

LETTER TO SHAREHOLDERS  
NUMBER 11  
MARCH 6, 2000



## K A B A M A I N T A I N S D Y N A M I C G R O W T H ( S A L E S + 3 6 . 9 % )

### 13,4% internal growth, net income advances by 26,4%

Dear Kaba shareholder

In the second half of 1999, the Kaba Group increased consolidated sales by CHF 74 million to CHF 274.6 million, up 36.9 % from the same prior-year period. Internal growth amounted to CHF 26.8 million or 13.4 %. At 0.3 %, gains from foreign currency translation were marginal. The newly acquired companies that were consolidated for the first time effective July 1, 1999, contributed CHF 47.2 million or 23.5 % to consolidated sales growth. Of this amount, the British door systems companies account for CHF 44.5 million. The remainder, CHF 2.7 million, originates from Kaba Benzing GmbH in Vienna, acquired in July 1999.

The Access and Time Control Division again provided an above-average contribution to sales growth. The millennium issue buoyed the electronic components business and application software which produced about two-thirds of the gain in sales. This growth will not continue at the same level in the second half of the financial year. The Door Systems Division posted average advances in the comparable scope of consolidation while the Mechanical and Electromechanical Locks

Division closed the period with growth below the Group average.

The sale of an operationally unnecessary property owned by Kaba Schliesssysteme AG in Wetzikon resulted in non-recurring income from the disposal of fixed assets amounting to CHF 0.5 million before taxes. This amount is again posted under «Other operating revenues» as was the case with the previous-year amount of CHF 1.7 million from a similar transaction.

#### **EBIT picks up by 21.4 % (from operations by 28 %) to CHF 32.9 million**

Internally generated sales growth as well as productivity gains had a positive impact on income from operations: EBIT rose by 21.4 % to CHF 32.9 million. Thanks to the underproportional increase of debt servicing costs, half-year income advanced by 26.4 % from CHF 17.4 million to CHF 22 million. Earnings per share also increased by 26.4 % versus the prior-year period to close at CHF 39.20.

The profit margin declined from 8.4 % a year ago to 7.9 % for the report period. This slight downtrend was forecast six months earlier

and is attributable to the first-time consolidation of the door automation business acquired in Great Britain as at July 1, 1999. Although the acquired companies contributed CHF 44.5 million to consolidated half-year sales, their contribution to income was insufficient. The announced restructuring measures are being swiftly implemented, however, and will be completed by March 2000. Operating under the name Kaba Door Systems, the 380 staff members will systematically tap the promising market potential and profitability in the coming years should rise at least to the Kaba Group level.

If EBIT growth is adjusted to reflect the above proceeds from the sale of real estate (CHF 0.5 million in the report period as opposed to CHF 1.7 million a year earlier), operational EBIT growth for the report period at 28 % is almost identical with the figure from the previous-year period (29 %).

#### **The market responds well to «Total Access»**

The positive financial trend reflects the globally successful activities of Kaba as a component manufacturer and provider of turnkey solutions

in doorkeeping («Total Access»). Our performance strategy under the motto «Doorkeeping security, organization, and convenience» addresses a key requirement of our customers: all-encompassing access to buildings and facilities with a high degree of security combined with an efficient organizational concept and maximized user convenience. We protect our customers' investments with a policy of systematic upward compatibility of all new developments.

The Kaba Group's internal sales growth is higher than the growth projections for the relevant security markets, even more so in this period than in the same period a year ago. 70 % of the «Total Access» systems and components are installed in existing buildings and facilities. Thus, Kaba is hardly vulnerable to economic cycles or to the trends in new construction.

Accelerating net income growth is also reaffirming the adequacy of our acquisition strategy: the purchase of installed base portfolios through company acquisitions produces distribution and cost synergies which consequently adds momentum to internal growth as well. The resulting

income growth rates create sustainable added value.

Particularly as a consequence of the acquisition of the door companies in Great Britain, shareholders' equity in percent of total assets declined, as anticipated, from 35.6 % as at June 30, 1999, to 30.0 %, closing at CHF 112.1 million effective December 31, 1999. The first-time consolidation of the acquired companies increased the Kaba Group's net debt (i. e. serviced debt less cash, cash equivalents, and marketable securities) by CHF 14.9 million to CHF 104.9 million.

#### **Major contract for Hong Kong subway**

In a media release dated January 8, 2000, Kaba announced the award of a major contract by the Mass Transit Railway Corporation in Hong Kong. It provides for the installation of platform screen doors at existing subway stations and is worth CHF



120 million. The automatic doors separate the platforms from the hazardous rail zones and must comply with stringent technical requirements. Starting in financial 2001/2002, it will be possible to invoice about CHF 30 million per annum for this project. Kaba has thus achieved a breakthrough into a new market segment that is technologically and logistically very sophisticated. Subway operators around the world will have such platform screen systems installed to increase their capacities as well as to enhance passenger security and convenience.

#### **Joint venture in Australia with Kaba majority**

On February 3, 2000, Kaba issued a press release announcing a further expansion of its market position in Australasia. A new company operating as Kaba Boyd Pty Ltd will serve customers in the greater Pacific region with high-quality mechanical and electronic locking systems, a complete line of doors, and an electronic master key system for hotels. The existing installed base of Kaba locking systems, developed by a licensee, can now be serviced even more comprehensively by Kaba directly. The Australian joint venture part-

ner, Boyd Lock Company, also has a very extensive customer portfolio and a strong market position.

**Expected annual net income for 1999/2000: at least CHF 31 million**

For the entire financial year 1999/2000, we expect operating revenues in excess of CHF 500 million and net income of at least CHF 31 million; this would constitute another double-digit profit growth rate versus the prior year. Experience confirms that income in the second half of a financial year is generally lower than in the first half. Moreover, the report period reflects advances attributable to the millennium boom. As in the prior year, the EBIT margin for the entire year is likely to again close below the half-year level. We already announced in the autumn of 1999 that the additional sales of about CHF 80 million contributed by the door systems companies in Great Britain would represent only marginal additional EBIT. Consequently, the absolute EBIT figure will post double-digit growth versus the previous year, but the EBIT margin will probably close at about one percentage point below the EBIT margin of the previous year (10.1 %).

Capitalizable investments – CHF 15 to 20 million – will again roughly correspond to depreciation.

**Information schedule**

*September 25, 2000, Monday*

Presentation for financial analysts

Financial press conference

Letter to shareholders announcing

the results of financial 1999/2000 and outlook for financial 2000/2001

Mailing of Annual Report

Invitation to General Meeting

*October 24, 2000, Tuesday, 3 PM*

General Meeting of Kaba Holding AG

*1st half of March, 2001*

Letter to shareholders and press release on semiannual results as at December 31, 2000

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, the Annual Report as at June 30, 1999, 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.

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

President

**FIRST HALF YEAR OF FINANCIAL 1999 / 2000  
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 %
	1999	in %	1998	in %	
Sales (net)	274.6	98.1	200.6	96.7	36.9 %
Change in finished goods and work in progress	-0.1	0.0	0.1	0.0	-200.0 %
Other operating revenues	5.3	1.9	6.9	3.3	-23.2 %
<i>Operating revenues</i>	<i>279.8</i>	<i>100.0</i>	<i>207.6</i>	<i>100.0</i>	<i>34.8 %</i>
Material costs	-91.4	-32.7	-59.0	-28.4	54.9 %
Personnel costs	-98.5	-35.2	-78.5	-37.8	25.5 %
Depreciation	-8.5	-3.0	-7.9	-3.8	7.6 %
Other operating expenses	-48.5	-17.3	-35.1	-16.9	38.2 %
<b><i>Income from operations (EBIT)</i></b>	<b>32.9</b>	<b>11.8</b>	<b>27.1</b>	<b>13.1</b>	<b>21.4 %</b>
Financial income	0.8	0.3	0.6	0.3	33.3 %
Financial expense	-3.2	-1.1	-3.5	-1.7	-8.6 %
<i>Income before tax</i>	<i>30.5</i>	<i>10.9</i>	<i>24.2</i>	<i>11.7</i>	<i>26.0 %</i>
Taxes	-8.5	-3.0	-6.8	-3.3	25.0 %
<b><i>Net income for first half year</i></b>	<b>22.0</b>	<b>7.9</b>	<b>17.4</b>	<b>8.4</b>	<b>26.4 %</b>
Net income applicable to minority interests	0.1		0.0		
Half-year income per share in CHF	39.20		31.02		26.4 %
Half-year income + Depreciation	30.5	10.9	25.3	12.2	20.5 %
Investments in tangible and intangible assets	9.0		8.0		12.5 %
Employees (average)	2670		2128		25.5

**KABA GROUP PER 31.12.99**  
**CONSOLIDATED GROUP BALANCE SHEET**

<b>Assets (in CHF million)</b>	<b>31.12.99</b>	<b>%</b>	<b>30.6.99</b>	<b>%</b>	<b>31.12.98</b>	<b>%</b>
<i>Intangible assets</i>	4.5	1.2	5.0	1.5	3.5	1.2
<b>Fixed assets:</b>						
Land and buildings	74.8	20.0	75.6	22.8	75.4	25.3
Machinery and equipment	22.7	6.1	21.0	6.3	20.6	6.9
Furniture and fixtures	26.3	7.0	23.3	7.0	23.6	7.9
Payments on account and construction in progress	0.6	0.2	0.8	0.3	1.0	0.3
<b>Total fixed assets</b>	<b>124.4</b>	<b>33.3</b>	<b>120.7</b>	<b>36.4</b>	<b>120.6</b>	<b>40.4</b>
<b>Financial assets:</b>						
Advance financing participations			18.6	5.6		
Long-term loans and securities	5.0	1.3	4.8	1.5	4.9	1.7
<b>Total financial assets</b>	<b>5.0</b>	<b>1.3</b>	<b>23.4</b>	<b>7.1</b>	<b>4.9</b>	<b>1.7</b>
<b>Total long-term assets</b>	<b>133.9</b>	<b>35.8</b>	<b>149.1</b>	<b>45.0</b>	<b>129.0</b>	<b>43.3</b>
<i>Inventory</i>	81.6	21.8	72.7	21.9	65.8	22.1
<b>Receivables:</b>						
Trade accounts receivables	119.5	31.9	85.6	25.8	77.9	26.2
Other receivables	19.8	5.3	15.5	4.7	10.3	3.5
Accruals	3.2	0.9	2.0	0.6	1.2	0.4
<b>Total receivables</b>	<b>142.5</b>	<b>38.1</b>	<b>103.1</b>	<b>31.1</b>	<b>89.4</b>	<b>30.1</b>
<i>Marketable securities</i>	1.5	0.4	0.7	0.2	0.7	0.2
<i>Cash and cash equivalents</i>	14.6	3.9	6.0	1.8	12.9	4.3
<b>Total current assets</b>	<b>240.2</b>	<b>64.2</b>	<b>182.5</b>	<b>55.0</b>	<b>168.8</b>	<b>56.7</b>
<b>Total Assets</b>	<b>374.1</b>	<b>100.0</b>	<b>331.6</b>	<b>100.0</b>	<b>297.8</b>	<b>100.0</b>

**K A B A G R O U P P E R 3 1 . 1 2 . 9 9**  
**C O N S O L I D A T E D G R O U P B A L A N C E S H E E T**

<b>Shareholders' equity and liabilities (in CHF million)</b>	<b>31.12.99</b>	<b>%</b>	<b>30.6.99</b>	<b>%</b>	<b>31.12.98</b>	<b>%</b>
Shareholders' equity:						
Capital stock	22.5	6.0	22.5	6.8	22.5	7.5
Additional paid-in capital	54.1	14.5	54.1	16.3	54.1	18.2
Retained earnings	35.2	9.4	41.2	12.5	30.5	10.2
Minority interests	0.3	0.1	0.1	0.0	0.1	0.1
<b>Total Shareholders' equity</b>	<b>112.1</b>	<b>30.0</b>	<b>117.9</b>	<b>35.6</b>	<b>107.2</b>	<b>36.0</b>
Provisions:						
Provisions for pensions and related obligations	12.5	3.3	12.0	3.6	11.3	3.8
Provisions for taxes	28.5	7.6	25.7	7.7	26.1	8.8
Other provisions	40.3	10.8	33.8	10.2	29.0	9.7
<b>Total Provisions</b>	<b>81.3</b>	<b>21.7</b>	<b>71.5</b>	<b>21.5</b>	<b>66.4</b>	<b>22.3</b>
Long-term liabilities:						
Bank loans	41.7	11.2	40.1	12.1	42.6	14.3
Other long-term liabilities	5.7	1.5	1.9	0.6	2.0	0.7
<b>Total long-term liabilities</b>	<b>47.4</b>	<b>12.7</b>	<b>42.0</b>	<b>12.7</b>	<b>44.6</b>	<b>15.0</b>
Short-term liabilities:						
Trade accounts payable	34.2	9.1	22.5	6.8	20.4	6.8
Due to banks	73.6	19.7	54.7	16.5	42.2	14.2
Other short-term liabilities	23.7	6.3	16.4	4.9	15.8	5.3
Accruals	1.8	0.5	6.6	2.0	1.2	0.4
<b>Total short-term liabilities</b>	<b>133.3</b>	<b>35.6</b>	<b>100.2</b>	<b>30.2</b>	<b>79.6</b>	<b>26.7</b>
<b>Total Shareholders' equity and liabilities</b>	<b>374.1</b>	<b>100.0</b>	<b>331.6</b>	<b>100.0</b>	<b>297.8</b>	<b>100.0</b>



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



### **Convenience door, emergency exit and heat shield in one.**

As such, the Kaba Gilgen sliding fire-stop door is an ordinary, comfortable passageway for people. In the event of a fire, however, it doubles as a resistant fire barrier. For 30 minutes, it provides dependable protection against heat and an absolutely tight seal to effectively prevent the propagation of flames and smoke. Nonetheless, the escape route remains open, because in a fire alarm situation, the door panels can manually be pushed open. After it has been opened to allow an emergency exit, the invisibly integrated closer assures that the door is immediately returned to the sealed fire-stop position. The visually light and transparent-looking doors are EMPA-tested and VKV certification has been applied for.



### **Kaba drive for entrance doors**

The newly developed Kaba drive unit for cylinder locks makes it possible to automatically lock doors at arbitrarily defined times. Kaba drive provides a substantial gain in security, especially for the entrances and exits of office buildings and residences. The motor is disengaged when idle, so no extra effort is needed to operate the doors equipped with Kaba drive. The motor drive unit attaches to conventional rotary knob cylinders. The modular device consists of an actuator, a separate control unit, and an optional programming unit. Kaba drive applications extend from standalone solutions to fully networked facilities tailored to customer needs.



### **Bedanet – the internet compatible data terminal**

Bedanet is the next-generation time management terminal because it uses Java technology and has been designed to operate in totally open networks. The device is equipped with a graphic display controlled via a touchscreen, and it works like a network computer (NC). Thus, like all NCs, Bedanet accesses its applications from the network which also retrieves the data and supplies program and function updates. The network can be the Internet, an intranet, or an extranet. In the standalone mode, the data is buffered and processed directly in the terminal.

