dormakaba Holding AG

Half-year Report

Consolidated financial statements

1st half of financial year

2018/19

dormakaba

Table of Content

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 1st 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 1st 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 aquired 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

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

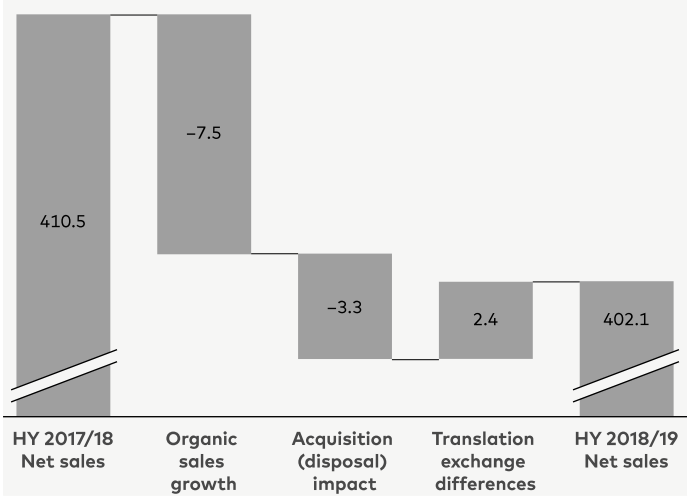
Organic sales growth was negatively impacted by a weaker Lodging Systems business in North America. After four years of double-digit growth driven by upgrades to mobile access solutions for major hotel chains, the Lodging Systems business was for the first time below previous year as a major project 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	in %	Reporting half-year ended 31.12.2017	in %	Change on previous year 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.

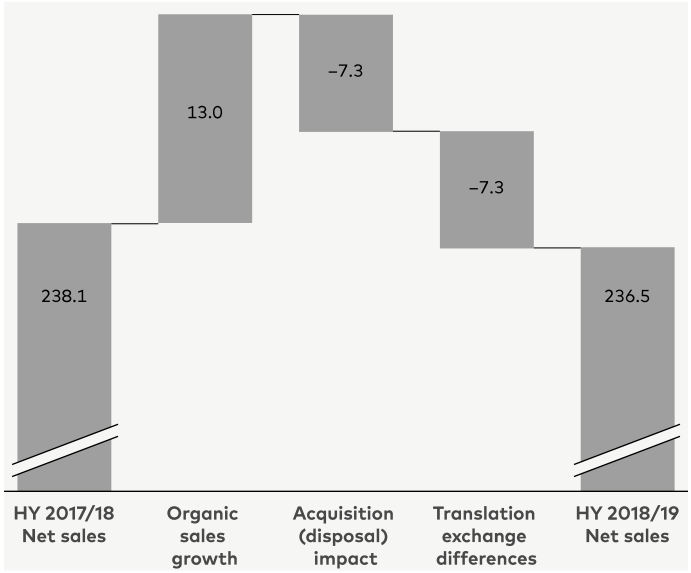
The segment recorded strong demand for most of its Product Clusters with particular good growth in Services, Door Hardware and Entrance Systems.

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	in %	Reporting half-year ended 31.12.2017	in %	Change on previous year 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.

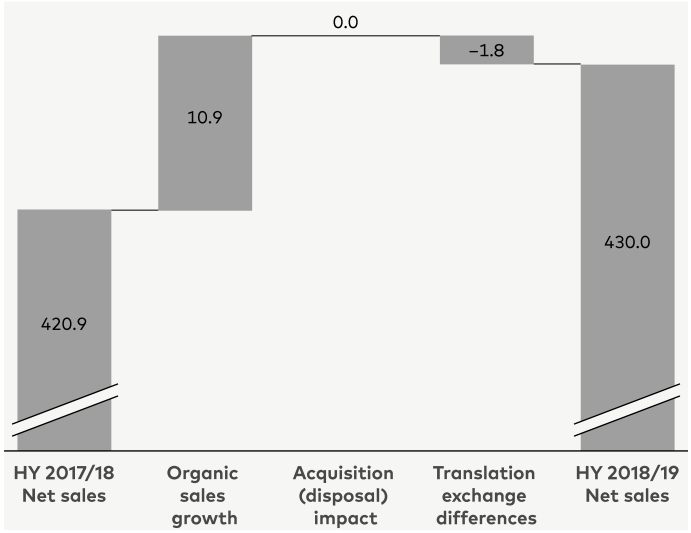
The relocation of the production of certain standard door closers from Germany to Asia has been completed. The final steps of the post-merger integration are currently executed. However, as already disclosed, full efficiency gains will only materialize in financial year 2019/20. This is mainly due to 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	in %	Reporting half-year ended 31.12.2017	in %	Change on previous year 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.

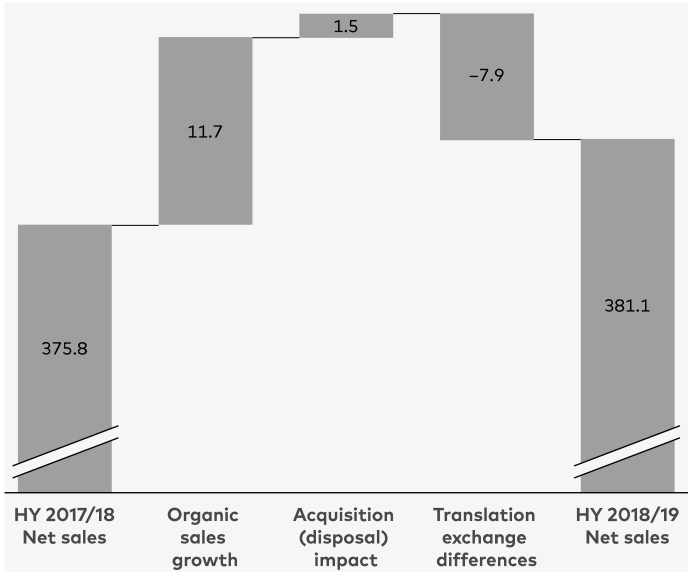
Product Clusters such as Entrance Systems, Door Hardware, Services and particularly Lodging Systems contributed to growth. Electronic Access & Data contributed to growth as well, driven by new projects like the Doha Oasis project in Qatar where Electronic Access & Data and Lodging Solutions are combined 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	in %	Reporting half-year ended 31.12.2017	in %	Change on previous year 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

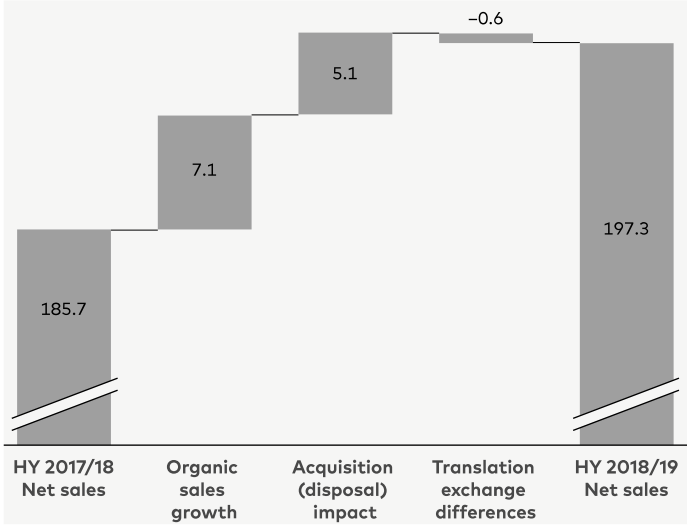
The Key Systems business unit reported good growth which was mainly driven by North America, Asia and South America. EMEA reported sales growth as well, with regional differences: there was good growth in the UK, Italy and Spain, while sales in France and Germany were weaker. Not only sales in Key Blanks 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	in %	Reporting half-year ended 31.12.2017	in %	Change on previous year 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



Overview

In the 1st half of financial year 2018/19, dormakaba generated consolidated net sales of CHF 1,396.5 million, which is approximately on par with the previous year's CHF 1,400.6 million. Organic sales growth was 2.1%, while currency translation had an impact on reported sales growth of -1.0%. Acquisitions and divestments affected sales growth by -1.4%.

Profitability
dormakaba improved its profitability considerably and showed an increase not only in gross margin, but also in the EBITDA and EBITDA margin. Gross margin for the reporting period came to 42.6% (previous year 42.2%). EBITDA increased by 5.7% to CHF 223.0 million compared to CHF 210.9 million in the previous year, with all segments making a positive contribution to this improvement. The EBITDA margin rose to 16.0%, compared to the previous year's level of 15.1%; all segments contributed by higher EBITDA margins. The EBITDA margin reflects overall efficiency improvements and was positively impacted by cost synergies resulting from the dormakaba merger and by higher sales prices. Investments in the production footprint in the USA, acquisition-related integration costs and higher raw material prices could be more than compensated. EBIT increased by CHF 10.0 million to CHF 188.1 million (previous year CHF 178.1 million), and the EBIT margin improved to 13.5% compared to 12.7% in the previous year.

+11.5%

increase in net profit

+5.7%

increase in EBITDA

Financial result, profit before taxes and income taxes
Net financial result for the reporting period was CHF -18.0 million (previous year CHF -22.5 million) which was mainly attributable to lower interest expenses and the higher result from associates, which was driven by the divestment of the ISEO participation.

Profit before taxes increased to CHF 170.1 million in the period under review (previous year CHF 155.6 million). Income taxes for the reporting period amounted to CHF 43.4 million, resulting in an income tax rate of 25.5% compared to 27.0% in the previous year.

Net profit
dormakaba closed the 1st half of financial year 2018/19 with a higher net profit of CHF 126.7 million, representing an increase by 11.5% (previous year CHF 113.6 million). This positive development is mainly attributable to the improved operating performance and net financial result. Net profit after minority interests came to CHF 66.1 million, up from CHF 58.7 million in the previous year. The corresponding earnings per share increased by 12.9% to CHF 15.8 (previous year CHF 14.0).

Cash flow and balance sheet

Cash flow from operations amounted to CHF 149.1 million, and free cash flow increased to CHF 99.7 million (previous year CHF 147.8 million and CHF -56.1 million, respectively). The positive free cash flow resulted primarily from the strong operational cash flow and from the participation in ISEO compared to acquisitions in subsidiaries such as Skyfold and Kilargo in the previous year.

Cash flow from investing activities of CHF -4.8 million includes mainly capital expenditures of CHF 45.2 million (previous year CHF 56.0 million) in property, plant and equipment and intangible assets, which represents 3.2% of sales (previous year 4.0%), as well as proceeds from the sale of investments in associates and joint ventures in the amount of CHF 41.1 million. Cash flow from financing activities in the amount of CHF -99.2 million includes the dividend payments of CHF 117.1 million and purchase of treasury shares in the amount of CHF 38.7 million.

As at 31 December 2018, total assets were at CHF 1,921.8 million. Within current assets, cash and cash equivalents amounted to CHF 133.9 million; inventories stood at CHF 470.8 million (24.5% of total assets; previous year 22.7%), and trade receivables at CHF 461.0 million (24.0% of total assets; previous year 23.7%). Non-current assets consisted mainly of property, plant and equipment worth CHF 448.8 million (23.3% of total assets; previous year 22.3%). Total liabilities were at CHF 1,781.1 million (92.7% of total assets; previous year 94.2%), of which CHF 684.7 million reflects mainly the two corporate bonds due in 2021 and 2025. Net financial debt was reduced by CHF 21.9 million to CHF 764.7 million as at 31 December 2018 (31 December 2017: CHF 786.6 million).

dormakaba's equity stood at CHF 140.7 million as at 31 December 2018, with an equity ratio of 7.3% (CHF 114.5 million or 5.8% as at 31 December 2017). The change in equity is mainly due to higher retained earnings as a result of improved financial performance.

Currency effects

The average Euro exchange rate against the Swiss Franc fell by 0.5% year-on-year from CHF 1.1466 to CHF 1.1405. The average exchange rate of the US dollar has strengthened by 1.6% from CHF 0.9748 to CHF 0.9900. As the Swiss Franc strengthened against other major currencies as well (e.g. AUD, CAD, CNY, GBP, INR, NOK), currency translation had an overall negative impact on net sales and operational profitability.

Smart Offices

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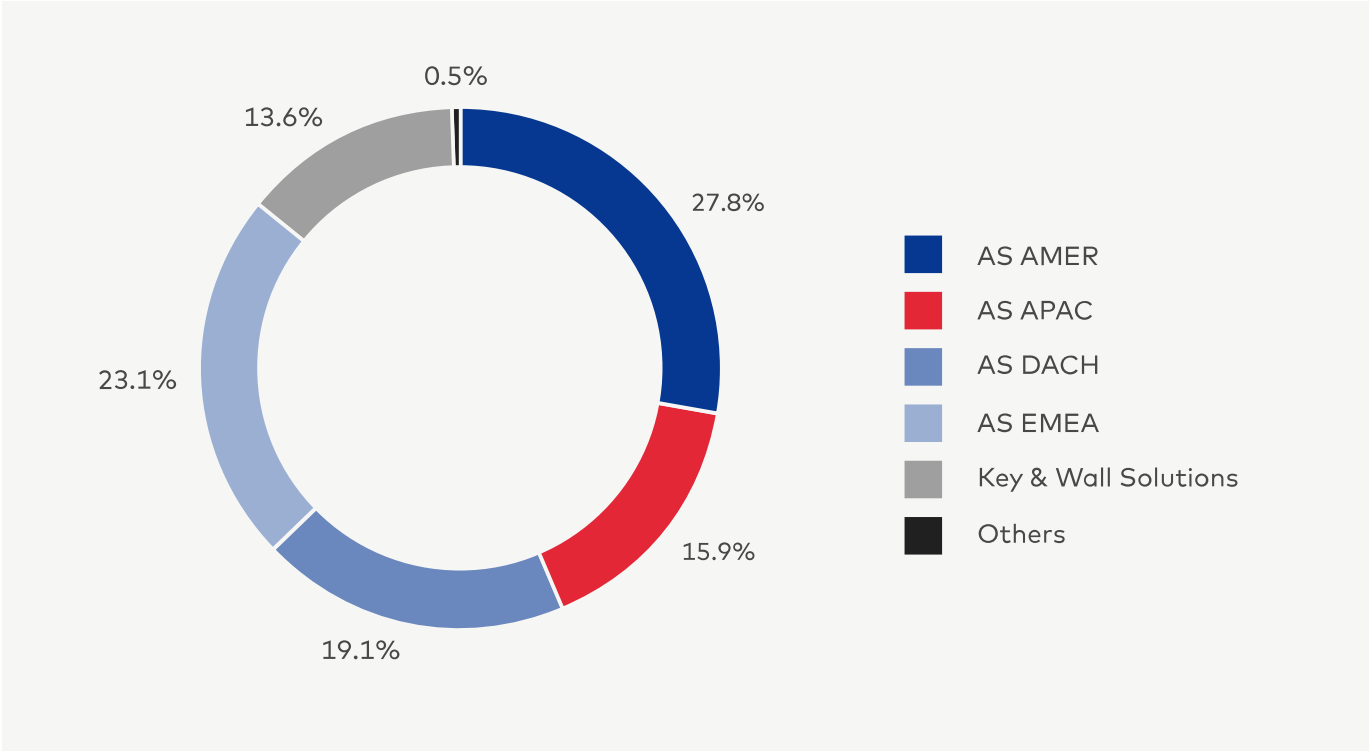
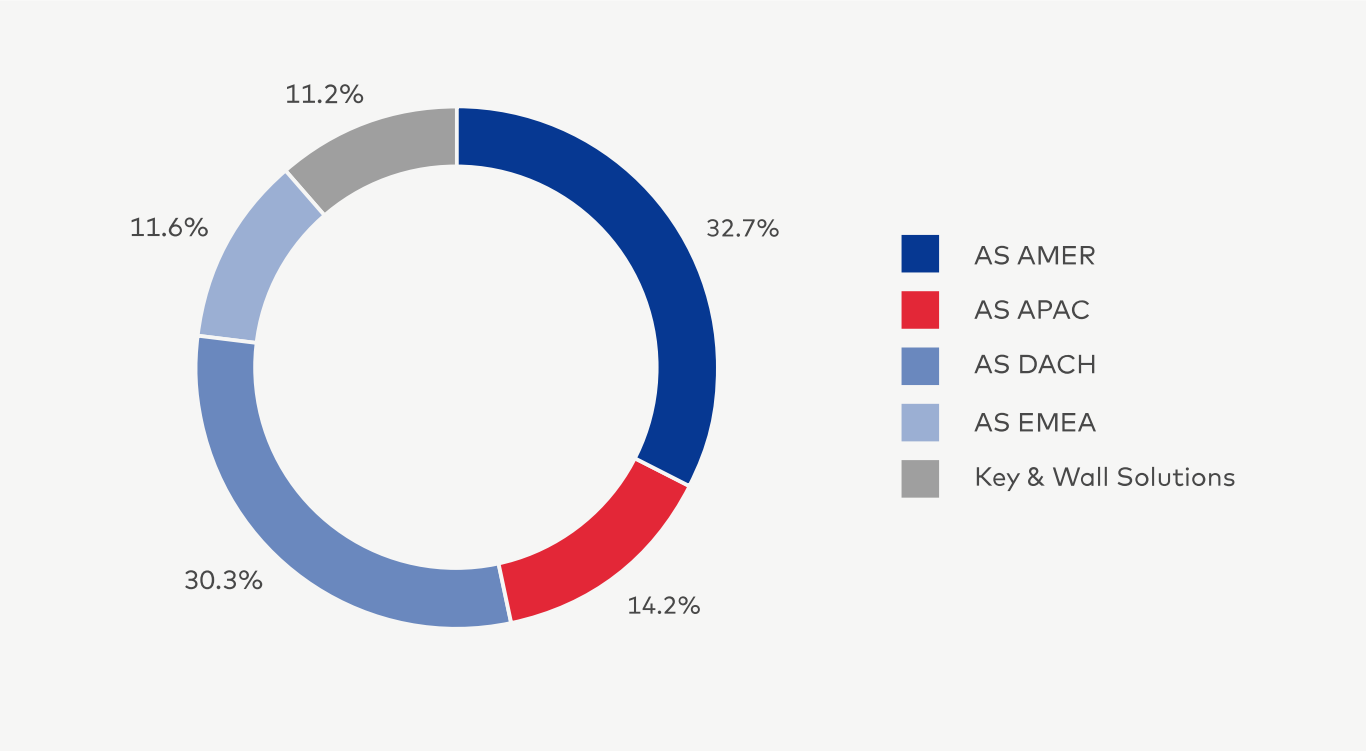
Key figures

in CHF million	Reporting half-year ended 31.12.2018	in %	Reporting half-year ended 31.12.2017	in %
Net sales	1,396.5	100.0	1,400.6	100.0
Organic sales growth in %	2.1		2.9	
Acquisition sales growth in %	–1.4		14.6	
Currency effect on sales in %	–1.0		1.9	
Operating profit before depreciation and amortization (EBITDA)	**223.0**	**16.0**	**210.9**	**15.1**
Operating profit (EBIT)	**188.1**	**13.5**	**178.1**	**12.7**
Profit before taxes	170.1	12.2	155.6	11.1
Net profit	126.7	9.1	113.6	8.1
Other key figures				
Total assets	1,921.8		1,989.6	
Net debt	764.7		786.6	
Market capitalization	2,457.9		3,799.5	
Average number of full-time equivalent employees	15,801		16,750	

Third-party sales by segments



EBITDA contribution by segments (in % of total main segment EBITDA)



Consolidated financial statements

Consolidated income statement

in CHF million except per share amounts	Reporting half-year ended 31.12.2018	in %	Reporting half-year ended 31.12.2017	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 complied 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 [1]
Net sales third parties			190.1	180.2	7.1	24.3
Intercompany sales			7.2	5.5	1.4	1.6
Total sales			**197.3**	**185.7**	**8.5**	**25.9**
Operating profit (EBIT)			**24.6**	**21.8**	**0.2**	**2.3**
in % of sales			12.5%	11.7%	2.5%	8.8%
Depreciation and amortization			4.4	4.3	0.1	0.4
Operating profit before depreciation and amortization (EBITDA)			**29.0**	**26.1**	**0.3**	**2.7**
in % of sales			14.7%	14.1%	3.3%	10.4%
Operating assets			214.9	206.8	13.1	14.4
Operating liabilities			–82.0	–83.6	–2.9	–2.5
Net operating assets			132.9	123.2	10.2	11.9
Capital expenditure			4.8	4.3	0.4	0.3
Average number of full-time equivalent employees			2,288	2,116	68	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.

Disclaimer

This communication contains certain forward-looking statements including, but not limited to, those using the words "believes", "assumes", "expects" or formulations of a similar kind. Such forward-looking statements are made on the basis of assumptions and expectations that the company believes to be reasonable at this time, but may prove to be erroneous. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks, uncertainties and other factors which could lead to substantial differences between the actual future results, the financial situation, the development or performance of the company or the Group and those either expressed or implied by such statements. Such factors include, but are not limited to:

- general economic conditions,
- competition from other companies,
- the effects and risks of new technologies,
- the company's continuing capital requirements,
- financing costs,
- delays in the integration of the merger or acquisitions,
- changes in the operating expenses,
- currency and raw material price fluctuations,
- the company's ability to recruit and retain qualified employees,
- political risks in countries where the company operates,
- changes in applicable law,
- realization of synergies, and
- other factors named in this communication

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Imprint

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Project lead Germaine Müller, Deputy Vice President External Communications

Design NeidhartSchön AG, Dorfstrasse 29, 8037 Zurich, www.neidhartschoen.ch
Technical Implementation ns.wow by Multimedia Solutions AG, Dorfstrasse 29, 8037 Zurich, www.mmssolutions.ch

Date and place of issue Rümlang/Switzerland, 28 February 2019

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