YOUR ACCESS TO SECURITY

KABA HOLDING LTD
ANNUAL REPORT 1998/99

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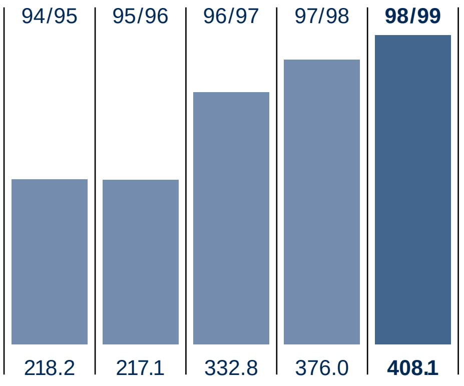
KABA HOLDING LTD

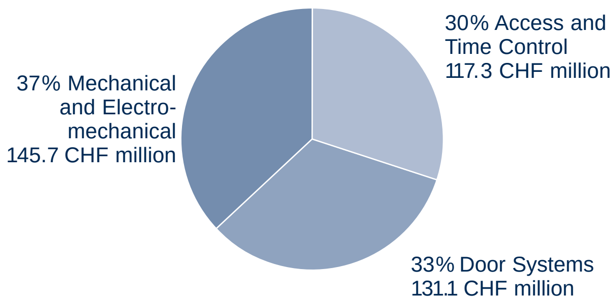
Cover photo:
The Group Company Kaba Gilgen supplied the automatic doors for the Mandalay Bay Trains in Las Vegas.

AT A GLANCE

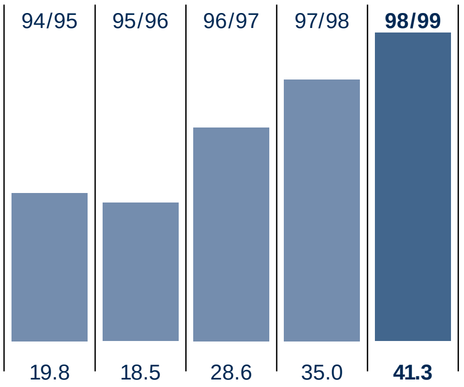
Development of Operating revenues in CHF million



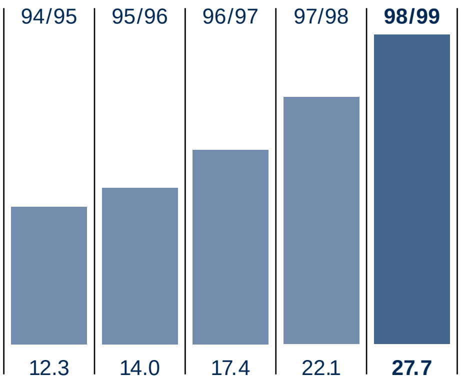
Net sales per Kaba Group Division in CHF million and %



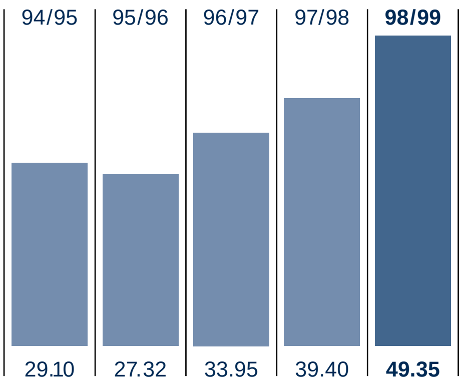
Development of EBIT in CHF million



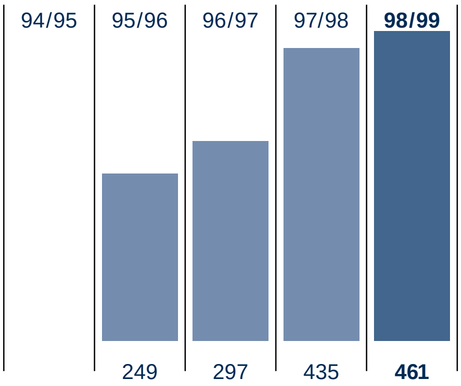
Development Net income for the year in CHF million



Development Earnings per share in CHF



Development Market Capitalization in CHF million
as at June 30



L E T T E R   T O   S H A R E H O L D E R S

Dear Kaba shareholder:

In financial 1998/99, Kaba yet again succeeded in substantially boosting consolidated income – this year by 25.3% from CHF 22.1 million to CHF 27.7 million. Since it went public in 1995/96, Kaba has generated sustained earnings growth averaging about 22% per share per annum.

Operating revenues rose by 8.5% to CHF 408.1 million in the year under review, accompanied by a gain in net sales of 7.6% or CHF 27.9 million to CHF 394.1 million. Of this amount, CHF 7.5 million are attributable to the first-time consolidation of Inform Objektschutz GmbH in Germany. Currency-adjusted internal growth in a comparable scope of consolidation amounted to CHF 22.2 million or 6.1%.

The ongoing integration of the companies acquired in the past years as well as operational progress in most other Group companies resulted in an advance of the EBIT margin, i.e. earnings from operations expressed as a percentage of operating revenues, from 9.3% in the prior year to 10.1% in the year under review.

The integration of the door systems companies acquired in the United Kingdom effective July 1, 1999, will add further stimulus within the scope of our globalization drive. This gives us new possibilities in earnings momentum and strongly suggests that we will continue to achieve our ambitious profit targets in the future.

Numerous investors, particularly international shareholders, rewarded the entrepreneurial dynamic of Kaba, the adoption of a unified share system and our exemplary information policy with a 22% price gain of Kaba registered shares in the first half of 1999.

In view of the encouraging developments in the past and of the good outlook for the new financial year, the Board of Directors proposes that the dividend for the year just ended be increased from CHF 11.50 in the prior year to CHF 12.50 per share.

Current President of the Executive Committee and CEO Ulrich Graf as well as Gerhard Zeidler will be available for reelection at the forthcoming General Meeting of Shareholders while Peter Riederer has decided to withdraw. We wish to express our sincere appreciation to Mr. Riederer for the strong commitment to the Kaba Group which he demonstrated during 25 years in key positions. As the managing director of Kaba Schliesssysteme AG, then as the Chief Operating Officer of today’s Mechanical and Electromechanical Locks Division and in his tenure during the past 10 years as a member of the Board of Directors, Mr. Riederer significantly contributed to the success of the Kaba Group. The Board intends to submit a successorship proposal on the occasion of the General Meeting in the year 2000.

All of our staff members worked hard to achieve this reassuring profit gain and demonstrated a strong commitment to performance. They deserve our special commendations.

Rümlang, September 1999

Sincerely yours,

Kaba Holding Ltd

Creed Kuenzle	Ulrich Graf
Chairman of the Board	*President*

INFORMATION FOR INVESTORS

Per June 30 (in CHF million)	**1998/99**	1997/98	1996/97	1995/96	1994/95
Door Systems	131.1	126.3	n.c.	n.c.	n.c.
Growth in % vs previous year	*3.8%*	–	*n.c.*	*n.c.*	*n.c.*
Mechanical and Electromechanical Locks	145.7	140.3	114.6	n.c.	n.c
Growth in % vs previous year	*3.8%*	*22.4%*	–	*n.c.*	*n.c.*
Access and Time Control	117.3	99.6	n.c.	n.c.	n.c.
Growth in % vs previous year	*17.8%*	–	*n.c.*	*n.c.*	*n.c.*
Total net Sales	394.0	366,2	328,5	210,9	212,8
Growth in % vs previous year	*7.6%*	*11.5%*	*55.8%*	*– 0.9%*	
Operating revenues	**408.1**	**376.0**	**332.8**	**217.1**	**218.2**
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	56.4	49.8	41.8	28.0	29.6
EBITDA in % of Operating revenues	*13.8%*	*13.2%*	*12.6%*	*12.9%*	*13.6%*
Earnings before Interest and Tax (EBIT)	41.3	35.0	28.6	18.5	19.8
EBIT in % of Operating revenues	*10.1%*	*9.3%*	*8.6%*	*8.5%*	*9.1%*
Net income for the year	**27.7**	**22.1**	**17.4**	**14.0**	**12.3**
In % of Operating revenues	*6.8%*	*5.9%*	*5.2%*	*6.4%*	*5.6%*
Total assets	**331.6**	**316.1**	**289.0**	**210.5**	**188.3**
Shareholders' equity	**117.9**	**104.0**	**75.1**	**108.3**	**75.9**
In % of Total assets	*35.6%*	*32.9%*	*26.0%*	*51.4%*	*40.3%*
Return on Equity	*23.5%*	*21.3%*	*23.2%*	*12.9%*	*16.2%*
Net debt	90.0	73.0	104.5	11.4	46.2
In % of Shareholders' equity	*76.3%*	*70.2%*	*139.1%*	*10.5%*	*60.9%*
Net operating assets	184.5	172.0	171.7	112.9	116.7
Growth in % vs previous year	*7.3%*	*0.2%*	*52.1%*	*– 3.3%*	
Return on net operating assets RONOA	*22.4%*	*20.3%*	*16.7%*	*16.4%*	*17.0%*
Net cash provided by operating activities	27.3	30.2	34.5	21.0	21.1
Net cash used in investing activities	– 17.2	– 15.9	– 11.2	– 12.5	– 11.8
Divestments	5.0	9.6	1.4	0.8	0.5
Free Cash flow (net) before dividend	**15.1**	**23.9**	**24.7**	**9.3**	**9.8**
Dividend payment	7.0[2]	5.4	4.6	3.5	3.2
Unified registered shares[1] at CHF 40 par value	561 250	561 250	512 500	512 500	415 000
Earnings per share	**49.35**	**39.40**	**33.95**	**27.32**	**29.10**
Growth Earnings per share	*25.3%*	*16.1%*	*24.3%*	*– 6.1%*	
Market Capitalization at year end	**461**	**435**	**297**	**249**	
Employees (average)	**2 135**	**2 079**	**1 894**	**1 300**	**1 300**

[1]) until 1997 restated as for Registered shares, Series B, CHF 40 par value
[2]) 1998/99 Proposal to the Annual General Meeting of Shareholders

n.c. = not comparable

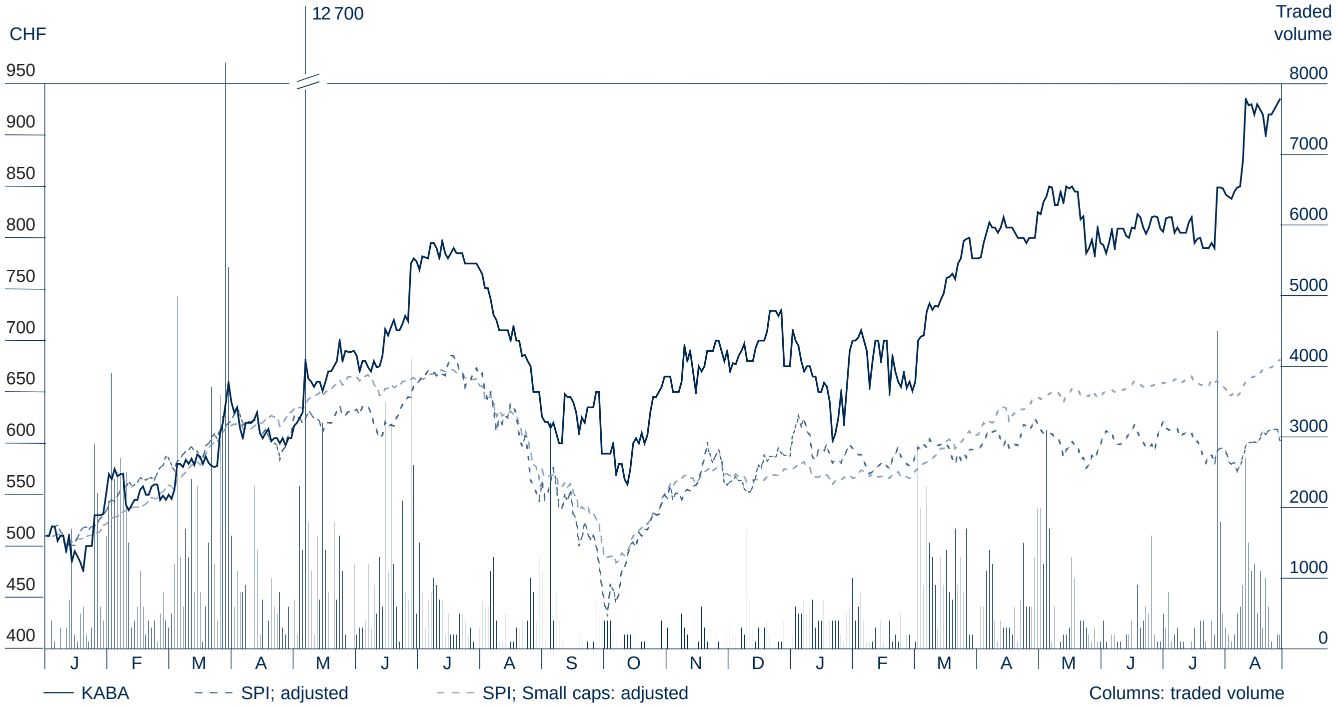
			1998/99	1997/98	1996/97	1995/96[2]	1994/95
SHARE DATA[1]							
Series A registered shares at CHF 20.–[3] par		No.	–	–	440 000	440 000	440 000
Registered shares (former series B) at CHF 40.–[3] par		No.	561 250	561 250	292 500	292 500	195 390
Par value of average outstanding shares		CHF million	22.5	21.8	20.5	18.9	16.6
Par value of year-end outstanding shares		CHF million	22.5	22.5	20.5	20.5	
Shareholders as at June 30		No.	1 350	1 355	1 612	2 068	70
FIGURES PER SHARE							
Profit and amortization per share							
(former series B) (Group)		CHF	76.26	65.75	59.70	45.85	53.20
EBIT per share (former series B) (Group)		CHF	73.59	62.35	55.80	36.10	47.67
Earnings per share (former series B) (Group)		CHF	49.35	39.40	33.95	27.32	29.10
Growth in earnings per share	%		25%	16%	24%	– 6%	41%
Gross dividend per share (former series B)[4]		CHF	12.50	11.50	10.50	9.00	8.00
Payout ratio in % of consolidated earnings			25%	29%	31%	33%	27%
Equity per share (former series B) (Group)		CHF	210	185	147	211	183
Price per share	high	CHF	850	775	605	645	
(former series B)	low	CHF	560	476	485	442	
	Dec. 31	CHF	675	510	480	600	
	June 30	CHF	821	775	580	485	
Market capitalization	high	CHF million	477	435	310	331	
	low	CHF million	314	267	249	227	
	June 30	CHF million	461	435	297	308	
	in % of equity	%	391%	418%	395%	284%	
	in % of sales	%	117%	116%	89%	142%	
Dividend yield	low	%	1.5%	1.5%	1.7%	1.4%	
(former series B)	high	%	2.2%	2.4%	2.2%	2.0%	

[1]) Including minority interests
[2]) Initial public offering as at Dec. 6, 1995; new shares eligible for dividends retroactively to September 1.
The figures per share since 95/96 are stated fully diluted.
[3]) 1997/98 reation of common share; unified registered shares
[4]) 1998/99 proposal to Annual Meeting of Shareholders

Schedule

27.9.1999	Financial press conference
	Analysts presentation
	Mailing of annual report 98/99
2.11.1999	Annual Meeting of Shareholders
5.11.1999	Maturity dividend, trade ex dividend
March 2000	Letter to shareholders, mid-year
25.9.2000	Letter to shareholders, year-end
	Financial press conference
	Analysts presentation
	Mailing of annual report 1999/2000
24.10.2000	Annual Meeting of Shareholders

Evolution of the share rates (January 1998–August 1999)



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Ticker-Symbols
Valoren-No. 72 654
Telekurs KABN
Reuters KABZn

Transfer and voting right provisions

Shareholders shall be registered with a maximum of 5% of the share capital. Shares held in custody shall not be registered. The voting rights for any single shareholder are limited to 5% of the aggregate votes. Shareholders registered prior to the date of the initial public offering are exempt from this limitation.

The Board of Directors may suspend the voting rights of new shareholders to the extent that and as long as, pursuant to the information available to the Company, the recognition of foreign shareholders might hinder the submission of evidence stipulated by Swiss Federal Law, particularly in conjunction with the Federal Law on the Acquisition of Real Estate by Foreign Nationals. At the time of printing, no shareholders were subject to this limitation of registration.

Shareholder Groups of Kaba Holding Ltd:

Unified registered shares: voting rights = capital.

	Voting Rights			
	as at 30.6.1999		as at 31.8.1998	
	No. of shares at CHF 40 par	**in %**	No. of shares at CHF 40 par	in %
Public	**299 148**	**53**	295 436	53
Successors Leo Bodmer	**241 206**	**43**	243 316	43
Current management*	**20 896**	**4**	22 498	4
Total share capital	**561 250**	**100**	561 250	100
thereof Members of the Board of Directors (excl. family)	**87 634**	**16**	88 312	16

* incl. near relatives

We are aware of the following shareholders, who each own more than 5% of the voting rights:

	30.6.1999	31.8.1998
Forrer Karin	**9.95%**	9.95%
Bremi Ulrich	**7.43%**	7.43%
Kuenzle Creed	**5.68%**	5.68%

In April 1999, Henderson Investors, London, announced the possession of 10.16% of Kaba shares, thus complying with the Swiss Stock Exchange legislation. Henderson is a British asset management company, belonging to the Australian Insurance Group AMP.

BOARD AND MANAGEMENT
KABA HOLDING LTD

Board	Tenure of office
Creed Kuenzle, Chairman	2001
Ulrich Bremi, Vice-Chairman	2001
Ulrich Graf, Delegate and CEO	1999
Peter Riederer	1999
Gerhard Zeidler	1999
Thomas Zimmermann	2000
Rudolf W. Weber	2001

Group Management	
Ulrich Graf	President of the Executive Committee and CEO
Heribert Allemann	COO, Mechanical and Electromechanical Locks
Sönke Bandixen	COO, Door and Banking Systems
Dr. Werner Stadelmann	Chief Financial Officer
Ulrich Wydler	COO, Access and Time Control

Auditors

PricewaterhouseCoopers AG,
Zurich

From left to right:
S. Bandixen, H. Allemann, W. Stadelmann,
U. Graf, U. Wydler

DEVELOPMENT OF THE KABA GROUP IN 1998/99

Market position safeguarded
In the year under review, the Kaba Group systematically pursued its "Total Access" acquisition and growth strategy. With its strong market position in door and gate systems, locking systems, access control, time management and systems integration of turnkey security systems – particularly in German-speaking Europe – Kaba is now undisputedly one of the international leaders in the domain of "doorkeeping" products and services. With its "Total Access" strategy, the Kaba Group has been offering one-stop shopping convenience for years.

Operating revenues rose by 8.5% to CHF 408.1 million in the year under review. In comparison with the prior year, consolidated sales advanced by CHF 27.9 million or 7.6% to CHF 394.1 million. Currency-adjusted growth would have been 8.1% to about CHF 396 million: the firming Swiss franc diminished the sales gain by CHF 1.8 million.

The first-time consolidation of Inform Objektschutz GmbH accounts for acquired growth amounting to CHF 7.5 million. In a comparable scope of consolidation, Kaba posted growth of CHF 22.2 million or 6.1% and thus was able to maintain internal growth clearly over the level of economic growth in its principal markets.

While the Access and Time Control Division reported overproportional growth of 17.8%, the other two divisions advanced by 5% and 4%, respectively, after currency adjustment.

Invoiced sales in and from Switzerland as well as in and from Germany picked up by 13%. These figures also include deliveries to customers outside Switzerland and Germany. Conversely, currency-adjusted sales elsewhere in Europe advanced by 4%. The market trends in the Far East and in the USA were encouraging for us as well. As in the past, the largest contribution from abroad originates in Germany which accounts for 25% of sales (previous year 23%). Inform Objektschutz GmbH in Düsseldorf, which still operated under that name a year ago, has meanwhile been fully consolidated. The strong position of this systems integration house in the German banking sector has been sustainably firmed within the Kaba family.

We are convinced that Kaba will continue to grow. The "Total Access" market is detached from the general trend in the construction industry. Today, as much as 70% of all "Total Access" components and systems are being installed in existing buildings. From this point of view, the underlying market is growing at a rate of approximately 5 to 6% per annum, at the same time allowing Kaba to preserve its already solid position in the "Total Access" market.

Additionally, the underlying need for security, organization and convenience is rising steadily. Precisely this domain is being targeted by Kaba's development thrust. Each product innovation is characterized by a higher level of safety but also by simplified handling, refined organizational features and greater convenience.

Improvement of EBIT margin
In financial 1998/99, the Kaba Group succeeded in boosting the EBIT margin (earnings from operations as a percentage of operating revenues) from 9.3% to 10.1%. Expressed in terms of net sales, the advance is even more impressive: from 9.6% to 10.5%.

In absolute terms, earnings before interest and taxes (EBIT) picked up by CHF 6.3 million, which is equivalent to 18% or three times the growth rate of sales. The Access and Time Control Division provided the greatest contribution to this growth. The development of the reader and terminal business under the Kaba Benzing brand was outstanding. Substantial progress was also achieved in systems integration, mainly in Switzerland. The other two divisions – Door Systems as well as Mechanical and Electromechanical Locks – posted gains as well. In this annual report, the trends of the individual divisions are described in more detail further below.

Ulrich Graf, *dipl. El.-Ing. ETH, President of the Executive Committee and CEO (left)*
Dr. Werner Stadelmann, *Dr. oec. HSG, Chief Financial Officer (right)*

20% profit benchmark per year and per share exceeded

In the medium-term time frame, we project that part of our targeted average profit growth of at least 20% (per year and per share) will originate in roughly equal thirds from sales growth, from EBIT margin improvements and from suitable acquisitions. In the year under review, the goal was attained mostly from within, i.e. by an improvement of the EBIT margin and by profitable sales growth.

Thanks to the good liquidity situation, the balance of financial expense and financial income picked up by CHF 0.5 million or 10%. Tax liabilities relative to income before taxes declined from 26.3% in the prior year to 24.7% in the year under review.

From CHF 22.1 million in the prior year, net income advanced by CHF 5.6 million or 25.3% to close at CHF 27.7 million. The same growth rate also applies to earnings per share. Thus, we have once again attained our visionary objective of generating per-share profit in excess of 20% per year. In the three years since our shares were listed on the stock exchange, despite a capital increase in 1997, Kaba increased earnings per share by more than 80% from CHF 27.32 in 1995/96 to CHF 49.35 in the year under review. This averages out to 22% per annum.

Sound balance sheet and cash flow statement

For the year under review, net cash from operating activities closed at CHF 27.3 million. The amount includes non-recurring tax refund claims worth CHF 7.4 million; they are attributable to the shift of the closing data of Kaba Holding Ltd from August 31 to June 30, and to particularly high foreign refund claims. After elimination of this one-time distortion, adjusted net cash from operating activities amounted to CHF 34.7 million (previous year CHF 30.2 million).

The conversion of internal data processing resources at four major sites burdened this account during the year under review, causing inventory and receivables from customers to rise by 8%. Programs to improve current asset management have been initiated.

The item purchase of investments includes prepayments in conjunction with the acquisition of the door systems companies in Great Britain (CHF 18.6 million) which only became effective as at July 1, 1999.

Despite the partial integration of the acquired British companies in the balance sheet as at June 30, 1999, total assets rose by merely 5% in comparison with the prior year. The equity to total assets ratio improved further, increasing from 32.9% last year to 35.6% at the end of the year under review.

Continued pursuit of the "Total Access" strategy

Our "Total Access" offering is structured in three divisions: "Door Systems", "Mechanical and Electromechanical Locks" and "Access and Time Control".

With prestigious contracts in the fields of systems integration and door systems as well as its work on a comprehensive, futuristic ticketing solution for Expo.01, the Swiss National Exposition, the Door Systems Division further consolidated its market position both nationally and internationally. In the current financial year, the division will experience a further acceleration in growth following the acquisitions in Great Britain.

In the Access and Time Control Division, the focus was on the development of broader international markets without compromising the strong position in Switzerland, the division's domestic market. After the transition to the new millennium, overproportional growth in electronics will continue to dominate the division's business. The Electronics Competence Center affiliated with the division has perceptibly strengthened the Kaba Group's position in the field of security components and system software as a platform for our systems integration activities. The work of all three competence centers – for door systems, for mechatronic locking systems and for electronics – is clearly aligned with the fulfillment of ever-growing customer requirements. Apart from the globally increasing significance and recognition of the Kaba Group and its product/service mix as well as its repeatedly demonstrated ability to efficiently and resolutely implement even large international projects, the key growth stimulus for the future will originate from a combination of ever-expanding convenience expectations among customers and end-users, an unabated increase in the need for security and not least the still swift proliferation of more and more affordable electronics. The Kaba Group's development activities are fully aimed at these three anchor points.

Corporatewide today, Kaba invests roughly 5 percent of sales in new developments, which is about double that of any other competitor. On the closing date, about 60 of the 2147 Kaba employees were primarily active in the development sector. In this context, the highlights of the past financial year include the successful international market launch of a new Internet-compatible personnel time and production data acquisition terminal by Kaba Benzing and new drives for flexible indoor partition walls.

The successful introduction of the Kaba elolegic mechatronic locking system represents the cornerstone of a superior modular electromechanical product and service bundle which in particular enables the European trade to enter the promising market for mechatronic security solutions.

Moreover, Kaba was able to substantially improve the price/performance ratio of Legic read/write heads which will further strengthen the market position of our Legic identification system.

High shareholder affinity
As we pursue the globalization of our "Total Access" business, foreign investors have professed growing interest in Kaba. During the past year, the management of the Group entertained intensive contacts particularly with Anglo-Saxon investors. The international resonance of our business strategy has also had a decidedly positive impact on the price of Kaba shares. As at June 30, 1999, our shares were trading at CHF 821 6% higher than the closing price of CHF 775 on June 30, 1998. In the first half of 1999, the share price rose from CHF 675 to CHF 821, posting a gain of CHF 146 or 22%.

We are particularly pleased to note that our commitment is acknowledged by the financial community: Pro Swiss Invest, an interest group, ranked Kaba second in the field of investor relations (previous year: third). We are especially pleased with this commendation because this year, no fewer than 39 companies were judged according to the new, stricter criteria. Within this more sophisticated framework, Kaba even succeeded in moving up.

Moreover, the Swiss Society for Financial Analysis and Asset Management ranked us second among the candidates for the Mercury Award. The Society's experts characterized Kaba's information policy as "exemplary" and our Investor's Handbook as a "model".

Acquisition of door systems in Great Britain effective July 1, 1999
During the year under review, the Kaba Group's growth was largely internal. In the current financial year, following the acquisition of three companies of the Industrial Doors Division of Stratagem Group plc as well as of Adtek Ltd effective July 1, 1999, the Group will experience a growth thrust based on the expansion of the scope of consolidation and concurrently, Kaba has become the UK market leader in door systems.

In Great Britain, the acquired companies – which operate under the Henderson-Bostwick brand – have the largest nationwide service and repair organization for door systems with 150 service technicians at 7 support centers. They offer 24-hour telephone assistance with a call center. The companies also manufacture and sell industrial doors, i.e. doors for truck terminals and security doors for emergency exits.

Moreover, internationally outsourced components for automatic door systems are customized and sold to door and gate manufacturers under the Garog brand. Hufcor Limited manufactures and distributes movable partition walls for railway platforms, hotels and office buildings.

Adtek originated from the European distribution organization of Stanley. Stanley is the market leader for automatic door systems in the USA.

Kaba itself has had a presence in the UK for many years through Kaba Camor Ltd. This company has been distributing Kaba Gallenschütz security doors as well as automatic doors made by Kaba Gilgen.

To assure that synergies can be harnessed, the activities in Great Britain will be merged under the Kaba Door Systems identity, but established Kaba brands will be preserved. Kaba offers customers single-source door systems for the front and back sides of buildings, including security and environmental control doors, revolving and swinging doors, sliding or folding doors, turnstiles and tripod barriers, acoustic and firestop doors, architecturally customized and simple steel doors, doors designed to meet the needs of people with disabilities, automated access control and ticketing systems, industrial doors and gates, roll-up, overhead and sectional doors as well as static or movable partitions. The service and repair organization now also supports the sale of traditional Kaba door systems and of all other Kaba products. Garog is strongly anchored in the marketplace with an indirect distribution organization not only for door components, but also for all other Kaba components and products.

The distribution activities of Adtek in the Netherlands and France will be segregated and transferred to the Kaba distribution companies there.

For the Kaba Group, the acquisitions in Great Britain involve a sales increment of CHF 80 million and about 480 new employees.

From Kaba's point of view, the British acquisitions represent a genuine quantum leap as regards globalization. This single move turned Kaba into the number one door systems provider in Great Britain. The Group's strong position now gives the two other divisions facilitated access to the British market.

Due to this growth in Great Britain, Kaba has also become a major player in Europe outside the German-speaking markets. While Kaba generated 47% of its sales in Switzerland during the year under review, this figure is expected to be about 39% in financial 1999/2000. In the current year, sales in Europe outside Switzerland will probably rise to 57% as opposed to 49% during the year under review.

Earnings from door systems operations in Great Britain will be at breakeven at the beginning of the restructuring and integration phase.

The new companies are currently undergoing an evolutionary fitness program. This will help us uphold the objective of generating part of our targeted future profit growth through EBIT margin improvements.

However, the significant entrepreneurial opportunities associated with the strong market presence in Great Britain are even more important.

Indirectly, Kaba's experience in Great Britain will also contribute to strengthening our positions in other Anglo-Saxon-minded regions such as Singapore and Hong Kong.

Outlook

In financial 1999/2000, Kaba will generate operating revenues in the magnitude of CHF 500 million and for financial 2001/2002 is aiming for CHF 650 million. Another major acquisition will be required to achieve the second target.

We continue to project an average yearly per-share earnings gain of 20% based on a combination of internal and acquired growth. This necessitates continuity in the planned development of sales but above all will require above-average increases in earnings before interest and taxes (EBIT).

These EBIT advances will be derived from the successful further development of our traditional components business in our door systems, locks and locking systems as well as access control and time management operations. Additionally, we will generate sales growth and strengthen our operating margin through the gradual penetration of our new market for systems integration, i.e. the implementation of single-source “Total Access” solutions. Finally, as set forth within the scope of our IPO in 1995 and as described in our Investor’s Handbook, we will pursue our acquisition strategy by seeking and purchasing suitable candidates. We will focus on companies that have a significant installed base and are complementary to Kaba in terms of geographical presence and product lines. The complete integration of such candidates will continue to contribute to the attainment of the Kaba Group’s profit growth targets.

Capitalizable investments will again correspond approximately to depreciation.

For financial 1999/00, we expect a further growth of net income.

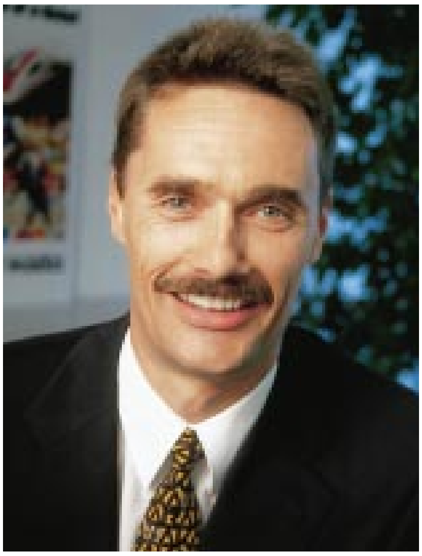
DOOR SYSTEMS

In comparison with the prior year, sales generated by the Door Systems Division increased by 4% to CHF 131.3 million. The substantial rise in sales in Europe, the division's main market, offset the weakness which characterized the markets in Asia and Eastern Europe. The multiple acquisition in door systems implemented during the past financial year makes Kaba the largest provider of door systems in Great Britain.

Two contrary trends impacted the business of the Door Systems Division: the successful development of the international distribution of Kaba Gilgen door drives and control elements contrasted against a slower dynamic in the security doors sector. Nonetheless, the Door Systems Division advanced at a slightly higher rate than the industry average. Total sales rose by 4% while orders received picked up by 15%.

In conjunction with its existing activities in Great Britain, Kaba became the market leader in one fell swoop this year subsequent to the acquisition of Adtek Ltd in Great Britain and of its subsidiaries in the Netherlands, France and Italy – formerly the European activities of Stanley, the American door specialist – as well as of the Henderson-Bostwick Group which is an industrial doors specialist. Kaba Door Systems UK will serve the British market with an extensive single-source lineup of products focused on automatic, security and industrial doors and gates. This offering is backed by a nationwide service organization with 24-hour availability.

In all of the division's production operations, the introduction of a new system platform based on the SAP/R3 enterprise resource planning software expedited the integration process and strengthens the division as a competence center for door systems.



Sönke Bandixen, *dipl. Ing. ETH,*
COO Door Systems

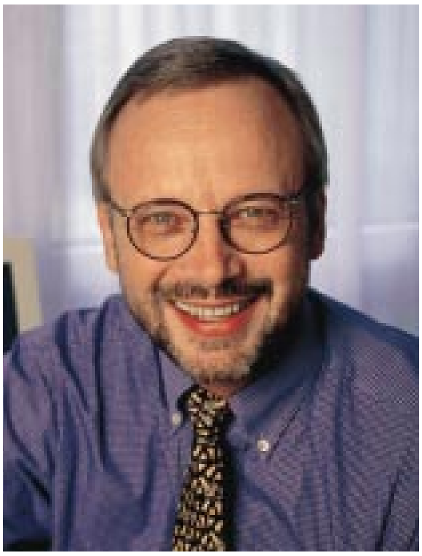
With two-digit sales growth, Kaba Gilgen further expanded its position in the international and Swiss door systems markets.

The development of Kaba's activities in Belgium and the Netherlands was encouraging in the year under review, reflecting the expansion of business to cover the entire "Total Access" spectrum. In the Benelux Countries and in France, the activities associated with the acquisitions in Great Britain will further broaden the Group's business spectrum in the year 1999/2000. In France, the margins of Kaba Systèmes de Portes were burdened by a difficult market environment.

Kaba has been reassuringly successful in the growth market for access control solutions at stadia and major events: all stadiums that are hosting the European Soccer Championships in Belgium and the Netherlands next year will be equipped with Kaba Gallenschütz turnstiles. In Germany, Kaba Gallenschütz has also been commissioned to equip the new Chancellory in Berlin with several architecturally appealing security doors.

The Mechanical and Electromechanical Locks Division is involved mainly in the development, manufacture and distribution of products and services in the domain of mechanical and mechatronic locking technologies. In those national markets in which the Division bears the corporatewide responsibility for the development of the "Total Access" market, it also sells products of the Access and Time Control Division and in addition operates as a systems integrator at the end-user level. The Division's sales increased by 4%, at constant exchange rates even 5%, versus the previous year and it posted an overproportional gain in operating income.

The Mechanical and Electromechanical Locks Division achieved sales growth in Europe, the USA and Asia. In Europe, business was particularly brisk in Switzerland, Germany and Austria. The main engines of growth were mechatronic products such as the electronic Kaba elostar lock cylinder and the Paxos compact high-security lock. The electronic Kaba elostar cylinder generated what could be called a "turbo effect" primarily in Switzerland, but also in Japan, because many locking systems, predominantly high-end ones, are being combined with this product to an ever-growing extent.



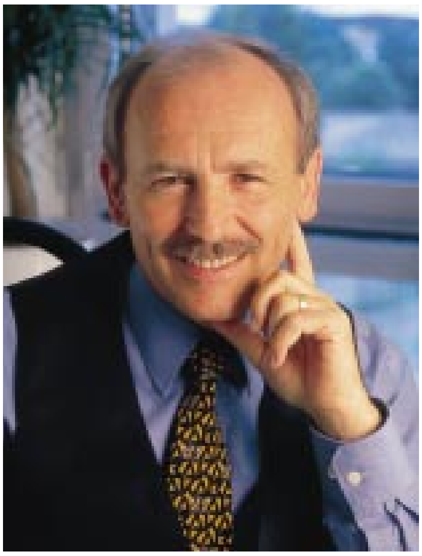
***Heribert Allemann,** lic. rer. pol., dipl. Ing. ETH,*
COO Mechanical and Electromechanical Locks

The Kaba elologic cylinder with the 17-mm profile (Euro profile) that is commonplace in most European countries was launched in the spring. In various European markets and also in Asia, Kaba elologic will most likely trigger the same effect which Kaba elostar had in Switzerland. With Kaba elologic, it will be possible to very conveniently change locking plans to accommodate changing organizational structures, thus addressing the trend towards the ongoing evolution of business processes. In most cases, the loss of a key does not entail any hardware replacements as long as the electronic Kaba elolegic key is deployed. Growth was subdued in the other European markets. The further development of the "Total Access" portfolio (access control and to some extent also time recording) in Scandinavia, Great Britain, Austria and Spain progressed considerably but overall did not fulfill expectations.

The sales and earnings trend in the USA remains encouraging. Apart from continuous market development in the field of locking technologies and locking systems, major contracts for parking systems were secured in several large cities. Despite the Asian crisis, business growth was considerable in Japan and Southeast Asia. This is due primarily to a strong position of our companies in these regions as regards products and project execution. Significant investments by Singapore's public sector authorities, combined with our market position in the city-state, resulted in a noteworthy advance in sales and order backlog. This will also have a positive influence on the coming financial year. The pressure on margins, however, is still high.

ACCESS AND TIME CONTROL

In financial 1998/99, the Access and Time Control Division again posted sustained growth by gaining 17.8%. During the year under review, the Division single-handedly generated a 10.2% increase in sales, not counting the expanded scope of consolidation. The successful integration of Inform Objektschutz GmbH in the Division's German operations resulted in an additional sales increment of 7.6%.



Ulrich Wydler, *dipl. El.-Ing. HTL, COO Access and Time Control*

The still young Access and Time Control Division is poised to become a promising pillar of the Kaba Group: relative to sales growth, the division reported a clearly overproportional rise in consolidated operating profit. Solid gains were made in time management and production data acquisition activities. The results for the year under review are again perceptibly better than those of the already successful previous years. The performance of the distribution companies in Switzerland and Italy was particularly impressive. Kaba Benzing achieved high growth rates in the export markets of Great Britain, Scandinavia, Austria and the Benelux nations. The advances in the production data acquisition segment are particularly noteworthy. After the transition to the new millennium, the dynamic of this market is likely to accelerate due to substantial pent-up demand. The Division's collaboration with SAP in the domains of time management and production data acquisition took on more extensive dimensions. All necessary product certifications have now been issued for the USA as well, giving Kaba Benzing access to the growth markets in the USA as an SAP partner. The Group's ability to efficiently handle large-volume projects such as the DG Bank project was further improved by the merger of the three German systems integration companies, effective July 1, 1999. Inform Objektschutz GmbH which was acquired during the previous year was integrated into the merged entity at the same time. Moreover, the new constellation yields certain administrative advantages. The new company, Kaba Systems GmbH, is headquartered in Dreieich/Frankfurt and has offices in Dusseldorf, Stuttgart and Suhl. A similar merger implemented in Switzerland a year earlier – it involved the integration of the banking equipment business and the service organization resulted in substantial profit gains and a stronger market profile this year. In Germany, the service organization which supports all Kaba companies nationwide, continues to post robust growth. Exports to Eastern Europe suffered from a noticeable slump because of the crisis in Russia and the Kosovo war. However, because of a circumspect business policy, the necessary write-offs there remained within tolerable limits. In France, the Access and Time Control Division again presented a good result with 25% growth as in the previous year. After many years of groundwork, Kaba Baxess and Legic Ident Systems, the Group's technology companies, reached the profit zone for the first time despite substantial investments.

Travellers will soon feel like winging from the JFK International Airport to Manhattan. Kaba Gilgen supplies platform screen doors for the new light rail trains.

W I N G I N G   T O   T H E   A I R P O R T

Kaba Gilgen – a company of the Door Systems Division – is supplying the platform screen doors for the new light rail line serving the John F. Kennedy Airport in New York. A new chapter is being opened in the 50-year history of the John F. Kennedy Airport in New York: the trip from downtown Manhattan to the terminals – which today frequently takes more than 2 hours – is to be shortened by one hour, thanks to latest-generation mass transit systems.

Within the scope of the light rail project, the terminals at JFK Airport will be interconnected with a 3.2 km long metro line and then tied into New York's subway network with two feeder lines totaling 10 km in length. Thus, airline passengers disembarking at JFK International Airport can easily save an hour's time as they "wing" it on to downtown Manhattan.

For the new JFK light rail line, Kaba Gilgen is supplying the platform screen doors. They are a key component for enhancing passenger safety and comfort as well as boosting rail system capacity. Supported by slender sections, a glass wall will be installed between the platform and the tracks.

Automatic sliding doors integrated in the screen open synchronously with those of the train as soon as it has stopped at an accurately predefined position. The clearly marked door positions, the train driver's ability to approach the station at high speeds without endangering people on the platform, and the windproof construction of the screen allow passengers to quickly and comfortably board and leave the train without any risk to safety. Thus, the new Kaba facilities will make it possible to adhere to a high-frequency timetable. Until the scheduled completion of the train line in May 2002, Kaba will have installed 1.4 km of glass screen, 160 automatic sliding doors and 640 emergency exits at a total of ten light rail stations. The contract is worth some CHF 6 million.

Kaba is systematically developing the quickly growing market segment for vehicles and trains, not least in the United States. Three luxurious Las Vegas hotels are interconnected by the comfortable, safe and futuristic Mandalay Bay Trains. Here, Kaba Gilgen is supplying the door systems for the trains.

The new trains will shorten the trip between JFK International Airport and downtown Manhattan.

The access to the Bluewater shopping mall are secured by Kaba products.

SHOPPING – AS BOUNDLESS AS THE SEA

Bluewater, a shopping paradise of enormous proportions, leaves nothing to be desired with more than 320 department stores and shops, restaurants and entertainment venues. The complex, secured with a Kaba access control system installed by Kaba (UK) of the Mechanical and Electromechanical Locks Division, perfectly addresses the contemporary consumer's shopping and entertainment expectations.

In the northwestern corner of the county of Kent in England, the reality of shopping has attained a new dimension: as a comprehensive sensual experience which surpasses the boldest expectations. Bluewater guarantees enjoyable, stress-free shopping. Studies of purchasing habits showed that when shopping, consumers expect a balanced combination of retail stores, entertainment, relaxation and good food. Located between the 50-meter high cliffs of a former quarry, Bluewater is embedded in a man-made landscape of idyllic parks and lakes. In this tranquil atmosphere, far away from the hustle and bustle of city life, there are three shopping worlds tailored to specific consumer profiles, together embracing more than 320 department stores and retail outlets as well as vast leisure facilities. "The Guildhall" appeals to quality- and brand-conscious customers with a penchant for gourmet food. "The Rose Gallery" caters to the needs of families that want to go on a shopping spree through the major department stores, get new clothes for their youngsters in special apparel stores or let their kids lure them into toy stores. In the "Thames Walk" section, young and trendy consumers feel transposed to London's West End: boutiques with elegant designer fashions and youthful citywear alternate with lifestyle bars and cafés.

Adults feel at ease in Bluewater, but so do the kids, tomorrow's consumers. A concierge regularly announces attractions that draw big audiences. In the "Wintergarden" – the largest greenhouse built in England in this century – children can explore a tropical rainforest with 30-meter high trees imported from Florida. Outdoors, in the adventure playground, they can become treasure hunters as they follow meandering trails from cave to cave. Adults who prefer to shop without a young entourage can drop their kids off at a professional day care center.

The planners devoted special attention to the infrastructure. The access roads alone absorbed more than GBP 30 million. Motorists appreciate oversized parking spaces, too: the 25% extra width is heaven-sent for people who have to jockey shopping carts or baby carriages alongside their cars. Links to public transportation networks are also assured with more than 60 bus lines to the surrounding regions as well as hourly trains to downtown London. With its four kilometers of bicycle lanes, Bluewater is tied in with the national cycling network as well. No wonder that the masterminds behind Bluewater also shopped for a perfect access solution. Particularly in the "back-office" areas, Kaba access control products secure 380 doors – not only entrances but also access doors to sensitive areas with technical equipment, staircases and offices. The access control network fits seamlessly into the building management system which controls many functions, including lighting, parking facilities, water sprinklers and much more.

Kaba implements an integrated access control and time acquisition system for DG Bank in Berlin. The building itself is designed by architect Frank O. Gehry.

A "TOTAL ACCESS" SOLUTION FOR DG BANK

Like its neighboring structures, Frank O. Gehry's new building for DG Bank on the Pariser Platz in Berlin symbolizes the beginning of a new era in Berlin. Concurrently, the new headquarters of DG Bank, is a pilot project for a uniform nationwide access control and time management system for DG Bank. Kaba Systems of the Time and Access Control Division is implementing this project.

With total assets of DEM 437 billion and more than 12,000 employees, Deutsche Genossenschaftsbank, or DG Bank for short, ranks among Germany's ten largest banks. Apart from DG Bank proper, people's banks and rural credit cooperatives as well as regional cooperative central banks belong to this major banking group. In retail banking, DG Bank is a competent financial services provider mainly for medium-sized as well as large domestic and international companies, savings & loan cooperatives and institutional investors. In Germany, DG Bank is also a major underwriter. The institute's high-quality banking products are also available to private and business customers through the people's banks and rural credit cooperatives.

At the threshold to the new millennium, DG Bank is in the process of implementing a uniform access control and time management system on a nationwide basis. The standalone solutions at the individual sites were repeatedly criticized mainly by those bankers whose activities necessitate a personal presence at different buildings. Either they were escorted into the buildings as visitors or had to carry a plethora of different badges and IDs.

Moreover, the extendibility of the existing standalone solutions had already been exhausted in many places. Also, the year-2000 compliance of older systems was not guaranteed at several locations, so that modernizations were imminent. At the same time, it became obvious that some cafeteria and vending machine systems would not be able to handle the Euro as the new unified currency.

Thus, in 1997, DG Bank drafted an extensive set of specifications for a new system. From the very beginning, it postulated a contactless system based on chip technology as well as certified interfaces to SAP software, the possibility of integrating cafeteria solutions plus add-on functionality with a cash card.

The future system was specified such that it would become a corporate-wide solution for access control, door management and time management while interfacing with building technology monitoring functions for facilities such as elevators and lighting control, burglar alarms and mechanical locking systems.

In conjunction with the invitation to tender for the new building on the Pariser Platz in Berlin, Kaba Systems was chosen to implement this project. The key elements of the Kaba solution are the remotely readable and writable Legic chips in employee cards, various reader types from Kaba Benzing and – at the heart of the configuration – the Kaba Exos system with the certified interface to SAP's HR software module.

A general contract between DG Bank and Kaba now governs the implementation of the entire project. This means that 15 sites throughout Germany will be equipped with the new configurations.

In electronic data processing, a problem may occur at the transition to the new millennium because in past years, programmers often used only two digits – ones and tens – to define the year portion of dates. The digits for the century and the millennium were ignored. The reason was the high cost of memory at that time as well as the misjudgment of the useful life of software and products.

At the transition to the next century or millennium, errors may occur when dates are retrieved and/or displayed. The same applies to calculations based on dates and values derived from such calculations.

The Kaba Group has subjected all products which could be affected by the Y2K issue to comprehensive tests. The Group's more recent products are largely year-2000-compatible. For older products, Kaba will recommend suitable measures. Our software can only handle the millennium issue if the third-party hardware, the associated system software and third-party software components are millennium-compatible too. The Kaba Group has notified its customers about suitable measures within the scope of its capabilities. Appropriate programs to overcome the Y2K problem in sensitive products were launched as early as 1996. In the case of project-specific software modifications or interfaces to other systems, we recommend that our customers consult a Kaba specialist to obtain a detailed analysis.

As far as in-house information technologies are concerned, we migrated four of our five largest production sites to SAP R/3 in the course of financial 1998/99. The fifth site was made millennium-compatible with upgrades and updates. It will introduce SAP R/3 in the course of financial 2000/2001. The smaller sites are individually upgrading to modern data processing systems so that the millennium transition is safeguarded from our point of view.

FINANCIAL REPORT

GROUP FINANCIALS

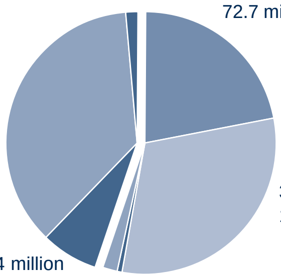
HOLDING COMPANY FINANCIALS

CONSOLIDATED GROUP BALANCE SHEET
ASSETS

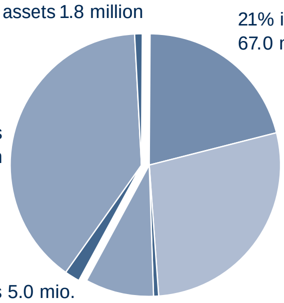
(in CHF million)	Note	30. 6.1999	%	30. 6.1998	%
Intangible assets	(2.2)	***5.0***	*1.5*	***1.8***	*0.6*
Fixed assets:					
Land and buildings		**75.6**	22.8	**79.1**	25.0
Machinery and equipment		**21.0**	6.3	**21.4**	6.8
Furniture and fixtures		**23.3**	7.0	**23.8**	7.5
Payments on account and construction in progress		**0.8**	0.3	**1.4**	0.4
Total	(2.2)	***120.7***	*36.4*	***125.7***	*39.7*
Financial assets:					
Advance financing participations		**18.6**	5.6	**0.0**	0.0
Long-term loans and securities		**4.8**	1.5	**5.0**	1.6
Total	(2.2, 2.3)	***23.4***	*7.1*	***5.0***	*1.6*
Total long-term assets		***149.1***	*45.0*	***132.5***	*41.9*
Inventory	(2.4)	***72.7***	*21.9*	***67.0***	*21.2*
Receivables:					
Trade accounts receivables	(2.5)	**85.6**	25.8	**79.3**	25.1
Other receivables	(2.6)	**15.5**	4.7	**8.1**	2.6
Accruals		**2.0**	0.6	**1.7**	0.5
Total		***103.1***	*31.1*	***89.1***	*28.2*
Marketable securities	(2.7)	***0.7***	*0.2*	***0.4***	*0.1*
Cash and cash equivalents		***6.0***	*1.8*	***27.1***	*8.6*
Total current assets		***182.5***	*55.0*	***183.6***	*58.1*
Total assets	(2.1, 5.1)	***331.6***	*100.0*	***316.1***	*100.0*

ASSETS

Total Fixed Assets **30.6.1999** Working Capital

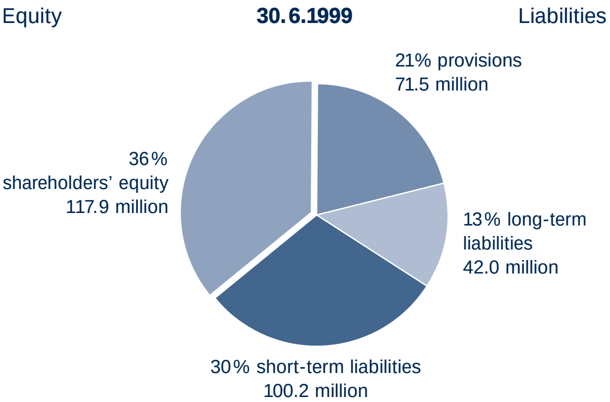


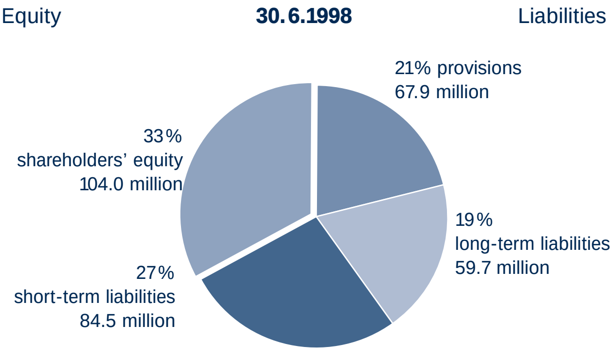
Total Fixed Assets **30.6.1998** Working Capital



(in CHF million)	Note	30.6.1999	%	30.6.1998	%
Shareholders' equity:					
Capital stock		**22.5**	6.8	**22.5**	7.1
Additional paid-in capital		**54.1**	16.3	**54.1**	17.1
Retained earnings	(2.9)	**41.2**	12.5	**27.3**	8.7
Minority interests		**0.1**	0.0	**0.1**	0.0
Total	(2.8)	***117.9***	*35.6*	***104.0***	*32.9*
Provisions:					
Provisions for pensions and related obligations		**12.0**	3.6	**11.2**	3.5
Provisions for taxes		**25.7**	7.7	**21.9**	6.9
Other provisions		**33.8**	10.2	**34.8**	11.0
Total	(2.10)	***71.5***	*21.5*	***67.9***	*21.4*
Long-term liabilities:					
Bank loans		**40.1**	12.1	**57.5**	18.2
Other long-term liabilities		**1.9**	0.6	**2.2**	0.7
Total	(2.11)	***42.0***	*12.7*	***59.7***	*18.9*
Short-term liabilities:					
Trade accounts payable		**22.5**	6.8	**20.5**	6.5
Due to banks		**54.7**	16.5	**40.8**	12.9
Other short-term liabilities		**16.4**	4.9	**16.4**	5.2
Accruals		***6.6***	*2.0*	***6.8***	*2.2*
Total	(2.12)	***100.2***	*30.2*	***84.5***	*26.8*
Total shareholders' equity and liabilities	(5.1, 5.2)	***331.6***	*100.0*	***316.1***	*100.0*

EQUITY AND LIABILITIES

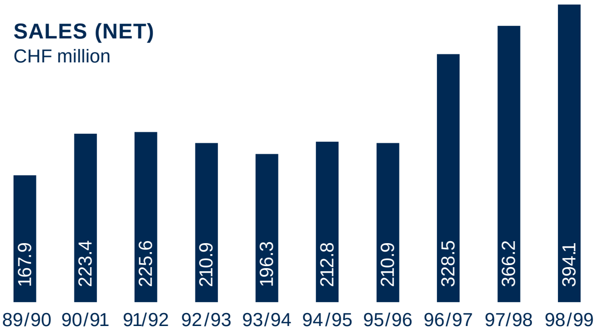




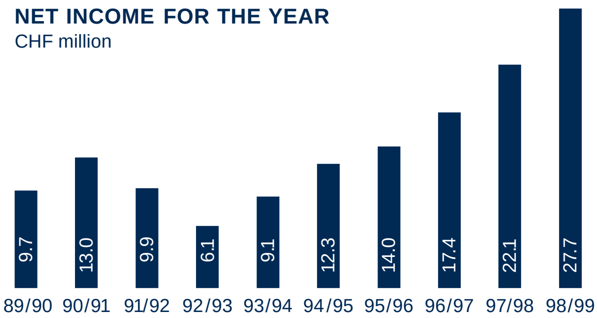
CONSOLIDATED GROUP INCOME STATEMENT

(in CHF million)	Note	1998/99	%	1997/98	%
Sales (net)	(3.1)	**394.1**	96.5	**366.2**	97.4
Changes in finished goods and					
work in progress		**1.9**	0.5	**– 0.5**	– 0.1
Other operating revenues	(3.2)	**12.1**	3.0	**10.3**	2.7
Operating revenues		***408.1***	*100.0*	***376.0***	*100.0*
Material costs	(3.3)	**– 114.7**	– 28.1	**– 103.9**	– 27.6
Personnel costs	(3.4)	**– 162.0**	– 39.7	**– 153.6**	– 40.9
Depreciation	(3.5)	**– 15.1**	– 3.7	**– 14.8**	– 3.9
Other operating expenses	(3.6)	**– 75.0**	– 18.4	**– 68.7**	– 18.3
Income from operations		***41.3***	*10.1*	***35.0***	*9.3*
Financial income	(3.7)	**1.1**	0.3	**1.1**	0.3
Financial expense	(3.8)	**– 5.6**	– 1.4	**– 6.1**	– 1.6
Income before tax		***36.8***	*9.0*	***30.0***	*8.0*
Extraordinary income	(3.9)	**0.0**	0.0	**6.4**	1.7
Extraordinary expense	(3.9)	**0.0**	0.0	**– 6.4**	– 1.7
Taxes	(3.10)	**– 9.1**	– 2.2	**– 7.9**	– 2.1
Net income		***27.7***	*6.8*	***22.1***	*5.9*
Net income applicable to minority interests		***0.0***	*0.0*	***0.1***	*0.0*
Net income after taxes					
plus depreciation		***42.8***	*10.5*	***36.9***	*9.8*

SALES (NET)
CHF million

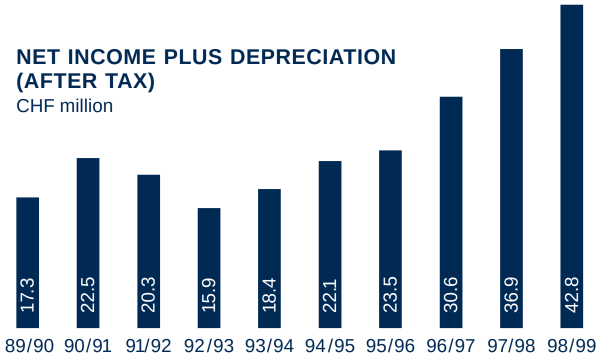


NET INCOME FOR THE YEAR
CHF million

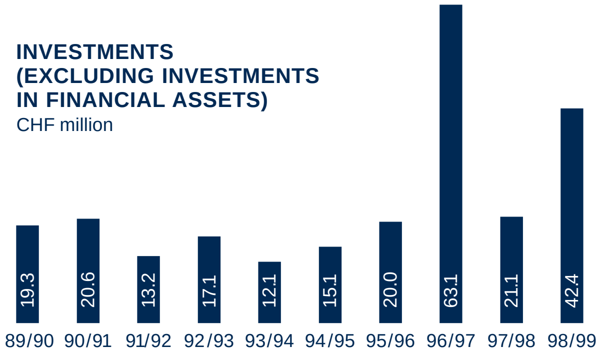


(in CHF million)	Note	1998/99	1997/98
Net income		27.7	22.1
Depreciation		15.1	14.8
Income statement positions not affecting cash		– 1.6	– 4.6
Increase in inventory		– 6.2	– 6.5
Increase in receivables		– 14.7	– 3.7
Increase/decrease in short-term liabilities		2.7	– 0.5
Increase in provisions		4.3	8.6
Net cash provided by operating activities		*27.3*	*30.2*
Purchase/advance financing of investments		– 25.4	– 5.7
Purchase of fixed assets		– 12.6	– 14.3
Purchase of financial assets		– 0.2	– 0.5
Purchase of intangible assets		– 4.4	– 1.1
Proceeds from sale of fixed assets		4.6	8.9
Proceeds from sale of financial assets		0.4	0.7
Net cash used in investing activities		*– 37.6*	*– 12.0*
Increase in short-term financial liabilities		13.7	3.6
Decrease/increase in long-term liabilities		– 17.9	– 14.7
Proceeds from issuance of capital stock		0.0	17.7
Dividends paid		– 6.5	– 5.4
Net cash provided by financing activities		*– 10.7*	*1.2*
Net effect of currency translation/consolidation		*0.2*	*0.7*
Decrease/increase in cash and cash equivalents; marketable securities	(4.)	*– 20.8*	*20.1*
Cash and cash equivalents; marketable securities			
Beginning balance, year under review		*27.5*	*7.4*
Ending balance, year under review		*6.7*	*27.5*

NET INCOME PLUS DEPRECIATION (AFTER TAX)
CHF million



INVESTMENTS (EXCLUDING INVESTMENTS IN FINANCIAL ASSETS)
CHF million



NOTES TO THE CONSOLIDATED GROUP FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

1.1 Introduction

The consolidated financial statements are stated in accordance with the Swiss Company Law and the Swiss Accounting and Reporting Recommendations (ARR). In compliance with these recommendations, they give a true and fair view of the financial position, the results of operations and the cash flow of the Kaba Group.

1.2 Scope of consolidation

The consolidated financial statements ("Group") include Kaba Holding Ltd (parent company) and those entities which the Group controls (subsidiaries). Control exists when the Group owns, either directly or indirectly, the majority of the voting rights of the company's share capital. Such subsidiaries are fully consolidated; no percentage of ownership consolidations occur. The business operations of all subsidiaries are controlled by the Group. Investments in which a 20–50% interest is held (associated companies) are accounted for under the equity method.

In the year under review, the scope of consolidation applicable to the statement of income was expanded by the first-time consolidation of Inform Objektschutz GmbH, Düsseldorf (Germany). This increased consolidated sales by 7.5 CHF million. The consolidated balance sheet as at June 30, 1998, already contained the assets and liabilities of Inform Objektschutz GmbH, however.

A list of group and associated companies is shown on page 44. Due to its impending sale and as is consistent with the prior year, the Ruchser + Aubry AG is excluded from the scope of consolidation.

Currencies	Exchange rate at:		Average rate:	
	30.6.1999	30.6.1998	1998/99	1997/98
DEM	0,819	0,840	0,823	0,822
ATS	0,116	0,120	0,117	0,117
GBP	2,448	2,532	2,383	2,434
SEK	0,184	0,191	0,179	0,188
FRF	0,244	0,251	0,246	0,245
ESP	0,010	0,010	0,010	0,010
NLG	0,726	0,745	0,731	0,730
BEF	0,040	0,041	0,040	0,040
JPY	0,013	0,011	0,012	0,012
SGD	0,912	0,897	0,858	0,929
MYR	0,401	0,366	0,370	0,434
USD	1,550	1,520	1,455	1,474

1.3 Consolidation principles

Balance sheets denominated in foreign currencies are converted into Swiss francs using year-end rates of exchange. Income and expenses are translated at average rates of exchange for the year. Translation differences are taken directly to retained earnings. Significant exchange rates are as follows (see table on page 30).

For the purpose of consolidation, investments in subsidiaries are offset against the Group's share of subsidiaries' equity as at July 1, 1992. Excesses of equity over investments are credited based on their nature to retained earnings. Acquisitions made after July 1, 1992 are recorded under the fair market value method, under which assets are revalued at the acquisition date. The excess of the cost of acquisition of a subsidiary over the fair value of its attributable net assets at the date of acquisition is goodwill charged directly against retained earnings.

Minority interests in equity and net income are separately disclosed in the consolidated group balance sheet and income statement, respectively.

All intercompany transactions and balances with companies included in the consolidation are eliminated.

The closing date is identical for all companies (June 30).

Under the equity method of accounting for investments, the change in the Group's equity investment is the change in the associated companies' equity from the beginning to the end of the year. This change in equity investments is disclosed in the financial statements.

1.4 Valuation

The valuation of balance sheet positions is consistent throughout the Group. Where local accounts differ, adjustments are made before including the accounts in consolidation.

Items within a company's balance sheet which are denominated in foreign currencies are translated at year-end rates. Foreign exchange transaction losses are reflected in the income statement.

The basis for valuing assets is historical cost (purchase price or production cost). Significant guidelines for valuing individual balance sheet positions follow.

Purchased intangible assets are recorded at cost and depreciated straight-line over a maximum of five years. Internally created intangible assets are not capitalized. Further, neither research nor organizational costs are capitalized.

Land is recorded at cost.

Buildings, machinery and equipment are recorded at cost (as is inventory) and depreciated straight-line over their expected real service lives.

Permanent reductions in intangible asset and fixed asset values are recorded when the impairment occurs.

Investments (other than associates accounted for under the equity method), as well as securities, are recorded at the lower of cost or market value.

Receivables, both long- and short-term, which are considered fully collectible, are recorded at face value. Provisions for doubtful accounts are recorded on a specific identification basis where collectibility is not expected. In addition, a general provision based upon historical experience is recorded to cover other doubtful accounts receivable.

Raw materials, consumables and goods for resale are recorded at cost (purchase costs plus related procurement costs); work in progress and finished goods are valued at production cost. Production costs include direct raw material costs as well as an allocation of indirect material and production costs (including depreciation of production equipment). The percentage of completion method for recognizing costs and revenue is applied to long-term production contracts, for large projects. Inventory is recorded at the lower of cost or market value.

Provisions are recorded for existing liabilities which are probable or for which an amount must be estimated. Included are provisions for expected losses from open contracts.

Pension liabilities in Switzerland are covered by autonomous pension funds to which contributions are paid in accordance with a defined contribution plan. The contributions are paid equally by the employer and employee. In certain cases, the employer pays additional voluntary contributions to the pension funds. Outside of Switzerland, liabilities to pension funds are covered by insurance-based plans, or pension liabilities recorded in accordance with actuarial calculations are recorded.

Income and capital taxes were correctly accrued and posted and are disclosed in accordance with industry practices.

Provisions for deferred taxation were calculated using the comprehensive liability method. This method takes into account the effects on current taxation expenses, of timing differences which arose due to differences in the value of assets and liabilities for accounting purposes and for tax purposes. The deferred taxation is calculated applying rates of taxation ruling in the applicable country.

On the level of the individual subsidiaries the difference in valuation was offset with the tax losses carried forward. Deferred tax assets were not capitalized. Deferred tax on retained earnings of subsidiaries was immaterial and was therefore not provided for.

Liabilities are recorded at face value, regardless of due date. Discounts are capitalized and amortized over the life of the underlying liabilities.

Extraordinary income and expense items are disclosed separately in order to allow for a proper assessment of the company's sustainable income generation potential.

1.5 Divisional organization

All divisional results published in this report apply on the basis of the divisional structure which became effective on July 1, 1997. Moreover, the banking equipment business was integrated in Kaba Security AG effective July 1, 1998, moving from the Door Systems Division to the Access and Time Control Division. The previous-year figures have been restated as if the new divisional organization had already been in place at that time.

2. NOTES TO THE CONSOLIDATED BALANCE SHEET (in CHF million)

2.1 Total Assets

Assets are denominated in the following currencies:

	1998/99	%	1997/98	%
CHF	183.2	55	182.9	58
DEM	57.9	18	46.4	15
ATS	33.4	10	31.9	10
GBP	15.6	5	14.2	5
JPY	7.9	2	6.0	2
SGD/MYR	7.7	2	5.5	2
SEK	5.9	2	7.5	2
FRF	5.9	2	7.5	2
USD	5.1	2	5.3	2
ESP	3.8	1	3.7	1
NLG	2.5	1	2.5	1
BEF	1.5	0	1.2	0
ITL	1.2	0	1.5	0
Total	*331.6*	*100*	*316.1*	*100*

This position is categorized as follows:

Divisions:	1998/99	%	1997/98	%
Door Systems	94.1	28	89.4	28
Mechanical and Electromechanical Locks	124.3	38	117.4	37
Access and Time Control	56.5	17	56.9	18
Other	56.7	17	52.4	17
Total	*331.6*	*100*	*316.1*	*100*

2.2 Movement in fixes assets

	Land and buildings	Machinery and equipment	Furniture and fixtures	Payments on account and construction in progress	Intangible assets	Financial assets	Total
30. 6.1998 gross	*116.6*	*64.1*	*82.7*	*1.4*	*6.5*	*7.7*	*279.0*
Additions	1.2	3.0	7.6	0.8	4.4	18.8	35.8
Disposals	– 9.3	– 2.8	– 9.1		– 0.8	– 0.4	– 22.4
Transfers	– 0.2	1.8	– 0.2	– 1.4			0.0
Currency translation effects	– 0.2	– 0.4	– 1.0		– 0.1		– 1.7
Deconsolidation							0.0
Changes in Group organization							0.0
30. 6.1999 gross	*108.1*	*65.7*	*80.0*	*0.8*	*10.0*	*26.1*	*290.7*
Accumulated depreciation at 30. 6.1998	*37.5*	*42.7*	*58.9*	*0.0*	*4.7*	*2.7*	*146.5*
Additions	2.4	3.9	7.8		1.0		15.1
Disposals	– 6.9	– 2.7	– 8.7		– 0.7		– 19.0
Transfers	– 0.5	1.0	– 0.5				0.0
Currency translation effects		– 0.2	– 0.8				– 1.0
Deconsolidation							0.0
Changes in Group organization							0.0
Accumulated depreciation at 30. 6.1999	*32.5*	*44.7*	*56.7*	*0.0*	*5.0*	*2.7*	*141.6*
30. 6.1998 net	*79.1*	*21.4*	*23.8*	*1.4*	*1.8*	*5.0*	*132.5*
30. 6.1999 net	*75.6*	*21.0*	*23.3*	*0.8*	*5.0*	*23.4*	*149.1*

Of the net book value of fixed assets, a total of 1.7 CHF million is financed under leasing contracts. The respective liabilities amount to 1.0 CHF million.

2.3 Financial assets

	30. 6.1999	30. 6.1998
Advance financing deposit participations	18.6	0.0
Loans to associated companies	2.7	2.7
Loans to third parties	0.8	1.0
Other securities	1.3	1.3
Total	*23.4*	*5.0*

The associated companies are listed on page 44.

Loans to associated companies represent an interest-free loan in the amount of 2.7 CHF million to Ruchser + Aubry AG, a real estate company which is not consolidated (30. 6.1998 2.7 CHF million).

2.4 Inventory	30.6.1999	30.6.1998
Raw materials	19.6	21.8
Work in progress	37.0	30.1
Finished goods	15.4	14.4
Prepayments made to suppliers	0.7	0.7
Total	*72.7*	*67.0*

2.5 Trade accounts receivable	30.6.1999	30.6.1998
Due from associated companies	0.0	0.0
Due from third parties	85.6	79.3
Total	*85.6*	*79.3*

Trade accounts receivable are net of allowances for bad debts of 1.9 CHF million (previous year: 1.8 CHF million).

2.6 Other receivables	30.6.1999	30.6.1998
Due from associated companies	0.0	0.0
Due from third parties	15.5	8.1
Total	*15.5*	*8.1*

Included in other receivables are almost exclusively tax receivables.

2.7 Marketable securities	30.6.1999	30.6.1998
Own shares	0.5	0.2
Other securities	0.2	0.2
Total	*0.7*	*0.4*

Concerning own shares see financial statements of Kaba Holding Ltd.

2.8 Changes in equity	1998/99	1997/98
End of previous year	*104.0*	*75.1*
Currency translation adjustment	– 0.7	– 0.3
End of the current year (new currency rates applied)	*103.3*	*74.8*
Dividends paid	– 6.5	– 5.4
Net income	27.7	22.1
Currency translation adjustment	0.0	0.3
Increase in capital	0.0	17.7
Goodwill	– 6.8	– 5.4
Other	0.2	– 0.1
Equity end of currency year	*117.9*	*104.0*

Goodwill	1998/99	1997/98
End of previous year	*54.9*	*52.3*
Goodwill upon acquisition	6.8	5.4
Amortization	– 3.3	– 2.8
End of current year	*58.4*	*54.9*

2.9 Retained earnings	30.6.1999	30.6.1998
Retained earnings	45.4	31.2
Reserve for own shares	0.5	0.2
Currency translation adjustment	– 4.7	– 4.1
Total	*41.2*	*27.3*

In addition to undistributed earnings, retained earnings include those differences resulting from the elimination of investments in subsidiaries against the Group's share of subsidiaries' equity at the time of initial consolidation. The differences are primarily increases to retained earnings, with decreases recorded only in limited instances.

Owner's equity at July 1, 1992 is used as the base for consolidation for those subsidiaries which belonged to the scope of consolidation when these consolidation principles were first applied to the Group.

2.10 Provisions

Provisions for taxes include deferred taxes of 15.5 CHF million (previous year: 14.1 CHF million).

Other provisions include:	30.6.1999	30.6.1998
Personnel liabilities	21.5	21.0
Expenses related to planned restructuring	1.0	2.3
Millennium problem	1.5	2.0
Other	9.8	9.5
Total	*33.8*	*34.8*

The other provisions primarily include such items as uninvoiced trade accounts payables from third parties, as well as guarantees and customer rebates.

2.11 Long-term liabilities				30.6.1999	30.6.1998
Position		due date			
	< 1 year	1 to 5 years	> 5 years	Total	Total
Bank loans	8.7	18.7	12.7	40.1	57.5
Other long-term liabilities (loans)	1.4	0.5		1.9	2.2
Total	*10.1*	*19.2*	*12.7*	*42.0*	*59.7*

Bank loans are denominated in the following currencies:

	30.6.1999	%	30.6.1998	%
CHF	27.3	68	48.5	85
ATS	7.0	18	7.5	13
GBP	5.1	13	0.6	1
SEK	0.6	1	0.8	1
FRF	0.1	0	0.1	0
Total	*40.1*	*100*	*57.5*	*100*

Of the bank loans, the fixed interest rates for 21.2 CHF million are between 3.5 and 7.74%. These loans will be repaid between 24.7.2000 and 18.2.2003.

2.12 Short-term liabilities	30.6.1999	30.6.1998
Trade accounts payable:		
due to third parties	22.5	20.5
Due to banks	54.7	40.8
Other short-term liabilities:		
Advances	6.1	7.3
Due to pension plan	0.1	0.1
Taxes payable	5.2	4.1
Social security payable	2.5	2.0
Other	2.5	2.9
Accruals	6.6	6.8
Total	*100.2*	*84.5*

Liabilities which are payable within one year are considered short-term. The portion of long-term liabilities which is due within one year is included in long-term liabilities and shown separately.

Consistent with the previous year, current liabilities do not include bills or notes payable.

Due to banks are denominated in the following currencies:

	30.6.1999	%	30.6.1998	%
DEM	17.5	32	11.5	28
CHF	13.3	24	10.9	27
JPY	5.6	10	3.5	9
ATS	4.6	9	3,8	9
SGD	3.5	6	2.3	6
GBP	2.8	5	2.0	5
USD	2.5	5	2.9	7
ESP	2.0	4	1.0	2
SEK	1.5	3	1.3	3
MYR	0.8	1	0.5	1
NLG	0.6	1	0.8	2
ITL	0.0	0	0.2	1
FRF	0.0	0	0.1	0
Total	*54.7*	*100*	*40.8*	*100*

Most of the other short-term liabilities are interest free.

3. NOTES TO THE CONSOLIDATED INCOME STATEMENT (in CHF million)

3.1 Sales (net)

This position is categorized as follows:

Divisions:	1998/99	%	1997/98	%
Door Systems	131.1	33	126.3	35
Mechanical and Electromechanical Locks	145.7	37	140.3	38
Access and Time Control	117.3	30	99.6	27
Total	*394.1*	*100*	*366.2*	*100*

Geographic regions:*	1998/99	%	1997/98	%
Switzerland	183.2	47	162.6	44
Germany	97.2	25	85.7	23
Other EU- and EEA countries*	95.0	24	101.4	28
Far East	13.7	3	12.8	4
USA	5.0	1	3.7	1
Total	*394.1*	*100*	*366.2*	*100*

In nominal values, sales have increased by 27.9 CHF million, respectively 7.6%, from 366.2 CHF million to 394.1 CHF million. Thereof, 7.5 CHF million are a consequence of the increase in scope of consolidation. The strengthening of the Swiss Franc has reduced net sales in the former scope of consolidation by 1.8 CHF million or 0.5%. Real growth (adjusted by changes in currency rates) in our former business therefore amounted to 22.2 CHF million or 6.1%.

* Sales per region is defined as amounts invoiced by Kaba companies in the respective countries, including exports to other countries where other Kaba companies may exist. Amounts invoiced by all Kaba companies to all customers in the other EU and EEA countries increased by 3.5 CHF million from 109.2 CHF million to 112.7 CHF million. The gain is 3% or, currency-adjusted, 4%.

3.2 Other operating revenues	1998/99	1997/98
Releases of restructuring provisions	0.6	0.6
Rent	2.1	2.8
Capitalized assets produced by the company	0.4	0.6
Income from disposal of fixed assets	2.0	0.4
Other revenues (licenses, personnel restaurant, etc.)	7.0	5.9
Total	*12.1*	*10.3*

3.3 Material costs

3.3 Material costs	1998/99	1997/98
Material costs	94.8	91.4
Contracted services and labor	19.9	12.5
Total	*114.7*	*103.9*

3.4 Personnel costs

3.4 Personnel costs	1998/99	1997/98
Salaries and wages	137.8	130.1
Pension costs	4.4	4.9
Social security costs	19.8	18.6
Total	*162.0*	*153.6*

Employer contributions of the Swiss Kaba companies amounting to 2.8 CHF million (previous year 1.7 CHF million) were absorbed by existing employer contribution reserves as well as by the welfare institution of the Kaba companies. The same procedure is planned for next year (projected 1999/00: 2.8 CHF million).

Average number of employees per division:	1998/99	%	1997/98	%
Door Systems	664	31	641	31
Mechanical and Electromechanical Locks	987	46	978	47
Access and Time Control	464	22	435	21
Other	20	1	25	1
Total	*2135*	*100*	*2079*	*100*

Average number of employees per geographic region:	1998/99	%	1997/98	%
Switzerland	876	41	866	42
Germany	506	24	461	22
Other EU- and EEA countries	652	31	657	32
Far East	72	3	68	3
USA	29	1	27	1
Total	*2135*	*100*	*2079*	*100*

Employees at June 30, 1999: Balance sheet date totalled 2147 (2090 at June 30, 1998).

3.5 Depreciation

Depreciation is recorded on fixed and intangible assets.

3.6 Other operating expenses

This position includes primarily production costs, management, and operational expenses, as well as expenses expected to promote revenue in future years (i.e. research; advertising). Losses on sales of fixed assets of 0.4 CHF million (1997/98: 0.1 CHF million) are also included.

3.7 Financial income	1998/99	1997/98
Income from other financial assets	0.1	0.1
Other financial income	1.0	1.0
Total	*1.1*	*1.1*

Other financial income includes primarily interest expense.

3.8 Financial expense

This position is exclusively interest income.

3.9 Extraordinary result	1998/99	1997/98
Extraordinary income from sale of real estate Nordstrasse, Zurich	*0.0*	*6.4*
Extraordinary expense		
– from revaluation of loan to Ruchser + Aubry AG	0.0	2.2
– from projects in course Y2K	0.0	4.2
	0.0	*6.4*
Extraordinary result	*0.0*	*0.0*

3.10 Taxes	1998/99	1997/98
Taxes on operational income:		
Current	7.1	6.6
Deferred	1.4	0.4
Other taxes	0.6	0.9
Total	*9.1*	*7.9*

Losses for taxation purposes existed in various group companies at June 30, 1999, and may be set off, either in full or in part, against future profits.

4. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Net cash provided by operating activities (27.3 CHF million) less dividends paid (6.5 CHF million) – net 20.8 CHF million – was nearly twice as high as net cash used in investing activities excluding financial assets (net 12.2 CHF million). The sale of the Meyrin property by Kaba Gilgen AG had a liquidity-improving effect (+ 4.2 CHF million).

Apart from an earn-out payment for an earlier business interest, an amount of 18.6 CHF million was already booked as at June 30 as advance financing for the acquisition in England (see point 5.7). Despite the purchase of investments totalling 25.4 CHF million, the good liquidity situation allowed the repayment of liabilities amounting to 4.2 CHF million. Concurrently, liquidity declined to 20.8 CHF million.

5. ADDITIONAL INFORMATION

5.1 Pledged liabilities

On 30.6.1999, liabilities totalling 23.1 CHF million (30.6.1998 30.8 CHF million) were secured by pledged assets (land and buildings). Thanks to the group's liquidity situation, it was able to pay back liabilities to the extent mentioned before.

5.2 Other financial liabilities and commitments

Payments due over the next three years on rental contracts are (CHF million): 4.8 in 1999/2000, 4.6 in 2000/2001, and 4.4 in 2001/2002.

Amounts due for payment under non-capitalized leasing contracts are (CHF million): 1.8 in 1999/2000, 1.2 in 2000/2001, 0.5 in 2001/2002, and 0.1 in later years.

5.3 Related parties

There are no significant transactions or balances with related parties.

5.4 Contingencies

Current endorsement liabilities amount to 1.3 CHF million.

A result-dependent additional payment obligation covering a five-year period exists in conjunction with the acquisition of the English door companies. It becomes effective once a profit margin of about 10% on the original purchase price has been attained, applies to the profit portion which exceeds 10% and is limited to 11 GBP million.

5.5 Derivative financial instruments

As at June 30, 1999, a forward exchange contract worth 0.6 CHF million existed for hedging purposes. It has neither a positive nor a negative replacement value.

5.6 Research and development/ licenses

Expenditures for research and development activities are expensed in the year incurred. Research results are partially licensed to third parties for use, in order that during a limited time frame market coverage and number of pieces are increased.

5.7 Subsequent events

No events have occurred since June 30, 1999, which would significantly impact the 1998/99 financial statements.

Effective July 1, 1999, Kaba acquired four British companies for the Door Systems Division. They will contribute about 80 CHF million in sales in financial 1999/2000. This statement for the period ended on June 30 already recognizes an amount of 18.6 CHF million in advance financing on the purchase price as well as for assumption of debt as at July 1, 1999. This amount is posted under item 2.3 Financial assets.

Additionally, Kaba acquired Czeiger GmbH in Vienna in July 1999. Operating as Kaba Benzing GmbH, the company will contribute about 2.5 CHF million to the Kaba Group's consolidated sales.

LEGAL STRUCTURE OF THE KABA GROUP

as per 30. 6.1999

List of group and associated companies	authorized share capital (1000)		voting rights in %	
Kaba Holding AG, Rümlang/CH	CHF	22 450		
Door Systems (D-1)				
Kaba Gilgen AG, Schwarzenburg/CH	CHF	2,000	100.0	1)
Kaba Gallenschütz GmbH, Bühl/D	DEM	5,000	100.0	3)
Kaba Camor Ltd, Berkhamsted/GB	GBP	408	100.0	4)
Kaba Systèmes de Portes S.A., Haguenau/F	FRF	1,000	100.0	1),4)
Kaba Nederland bv, Nijmegen/NL	NLG	500	100.0	1)
Kaba Belgium nv, Turnhout/B	BEF	1,250	100.0	1) 9)
Mechanical and Electromechanical Locks (D-2)				
Kaba Schliesssysteme AG, Wetzikon/CH	CHF	6,800	100.0	1)
Kaba Gege GmbH, Herzogenburg/A	ATS	11,500	100.0	1)
Kaba (UK) Ltd, Tiverton/GB	GBP	1,000	100.0	1)
Kaba Abax AB, Eskilstuna/S	SEK	13,000	100.0	1)
Iberkaba SA, Valencia/E	ESP	90,000	100.0	1)
Kaba High Security Locks, Southington/USA	USD	91	100.0	5)
Nihon Kaba K.K., Yokohama/J	JPY	120,000	100.0	6)
Kaba Security Pte Ltd, Singapore/SGP	SGD	540	100.0	6)
Kaba Suomi Oy, Helsinki/SF	FIM	268	100.0	7)

List of group and associated companies	authorized share capital (1000)		voting rights in %	
Access and Time Control (D-3)				
Bauer Bank- & Sicherheitsanlagen Ges.m.b.H., Salzburg/A	ATS	500	100.0	2)
Kaba Benzing GmbH, Villingen-Schwenningen/D	DEM	5,600	100.0	3)
Kaba Benzing (Schweiz) AG, Dietikon/CH	CHF	400	100.0	1)
Legic Identsystems, Wetzikon/CH				8)
Kaba Baxess, Rümlang/CH				8)
Kaba Security AG, Rümlang/CH	CHF	7,600	100.0	1)
Kaba Service Deutschland GmbH, Neu-Isenburg/D	DEM	400	100.0	3)
Kaba Systems GmbH, Leinfelden-Echterdingen/D	DEM	695	100.0	3)
Inform Objektschutz GmbH, Düsseldorf/D	DEM	100	100.0	10)
Kaba Systems GmbH, Suhl/D	DEM	1,000	100.0	3)
Kaba Sécurité S.à.r.l., Suresnes/F	FRF	1,300	100.0	1)
Kaba srl, Bologna/I	ITL	500,000	70.0	6)
Finance and Controlling (D-4)				
Kaba Finance Ltd, St. Helier/Jersey	DEM	31	100.0	1)
Kaba Holding GmbH, Villingen-Schwenningen/D	DEM	6,000	100.0	1)
Kaba Corporation, Southington/USA	USD	8	100.0	6)
Bauer Kassenfabrik AG, Rümlang/CH	CHF	50	100.0	1)
Ruchser + Aubry AG, Muri/CH (real estate)	CHF	2,000	99.9	2)
Kaba Gilgen GmbH, Villingen-Schwenningen/D	DEM	50	100.0	10)

1) Participation of Kaba Holding AG, Rümlang/CH
2) Participation of Kaba Security AG, Rümlang/CH
3) Participation of Kaba Holding GmbH, Villingen-Schwenningen/D
4) Participation of Kaba Gallenschütz GmbH, Bühl/D
5) Participation of Kaba Corporation, Southington/USA
6) Participation of Kaba Schliesssysteme AG, Wetzikon/CH
7) Participation of Kaba Abax AB, Eskilstuna/S
8) Profit center of Kaba Schliesssysteme AG, Wetzikon
9) Participation of Kaba Nederland bv, Nijmegen/NL
10) Participation of Kaba Systems GmbH, Leinfelden-Echterdingen/D

REPORT OF THE GROUP AUDITORS TO THE GENERAL MEETING OF KABA HOLDING LTD, RÜMLANG

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, and notes to the consolidated financial statements / pages 26 to 45) of the Kaba group for the year ended June 30, 1999.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession in Switzerland, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Accounting and Reporting Recommendations in Switzerland (ARR), and comply with the law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

P. Binz

St. Iten

Zurich, September 3, 1999

FINANCIAL REVIEW

HOLDING COMPANY FINANCIALS

HOLDING COMPANY BALANCE SHEET
ASSETS

Balance Sheet as at	**30.6.1999 CHF**	**31.8.1998 CHF**
Long-term assets		
Intangible assets	422 808	247 749
Fixed assets		
Furniture and fixtures	552 394	720 455
Financial assets		
Investments	134 770 151	125 315 801
Other financial assets	17 579 800	0
Total Long-term assets	*153 325 153*	*126 284 005*
Current assets		
Receivables		
Third parties	4 251 049	2 962 787
Group companies	5 706 526	4 441 115
Accruals	52 114	120 501
Cash, cash equivalents and securities	797 664	21 598 528
Total Current assets	*10 807 353*	*29 122 931*
Total assets	*164 132 506*	*155 406 936*

SHAREHOLDERS' EQUITY AND LIABILITIES

Balance Sheet as at	**30.6.1999 CHF**	**31.8.1998 CHF**
Shareholders' equity		
Capital stock	22 450 000	22 450 000
Legal reserves		
General reserve	56 134 967	56 134 967
Reserve for own shares	539 885	170 550
Other reserves	10 060 115	10 429 450
Unappropriated retained earnings	24 813 535	18 320 041
Total Shareholders' equity	*113 998 502*	*107 505 008*
Provisions	*14 398 131*	*14 671 525*
Long-term liabilities		
Bank loans	15 000 000	17 000 000
Total Long-term liabilities	*15 000 000*	*17 000 000*
Short-term liabilities		
Due to banks	686 038	0
Other short-term liabilities		
Third parties	737 835	637 537
Group companies	17 241 335	13 360 418
Accruals	2 070 665	2 232 448
Total Short-term liabilities	*20 735 873*	*16 230 403*
Total Shareholders' equity and liabilities	*164 132 506*	*155 406 936*

HOLDING COMPANY INCOME STATEMENT AND APPROPRIATION OF PROFIT

Statement of income for the period	**1.9.1998–30.6.1999 (short period) CHF**	**1.9.1997–31.8.1998 CHF**
Operating revenues		
Financial income	14 360 883	10 297 055
Proceeds from services	7 996 499	8 332 755
Other operating revenues	157 547	558 152
Profits from sales of long-term assets	0	7 656 144
Total operating revenues	*22 514 929*	*26 844 106*
Operating expenses		
Personnel costs	– 4 230 465	– 4 439 726
Other operating expenses	– 3 918 379	– 3 708 572
Financial expense	– 1 110 945	– 1 706 206
Taxation	– 14 174	– 540 194
Net income before depreciation	*13 240 966*	*16 449 408*
Depreciation and provisions		
Depreciation on intangible and tangible fixed assets	– 293 097	– 233 377
Valuation adjustments on investments	0	– 7 000 000
Net income for the period	*12 947 869*	*9 216 031*
Unappropriated retained earnings at the beginning of the period	18 320 041	14 485 260
Appropriations of retained earnings resolved by general meeting: Dividend	– 6 454 375	– 5 381 250
Unappropriated retained earnings at the end of the period	*24 813 535*	*18 320 041*

Proposal of the Board of Directors for appropriation of retained earnings at June 30, 1999
The Board of Directors proposes the following appropriation: Distribution of a gross dividend of CHF 7 015 625 (CHF 6 454 375 in the prior year) on the share capital of CHF 22 450 000 (CHF 22 450 000 in the prior year).

	1999 CHF	**1998 CHF**
Dividend	7 015 625	6 454 375
To be carried forward	17 797 910	11 865 666
Unappropriated retained earnings	*24 813 535*	*18 320 041*

After approval of this proposal the dividend will be paid out net as follows according to instructions received:
CHF 12.50 (11.50 in the prior year) gross per listed registered share at CHF 40.– par value. 35% withholding tax is going to be deducted.

1. ***Fire insurance values:***	**30.6.1999 CHF**	**31.8.1998 CHF**
Plant and equipment	1 561 000	1 436 000

2. ***Investments:*** **Company, Business, Country**	**Nominal Capital in 1000**		**Interest %**
Bauer Kassenfabrik AG, Finance and Controlling, Rümlang CH	CHF	50	100.0
Iberkaba SA, Mechanical and Electromechanical Locks, Valencia E	ESP	90 000	100.0
Kaba Abax AB, Mechanical and Electromechanical Locks, Eskilstuna S	SEK	13 000	100.0
Kaba Belgium nv, Door Systems, Turnhout B	BEF	1 250	94.0
Kaba Benzing (Schweiz) AG, Access and Time Control, Dietikon CH	CHF	400	100.0
Kaba Finance Ltd, Finance and Controlling, Jersey GB	DEM	31	100.0
Kaba Gege GmbH, Mechanical and Electromechanical Locks, Herzogenburg A	ATS	11 500	100.0
Kaba Gilgen AG, Door Systems, Schwarzenburg CH	CHF	2 000	100.0
Kaba Holding GmbH, Finance and Controlling, Villingen-Schwenningen D	DEM	6 000	100.0
Kaba Nederland bv, Door Systems, Nijmegen NL	NLG	500	100.0
Kaba Schliesssysteme AG, Mechanical and Electromechanical Locks, Wetzikon CH	CHF	6 800	100.0
Kaba Sécurité S.à r.l., Access and Time Control, Suresnes F	FRF	1 300	100.0
Kaba Systèmes de Portes S.A., Door Systems, Haguenau F	FRF	1 000	100.0
Kaba Security AG, Access and Time Control, Rümlang CH	CHF	7 600	100.0
Kaba (UK) Ltd, Mechanical and Electromechanical Locks, Tiverton GB	GBP	1 000	100.0

3. ***Liabilities to pension funds***	**30.6.1999 CHF**	**31.8.1998 CHF**
Liabilities to pension funds	19 816	0

4. ***Capital stock***	**30.6.1999**			**31.8.1998**		
	Number	**Par**	**CHF**	**Number**	**Par**	**CHF**
Registered shares	561 250	40	22 450 000	561 250	40	22 450 000

5. *Significant Shareholdings*

	30.6.1999	31.8.1998
(see page 7)		

6. *Guarantees in favour of group companies*

	30.6.1999 CHF	31.8.1998 CHF
Guarantees	24 899 970	9 124 520
thereof used	22 148 150	6 386 115

7. *Own shares*

	1998/99		1997/98	
	CHF	Number	CHF	Number
Own shares at the beginning of the period	170 550	350	0	0
Purchased	423 009	630	170 550	350
Sold	– 53 674	– 90	0	0
Own shares at the end of the period	539 885	890	170 550	350

8. *Share capital increases*

	30.6.1999 CHF	31.8.1998 CHF
Authorized capital (Authorization expires per 28.10.1999)	2 000 000	2 000 000
Conditional capital	200 000	200 000

As per the Annual General Meeting from October 27, 1998 it was resolved to change the year-end closing from August 31 to June 30.
Therefore the figures of the income statement of the current year only reflect a period of 10 months.

REPORT OF THE STATUTORY AUDITORS TO THE GENERAL MEETING OF KABA HOLDING AG, RÜMLANG

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Kaba Holding AG for the period from September 1, 1998 to June 30, 1999.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

P. Binz

St. Iten

Zurich, September 3, 1999

COMMENTS ON THE FINANCIAL STATEMENTS OF KABA HOLDING LTD

BALANCE SHEET

Investments rose by CHF 9.5 million: The equity capital of Kaba Gege GmbH of Herzogenburg (Austria) was increased in view of its acquisition of Czeiger Benzing GmbH of Vienna (Austria). In conjunction with the acquisition of Kaba Gilgen AG, Kaba Holding AG transferred a result-dependent backpayment.

Other financial assets as at June 30, 1999, include advance payments in conjunction with the acquisition of several companies in England (door systems) effective July 1, 1999.

Receivables from third parties increased again because of with-holding tax refund claims on dividends paid by subsidiaries.

The *liquidity* (cash and cash equiv-alents) of the holding company from the prior year was invested in con-junction with the takeover of the door business in England.

Net income for the year further aug-mented *shareholders' equity.*

The good liquidity situation made it possible to repay *bank loans* on maturity (CHF 2 million). Concur-rently, subsidiaries invested surplus funds in the holding company, resulting in a further rise of *liabilities to Group companies.*

INCOME STATEMENT (short period)

The 1998 General Meeting ratified the rescheduling of the holding com-pany's account closing date from August 31 to June 30. Accordingly, *the income statement only covers the 10-month period from September 1998 to June 1999.*

Financial income comprises income from investments and interest earned. Despite the shortened year, income from investments advanced consider-ably by CHF 4.1 million.

The item *proceeds from services* reflects invoiced services rendered by holding company personnel.

The extraordinary *income from the sale of long-term assets* (property on Nordstrasse) posted last year was a non-recurring item and rental pay-ments (contained in *other operating revenues* last year) have ceased.

The items posted under *operating expenses* apply to a 10-month period as opposed to a 12-month period last year.

Net income for the period under review rose to CHF 12.9 million (pre-vious year: CHF 9.2 million). The elimination of the extraordinary gain from the sale of assets as well as the related extraordinary depreciation posted last year were more than offset by income from investments, to some extent of an extraordinary nature, booked during the shorter report year.

The dividend paid by the holding company is based on *consolidated net income.* In view of the improved Group result in financial 98/99 and the sound business outlook, the Board of Directors proposes that the *dividend* be *increased* to CHF 12.50 (previous year: CHF 11.50) per regis-tered share at CHF 40 par.

OPERATIVE STRUCTURE OF THE KABA GROUP

Business Development
Ulrich Graf

Kaba Holding Ltd
Rümlang/CH
Ulrich Graf

Division 4
Finance and Controlling
Dr. W. Stadelmann

Division 1
Door Systems
Automation Center of Competence
Sönke Bandixen

Kaba Gilgen AG
Schwarzenburg/CH
Production, Distribution, Service

Kaba Türsysteme GmbH
Bühl/D
Distribution, Service

Kaba Gallenschütz GmbH
Bühl/D
Production

Kaba Door Systems Ltd
Telford/GB
Production, Distribution, Service

Garog (Vega Ltd)
Warrington/GB
Trade

Kaba Systèmes de Portes S.A.
Haguenau/F
Distribution, Service

Kaba Nederland bv
Nijmegen/NL
Distribution, Service

Kaba Belgium nv
Turnhout/B
Distribution, Service

Kaba Door Systems Ltd
Novedrate/I
Distribution, Service

Division 2
Mechanical and Electromechanical Locks
Mechatronics Center of Competence
Heribert Allemann

Kaba Schliesssysteme AG
Wetzikon/CH
Production, Distribution

Kaba Gege GmbH
Herzogenburg/A
Production, Distribution

Kaba (UK) Ltd
Tiverton/GB
Production, Distribution

Kaba Abax AB
Eskilstuna/S
Production, Distribution

Iberkaba SA
Valencia/E
Installation, Distribution

Kaba High Security Locks Corp.
Southington/CT/USA
Production, Distribution

Nihon Kaba K.K.
Yokohama/J
Production, Distribution

Kaba Security Pte Ltd
Singapore
Distribution, Service

Division 3
Access and Time Control
Electronics Center of Competence
Ulrich Wydler

Kaba Benzing GmbH
Villingen-Schwenningen/D
Production, Distribution

Kaba Benzing (Schweiz) AG
Dietikon/CH
Installation, Distribution

Kaba Security AG
Rümlang/CH
Production, Distribution, Service

Kaba Baxess
Rümlang/CH
Development, Production

Kaba Systems GmbH
Dreieich/D
Distribution

Kaba Service Deutschland GmbH
Neu-Isenburg/D
Service

Kaba Sécurité S.à.r.l.
Suresnes/F
Installation, Distribution

Kaba srl
Castel Maggiore/I
Installation, Distribution

Legic Identsystems
Wetzikon/CH
Development, Distribution, Service, Licencing

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Valid from 1.7.1999

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(As per September, 1999)

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