

Kaba Holding AG
Shareholder Newsletter
Half-Year Results
Number 14
End of January 2001

KABA
AG

FORWARD-LOOKING STATEMENTS

This Shareholder Letter contains certain forward-looking statements including statements using the words "believes", "assumes", "expects" or formulations of a similar kind. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which could lead to substantial differences between the actual future results, the financial situation, the development or performance of the Company and those either expressed or implied by such statements. Such factors include, among other things: competition from other companies, the effects and risks of new technologies, the Company's continuing capital requirements, financing costs, delays in the integration of acquisitions, changes in the operating expenses, the Company's ability to recruit and retain qualified employees, unfavorable changes to the applicable tax laws, and other factors identified in this Shareholder Letter. In view of these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company accepts no obligation to continue to report or update such forward-looking statements or adjust them to future events or developments.

This shareholders' circular contains information for the shareholders of Kaba Holding AG regarding the proposed acquisition of Uican and the resolutions to be passed at an extraordinary general meeting of February 8, 2001. This circular does not, however, constitute an offer to sell or the solicitation of an offer to buy or subscribe for shares. It is not an offering prospectus pursuant to Art. 652a of the Swiss Federal Code of Obligation or a listing prospectus pursuant to the listing rules of the SWX Swiss Exchange.

Any decision to buy or subscribe for shares should be based exclusively on the offering and listing prospectus, which is expected to be published in preliminary form on February 19, 2001. In addition, investors are advised to consult their bank or financial adviser.

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Half-year report as at December 31, 2000

Well on track towards expected annual result for 2000/2001
(as at June 30, 2001)

Prior year's millennium record result almost matched

- Locks Division posts 19% growth
- Turnaround of British door companies successful
- EBIT margin remains at previous-year level despite
- Investment of CHF 1.8 million for market development in Hong Kong and Australia
- Access and Time Management suffers temporary post-millennium sales decline of 21%
- Consolidated new orders close 24% higher than sales
- Profit expectations for 2000/2001 confirmed

Dear Kaba shareholder

This report applies to the first six months (July 1 to December 31, 2000) of financial 2000/2001 with comparative figures for the same prior-year period. The Kaba Group exceeded its profit target and generated CHF 21.5 million (previous year: CHF 22.0 million) in net income for the first half year.

Mechanical and Electromechanical Locks Division

The Mechanical and Electro-mechanical Locks Division increased currency-adjusted sales by 19% from CHF 74.9 million to CHF 88.9 million. This includes 4% growth from the first-time consolidation of the new joint venture in Australia. Internal growth accounts for 15% and is based mainly on business developments in Japan,

Switzerland, and Singapore. Sales posted by Nihon Kaba K.K. almost tripled, rising from CHF 4.0 million to 11.6 million. This is due to brisk demand for secure, technically refined reversible keys. The division's income increased overproportionally.

Door Systems Division

The successful turnaround of the British door companies is reflected

in the results published by the Door Systems Division. Unprofitable "non-core" products as well as the Somercotes production site were abandoned. This resulted in a decline of the acquired companies' sales by CHF 8.2 million or 18%. The EBIT margin (income from operations expressed as a percentage of operating revenues) of the British door companies rose to an impressive 7.7%.

The currency-adjusted operating revenues of the other companies in the Door Systems Division picked up by 4.3%.

The production output of the entire division declined currency-adjusted by 2.2% from CHF 118.9 million to CHF 116.3 million.

Access and Time Management Systems Division

In the year ending December 31, 1999, the Access and Time Management Systems Division had ben-

efited from the millennium boom in electronic components and application software. At that time, in consolidated terms, this was reflected in a remarkably high 13.4% rate of internal growth for the Kaba Group as a whole and in a record result. These hasty last-minute purchases prior to the Y2K deadline were followed by a downturn in sales, the "post-millennium" slump.

Accordingly, this division posted a 21% currency-adjusted decline in sales from CHF 80.8 million to 63.7 million. In the fourth quarter of 2000, however, business had started to gain momentum again.

Kaba consolidated

The Kaba Group's operating revenues declined by CHF 6.8 million or 2.4%. Currency-adjusted, within a comparable scope of consolidation, and under consideration of the restructuring program in Great Britain, the decline in sales amounts to neglectable CHF 0.9 million or 0.3%.


Closing at CHF 325 million, new orders were 24% higher than sales which suggests a further acceleration of business in the second half of the year.

The decline in material costs to 28.6% of operating revenues (previous year: 32.7%) is noteworthy. Contributing factors were the restructurings in Great Britain as well as shifts in the product mix.

The financial impact of investments into future

The result is burdened with high start-up costs and investments of CHF 1.8 million for the market entry of the new companies in Hong Kong and Australia. Research and development costs were fully continued and expensed in the statement of income.

In spite of disparate developments in the individual divisions and the above-mentioned market development costs, the consolidated EBIT



margin (income from operations expressed as a percentage of operating revenues) remained at 11.5% (previous year: 11.8% including 0.2% extraordinary proceeds from real estate).

On the assets side of the balance sheet, in comparison with June 30, 2000, Furniture and Fixtures rose by CHF 3.2 million (information technology investments by Kaba Schliesssysteme AG, Wetzikon, Switzerland) and Inventories expanded by CHF 9.4 million. The increase in inventories includes advance financial commitments by Kaba Gilgen AG, Schwarzenburg, Switzerland, in conjunction with the major project in Hong Kong (worth CHF 120 million sales over a period of five years).

Due to the dividend payout as well as the acquisition of 100% of the shares of AAT in Miami, Florida (U.S.A.), shareholders' equity versus June 30, 2000, declined by CHF 2.6 million. The goodwill from the first-

time consolidation of this acquisition as at December 31, 2000, was fully capitalized under shareholders' equity. For this reason, short-term liabilities due to banks increased. The respective income statement will be consolidated for the first time starting on January 1, 2001.

For the same reasons, the net debt (i.e. interest-bearing debt less cash and cash equivalents and marketable securities) of the Kaba Group rose from CHF 81.8 million to CHF 113.6 million.

Income uptrend expected as at June 30, 2001

Kaba reaffirms its vision of averaging more than 20% earnings per share per annum in the medium term, including acquisitions.

For the current 2000/2001 period, Kaba expects operating revenues (including AAT) of more than CHF 580 million as well as continued income growth over the previous


year. Extraordinary items and the effects of the Unican project are excluded from this projection.

The encouraging market situation in Japan is a sustainable trend and will continue to have a positive impact on the result of the Mechanical and Electromechanical Locks Division.

In the Door Systems Division, optimism is justified in view of the development of the British door companies and of the repositioning of the door companies in the German market.

The Access and Time Management Systems Division expects the recovery to continue and anticipates growth.

Overall, these developments will bring Kaba back to its long-term sales growth course. The level of new orders confirms this expectation.



The Unican acquisition

On December 22, 2000, Kaba announced the planned takeover of Unican Security Systems Ltd. of Canada. In its financial year ended June 30, 2000, Unican generated sales equivalent to about CHF 526 million and net income of CHF 35.6 million (exchange rate CAD 1 = CHF 1.1035). The Unican Group is the ideal partner for Kaba (see also Shareholder Newsletter No. 13). Together, the two companies will achieve a globally significant standing in the security systems market. Unican occupies a leading position in the production and distribution of keys, transponder keys, and key coding systems for the lock and hardware trade. Kaba and Unican are comparable with respect to sales volume, earnings capacity, and growth dynamic.

On January 17, 2001, Kaba invited its shareholders to an extraordinary general meeting scheduled to take place at 3:00 PM on February 8,

2001, at the Swissôtel in Zürich-Oerlikon. The shareholders will be asked to ratify a 1:4 split of the Kaba share as well as the issue of a total of 340,625 old (or 1,362,500 split) shares to raise approximately CHF 600 million in additional equity. The new shares will be placed within the scope of a global offering from February 19 to March 2, 2001. Subsequently, Kaba plans to submit a takeover bid to Unican shareholders. It is anticipated that the transaction will have been completed by about the end of March 2001.


In this case, Unican will be consolidated in the Kaba Group's financial statements starting April or May 2001; the company is likely to make a further contribution to income.

The market rewards "Total Access"

The "Total Access" strategy pursued by Kaba is not only a strong combination of markets and products but also – as this semiannual report indi-

cates – a powerful combination in terms of its impact on income. Kaba is globally successful as a component manufacturer and single-source provider of solutions ("Total Access") in the mechanical and mechatronic domains of locking and master keying systems as well as door systems and in electronic high-tech solutions in the fields of identification, access, and production data collection. With its "Total Access" performance strategy, Kaba addresses a core need of its customers: comprehensive access to buildings and facilities with a high degree of security combined with efficient organizational tools and maximum user convenience. With its systematically upward-compatible new developments, Kaba guarantees that the customer's investment is protected.

About 70% of all "Total Access" systems and components are installed in existing buildings and facilities. For this reason, Kaba is hardly sus-



First Half Year of Financial 2000/2001

Consolidated Interim Group Income Statement

(in CHF million)	REPORTING HALF-YEAR July to Dec.		6 months Jan. to June		Prior half-year July to Dec.	
	2000	in %	2000	in %	1999	in %
	Sales (net)	263.2	96.4	251.9	94.3	274.6
Changes in finished goods and work in progress	5.2	1.9	8.0	3.0	-0.1	0.0
Other operating revenues	4.6	1.7	7.1	2.7	5.3	1.9
<i>Operating revenues</i>	<i>273.0</i>	<i>100.0</i>	<i>267.0</i>	<i>100.0</i>	<i>279.8</i>	<i>100.0</i>
Material costs	-78.2	-28.6	-83.0	-31.1	-91.4	-32.7
Personnel costs	-102.3	-37.5	-103.6	-38.8	-98.5	-35.2
Depreciation	-8.9	-3.3	-8.7	-3.3	-8.5	-3.0
Other operating expenses	-52.0	-19.1	-51.8	-19.4	-48.5	-17.3
<i>Income from operations (EBIT)</i>	<i>31.6</i>	<i>11.5</i>	<i>19.9</i>	<i>7.4</i>	<i>32.9</i>	<i>11.8</i>
Financial income	2.4	0.9	1.8	0.7	0.8	0.3
Financial expense	-4.2	-1.5	-4.4	-1.6	-3.2	-1.2
<i>Income before tax</i>	<i>29.8</i>	<i>10.9</i>	<i>17.3</i>	<i>6.5</i>	<i>30.5</i>	<i>10.9</i>
Taxes	-8.3	-3.0	-4.8	-1.8	-8.5	-3.0
<i>Net income for first half year</i>	<i>21.5</i>	<i>7.9</i>	<i>12.5</i>	<i>4.7</i>	<i>22.0</i>	<i>7.9</i>
Net income applicable to minority interests	-0.2	-0.1	0.0	0.0	0.1	0.0
Half-year income per share in CHF	38.31		22.27		39.20	
Half-year income + depreciation	30.4	11.2	21.2	8.0	30.5	10.9
Investments in tangible and intangible assets	11.1		12.2		9.0	
Employees (average)	2791		2728		2670	

Kaba Group per 31.12.2000


Consolidated Interim Group Balance Sheet

ASSETS (in CHF million)	REPORTING HALF-YEAR closed		6 months closed		Prior half-year closed	
	31.12.00	%	30.6.00	%	31.12.99	%
<i>Intangible assets</i>	5.0	1.3	4.7	1.3	4.5	1.2
<i>Fixed assets:</i>						
Land and buildings	66.4	16.9	67.6	18.5	74.8	20.0
Machinery and equipment	22.6	5.8	23.9	6.5	22.7	6.1
Furniture and fixtures	31.1	7.9	27.9	7.6	26.3	7.0
Payments on account and construction in progress	0.9	0.2	0.9	0.2	0.6	0.2
<i>Total fixed assets</i>	121.0	30.8	120.3	32.8	124.4	33.3
<i>Financial assets:</i>						
Long-term loans and securities	4.9	1.3	5.0	1.4	5.0	1.3
<i>Total financial assets</i>	4.9	1.3	5.0	1.4	5.0	1.3
Total long-term assets	130.9	33.4	130.0	35.5	133.9	35.8
<i>Inventory</i>	102.5	26.1	93.1	25.5	81.6	21.8
<i>Receivables:</i>						
Trade accounts receivable	116.7	29.7	109.3	29.9	119.5	31.9
Other receivables	17.8	4.6	12.2	3.3	19.8	5.3
Accruals	4.1	1.1	3.1	0.8	3.2	0.9
<i>Total receivables</i>	138.6	35.3	124.6	34.0	142.5	38.1
<i>Marketable securities</i>	0.9	0.2	2.5	0.7	1.5	0.4
<i>Cash and cash equivalents</i>	19.4	5.0	15.9	4.3	14.6	3.9
Total current assets	261.4	66.6	236.1	64.5	240.2	64.2
TOTAL ASSETS	392.3	100.0	366.1	100.0	374.1	100.0

Kaba Group per 31.12.2000

Consolidated Interim Group Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES (in CHF million)	REPORTING HALF-YEAR closed		6 months closed		Prior half-year closed	
	31.12.00	%	30.6.00	%	31.12.99	%
<i>Shareholders' equity:</i>						
Capital stock	22.5	5.7	22.5	6.1	22.5	6.0
Additional paid-in capital	54.1	13.8	54.1	14.8	54.1	14.5
Retained earnings	35.3	9.0	37.9	10.4	35.2	9.4
Minority interests	0.4	0.1	0.4	0.1	0.3	0.1
<i>Total shareholders' equity</i>	<i>112.3</i>	<i>28.6</i>	<i>114.9</i>	<i>31.4</i>	<i>112.1</i>	<i>30.0</i>
<i>Provisions:</i>						
Provisions for pensions and related obligations	12.4	3.2	12.2	3.3	12.5	3.3
Provisions for taxes	28.7	7.3	30.4	8.3	28.5	7.6
Other provisions	34.3	8.7	43.9	12.0	40.3	10.8
<i>Total provisions</i>	<i>75.4</i>	<i>19.2</i>	<i>86.5</i>	<i>23.6</i>	<i>81.3</i>	<i>21.7</i>
<i>Long-term liabilities:</i>						
Bank loans	33.8	8.6	35.6	9.7	41.7	11.2
Other long-term liabilities	5.4	1.4	5.7	1.6	5.7	1.5
<i>Total long-term liabilities</i>	<i>39.2</i>	<i>10.0</i>	<i>41.3</i>	<i>11.3</i>	<i>47.4</i>	<i>12.7</i>
<i>Short-term liabilities:</i>						
Trade accounts payable	38.4	9.8	38.9	10.6	34.2	9.1
Due to banks	94.7	24.1	58.9	16.1	73.6	19.7
Other short-term liabilities	30.1	7.7	18.4	5.0	23.7	6.3
Accruals	2.2	0.6	7.2	2.0	1.8	0.5
<i>Total short-term liabilities</i>	<i>165.4</i>	<i>42.2</i>	<i>123.4</i>	<i>33.7</i>	<i>133.3</i>	<i>36.6</i>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	392.3	100.0	366.1	100.0	374.1	100.0



ceptible to economic cycles and developments in the construction industry. The installed base of sold systems and equipment stabilizes income. As a technology leader, Kaba has the long-term opportunity to combine latest-generation technologies with the installed base and existing mechatronic products.

We thank you for your interest and your confidence in the Kaba Group.

Sincerely yours,

On behalf of Kaba Holding AG



Creed Kuenzle

Chairman of the Board



Ulrich Graf

CEO

Our acquisition strategy pays off

The profits of the acquired companies are growing. Kaba acquires businesses that have an installed basis. This assures distribution and cost synergies and boosts internal growth. The resulting profit growth rates deliver sustainable added value.

We look forward to welcoming you
at the extraordinary General Meeting on

Thursday, February 8, 2001
03:00 p.m.

at the Swissôtel, am Marktplatz, Zürich-Oerlikon.

Information plan

February 8, 2001, Thursday,
3.00 p.m., as stated in the separately sent invitation:

- extraordinary General Meeting of Shareholders of Kaba Holding AG at the Swissôtel, Zürich-Oerlikon

September 24, 2001, Monday

- Presentation for financial analysts
- Year-end media conference
- Letter to shareholders with the results of the financial year 2000/2001 as well as the prospects for the financial year 2001/2002
- Dispatch of the annual report
- Invitation to the General Meeting

Oktober 23, 2001, Tuesday,
3.00 p.m.

- General Meeting of Kaba Holding AG

First half of March 2002

- Letter to Shareholders and press release on half-year results as at 31.12.2001

Incidentally, have you visited our Web site yet? The address is <http://www.kaba.com>. This site not only displays the current price of Kaba shares but also allows you to view the latest press releases, such as the ones on the planned acquisition of Unican, the Annual Report as at June 30, 2000, as well as our informative Investor's Handbook. You can also find out whom to contact for Kaba products. And finally, our site acquaints you with new Kaba products and systems with which you can fulfill your personal security and convenience needs.



“Total Access” Modules are the Kaba Group’s Key Performers



Online door management

Conventional mechanical locking technology is merging more and more with electronic access control functions. Online door management is becoming increasingly important, and access authorizations and door locking procedures can be managed more efficiently and easily using a single masterkeying system. The data stored in the Legic chip of the identification medium (key, card) is read via an antenna located in the lock element, and is compared with the electronic authorization profile. These new Kaba exos locks and cylinders, then, combine the previously separate areas of mechanics and access control in an overall system.



Professional entrance design using revolving doors

The new revolving doors from Kaba Gallenschütz allow for secure and reliable entrance design. The present generation of revolving doors, with their streamlined profile system and extra-large glass areas, forms the perfect basis for graceful yet imposing entrance design. Their construction helps avoid temperature fluctuations in the building, while allowing even large numbers of people to enter and exit easily. The many available diameters make it possible to adapt these doors to each customer’s specific requirements. If needed, the door panels can pivot to create an unobstructed emergency exit or to allow for delivery of oversized goods. This makes revolving doors particularly convenient despite their pedestrian flow control functions.



Time recording via WAP mobile phones or Internet browsers

Time recording independent of the time and place of operations is now possible, thanks to a solution developed by Kaba Benzing. Employees who do not work in a fixed location, such as field representatives or social workers, can record their work time via a WAP mobile phone or via an Internet browser directly from their work locations. The employees connect via mobile telephone to a special server on the Internet that is linked to a fixed Bedanet 93 80 time recording terminal. The Web site with the time recording application appears on the display. After an identification or PIN number is correctly entered, the usual time recording functions can be performed. The times entered are handled and processed by the terminal just like locally recorded data.

