Shareholder Newsletter No. 22
Report on financial
1 July 2003 to 30 June 2004

20 September 2004

Kaba boosts profit by 24 % and increases dividend – robust and sustained earnings growth

- **EBIT picks up by 11.2 % (currency-adjusted by 14.4 %)**
- **Growth of consolidated net income by 24.3 % to CHF 56.8 million exceeds profit target**
- **Currency-adjusted increase in sales: 5.2 % in the second half, 2.3 % in the full year**
- **Operating cash flow closes high again at CHF 91.6 million**
- **Business in calendar year 2004 gains momentum**

Dear Kaba Shareholders
dear Madam, dear Sir

A year ago, the Kaba Group operated in an economic environment characterized by stubborn hesitation in the customer community. Only isolated instances of a recovery in demand were identified. But in the course of calendar year 2004, a turn of events took place, one that you and we had awaited with growing impatience: the interest in Kaba security solutions has picked up, resulting in a respectable volume of new orders.

Kaba was and is well prepared for this turnaround. On various occasions, we pointed out that Kaba is technologically, organizationally, and financially in an ideal position to sustainably benefit from an upswing in the security industry. In the past months, we have had the opportunity to let deeds follow words.

Of course, the rebound in the security industry has not embraced all divisions and markets with the same intensity. In some domains, the trend is still sluggish and disappointing. And once again, foreign exchange parities have left significant marks in the Kaba Group's financial results. Nonetheless, a positive trend began in 2003/2004, and as far as we can tell today, it will continue throughout the current financial year.

Racing to catch up in the second half of the year

During the first six months of financial 2003/2004, sales were still slightly regressive, but in the second half of the year, as at 30 June 2004, the Kaba Group got back on track with a currency-adjusted growth of 5.2 %. For the entire year, the currency-adjusted increase in sales was 2.3 %. Expressed in Swiss francs, sales advanced by 1.8 % to CHF 985.0 million.

For the third year in succession, the US dollar depreciated versus the Swiss franc and this again had an impact on sales. During the year under report, the US currency softened by 8 %, causing a loss of CHF 4.4 million in revenue. This amount takes into consideration the fact that most other currencies of relevance to Kaba trended firmer versus the Swiss franc.

EBIT rose overproportionally by 11.2 % to CHF 120.9 million. But here, too, the weakness of the dollar left its mark: currency translation of the results of the profitable American units reduced EBIT by no less than CHF 4.3 million. Adjusted for the appreciation of most other currencies by an aggregate CHF 0.9 million, currency translation cost Kaba CHF 3.4 million at the EBIT level. At constant exchange rates, Kaba generated EBIT growth of CHF 15.6 million or 14.4 % during the year under review. In the second half year, the increase was a remarkable 32.4 %.

In the second semester of the year, the EBIT margin improved versus the prior year in all divisions except Access Systems Asia Pacific. On a year-over-year basis, the Kaba Group increased the EBIT margin from 11.2 % to 12.3 % of sales.

Key figures of the Kaba Group as at the end of June

in CHF million	**2003/04**	**2002/03**	**Change versus previous year**
Sales (net)	985.0	967.2	1.8 %
Operating revenues	998.3	983.8	1.5 %
Earnings before depreciation (EBITDA)	154.1	145.0	6.3 %
in % of operating revenues	*15.4 %*	*14.7%*	
Operating profit (EBIT)	120.9	108.7	11.2 %
in % of operating revenues	*12.1%*	*11.0 %*	
Consolidated net income	**56.8**	45.7	24.3 %
in % of operating revenues	***5.7%***	4.7%	
Net income (after tax) + depreciation	90.0	82.0	9.8 %
in % of operating revenues	*9.0%*	*8.4%*	
Net cash provided by operating activities	**114.5**	123.4	–7.2 %
Net cash used in investing activities	**–26.3**	–22.4	17.4 %
Divestments	**3.4**	6.1	–44.3 %
Free cash flow (net)	**91.6**	107.1	–14.5 %
Total assets	712.8	773.8	–7.9 %
Equity capital	–24.0	–62.8	61.8 %
in % of total assets	*–3.4%*	*–8.1%*	
Net operating assets	321.6	359.0	–10.4 %
Return on net operating assets (RONOA)			
Earnings before income and tax (EBIT) in % of net operating assets	***37.6 %***	*30.3 %*	*24.1 %*
Number of employees (average)	5 889	6 185	–4.8 %

Profit target exceeded

Consolidated net income increased by 24.3 % to CHF 56.8 million. This exceeds Kaba's profit target of CHF 54 million – communicated in the fall of 2003 – by CHF 2.8 million. The result is all the more encouraging as the currency translations mentioned above trimmed EBIT in Swiss francs by CHF 3.4 million.

Thanks to the greater momentum in business, it was also possible to further reduce debt. Debt servicing costs declined by CHF 6.3 million or 16.1 % down to CHF 32.8 million. As expected, taxes increased proportionally.

Perceptible improvement of operations

Reassuringly, EBIT relative to return on net operating assets (RONOA) climbed from 30.3% a year ago to 37.6%. The increase of this ratio by 24.1 % is noteworthy particularly in view of the still difficult first half of the year and the adverse foreign exchange effects.

Operating cash flow (posted in the consolidated statement of cash flows as "Net cash provided by operating activities") closed at CHF 114.5 million, falling short of the prior-year level of CHF 123.4 million. This trend was expected, because the working capital reductions incurred in 2002/2003 were non-recurring in nature. Nevertheless, the optimized management of net current assets again made a contribution amounting to CHF 12.1 million. Investment in fixed and financial assets as well as intangible assets (CHF 26.3 million) exceeded the prior-year level by 17.4 %.

Higher free cash flow and CHF 77.8 million reduction of net debt

Yet again, a high amount net free cash flow was generated after investments (not including investments in holdings); the figure closed at CHF 91.6 million (PY: CHF 107.1 million). In the future, net free cash flow is likely to correlate even more closely with the steadily improving business result.

Free cash flow allowed a further reduction of net debt by CHF 77.8 million. Within only one year, net debt thus declined from CHF 430.5 million to CHF 352.7 million (as at 30 June 2004).

Progress in this respect is demonstrated by the so-called debt ratio which banks use to determine a company's ability to service debt. It is calculated by dividing net debt by EBITDA. Net debt is the sum of all serviceable debt minus current assets which can be regarded as cash equivalents. EBITDA is operating profit before depreciation and amortization.

In the past 12 months, Kaba generated CHF 154.1 million in EBITDA. The division of net debt at CHF 352.7 million by EBITDA yields a ratio of 2.3. After the Unican acquisition, this figure ranged from 3.5 to 4 times EBITDA. The systematic debt reduction pursued over the years has brought debt down to a level that is very comfortable for a globally active corporation of Kaba's size. Nonetheless, Kaba considers it meaningful to continue to cut debt with a portion of operating cash flow.

Notes on the results of the individual divisions (see sales and EBIT trend):

Sales and EBIT trend; Full year

in CHF million/%

Kaba Group consolidated Divisions	Reporting Period Full Year July 2003 to June 2004 Net Sales	EBIT currency adjusted	EBIT	EBIT in % Net Sales	Prior Year Full Year July 2002 to June 2003 Net Sales	EBIT	EBIT in % Net Sales	Growth Net Sales	whereof currency impact	Currency adjusted internal Growth Net Sales
Door Systems	232.9	7.1	7.2	3.1%	220.2	−1.3	−0.6%	12.7 5.8%	2.8 1.3%	9.9 4.5%
Data Collection	66.4	8.4	8.7	13.1%	65.0	7.6	11.7%	1.4 2.2%	0.9 1.4%	0.5 0.8%
Access Systems Europe	*263.8*	*31.0*	*31.2*	*11.8%*	*240.1*	*22.6*	*9.4%*	*23.7* *9.9%*	*5.7* *2.4%*	*18.0* *7.5%*
Access Systems Asia Pacific	*43.7*	*1.9*	*1.7*	*3.9%*	*44.1*	*3.5*	*7.9%*	*−0.4* *−0.9%*	*1.0* *2.3%*	*−1.4* *−3.2%*
Access + Key Systems Americas	*278.3*	*62.4*	*58.1*	*20.9%*	*300.9*	*59.8*	*19.9%*	*−22.6* *−7.5%*	*−19.0* *−6.3%*	*−3.6* *−1.2%*
Access Systems total	**585.8**	**95.3**	**91.0**	**15.5%**	**585.1**	**85.9**	**14.7%**	**0.7** **0.1%**	**−12.3** **−2.1%**	**13.0** **2.2%**
Key + Ident Systems Europe	99.9	13.5	14.0	14.0%	96.9	16.5	17.0%	3.0 3.1%	4.2 4.3%	−1.2 −1.2%
Kaba Group consolidated	**985.0**	**124.3**	**120.9**	**12.3%**	**967.2**	**108.7**	**11.2%**	**17.8** **1.8%**	**−4.4** **−0.5%**	**22.2** **2.3%**

Sales and EBIT trend; 2nd Halfyear

in CHF million / %

Kaba Group consolidated	Reporting Period 2nd Halfyear January 2004 to June 2004				Prior Year 2nd Halfyear January 2003 to June 2003					
Divisions	Net Sales	EBIT currency adjusted	EBIT	EBIT in % Net Sales	Net Sales	EBIT	EBIT in % Net Sales	Growth Net Sales	whereof currency impact	Currency adjusted internal Growth Net Sales
Door Systems	116.7	2.9	2.8	2.4%	108.1	−2.0	−1.9%	8.6 8.0%	2.3 2.1%	6.3 5.8%
Data Collection	33.8	3.9	4.0	11.8%	29.9	1.6	5.4%	3.9 13.0%	0.4 1.3%	3.5 11.7%
Access Systems Europe	*133.2*	*14.3*	*14.3*	*10.7%*	*117.3*	*8.2*	*7.0%*	*15.9* *13.6%*	*2.7* *2.3%*	*13.2* *11.3%*
Access Systems Asia Pacific	*19.8*	*−0.4*	*−0.3*	*−1.5%*	*22.2*	*2.3*	*10.4%*	*−2.4* *−10.8%*	*1.1* *5.0%*	*−3.5* *−15.8%*
Access + Key Systems Americas	*144.9*	*34.9*	*33.0*	*22.8%*	*149.0*	*30.3*	*20.3%*	*−4.1* *−2.8%*	*−8.0* *−5.4%*	*3.9* *2.6%*
Access Systems total	**297.9**	**48.8**	**47.0**	**15.8%**	**288.5**	**40.8**	**14.1%**	**9.4** **3.3%**	**−4.2** **−1.5%**	**13.6** **4.7%**
Key + Ident Systems Europe	54.2	8.9	9.2	17.0%	50.6	8.3	16.4%	3.6 7.1%	2.1 4.2%	1.5 3.0%
Kaba Group consolidated	**502.6**	**64.5**	**63.0**	**12.5%**	**477.1**	**48.7**	**10.2%**	**25.5** **5.3%**	**0.6** **0.1%**	**24.9** **5.2%**

Door Systems Division: Sales and profit growth across the board

During the year under review, the Door Systems Division generated CHF 232.9 million in sales and thus posted 4.5 % currency-adjusted growth. Absolute EBIT advanced to CHF 7.2 million, up considerably from the negative year-ago amount of CHF –1.3 million. The absolute improvement of EBIT by CHF 8.5 million increased the EBIT margin from –0.6 % in the prior year to 3.1 % in the report period, confirming the success of the fundamental restructuring measures implemented in the door companies in England and Germany.

The British door companies made visible progress in terms of earnings and attained the breakeven point in operations. This positive development is attributable to many systematic corrective measures, including a decentralization of marketing activities and a market-driven segmentation of the product lines. Further improvements of the earnings situation will take hold as the measures are implemented.

The German company that manufactures security doors again closed the year with successful results. It began to service additional foreign markets, not least because of the sluggishness of domestic business, and won several new customers.

The earnings situation of the German sales company was massively improved but the breakeven point has not yet been attained. Although representative surveys confirm a definite market share gain for Kaba doors in Germany, the market is characterized by a lack of demand and thus suffers from pressure on margins. The German sales company is moving into financial 2004/05 with a leaner organization that creates an ideal platform for further earnings gains as the year unfolds.

Kaba Gilgen AG, the Swiss company that generates about half the sales of the Door Systems Division, again reported growth and was able to further raise its already high level of profitability. Yet again, this company demonstrated its stature as a dynamic and dependable source of earnings.

In Shanghai, China, Kaba continued to expand the distribution structure and began to develop its own production capacities. These are integrated into the Regional Market Organizations (RMO) where sales activities and all central functions are concentrated.

Data Collection Division: EBIT margin boosted from 11.7% to 13.1%

The Data Collection Division is growing again. After a weak debut in the new financial year, it reported an uptrend in sales starting in the second quarter. In the second half of the year, the division posted 11.7 % sales growth in local currencies. During the year under review, EBIT advanced by 14.5 % to CHF 8.7 million (PY: CHF 7.6 million).

In Germany, the division's largest market, sales remained at the prior-year level despite the continued economic slump. In England, the division succeeded in doubling sales.

In the USA, Kaba Benzing generated a 26 % increase in local-currency sales. Due to their proven quality and functionality, Kaba Benzing's terminal solutions are becoming increasingly popular among US customers. To a great extent, this is the outcome of systematic marketing efforts – after all, Kaba Benzing was virtually unknown in the USA just three years ago. Today, Kaba Benzing is an established brand, and the company is the market leader for SAP R/3 HR (Human Resources) subsystems.

Access Systems Divisions drive local-currency EBIT up by 10.9 %

The three Access Systems Divisions cover regional markets for mechanical and mechatronic locking systems as well as electronic access control. As in the prior year, the key duplication business in the USA is integrated in the Access and Key Systems Americas Division.

Worldwide, the Access Systems Divisions grew by 2.2 % in 2003/2004, expressed in local currencies. In the second half of the year, organic growth rose to 4.7 %. The EBIT margin increased from 14.7 % to 15.5 %. Absolute EBIT advanced by CHF 5.1 million. Currency translations, mostly at lower exchange rates, cost CHF 4.3 million. Currency-Adjusted EBIT rose by 10.9 % to CHF 95.3 million.

Access Systems Europe Division: Local-currency sales pick up by 7.5% and the EBIT margin rises from 9.4% to 11.8%.

During the year under report, the division increased sales by 9.9% to CHF 263.8 million. Currency-translation effects – particularly the appreciation of the euro – contributed CHF 5.7 million or 2.4%. In local currencies, sales rose by CHF 18.0 million or by 7.5%. In the second half of the year, currency-adjusted growth even reached 11.3%. With a gain of 38%, EBIT grew even more vigorously and closed at CHF 31.2 million on 30 June 2004. The EBIT margin rose from 9.4% to 11.8%.

This impressive performance is the consequence of the genuine appeal of Kaba's "Total Access" solutions, the sustainable efficiency increase achieved with the restructuring measures initiated during the previous year, and the slight rebound of the economy in the second half of the year.

The German-speaking markets evolved at an above-average pace. Here, efficiency gains had the strongest impact at the production centers.

The division posted its principal gains in "Access Control", the most important segment; it bundles three core competencies: cylinder systems, locks, and integrated systems. All innovations are systematically aligned with the "Total Access" strategy: The vertical integration of mechanical, mechatronic, and electronic systems delivers sustainably compatible security solutions for buildings and facilities while assuring flexibility and investment protection from the customer's perspective.

Access Systems Asia Pacific Division: EBIT declines by CHF 1.8 million while sales ease somewhat

Sales in Asia Pacific declined by 0.9% to CHF 43.7 million in financial 2003/2004. In local currencies, sales dipped by 3.2%. EBIT closed at CHF 1.7 million. The EBIT margin declined from 7.9% to 3.9%.

Kaba can report an increase in local-currency sales in Japan and Australia and – for the second half of the year – in New Zealand, but sales in Singapore and Malaysia decreased. Deliveries to a major customer in Japan slowed down.

With profitability still at an outstanding level, Japan contributed well over half of the division's sales. The network of licensed dealers was further expanded and strengthened. Concurrently, Kaba established a distribution channel for electronic access control solutions. The new distribution structure gives Kaba access to new potential customers and positions the Group as a provider anchored in its customer community.

Market development activities in Australia, and in particular the expansion of the dealer network there, are progressing well, albeit not as briskly as originally planned. A Kaba Gege locking system for the mid-range market segment was introduced during the year under review to obtain better market coverage. The high-quality product has been embraced by local locksmiths and offers opportunities to expedite the expansion of the distribution network. Emphasis was also placed on intensifying the sale of security locks.

Growth in Singapore and Malaysia was hampered by a difficult market environment and structural problems. Remedial action has been initiated and the first positive results are emerging. A positive trend is expected to materialize in the current financial year.

Access and Key Systems Americas Division: EBIT margin at an all-time high of 20.9% – Decline in sales due to currency translation

In 2003/04, this division reported a decline in sales by CHF 22.6 million or 7.5% to CHF 278.3 million. Foreign currency translation accounted for CHF 19.0 million or 6.3% of this decline. Year over year and expressed in local currencies, the division posted a small sales loss of CHF 3.6 million or 1.2%. This is due to a comparatively weak first half of the fiscal year. In the second half, growth in local currencies reached 2.6%.

The good second half year allowed the division to achieve an all-time high of the EBIT margin of 20.9 % in the 12 months of fiscal 2003/04. While EBIT rose in local currencies by 4.4 % to CHF 62.4 million, it declined by CHF 1.7 million or 2.8 % due to the depreciation of the US dollar versus the Swiss franc.

As a consequence of this depreciation of the dollar by 8 % versus the franc, the Access and Key Systems Americas Division contributes 28 % to consolidated sales (PY: 31%) and 48 % (PY: 55 %) to the Kaba Group’s EBIT.

Kaba Americas is successfully addressing attractive market niches with its replacement keys & duplicating systems, high security locks, push-button locks, patented key control cylinders as well as security systems for the lodging industry. In all of these business fields, we developed and are launching new products and have strengthened our customer focus.

In the past two years, while the weak economy slowed down sales, the division has thoroughly streamlined all of its product lines, eliminated unprofitable sales, slimmed down the infrastructure, and more than ever is focusing on core products.

The sales of furniture hardware and hotel locks manufactured in Canada are primarily denominated in US dollars. Compared with the prior year, these results were hurt by a 10% appreciation of the Canadian dollar against the US dollar. In spite of this negative development, the Canadian operations managed to improve their bottom-line results. Towards the end of the fiscal year, Lodging Systems just started to show positive market development.

Key + Ident Systems Europe Division – Perceptible rebound in the second half of the year when local-currency sales up by 3.0 % and EBIT margin at 17 %

After a weak showing in the first half of the year, Key + Ident Systems Europe Division sales picked up in the second half, closing CHF 3 million or 3.1% higher at CHF 99.9 million. The appreciation of the Euro versus the Swiss franc accounted for CHF 4.2 million. In local currencies, sales thus declined by CHF 1.2 million or 1.2 %.

EBIT declined from CHF 16.5 million to 14.0 million and consequently depressed the EBIT margin from 17% in the previous year to 14 %. This decline in EBIT is directly attributable to the further depreciation of the US dollar impacting the division’s export prices.

The positive trend in the second half of the year was driven by higher unit sales as well as by investments in product development and process optimization at the Silca factory in Italy during the first six-month period. During the second half of the year, the EBIT margin was at 17%, well above the comparative value of the same prior-year period (16.4 %).

The division’s recovery in the second half of the year was also supported by the market launch of two new key cutting machines that clearly surpassed sales projections.

The new and revolutionary transaction concept for secure key duplication was first introduced at the international “Practical World” hardware show in Cologne in March 2004, and attracted great interest in the hardware trade and among industrial users. Instead of requiring the physical shipment of duplicate keys, this innovative technology allows the data needed to reproduce keys to be distributed and sold via the Internet. Silca has thus ushered in a new era in the secure duplication of keys. The interesting aspect about this transaction scheme is that it offers benefits and convenience to all partners in the value-adding chain – from the cylinder manufacturer and the lock trade to the consumer.

Outlook

The accelerated increase in demand observed in the second half of the financial year strengthens our conviction that business in financial 2004/2005 (as at 30 June 2005) will be brisker than the economic growth of the markets in which the Kaba Group operates.

Experience confirms that organic growth allows Kaba to achieve overproportional EBIT margin growth. For this reason, earnings growth is likely to outperform sales growth, as well.

Board proposes higher dividend

The Board of Directors proposes a dividend of CHF 4.00 per share with a par value of CHF 10.00. The proposed increase of the dividend by CHF 1.00 versus the prior year reflects the appraisal of the Board of Directors as regards the positive earnings trend and its firm belief that the Kaba Group will derive above-average benefit from the rebound in demand on the security market.

The proposed dividend will slightly increase the pay-out ratio from 23.4 % to 25.1% of consolidated net income.

Elections to the Board of Directors

The terms of office of Karina Dubs-Kuenzle, Maurice P. Andrien, and Rudolf W. Weber expire at the General Meeting on 26 October 2004. The Board of Directors proposes that they be reelected. Moreover, the Board of Directors will ask the General Meeting to approve the election of Rolf Dörig as a new member.

Rolf Dörig, Swiss citizen, born 1957, has been Chief Executive Officer of the Swiss Life Group since 2002. He is a member of the following bodies and organizations: executive committee of the Swiss Insurance Association, executive committee of economiesuisse, and executive board of the Zürich Chamber of Commerce. Rolf Dörig is on the board of directors of ANBE AG/Danzer Group, Baar, and president of the Grasshopper Club, Zürich.

From 1986 to 2002, Rolf Dörig worked for the Credit Suisse Group in various leading positions, lastly as Chairman Switzerland of the Credit Suisse Group.

He studied law at the University of Zürich, earning his LL.D. and obtaining admission to the bar in the canton of Zürich. In 1995, he complemented his education at Harvard Business School (AMP/ISMP).

Consolidated Group Income Statement

in CHF million	Note	2003/04	%	2002/03	%
Sales (net)	3.1	985.0	98.7	967.2	98.3
Changes in finished goods and work in progress		0.3	0.0	0.8	0.1
Other operating revenues	3.2	13.0	1.3	15.8	1.6
Operating revenues		**998.3**	100.0	983.8	100.0
Material costs	3.3	−299.9	−30.1	−300.1	−30.5
Personnel costs	3.4	−384.8	−38.5	−379.2	−38.6
Other operating expenses	3.6	−159.5	−16.0	−159.5	−16.2
Income from operations before depreciation (EBITDA)		**154.1**	15.4	145.0	14.7
Depreciation	3.5	−33.2	−3.3	−36.3	−3.7
Income from operations (EBIT)		**120.9**	12.1	108.7	11.0
Financial income	3.7	4.7	0.5	1.6	0.2
Financial expense	3.8	−37.5	−3.8	−40.7	−4.1
Income before tax		**88.1**	8.8	69.6	7.1
Taxes	3.9	−31.3	−3.1	−23.9	−2.4
Net income		**56.8**	5.7	45.7	4.7
Net income applicable to minority interests		0.1	0.0	0.1	0.0
Net income after taxes plus depreciation		**90.0**	9.0	82.0	8.4

Consolidated Group Balance Sheet
Assets

in CHF million	Note	30.6.2004	%	30.6.2003	%
Intangible assets	2.2	**7.3**	1.0	6.0	0.8
Fixed assets					
Land and buildings		128.0	18.0	133.9	17.3
Machinery and equipment		50.5	7.1	56.9	7.4
Furniture and fixtures		27.7	3.9	30.2	3.9
Payments on account and construction in progress		2.2	0.3	1.5	0.2
Total	2.2	**208.4**	29.3	222.5	28.8
Financial assets					
Non-consolidated participations		0.0	0.0	0.1	0.0
Long-term loans and securities	2.2	7.1	1.0	8.6	1.1
Total	2.3	**7.1**	1.0	8.7	1.1
Total long-term assets		**222.8**	31.3	237.2	30.7
Inventory	2.4	**183.6**	25.8	195.5	25.3
Receivables					
Trade accounts receivables	2.5	167.8	23.5	168.9	21.8
Other receivables	2.6	16.5	2.3	21.9	2.8
Accruals		6.4	0.9	5.5	0.7
Total		**190.7**	26.7	196.3	25.3
Marketable securities	2.7	**0.1**	0.0	0.2	0.0
Cash and cash equivalents		**115.6**	16.2	144.6	18.7
Total current assets		**490.0**	68.7	536.6	69.3
Total assets	2.1, 5.1	**712.8**	100.0	773.8	100.0

Consolidated Group Balance Sheet
Shareholders' equity and liabilities

in CHF million	Note	30.6.2004	%	30.6.2003	%
Shareholders' equity					
Capital stock		35.7	5.0	35.7	4.6
Additional paid-in capital		545.1	76.5	543.7	70.3
Retained earnings	2.9	−605.0	−84.9	−642.3	−83.0
Minority interests		0.2	0.0	0.1	0.0
Total	2.8	**−24.0**	−3.4	−62.8	−8.1
Provisions					
Provisions for pensions and related obligations		29.8	4.2	29.0	3.7
Provisions for taxes		29.7	4.2	27.9	3.6
Other provisions		101.3	14.2	98.0	12.7
Total	2.10	**160.8**	22.6	154.9	20.0
Long-term liabilities					
Bank loans		317.2	44.5	399.4	51.6
Convertible bond		146.3	20.5	141.4	18.3
Other long-term liabilities		3.5	0.5	3.7	0.5
Total	2.11	**467.0**	65.5	544.5	70.4
Short-term liabilities					
Trade accounts payable		60.8	8.5	57.8	7.4
Due to banks		1.4	0.2	30.8	4.0
Other short-term liabilities		33.3	4.7	35.7	4.6
Accruals		13.5	1.9	12.9	1.7
Total	2.12	**109.0**	15.3	137.2	17.7
Total shareholders' equity and liabilities	5.1, 5.2	**712.8**	100.0	773.8	100.0

Consolidated Statement of Cash Flows

in CHF million	Note	2003/04	2002/03
Net income		56.8	45.7
Depreciation		33.2	36.3
Income statement positions not affecting cash		4.9	4.1
Change in inventory		8.0	8.4
Change in receivables		1.5	14.4
Change in short-term liabilities		2.6	10.7
Change in provisions		7.5	3.8
Net cash provided by operating activities		**114.5**	123.4
Purchase/advance financing of investments		–2.4	–2.4
Purchase of fixed assets		–22.1	–18.9
Purchase of financial assets		–0.4	–0.3
Purchase of intangible assets		–3.8	–3.2
Proceeds from sale of fixed assets		1.5	4.9
Proceeds from sale of financial assets		1.9	1.2
Net cash used in investing activities		**–25.3**	–18.7
Change in short-term financial liabilities		–29.4	22.0
Change in long-term liabilities		–76.9	–55.1
Change in Capital		1.4	0.0
Dividends paid to third-party shareholders		–0.1	–0.1
Dividends paid		–10.7	–10.7
Net cash from financing activities		**–115.7**	–43.9
Net effect of currency translation/-consolidation		**–2.6**	–1.9
Change in cash and cash equivalents; marketable securities	4.	**–29.1**	58.9
Cash and cash equivalents; marketable securities			
Beginning balance, year under review		**144.8**	85.9
Ending balance, year under review		**115.7**	144.8

Invitation to the General Meeting of Shareholders on Tuesday, 26 October 2004, 3 pm

Swissôtel, Am Marktplatz, Zürich-Oerlikon, opposite the Zürich-Oerlikon train station.

Our shareholders are receiving the following documentation for the General Meeting:

- Invitation with agenda and proposals by the Board of Directors
- Reply form
- Reply envelope
- Order form for the Annual Report 2003/2004

If you wish to attend the General Meeting, please complete the attached reply form and return it to us as quickly as possible with the reply envelope. You will then receive your admission card and ballot as well as a map with directions for motorists and a timetable for train connections. Since the number of available parking spaces is limited, we recommend the use of public transportation.

The Kaba Group's reporting policy

Yet again, our reporting is very extensive. As widely requested by our shareholders, we have resolved to limit our correspondence to the Shareholder Newsletter. As last year, please find enclosed a form to order the following publications:

- Annual Report with financial statement and Corporate Governance brochure
- Investor's Handbook

You can also view, download and/or order all publications at www.kaba.com.

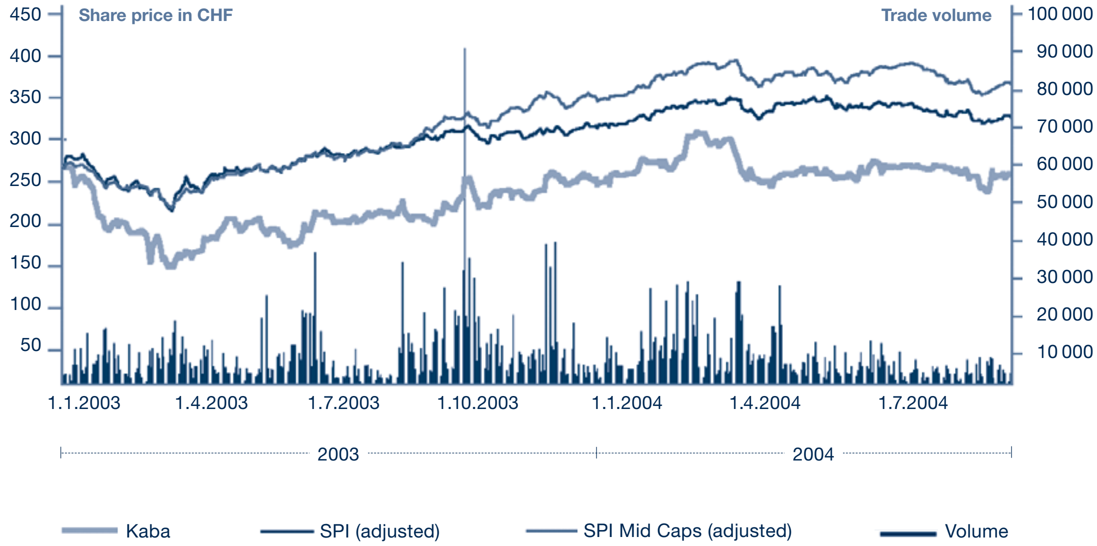
We look forward to the next General Meeting, which will give us the opportunity to report in detail about financial 2003/2004 and our intentions for the future.

Sincerely yours,
Holding AG

Rudolf Hauser
Chairman of the Board

Ulrich Graf
President and CEO

Development of share price



Information schedule

Tuesday **26 October 2004, 3 p.m.**	General Meeting of Kaba Holding AG
March 2005	Shareholder Newsletter and media release on the interim financial report as at 31 December 2004
Monday **19 September 2005**	Presentation for financial analysts Financial press conference Shareholder Newsletter with the results of financial 2004/2005 Mailing of Annual Report Invitation to General Meeting
Tuesday **25 October 2005, 3 p.m.**	General Meeting of Kaba Holding AG

This communication 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, unfavourable changes to the applicable tax laws, and other factors identified in this communication. In view of these un-certainties, 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.

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