



Riet Cadonau, Chairman & CEO

#### Dear Shareholders,

dormakaba had a solid start into the 2018/19 financial year: we made good progress in business development and financial results, particularly in terms of profitability.

dormakaba closed the 1<sup>st</sup> half of financial year 2018/19 as of 31 December 2018 with consolidated net sales of CHF 1,396.5 million at the previous year's level (CHF 1,400.6 million). Organic sales growth of 2.1% was offset by the impact of acquisitions and divestments (-1.4%) as well as currency translation (-1.0%).

dormakaba improved its profitability considerably and showed an increase not only in gross margin, but also in EBITDA and EBITDA margin. The EBITDA rose by 5.7% to CHF 223.0 million (previous year CHF 210.9 million), with an EBITDA margin of 16.0% (previous year 15.1%). All segments made a positive contribution to this improvement in profitability. The EBITDA margin increase of around 1%-point was driven by improvement of operational efficiency and higher sales prices.

In the 1<sup>st</sup> half of financial year 2018/19, profit before taxes increased by 9.3% to CHF 170.1 million (previous year CHF 155.6 million). At the same time, net profit improved by 11.5% to CHF 126.7 million (previous year CHF 113.6 million).

#### Market development

All segments contributed to the improved profitability. [Access Solutions \(AS\) APAC](#) once again performed very well; organic sales growth and profitability increased considerably. [AS AMER](#) increased its profitability substantially by 1.4%-points, while organic sales growth was impacted by a weaker Lodging Systems business. The segments [AS DACH](#), [AS EMEA](#) and [Key & Wall Solutions](#) closed the period under review with organic sales growth and profitability above previous year. Overall, the volatility of demand in the various regions was noticeable.

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## Innovation

With technology as one of our growth drivers and innovation leadership as one of our strategic pillars, our long-term goal is to further strengthen dormakaba with respect to innovation and digitalization through targeted investments. Therefore, dormakaba will continue to invest significantly in innovation as well as allocate substantial additional funds to digital transformation in the coming years. We are convinced that these investments are vital for a sustainable business development to the benefit of our shareholders, customers and partners as well as employees.

In the last months, our customers have again benefited from many newly developed products, solutions and services to make access in their life smart and secure. In January, dormakaba was represented at the [BAU 2019 in Munich \(Germany\)](#), which is one of the world's most important trade fairs for the construction industry. dormakaba successfully showcased its digital solutions, its offering for key verticals such as lodging, airports, healthcare and education, and presented its latest product innovations.

## Portfolio management activity

In the period under review, we further adjusted our business portfolio to strengthen our core business. In October 2018, we divested our 40% minority shareholding in ISEO, an Italy-based manufacturer of security products such as cylinders, master key systems, locks and panic hardware for the European market. Former Dorma had acquired this stake in December 2012 to strengthen its business with an extended product range. With the merger to dormakaba and its resulting comprehensive product range, the strategic position was re-assessed, and led to the divestment decision. In December 2018, we also divested parts of the US Door Hardware Service Business in the AS AMER segment due to insufficient profitability expectations.

## Appointments

At the [Annual General Meeting](#) of 23 October 2018, Jens Birgersson, CEO of the Danish Rockwool International A/S, was elected as a new Member of our Board of Directors for the term of one year. He succeeded Elton SK Chiu, who did not stand for re-election.

At the same time, Ulrich Graf stepped down from his role as Chairman and Member of the Board of Directors after a total of 42 years of successful service to the company.

The General Meeting also approved the proposed election of myself as a new Member and Chairman of the Board of Directors for the term of one year. The dual mandate of Chairman and CEO is proposed to be of limited duration for a period of two to a maximum of three years. All the while, the proposal will be resubmitted annually to the General Meeting for the approval by the shareholders.

## Outlook

dormakaba will continue to concentrate on profitable growth with a focus on further improving profitability. For full financial year 2018/19, assuming no deterioration in the economic environment, dormakaba expects an EBITDA margin in the range of 16.0% to 16.5%, driven mainly by cost synergies from the post-merger integration, additional improvements of the companies' cost base, and benefits from sales excellence measures. In addition, the company expects to see an organic sales growth rate around the previous year.

**Thanks**

The past months have been both challenging and inspiring. Our team has worked hard to progress our company further and we all, the Board of Directors, the Executive Committee and the dormakaba employees, stay committed to the long-term profitable development of dormakaba.

I would like to thank you, our valued shareholders and bondholders as well as our customers and partners for your confidence in dormakaba and for your continued trust in our products, solutions and services. Every day, we are driven by our mission, to make access in your lives smart and secure.

Sincerely yours,



Riet Cadonau  
Chairman & CEO