



Riet Cadonau, Chairman and CEO

Dear Shareholders

In financial year 2018/19, we made further progress in our corporate development and continued to strengthen our position as one of the top three companies in our industry. Our focus was on improving profitability and with that on sustainable profitable growth. Since the merger to form dormakaba, we have continually improved our EBITDA margin, starting at 13.5% and now reaching 15.9%. This increase in profitability was driven by cost synergies from the merger in addition to efficiency gains and portfolio management measures.

Another focal point was the investment in innovation and digital transformation that we announced in summer 2018. In accordance with our corporate strategy, we once again invested significantly in innovation, digitization, and IT platforms, which inevitably had a negative effect on profitability in the reporting period. However, we are convinced that with these investments we have established a solid foundation to strengthen our competitive position in the years to come in an increasingly digitalized environment.

We continue to attach great importance to the development of our brand and to an open, constructive corporate culture. During the year under review, for example, our teams at all levels throughout the world analyzed and discussed the results of the previous year's employee survey, before working together to develop measures that will help embed our culture even more firmly. A total of more than 800 workshops have been held so far, with over 2,200 team actions in implementation. A sound corporate culture is not only vital for our company's operational performance; it is also a key differentiating factor to retain and recruit talent for our company. And our work is bearing fruit: in Singapore, for example, we were named as the top employer in the security and access solutions industry during the year under review.

Satisfactory performance with increased profitability

The 2018/19 financial year was satisfactory. The achieved results are all above the comparable results from the previous year. In particular, we have further increased profitability, which is reflected in an increase in all key earnings figures and operating sales margins. At CHF 448.0 million, EBITDA was CHF 17.0 million (3.9%) higher than in the previous year, resulting in an EBITDA margin of 15.9% (previous year 15.2%). It was particularly pleasing that all segments contributed to this improvement, by achieving both a higher EBITDA and a higher EBITDA margin. Notably, the AS APAC and Key & Wall Solutions segments made relevant contributions.

Organic sales growth was lower than expected, at 1.3%, mainly because of lower growth momentum in the second half of the year. Total sales for the 2018/19 financial year amounted to CHF 2,818.3 million (previous year CHF 2,841.0 million). With revenue from executed divestments exceeding that from acquisitions, net sales from M&A activities decreased by 1.0% compared to the previous year. The appreciation of the Swiss franc led to a negative impact on sales from currency translation of 1.1%.

While all segments improved overall in terms of profitability, organic sales growth was unevenly distributed. [AS APAC](#) achieved continued good growth, while the [AS DACH](#), [AS EMEA](#), and [Key & Wall Solutions](#) segments posted solid organic sales growth. The [AS AMER](#) segment reported negative organic sales growth, partly because of the base effect created by the completion of a large contract for lodging systems in the 2017/18 financial year. Please find detailed information on each individual segment's results in the segment reports.

dormakaba improved its net profit during the 2018/19 financial year by 5.8% to CHF 252.5 million (previous year CHF 238.7 million). In light of this positive performance, the Board of Directors is proposing that the Annual General Meeting, based on an unchanged dividend policy, increase the dividend for the third consecutive year to now CHF 16.00 per share (previous year CHF 15.00), paid entirely from reserves from capital contributions.

Portfolio management activities: acquisitions and divestments

Over the last years, our active management has strengthened our business portfolio and increased our profitability. We intend to continue to play an active role in the consolidation of our industry.

In June 2019, shortly before the end of the reporting period, we announced the acquisition of Alvarado Manufacturing in the USA. Alvarado is one of North America's leading producers of physical access solutions, including sensor barriers, access systems and turnstiles, mainly for commercial and public buildings. In conjunction with our existing physical access solutions business, this will give dormakaba a leading position in this specific segment of the North American market. The transaction was completed on 31 July 2019, and we expect the acquisition to have a positive impact on the EBITDA margin and earnings per share from the very first day.

In October 2018, we sold our 40% minority stake in ISEO. ISEO, based in Italy, is a manufacturer of security products such as lock cylinders, master key systems, locks and panic fittings, most of which are sold in the European market. The former Dorma originally acquired the minority stake in 2012 with a view to strengthen its business by extending its product portfolio. With the merger to dormakaba and its resulting comprehensive product range, this strategic position was reassessed, prompting our decision to sell. In December 2018, we also divested parts of our US Door Hardware Service business because this business activity did not meet our expectations for profitability.

Sustainability as part of our corporate strategy

Sustainability is a central element of our corporate strategy and an important part of our day-to-day work. Our aim is to achieve measurable progress here too, and to keep improving year by year. During the 2018/19 financial year, for example, we improved our management system for recording the CO₂ emissions of our processes and products. We also committed towards the Science Based Targets initiative (SBTi) to define a science-based reduction target for CO₂ emissions by 2020. At the same time, our products, solutions and services are helping to make buildings more energy efficient, and thus more environmentally friendly. We believe that the market for environmental construction is set to grow steadily which will provide us with above-average sales opportunities. Please find detailed information on our sustainability initiatives in our [2018/19 Sustainability Report](#).

Annual General Meeting on 22 October 2019

At the last Annual General Meeting you, our valued shareholders, put your trust in me as the new Chairman of the Board of Directors, a role that I am performing in combination with the CEO role on the basis of a dual mandate for a limited period of time. The schedule for a new person to take over as CEO in 2020 or 2021 remains unchanged, and the Board of Directors is confident to be able to announce my successor as CEO in the second half of 2020.

All serving Board members are putting themselves forward for re-election at the upcoming General Meeting for another year-long term, with Hans Hess set to continue as Vice Chairman and Lead Independent Director if re-elected. Rolf Dörig, Hans Gummert and Hans Hess are also standing for a further term as members of the Compensation Committee.

Outlook

We expect that the macroeconomic and geopolitical environment will remain volatile. Various factors, such as trade conflicts, a potential hard Brexit and an intensification of political crises could significantly impact the macroeconomic environment and lead to a downturn at the global level, or in major regions.

Nevertheless, we plan to continue investing just as strongly in innovation during the financial year 2019/20. We also plan to channel significant resources into our digital transformation with the aim to further strengthen the company's competitive position over the coming years within an increasingly digitalized environment.

We will continue to concentrate on profitable growth in future, with a focus on improving profitability still further. For financial year 2019/20, we expect the EBITDA margin and organic growth rate to be above the previous year figures. The medium-term financial targets remain unchanged.

Thanks

The Board of Directors and Executive Committee would like to thank all business partners and customers very much for the good collaboration over the past year. Our thanks also go to our shareholders who have placed their trust in dormakaba. We appreciate that you are supporting the strategic direction of dormakaba and our route to sustainable profitable growth.

The 2018/19 financial year brought many challenging projects and a lot of hard work for our employees. We would like to thank them all for their dedication and their valuable contribution to our company's success.

The results of the past financial year have once again underlined the industrial logic behind the merger to form dormakaba. We will work to maintain this successful development in the years to come.

Sincerely yours,

A handwritten signature in black ink, consisting of a series of fluid, connected strokes that form a stylized representation of the name Riet Cadonau.

Riet Cadonau
Chairman & CEO