retain qualified employees,
- political risks in countries where the company operates,
- changes in applicable law,
- realization of synergies,
- and other factors identified in this communication.

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For definition of alternative performance measures, please refer to the chapter "Notes to the consolidated financial statements" of the Half-year Report 2020/21 of dormakaba.

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