

dormakaba Holding AG

# Half-year Report

Consolidated financial statements

First half of financial year

2019/20

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# 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%).

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.

## 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.



Riet Cadonau, Chairman & CEO

## Mobile Access Control

Why smartphones are increasingly replacing keys and access badges



More

### 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<sub>2</sub> 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

# Segment Access Solutions AMER

Organic sales growth, slightly lower profitability

## Operational performance

AS AMER achieved total sales of CHF 416.3 million in the first half of financial year 2019/20. Organic sales increased 1.4% compared to the previous year. Segment EBITDA reached CHF 87.2 million (previous year CHF 84.7 million), the EBITDA margin was at 20.9% (previous year 21.1%).

The systems and infrastructure challenges at its hollow metal door business (Mesker) continued to affect both the top line and profitability in the first half of the financial year 2019/20. While the technical issues have since been resolved, we continue to have pressure from this business as it takes time to regain customer trust, which should be achieved by end of the financial year 2019/20.

The EBITDA margin was slightly below previous year as price realization, procurement savings, a positive mix effect and cost efficiencies could not offset for higher freight costs, newly imposed tariffs and increased IT costs for the preparation and roll-out of global applications.

The segment's overall financial profile benefited from the acquisition of Alvarado Manufacturing based in Chino (CA/USA). The acquisition was closed on 31 July 2019 and has been accretive to EBITDA margin and earnings per share from day one.

## Market development

Growth in AS AMER was driven by Door Hardware, Safe Locks, Interior Glass Systems and the Lodging Systems business in North America. Unlike in the second half of 2018/19, Latin America contributed to growth as well, driven by an improvement in Mexico.

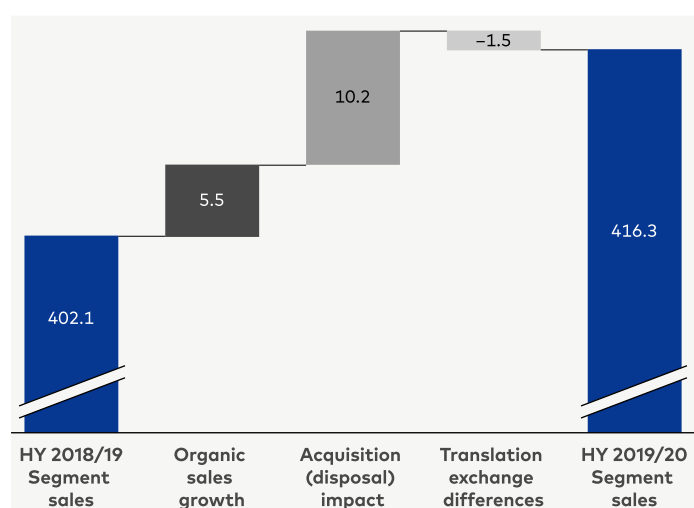
Going forwards, the segment is expected to benefit from the successful introduction of new and innovative products. The most recent example is Switch Tech, a highly durable, digitally enabled replacement for small-format interchangeable cores (cylinders), which allows electronic and mobile access through a cost-effective retrofit of already installed door locks.

The segment expects further organic growth in the second half of 2019/20 as Door Hardware, Safe Locks and Interior Glass Systems continue to benefit from their first-half-year momentum, as hollow metal doors builds back customer trust and as Lodging Systems sees increased new construction and retrofit demand. The business will benefit from the finalization of its production adjustments which will lead to higher efficiency: the segment has closed eight production sites and will continue to optimize its production footprint. This manufacturing footprint transformation has been realized by consolidating various smaller locations into major production hubs, such as Montreal (Canada) for Hospitality and Electronic Solutions, Nogales (Mexico) for high-volume assembly products, Reamstown (USA) for Entrance Systems as well as Interior Glass Systems, and Indianapolis (USA) for Door Hardware. In November 2019, the segment has inaugurated a new production building in Indianapolis that has added 18,000 square meters of floor space. The production of the Steelville plant and the US Services business will move to this new building in the second half of 2019/20.

## Key figures – segment AS AMER

CHF million, except where indicated	Reporting half-year ended 31.12.2019	%	Reporting half-year ended 31.12.2018	%	Change on previous year in %
Net sales third parties	399.7		388.1		3.0
Intercompany sales	16.6		14.0		
<b>Total segment sales</b>	<b>416.3</b>		<b>402.1</b>		<b>3.5</b>
Change in segment sales	14.2	3.5	-8.4	-2.0	
Of which translation exchange differences	-1.5	-0.4	2.4	0.6	
Of which acquisition (disposal) impact	10.2	2.5	-3.3	-0.8	
<b>Of which organic sales growth</b>	<b>5.5</b>	<b>1.4</b>	<b>-7.5</b>	<b>-1.8</b>	
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>87.2</b>	<b>20.9</b>	<b>84.7</b>	<b>21.1</b>	<b>3.0</b>
Average number of full-time equivalent employees	2,793		2,915		

## Segment sales (in CHF million) – AS AMER



# Segment Access Solutions APAC

Stagnating organic sales, profitability slightly lower

## Operational performance

AS APAC achieved total sales of CHF 230.5 million in the first half of financial year 2019/20. Organic sales were 0.3% below previous year's level. Segment EBITDA reached CHF 35.1 million, which is slightly lower than a year earlier (CHF 36.8 million). The EBITDA margin continued to be on a high level at 15.2% (previous year 15.6%) due to effective cost management, and as efficiency improvements and a favorable product mix have almost offset the effects of lower volume.

## Market development

As in the second half of 2018/19, sales were impacted by the ongoing trade conflict between China and the US, which affects the OEM business for the US market. The business has already initiated countermeasures, such as starting to shift capacity to Chinese domestic customers and insourcing production to compensate top-line shortfall. In addition, the segment has introduced a cost reduction plan focusing on initiatives to reduce material and labor costs for its Wah Yuet business.

The segment continued to experience strong demand in the China region, with double-digit organic growth rates despite a significant slowdown in Hong Kong due to political tensions. There was good growth in the commercial sector in China, driven both by the expansion of high-end solutions and offerings as well as the continued success of cost-effective mid-market products. In addition, the residential business improved and experienced good growth as the digital door locks business gained market share.

Growth in India was impacted by delays in project business. However, the segment anticipates that growth will strengthen during the second half of 2019/20, when these projects are expected to be executed.

Sales in the Pacific region were above prior-year level due to a strong Services business, despite a slowdown in the economic environment. As in the second half of 2018/19, growth in South East Asia was negatively impacted by a weaker construction market in several countries and therefore sales were below previous year. However, the segment believes in the medium- and long-term growth potential and continues to invest in this region.

AS APAC recorded double-digit growth rates for Safe Locks, Electronic Access & Data, Services and particularly for Entrance Systems.

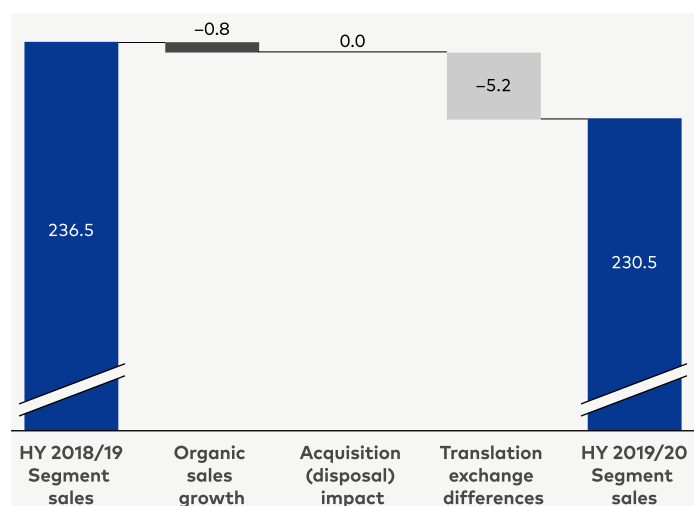
In principle, the business expected a better growth dynamic for the second half of 2019/20 due to the relatively low comparable base from previous year, project execution in India and internal measures to counteract the effects from the trade conflict at Wah Yuet. However, these good business opportunities are overshadowed by the impact of Covid-19. While we already see a negative impact for our China domestic business, we currently lack visibility on the extent of impact on our supply chain, and on our partners and customers. Mitigation of the situation has our full management attention.



## Key figures – segment AS APAC

CHF million, except where indicated	Reporting half-year ended 31.12.2019	%	Reporting half-year ended 31.12.2018	%	Change on previous year in %
Net sales third parties	217.2		222.6		-2.4
Intercompany sales	13.3		13.9		
<b>Total segment sales</b>	<b>230.5</b>		<b>236.5</b>		<b>-2.5</b>
Change in segment sales	-6.0	-2.5	-1.6	-0.7	
Of which translation exchange differences	-5.2	-2.2	-7.3	-3.1	
Of which acquisition (disposal) impact	0.0	0.0	-7.3	-3.1	
<b>Of which organic sales growth</b>	<b>-0.8</b>	<b>-0.3</b>	<b>13.0</b>	<b>5.5</b>	
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>35.1</b>	<b>15.2</b>	<b>36.8</b>	<b>15.6</b>	<b>-4.6</b>
Average number of full-time equivalent employees	3,329		3,328		

## Segment sales (in CHF million) – AS APAC



# Segment Access Solutions DACH

Moderate organic sales growth, lower profitability

## Operational performance

AS DACH generated total sales of CHF 415.6 million in the first half of financial year 2019/20, representing year-on-year organic sales growth of 0.7%. EBITDA stood at CHF 70.3 million, down compared to the previous year (CHF 78.5 million). The EBITDA margin of 16.9% was below previous year's level of 18.3% as the effects of higher sales prices, post-merger integration synergies and cost efficiencies could not offset the negative effects of labor cost inflation and lower volumes, which impacted the profitability of some of the German and Asian production plants. The segment's main plants were negatively impacted by a reduction of inventories, as stock that has been built up last financial year to secure the relocation of the production of certain standard door closers from Germany to Asia has been reduced to normal level.

## Market development

There was good growth compared to the prior-year period in Austria and particularly in Switzerland. Despite a stable underlying demand and a good order book, sales growth in Germany was slightly negative, mainly due to delays in the project business. However, volumes in Germany already improved at the end of the first half of 2019/20, and the business expects to return to organic growth for the financial year 2019/20 as a whole.

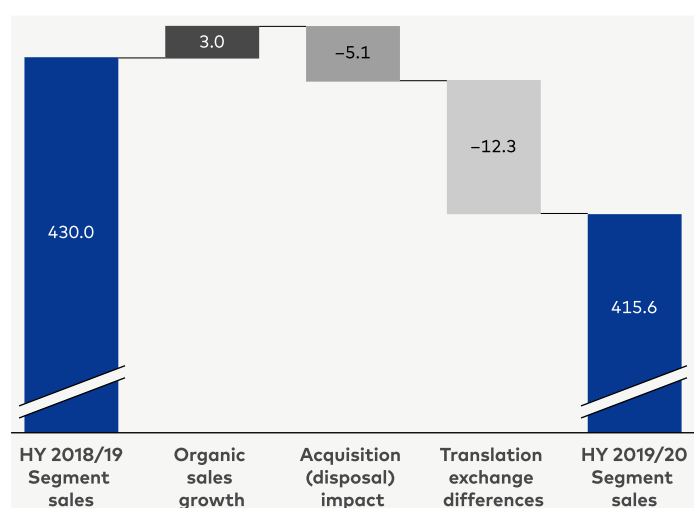
AS DACH expects that organic growth will accelerate in the second half of 2019/20, driven by the project business in Germany. The business has started to address the profitability issue with a new program that targets particularly its site in Ennepetal. Measures to further improve profitability have been initiated. These measures include the strengthening of management, improvement of the entire supply chain including further automatization and flexibilization of production. This includes the flexibility to convert staff from indirect to direct labor and to introduce flexible teams of production experts. Beside the measures currently still being implemented as part of the post-merger integration by the end of June 2020, a further reduction of around 100 jobs has been agreed with the work council to be implemented in 2020/21. The progression of the EBITDA margin in the second half of 2019/20 is expected to be supported by the realization of the remaining cost synergy potential of the post-merger integration in Germany, which will help to improve the overall cost base.

The segment continues to invest in the development of innovative solutions, such as the combination of its latest design-oriented sensor barriers ([Argus](#)) with biometric control capabilities, which enables access to attractive markets such as airports. In addition, the segment will further expand its digital solutions like connected products and digital platforms and ecosystems, which were showcased in February 2020 at the [digitalBAU trade fair](#) in Cologne (Germany).

## Key figures – segment AS DACH

CHF million, except where indicated	Reporting half-year ended 31.12.2019	%	Reporting half-year ended 31.12.2018	%	Change on previous year in %
Net sales third parties	252.7		266.5		-5.2
Intercompany sales	162.9		163.5		
<b>Total segment sales</b>	<b>415.6</b>		<b>430.0</b>		<b>-3.3</b>
Change in segment sales	-14.4	-3.4	9.1	2.2	
Of which translation exchange differences	-12.3	-2.9	-1.8	-0.4	
Of which acquisition (disposal) impact	-5.1	-1.2	0.0	0.0	
<b>Of which organic sales growth</b>	<b>3.0</b>	<b>0.7</b>	<b>10.9</b>	<b>2.6</b>	
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>70.3</b>	<b>16.9</b>	<b>78.5</b>	<b>18.3</b>	<b>-10.4</b>
Average number of full-time equivalent employees	3,464		3,475		

## Segment sales (in CHF million) – AS DACH



# Segment Access Solutions EMEA

Organic sales growth, higher profitability

## Operational performance

AS EMEA generated total sales of CHF 374.5 million for the first half of financial year 2019/20 and organic sales growth of 1.4% compared to the previous year. EBITDA amounted to CHF 30.4 million, an increase of 1.3% over the last year's figure. The EBITDA margin was higher at 8.1% (previous year 7.9%). The increase in EBITDA was mainly driven by higher sales volumes and lower product development costs despite negative product mix impacts and lower fixed cost absorption in certain markets.

## Market development

AS EMEA's sales growth was driven by high single-digit growth rates in Central and Eastern Europe, with particularly good growth for Poland, Bulgaria and Turkey, where the business gained several new projects and market demand was strong. The UK and Benelux as well as Southern Europe contributed to organic growth; sales in France were above previous year's level, despite the current political volatility.

Sales in the Middle East and Africa were below previous year as strong growth in Saudi Arabia could not compensate for a base effect in Qatar and challenging political and business conditions in both the Middle East and South Africa.

Overall sales in Scandinavia were below previous year's level particularly due to the weak performance in Norway where the company has lost market share. The business has been restructured, with centralization of certain functions such as finance, procurement and customer care. The sales organization and the leadership have been reorganized.

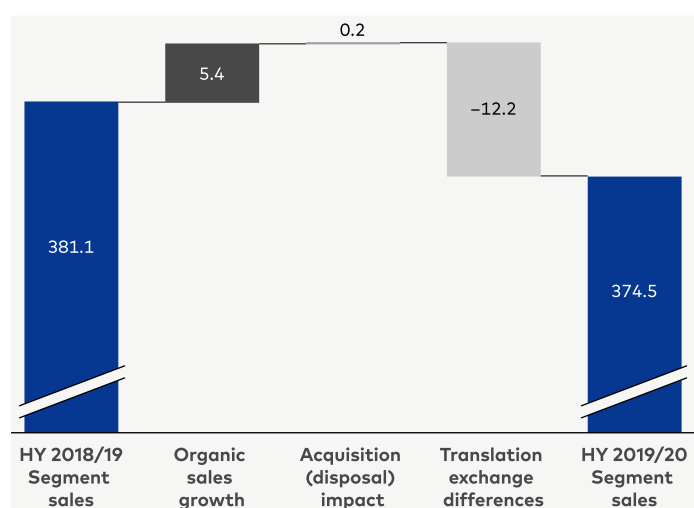
The Product Clusters Entrance Systems, Services and Mechanical Key Systems contributed the most to growth, with strong sales to retail chains in Russia and airports including Heathrow (UK) and Schiphol (NL). Lodging Systems benefited from deliveries to a major UK hotel chain, among others.

In the second half of 2019/20, the strategic focus will be on specifications and selected verticals such as healthcare, airports and hospitality to better meet customer needs, and on continued growth of the project and services businesses. In addition, the segment will continue to prioritize the recovery of its Scandinavian business. As of 1 January 2020, the segment AS EMEA is led by a new COO, Steve Bewick.

## Key figures – segment AS EMEA

CHF million, except where indicated	Reporting half-year ended 31.12.2019	%	Reporting half-year ended 31.12.2018	%	Change on previous year in %
Net sales third parties	317.6		322.1		-1.4
Intercompany sales	56.9		59.0		
<b>Total segment sales</b>	<b>374.5</b>		<b>381.1</b>		<b>-1.7</b>
Change in segment sales	-6.6	-1.7	5.3	1.4	
Of which translation exchange differences	-12.2	-3.2	-7.9	-2.1	
Of which acquisition (disposal) impact	0.2	0.1	1.5	0.4	
<b>Of which organic sales growth</b>	<b>5.4</b>	<b>1.4</b>	<b>11.7</b>	<b>3.1</b>	
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>30.4</b>	<b>8.1</b>	<b>30.0</b>	<b>7.9</b>	<b>1.3</b>
Average number of full-time equivalent employees	3,456		3,383		

## Segment sales (in CHF million) – AS EMEA



# Segment Key&Wall Solutions

Organic sales growth, higher profitability

## Operational performance

Key & Wall Solutions generated total sales of CHF 198.9 million in the first half of financial year 2019/20, representing year-on-year organic sales growth of 2.8%. EBITDA stood at CHF 29.8 million, up 2.8% compared to the previous year; the EBITDA margin improved to 15.0% (previous year 14.7%) due to higher profitability in Movable Walls which was mainly driven by strong volume growth and overcompensated the lower performance of Key Systems.

## Market development

The Key Systems Business Unit experienced lower sales in all regions. Sales were impacted by lower demand for key cutting machines and a weaker OEM automotive keys business globally, as well as fewer key replacements and a weaker automotive solutions business in the US. Due to lower volumes there was a negative impact on profitability, especially in the US. The business has started mitigation measures to protect its margins.

The Movable Walls Business Unit recorded strong double-digit sales growth, with the North American business being particularly strong, but all other regions contributed with strong growth as well. The Skyfold business, which was acquired in 2017, continued to perform very well including delivery of anticipated top-line synergies. There was also a continuous positive contribution from the measures to increase the automatization of the production site in Ocholt (GER). Key objective of the ongoing program is to sustainably further improve the cost base and efficiency of the European Movable Walls business.

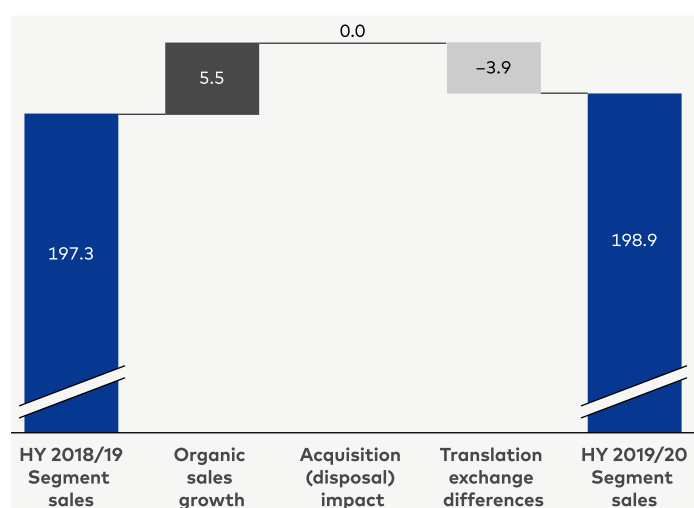
The Key Systems Business Unit does not expect a significant change in the business environment for the second half of 2019/20. Weakness in the OEM automotive keys business will be offset to a certain extent by a major order for its [Futura Auto key cutting machines](#). On top, the business will benefit from the launch of new products like SIX, a next-generation high-end electronic key cutting machine, and the launch of some new digital solutions, which are expected in the final quarter of the financial year 2019/20. SIX enables faster operations, higher automation and enhanced connectivity for locksmiths and digital products to reach current and future customers directly.

Based on a good order book, the Movable Walls Business Unit expects continued good growth. This will be driven by internal synergies and major new projects, including a new contract for the refurbishment of a major hotel in Las Vegas (USA).

## Key figures – segment Key &amp; Wall Solutions

CHF million, except where indicated	Reporting half-year ended 31.12.2019	%	Reporting half-year ended 31.12.2018	%	Change on previous year in %
Net sales third parties	191.5		190.1		0.7
Intercompany sales	7.4		7.2		
<b>Total segment sales</b>	<b>198.9</b>		<b>197.3</b>		<b>0.8</b>
Change in segment sales	1.6	0.8	11.6	6.2	
Of which translation exchange differences	-3.9	-2.0	-0.6	-0.4	
Of which acquisition (disposal) impact	0.0	0.0	5.1	2.8	
<b>Of which organic sales growth</b>	<b>5.5</b>	<b>2.8</b>	<b>7.1</b>	<b>3.8</b>	
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>29.8</b>	<b>15.0</b>	<b>29.0</b>	<b>14.7</b>	<b>2.8</b>
Average number of full-time equivalent employees	2,255		2,288		

## Segment sales (in CHF million) – Key &amp; Wall Solutions



# Overview

The macroeconomic and geopolitical environment continued to become more challenging during the first half of the financial year 2019/20. The results were in general comparable to those of the second half of 2018/19, as some negative macroeconomic effects such as the trade conflict between the US and China and the economic slowdown in markets such as South East Asia continued. The business continued to be impacted by internal issues in Norway and the hollow metal door business (Mesker) in the US. Even though the latter topics were already addressed in the past financial year, there was still an impact on both top and bottom line.

In addition to a demanding environment in some of our markets and a much weaker business environment in Hong Kong, the ongoing appreciation of the Swiss Franc also affected our half-year results.

## Sales

In the first half of financial year 2019/20, dormakaba generated consolidated net sales of CHF 1,385.7 million (previous year CHF 1,396.5 million). Organic sales growth of 0.8% and the positive effect of acquisitions and divestments of 0.5% could not offset the strong negative currency translation impact of -2.1% due to the appreciation of the Swiss Franc against major currencies in the reporting period compared to the previous year.

## Profitability

The profitability of dormakaba was below previous year's level which was reflected in both a slightly lower gross margin and a lower EBITDA margin.

The gross margin for the reporting period was 42.5% (previous year 42.6%). EBITDA decreased by 4.0% to CHF 214.1 million (previous year CHF 223.0 million). The EBITDA margin decreased to 15.5% (previous year 16.0%). The lower EBITDA contribution is mainly attributable to the continuation of external and internal factors that were the main drivers of the weaker performance in the second half of last financial year. All internal 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, a positive M&A effect, and slightly lower raw material costs.

The financial performance in the first half of the financial year 2019/20 varied from segment to segment. AS AMER increased its sales, while the EBITDA margin was slightly below previous year's level due to higher freight costs and increased customs tariffs. AS APAC recorded sales slightly below previous year's figures. The sustained strong demand in China could not fully compensate for the negative growth in South East Asia, the difficult business environment in Hong Kong and the negative impact of the trade conflict between China and the US. The AS DACH segment increased its organic sales, while 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 made further progress in terms of higher organic sales and higher profitability. The Key & Wall Solutions segment improved both its sales and profitability, mainly due to strong growth in Movable Walls.

EBIT decreased by CHF 10.0 million to CHF 178.1 million (previous year CHF 188.1 million), consequently the EBIT margin declined to 12.9% (previous year 13.5%).

The net financial result for the reporting period was CHF -21.0 million (previous year CHF -18.0 million) and includes interest expenses for the acquisition of the US-based Alvarado Manufacturing, which is part of dormakaba since end of July 2019. Last year's financial result benefited from a book gain from the divestment of the ISEO minority participation.

**CHF  
1,385.7  
million**

consolidated net sales

**15.5%**

EBITDA margin



Profit before taxes decreased to CHF 157.1 million in the period under review (previous year CHF 170.1 million). Income taxes for the reporting period amounted to CHF 37.7 million, resulting in an effective income tax rate of 24.0% compared to 25.5% in the previous year. The lower income tax expense is a result of countries with lower-than-average tax rates contributing more to the tax profit of the Group as a whole, as well as positive one-time impacts.

### Net profit

dormakaba closed the first half of financial year 2019/20 with a lower net profit of CHF 119.4 million (previous year CHF 126.7 million). This is mainly attributable to the declined operating performance and net financial result. Net profit after minority interests was at CHF 61.3 million (previous year CHF 66.1 million).

### Cash flow and balance sheet

Cash flow from operations amounted to CHF 192.1 million due to improvements in working capital management (previous year CHF 149.1 million). Cash flow from investing activities of CHF –191.8 million was driven by CHF –141.4 million for acquisitions as well as capital expenditures of CHF –50.2 million (previous year CHF –45.2 million) in property, plant and equipment and intangible assets, which represent 3.6% of sales (previous year 3.2%). The previous-year period included proceeds from the sale of investments in associates and joint ventures in the amount of CHF 41.1. Cash flow from financing activities of CHF 40.7 million includes the dividend payments to company shareholders as well as to minority shareholders in total of CHF 125.5 million.

As at 31 December 2019, total assets were at CHF 1,878.2 million. Within current assets, cash and cash equivalents amounted to CHF 100.2 million; inventories stood at CHF 466.0 million (24.8% of total assets; previous year 24.5%), and trade receivables at CHF 476.9 million (25.4% of total assets; previous year 24.0%). Non-current assets consisted mainly of property, plant, and equipment worth CHF 470.9 million (25.1% of total assets; previous year 23.3%). Total liabilities were at CHF 1,767.8 million (94.1% of total assets; previous year 92.7%), of which CHF 680.4 million reflects the two corporate bonds due in 2021 and 2025. Net financial debt increased by CHF 71.4 million to CHF 836.1 million (31 December 2018: CHF 764.7 million). The increase was related to the acquisitions completed during the reporting period as well as to dividend payments for the FY 2018/19, which was higher than operating cash flow of the reporting period.

dormakaba's equity amounted to CHF 110.4 million as at 31 December 2019, with an equity ratio of 5.9% (CHF 140.7 million or 7.3% as at 31 December 2018). The change in equity is mainly due to acquisition-related goodwill, which was entirely offset against equity and translation exchange differences.

### Currency effects

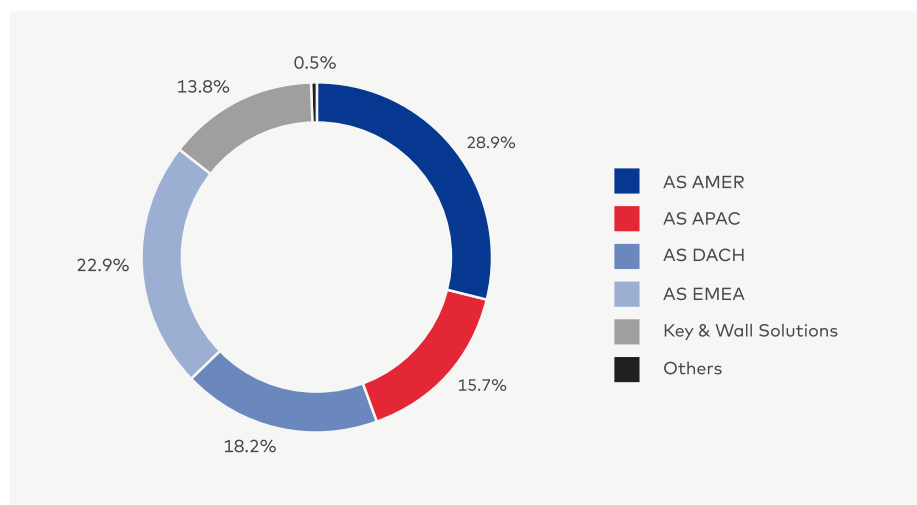
The average Euro exchange rate against the Swiss Franc fell by 3.9% year-on-year from CHF 1.1405 to CHF 1.0961. The average exchange rate of the US Dollar slightly decreased by 0.2% from CHF 0.9900 to CHF 0.9880. Most other major currencies also depreciated against the Swiss Franc, such as the Australian Dollar by 5.8%, the British Pound by 3.0% and the Chinese Renminbi by 2.6%. Therefore, the currency translation had an overall negative impact on net sales and operational profitability.

# Key figures

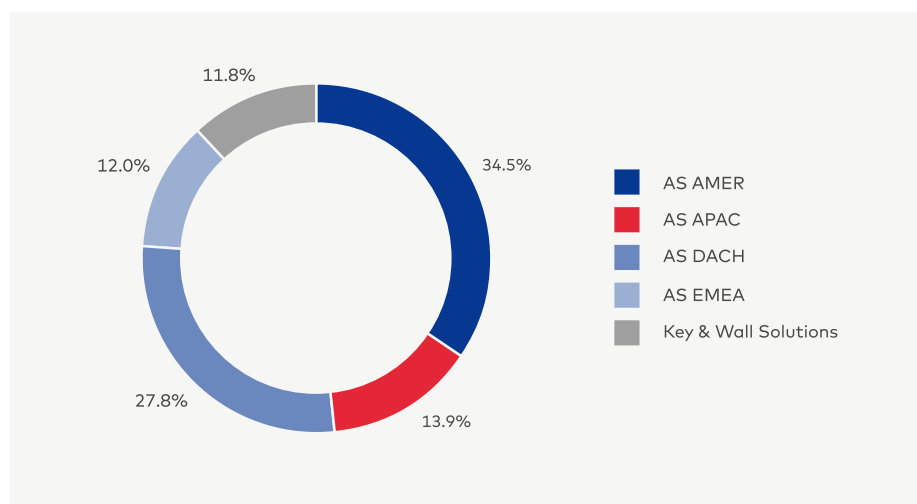
CHF million, except where indicated	Reporting half-year ended 31.12.2019	%	Reporting half-year ended 31.12.2018	%
Net sales	1,385.7		1,396.5	
Change in sales	-10.8	-0.8	-4.1	-0.3
Of which translation exchange difference	-28.4	-2.1	-14.3	-1.0
Of which acquisition (disposal) impact	7.1	0.5	-19.8	-1.4
<b>Of which organic sales growth <sup>1)</sup></b>	<b>10.5</b>	<b>0.8</b>	<b>30.0</b>	<b>2.1</b>
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>214.1</b>	<b>15.5</b>	<b>223.0</b>	<b>16.0</b>
<b>Operating profit (EBIT)</b>	<b>178.1</b>	<b>12.9</b>	<b>188.1</b>	<b>13.5</b>
Profit before taxes	157.1	11.3	170.1	12.2
Net profit	119.4	8.6	126.7	9.1
<b>Other key figures</b>				
Total assets	1,878.2		1,921.8	
Net debt	836.1		764.7	
Market capitalization	2,877.7		2,457.9	
Average number of full-time equivalent employees	15,746		15,801	

<sup>1)</sup> Organic growth in sales refers to the growth compared to the same period of previous year adjusted for the impacts from currency translation as well as impacts from acquisition and disposal.

## Third-party sales by segments



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



**Net debt reconciliation**

CHF million	Reporting half- year ended 31.12.2019	Reporting half- year ended 31.12.2018
<b>Net debt</b>	<b>836.1</b>	<b>764.7</b>
Current borrowings	250.0	209.3
Other non-current liabilities	5.9	8.8
Bonds	680.4	680.5
Cash and cash equivalents	-100.2	-133.9

# 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		%
<b>Net sales</b>	<b>1,385.7</b>	<b>100.0</b>		<b>1,396.5</b>	<b>100.0</b>	
Cost of goods sold	-796.7	-57.5		-801.9	-57.4	
<b>Gross margin</b>	<b>589.0</b>	<b>42.5</b>		<b>594.6</b>	<b>42.6</b>	
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	
<b>Operating profit (EBIT)</b>	<b>178.1</b>	<b>12.9</b>		<b>188.1</b>	<b>13.5</b>	
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	
<b>Profit before taxes</b>	<b>157.1</b>	<b>11.3</b>		<b>170.1</b>	<b>12.2</b>	
Income taxes	-37.7	-2.7		-43.4	-3.1	
<b>Net profit</b>	<b>119.4</b>	<b>8.6</b>		<b>126.7</b>	<b>9.1</b>	
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		
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>214.1</b>	<b>15.5</b>		<b>223.0</b>	<b>16.0</b>	

# 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	%
<b>Current assets</b>						
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
<b>Total current assets</b>	<b>1,133.8</b>	<b>60.4</b>	<b>1,163.6</b>	<b>61.0</b>	<b>1,174.0</b>	<b>61.1</b>
<b>Non-current assets</b>						
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
<b>Total non-current assets</b>	<b>744.4</b>	<b>39.6</b>	<b>745.4</b>	<b>39.0</b>	<b>747.8</b>	<b>38.9</b>
<b>Total assets</b>	<b>1,878.2</b>	<b>100.0</b>	<b>1,909.0</b>	<b>100.0</b>	<b>1,921.8</b>	<b>100.0</b>

## 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	%
<b>Current liabilities</b>						
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
<b>Total current liabilities</b>	<b>764.3</b>	<b>40.7</b>	<b>642.1</b>	<b>33.6</b>	<b>747.0</b>	<b>38.9</b>
<b>Non-current liabilities</b>						
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
<b>Total non-current liabilities</b>	<b>1,003.5</b>	<b>53.4</b>	<b>1,008.4</b>	<b>52.9</b>	<b>1,034.1</b>	<b>53.8</b>
<b>Total liabilities</b>	<b>1,767.8</b>	<b>94.1</b>	<b>1,650.5</b>	<b>86.5</b>	<b>1,781.1</b>	<b>92.7</b>
<b>Equity</b>						
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
<b>Total equity owners of the parent</b>	<b>121.5</b>	<b>6.5</b>	<b>196.6</b>	<b>10.3</b>	<b>134.9</b>	<b>7.0</b>
Minority interests	-11.1	-0.6	61.9	3.2	5.8	0.3
<b>Total equity</b>	<b>110.4</b>	<b>5.9</b>	<b>258.5</b>	<b>13.5</b>	<b>140.7</b>	<b>7.3</b>
<b>Total liabilities and equity</b>	<b>1,878.2</b>	<b>100.0</b>	<b>1,909.0</b>	<b>100.0</b>	<b>1,921.8</b>	<b>100.0</b>

# Consolidated cash flow statement

CHF million	Reporting half- year ended 31.12.2019	Reporting half- year ended 31.12.2018
<b>Net profit</b>	<b>119.4</b>	<b>126.7</b>
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
<b>Cash generated from operations</b>	<b>192.1</b>	<b>149.1</b>
Income taxes paid	-31.2	-25.8
Interest paid	-22.2	-19.6
Interest received	0.4	0.8
<b>Net cash from operating activities</b>	<b>139.1</b>	<b>104.5</b>
<b>Cash flows from investing activities</b>		
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
<b>Net cash used in investing activities</b>	<b>-191.8</b>	<b>-4.8</b>
<b>Cash flows from financing activities</b>		
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
<b>Net cash flows from financing activities</b>	<b>40.7</b>	<b>-99.2</b>
Translation exchange differences	-10.2	-11.9
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-22.2</b>	<b>-11.4</b>
Cash and cash equivalents at beginning of period	122.4	145.3
Cash and cash equivalents at end of period	100.2	133.9
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-22.2</b>	<b>-11.4</b>

# 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
<b>Balance at 31.12.2019</b>	<b>0.4</b>	<b>811.3</b>	<b>1,238.3</b>	<b>-1,880.8</b>	<b>-32.6</b>	<b>-15.1</b>	<b>-11.1</b>	<b>110.4</b>
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
<b>Balance at 30.06.2019</b>	<b>0.4</b>	<b>811.3</b>	<b>1,244.9</b>	<b>-1,809.2</b>	<b>-40.2</b>	<b>-10.6</b>	<b>61.9</b>	<b>258.5</b>
<b>Balance at 31.12.2018</b>	<b>0.4</b>	<b>811.3</b>	<b>1,178.6</b>	<b>-1,807.9</b>	<b>-40.6</b>	<b>-6.9</b>	<b>5.8</b>	<b>140.7</b>
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
<b>Balance at 30.06.2018</b>	<b>0.4</b>	<b>811.3</b>	<b>1,175.1</b>	<b>-1,805.0</b>	<b>-10.3</b>	<b>2.1</b>	<b>13.4</b>	<b>187.0</b>



# 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
<b>CHF million</b>	<b>Access Solutions AMER</b>		<b>Access Solutions APAC</b>		<b>Access Solutions DACH</b>	
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
<b>Total sales</b>	<b>416.3</b>	<b>402.1</b>	<b>230.5</b>	<b>236.5</b>	<b>415.6</b>	<b>430.0</b>
<b>Operating profit (EBIT)</b>	<b>80.7</b>	<b>78.2</b>	<b>31.0</b>	<b>32.9</b>	<b>61.5</b>	<b>69.9</b>
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
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>87.2</b>	<b>84.7</b>	<b>35.1</b>	<b>36.8</b>	<b>70.3</b>	<b>78.5</b>
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

	<b>Access Solutions EMEA</b>		<b>Eliminations</b>		<b>Access Solutions TOTAL</b>	
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
<b>Total sales</b>	<b>374.5</b>	<b>381.1</b>	<b>-246.2</b>	<b>-246.9</b>	<b>1,190.7</b>	<b>1,202.8</b>
<b>Operating profit (EBIT)</b>	<b>23.9</b>	<b>23.4</b>	<b>-1.3</b>	<b>-0.9</b>	<b>195.8</b>	<b>203.5</b>
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
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>30.4</b>	<b>30.0</b>	<b>-1.3</b>	<b>-0.9</b>	<b>221.7</b>	<b>229.1</b>
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

	<b>Key &amp; Wall Solutions</b>				<b>Other</b>	
Net sales third parties			191.5	190.1	7.0	7.1
Intercompany sales			7.4	7.2	2.4	1.4
<b>Total sales</b>			<b>198.9</b>	<b>197.3</b>	<b>9.4</b>	<b>8.5</b>
<b>Operating profit (EBIT)</b>			<b>25.4</b>	<b>24.6</b>	<b>0.1</b>	<b>0.2</b>
as % of sales			12.8%	12.5%	0.6%	2.5%
Depreciation and amortization			4.4	4.4	0.0	0.1
<b>Operating profit before depreciation and amortization (EBITDA)</b>			<b>29.8</b>	<b>29.0</b>	<b>0.1</b>	<b>0.3</b>
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

	<b>Corporate</b>		<b>Eliminations</b>		<b>Group</b>	
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
<b>Total sales</b>	<b>0.0</b>	<b>0.0</b>	<b>-13.3</b>	<b>-12.1</b>	<b>1,385.7</b>	<b>1,396.5</b>
<b>Operating profit (EBIT)</b>	<b>-43.2</b>	<b>-40.2</b>	<b>0.0</b>	<b>0.0</b>	<b>178.1</b>	<b>188.1</b>
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
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>-37.5</b>	<b>-35.4</b>	<b>0.0</b>	<b>0.0</b>	<b>214.1</b>	<b>223.0</b>
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
<b>Operating profit (EBIT)</b>	<b>178.1</b>	<b>188.1</b>
Depreciation and amortization	36.0	34.9
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>214.1</b>	<b>223.0</b>
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
<b>Profit before taxes</b>	<b>157.1</b>	<b>170.1</b>

## 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
<b>Net working capital</b>	<b>747.4</b>	<b>732.5</b>
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
<b>Capital expenditure</b>	<b>50.2</b>	<b>45.2</b>
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
<b>Consideration as at acquisition date</b>	<b>Total</b>	<b>Total</b>
Cash paid	157.2	6.2
Deferred payment	1.4	0.1
Acquisition-related costs	0.9	0.3
<b>Total consideration</b>	<b>159.5</b>	<b>6.6</b>
<b>Identifiable assets and liabilities</b>		
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
<b>Total identifiable net assets</b>	<b>23.1</b>	<b>0.4</b>
Goodwill	136.4	6.2
<b>Total consideration</b>	<b>159.5</b>	<b>6.6</b>

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- currency and raw material price fluctuations,
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