

Consolidated financial statements

Consolidated income statement

in CHF million except per share amounts	Reporting half-year ended 31.12.2018		Reporting half-year ended 31.12.2017	
		in %		in %
Net sales	1,396.5	100.0	1,400.6	100.0
Cost of goods sold	-801.9	-57.4	-809.9	-57.8
Gross margin	594.6	42.6	590.7	42.2
Other operating income, net	10.6	0.8	6.0	0.4
Sales and marketing	-218.0	-15.6	-220.5	-15.7
General administration	-146.6	-10.5	-143.8	-10.3
Research and development	-52.5	-3.8	-54.3	-3.9
Operating profit (EBIT)	188.1	13.5	178.1	12.7
Result from associates	3.1	0.2	1.3	0.1
Financial expenses	-22.5	-1.6	-24.7	-1.8
Financial income	1.4	0.1	0.9	0.1
Profit before taxes	170.1	12.2	155.6	11.1
Income taxes	-43.4	-3.1	-42.0	-3.0
Net profit	126.7	9.1	113.6	8.1
Net profit attributable to minority interests	60.6		54.9	
Net profit attributable to the owners of the parent	66.1		58.7	
Basic earnings per share (in CHF)	15.8		14.0	
Diluted earnings per share (in CHF)	15.8		14.0	
Operating profit before depreciation and amortization (EBITDA)	223.0	16.0	210.9	15.1

Consolidated balance sheet

Assets

in CHF million	Reporting half-year ended 31.12.2018	in %	Financial year ended 30.06.2018	in %	Reporting half-year ended 31.12.2017	in %
Current assets						
Cash and cash equivalents	133.9	7.0	145.3	7.3	181.2	9.1
Trade receivables	461.0	24.0	502.1	25.3	473.1	23.7
Inventories	470.8	24.5	432.3	21.8	451.1	22.7
Current income tax assets	37.0	1.9	49.9	2.6	45.3	2.3
Other current assets	71.3	3.7	59.6	3.0	65.2	3.3
Total current assets	1,174.0	61.1	1,189.2	60.0	1,215.9	61.1
Non-current assets						
Property, plant and equipment	448.8	23.3	458.6	23.1	444.0	22.3
Intangible assets	56.9	3.0	51.5	2.6	43.2	2.2
Investments in associates	2.1	0.1	40.6	2.0	41.2	2.1
Non-current financial assets	41.9	2.2	38.9	2.0	39.8	2.0
Deferred income tax assets	198.1	10.3	203.5	10.3	205.5	10.3
Total non-current assets	747.8	38.9	793.1	40.0	773.7	38.9
Total assets	1,921.8	100.0	1,982.3	100.0	1,989.6	100.0

Liabilities and equity

in CHF million	Reporting half-year ended 31.12.2018	in %	Financial year ended 30.06.2018	in %	Reporting half-year ended 31.12.2017	in %
Current liabilities						
Current borrowings	209.3	10.9	156.5	7.9	284.3	14.3
Trade payables	138.6	7.2	166.5	8.4	148.7	7.4
Current income tax liabilities	45.2	2.4	51.3	2.6	47.9	2.4
Accrued and other current liabilities	306.5	15.9	338.1	17.0	305.5	15.4
Provisions	47.4	2.5	51.1	2.6	65.4	3.3
Total current liabilities	747.0	38.9	763.5	38.5	851.8	42.8
Non-current liabilities						
Non-current borrowings	684.7	35.7	685.2	34.6	683.5	34.4
Accrued pension costs and benefits	298.7	15.5	303.0	15.3	309.3	15.5
Deferred income tax liabilities	46.1	2.4	38.8	2.0	30.5	1.5
Other non-interest bearing liabilities	4.6	0.2	4.8	0.2	0.0	0.0
Total non-current liabilities	1,034.1	53.8	1,031.8	52.1	1,023.3	51.4
Total liabilities	1,781.1	92.7	1,795.3	90.6	1,875.1	94.2
Equity						
Share capital	0.4	0.0	0.4	0.0	0.4	0.0
Additional paid-in capital	811.3	42.2	811.3	40.9	811.3	40.8
Retained earnings	1,178.6	61.3	1,175.1	59.3	1,108.9	55.7
Goodwill offset against equity	-1,807.9	-94.0	-1,805.0	-91.1	-1,784.9	-89.7
Treasury stock	-40.6	-2.1	-10.3	-0.5	-10.7	-0.5
Translation exchange differences	-6.9	-0.4	2.1	0.1	9.6	0.5
Total equity owners of the parent	134.9	7.0	173.6	8.7	134.6	6.8
Minority interests	5.8	0.3	13.4	0.7	-20.1	-1.0
Total equity	140.7	7.3	187.0	9.4	114.5	5.8
Total liabilities and equity	1,921.8	100.0	1,982.3	100.0	1,989.6	100.0

Consolidated cash flow statement

in CHF million	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017
Net profit	126.7	113.6
Depreciation and amortization	34.9	32.8
Income tax expenses	43.4	42.0
Interest expenses	17.0	20.4
Interest income	-0.8	-0.7
(Gain) Loss on disposal of fixed assets, net	-4.4	-0.3
Adjustment for non-cash items	4.2	6.8
Change in trade receivables	29.2	5.5
Change in inventories	-50.1	-26.4
Change in other current assets	-13.2	9.2
Change in trade payables	-24.1	-7.5
Change in accrued pension cost	2.9	5.1
Change in accrued and other current liabilities	-16.6	-52.7
Cash generated from operations	149.1	147.8
Income taxes paid	-25.8	-36.2
Interest paid	-19.6	-19.7
Interest received	0.8	0.7
Net cash from operating activities	104.5	92.6
Cash flows from investing activities		
Additions of property, plant and equipment	-32.3	-44.8
Proceeds from sale of property, plant and equipment	8.5	4.4
Acquisition of subsidiaries, net of cash acquired	-3.6	-99.5
Acquisition of associates and joint ventures	0.0	-1.5
Sale of subsidiaries, net of cash sold	0.0	3.8
Sale of investment in associates and joint ventures	41.1	0.0
Additions of intangible assets	-12.9	-11.2
Change in other non-current financial assets and prepaid transaction costs	-5.6	0.1
Net cash used in investing activities	-4.8	-148.7
Cash flows from financing activities		
Other proceeds from (repayment of) current borrowings, net	57.0	-566.4
Proceeds from (repayment of) non-current borrowings, net	0.4	-0.4
Change in other non-current liabilities	-0.8	0.2
New bonds issued	0.0	680.6
Dividends paid to minority shareholders	-54.9	-54.7
(Purchase) Sale of treasury stock	-38.7	-1.7
Dividends paid to company's shareholders	-62.2	-58.6
Net cash flows from financing activities	-99.2	-1.0
Translation exchange differences	-11.9	50.0
Net increase (decrease) in cash and cash equivalents	-11.4	-7.1
Cash and cash equivalents at beginning of period	145.3	188.3
Cash and cash equivalents at end of period	133.9	181.2
Net increase (decrease) in cash and cash equivalents	-11.4	-7.1

Consolidated statement of changes in equity

in CHF million	Share capital	Additional paid-in capital	Retained earnings	Goodwill offset against equity	Treasury stock	Cumul. translation adjustm.	Minority interests	Total equity
Prior half-year ended 31.12.2017								
Balance at 30.06.2017	0.4	811.3	1,109.8	-1,728.9	-17.9	-1.1	9.5	183.1
Net profit for the reporting period			58.7				54.9	113.6
Goodwill on acquisitions				-56.0			-50.7	-106.7
Currency translation adjustments						10.7	21.8	32.5
Dividend paid			-58.6				-54.7	-113.3
Shares awarded			-1.0		8.9		-0.9	7.0
Treasury stock (purchased) re-issued					-1.7			-1.7
Balance at 31.12.2017	0.4	811.3	1,108.9	-1,784.9	-10.7	9.6	-20.1	114.5
Financial half-year ended 31.12.2018								
Balance at 30.06.2018	0.4	811.3	1,175.1	-1,805.0	-10.3	2.1	13.4	187.0
Net profit for the reporting period			66.1				60.6	126.7
Goodwill on acquisitions				-2.9			-2.7	-5.6
Currency translation adjustments						-9.0	-10.3	-19.3
Dividend paid			-62.2				-54.9	-117.1
Shares awarded			-0.4		8.4		-0.3	7.7
Treasury stock (purchased) re-issued					-38.7			-38.7
Balance at 31.12.2018	0.4	811.3	1,178.6	-1,807.9	-40.6	-6.9	5.8	140.7

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 2018 until 31 December 2018 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 2018, 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 business development for the period from 1 July 2018 until 31 December 2018 is 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.

Business combinations and divestments

Acquisitions

In the period reported, no material acquisitions were made.

Business divestment

US Door Hardware Service Business, USA

In December 2018 dormakaba divested parts of the US Door Hardware Service Business in the AS AMER segment due to insufficient profitability expectations.

Divestment of associates

ISEO, Italy

The 40% shareholding in ISEO was divested on 15 October 2018. Italy-based ISEO is a manufacturer of security products such as cylinders, master key systems, locks and panic hardware mainly for the European market. Former Dorma had acquired a stake of 40% in ISEO 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.

Prior-year business combinations and divestments

Table of acquisitions

The following table summarizes the consideration paid for the business and the amounts of the net assets acquired recognized at fair value at the acquisition date. The resulting goodwill was recognized in equity.

in CHF million	Klaus Group	Cambaum Group	Kilargo	Skyfold	other	Financial year ended 30.06.2018
Consideration as per acquisition date	09.05.2018	26.04.2018	17.07.2017	13.07.2017		
Cash paid	6.3	20.2	24.2	82.5	1.5	134.7
Acquisition-related costs	0.3	2.0	0.2	0.6		3.1
Deferred payment	1.7	4.9				6.6
Total consideration	8.3	27.1	24.4	83.1	1.5	144.4
Assets and liabilities acquired						
Cash and cash equivalents			0.9	5.2		6.1
Trade receivables	1.7		3.0	5.3		10.0
Inventories	2.2		2.2	1.8		6.2
Current income tax assets	0.3			0.3		0.6
Other current assets	0.4	1.2	0.1	0.9	0.1	2.7
Property, plant and equipment	0.8	0.2	1.1	8.1		10.2
Intangible assets				0.1	0.3	0.4
Non-current financial assets				0.1		0.1
Deferred income tax assets			0.3			0.3
Current borrowings	-0.2		-2.7			-2.9
Trade payables	-0.9		-0.8	-0.7	-0.4	-2.8
Current income tax liabilities			-0.5	-0.2		-0.7
Accrued and other current liabilities	-3.6	-0.3	-0.7	-8.0		-12.6
Provisions			-0.1			-0.1
Non-current borrowings	-2.4					-2.4
Accrued pension costs and benefits			-0.4			-0.4
Deferred income tax liabilities				-1.0	-1.1	-2.1
Other non-interest bearing liabilities		-0.1				-0.1
Total identifiable net assets	-1.7	1.0	2.4	11.9	-1.1	12.5
Goodwill	10.0	26.1	22.0	71.2	2.6	131.9
Total consideration	8.3	27.1	24.4	83.1	1.5	144.4

Klaus Group

On 9 May 2018, dormakaba acquired Klaus Group, based in Lima (Peru). With its key blanks as well as other brass products Klaus Group is a market leader for key systems in South America.

Cambaum Group

On 26 April 2018, dormakaba acquired the Commercial Building Physical Access Solutions (PAS) business from Beijing-based Cambaum Group. The integration of Cambaum Group's business team, products and service solution offering strengthens dormakaba's position in the smart commercial buildings market within a number of fast growing major cities in China.

Kilargo

On 17 July 2017, dormakaba acquired Kilargo Pty Ltd, based in Brisbane (Australia). Kilargo is one of the market leaders in Australia for commercial door seals and complements dormakaba's integrated portfolio of products, solutions, and services in the Pacific region.

Skyfold

On 13 July 2017, dormakaba acquired Skyfold Investment Inc., based in Montreal (Canada). The company, with its well-known brand, was the first worldwide to develop vertical folding walls. Skyfold is a provider of automated vertical folding wall systems with a strong presence in the North American market. With this acquisition dormakaba enhances its product portfolio, following the industry trend towards automated systems.

Table of divestments

The following table summarizes the consideration paid and received as well as the net assets divested. The resulting net goodwill was recognized in equity.

in CHF million	Dorset Kaba	GMT	other	Financial year ended 30.06.2018
Consideration as per divestment date	09.04.2018	29.09.2017		
Cash consideration received	18.6	27.2	-1.1	44.7
Purchase price for minority shares paid	-8.3			-8.3
Divestment-related costs paid	-0.2	-1.0		-1.2
Total consideration	10.1	26.2	-1.1	35.2
Assets and liabilities divested				
Cash and cash equivalents		19.4	3.3	22.7
Trade receivables	5.6	5.5		11.1
Inventories	3.5	6.7	2.4	12.6
Other current assets	0.1	0.7		0.8
Property, plant and equipment	1.6	7.2	4.1	12.9
Intangible assets		0.1		0.1
Non-current financial assets		0.3		0.3
Trade payables	-1.8	-4.6	-0.3	-6.7
Current income tax liabilities	-0.2	-0.1		-0.3
Accrued and other current liabilities	-0.3	-3.0	-0.4	-3.7
Provisions		-0.9		-0.9
Accrued pension costs and benefits	-0.3		-0.3	-0.6
Total net assets divested	8.2	31.3	8.8	48.3
Goodwill, net	1.9	-5.1	-9.9	-13.1
Total consideration	10.1	26.2	-1.1	35.2

Dorset Kaba

As per 9 April 2018 dormakaba and the Indian joint venture partner have agreed to divide their existing shareholding in Dorset Kaba among them, thus dissolving the joint venture that was initiated by former Kaba Group in 2007 to gain a foothold in the attractive Indian market.

In this regard the minority shares of 26% owned by the Indian partner Dorset Industries Pvt Ltd. were purchased and the net assets related to the local door hardware business sold in return. The activities in the dormakaba's core business (mainly lodging products, physical access systems) remain within the dormakaba Group.

GMT

GMT Hardware Co. Ltd. (Shanghai/China) was divested on 29 September 2017. GMT offers commercial door hardware products, such as floor hinges for glass doors and door fittings, in China and became member of dormakaba as part of the acquisition of Stanley Black&Decker's mechanical security business in February 2017. Because of dormakaba's existing portfolio of businesses in Asia as well as profitability prospects of GMT, it was concluded to divest the business.

Other divestment in prior-year

Divestment DORMA Beschlagtechnik GmbH, Germany

DORMA Beschlagtechnik (Velbert/DE) was sold as at 10 July 2017 to Flacks Group, Miami (Florida/USA). The divested net assets amounted to CHF 9.4 million. A contingent liability related to this transaction depending on the future development of the business remains with dormakaba.

Segment reporting

in CHF million	Access Solutions AMER		Access Solutions APAC		Access Solutions DACH	
	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017
Net sales third parties	388.1	395.6	222.6	224.1	266.5	260.6
Intercompany sales	14.0	14.9	13.9	14.0	163.5	160.3
Total sales	402.1	410.5	236.5	238.1	430.0	420.9
Operating profit (EBIT)	78.2	74.3	32.9	29.8	69.9	65.7
in % of sales	19.4%	18.1%	13.9%	12.5%	16.3%	15.6%
Depreciation and amortization	6.5	6.6	3.9	3.7	8.6	8.1
Operating profit before depreciation and amortization (EBITDA)	84.7	80.9	36.8	33.5	78.5	73.8
in % of sales	21.1%	19.7%	15.6%	14.1%	18.3%	17.5%
Operating assets	349.1	341.6	232.3	241.5	341.0	337.9
Operating liabilities	-108.3	-104.0	-107.6	-101.5	-314.0	-362.6
Net operating assets	240.8	237.6	124.7	140.0	27.0	-24.7
Capital expenditure	7.5	8.3	4.9	8.0	14.4	18.0
Average number of full-time equivalent employees	2,915	3,136	3,328	4,001	3,475	3,530

in CHF million	Access Solutions EMEA		Eliminations		Access Solutions TOTAL	
	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017
Net sales third parties	322.1	315.8	0.0	0.0	1,199.3	1,196.1
Intercompany sales	59.0	60.0	-246.9	-245.2	3.5	4.0
Total sales	381.1	375.8	-246.9	-245.2	1,202.8	1,200.1
Operating profit (EBIT)	23.4	21.8	-0.9	-2.8	203.5	188.8
in % of sales	6.1%	5.8%	0.4%	1.1%	16.9%	15.7%
Depreciation and amortization	6.6	6.9	0.0	0.0	25.6	25.3
Operating profit before depreciation and amortization (EBITDA)	30.0	28.7	-0.9	-2.8	229.1	214.1
in % of sales	7.9%	7.6%	0.4%	1.1%	19.0%	17.8%
Operating assets	323.4	338.0	-15.5	-17.8	1,230.3	1,241.2
Operating liabilities	-137.2	-146.3	0.0	0.0	-667.1	-714.4
Net operating assets	186.2	191.7	-15.5	-17.8	563.2	526.8
Capital expenditure	5.0	6.2	0.0	0.0	31.8	40.5
Average number of full-time equivalent employees	3,383	3,366	-	-	13,101	14,033

in CHF million	Key & Wall Solutions			Other	
	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017	Reporting half-year ended 31.12.2017 ¹⁾
Net sales third parties			190.1	180.2	24.3
Intercompany sales			7.2	5.5	1.6
Total sales			197.3	185.7	25.9
Operating profit (EBIT)			24.6	21.8	2.3
in % of sales			12.5%	11.7%	8.8%
Depreciation and amortization			4.4	4.3	0.4
Operating profit before depreciation and amortization (EBITDA)			29.0	26.1	2.7
in % of sales			14.7%	14.1%	10.4%
Operating assets			214.9	206.8	14.4
Operating liabilities			-82.0	-83.6	-2.5
Net operating assets			132.9	123.2	11.9
Capital expenditure			4.8	4.3	0.3
Average number of full-time equivalent employees			2,288	2,116	293

in CHF million	Corporate			Eliminations		Group
	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2017
Net sales third parties	0.0	0.0	0.0	0.0	1,396.5	1,400.6
Intercompany sales	0.0	0.0	-12.1	-11.1	0.0	0.0
Total sales	0.0	0.0	-12.1	-11.1	1,396.5	1,400.6
Operating profit (EBIT)	-40.2	-34.8	0.0	0.0	188.1	178.1
in % of sales	0.0%	0.0%	0.0%	0.0%	13.5%	12.7%
Depreciation and amortization	4.8	2.8	0.0	0.0	34.9	32.8
Operating profit before depreciation and amortization (EBITDA)	-35.4	-32.0	0.0	0.0	223.0	210.9
in % of sales	0.0%	0.0%	0.0%	0.0%	16.0%	15.1%
Depreciation and amortization					-34.9	-32.8
Result from associates					3.1	1.3
Financial expenses					-22.5	-24.7
Financial income					1.4	0.9
Profit before taxes					170.1	155.6
Operating assets	78.4	36.8	0.0	0.0	1,536.7	1,499.2
Operating liabilities	-41.4	-26.4	0.0	0.0	-793.4	-826.9
Net operating assets	37.0	10.4	0.0	0.0	743.3	672.3
Capital expenditure	8.2	10.9	0.0	0.0	45.2	56.0
Average number of full-time equivalent employees	344	307	-	-	15,801	16,750

1) The divested GMT commercial door hardware business, acquired within Best Access Solutions in financial year 2016/17, is disclosed in segment "Other" to ensure a fair presentation of the operational main segment.