dorma+kaba

Executive Report on Financial Year 2014/2015 of Kaba Group

1,085.2

Net sales in CHF million

8,948

Workforce (ø)

98.9

Net profit

5.4

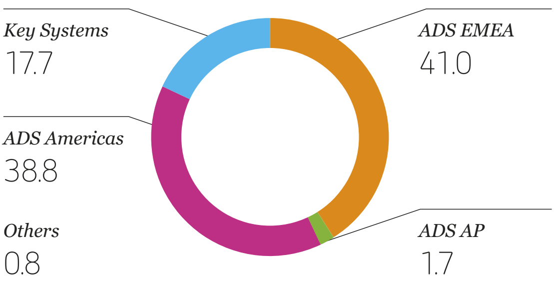
Organic growth in %

Key figures

in CHF million	Financial year ended 30.06.2015	%	Financial year ended 30.06.2014 (restated)	%
Net sales	1,085.2	100.0	1,003.5	100.0
Operating profit before depreciation (EBITDA)	**170.2**	**15.7**	**154.5**	**15.4**
Operating profit (EBIT)	**145.0**	**13.3**	**130.6**	**13.0**
Profit before taxes	137.7	12.7	124.3	12.4
Net profit	**98.9**	**9.1**	**91.3**	**9.1**
Free cash flow (net) before dividend	–38.2		36.0	
Equity ratio	60.2		49.7	
Basic earnings per share (in CHF)	25.6		24.0	
Diluted earnings per share (in CHF)	25.6		24.0	
Market capitalization	2,328.5		1,665.5	
Net debt/EBITDA (Gearing)	–0.7		–0.2	

EBITDA contribution by divisions

in %



2014/2015 in brief

- *Billion mark passed once again: sales up 8.1% to CHF 1,085.2 million*
- *Profitability slightly higher than target: EBITDA margin of 15.7%*
- *Growth objectives achieved: 5.4% organic growth at Group level*
- *Organic growth in all four divisions – ADS EMEA, ADS Americas and Key Systems increase profitability*
- *Negative currency effects on sales of 2.4% owing to appreciation of the Swiss franc in HY2*
- *Solid balance sheet structure with high net cash of CHF 121.2 million and equity ratio of 60.2%*
- *380,000-share-capital-increase completed*

Third-party sales by divisions

in %

2012/13	2013/14	2014/15	
48	49	45	ADS EMEA
10	10	12	ADS Asia Pacific
22	21	23	ADS Americas
19	19	19	Key Systems
1	1	1	Others

60.2

Equity in %

12.00

Dividend per share in CHF

Markedly good results in an eventful year

Letter to the shareholders

Dear Shareholders

Kaba Group finished an eventful financial year with markedly good results. Consolidated sales topped the billion mark again at CHF 1,085.2 million. In local currency, we increased sales by 5.4 %. With this gratifying result we achieved our organic growth target of at least 5 %. All four divisions delivered a positive contribution: Key Systems increased its sales in local currency terms by an impressive 9.5 %, Access + Data Systems (ADS) EMEA by 5.3 %, ADS Asia Pacific (AP) by 6.0 %, and ADS Americas by 3.5 %.
Kaba also achieved its profitability target in the period under review. Including the investments made in setting up and developing the ADS AP division, and the integration costs for acquisitions made in 2014/2015, we achieved an EBITDA margin of 15.7 %. This is also noteworthy because it means we managed to offset the unexpected price pressure in Switzerland caused by the sharp appreciation of the Swiss franc in the second half of our financial year.
During the year under review, Kaba also reached a final settlement in a class action suit in the USA that dates back to 2010. The settlement requires Kaba to provide non-monetary benefits, which are covered in full by provisions made in the 2010/2011 financial year.

Market position and competitiveness reinforced

Kaba, in line with its clear strategic objective, has further strengthened its market position through organic growth, targeted acquisitions and investments in markets, innovation and infrastructure.
Bolstered by a generally positive economic trend in Western Europe and North America, the ADS EMEA and ADS Americas divisions posted healthy growth, with ADS EMEA even outperforming the market. ADS AP, which has been operating as a stand-alone division since November 2014, also performed encouragingly. It posted good growth in a very challenging economic environment. The Key System division remarkably expanded its already strong position in all markets.
With the acquisition of Keyscan Inc. we added networked access solutions to the ADS Americas product portfolio. This means we can now offer electronic access control solutions for business customers in North America. We further strengthened the Key Systems division's market position as a supplier to the automotive industry with the purchase of

Advanced Diagnostics. The acquisition of a majority stake in the Dorsët Kaba joint venture means that ADS Asia Pacific in India can now cover all door-related market requirements and sell its products through a ready-established distribution network.
Our increased investment in innovation is also beginning to pay off. We scored some initial successes with our mobile access solutions, which bring access authorizations directly to mobile devices. ADS Americas reported very healthy demand from major hotel chains during the year under review for pilot projects with the new cloud-based access control systems, which let hotel guests open their doors using their personal mobile devices.

Kaba in transition – Important milestone in the company's history

A significant step for the future of our company was taken on 30 April 2015 with the announcement that Kaba and the Dorma Group intend to merge to form a single company. On 22 May 2015, you, our valued shareholders, approved this merger by a large majority at an Extraordinary General Meeting, preparing the way for a new and very promising chapter in our company's success story.
The union between the two companies and their strong brands creates a Group that offers a comprehensive range of products and services for building access and security.
Thanks to complementary product portfolios and value chains, as well as its geographical presence, dorma + kaba is set to be one of the leading worldwide integrated providers in our industry. This creates a strong foundation for the further profitable growth and sustainable development of the business.

Subsequent events

On 19 August 2015, Kaba announced the sale of its AutoTime software and associated activities to Kronos Incorporated, a company based in Chelmsford (MA/USA). As a result of the transaction, Kaba's US subsidiary Workforce Solutions can now concentrate fully on its core product B-COMM, which provides connectivity between Kaba's time recording terminals and the leading ERP systems.
The merger to form dorma + kaba Holding AG was completed at the beginning of September 2015, thus implementing the resolutions taken by the Extraordinary General Meeting of 22 May 2015. The Executive Committee of dorma + kaba Group began work on the same date, and preparations for integration entered

into their next phase. We plan to transition the existing organizational structure to the target structures by 1 July 2016.

Annual General Meeting of 20 October 2015

The General Meeting of 20 October 2015 is the 100th Annual General Meeting of Kaba Holding AG and also the first Annual General Meeting of dorma + kaba Holding AG.
The Board of Directors proposes that you, the shareholders, re-elect the ten members of the Board, and elect Ulrich Graf as Chairman of the Board of Directors of dorma + kaba Holding AG. Further, the Board of Directors also proposes the re-election of Rolf Dörig, Hans Gummert and Hans Hess to the Compensation Committee. All documents relating to the Annual General Meeting can be found at www.dormakaba.com/agm.

Dividends

The Board of Directors proposes to the Annual General Meeting that a dividend of CHF 12.00 per share be paid for financial year 2014/2015. This corresponds to a payout ratio of 50.9% of the consolidated net profit of Kaba Holding AG as at 30 June 2015.

> *"With the merger to form dorma + kaba Group we are creating a strong foundation for our future – for the benefit of all our stakeholders."*

Thanks

We thank you, our valued shareholders, for the confidence you have shown in us and for your loyalty to our company. We would like to thank our customers and business partners for a trusting working relationship. And we sincerely thank our employees around the world for the excellent work they do every day.
Our great commitment to the successful ongoing development of our business remains undimmed, and we look forward to working with you all on a new chapter in our successful history as dorma + kaba Group. The key to a prosperous future is in our hands.

Sincerely yours

Ulrich Graf, Chairman of the Board of Directors

Riet Cadonau, CEO

Strengthening the strategic focus

Sustainability

For Kaba, sustainability means acting responsibly – on an economic, ecological and social level – for the sake of future generations. This commitment is backed up by more than 150 years of corporate success.

Strengthening the strategic focus
Kaba is presenting its third Sustainability Report based on Global Reporting Initiative (GRI) Guidelines. The company's systematic collection of environmental and social data, initiated in 2013, has accelerated a learning process that is now producing its first results: the majority of Kaba Group's manufacturing plants have defined and began to implement energy-saving measures in the past fiscal year in response to the Group-wide sustainability project. In addition, Kaba has started to successfully roll out its Supplier Code of Conduct. These initiatives followed from the realization that Kaba needed more impetus at Group level in addition to all the different local initiatives. This top-down approach will now be followed consistently: with the transition to the new generation of GRI reporting rules, the sustainability work done by the newly created dorma + kaba Group will have a more strategic focus. Group-wide measures are being defined on this basis. In addition, the company has once again significantly improved its score in the Carbon Disclosure Project (CDP), and Kaba continues to support the ten principles of the United Nations Global Compact (UNGC).

"With the implementation of energy-saving improvements, systematic sustainability reporting has brought the first measurable results."

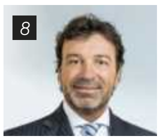
Sustainable development
The energy-saving measures defined and already partly implemented during the last financial year included replacing traditional lighting with LEDs and utilizing waste heat, as well as conducting comprehensive energy efficiency analyses and identifying follow-up action. Thanks to these measures, we were able to save over 1,400 MWh of energy last year, equivalent to the annual electricity consumption of 300 European households.

→ *www.kaba.com/sustainability*

Board of Directors and *Executive Committee*

as of 30 June 2015

1 Ulrich Graf, Chairman
Chair Nomination Committee
2 Rolf Dörig, Vice-Chairman
Chair Compensation Committee,
Member Audit and Nomination Committees
3 Elton SK Chiu
4 Daniel Daeniker *Chair Audit Committee*
5 Karina Dubs-Kuenzle
6 John Heppner
7 Hans Hess *Member Audit, Compensation and Nomination Committees*
8 Thomas Pleines *Member Compensation Committee*



1 Riet Cadonau *Chief Executive Officer*
2 Beat Malacarne *Chief Financial Officer*
3 Roberto Gaspari *COO ADS EMEA*
4 Andreas Häberli *Chief Technology Officer*
5 Michael Kincaid *COO ADS Americas*
6 Jim-Heng Lee *COO ADS AP*
7 Hans-Jürg Roth *Chief of Staff*
8 Stefano Zocca *COO Key Systems*

A *new chapter* begins in Kaba's success story

On the financial year

Riet Cadonau, how pleased are you with financial year 2014/2015?
I'm really pleased with the results. We've achieved our operational and our strategic objectives. After a very good first half-year we raised our sales target from organic growth of 3–5 % to at least 5 %, which we achieved – Kaba secured organic growth of 5.4 % for the year under review.
In terms of profitability, we were aiming for an EBITDA margin of 15.5 %, and actually did slightly better with 15.7 %. Strategically, we wanted to manage ADS EMEA and ADS AP as stand-alone divisions and use targeted measures to build up and develop ADS AP. We made real progress on this front, and with our carefully selected acquisitions we've also strengthened our market position, both geographically and technologically.

The splitting of ADS EMEA/AP into two divisions came with certain expectations. What are your conclusions at the end of financial year 2014/2015?
Our main concern with the creation of the ADS AP division was to strengthen our focus on growth markets in Asia. Since November 2014 ADS AP has been led by a very experienced local management team, and the plans to increase growth and efficiency are being purposefully implemented. We are already seeing the first positive results. Organic growth at ADS AP is 6.0 %, and its share of overall Group sales has gone up slightly.
In terms of profitability, there is still a lot to do.
ADS EMEA has grown faster than the market during the period under review and our investments in infrastructure are having an initial impact on profitability. This is a very satisfactory development.

What were the biggest challenges during the period under review?
We encountered headwinds from three main directions. While our business activities in North America and most of Western Europe were bolstered by a reviving economy, the hoped-for revival in economic activity in India proved very slow in coming. China, which has been accustomed to high growth, experienced its lowest rate of economic expansion in around 25 years. These two factors made operating conditions more difficult for the newly formed ADS AP division.
In Switzerland things were made more difficult for us in the second half of our financial year by the discontinuation of the minimum exchange rate against the euro in mid-January 2015. The sharp appreciation of the Swiss franc led to unexpectedly strong pressure on prices.

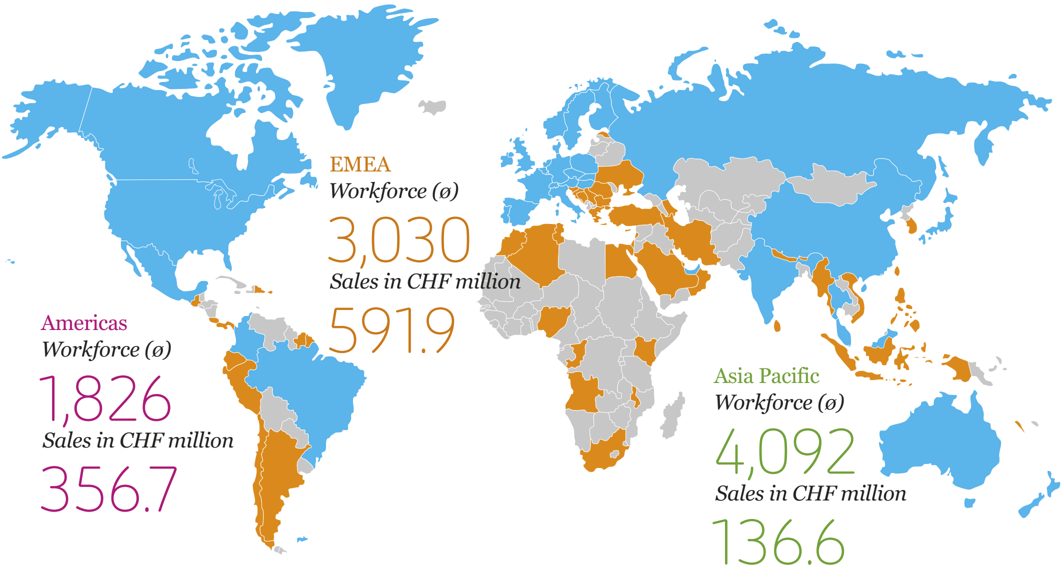
Over the past few years, we have invested significantly in Switzerland. For example, we internalized part of the value chain at the end of the period under review, and by investing in the modular cylinders we've increased the level of automation at our plant in Wetzikon at the same time as launching an innovative product. Thanks to these investments, we've been able to compensate for price pressure and maintain our margins.

Kaba is investing substantial amounts in innovation. Can you tell us the highlights?
One real highlight is the great success of the Kaba mobile access systems, which we're installing in hotels. Two particularly impressive examples this year were the mobile access solutions we fitted at The Cromwell in Las Vegas and the Woodlands Resort & Conference Center in Houston. Cloud-based Kaba locks operate in the hotel rooms, allowing guests to open the door using their own mobile phones. The system uses Bluetooth Low Energy and supports both Android and iOS devices (including the Apple Watch). We have also entered into a license agreement with Icepat AG, which owns innovative patents relating to mobile access solutions. This will help us introduce our systems to a broad market.
But in other areas too we've launched attractive products or have them in the pipeline. You can read more about these on page 9.

There's a new era beginning for Kaba. What will the future bring, and what targets have you set for the next 12 months?
We announced the merger of Dorma and Kaba on 30 April 2015. The two companies' technological capabilities, products and distribution channels complement each other to a large extent, and the combined company brings significant additional growth potential. With its increased geographical presence, dorma + kaba will be able to accelerate the expansion of the business around the world. The completion of the merger to form dorma + kaba took place at the beginning of September 2015. Our goal for the first year of the integration process is to transition the existing organizational structures to the planned final structure by 1 July 2016, doing this in region/country-specific phases and always taking account of customer and market needs and the defined synergy objectives.
We believe the integration process will take three years. Once we've achieved full synergies in the fourth year, dorma+kaba will be aiming for sales growth of 6–7 % a year in local currency (incl. sales synergies) and an EBITDA margin of 18 %.

→ *www.dormakaba.com/webcast*

Kaba worldwide



Americas

- Excellent demand for mobile access solutions for hotels
- Acquisition of Keyscan closes gap in access control portfolio
- Key Systems wins yet more market share in South American growth markets

EMEA

- ADS gains market share in key markets such as DACH and Northern Europe
- Attractive product pipeline and launches
- Key Systems: acquisition of Advanced Diagnostics strengthens position in automotive sector

Asia Pacific

- ADS Asia Pacific created as stand-alone division
- Further progress on developing pipeline with local products thanks to majority stake in Dorsët Kaba
- Key Systems: market position reinforced

- *Kaba represented by subsidiaries*
- *2014/2015: Kaba products sold by local sales offices, external partners or international sales units*

Added value through innovation

Products

Electronic and software-based solutions, networking, mobile access: just some of our numerous innovations bringing added value for customers, beyond security.

One of last year's definite milestones was the successful introduction of mobile access solutions into renowned US hotels, including The Cromwell (Las Vegas): access authorizations are managed digitally and can be sent automatically to guests' mobile devices (mobile phone, tablet, smart watch), all the time maintaining high security standards. Often there is no need to check in at the front desk at all. The hotel offers a unique guest experience, increasing customer engagement while integrating guests into the electronic customer management system – a win-win situation.

Kaba's integrated Electronic Access Control Management solution for SAP users combines access management with ERP systems. Access rights are allocated automatically according to the employee's role (location, competences, etc.). The access components communicate directly with the SAP solution, creating a secure, modern system that saves costs and labor for companies that use it.

Another highlight came with the new generation of wireless products, which allow customers in Europe to integrate electronic locking elements based on Kaba access management solutions into their systems. There is no need for on-site configuration or wiring, so costs are reduced while user-friendliness goes up. Various digital door locks were successfully launched in the Asia region. A high-performance product line designed with advanced and user-friendly features include multiple locking methods, remote control and functional redundancy. Also, a cost-effective product line targeting to mid-level real estate markets. Both lines offer high reliability and superior performance, featuring security and versatility, whilst appealing to a wide range of customers due to their attractive designs and finishes.

Key Systems is also making the most of wireless technology. The newly launched System Air4 reproduces most of the common remote control facilities used in the home (garage doors, gates, etc.). Specialized key service companies can offer customers a modern product that combines design, technology and functional convenience.

→ *Customer magazine Security Update*

Profitability *improved*

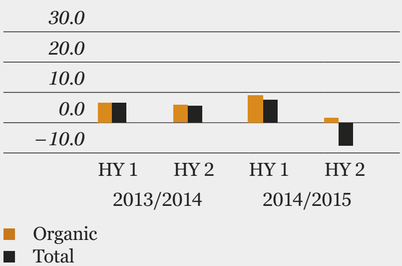
Access+Data Systems (ADS) EMEA division

Third-party sales by divisions

in %

Organic and total growth

in %



Operational performance

ADS EMEA continues on a growth path and ends the 2014/2015 financial year with remarkable good results.

In local currency, the division increased sales by a good 5.3 % (CHF 25.2 million converted). However, this growth was neutralized by the negative currency effects caused by the strong Swiss franc (– 5.1 %, equivalent to CHF – 25.5 million). Between the discontinuation of the minimum exchange rate in January 2015 and the middle of the year, the franc appreciated by an average of about 13.8 % against the euro. This resulted in consolidated sales for the full year of CHF 499.2 million, which is around the same as for the prior year.

ADS EMEA delivered a pleasing result in terms of profitability. Its ability to maintain its operating margin in Switzerland despite the appreciation of the Swiss franc was a particularly noteworthy achievement. Investments made to internalize part of the supply chain, as well as investments in product innovation, compensated for the increased price pressure. The division's EBITDA increased to CHF 82.9 million (prior year: CHF 81.5 million) and the EBITDA margin improved accordingly to 16.6 % (prior year: 16.3 %).

Market developments

During the year under review, ADS EMEA once again grew faster organically than the overall market. Sales markets in Western Europe in particular performed well, though there was some local variation. Growth in the DACH region and Northern Europe was especially pleasing. In Southern Europe, where economic conditions improved, there was also a significantly greater willingness to invest, and markets performed positively; in Eastern Europe, however, business activity was very subdued.

Physical Access Systems recorded a very pleasing business performance, while Cylinders + Locks and Access + Workforce Management also performed very well.

"Remarkable good organic growth neutralized by currency effects"

Outlook

In recent years Kaba has invested significantly in market development, innovation and infrastructure. These investments have started to pay off. Given its strong market position in Europe, Kaba expects to benefit from ongoing economic growth in this region in financial year 2015/2016. In addition to sales growth (in local currency terms) Kaba is focusing on a sustained improvement in profitability based on efficiency gains.

Key figures

in CHF million	Financial year ended 30.06.2015	in %	Financial year ended 30.06.2014 (restated)	in %	Change on previous year in %
Total division sales	**499.2**		**499.5**		**–0.1**
Operating profit before depreciation (EBITDA)	**82.9**		**81.5**		**1.7**
in % division sales	16.6		16.3		
Operating profit (EBIT)	70.6		69.6		1.6
in % division sales	14.2		13.9		
Change in division sales	–0.3	–0.1	28.2	5.9	
Of which translation exchange differences	–25.5	–5.1	0.0	0.0	
Of which acquisition (disposal) impact	0.0	0.0	0.0	0.0	
Currency-adjusted internal growth division sales	25.2	5.3	28.2	6.0	
Average number of full-time equivalent employees	2,430		2,377		2.2

Turnaround initiated

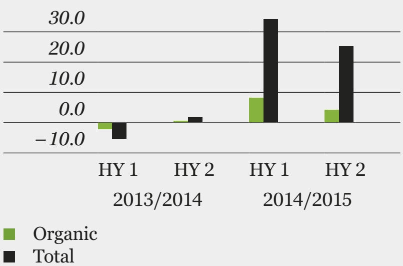
Access+Data Systems (ADS) AP division

Third-party sales by divisions

in %

Organic and total growth

in %



The ADS AP (Asia Pacific) division has been run as a stand-alone division since November 2014. During the year under review, the new local management team worked hard on further implementing growth and efficiency plans. The first signs of a turnaround already became apparent in the second half of the financial year.

Operational performance

ADS AP increased its consolidated sales by 29.4 % to CHF 144.9 million (prior year: CHF 112.0 million). Currency effects came to 1.3 % (CHF 1.5 million converted). Acquisition effects contributed 21.7 % to sales (CHF 24.6 million converted). In local currencies, sales went up by a good 6.0 % (CHF 6.8 million converted).

EBITDA reached CHF 3.4 million (prior year: CHF 4.3 million), giving an EBITDA margin of 2.3 % (prior year: 3.8 %). The division also achieved its goal of a break-even result (EBIT) for the financial year. The profitability trend is mainly due to the fact that operational efficiency, despite initial improvements, is not good enough. Profitability was also affected by investments made in building up the division. The full positive effect of measures taken to increase sales and improve efficiency, and so make better use of the region's potential, will unfold over the next few years.

Market developments

The market environment was downright challenging for the division during the period under review. In India signs of an improvement in economic conditions are hardly emerging. The Chinese economy is growing at its slowest rate for 25 years and during the period under review the downward trend in the construction industry continued unabated, with the residential sector affected in particular.
Nevertheless, the division was able to hold its own against competitors in this extremely demanding environment and achieved good growth in the commercial sector.

The division reinforced its presence in India by increasing its stake in the Dorsët Kaba joint venture from 49 % to 74 % at the end of July 2014, as well as acquiring three other related companies. Despite the tough market in India, Dorsët Kaba contributed positively to results.

"Results in line with expectations"

Outlook

In Asia, Kaba will continue to implement growth and efficiency measures quickly so that it can profit from the medium-term momentum expected in connection with ongoing urbanization. The division's aim is to reinforce its market position and extend it through further sales growth; it also wants to improve operational efficiency, and ultimately to improve long-term profitability.

Key figures

in CHF million	Financial year ended 30.06.2015	in %	Financial year ended 30.06.2014 (restated)	in %	Change on previous year in %
Total division sales	**144.9**		**112.0**		**29.4**
Operating profit before depreciation (EBITDA)	**3.4**		**4.3**		**– 22.0**
in % division sales	2.3		3.8		
Operating profit (EBIT)	0.6		1.6		– 63.1
in % division sales	0.4		1.4		
Change in division sales	32.9	29.4	– 2.1	– 1.9	
Of which translation exchange differences	1.5	1.3	– 8.2	– 7.2	
Of which acquisition (disposal) impact	24.6	21.7	7.2	6.3	
Currency-adjusted internal growth division sales	6.8	6.0	– 1.1	– 1.0	
Average number of full-time equivalent employees	3,664		2,832		29.4

Strong *sales growth*

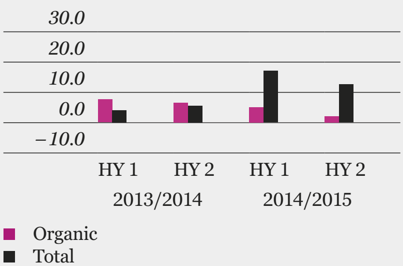
Access+Data Systems (ADS) Americas division

Third-party sales by divisions

in %

Organic and total growth

in %



Operational performance

ADS Americas posted pleasingly positive results for the 2014/2015 financial year. Consolidated sales rose 14.6 % to CHF 267.0 million (prior year: CHF 232.9 million). Currency effects had a positive influence of 2.0 % on sales (equivalent to CHF 4.7 million), while acquisition effects contributed 8.9 % (CHF 21.2 million converted). In local currency, sales went up by 3.5 % (CHF 8.2 million converted).

The division delivered a very good result in terms of profitability, despite changes in the product mix and integration costs associated with acquisitions. EBITDA went up by CHF 14.4 million during the year under review to CHF 78.5 million (prior year: CHF 64.1 million). The EBITDA margin reached a very good 29.4 % (prior year: 27.5 %).

Market developments

In North America the division benefited from a positive overall economic performance. There was particularly dynamic demand throughout the financial year for hotel locking systems. Continuing lively investment activity by large hotel chains, especially in replacement investments, led to very healthy demand for the new mobile access systems (Kaba Mobile Access Solutions). Demand for push-button locks and multi-housing electronic solutions showed good growth, whereas the high-security locks business was subdued. With the acquisition in November 2014 of Keyscan Inc., a Canadian specialist in networked access control solutions, Kaba has further strengthened its product range and thus reinforced its market position in North America. Keyscan already made a positive contribution to the division's overall profits during the period under review.

"High profitability further improved"

Outlook

In financial year 2015/2016 Kaba will concentrate on sales growth and operational efficiency. It will also focus on intensified marketing for the new Kaba Mobile Access Solutions.

Key figures

in CHF million	Financial year ended 30.06.2015	in %	Financial year ended 30.06.2014 (restated)	in %	Change on previous year in %
Total division sales	**267.0**		**232.9**		**14.6**
Operating profit before depreciation (EBITDA)	**78.5**		**64.1**		**22.5**
in % division sales	29.4		27.5		
Operating profit (EBIT)	75.9		61.9		22.5
in % division sales	28.4		26.6		
Change in division sales	34.1	14.6	11.0	4.6	
Of which translation exchange differences	4.7	2.0	–10.3	–4.3	
Of which acquisition (disposal) impact	21.2	8.9	5.7	2.6	
Currency-adjusted internal growth division sales	8.2	3.5	15.6	7.0	
Average number of full-time equivalent employees	1,201		1,002		19.9

Very good *organic growth*

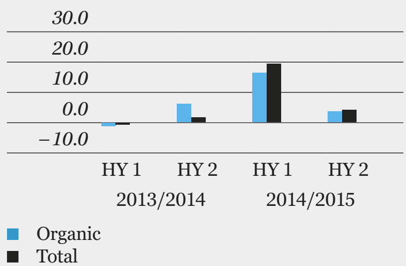
Key Systems division

Third-party sales by divisions

in %

Organic and total growth

in %



Operational performance

The Key Systems division finished the 2014/2015 financial year with another excellent result. Consolidated sales rose 10.9 % to CHF 209.3 million (prior year: CHF 188.7 million). Currency effects had a negative influence of – 2.2 % on sales (equivalent to CHF – 4.1 million), while acquisition effects contributed 3.8 % (CHF 7.1 million converted). In local currency, the division posted a very good 9.5 % increase (CHF 17.6 million converted).

Key Systems also reinforced its cost leadership in financial year 2014/2015, and achieved another very strong result in terms of profitability. EBITDA went up by CHF 4.0 million to CHF 35.8 million (prior year: CHF 31.8 million). The EBITDA margin, which was already pleasingly high for a volume business, improved still further, rising to 17.1 % (previous year: 16.8 %).

Market developments

Key Systems saw demand improve significantly in nearly all of its sales markets. Business was good in North America and in almost all the mature European markets. Key Systems also secured very good sales growth, further expanded its market position and gained additional market share in most of its emerging markets of South America and Asia.

At the start of the financial year Key Systems benefited from an exceptionally strong boom in demand in the automotive sector (OEM); as expected, this did not continue as strongly in the second half. Meanwhile, the successful launch of the Futura key cutting machine delivered a very positive contribution to the division's overall results throughout the year. In November 2014, the division significantly strengthened its position in the automotive sector with the acquisition of Advanced Diagnostics, a specialist in developing programming devices for the car industry. Advanced Diagnostics already made a positive contribution to the division's overall performance during the period under review.

"High margin rises again"

Outlook

Key Systems has very successfully consolidated its cost leadership (i.e. operational excellence along the whole value chain) and strengthened its market position in recent years. Kaba will continue this successful strategy in the 2015/2016 financial year and concentrate on building up its market presence, especially in growth regions.

Key figures

in CHF million	Financial year ended 30.06.2015	in %	Financial year ended 30.06.2014 (restated)	in %	Change on previous year in %
Total division sales	**209.3**		**188.7**		**10.9**
Operating profit before depreciation (EBITDA)	**35.8**		**31.8**		**12.7**
in % division sales	17.1		16.8		
Operating profit (EBIT)	30.8		27.2		13.4
in % division sales	14.7		14.4		
Change in division sales	20.6	10.9	2.5	1.4	
Of which translation exchange differences	–4.1	–2.2	–4.9	–2.7	
Of which acquisition (disposal) impact	7.1	3.8	2.2	1.2	
Currency-adjusted internal growth division sales	17.6	9.5	5.2	2.8	
Average number of full-time equivalent employees	1,545		1,418		8.9

Targets achieved – improved Group result

Financial commentary

Sales: 5.4 % organic growth
Kaba increased its consolidated sales in the year under review by a remarkable 8.1 % to CHF 1,085.2 million (prior year: CHF 1,003.5 million), this despite a negative currency translation effect of – 2.4 % (equivalent to CHF – 23.7 million). Acquisition effects contributed 5.4 % to sales growth (CHF 52.9 million converted). In local currency, sales increased by 5.4 % (CHF 52.5 million converted).

Profitability: EBITDA margin of 15.7 %
Kaba increased its EBITDA by 10.2 % to CHF 170.2 million (prior year: CHF 154.5 million), while the EBITDA margin improved to 15.7 % (prior year: 15.4 %). The target of holding the EBITDA margin at the previous year's level was therefore slightly exceeded. EBIT reached CHF 145.0 million (prior year: CHF 130.6 million), giving an improved EBIT margin of 13.3 % (prior year: 13.0 %).

Financial result and taxes
The financial result came to CHF – 7.3 million (prior year: CHF – 6.3 million). This change is mainly due to the financing of three acquisitions.

In some countries where the tax rate is higher, profit improved significantly compared with the previous year. Because of this and the higher pretax profit at Group level, tax expense amounted to a total of CHF 38.8 million (prior year: CHF 33.0 million). This corresponds to a tax rate of 28.2 % (prior year: 26.5 %).

Net profit
The consolidated result went up 8.3 % to CHF 98.9 million (prior year: CHF 91.3 million). Earnings per share increased despite the capital increase to CHF 25.6 (prior year: CHF 24.0).

Strong balance sheet
Kaba closes the year under review with a strong balance sheet. Total assets came to CHF 734.3 million as at 30 June 2015 (30 June 2014: CHF 650.9 million). Cash and cash equivalents rose to CHF 142.5 million (prior year: CHF 80.5 million).
Total liabilities came to a total of CHF 292.2 million (prior year: CHF 327.6 million). Financial liabilities fell to CHF 21.3 million (prior year: CHF 45.1 million) because loans were paid back and liquid funds were used more effectively.

As at 30 June 2015, Kaba had a net cash position of CHF 121.2 million (30 June 2014: CHF 35.4 million), and a high equity ratio of 60.2 % (prior year: 49.7 %).

Cash flow

Net cash from operating activities came to CHF 104.3 million (prior year: CHF 105.0 million). This change is mainly due to the good growth, which led to higher inventories, receivables for deliveries and services and tax expense.

Cash flow from investment activities amounted to CHF – 142.5 million (prior year: CHF – 69.0 million). This was due to higher investment in physical assets, but mainly to the outflow of cash associated with the three acquisitions. Free cash flow stood at CHF – 38.2 million (prior year: CHF 36.0 million).

Cash flow from financing activities amounted to CHF 111.4 million (prior year: CHF – 93.4 million). This includes the repayment of short-term loans, a dividend payment of CHF 41.8 million, and the influx of CHF 176.6 million from the capital increase from authorized capital completed in May 2015 in connection with the planned merger between Dorma and Kaba.

Currency influences

The average value of the euro against the Swiss franc significantly weakened during the year under review by 7.6 %, from CHF 1.23 to CHF 1.13. This was mainly due to the Swiss National Bank's discontinuation of the CHF 1.20 minimum rate on 15 January 2015. By contrast, the average US dollar exchange rate went up by 4.1 % from CHF 0.90 to CHF 0.94, which compensated for some of the negative euro currency effects. Negative currency effects reduced the sales figure by CHF – 23.7 million, EBITDA by CHF – 2.2 million and EBIT by CHF – 1.5 million.

Notes on accounting practices

Kaba has used the Swiss GAAP FER accounting standard since 1 July 2014. The prior-year figures have been restated to facilitate comparison. As a result of the change, goodwill and other intangible assets from acquisitions were charged directly against shareholders' equity. This reduced the figures reported for total assets and the equity ratio as at 30 June 2014. The reconciliation effects are explained in note 1 of the Financial Report.

Consolidated income statement

in CHF million except per share amounts	Financial year ended 30.06.2015	in %	Financial year ended 30.06.2014 (restated)	in %
Net sales	**1,085.2**	**100.0**	**1,003.5**	**100.0**
Cost of goods sold	–608.3	–56.1	–556.6	–55.5
Gross margin	**476.9**	**43.9**	**446.9**	**44.5**
Other operating income, net	6.1	0.6	7.9	0.8
Sales and marketing	–178.8	–16.5	–172.0	–17.1
General administration	–106.0	–9.8	–100.9	–10.1
Research and development	–53.2	–4.9	–51.3	–5.1
Operating profit (EBIT)	**145.0**	**13.3**	**130.6**	**13.0**
Result from associates	0.0	0.0	0.4	0.0
Financial expenses	–7.9	–0.7	–7.3	–0.7
Financial income	0.6	0.1	0.6	0.1
Profit before taxes	**137.7**	**12.7**	**124.3**	**12.4**
Income taxes	–38.8	–3.6	–33.0	–3.3
Net profit	**98.9**	**9.1**	**91.3**	**9.1**
Operating profit before depreciation (EBITDA)	**170.2**	**15.7**	**154.5**	**15.4**
Net profit attributable to minority interests	0.5		0.1	
Net profit attributable to the owners of the parent	98.4		91.2	

Consolidated balance sheet
Assets

in CHF million	Financial year ended 30.06.2015	in %	Financial year ended 30.06.2014 (restated)	in %
Current assets				
Cash and cash equivalents	142.5	19.4	80.5	12.4
Trade receivables	185.4	25.2	178.2	27.4
Inventories	175.8	23.9	165.1	25.4
Current income tax assets	6.3	0.9	4.0	0.6
Other current assets	22.3	3.1	17.4	2.6
Total current assets	**532.3**	**72.5**	**445.2**	**68.4**
Non-current assets				
Property, plant and equipment	155.0	21.1	156.8	24.1
Intangible assets	26.0	3.5	18.9	2.9
Investments in associates	0.0	0.0	3.2	0.5
Non-current financial assets	14.9	2.1	17.2	2.6
Deferred income tax assets	6.1	0.8	9.6	1.5
Total non-current assets	**202.0**	**27.5**	**205.7**	**31.6**
Total assets	**734.3**	**100.0**	**650.9**	**100.0**

Consolidated balance sheet Liabilities and equity

in CHF million	Financial year ended 30.06.2015	in %	Financial year ended 30.06.2014 (restated)	in %
Current liabilities				
Current borrowings	19.7	2.7	40.0	6.1
Trade payables	58.2	7.9	54.6	8.4
Current income tax liabilities	13.3	1.8	11.8	1.8
Accrued and other current liabilities	137.8	18.8	138.4	21.3
Provisions	9.6	1.3	15.0	2.3
Total current liabilities	**238.6**	**32.5**	**259.8**	**39.9**
Non-current liabilities				
Non-current borrowings	1.6	0.2	5.1	0.8
Accrued pension costs and benefits	38.7	5.3	47.1	7.2
Deferred income tax liabilities	13.3	1.8	15.3	2.4
Other non-interest bearing liabilities	0.0	0.0	0.3	0.0
Total non-current liabilities	**53.6**	**7.3**	**67.8**	**10.4**
Total liabilities	**292.2**	**39.8**	**327.6**	**50.3**
Equity				
Share capital	0.4	0.1	0.4	0.1
Additional paid-in capital	807.6	110.0	631.0	96.9
Retained earnings	–330.6	–45.0	–290.9	–44.7
Treasury stock	–4.3	–0.6	–6.4	–1.0
Translation exchange differences	–33.7	–4.6	–11.7	–1.8
Total equity owners of the parent	**439.4**	**59.9**	**322.4**	**49.6**
Minority interests	2.7	0.3	0.9	0.1
Total equity	**442.1**	**60.2**	**323.3**	**49.7**
Total liabilities and equity	**734.3**	**100.0**	**650.9**	**100.0**

Consolidated cash flow statement

in CHF million	Financial year ended 30.06.2015	Financial year ended 30.06.2014 (restated)
Net profit	**98.9**	**91.3**
Depreciation and amortization	25.2	23.9
Income tax expenses	38.8	33.0
Interest expenses	6.1	4.5
Interest income	– 0.4	– 0.4
(Gain) Loss on disposal of fixed assets, net	– 0.2	0.1
Adjustment for non-cash items	5.5	2.4
Change in trade receivables	– 12.4	– 4.4
Change in inventories	– 14.7	– 10.5
Change in other current assets	– 1.3	– 0.1
Change in trade payables	1.9	3.5
Change in accrued pension cost	– 1.2	1.5
Change in accrued and other current liabilities	2.9	4.5
Cash generated from operations	**149.1**	**149.3**
Income taxes paid	– 39.0	– 40.3
Interest paid	– 6.2	– 4.4
Interest received	0.4	0.4
Net cash from operating activities	**104.3**	**105.0**
Cash flows from investing activities		
Purchase of property, plant and equipment	– 26.8	– 21.7
Proceeds from sale of property, plant and equipment	0.5	0.0
Acquisition of subsidiaries, net of cash acquired	– 100.0	– 35.9
Purchase of intangible assets	– 12.0	– 10.5
Decrease in other non-current financial assets	0.9	0.3
Increase in other non-current financial assets and prepaid transaction costs	– 5.1	– 1.2
Net cash used in investing activities	**– 142.5**	**– 69.0**
Cash flows from financing activities		
Other proceeds from (repayment of) current borrowings, net	– 22.1	– 46.7
Proceeds from non-current borrowings	0.5	0.1
Repayment of non-current borrowings	– 1.9	– 1.4
Change in other non-current liabilities	0.1	– 0.1
(Purchase) sale of treasury stock	0.0	– 3.4
New shares issued	176.6	0.0
Dividends paid to company’s shareholders	– 41.8	– 41.9
Net cash flows from financing activities	**111.4**	**– 93.4**
Translation exchange differences	– 11.2	– 4.4
Net increase (decrease) in cash and cash equivalents	**62.0**	**– 61.8**
Cash and cash equivalents at beginning of period	80.5	142.3
Cash and cash equivalents at end of period	142.5	80.5
Net increase (decrease) in cash and cash equivalents	**62.0**	**– 61.8**

Information for Investors as at 30 June 2015

in CHF million, except where indicated	2014/2015	2013/2014 (restated)	2013/2014 (as published)
Net sales	**1,085.2**	**1,003.5**	**1,003.5**
Organic growth in %	5.4	5.1	5.2
Earnings before depreciation (EBITDA)	**170.2**	**154.5**	**155.3**
EBITDA in % of net sales	15.7	15.4	15.5
Earnings before interest and tax (EBIT)	**145.0**	**130.6**	**123.6**
EBIT in % of net sales	13.3	13.0	12.3
Net profit	**98.9**	**91.3**	**84.6**
Net profit in % of net sales	9.1	9.1	8.4
Net cash from operating activities	104.3	105.0	105.0
Net cash from operating activities in % of net sales	9.6	10.5	10.5
Net cash used in investing activities	–142.5	–69.0	–69.0
Free cash flow (net) before dividend	**–38.2**	**36.0**	**36.0**
Net cash flows from financing activities	111.4	–93.4	–93.4
Of which dividends paid	–41.8	–41.9	–41.9
Personnel expenses	406.0	390.2	388.7
Average number of full-time equivalent employees	8,948	7,738	7,738
Personnel expenses per employee (in CHF)	45,373	50,426	50,233
Basic earnings per share (in CHF)	25.6	24.0	22.3
Diluted earnings per share (in CHF)	25.6	24.0	22.2
Dividend per share (in CHF) [1)]	12.0	11.0	11.0
Payout ratio in % of consolidated earnings	51	46	50
Total assets	**734.3**	**650.9**	**946.7**
Net operating assets	331.9	294.1	579.1
Growth in % vs. previous year	12.9	1.9	4.1
Return on net operating assets (RONOA) in %	43.7	44.4	21.3
Asset structure			
Total assets in % of net sales	67.7	64.9	94.3
Property, plant and equipment in % of net sales	14.3	15.6	15.6
Inventories in % of net sales	16.2	16.5	16.5
Receivables in % of net sales	17.1	17.8	17.8
Net working capital	**177.9**	**152.7**	**152.8**
Net working capital in % of net sales	16.4	15.2	15.2
Net debt	–121.2	–35.4	–35.4
Net debt/EBITDA	–0.7	–0.2	–0.2
Net debt in % of equity	–27.4	–11.0	–6.0
Interest coverage	29.9	37.7	37.9
Shareholders' equity	442.1	323.3	594.9
Shareholders' equity in % of total assets	60.2	49.7	62.8
Return on equity (ROE) in %	22.4	28.2	14.2
Shareholders' equity per share (in CHF)	114.9	85.0	156.4

1) 2014/2015: proposal to the Annual General Meeting. In the form of a distribution of tax-privileged capital reserves.

Agenda, Contact

20 October 2015, Tuesday

- Annual General Meeting

11 November 2015, Wednesday

- CTO Dialogue

7 March 2016, Monday

- Half-year results: presentation for media and financial community
- Publication of Interim Report and Executive Report

5 April 2016, Tuesday

- Capital Market Day

7 September 2016, Wednesday

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

18 October 2016, Tuesday

- Annual General Meeting

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- The general economic situation
- Competition with other companies
- The effects and risks of new technologies
- The Company's ongoing capital requirements
- Financing costs
- Delays in the integration of acquisitions
- Changes in operating expenses
- Fluctuations in exchange rates and raw materials prices
- Attracting and retaining skilled employees
- Political risks in countries where the Company operates
- Changes to the relevant legislation
- Realization of synergies
- Other factors named in this communication

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