

dormakaba Holding AG

Interim Report

Financial statements



Financial half-year

2016/2017

dormakaba 

Agenda

12 September 2017, Tuesday

- Full-year results: presentation for media and financial community
- Publication of Annual Report

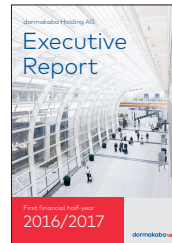
17 October 2017, Tuesday

- Annual General Meeting

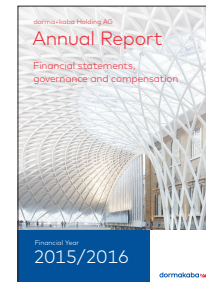
6 December 2017, Wednesday

- Capital Market Day

Communication devices



Executive Report



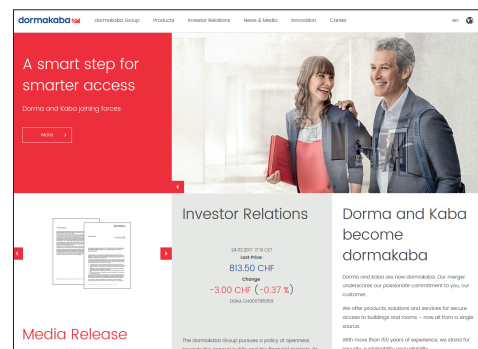
Financial statements, governance and compensation



Sustainability Report



My Access, customer magazine



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Consolidated income statement

in CHF million except per share amounts	Reporting half-year ended 31.12.2016		Reporting half-year ended 31.12.2015	
		in %		in %
Net sales	1,173.7	100.0	947.6	100.0
Cost of goods sold	-670.9	-57.2	-540.1	-57.0
Gross margin	502.8	42.8	407.5	43.0
Other operating income, net	4.0	0.3	9.1	1.0
Sales and marketing	-189.6	-16.2	-158.4	-16.7
General administration	-124.8	-10.6	-100.2	-10.6
Research and development	-44.7	-3.8	-36.8	-3.9
Operating profit (EBIT)	147.7	12.5	121.2	12.8
Result from associates	0.9	0.1	1.0	0.1
Financial expenses	-14.2	-1.2	-11.3	-1.2
Financial income	1.5	0.1	2.5	0.3
Ordinary result	135.9	11.5	113.4	12.0
Extraordinary result	0.0	0.0	-34.7	-3.7
Profit before taxes	135.9	11.5	78.7	8.3
Income taxes	-40.1	-3.4	-21.3	-2.2
Net profit	95.8	8.1	57.4	6.1
Net profit attributable to minority interests	46.2		26.8	
Net profit attributable to the owners of the parent	49.6		30.6	
Basic earnings per share (in CHF)	11.8		7.3	
Diluted earnings per share (in CHF)	11.8		7.3	
Operating profit before depreciation and amortization (EBITDA)	175.4	14.9	144.6	15.3

Income and expenses of the former Dorma Group are included as from 1 September 2015 only in the reporting half year ended 31 December 2015.

Consolidated balance sheet

Assets

in CHF million	Reporting half-year ended 31.12.2016	in %	Financial year ended 30.06.2016	in %	Reporting half-year ended 31.12.2015	in %
Current assets						
Cash and cash equivalents	171.1	10.7	213.2	13.5	178.5	11.8
Trade receivables	403.5	25.3	403.7	25.6	376.3	24.8
Inventories	398.8	25.1	364.0	23.0	375.5	24.7
Current income tax assets	35.6	2.3	41.4	2.6	51.7	3.4
Other current assets	55.9	3.5	47.4	3.0	50.5	3.3
Total current assets	1,064.9	66.9	1,069.7	67.7	1,032.5	68.0
Non-current assets						
Property, plant and equipment	345.1	21.7	330.0	20.9	324.2	21.4
Intangible assets	36.5	2.3	37.7	2.4	35.2	2.3
Investments in associates	35.4	2.2	33.9	2.1	33.2	2.2
Non-current financial assets	37.1	2.3	36.5	2.4	35.3	2.3
Deferred income tax assets	73.4	4.6	71.5	4.5	58.0	3.8
Total non-current assets	527.5	33.1	509.6	32.3	485.9	32.0
Total assets	1,592.4	100.0	1,579.3	100.0	1,518.4	100.0

Consolidated balance sheet

Liabilities and equity

in CHF million	Reporting half-year ended 31.12.2016	in %	Financial year ended 30.06.2016	in %	Reporting half-year ended 31.12.2015	in %
Current liabilities						
Current borrowings	192.4	12.1	52.6	3.3	145.5	9.6
Trade payables	121.7	7.6	120.1	7.6	107.8	7.1
Current income tax liabilities	50.6	3.2	47.9	3.0	59.6	3.9
Accrued and other current liabilities	262.8	16.5	290.2	18.4	231.2	15.1
Provisions	84.3	5.3	88.6	5.6	60.1	3.9
Total current liabilities	711.8	44.7	599.4	37.9	604.2	39.6
Non-current liabilities						
Non-current borrowings	1.3	0.1	1.5	0.1	1.7	0.1
Accrued pension costs and benefits	280.1	17.6	275.0	17.4	268.8	17.7
Deferred income tax liabilities	25.0	1.6	22.9	1.4	21.4	1.4
Other non-interest bearing liabilities	0.0	0.0	0.0	0.0	0.7	0.0
Total non-current liabilities	306.4	19.3	299.4	18.9	292.6	19.2
Total liabilities	1,018.2	64.0	898.8	56.8	896.8	58.8
Equity						
Share capital	0.4	0.0	0.4	0.0	0.4	0.0
Additional paid-in capital	811.3	50.9	807.6	51.1	807.6	53.2
Retained earnings	-411.4	-25.8	-347.8	-22.0	-374.7	-24.6
Treasury stock	-0.5	0.0	-1.6	-0.1	-1.9	-0.1
Translation exchange differences	-20.4	-1.3	-15.8	-0.9	-19.8	-1.3
Total equity owners of the parent	379.4	23.8	442.8	28.1	411.6	27.2
Minority interests	194.8	12.2	237.7	15.1	210.0	14.0
Total equity	574.2	36.0	680.5	43.2	621.6	41.2
Total liabilities and equity	1,592.4	100.0	1,579.3	100.0	1,518.4	100.0

Consolidated cash flow statement

in CHF million	Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015
Net profit	95.8	57.4
Depreciation and amortization	27.7	23.4
Income tax expenses	40.1	21.3
Interest expenses	6.3	5.3
Interest income	-0.8	-0.2
(Gain) Loss on disposal of fixed assets, net	-0.3	-0.1
Adjustment for non-cash items	4.0	14.2
Change in trade receivables	9.0	24.2
Change in inventories	-21.4	-5.9
Change in other current assets	-1.6	3.6
Change in trade payables	0.8	-7.8
Change in accrued pension cost	4.0	2.6
Change in accrued and other current liabilities	-34.3	2.7
Cash generated from operations	129.3	140.7
Income taxes paid	-30.1	-31.7
Interest paid	-6.2	-5.3
Interest received	0.8	0.2
Net cash from operating activities	93.8	103.9
Cash flows from investing activities		
Purchase of property, plant and equipment	-24.5	-20.8
Proceeds from sale of property, plant and equipment	1.5	2.1
Acquisition of subsidiaries, net of cash acquired	-144.7	64.1
Sale of subsidiaries, net of cash sold	0.8	-
Acquisition of associates and joint ventures	-1.0	-
Purchase of intangible assets	-3.9	-6.2
Change in other non-current financial assets and prepaid transaction costs	-5.5	9.4
Net cash used in investing activities	-177.3	48.6
Cash flows from financing activities		
Other proceeds from (repayment of) current borrowings, net	141.4	114.4
Proceeds from (repayment of) non-current borrowings	-0.1	0.1
Change in other non-current liabilities	0.2	-0.1
Dividends paid to minority shareholders	-27.6	-
(Purchase) sale of treasury stock	-3.7	-
New shares issued	3.7	-
Dividends paid to company's shareholders	-50.4	-240.7
Net cash flows from financing activities	63.5	-126.3
Translation exchange differences	-22.1	9.8
Net increase (decrease) in cash and cash equivalents	-42.1	36.0
Cash and cash equivalents at beginning of period	213.2	142.5
Cash and cash equivalents at end of period	171.1	178.5
Net increase (decrease) in cash and cash equivalents	-42.1	36.0

Cash flows of the former Dorma Group are included as from 1 September 2015 only in the reporting half year ended 31 December 2015.

Consolidated statement of changes in equity

in CHF million	Share capital	Additional paid-in capital	Retained earnings	Treasury stock	Cumul. translation adjustm.	Minority interests	Total equity
Prior half-year ended 31.12.2015							
Balance at 30.06.2015	0.4	807.6	-330.6	-4.3	-33.7	2.7	442.1
Net profit for the reporting period			30.6			26.8	57.4
Goodwill on acquisitions			-984.2				-984.2
Fair value of Kaba business transferred			1,158.8				1,158.8
Currency translation adjustments					13.9	6.6	20.5
Dividend paid			-240.7				-240.7
Minority interest on acquisition of subsidiary			-9.3			173.9	164.6
Shares awarded			0.6	2.4			3.0
Balance at 31.12.2015	0.4	807.6	-374.7	-1.9	-19.8	210.0	621.6
Financial half-year ended 31.12.2016							
Balance at 30.06.2016	0.4	807.6	-347.8	-1.6	-15.8	237.7	680.5
Net profit for the reporting period			49.6			46.2	95.8
Goodwill on acquisitions			-63.5			-57.5	-121.0
Currency translation adjustments					-4.6	-4.0	-8.6
Dividend paid			-50.4			-27.6	-78.0
Minority interest on acquisition of subsidiary							0.0
New shares issued		3.7					3.7
Shares awarded			0.7	4.8			5.5
Treasury stock (purchased) re-issued				-3.7			-3.7
Balance at 31.12.2016	0.4	811.3	-411.4	-0.5	-20.4	194.8	574.2

Notes to the consolidated financial statements

for reporting half-year 2016/2017

The consolidated financial statements of dormakaba Group include the operations of dormakaba Holding AG and all direct and indirect subsidiaries in which dormakaba Group controls more than 50% of votes or otherwise has the power to govern the financial and operating policies. Investments in associates where dormakaba Group exercises significant influence, but does not have control (normally with an interest between 20% and 50%), and in joint ventures, are accounted for using the equity method of accounting.

The unaudited consolidated interim financial statements cover the period from 1 July 2016 until 31 December 2016 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 = Fachempfehlung zur Rechnungslegung). The consolidated financial statements are prepared in accordance with Swiss GAAP FER. Furthermore, the accounting complies with the provisions of the listing rules of the SIX Swiss Stock Exchange and with Swiss company law.

The consolidated income statement in the consolidated interim financial statements report includes income and expenses of the former Dorma Group for 6 months in the reporting half year ended 31 December 2016 and for 4 months (as from the acquisition date) in the reporting half year ended 31 December 2015.

The business development for the period from 1 July 2016 until 31 December 2016 is described in the "Executive Report on the first half-year 2016/2017". This Executive Report should be read in conjunction with the consolidated interim financial statements report. In order to facilitate comparison, in the reporting half year ended 31 December 2015, the pro forma income statement shown in the Executive Report additionally includes income and expenses of the former Dorma Group prior to the acquisition date, from 1 July–31 August 2015.

dormakaba Group's business is not affected by significant seasonal or cyclical fluctuations, but shows a tendency to weaker results in the second half of the financial year. 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 interim 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 interim financial statements. If in future such estimates and assumptions, which are based on management's best judgment at the date of the consolidated interim 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.

The extraordinary result in fiscal year 2015/2016 includes only cost related to the business combination between Dorma and Kaba, namely restructuring cost, impairment losses, and the cost of combining the brands into the dormakaba master brand. Restructuring cost are those necessarily entailed by the restructuring, and not associated with the ongoing activities of the entity, such as severance cost, early termination cost, and restructuring-related advisory cost.

The Group treats transactions with minority interests that do not result in a loss of control as transactions with equity owners of the Group. 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

Mesker Openings Group

On 12 December 2016, dormakaba acquired Mesker Openings Group, based in Huntsville (Alabama/USA). Mesker is a leader in the commercial door and hardware industry. With this acquisition dormakaba strengthened its breadth of its product offering in North America.

The following table summarizes the consideration paid for Mesker and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

in CHF million	As at the acquisition date
Consideration at 12.12.2016	
Cash paid	142.1
Acquisition-related costs	0.9
Total cash outflow	143.0
Total consideration	143.0
Identifiable assets and liabilities	
Cash and cash equivalents	1.9
Trade receivables	10.6
Inventories	9.9
Other current assets	0.6
Property, plant and equipment	11.6
Trade payables	-2.7
Accrued and other current liabilities	-2.4
Total identifiable net assets	29.5
Minority interests on net assets	
Goodwill	113.5
Total consideration	143.0

Other acquisitions/divestments in the reporting period

Acquisition of ATM Türautomatik GmbH

On 1 July 2016, dormakaba acquired ATM Türautomatik GmbH (Gleisdorf/AT). ATM is a distributor for automatic doors in the South of Austria and a major local player in entrance systems and service solutions.

The acquired net assets amounted to CHF 0.9 million.

Divestment Ascot Doors Ltd, United Kingdom

Ascot Doors Ltd (Bolton/UK) was divested as at 31 October 2016 as part of the post-merger process of the Dorma and Kaba business combination. Ascot is a manufacturer and installer of steel doors and shutters.

The divested net assets amounted to CHF 3.6 million.

Prior-year acquisitions

Business combination with Dorma

On 1 September 2015, Dorma and Kaba completed the business combination announced in April 2015. Excluding retained net assets of CHF 179.7 million, the transaction involved the transfer of all other assets and liabilities of the former Kaba Group to the joint sub-holding company dormakaba Holding GmbH+Co. KGaA, which originally held all assets and liabilities of the former Dorma Group.

In exchange, dormakaba Holding AG received 52.5% of the ownership rights of this entity. Retained net assets mainly consisted of an intercompany loan.

The following table summarizes the transaction. The identifiable assets and liabilities reflect the fair value at the date of the business combination.

The value of the Kaba businesses was calculated based on the weighted average price of the Kaba share at the SIX Swiss Stock Exchange during the last five trading days before closing of the transaction, reduced by the value of retained net assets.

in CHF million	As at the acquisition date
Consideration at 01.09.2015	
Cash paid	0.6
Acquisition-related costs	6.9
Total cash outflow	7.5
Fair value of Kaba business transferred	1,158.8
Total consideration	1,166.3
Identifiable assets and liabilities	
Cash and cash equivalents	73.0
Trade receivables	205.1
Inventories	191.5
Current income tax assets	40.0
Other current assets	44.4
Property, plant and equipment	168.4
Intangible assets	12.4
Investments in associates	32.3
Non-current financial assets	21.8
Deferred income tax assets	49.5
Current borrowings	-3.3
Trade payables	-60.3
Current income tax liabilities	-42.9
Accrued and other current liabilities	-124.3
Provisions	-25.0
Non-current borrowings	-1.0
Accrued pension costs and benefits	-226.1
Deferred income tax liabilities	-4.6
Other non-interest bearing liabilities	-0.3
Total identifiable net assets	350.6
Minority interests on net assets	-166.5
Goodwill	982.2
Total consideration	1,166.3

Accrued pension cost and benefits as per 1 September 2015 were adjusted by CHF -4.2 million (CHF -2.5 million net of tax) in financial year 2016/2017.

Events after the reporting period

On 22 February 2017, dormakaba acquired certain Mechanical Security businesses from Stanley Black & Decker, encompassing North America-focused Stanley Commercial Hardware, a production facility in Taiwan and GMT in China, for a total consideration of USD 725 million in cash.

The combined business is expected to have generated net sales of USD 276 million and an adjusted EBITDA of USD 52 million in fiscal year 2016.

Segment reporting

in CHF million	Access Solutions AMER		Access Solutions APAC		Access Solutions DACH	
	Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015	Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015	Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015
Net sales third parties	267.2	202.4	193.3	139.3	251.9	218.5
Intercompany sales	13.8	15.8	10.1	8.7	149.5	94.1
Total sales	281.0	218.2	203.4	148.0	401.4	312.6
Operating profit (EBIT)	56.6	46.9	21.0	9.7	65.9	54.7
in % of sales	20.2%	21.5%	10.3%	6.5%	16.4%	17.5%
Depreciation and amortization	3.2	2.5	2.5	2.4	7.8	4.3
Operating profit before depreciation and amortization (EBITDA)	59.8	49.4	23.5	12.1	73.7	59.0
in % of sales	21.3%	22.6%	11.5%	8.2%	18.4%	18.9%
Result from associates						
Financial expenses						
Financial income						
Ordinary result						
Extraordinary result						
Profit before taxes						
Capital expenditure	3.9	4.1	4.4	2.9	6.5	8.0

in CHF million	Key Systems		Movable Walls		Other	
	Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015	Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015	Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015
Net sales third parties	104.5	97.8	54.4	34.9	6.0	5.7
Intercompany sales	1.1	1.5	3.8	3.7	1.7	0.9
Total sales	105.6	99.3	58.2	38.6	7.7	6.6
Operating profit (EBIT)	14.3	13.1	4.4	4.3	-3.2	-1.3
in % of sales	13.5%	13.1%	7.6%	11.2%	-41.8%	-19.3%
Depreciation and amortization	2.8	2.6	0.7	0.4	1.4	1.0
Operating profit before depreciation and amortization (EBITDA)	17.1	15.7	5.1	4.7	-1.8	-0.3
in % of sales	16.2%	15.8%	8.8%	12.2%	-23.7%	-3.9%
Depreciation and amortization						
Result from associates						
Financial expenses						
Financial income						
Ordinary result						
Extraordinary result						
Profit before taxes						
Capital expenditure	4.0	3.0	0.3	0.4	0.1	3.2

Due to changes in the allocation of certain expenses to segments and adjustments in intercompany transactions, prior-year segment data have been adjusted in order to enable a fair comparison with current-year data.

Access Solutions EMEA		Eliminations/ Consolidation		Access Solutions TOTAL		
Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015	Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015	Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015	in CHF million
296.4	249.0	0.0	0.0	1,008.8	809.2	Net sales third parties
57.8	53.7	-228.5	-170.0	2.7	2.3	Intercompany sales
354.2	302.7	-228.5	-170.0	1,011.5	811.5	Total sales
17.6	17.8	-0.5	0.0	160.6	129.1	Operating profit (EBIT)
5.0%	5.9%	0.0%	0.0%	15.9%	15.9%	in % of sales
6.4	7.3	0.0	0.0	19.9	16.5	Depreciation and amortization
24.0	25.1	-0.5	0.0	180.5	145.6	Operating profit before depreciation and amortization (EBITDA)
6.8%	8.3%	0.0%	0.0%	17.8%	17.9%	in % of sales
						Result from associates
						Financial expenses
						Financial income
						Ordinary result
						Extraordinary result
						Profit before taxes
3.2	4.3	0.0	0.0	18.0	19.4	Capital expenditure

Corporate		Eliminations/ Consolidation		Group		
Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015	Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015	Reporting half-year ended 31.12.2016	Reporting half-year ended 31.12.2015	in CHF million
0.0	0.0	0.0	0.0	1,173.7	947.6	Net sales third parties
0.0	0.0	-9.3	-8.4	0.0	0.0	Intercompany sales
0.0	0.0	-9.3	-8.4	1,173.7	947.6	Total sales
-28.4	-24.0	0.0	0.0	147.7	121.2	Operating profit (EBIT)
0.0%	0.0%	0.0%	0.0%	12.5%	12.8%	in % of sales
2.9	2.9	0.0	0.0	27.7	23.4	Depreciation and amortization
-25.5	-21.1	0.0	0.0	175.4	144.6	Operating profit before depreciation and amortization (EBITDA)
0.0%	0.0%	0.0%	0.0%	14.9%	15.3%	in % of sales
				-27.7	-23.4	Depreciation and amortization
				0.9	1.0	Result from associates
				-14.2	-11.3	Financial expenses
				1.5	2.5	Financial income
				135.9	113.4	Ordinary result
				0.0	-34.7	Extraordinary result
				135.9	78.7	Profit before taxes
6.0	2.9	0.0	0.0	28.4	28.7	Capital expenditure

Imprint

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- changes in operating expenses,
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- changes to the relevant legislation,
- realization of synergies, and
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