Dear Shareholders,

The macroeconomic and geopolitical environment continued to become more challenging during the first half of the financial year 2019/20.

dormakaba closed the first half of the 2019/20 financial year as of 31 December 2019 with consolidated net sales of CHF 1,385.7 million (previous year CHF 1,396 .5 million; –0.8%).

In addition to the demanding environment, the ongoing appreciation of the Swiss Franc against major currencies negatively impacted our result. Adjusted for the impact of currency translation (–2.1%) and acquisitions and divestments (0.5%), the organic growth rate is 0.8%, which is a slight improvement on the second half of financial year 2018/19 (0.4%).

Riet Cadonau, Chairman & CEO

dormakaba recorded an EBITDA of CHF 214.1 million (previous year CHF 223.0 million), with an EBITDA margin of 15.5% (previous year 16.0%), which is slightly below the level of the second half of financial year 2018/19 (15.8%).

The lower EBITDA contribution is mainly attributable to the continuation of external and internal factors that negatively impacted the second half of the previous financial year. All topics are being addressed with high attention. In addition, extraordinary non-recurring costs impacted the reporting period. These effects overcompensated improvements in operational efficiencies, final merger-related cost synergies resulting from the dormakaba merger, a positive M&A effect, and slightly lower raw material costs.

Consequently, profit before taxes in the first half of 2019/20 financial year amounted to CHF 157.1 million (previous year CHF 170.1 million) and net profit came to CHF 119.4 million (previous year CHF 126.7 million).

Market development: different segment performance
The performance in the first half of the financial year 2019/20 against previous year varied from segment to segment. Some areas enjoyed a good business environment while other areas were negatively affected by volatility in the market environment. AS AMER increased its sales and operating profit, while the EBITDA margin was slightly below the previous year due to higher freight costs and increased customs tariffs. AS APAC recorded sales slightly below previous year figures: continued strong demand in China could not fully compensate negative growth in South East Asia, the difficult business environment in Hong Kong, and the impact of the trade conflict between China and the US. The EBITDA margin remains at a high level due to effective cost management. AS DACH increased organic sales, however, profitability was affected by lower volumes, labor cost inflation and lower EBITDA contribution from its main production plants. The business has started to address the profitability issue with a new program that targets particularly its site in Ennepetal. AS EMEA delivered good organic growth and achieved higher profitability. Key & Wall Solutions improved both its sales and profitability, mainly due to strong growth in the business unit Movable Walls.

Mobile Access Control

Why smartphones are increasingly replacing keys and access badges

More

Innovation: dormakaba as part of real estate ecosystems
We continue to invest significantly in innovation and digital transformation to address the ongoing trend to digitization and to anticipate customer needs. Large real estate businesses are starting to develop digital management tools for their portfolios in order to increase agility and occupancy rates as well as to improve the user experience for tenants. Providing digital tools such as smartphone apps is not only simplifying processes, reducing workload and therefore costs for the landlord. It also offers added value to tenants, who can manage some aspects of their rental online. Managing access to the apartment or the office on a mobile device is another useful and convenient service in this ecosystem. dormakaba is developing technology that not only allows for digital access but also is capable to deal with the customer requirements for such large concepts. First customer projects have been started.

Portfolio management: acquisition of Alvarado Manufacturing

We started our new financial year by acquiring Alvarado Manufacturing Co. Inc., based in Chino (CA/USA); this expansion of our business portfolio has been accretive to the EBITDA margin and earnings per share from day one. In North America, Alvarado is a leading manufacturer of physical access solutions such as speed gates, turnstiles and other admission devices. Combined with our own physical access solutions business, we are confident to achieve one of the leading positions in the respective market in North America. The acquisition offers us a good strategic fit with a widely complementary customer base and the suitable local product offering.

Sustainability: gold medal by EcoVadis

Sustainability remains a focus in our work and independent experts acknowledge our efforts in this field. In December 2019, we have been awarded a gold medal for sustainability by EcoVadis, placing us in the top 5% of our sector. EcoVadis has assessed over 50,000 companies for their sustainability performance. The rating focuses on the four topics Environment, Labor & Human Rights, Ethics and Sustainable Procurement. We have significantly improved in the area of Labor & Human Rights which is, among other reasons, due to our recently released Statement of Commitment on Human Rights and our human rights due diligence process. Current developments in society are underlining that we are on the right track, which we will continue in the future including our commitment to the reduction of our CO_2 emissions along the guidelines of the Paris Agreement (Science Based Targets initiative).

Changes in the Executive Committee

In the period under review, dormakaba announced that Steve Bewick (53) will take over as Chief Operating Officer for the segment AS EMEA as of 1 January 2020.

On 4 March 2020, we announced that Michael Kincaid (58), Chief Operating Officer AS AMER, and Jörg Lichtenberg (55), Chief Manufacturing Officer, will step down from their respective positions and as members of the Executive Committee as of 30 June 2020 at the latest. Michael Kincaid will continue to support dormakaba in a senior management role while Jörg Lichtenberg will take up a new professional challenge outside of dormakaba.

As successor of Michael Kincaid, the Board of Directors has appointed Alex Housten (39). He will be joining dormakaba as of 1 April 2020 and after an onboarding period will assume responsibility as COO AS AMER and joining the Executive Committee on 1 July 2020 at the latest.

With Jörg Lichtenberg intending to leave the company, it was decided to discontinue the Chief Manufacturing Officer role. Over four years after the merger, the company's new operating model is well established which allows management to reassign the Chief Manufacturing Officer's respective responsibilities within the organization.

With above changes dormakaba takes the next steps in corporate development and organizational setup, aiming to further improve its efficiency and effectiveness while at the same time renewing and further streamlining the Executive Committee. Since the merger, the number of Executive Committee members was reduced from eleven to eight.

On behalf of the Board of Directors and the Executive Committee, I would like to thank Michael Kincaid and Jörg Lichtenberg already today very much for their many years of dedication to our company. Both have contributed considerably to the positive development of our company in recent years and to the successful merger to dormakaba. I wish them all the best and continued success for their professional and private future. With Alex Housten we were able to attract a senior industrial executive with an outstanding track record at United Technologies UTC. We are looking forward to his contribution to drive profitable growth at dormakaba.

Outlook

Since the beginning of the financial year 2019/20, the macroeconomic and geopolitical environment has continued to become more challenging.

Covid-19 is expected to have a noticeable impact on our performance for full year 2019/20. While local demand in China is already affected, there is currently a lack of visibility on the impact on global supply chains as well as on economic growth.

In addition, we expect the macroeconomic slowdown, the political volatility and the trade conflicts to continue to affect our business in the second half of financial year 2019/20.

From today's perspective the company therefore expects organic sales growth and EBITDA margin for full financial year 2019/20 to be no longer higher but somewhat lower than in the previous year.

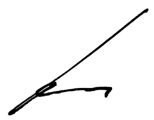
Considering the challenging environment, we will review our mid-term targets in the forthcoming months. We will continue to invest significantly in innovation and digital transformation, which we consider as crucial for our future competitiveness and for sustainable profitable growth.

Thanks

In the first half of this financial year, we faced a number of challenges, some of which we have successfully overcome. I want to thank our team – the Board of Directors, the Executive Committee and all dormakaba employees – for their endeavors towards remaining a healthy, stable company. I am confident that we will be able to improve further and to continue to exploit the full potential of our company.

I would like to thank all business partners and customers very much for the productive collaboration over the past six months. My thanks also go to all shareholders who continue to support dormakaba. We appreciate that you are endorsing the strategic direction of dormakaba and our route to sustainable profitable growth.

Sincerely yours,



Riet Cadonau
Chairman & CEO

Letter to shareholders
Business performance
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Consolidated financial statements