

Segment Access Solutions AMER

Lower sales, higher profitability

Operational performance

AS AMER achieved total sales of CHF 402.1 million in the 1st half of financial year 2018/19. Organic sales growth declined 1.8% compared to the previous year, whereas the EBITDA margin improved by 1.4%-points to 21.1%. Segment EBITDA reached CHF 84.7 million (previous year CHF 80.9 million). The segment focused on profitable growth and put a particular emphasis on profitability which is reflected in the improved EBITDA margin. The margin improvement was driven by higher sales prices and a positive mix effect which more than compensated increased IT costs for the roll-out of global applications and higher raw material prices. In addition, the segment benefited from the ongoing production footprint adjustments, which led to a more favorable cost base. Since the dormakaba merger in September 2015, the business has conducted a thorough analysis of its manufacturing footprint and has closed seven of its production sites due to operational synergies and economies of scale. The business is achieving this manufacturing footprint transformation by shifting production to its major production hubs, i.e. Indianapolis (USA) for mechanical solutions, Montreal (Canada) for electronic solutions, Nogales (Mexico) for high-volume assembly products (like pushbutton locks), and Reamstown (USA) for Entrance Systems and Interior Glass Systems.

As there was a continued negative margin contribution from the US Door Hardware Service Business, the segment decided to divest parts of it as of December 2018. The impact of the discontinued business on sales growth in the 1st half of financial year 2018/19 was 0.8%.

Market development

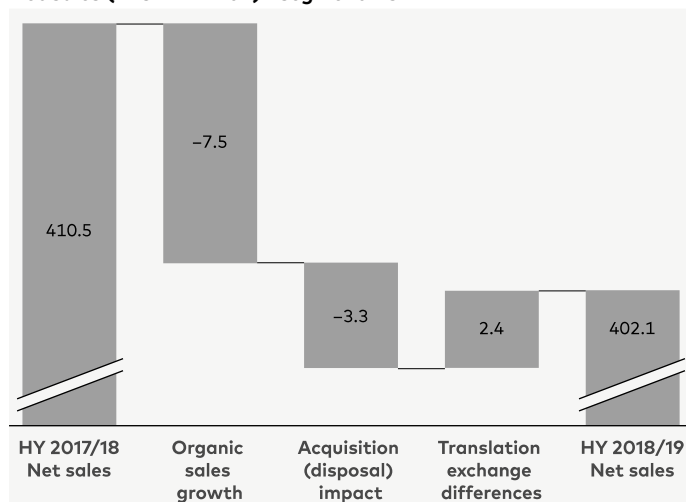
Organic sales growth was negatively impacted by a weaker Lodging Systems business in North America. After four years of double-digit growth driven by upgrades to mobile access solutions for major hotel chains, the Lodging Systems business was for the first time below previous year as a major project was finalized. Strong demand for access solutions for multihousing in North America and orders from hotels outside North America could partially compensate for the decline. Further, business environment in South America was rather weak.

All other Product Clusters contributed to organic growth. Entrance Systems, Electronic Access & Data experienced double-digit sales growth. There was sales growth as well for Interior Glass Systems, Door Hardware, Services (excluding the discontinued business) as well as the acquired Best Access Solutions business. Safe Locks sales were slightly above previous year's level.

Key figures - segment AS AMER

in CHF million	Reporting half-year ended 31.12.2018		Reporting half-year ended 31.12.2017		Change on previous year in %
		in %		in %	
Net sales third parties	388.1		395.6		-1.9
Intercompany sales	14.0		14.9		
Total segment sales	402.1		410.5		-2.0
Change in segment sales	-8.4	-2.0	129.5	46.1	
Of which translation exchange differences	2.4	0.6	-1.8	-0.6	
Of which acquisition (disposal) impact	-3.3	-0.8	125.1	44.5	
Organic sales growth	-7.5	-1.8	6.2	2.2	
Operating profit before depreciation and amortization (EBITDA)	84.7	21.1	80.9	19.7	4.7
Average number of full-time equivalent employees	2,915		3,136		

Net sales (in CHF million) - segment AS AMER



Segment Access Solutions APAC

Continuous profitable growth

Operational performance

AS APAC generated total sales of CHF 236.5 million in the 1st half of financial year 2018/19 with an organic sales growth of 5.5% compared to the previous year. EBITDA was at CHF 36.8 million, which is 9.9% higher than a year earlier. The EBITDA margin was considerably higher with 15.6% compared to 14.1% in the previous year as the segment continuously leveraged its good foundation to further improve profitability. The margin improvement was driven by higher sales prices in all regions, a favorable product mix and portfolio management. Additionally, higher volumes and efficiency improvements particularly in the Services business contributed to a higher profitability. All these effects overcompensated the impact of higher raw material prices and a negative currency effect.

Market development

AS APAC experienced good growth in all regional markets except for South East Asia, which was slightly below previous year.

The segment experienced double-digit growth in India benefiting from major projects for Door Hardware and Entrance Systems, including finalization of a major contract for an International Convention Center. Furthermore, the business was able to gain several new contracts, like for the Indian Trade Promotion Organization, the biggest exhibition and convention center in New Delhi.

There was high single-digit growth in China with particular good growth in the commercial sector, whereas demand in the residential business remained somewhat subdued. AS APAC has started to integrate the Commercial Building Physical Access Solutions (PAS) business from Cambaum Group (China), which was acquired in April 2018. Additionally, the business has successfully integrated the Kilargo business (Australia), the latter business and a strong Services business contributed positively to the good growth in the Pacific region.

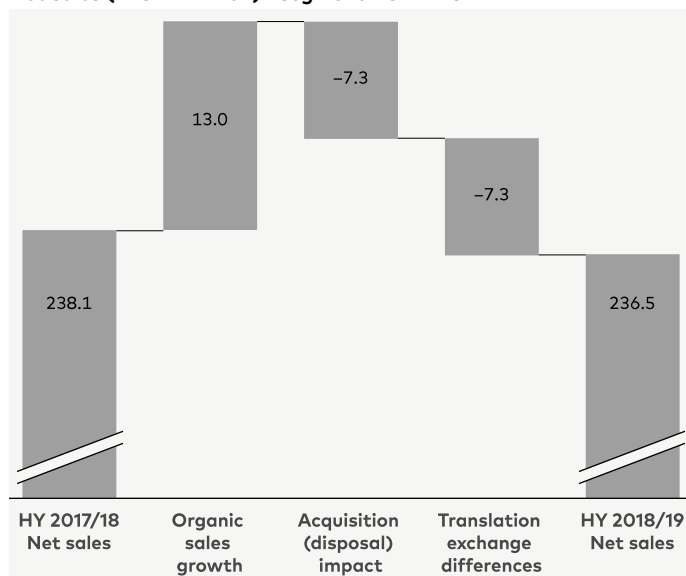
The segment recorded strong demand for most of its Product Clusters with particular good growth in Services, Door Hardware and Entrance Systems.

The business benefited as well from growth with new innovative products and solutions and will continue to invest in innovation. The segment showcased its latest products like its new NarrowBand-IoT lock for the Chinese market, which was developed together with China Telecom, at the CBD Trade fair in Guangzhou (China), which is the largest fair for Smart Home and Decorative Hardware nationwide.

Key figures - segment AS APAC

in CHF million	Reporting half-year ended 31.12.2018		Reporting half-year ended 31.12.2017		Change on previous year in %
		in %		in %	
Net sales third parties	222.6		224.1		-0.7
Intercompany sales	13.9		14.0		
Total segment sales	236.5		238.1		-0.7
Change in segment sales	-1.6	-0.7	34.7	17.1	
Of which translation exchange differences	-7.3	-3.1	1.0	0.5	
Of which acquisition (disposal) impact	-7.3	-3.1	21.6	10.6	
Organic sales growth	13.0	5.5	12.1	6.0	
Operating profit before depreciation and amortization (EBITDA)	36.8	15.6	33.5	14.1	9.9
Average number of full-time equivalent employees	3,328		4,001		

Net sales (in CHF million) - segment AS APAC



Segment Access Solutions DACH

Sales growth and higher profitability

Operational performance

AS DACH generated total sales of CHF 430.0 million in the period under review, representing organic sales growth of 2.6% compared to the prior-year period. The segment achieved EBITDA of CHF 78.5 million, up 6.4% compared to the previous year; the EBITDA margin of 18.3% was higher than in the previous year (17.5%). Cost savings from production footprint adjustments, higher volumes and higher sales prices overcompensated the effect of raw material and of labor cost inflation in Germany.

Market development

All countries of AS DACH contributed to organic sales growth, with lowest growth in Germany.

In particular, Door Hardware, Entrance Systems, Mechanical Key Systems and Services grew compared to the previous year. Interior Glass System sales were below previous year. Order intake in the project-driven Electronic Access & Data business was good but given that there were more smaller projects compared to the previous year, it needs more time until revenues are realized.

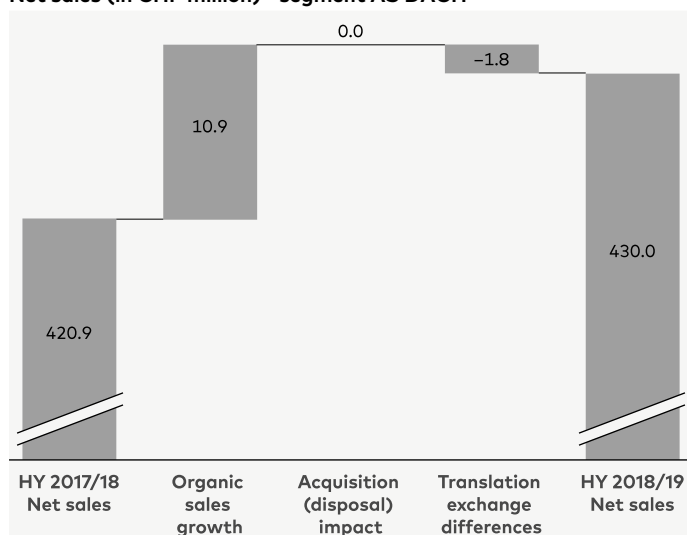
The relocation of the production of certain standard door closers from Germany to Asia has been completed. The final steps of the post-merger integration are currently executed. However, as already disclosed, full efficiency gains will only materialize in financial year 2019/20. This is mainly due to the socially acceptable measures relating to job reductions in Germany agreed to with the social partners, as well as an adjustment of the timeline for some major IT projects.

dormakaba was exhibiting at the [BAU 2019 in Munich \(Germany\)](#), which is one of the world's most important trade fairs for the construction industry. It showcased its digital solutions, its offering for key verticals such as lodging, airports, healthcare and education, and presented its latest product innovations. These range from design-oriented sensor barriers like the [Argus 80](#) through a flexible escape route security system, new self-locking panic locks and fittings to Mobile Access Solutions.

Key figures - segment AS DACH

in CHF million	Reporting half-year ended 31.12.2018		Reporting half-year ended 31.12.2017		Change on previous year in %
		in %		in %	
Net sales third parties	266.5		260.6		2.3
Intercompany sales	163.5		160.3		
Total segment sales	430.0		420.9		2.2
Change in segment sales	9.1	2.2	19.5	4.9	
Of which translation exchange differences	-1.8	-0.4	16.5	4.1	
Of which acquisition (disposal) impact	0.0	0.0	-5.4	-1.3	
Organic sales growth	10.9	2.6	8.4	2.1	
Operating profit before depreciation and amortization (EBITDA)	78.5	18.3	73.8	17.5	6.4
Average number of full-time equivalent employees	3,475		3,530		

Net sales (in CHF million) - segment AS DACH



Segment Access Solutions EMEA

Growth in sales and profitability

Operational performance

AS EMEA generated total sales of CHF 381.1 million for the 1st half of financial year 2018/19 and organic sales growth of 3.1% compared to the previous year. EBITDA amounted to CHF 30.0 million, an increase of 4.5% over the last year's figure. The EBITDA margin was higher at 7.9% (previous year 7.6%) driven by operational improvements, higher volumes and higher sales prices which overcompensated higher expenditures in business development and higher IT costs for the roll-out of global applications.

Market development

Organic growth was driven by double-digit growth in Central and Eastern Europe, especially Russia. Southern Europe enjoyed growth as well, sales in France were above previous year's level, despite the current political volatility. In the UK, the Services business showed good growth, which more than offset a weaker general demand. The segment's UK organization is currently preparing for the potential impact of a hard Brexit and has increased, amongst other measures, its inventory levels.

Sales in Scandinavia were below previous year. Sales in the Middle East slightly increased driven by demand in the UAE and Qatar, whereas sales in Saudi Arabia were below previous year's level.

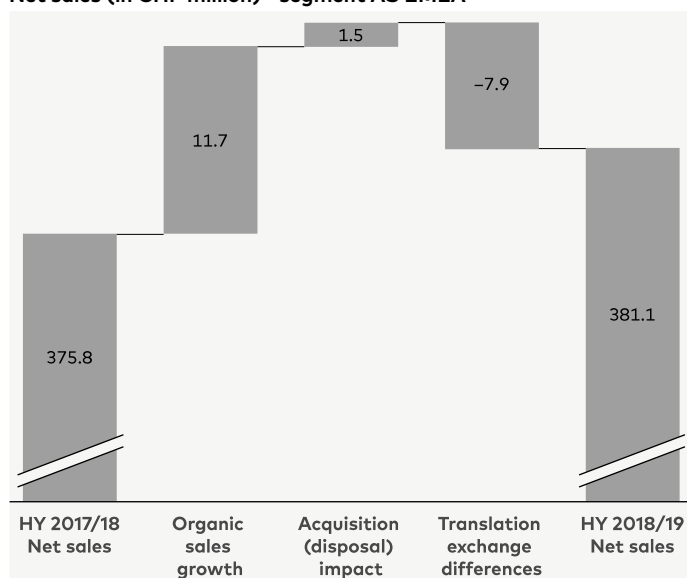
Product Clusters such as Entrance Systems, Door Hardware, Services and particularly Lodging Systems contributed to growth. Electronic Access & Data contributed to growth as well, driven by new projects like the Doha Oasis project in Qatar where Electronic Access & Data and Lodging Solutions are combined to an attractive offering for the customers. Safe Locks and Interior Glass Systems were below prior year's level.

The segment expects further EBITDA margin improvement potential driven by improved organizational efficiencies and will continue to invest substantially in its IT infrastructure as part of the enterprise excellence and digitalization strategy. In addition to the ERP roll-out, AS EMEA has successfully launched a new management platform for the Services business, which will increase the customer visibility and efficiency and contribute to further growth. Implementation of this new software platform is progressing in individual countries; the latest example is the successful roll-out in Norway.

Key figures - segment AS EMEA

in CHF million	Reporting half-year ended 31.12.2018		Reporting half-year ended 31.12.2017		Change on previous year in %
		in %		in %	
Net sales third parties	322.1		315.8		2.0
Intercompany sales	59.0		60.0		
Total segment sales	381.1		375.8		1.4
Change in segment sales	5.3	1.4	21.6	6.1	
Of which translation exchange differences	-7.9	-2.1	11.7	3.2	
Of which acquisition (disposal) impact	1.5	0.4	0.5	0.2	
Organic sales growth	11.7	3.1	9.4	2.7	
Operating profit before depreciation and amortization (EBITDA)	30.0	7.9	28.7	7.6	4.5
Average number of full-time equivalent employees	3,383		3,366		

Net sales (in CHF million) - segment AS EMEA



Segment Key & Wall Solutions

Sales growth and higher profitability

dormakaba merged its Key Systems and Movable Walls segments in November 2017 to form the Key & Wall Solutions segment.

Operational performance

Key & Wall Solutions generated total sales of CHF 197.3 million in the 1st half of financial year 2018/19, representing year-on-year organic sales growth of 3.8%. EBITDA stood at CHF 29.0 million, up 11.1% compared to the previous year; the EBITDA margin improved to 14.7% (previous year 14.1%). The increase resulted from good profitable growth in the Movable Walls business in the USA, higher volumes and price increases, which more than offset the impact of higher raw material costs.

Market development

The Key Systems business unit reported good growth which was mainly driven by North America, Asia and South America. EMEA reported sales growth as well, with regional differences: there was good growth in the UK, Italy and Spain, while sales in France and Germany were weaker. Not only sales in Key Blanks and Key Cutting Machines, but also in Automotive Solutions were above previous year. The recently acquired business in Peru, Klaus Group, met expectations by making a positive contribution to growth and increasing its profitability compared to previous year. The company is a market leader in several South American countries that produces and distributes key blanks as well as other brass products.

There was strong growth in the Movable Walls business. Particularly the North American business performed well. The acquired Skyfold business has been successfully integrated. As a result, the Movable Walls business unit is able to gain top-line synergies due to the very competitive combination of both, vertical and horizontal movable walls. Sales in Asia were basically in line versus the previous year. Sales growth in the EMEA region was below the previous year's level. The business unit is currently focusing on the execution of the automation of its German production plant.

Key figures - segment Key & Wall Solutions

in CHF million	Reporting half-year ended 31.12.2018		Reporting half-year ended 31.12.2017		Change on previous year in %
		in %		in %	
Net sales third parties	190.1		180.2		5.5
Intercompany sales	7.2		5.5		
Total segment sales	197.3		185.7		6.2
Change in segment sales	11.6	6.2	21.9	13.4	
Of which translation exchange differences	-0.6	-0.4	3.3	2.1	
Of which acquisition (disposal) impact	5.1	2.8	14.8	9.0	
Organic sales growth	7.1	3.8	3.8	2.3	
Operating profit before depreciation and amortization (EBITDA)	29.0	14.7	26.1	14.1	11.1
Average number of full-time equivalent employees	2,288		2,116		

Net sales (in CHF million) - segment Key & Wall Solutions

