

Consolidated financial statements

Consolidated income statement

CHF million except share amounts	Reporting half-year ended 31.12.2019		%	Reporting half-year ended 31.12.2018		%
Net sales	1,385.7	100.0		1,396.5	100.0	
Cost of goods sold	-796.7	-57.5		-801.9	-57.4	
Gross margin	589.0	42.5		594.6	42.6	
Other operating income, net	5.0	0.4		10.6	0.8	
Sales and marketing	-224.3	-16.2		-218.0	-15.6	
General administration	-140.3	-10.1		-146.6	-10.5	
Research and development	-51.3	-3.7		-52.5	-3.8	
Operating profit (EBIT)	178.1	12.9		188.1	13.5	
Result from associates	-0.1	0.0		3.1	0.2	
Financial expenses	-21.6	-1.6		-22.5	-1.6	
Financial income	0.7	0.0		1.4	0.1	
Profit before taxes	157.1	11.3		170.1	12.2	
Income taxes	-37.7	-2.7		-43.4	-3.1	
Net profit	119.4	8.6		126.7	9.1	
Net profit attributable to minority interests	58.1			60.6		
Net profit attributable to the owners of the parent	61.3			66.1		
Basic earnings per share in CHF	14.8			15.8		
Diluted earnings per share in CHF	14.7			15.8		
Operating profit before depreciation and amortization (EBITDA)	214.1	15.5		223.0	16.0	

Consolidated balance sheet

Assets

CHF million	Reporting half-year ended 31.12.2019	%	Financial year ended 30.06.2019	%	Reporting half-year ended 31.12.2018	%
Current assets						
Cash and cash equivalents	100.2	5.4	122.4	6.4	133.9	7.0
Trade receivables	476.9	25.4	499.5	26.2	461.0	24.0
Inventories	466.0	24.8	454.7	23.8	470.8	24.5
Current income tax assets	26.7	1.4	28.2	1.5	37.0	1.9
Other current assets	64.0	3.4	58.8	3.1	71.3	3.7
Total current assets	1,133.8	60.4	1,163.6	61.0	1,174.0	61.1
Non-current assets						
Property, plant, and equipment	470.9	25.1	465.4	24.4	448.8	23.3
Intangible assets	65.9	3.5	63.7	3.3	56.9	3.0
Investments in associates	3.4	0.2	3.5	0.2	2.1	0.1
Non-current financial assets	39.7	2.1	39.5	2.1	41.9	2.2
Deferred income tax assets	164.5	8.7	173.3	9.0	198.1	10.3
Total non-current assets	744.4	39.6	745.4	39.0	747.8	38.9
Total assets	1,878.2	100.0	1,909.0	100.0	1,921.8	100.0

Liabilities and equity

CHF million	Reporting half-year ended 31.12.2019	%	Financial year ended 30.06.2019	%	Reporting half-year ended 31.12.2018	%
Current liabilities						
Current borrowings	250.0	13.3	86.3	4.5	209.3	10.9
Trade payables	127.5	6.8	134.3	7.0	138.6	7.2
Current income tax liabilities	44.7	2.4	45.8	2.5	45.2	2.4
Accrued and other current liabilities	306.4	16.3	336.7	17.6	306.5	15.9
Provisions	35.7	1.9	39.0	2.0	47.4	2.5
Total current liabilities	764.3	40.7	642.1	33.6	747.0	38.9
Non-current liabilities						
Bonds	680.4	36.2	680.5	35.6	680.5	35.4
Accrued pension costs and benefits	293.8	15.6	295.5	15.5	298.7	15.5
Deferred income tax liabilities	23.4	1.3	25.4	1.4	46.1	2.4
Other non-current liabilities	5.9	0.3	7.0	0.4	8.8	0.5
Total non-current liabilities	1,003.5	53.4	1,008.4	52.9	1,034.1	53.8
Total liabilities	1,767.8	94.1	1,650.5	86.5	1,781.1	92.7
Equity						
Share capital	0.4	0.0	0.4	0.0	0.4	0.0
Additional paid-in capital	811.3	43.2	811.3	42.5	811.3	42.2
Retained earnings	1,238.3	65.9	1,244.9	65.2	1,178.6	61.3
Goodwill offset in equity	-1,880.8	-100.1	-1,809.2	-94.7	-1,807.9	-94.0
Treasury shares	-32.6	-1.7	-40.2	-2.1	-40.6	-2.1
Translation exchange differences	-15.1	-0.8	-10.6	-0.6	-6.9	-0.4
Total equity owners of the parent	121.5	6.5	196.6	10.3	134.9	7.0
Minority interests	-11.1	-0.6	61.9	3.2	5.8	0.3
Total equity	110.4	5.9	258.5	13.5	140.7	7.3
Total liabilities and equity	1,878.2	100.0	1,909.0	100.0	1,921.8	100.0

Consolidated cash flow statement

CHF million	Reporting half- year ended 31.12.2019	Reporting half- year ended 31.12.2018
Net profit	119.4	126.7
Depreciation and amortization	36.0	34.9
Income tax expenses	37.7	43.4
Interest expenses	19.9	17.0
Interest income	-0.4	-0.8
(Gain) Loss on disposal of fixed assets, net	-0.3	-4.4
Adjustment for non-cash items	3.7	4.2
Change in trade receivables	20.8	29.2
Change in inventories	-12.7	-50.1
Change in other current assets	-0.6	-13.2
Change in trade payables	-5.2	-24.1
Change in accrued pension cost	4.7	2.9
Change in accrued and other current liabilities	-30.9	-16.6
Cash generated from operations	192.1	149.1
Income taxes paid	-31.2	-25.8
Interest paid	-22.2	-19.6
Interest received	0.4	0.8
Net cash from operating activities	139.1	104.5
Cash flows from investing activities		
Additions of property, plant, and equipment	-39.9	-32.3
Proceeds from sale of property, plant, and equipment	0.8	8.5
Additions of intangible assets	-10.3	-12.9
Change in other non-current financial assets and prepaid transaction costs	-1.0	-5.6
Acquisition of subsidiaries, net of cash acquired	-141.4	-3.6
Sale of investment in associates and joint ventures	0.0	41.1
Net cash used in investing activities	-191.8	-4.8
Cash flows from financing activities		
Other proceeds from (repayment of) current borrowings, net	167.7	57.0
Proceeds from (repayment of) non-current borrowings, net	-0.7	0.4
Change in other non-current liabilities	-0.8	-0.8
Dividends paid to company's shareholders	-66.5	-62.2
Dividends paid to minority shareholders	-59.0	-54.9
(Purchase) Sale of treasury shares	0.0	-38.7
Net cash flows from financing activities	40.7	-99.2
Translation exchange differences	-10.2	-11.9
Net increase (decrease) in cash and cash equivalents	-22.2	-11.4
Cash and cash equivalents at beginning of period	122.4	145.3
Cash and cash equivalents at end of period	100.2	133.9
Net increase (decrease) in cash and cash equivalents	-22.2	-11.4

Consolidated statement of changes in equity

CHF million	Share capital	Additional paid-in capital	Retained earnings	Goodwill offset in equity	Treasury shares	Cumul. translation adjustm.	Minority interests	Total equity
Balance at 31.12.2019	0.4	811.3	1,238.3	-1,880.8	-32.6	-15.1	-11.1	110.4
Net profit for the reporting period			61.3				58.1	119.4
Goodwill on acquisitions				-71.6			-64.8	-136.4
Currency translation adjustments						-4.5	-6.1	-10.6
Dividend paid			-66.5				-59.0	-125.5
Shares awarded			-1.4		7.6		-1.2	5.0
Balance at 30.06.2019	0.4	811.3	1,244.9	-1,809.2	-40.2	-10.6	61.9	258.5
Balance at 31.12.2018	0.4	811.3	1,178.6	-1,807.9	-40.6	-6.9	5.8	140.7
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 shares (purchased) re-issued					-38.7			-38.7
Balance at 30.06.2018	0.4	811.3	1,175.1	-1,805.0	-10.3	2.1	13.4	187.0

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 2019 until 31 December 2019 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 2019, 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 2019 until 31 December 2019 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.

Segment reporting

	Reporting half-year ended 31.12.2019	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2019	Reporting half-year ended 31.12.2018	Reporting half-year ended 31.12.2019	Reporting half-year ended 31.12.2018
CHF million	Access Solutions AMER		Access Solutions APAC		Access Solutions DACH	
Net sales third parties	399.7	388.1	217.2	222.6	252.7	266.5
Intercompany sales	16.6	14.0	13.3	13.9	162.9	163.5
Total sales	416.3	402.1	230.5	236.5	415.6	430.0
Operating profit (EBIT)	80.7	78.2	31.0	32.9	61.5	69.9
as % of sales	19.4%	19.4%	13.4%	13.9%	14.8%	16.3%
Depreciation and amortization	6.5	6.5	4.1	3.9	8.8	8.6
Operating profit before depreciation and amortization (EBITDA)	87.2	84.7	35.1	36.8	70.3	78.5
as % of sales	20.9%	21.1%	15.2%	15.6%	16.9%	18.3%
Net working capital	212.9	199.2	117.9	115.6	129.7	131.1
Capital expenditure	16.7	7.5	4.9	4.9	9.6	14.4
	Access Solutions EMEA		Eliminations		Access Solutions TOTAL	
Net sales third parties	317.6	322.1	0.0	0.0	1,187.2	1,199.3
Intercompany sales	56.9	59.0	-246.2	-246.9	3.5	3.5
Total sales	374.5	381.1	-246.2	-246.9	1,190.7	1,202.8
Operating profit (EBIT)	23.9	23.4	-1.3	-0.9	195.8	203.5
as % of sales	6.4%	6.1%	0.5%	0.4%	16.4%	16.9%
Depreciation and amortization	6.5	6.6	0.0	0.0	25.9	25.6
Operating profit before depreciation and amortization (EBITDA)	30.4	30.0	-1.3	-0.9	221.7	229.1
as % of sales	8.1%	7.9%	0.5%	0.4%	18.6%	19.0%
Net working capital	195.4	196.6	-13.2	-15.5	642.7	627.0
Capital expenditure	6.6	5.0	0.0	0.0	37.8	31.8
			Key & Wall Solutions		Other	
Net sales third parties			191.5	190.1	7.0	7.1
Intercompany sales			7.4	7.2	2.4	1.4
Total sales			198.9	197.3	9.4	8.5
Operating profit (EBIT)			25.4	24.6	0.1	0.2
as % of sales			12.8%	12.5%	0.6%	2.5%
Depreciation and amortization			4.4	4.4	0.0	0.1
Operating profit before depreciation and amortization (EBITDA)			29.8	29.0	0.1	0.3
as % of sales			15.0%	14.7%	1.1%	3.3%
Net working capital			103.0	106.0	4.2	3.4
Capital expenditure			5.6	4.8	2.7	0.4
	Corporate		Eliminations		Group	
Net sales third parties	0.0	0.0	0.0	0.0	1,385.7	1,396.5
Intercompany sales	0.0	0.0	-13.3	-12.1	0.0	0.0
Total sales	0.0	0.0	-13.3	-12.1	1,385.7	1,396.5
Operating profit (EBIT)	-43.2	-40.2	0.0	0.0	178.1	188.1
as % of sales	0.0%	0.0%	0.0%	0.0%	12.9%	13.5%
Depreciation and amortization	5.7	4.8	0.0	0.0	36.0	34.9
Operating profit before depreciation and amortization (EBITDA)	-37.5	-35.4	0.0	0.0	214.1	223.0
as % of sales	0.0%	0.0%	0.0%	0.0%	15.5%	16.0%
Net working capital	-5.1	-6.0	2.6	2.1	747.4	732.5
Capital expenditure	4.1	8.2	0.0	0.0	50.2	45.2

EBITDA reconciliation

CHF million	Reporting half-year ended 31.12.2019	Reporting half-year ended 31.12.2018
Operating profit (EBIT)	178.1	188.1
Depreciation and amortization	36.0	34.9
Operating profit before depreciation and amortization (EBITDA)	214.1	223.0
Depreciation and amortization	-36.0	-34.9
Result from associates	-0.1	3.1
Financial expenses	-21.6	-22.5
Financial income	0.7	1.4
Profit before taxes	157.1	170.1

Alternative performance measures

Earnings before interest, taxes, depreciation, and amortization (EBITDA) corresponds to the operating result (EBIT) before depreciation on tangible fixed assets and amortization on intangible assets.

Net working capital reconciliation

CHF million	Reporting half-year ended 31.12.2019	Reporting half-year ended 31.12.2018
Net working capital	747.4	732.5
Trade receivables	476.9	461.0
Inventories	466.0	470.8
Trade payables	-127.5	-138.6
Advances from customers	-39.5	-34.1
Deferred income	-28.5	-26.6

Alternative performance measures

Net working capital is used by the Group to measure the performance of the segments. dormakaba defines net working capital as trade receivables plus inventories, minus the sum of trade payables, advances from customers and deferred income.

Capital expenditure reconciliation

CHF million	Reporting half-year ended 31.12.2019	Reporting half-year ended 31.12.2018
Capital expenditure	50.2	45.2
Additions of property, plant, and equipment	39.9	32.3
Additions of intangible assets	10.3	12.9

Business combinations

On 27 June 2019, dormakaba signed an agreement to acquire Alvarado Manufacturing Co. Inc., based in Chino (CA/USA). The transaction was closed on 31 July 2019. Alvarado is a leading manufacturer of physical access solutions in North America such as speed gates, turnstiles and other admission devices with a focus on office, commercial and government buildings, as well as sports, leisure and entertainment facilities.

The following table summarizes all considerations paid for businesses, as well as the assets and liabilities acquired and recognized at fair value as at the acquisition date in the first half year 2019/20 and for the full year 2018/19 in comparison.

CHF million	Reporting half- year ended 31.12.2019	Financial year ended 30.06.2019
Consideration as at acquisition date	Total	Total
Cash paid	157.2	6.2
Deferred payment	1.4	0.1
Acquisition-related costs	0.9	0.3
Total consideration	159.5	6.6
Identifiable assets and liabilities		
Cash and cash equivalents	16.8	0.4
Trade receivables	4.1	0.7
Inventories	5.1	0.3
Current income tax assets	1.2	0.0
Other current assets	0.3	0.0
Property, plant, and equipment	0.4	0.2
Deferred income tax assets	0.2	0.0
Trade payables	-0.3	-0.3
Current income tax liabilities	0.0	-0.1
Accrued and other current liabilities	-4.6	-0.5
Provisions	-0.1	0.0
Non-current borrowings	0.0	-0.3
Total identifiable net assets	23.1	0.4
Goodwill	136.4	6.2
Total consideration	159.5	6.6