

LETTER TO  
SHAREHOLDERS  
NUMBER 9  
MARCH 4, 1999

 **KABA**<sup>®</sup>  
YOUR ACCESS TO SECURITY



## « TOTAL ACCESS » BOOSTS INTERNAL PROFITABILITY

### 46% earnings gain, 9% higher sales

Dear Kaba shareholder

For the second half of 1998, the Kaba Group can report a 9.1% increase in consolidated sales by CHF 16.8 million to CHF 200.6 million. Internal growth amounted to 7.3% (or 7.7% adjusted for currency translation losses). Inform Objekt-schutz GmbH of Düsseldorf (Germany), acquired effective June 30, 1998, and consolidated as of that date, contributed CHF 3.4 million or 1.8% to the Group's sales growth.

The Access and Time Control Division provided an over-proportional share of the gain in sales. The Door Systems Division evolved at an average pace while the Mechanical and Electro-mechanical Locks Division posted growth below the Group average. New orders exceeded the prior-year level by 14% and closed higher than invoiced sales in all divisions.

The sale of operationally unnecessary real estate by Kaba Gilgen AG in Meyrin (canton of Geneva) yielded CHF 4.2 million in liquidity as well as a non-recurring (pre-tax) profit of CHF 1.7 million from the divestiture of long-term assets.

### EBIT rises by 37.6% to CHF 27.1 million

The sales growth and cost advantages derived from restructuring measures in the past years had a very positive impact on income from operations: EBIT (= earnings before interest and taxes) rose by 37.6% to CHF 27.1 million. Thanks to an underproportional increase in financing expense and taxes, earnings for the second half of the year surged by 46.3% from CHF 11.9 to 17.4 million. Earnings per share picked up from CHF 21 a year ago to CHF 31.02 for the year under review.

The 1998 merger of the Swiss banking equipment company with the «Total Access» systems integrator, forming Kaba Security AG in Rümlang, generated distinct cost advantages. Progressive synergy effects from the integration of Kaba Gege (acquired in early 1997) have also improved the EBIT margin (earnings before interest and taxes in % of sales). Finally, cost growth was lower than sales growth because of the earnings-driven approach of our division managers and operating officers.

Both as a manufacturer of components and as a provider of door-keeping solutions under the «Total Access» philosophy, Kaba has clearly

been successful on a global scale. With our performance strategy aimed at doorkeeping security and organization, we address very important concerns of our customers: comprehensive access control for buildings and facilities with a high level of security, organizational efficiency and maximized user convenience. With systematically upward-compatible new developments, we guarantee the protection of each customer's investment.

The sales growth achieved by the Kaba Group lies clearly above GNP growth. About 70% of all «Total Access» systems and components are installed in existing buildings and facilities. Therefore, Kaba is hardly exposed to economic cycles and construction industry fluctuations.

The soundness of our acquisition strategy is confirmed by an over-proportional rise in earnings. The purchase of companies and their installed customer base results in distribution and cost synergies and consequently increases internal growth. The resulting earnings gains more than offset the short-term dilution of earnings per share in the wake of capital increases and quickly produce sustainable added value for the shareholder.

### **Stronger equity capital base**

The equity capital portion of total assets has risen to 36.0 % (30.6.98: 32.9 %). To some extent, this is due to a reduction of total assets from CHF 316 million (as at 30.6.98) to CHF 298 million (as at 31.12.98). A total amount of CHF 14.9 million in long-term bank loans was repaid with liquidity.

### **Projected annual profit for**

#### **1998/99: at least CHF 26 million**

For the entire financial year 1998/99, we expect operating revenues of about CHF 400 million and a profit of at least CHF 26 million, i.e. an advance of at least 17 % versus the prior year. Results in the second half of our financial year are typically somewhat weaker than in the first half. As last year, the EBIT margin for the entire year is likely to fall slightly short of the half-year level but exceed the prior-year value.

At CHF 15 to 20 million, capitalizable investments are likely to be more or less of the same magnitude as depreciation. This item includes ongoing information technology projects designed to expedite and enhance communications among the major production sites of the Kaba Group. Our customers will benefit from enhanced logistics.

### **Information schedule**

*September 27, 1999, Monday*

Presentation for financial analysts  
Financial press conference  
Letter to shareholders announcing the results of financial 1998/99 (closing date June 30) of the Kaba Group and of Kaba Holding Ltd, and outlook for financial 1999/2000  
Invitation to General Meeting  
Mailing of Annual Report

*November 2, 1999, Tuesday, 3 PM*

General Meeting of Kaba Holding Ltd

*1st half of March, 2000*

Letter to shareholders and press release on semiannual results as at December 31, 1999

Incidentally, have you visited our Website 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, the Annual Report as at June 30, 1998 as well as our unique Investor's Handbook. Moreover, it features a directory of Kaba product distributors.

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

Sincerely yours,  
On behalf of Kaba Holding Ltd

  
Creed Kuenzle  
Chairman of the Board

  
Ulrich Graf  
President

**FIRST HALF YEAR OF FINANCIAL 1998 / 99**  
**CONSOLIDATED GROUP INCOME STATEMENT**

<b>Kaba Group</b> (money figures in CHF million)	<b>July to Dec.</b>		<b>July to Dec.</b>		<b>Change</b> in %
	1998	in %	1997	in %	
Sales (net)	200.6	96.7	183.8	97.8	9.1 %
Change in finished goods and work in progress	0.1	0.0	-0.5	-0.3	-120.0 %
Other operating revenues	6.9	3.3	4.6	2.5	50.0 %
<i>Operating revenues</i>	<i>207.6</i>	<i>100.0</i>	<i>187.9</i>	<i>100.0</i>	<i>10.5 %</i>
Material costs	-59.0	-28.4	-53.3	-28.4	10.7 %
Personnel costs	-78.5	-37.8	-73.7	-39.2	6.5 %
Depreciation	-7.9	-3.8	-7.4	-3.9	6.8 %
Other operating expenses	-35.1	-16.9	-33.8	-18.0	3.8 %
<b><i>Income from operations (EBIT)</i></b>	<b><i>27.1</i></b>	<b><i>13.1</i></b>	<b><i>19.7</i></b>	<b><i>10.5</i></b>	<b><i>37.6 %</i></b>
Financial income	0.6	0.3	0.5	0.2	20.0 %
Financial expense	-3.5	-1.7	-3.2	-1.7	9.4 %
<i>Income before tax</i>	<i>24.2</i>	<i>11.7</i>	<i>17.0</i>	<i>9.0</i>	<i>42.4 %</i>
Taxes	-6.8	-3.3	-5.1	-2.7	33.3 %
<b><i>Net income for first half year</i></b>	<b><i>17.4</i></b>	<b><i>8.4</i></b>	<b><i>11.9</i></b>	<b><i>6.3</i></b>	<b><i>46.3 %</i></b>
Net income applicable to minority interests	0.0		0.0		
Half-year income per share in CHF	31.02		21.00		47.7 %
Half-year income + depreciation	25.3	12.2	19.3	10.2	31.1 %
Investments in tangible and intangible assets	8.0		6.2		29.0 %
Employees (average)	2128		2064		3.1 %

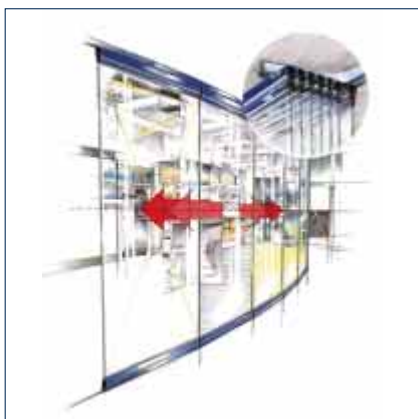
**KABA GROUP PER 31.12.98**  
**CONSOLIDATED GROUP BALANCE SHEET**

<b>Assets (in CHF million)</b>	<b>31.12.98</b>	<b>%</b>	<b>30.6.98</b>	<b>%</b>	<b>31.12.97</b>	<b>%</b>
<i>Intangible assets</i>	3.5	1.2	1.8	0.6	1.5	0.5
Fixed assets:						
Land and buildings	75.4	25.3	79.1	25.0	79.6	27.5
Machinery and equipment	20.6	6.9	21.4	6.8	19.8	6.9
Furniture and fixtures	23.6	7.9	23.8	7.5	22.3	7.7
Payments on account and constr. in progress	1.0	0.3	1.4	0.4	2.4	0.8
<b>Total fixed assets</b>	<b>120.6</b>	<b>40.4</b>	<b>125.7</b>	<b>39.7</b>	<b>124.1</b>	<b>42.9</b>
Financial assets:						
Long-term loans and securities	4.9	1.7	5.0	1.6	7.3	2.5
<b>Total financial assets</b>	<b>4.9</b>	<b>1.7</b>	<b>5.0</b>	<b>1.6</b>	<b>7.3</b>	<b>2.5</b>
<b>Total long-term assets</b>	<b>129.0</b>	<b>43.3</b>	<b>132.5</b>	<b>41.9</b>	<b>132.9</b>	<b>45.9</b>
<i>Inventory</i>	65.8	22.1	67.0	21.2	59.7	20.6
Receivables:						
Trade accounts receivables	77.9	26.2	79.3	25.1	68.8	23.8
Other receivables	10.3	3.5	8.1	2.6	5.3	1.8
Accruals	1.2	0.4	1.7	0.5	1.7	0.6
<b>Total receivables</b>	<b>89.4</b>	<b>30.0</b>	<b>89.1</b>	<b>28.2</b>	<b>75.8</b>	<b>26.2</b>
<i>Marketable securities</i>	0.7	0.2	0.4	0.1	0.3	0.1
<i>Cash and cash equivalents</i>	12.9	4.3	27.1	8.6	20.8	7.2
<b>Total current assets</b>	<b>168.8</b>	<b>56.7</b>	<b>183.6</b>	<b>58.1</b>	<b>156.6</b>	<b>54.1</b>
<b>Total Assets</b>	<b>297.8</b>	<b>100.0</b>	<b>316.1</b>	<b>100.0</b>	<b>289.5</b>	<b>100.0</b>

<b>Shareholders' equity and liabilities (in CHF mio.)</b>	<b>31.12.98</b>	<b>%</b>	<b>30.6.98</b>	<b>%</b>	<b>31.12.97</b>	<b>%</b>
Shareholders' equity:						
Capital stock	22.5	7.5	22.5	7.1	22.5	7.8
Additional paid-in capital	54.1	18.2	54.1	17.1	54.2	18.7
Retained earnings	30.5	10.2	27.3	8.7	20.6	7.1
Minority interests	0.1	0.1	0.1	0.0	0.1	0.0
<b>Total Shareholders' equity</b>	<b>107.2</b>	<b>36.0</b>	<b>104.0</b>	<b>32.9</b>	<b>97.4</b>	<b>33.6</b>
Provisions:						
Provisions for pensions and related obligations	11.3	3.8	11.2	3.5	10.5	3.6
Provisions for taxes	26.1	8.8	21.9	6.9	19.0	6.6
Other provisions	29.0	9.7	34.8	11.0	28.0	9.7
<b>Total Provisions</b>	<b>66.4</b>	<b>22.3</b>	<b>67.9</b>	<b>21.4</b>	<b>57.5</b>	<b>19.9</b>
Long-term liabilities:						
Bank loans	42.6	14.3	57.5	18.2	63.0	21.8
Other long-term liabilities	2.0	0.7	2.2	0.7	2.2	0.8
<b>Total long-term liabilities</b>	<b>44.6</b>	<b>15.0</b>	<b>59.7</b>	<b>18.9</b>	<b>65.2</b>	<b>22.6</b>
Short-term liabilities:						
Trade accounts payable	20.4	6.8	20.5	6.5	17.2	5.9
Due to banks	42.2	14.2	40.8	12.9	31.0	10.7
Other short-term liabilities	15.8	5.3	16.4	5.2	19.5	6.7
Accruals	1.2	0.4	6.8	2.2	1.7	0.6
<b>Total short-term liabilities</b>	<b>79.6</b>	<b>26.7</b>	<b>84.5</b>	<b>26.8</b>	<b>69.4</b>	<b>23.9</b>
<b>Total Shareholders' equity and liabilities</b>	<b>297.8</b>	<b>100.0</b>	<b>316.1</b>	<b>100.0</b>	<b>289.5</b>	<b>100.0</b>

Reporting pursuant to FER and EU guidelines

## «TOTAL ACCESS» MODULES ARE THE KABA GROUP'S KEY PERFORMERS



### Automatically moving sliding doors

With the Kaba Gilgen drive technology, the tedious job of manually moving sliding wall panels to and fro is a thing of the past. Through a terminal featuring an informative text display, functions such as changing positions of the individual sliding wall panels are now directly programmable. This new compact drive kit designed for the Hawa sliding doors can easily be added to existing installations. You won't see it, but you will like it.



### Kaba elostar time

The field of possible applications of Kaba elostar has been enlarged by a new service package «time» which offers a unique combination of a mechanical locking system and an electronic chip. This provides a double security which can keep doors locked at specific times should this be required for organizational reasons. When entrance and exit movements need to be traceable, Kaba elostar time serves as an electronic memory.



### Remote Reader Modules

Kaba Baxess has enlarged its Kaba exos 8300 product range with remote reader modules. Up to now the antennas responsible for the contact-less Legic data transfer were integrated in the Read-Write-Terminals. Now they can be separated from the terminals or the lock cylinders. This opens new design options for architects and represents a security advantage at the same time: The antennas can be discretely or even invisibly integrated into light switches, door panels or any other architectural design. In addition, the terminal can be mounted in the secured and safe area behind the door.



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