Shareholder Newsletter No. 23
1. Half-Year Report
1 July to 31 December 2004

7 March 2005

Contents

Half-year results as at 31.12.2004 according to IFRS
Kaba posts strong earnings gain

- **Net profit at CHF 29.7 million after deduction of non-recurring refinancing charges of CHF 7.9 million (p.y.: CHF 21.9 million, +35.6%)**
- **EBIT rises by 14.5% to CHF 65.6 million despite currency translation loss of CHF 2.3 million**
- **EBIT margin improved from 11.9% to 13.3%**
- **Organic sales growth is 4.9%**
- **Reporting converted to IFRS**
- **Significant profit growth expected in 2nd half of the year**

Dear Kaba Shareholders,
dear Madam, dear Sir

For the first time, we are submitting an interim financial statement pursuant to the International Financial Reporting Standards (IFRS). In the near future, numerous listed Swiss companies as well as about 7000 companies domiciled in the EU will adopt the IFRS. For reasons of transparency, Kaba has resolved to initiate the transition to the IFRS with this semi-annual statement. The comparable figures for the 1st half of financial 2003/2004 (as at 31.12.2003) and for the twelve months of financial 2003/2004 (including all balance sheets and statements of cash flows) have also been restated retrospectively according to IFRS conventions to assure comparability. Because of the transition and the associated reconciliations, this Shareholder Newsletter, as an exception, has nearly become as voluminous as the annual report (see adjacent table of contents).

In the first six months of financial 2004/2005, the Kaba Group was able to post a 4.9% increase in currency-adjusted sales versus the same prior-year period. Due to the massively weaker US dollar and the slightly weaker euro, however, reported sales increased by a mere 2.2% to CHF 492.5 million. Compared with the previous-year period, the average exchange rates for the period under review declined from CHF 1.33 to CHF 1.22 (–8.3%) for the US dollar and from CHF 1.548 to CHF 1.536 (–0.8%) for the euro.

Reported EBIT rose from CHF 57.3 million in the 1st half of 2003/2004 to CHF 65.6 million in the period under review. This is equivalent to a gain of 14.5%. Currency-adjusted EBIT advanced by CHF 10.6 million of 18.5%. The EBIT margin (net profit from operations in % of sales) improved from 11.9% to 13.3%. Thus, Kaba was able to generate the overproportional earnings increase forecast in September 2004.

Despite extraordinary release costs of CHF 7.9 million incurred in conjunction with interest rate hedges on the syndicated loan that was redeemed in October 2004, reported net profit climbed by CHF 7.8 million or 35.6% versus the comparison period (restated to IFRS) to close at CHF 29.7 million.

So far, Kaba submitted segment information that reflected the Group's organizational structure by divisions. The divisions were allocated to entire companies, even if they sold products of other divisions. Pursuant to the IFRS, business segments are now organized by product. In earlier annual reports and investor handbooks, Kaba had already presented this type of structure, which entails that an individual company that has different product categories will now appear in different product segments. This view prioritizes the homogeneity of business segments according to products.

An interpretation of the results of the individual business segments (see table "Segment reporting" at the end of the financial report) presented below should consider that the operating net profit of the segments (segment EBIT) has clearly increased as a consequence of the transition from Swiss GAAP FER to IFRS. This is because the costs incurred by Group headquarters and formerly debited to the segments are now lump-sum-expensed in the statement of net profit and no longer affect the EBIT of the individual segments.

Door Systems segment shows further improvement

The turnaround of Door Systems continued during the period under review. Sales in local currencies increased by 8.9 %. The EBIT margin increased from 4.3 % in the same prior-year period to 7.6 % in the first six months of this financial year. Absolute EBIT nearly doubled to CHF 9.8 million (CHF 5.1 million) in the last six months. The increasing growth and earnings momentum confirms that the right steps were taken to bring this division back on track.

Data Collection posts currency-adjusted growth of 5.3 %

The Data Collection segment, which includes the business of Kaba Benzing, reported currency-adjusted growth in sales of 5.3 %. However, the EBIT margin declined from 14.9 % to 12.6 %.

During the period under review, Kaba Benzing gained market share especially with orders that required the integration of products into data processing environments. The margin trend reflects the segment's effort to defend its leadership position in Germany as well as the continued depreciation of the US dollar, which depresses the prices of the products delivered to the sales company in Florida.

Access Systems posts high growth in America and Europe

The Access Systems segment is composed of mechanical and mechatronic locking systems as well as access control, hotel, and safe locks. The key cutting business in America is no longer part of this segment; it is now allocated to the Key + Ident Systems segment. This applies to the period under review and the prior-year period.

Worldwide, Access Systems was able to expand its local-currency sales by 2.4 %. The EBIT margin increased from 19.5 % in the year-ago period to 23.2 % for the period under review. Absolute EBIT rose by 17.9 % to CHF 48.0 million. At constant exchange rates, EBIT has increased by 22.6 % to CHF 49.9 million.

In Europe, Access Systems grows by 7.8 % and increases EBIT margin overproportionally

In Europe, the Access Systems segment boosted local-currency sales by 7.8 % to CHF 123.5 million. This resulted in gains of market shares in most of the local markets. The demand for safe locks imported from Kaba Americas is very reassuming as well. EBIT margin increased overproportionally. More and more customers focus on the «Total Access» strategy consequently implemented by Kaba and on the associated advantages, such as quality, flexibility and investment protection. In addition, refinements in processes using modern facilities increase the efficiency in the production and delivery processes.

In the Americas, Access Systems increases sales by 9.9 % and strengthens EBIT margin

Currency-adjusted sales in the Americas grew by 9.9 %. However, the continued depreciation of the US dollar reduced sales growth to 1.8 %. Reported sales closed at CHF 75.5 million. EBIT climbed above average. All business units were able to benefit from the broad rebound. The Canadian companies – they export mainly to the USA – were able to hold their positions fairly well, despite the difficult market conditions caused by the firmer Canadian dollar.

Weak demand in Asia Pacific depresses sales and takes EBIT into the red

In the 1st half of financial 2004/2005, Asia Pacific was the only region that had to report declining sales and earnings. The perceptible restraint in the marketplace caused local-currency sales to decline by 28.2 % to CHF 17.4 million. This downtrend also had an impact on EBIT which in comparison with the previous year (CHF +1.7 million) closed in negative territory at CHF –1.7 million.

During the period under review, the markets outside Japan remained sluggish: exports from Europe and America were exposed to mounting price pressure. To bypass this exposure, Kaba is currently building a sliding door manufacturing plant in China. Doing so will allow an intensification of local sourcing, which will strengthen our competitive position in Asia extensively.

Toward the end of the last financial year, it became apparent that the market in Japan was saturating. This trend has picked up speed and caused the lock manufacturers and distributors served by Kaba to trim their inventories. The decline in sales in Japan roughly corresponds to the above-mentioned downtrend in the entire Asian region. Moreover, the Japanese company had to absorb a loss of CHF 1 million from the surprising insolvency of its second-largest customer, the franchisor of a chain of hardware stores.

Key + Ident Systems (including Key Systems Americas) expands by 4.0 % and defends EBIT margin

Within the scope of the new segment reporting concept according to IFRS, the Key + Ident Systems segment not only includes the European Silca business but also Ilco’s key cutting business in the Americas (formerly in the Access + Key Systems Americas Division) as well as the Legic-RFID smartcard business (formerly in the Access Systems Europe Division). The Legic business includes the development and licensing of Legic components to more than 180 external and internal licensees. The production companies of Access Systems in Europe as well as Data Collection are important customers.

In Europe, sales generated by Key + Ident Systems picked up by 6.4 % to CHF 57.4 million. As a consequence of the productivity-enhancement measures introduced a year ago, the EBIT margin increased. The American key cutting business (sales CHF 49.6 million) suffered from a substantial increase in raw material prices. Ilco generated currency-adjusted sales growth of 1.7 % and reported a reduction of the EBIT margin. In the meantime, steps have been initiated to strengthen the company’s earnings potential, including price increases and cost cuts. Altogether, the EBIT margin kept the level of the previous year (11.5 % compared to 11.8 %).

Scope of debt reduction remains broad

Cash generated from operations reached CHF 53.3 million (p.y.: CHF 75.7 million). In the previous year this key figure was supported by the reduction of accounts receivables which was CHF 6 million higher than in the reporting period. In addition, free cash flow for the period under review has been influenced particularly by a CHF 14.3 million increase in inventory. The increase in inventory resulted from the introduction of new products and a change in procurement policy that reduces exposure to price increases, especially with respect to the purchase of raw materials and semi-finished products.

As a consequence of the refinancing round in October 2004, cash and cash equivalents were reduced from CHF 115.6 million as at 30.6.2004 to CHF 46.7 million as at 31.12.2004. Together with operating cash flow, the Group's gross debt declined from CHF 472.9 million as at 30.6.2004 to CHF 387.3 million as at 31.12.2004. Thus, Kaba cut debt by no less than CHF 85.6 million in the 1st half of financial 2004/2005.

Consolidated balance sheet still contains no goodwill

Total consolidated assets declined further, to some extent for currency translation reasons. As at 31.12.2004, total assets were CHF 80 million or 11% lower than as at 30.6.2004.
In the many years during which Kaba consistently applied Swiss GAAP standards, goodwill associated with acquisitions was always directly offset against shareholders' equity on the takeover date. For this reason, the consolidated balance sheet still shows slightly negative shareholders' equity. This will not change after the adoption of the IFRS. However, ongoing profit generation will probably lead to positive shareholders' equity as at 30.6.2005. The low net debt versus operating profit before depreciation testifies to the strength of Kaba's consolidated balance sheet.

Further profit growth expected in 2nd half of the year

For the 2nd half of the year (to close on 30.6.2005), Kaba expects a strong sustained EBIT trend. However, several reasons suggest that the status of the first six months of financial 2004/2005 will not be attained. Primarily, as experience shows, the 2nd half of the year is weaker for Access Systems in Europe and for Door Systems than the 1st half. Additionally, it will hardly be possible to offset the currency translation losses incurred as a result of the depreciation of the US dollar. Since currency losses already amounted to CHF 2.3 million in the 1st half of the year, the amount is likely to close around at least CHF 3.5 million for the entire financial year 2004/2005, assuming an unchanged average exchange rate of CHF 1.22 per dollar. Should the dollar trend more firmly, Kaba would, of course, benefit accordingly.

On the other hand, net profit in the 2nd half of financial 2004/2005 will reflect the elimination of the extraordinary refinancing charge of CHF 7.9 million incurred in the 1st half of the year. The tax rate for the 2nd half of the year (on profit before taxes) should amount to about 33 %, as was the case for the first six months.

We again expect profit growth in a strong double-digit magnitude in comparison with the IFRS figures of the prior year.

«Total Access» makes Kaba unique

With its globally unmatched «Total Access» strategy, Kaba is focused on holistic solutions for security, organization, and convenience in the domains of access to buildings and access to information. The systematic implementation of the «Total Access» strategy begins in the earliest conceptual phases when new products and product families are designed because all new modules must be compatible with all existing and future products.

Kaba is the only manufacturer that bundles locking technology and access control in one user-friendly system. In this context, Kaba relies on several core competencies in mechatronics (mechanical functions combined with the convenience of electronics) and in identification media (only one key or one card for all applications). For Kaba customers, the principal benefit of the «Total Access» strategy is investment protection.

Seventy percent of all «Total Access» systems and components are installed in existing buildings. For this reason, Kaba has only limited exposure to economic cycles and the business trend in the construction industry. The installed base of components and systems sold stabilizes income.

Thank you for your interest and for your confidence in the Kaba Group.

Sincerely yours, Kaba Holding AG

Rudolf Hauser
Chairman of the Board

Ulrich Graf
President and CEO

Consolidated income statement

In CHF million except per share amounts	Reporting Half-Year closed 31.12.2004	%	Financial Year closed 30.6.2004	%	Prior Half-Year closed 31.12.2003	%
Net Sales	**492.5**	**100.0**	**978.1**	**100.0**	**481.7**	**100.0**
Changes in finished goods and work in progress	2.1	0.4	7.6	0.8	2.2	0.5
Other operating income	5.8	1.2	12.8	1.3	5.5	1.1
Material expenses	–149.7	–30.4	–301.2	–30.8	–147.0	–30.5
Personnel expenses	–188.4	–38.3	–382.7	–39.1	–188.8	–39.2
Other operating expenses	–81.3	–16.5	–163.5	–16.7	–79.5	–16.5
Depreciation and amortisation	–15.4	–3.1	–32.8	–3.4	–16.8	–3.5
Operating profit (EBIT)	**65.6**	**13.3**	**118.3**	**12.1**	**57.3**	**11.9**
Financial expenses	–21.7	–4.4	–42.1	–4.3	–22.4	–4.7
Financial income	0.4	0.1	1.0	0.1	0.5	0.1
Profit before taxes	**44.3**	**9.0**	**77.2**	**7.9**	**35.4**	**7.3**
Income Taxes	–14.6	–3.0	–30.0	–3.1	–13.5	–2.8
Net profit before minority interests	**29.7**	**6.0**	**47.2**	**4.8**	**21.9**	**4.5**
Net profit applicable to minority interests	0.0		0.1		0.0	
Net profit excluding minority interests	29.7		47.1		21.9	
Basic earnings per share (in CHF)	8.3		13.2		6.1	
Diluted earnings per share (in CHF)	8.3		13.2		6.1	
Dividend per share (in CHF)			4.0			
Average number of full-time equivalent employees	5 863		5 889		5 927	

Consolidated balance sheet
Assets

In CHF million	Reporting Half-Year closed 31.12.2004	%	Financial Year closed 30.6.2004	%	Prior Half-Year closed 31.12.2003	%
Current assets						
Cash and cash equivalents	46.7	7.2	115.6	15.8	92.2	13.2
Accounts receivable trade	165.0	25.4	177.4	24.3	167.9	24.0
Inventories	180.6	27.8	171.2	23.5	170.7	24.4
Current income taxes	5.8	0.9	2.2	0.3	2.4	0.3
Other current assets	23.5	3.6	24.2	3.3	25.6	3.7
Total current assets	**421.6**	**64.9**	**490.6**	**67.2**	**458.8**	**65.6**
Non-current assets						
Property, plant and equipment	194.7	30.0	204.3	28.0	208.3	29.7
Goodwill and other intangible assets	9.2	1.4	7.8	1.1	6.4	0.9
Investments in associated companies	0.0	0.0	0.0	0.0	0.1	0.0
Non-current financial assets	3.5	0.5	2.6	0.4	2.5	0.4
Deferred income taxes	20.6	3.2	24.3	3.3	24.6	3.4
Total non-current assets	**228.0**	**35.1**	**239.0**	**32.8**	**241.9**	**34.4**
Total assets	**649.6**	**100.0**	**729.6**	**100.0**	**700.7**	**100.0**

Consolidated balance sheet
Liabilities and equity

In CHF million	Reporting Half-Year closed 31.12.2004	%	Financial Year closed 30.6.2004	%	Prior Half-Year closed 31.12.2003	%
Current liabilities						
Current borrowings	245.4	37.8	9.1	1.2	9.8	1.4
Accounts payable trade	52.3	8.1	60.7	8.3	53.7	7.7
Current income taxes	17.6	2.7	16.1	2.2	13.2	1.9
Accrued and other current liabilities	114.9	17.7	132.2	18.1	125.8	18.0
Provisions	11.3	1.7	12.8	1.8	14.0	2.0
Total current liabilities	**441.5**	**68.0**	**230.9**	**31.6**	**216.5**	**31.0**
Non-current liabilities						
Non-current borrowings	141.9	21.8	445.8	61.1	463.1	66.1
Accrued pension cost and benefits	64.3	9.9	65.5	9.0	66.2	9.4
Deferred income taxes	14.4	2.2	13.2	1.8	10.8	1.5
Other non-current liabilities	2.0	0.3	3.0	0.5	3.7	0.5
Total non-current liabilities	**222.6**	**34.2**	**527.5**	**72.4**	**543.8**	**77.5**
Total liabilities	**664.1**	**102.2**	**758.4**	**104.0**	**760.3**	**108.5**
Equity						
Share capital	35.7	5.5	35.7	4.9	35.7	5.1
Additional paid-in capital	545.2	83.9	545.0	74.7	543.7	77.6
Retained earnings	−587.6	−90.4	−609.2	−83.5	−638.3	−91.1
Treasury stock	0.0	0.0	0.0	0.0	0.0	0.0
Culmulative translation adjustment	−8.0	−1.2	−0.5	−0.1	−1.0	−0.1
Total shareholders' equity	**−14.7**		**−29.0**		**−59.9**	
Minority interests	0.2	0.0	0.2	0.0	0.3	0.0
Total equity	**−14.5**	**−2.2**	**−28.8**	**−4.0**	**−59.6**	**−8.5**
Total liabilities and equity	**649.6**	**100.0**	**729.6**	**100.0**	**700.7**	**100.0**

Consolidated statement of cash flows

In CHF million	Reporting Half-Year closed 31.12.2004	Financial Year closed 30.6.2004	Prior Half-Year closed 31.12.2003
Net profit	**29.7**	**47.2**	**21.9**
Depreciation and amortisation	15.4	32.8	16.8
Income taxes	14.6	30.0	13.5
Interest expenses	20.2	32.7	16.9
Interest income	–0.4	–0.9	–0.6
Exchange differences on loans	0.0	6.7	3.9
Loss (gain) on disposal of fixed assets, net	–0.3	–0.1	0.0
Change in accounts receivable trade	8.8	4.4	14.7
Change in inventories	–14.3	–0.6	0.1
Change in other current assets	–1.3	–0.5	–1.5
Change in accounts payable trade	–7.5	3.7	–3.5
Change in accrued pension cost	–1.2	0.1	0.1
Change in accrued and other current liabilities	–10.4	6.5	–6.6
Cash generated from operations	**53.3**	**162.0**	**75.7**
Income taxes paid	–11.4	–20.7	–8.9
Interest paid	–17.4	–26.3	–11.6
Interest received	0.4	0.9	0.6
Net cash from operating activities	**24.9**	**115.9**	**55.8**
Cash flows from investing activities			
Purchase of property plant and equipment	–9.0	–22.4	–10.7
Proceeds from sale of property plant and equipment	1.7	1.6	1.2
Acquisition of subsidiaries, net of cash acquired	–0.6	–2.5	–0.8
Sale of investment in associated companies	0.0	0.1	0.0
Purchases of other intangible assets	–2.8	–3.8	–1.6
Decrease of other non-current financial assets	0.3	0.0	0.2
Increase of other non-current financial assets	–1.2	0.0	0.0
Net cash used in investing activities	**–11.6**	**–27.0**	**–11.7**

In CHF million	Reporting Half-Year closed 31.12.2004	Financial Year closed 30.6.2004	Prior Half-Year closed 31.12.2003
Cash flows from financing activities			
Issuance (repayment) of short-term debt, net	239.2	–27.9	–27.0
Repayment of long-term debt	–305.6	–77.9	–57.5
Increase in other non-current liabilities	0.0	0.0	0.0
Decrease in other non-current liabilities	–0.1	–0.1	–0.1
Dividends paid to minority shareholders	0.0	–0.1	0.0
Treasury stock re-issued for cash	0.0	0.2	0.2
New shares issued	0.2	1.3	0.0
Dividends paid to company's shareholders	–14.3	–10.7	–10.7
Net cash used in financing activities	**–80.6**	**–115.2**	**–95.1**
Translation exchange differences	–1.6	–2.7	–1.4
Net increase (decrease) in cash and cash equivalents	**–68.9**	**–29.0**	**–52.4**
Cash and cash equivalents at beginning of period	115.6	144.6	144.6
Cash and cash equivalents at end of period	46.7	115.6	92.2
Net increase (decrease) in cash and cash equivalents	**–68.9**	**–29.0**	**–52.4**

Consolidated changes in equity for the 1st half of financial 2003/2004, for financial 2003/2004 and for the 1st half of financial 2004/2005, IFRS

In CHF million	Share capital	Additional paid-in capital[1]	Hedging reserve	Retained earnings	Treasury stock	Cumul. translation adjustm.	Minority interests	Total equity
Prior Half-Year closed 31.12.2003								
Opening Balance at 1.7.2003	**35.7**	**543.7**	**–13.8**	**–639.5**	**–0.2**	**0.0**	**0.2**	**–73.9**
Net profit				21.9				21.9
Dividend paid				–10.7				–10.7
New shares issued								0.0
Treasury stock purchased								0.0
Treasury stock re-issued					0.2			0.2
Changes in fair value of hedging instruments			4.9					4.9
Tax effect on changes in fair value of hedging instruments			–1.1					–1.1
Translation adjustments						–1.0	0.1	–0.9
Balance at 31.12.2003	**35.7**	**543.7**	**–10.0**	**–628.3**	**0.0**	**–1.0**	**0.3**	**–59.6**
Financial Year closed 30.6.2004								
Opening Balance at 1.7.2003	**35.7**	**543.7**	**–13.8**	**–639.5**	**–0.2**	**0.0**	**0.2**	**–73.9**
Net profit				47.1			0.1	47.2
Dividend paid				–10.7			0.1	–10.8
New shares issued		1.3						1.3
Treasury stock purchased								0.0
Treasury stock re-issued					0.2			0.2
Changes in fair value of hedging instruments			9.6					9.6
Tax effect on changes in fair value of hedging instruments			–2.0					–2.0
Translation adjustments						–0.4		–0.4
Balance at 30.6.2004	**35.7**	**545.0**	**–6.2**	**–603.1**	**0.0**	**–0.4**	**0.2**	**–28.8**

[1] Including equity conversion element of convertible debt 13.3

In CHF million	Share capital	Additional paid-in capital[1]	Hedging reserve	Retained earnings	Treasury stock	Cumul. translation adjustm.	Minority interests	Total equity
Reporting Half-Year closed 31.12.2004								
Balance at 1.7.2004	**35.7**	**545.0**	**–6.2**	**–603.0**	**0.0**	**–0.5**	**0.2**	**–28.8**
Net profit				29.7				29.7
Dividend paid				–14.3				–14.3
New shares issued		0.2						0.2
Treasury stock purchased								0.0
Treasury stock re-issued								0.0
Changes in fair value of hedging instruments			7.3					7.3
Tax effect on changes in fair value of hedging instruments			–1.1					– 1.1
Translation adjustments						–7.5		–7.5
Balance at 31.12.2004	**35.7**	**545.2**	**0.0**	**–587.6**	**0.0**	**–8.0**	**0.2**	**–14.5**

[1] Including equity conversion element of convertible debt 13.3

Notes to the consolidated interim financial statements

1 General information

Description of business

Kaba's strategy is to maximize the creation of value for the stakeholders by maintaining its focus on «Total Access» and thereby consolidating and developing the leading position it already holds in the areas of physical and logical access to sites, buildings, containers and enterprise data.

Kaba strives to offer its customers solutions that optimize the benefits in terms of security, organization and convenience.

Kaba's offering ranges from individual components, products and systems to fully integrated single source solutions.

«Total Access» as defined by Kaba means integrating the different product offers into a coordinated market approach. This is a continuous, long term process to promote Kaba's progress in the different markets step by step.

Kaba's activities can be divided into four business segments:

Door Systems

Door Systems consist of a flexible and extensive Kaba range of automatic doors, gates and wall systems. The full range also includes pedestrian interlocks and safety doors as well as platform screen doors for public transport systems.

Data Collection

With its Bedanet terminals, Kaba uses the latest computer and network technologies to offer all features and functions needed for integration in existing communications structures, and to fulfill all requirements of enterprise data collection and time management applications.

Access Systems

Kaba Access Systems consists of both mechanical and mechatronic high security cylinders as well as locks, stand-alone and online access control and time and attendance systems. The offering also includes safe and vault locks as well as lodging systems.

Key + Ident Systems

Key Systems consist of key blanks and key encoding machines for the duplication of keys. The business segment also includes contactless identification based on the Legic smart card technology.

The parent company of the Group is Kaba Holding AG, which is a company limited by shares and is incorporated and domiciled in Rümlang (Switzerland). The address of its registered office is as follows: Hofwisenstrasse 24, CH-8153 Rümlang.

The company is listed on the Swiss stock exchange (SWX).

2 Significant accounting policies

2.1 Basis of preparation

The consolidated interim financial statements of Kaba Group have been prepared under the historical cost convention, except as disclosed in the accounting policies below, and in accordance with IAS 34 which are part of International Financial Reporting Standards (IFRS) adopted by the International Accounting Standard Board (IASB) and comply with Swiss law. The financial statements are prepared in Swiss francs (CHF).

These are the Group's first consolidated interim financial statements prepared in accordance with IAS 34. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet as at 1 July 2003 for the purpose of the transition to IFRS.

The accounting policies have been applied consistently by Group companies.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows is provided in a separate section of this report.

A summary of the significant accounting policies is provided below.

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions which have an affect on the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions Kaba Group may undertake in the future, actual results may ultimately differ from those estimates.

2.2 Basis of consolidation

The consolidated interim financial statements of Kaba Group include the operations of Kaba Holding AG and all its direct and indirect subsidiaries in which Kaba Group controls more than 50 % of votes or otherwise has the power to govern the financial and operating policies.

The consolidated accounts are based on the annual financial statements of the individual subsidiaries. All companies follow uniform valuation and reporting practices prescribed by the Group.

Applying the full consolidation method, the assets, liabilities, income and expenses of all affiliates are included in their entirety. Minority interests in equity and profit are disclosed separately.

Subsidiaries are consolidated from the date at which control is acquired. The identifiable assets and liabilities are revalued and included according to the purchase method. Any differences between the cost of acquisition and the net assets acquired constitutes goodwill. The value of recorded goodwill is reviewed periodically and if management determines that an impairment in the net book value of the goodwill exists, an impairment loss is recognized. Subsidiaries sold are excluded from consolidation from the date on which control ceases.

All intercompany balances, transactions and intercompany profits are eliminated on consolidation.

Investments in associates and joint ventures where Kaba Group exercises significant influence, but does not have control, normally with an interest between 20 % and 50 %, are accounted for using the equity method of accounting. Under the equity method, investments in associated companies are initially recognised at cost and the carrying amount is increased or decreased to recognise Kaba Group's share in of the profit or loss of the investee after the date of acquisition. Investments in which Kaba does not have significant influence (usually in which Kaba Group's interest is less than 20 %) are recorded at fair value. They are classified as Available-For-Sale Investments (see note 2.5).

2.3 Foreign currency translation

The consolidated interim financial statements are presented in CHF, which is Kaba Group's functional and presentation currency. Items included in the financial statements of each Kaba Group company are measured using the currency of the primary economic environment in which that company operates (the functional currency).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. Non monetary assets and liabilities are translated using the exchange rate at the date of the transaction also at subsequent balance sheet dates.

Assets and liabilities of subsidiaries reporting in currencies other than CHF are translated at the rates of exchange prevailing at balance sheet date. Income, expenses, cash flows and other movement items are translated at the average exchange rates of the period.

On consolidation, exchange differences arising from the translation of the net investment in foreign companies and from borrowings and other currency instruments designated as hedges of such investments are taken to shareholders equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill arising on the acquisition of a foreign entity is treated as assets of the foreign company and translated at closing rate. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as part of the gain or loss on sale.

2.4 Cash and cash equivalents

Cash includes petty cash, cash at banks and cash on deposit. Cash equivalents include term deposits with banks and short-term money market investments carried at market value, both with original maturity dates of three months or less.

2.5 Financial assets

Kaba Group classifies financial assets in the categories: held for trading, available-for-sale and loans and receivables.

Marketable securities (held for trading) within current assets include all securities which can be readily realized, including short term money market investments with a maturity ranging from three to twelve months. Marketable securities are valued at fair value. Changes in fair value are recorded in the income statement.

Securities included in non-current financial assets are held as “financial instruments available for sale”. Available-For-Sale Investments are recorded at fair value, and fluctuations in value are recorded in shareholders’ equity. When such securities are sold, impaired or otherwise disposed of, the accumulated gains or losses since they were purchased which have previously been recorded in shareholders’ equity are reported in the financial result for the current period.

Loans are initially recorded at cost and subsequently measured at amortised cost.

2.6 Trade accounts receivable

Trade accounts receivable are recorded at nominal value. Allowances for doubtful accounts are established based on identifiable solvency risks and statistically determined credit risks.

The nominal value of trade receivables less the allowances for doubtful accounts approximate their fair values for disclosure purpose.

2.7 Inventories

Inventories are valued at the lower of purchase or manufacturing cost and net realizable value. Cost is determined using the weighted average method. Manufacturing cost includes direct labour and material as well as a commensurate share of related overhead cost. Allowances are made for obsolete and slow-moving items.

2.8 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Repairs and maintenance are expensed as incurred, while major renovations and improvements are capitalized as property, plant and equipment, if it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and are depreciated over their estimated useful lives.

Borrowing costs incurred during the construction of property, plant and equipment are expensed as incurred.

Depreciation is computed using the straight-line method based on the following estimated useful lives:

	Years
Buildings including investment property	20–50
Machinery, equipment, installations and tools	4–15
Other tangible fixed assets	3–15
Land is not depreciated	

All gains and losses on disposal of property, plant and equipment are recognized in the income statement. Items of minor value are charged directly to the income statement.

2.9 Intangible assets

Intangible assets embodying future economic benefits, such as acquired licences, patents and similar rights are capitalized and amortized on a straight line basis over a period not exceeding five years.

Goodwill, being the difference between the purchase price of acquisitions and the fair value of net assets acquired, is capitalized and assessed for impairment annually. Goodwill from acquisitions prior to the date of transition to IFRS was set off against shareholders' equity. In compliance with IFRS 1 Kaba elected not to apply IFRS 3 Business Combinations retrospectively to past business combinations.

All research costs are recognized in the income statement as incurred. Development costs are recognized as an asset only in rare cases and only to the extent, that specific recognition criteria are met and the amount recognized is assessed to be recoverable through future economic benefits.

2.10 Impairment of assets

Goodwill and other intangible assets with an indefinite useful life are reviewed for impairment losses annually. Property, plant and equipment and other non-current assets, including other intangible assets with a finite useful life are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets, whose carrying amount exceeds their recoverable amount, are written down to their recoverable amount. The recoverable amount is the higher of an asset's net selling price and an amount determined using the discounted net future cash flows expected to be generated by the asset. For the purpose of assessing impairment, assets are grouped in cash generating units for which cash flows are separately identifiable.

2.11 Leases

Assets acquired under leasing agreements which effectively transfer substantially all the risks and rewards incidental to ownership from the lessor to the lessee are classified as finance leases. Finance leases are recorded at amounts equivalent to the estimated net present value of the future minimum lease payments which approximate the fair value at the inception of the lease. The estimated net present value of the future minimum lease payments is recorded correspondingly as a finance lease obligation. Assets under finance leases are amortized over their estimated useful lives. Operating lease payments are charged to income on a straight line basis over the lease term.

2.12 Net sales and revenue recognition

Net sales include all sales of goods and related services, net of any sales reductions including rebates, discounts and other agreed deductions as well as value-added taxes and commissions.

Sales from supplied goods and services are recognized upon performance. Sales of goods are recognised when Kaba Group has delivered the products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Sales from long-term construction contracts are recognised applying the percentage-of-completion method. The respective stage of completion is measured by reference to the relationship of contract costs incurred for work performed to date proportional to the estimated total costs for the contract.

2.13 Retirement benefits

There are various employee benefit plans in existence within the Group which are individually aligned with local conditions in their respective countries. They are financed either by means of contributions to legally independent pension/insurance funds, or by recognition as liabilities in the balance sheet of the respective Group companies.

For defined contribution plans the net period cost to be recognized in the income statement equals the contribution made by the employer.

For material defined benefit plans the pension costs in each period are calculated on the basis of an actuarial valuation prepared for using the projected unit credit method. Such actuarial valuations are performed every third year, at the least.

The deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognized as a liability or an asset in the balance sheet, taking into account any unrecognized actuarial gains or losses and past service costs.

However, an excess of assets is capitalized only to the extent that it represents a future economic benefit which is actually available to the Group, for example in the form of refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. They are recognized in the balance sheet to the extent that they exceed 10 % of the greater of the present value of the benefit obligation or of the fair value of plan assets. Such exceeding amounts are charged or credited to income in equal amounts over the estimated remaining service lives of participating employees.

2.14 Provisions

Provisions are recorded

- when the Group has an actual obligation (legal or constructive) as a result of a past event,
- when it is probable that a use of resources will be required to settle the obligation, and
- when the amount of the obligation can be reliably estimated.

Costs relating to restructuring plans or agreements, including the reduction of excess staffing, the discontinuation of certain activities or the streamlining of facilities and operations and other restructuring measures, are recorded in the period in which the Group commits itself to a plan and it is announced.

2.15 Financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The nominal value of trade accounts payable approximates the fair value for disclosure purposes.

When convertible bonds are issued, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is recorded as a non-current liability on the amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' equity; the value of the conversion option is not changed in subsequent periods.

2.16 Income taxes

Current income taxes are based on taxable income of the current year and charged to income as incurred.

Deferred income taxes are determined using the liability method with the applicable enacted income tax rates applied on a comprehensive basis to all temporary differences. Tax savings resulting from tax losses carried forward applicable to future taxable income and other deferred income tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.17 Earnings per share

Basic earnings per share are calculated by dividing net income by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share also include all potentially dilutive effects.

2.18 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative financial instrument is designated as hedging instrument or not.

- Derivatives that do not qualify for hedge accounting: Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

- Cash flow hedges: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non financial asset (e.g. inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

2.19 Financial risk management

Risk policy

The Group is exposed to various financial market risks primarily in connection with fluctuations in foreign exchange rates and interest rates. Management monitors these risks on a regular basis. In managing the exposure resulting from such fluctuations, the Group uses derivative financial instruments wherever management deems it appropriate to do so in all the prevailing circumstances. Counter parties involved are high ranking financial institutions. The Group does not enter into financial transactions if the associated risk cannot be estimated, e.g. no uncovered short transactions are executed. Hedging transactions always relate to existing assets and liabilities or to highly probable future business transactions.

Risk management also involves securing comprehensive and efficient insurance protection.

Liquidity risk

The Group treasury function ensures that optimal liquidity is available to the Group's operations at any time. Procurement of bank loans is managed centrally.

Interest rate risk

Financing and related interests are managed centrally. Cash and cash equivalents are invested on a short term basis. The interest rate risk is only hedged in limited cases. Management strives for a well-balanced mix of long- and short-term interest rates.

Foreign exchange risk

The Group is active all over the world and therefore exposed to fluctuations in exchange rates which affect the value of Group assets and income reported in Swiss francs. This relates mainly to the USD and EUR.

In most Group companies expenditures and earnings occur mainly in the local currencies of these companies and affect only the net payment flow. Investments in foreign companies are not hedged. As from 1 July 2004 foreign exchange risks on intercompany loans are covered to a large extent by forward exchange contracts. Future cash flows in foreign currencies are hedged in limited cases only.

Credit loss risk

Credit risks arise from the possibility that the counter partner to a transaction is unable or unwilling to fulfil its obligations and that the Group thereby suffers financial damage. Cash and cash equivalents are mainly held in the form of current accounts and current fixed-term deposits at banks. The counterparty risks are minimized and monitored via strictly limiting our associations to high ranking business-partners.

Trade receivables are monitored on an ongoing basis locally and via Group management reporting procedures. The credit risk is limited due to the wide distribution on Kaba customers among different business segments and geographical regions.

3 Transition from Swiss GAAP FER to IFRS

3.1 Reconciliation of net profit

In CHF million		Financial Year closed 30.6.2004	Prior Half-Year closed 31.12.2003
Net profit before minority interests per Swiss GAAP FER		**56.8**	**26.2**
[2] IAS 12	Deferred income taxes	–2.9	–1.4
[3] IAS 18	Revenue recognition	–0.4	0.5
[4] IAS 19	Pensions	2.3	1.1
[5] IAS 21	Net investment in a foreign operation	–6.7	–3.9
[6] IAS 32	Convertible bond	–1.2	–0.6
[7] IAS 37	Provisions	–0.3	–0.2
[8] IAS 39	Derivative financial instruments	–0.5	–0.1
[9] IAS 8	Enhanced coverage of uniform accounting policies	0.0	0.3
All other		0.1	0.0
Net profit before minority interests per IFRS		**47.2**	**21.9**

3.2 Reconciliation of equity

In CHF million			Financial Year closed 30.6.2004	Prior Half-Year closed 31.12.2003	Opening Balance 1.7.2003
Equity per Swiss GAAP FER			**–24.0**	**–53.2**	**–62.8**
Translation exchange differences			0.3	0.2	0.0
[2]	IAS 12	Deferred income taxes	17.7	20.2	22.8
[3]	IAS 18	Revenue recognition	–1.7	–0.8	–1.3
[12]	IAS 19	Long term employee benefits	–1.6	–1.6	–1.6
[4]	IAS 19	Pensions	–32.3	–33.5	–34.6
[5]	IAS 21	Net investment in a foreign operation	0.0	0.0	0.0
[6]	IAS 32	Convertible bond	10.7	11.3	11.9
[7]	IAS 37	Provisions	11.8	11.9	12.1
[8]	IAS 39	Derivative financial instruments	–7.7	–11.9	–16.7
[9]	IAS 8	Enhanced coverage of uniform accounting policies	–2.3	–1.3	–1.6
[10]	IFRS 1	Contingent payment on acquisition prior to first time application of IFRS	–0.3	–1.1	–2.0
[11]	IFRS 3	Business Combinations	0.5	0.0	0.0
All other			0.1	0.2	0.1
Treasury stock			0.0	0.0	–0.2
Equity per IFRS			**–28.8**	**–59.6**	**–73.9**

3.3 Transition explanations

Kaba Group has elected the following optional exemptions from full retrospective application:

Business Combination exemption

Kaba Group has elected to use the business combination exemption in IFRS 1 and will not restate business combinations that took place prior to the 1 July 2003 transition date.

Employee benefit exemption

Kaba Group has elected to recognize all cumulative actuarial gains and losses at the 1 July 2003 transition date.

Cumulative translation differences exemption

Kaba Group has elected to use the exemption of setting the previously accumulated cumulative translation to zero. This exemption has been applied to all subsidiaries in accordance with IFRS 1.

[2] **IAS 12 Deferred income taxes**
Under Swiss GAAP FER Kaba Group elected to abstain from capitalising any deferred income tax assets from both the carryforward of unused tax losses and from the deductible temporary differences. According to IAS 12 deferred income taxes are recognised for all carryforward of unused tax losses as well as from deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. At the transition date 1 July 2003, the deferred tax asset relating to loss carryforwards amount to approximately CHF 6 million. Further significant equity impacts related to deferred taxes arise e.g. from

- recognising deferred tax assets from deductible temporary differences,
- the application of IAS 19 (Pensions) and IAS 39 (Hedge Accounting) related to interest rate swaps as referred to in note 8 below,
- the effect on the elimination of intercompany profits on inventory as well as
- the impact on deferred taxes of all other valuation differences between IFRS and Swiss GAAP FER.

[3] **IAS 18 Revenue recognition**
Under Swiss GAAP FER revenue was recognised separately for certain elements of contracts which were invoiced to and paid by customers independently from each other. According to IAS 18 revenue for such contracts is only recognised when all elements are complete.

4) IAS 19 Pensions

Under Swiss GAAP FER Swiss and Italian pension plans were treated as defined contribution plans. Under a defined contribution plan the pension plan obligation is determined by the contribution payable for the period. Under IAS 19 these plans are treated as defined benefit plans and, accordingly, an actuarial valuation was performed in the course of transition. Under a defined benefit plan actuarial assumptions are required to measure the obligations and the expense. As a result a pension liability was recognized under IFRS, but was not recognized under Swiss GAAP FER, which used a cash basis.

The different treatment mainly of the Swiss pension plans under Swiss GAAP FER and IFRS accounts for about CHF 23 million of the related impact on equity at the transition date which approximately represents the funded status (excess of the present value of the obligation [CHF 193 million] over fair value of planned assets [CHF 170 million]). The net periodic pension cost according to IFRS for the full year 2003/2004 amount to CHF 4.2 million whereas the contribution paid by the employer was CHF 6.6 million.

The following actuarial assumptions for the Swiss pension plans were applied:

Discount rate	3.5 %
Expected net return on plan assets	4.25 %
Projected average future salary increases	2.5 %
Projected pension benefit increases	0.5 %

The remaining impact on equity is the result of Kaba's decision to recognize at the 1 July 2003 transition date all cumulative actuarial gains and losses of pension plans (approximately CHF 7 million) which were considered defined benefit plans even under Swiss GAAP FER.

5) IAS 21 Net investment in a foreign operation

Under Swiss GAAP FER intercompany loans were generally considered as part of a net investment in a foreign operation. Foreign exchange gains and losses were recorded in equity and transferred to the income statement only on disposal of the net investment. Applying IAS 21 foreign exchange gains and losses in relation to intercompany loans are normally recognised in the income statement. As from 1 July 2004 Kaba is hedging intercompany loans against currency fluctuations.

[6] **IAS 32 Convertible bond issuance (compound instruments)**
Contrary to IAS 32 no equity element was recorded on initial recognition of the convertible bond under Swiss GAAP FER. Under IAS 32 a convertible bond is required to be separated into a liability and equity component. The additional amount to be amortized due to this equity component is reflected in the difference between interest expenses under IFRS and Swiss GAAP FER. At the issue date the equity component amounted to CHF 13.3 million. The difference in accumulated interests between Swiss GAAP FER and IFRS on the transition date amounted to 1.4 million, the net equity impact to CHF 11.9 million and the liability element to CHF 129.5 million. The liability element is increased periodically in future periods reflecting amortised cost at each balance sheet date.

[7] **IAS 37 Provisions**
Under Swiss GAAP FER provisions were recognised when an outflow of resources seemed possible. Applying IAS 37 a provision is only recognised when an entity has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. A provision for environmental risks in the amount of CHF 10 million which was recorded under Swiss GAAP FER but does not qualify as a provision under IFRS accounts for the major part of the impact on equity.

[8] **IAS 39 Derivative financial instruments**
Under Swiss GAAP FER the fair value of derivative financial instruments was disclosed in the notes to the financial statements only. Under IAS 39 derivative financial instruments are initially recognised at cost and subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether hedge accounting was applied or not:

a) Certain derivative transactions do not qualify for hedge accounting and the changes in fair value should be recorded in the income statement.

b) Certain derivative transactions qualify for cash flow hedges and the gains and losses are deferred in equity (effective portion) and will be recognized in the income statement according to the revenue/expense recognition of the underlying hedged item.

The difference in equity between Swiss GAAP FER and IFRS relates mainly to swaps in interest rates in connection with long term syndicate bank loans. These loans were repaid and the swaps terminated in October 2004. The remaining fair value at the termination date in the amount of approximately CHF 5.5 million was recognised in the income statement of the reporting period.

[9] **IAS 8 Uniform accounting policies**
According to IAS 8 an entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions. Even if this principle was applied already under Swiss GAAP FER an extension of uniform accounting principles in relation to the calculation of warranty provisions, bad debt allowances, inventory allowances for slow moving items, the permitted range for useful lives of tangible fixed assets and the specification of which contracts shall be considered construction contracts was introduced as from the transition date.

[10] **IFRS 1 Contingent payment on acquisitions prior to first time application of IFRS**
Under Swiss GAAP FER goodwill was recognized as a deduction from equity, and contingent payments on acquisitions were disclosed only in the notes. With the application of IFRS 1 contingent payments are recognised in retained earnings on the later of the transition date or the date when they became probable.

[11] **IFRS 3 Business combinations**
With the application of IFRS 3 intangible assets were identified and recognised which were designated as goodwill and set off directly from retained earnings under Swiss GAAP FER.

[12] **IAS 19 Long term employee benefits**
Under Swiss GAAP FER certain long term employee benefits, mainly jubilee bonuses, were recorded in the period in which the employee was entitled to the benefit. Under IFRS these long term employee benefits are measured using a simplified method in accordance with IAS 19 and recognised as a liability in the balance sheet.

Changes in cash flow statement

Under IFRS the cash flow statement was prepared applying average foreign exchange rates to convert cash flows from assets and liabilities, whereas under Swiss GAAP FER foreign exchange rates at the end of the accounting period were applied. Therefore individual line items vary.

Contrary to IFRS, under Swiss GAAP FER the fund included marketable securities. Due to the small amount of such securities the impact on the fund is immaterial.

4 Segment reporting

In CHF million	Door Systems	Data Collection	Access Systems	Key + Ident Systems	Other/Eli-minations/Finance	Group
Prior Half-Year closed 31.12.2003						
Net sales third parties	117.0	36.3	207.0	103.1	18.3	481.7
Intercompany sales	1.2	1.3	1.2	2.1	–5.8	0.0
Total segment sales	**118.2**	**37.6**	**208.2**	**105.2**	**12.5**	**481.7**
Segment operating profit (EBIT)	**5.1**	**5.6**	**40.7**	**12.4**	**–6.5**	**57.3**
In % of segment sales	4.3%	14.9%	19.5%	11.8%	N/A	11.9%
Reporting Half-Year closed 31.12.2004						
Net sales third parties	127.8	38.0	205.7	102.0	19.0	492.5
Intercompany sales	0.7	0.9	1.1	2.4	–5.1	0.0
Total segment sales	**128.5**	**38.9**	**206.8**	**104.4**	**13.9**	**492.5**
Segment operating profit (EBIT)	**9.8**	**4.9**	**48.0**	**12.0**	**–9.1**	**65.6**
In % of segment sales	7.6%	12.6%	23.2%	11.5%	N/A	13.3%
Segment operating profit currency adjusted	**9.8**	**4.9**	**49.9**	**12.4**	**–9.1**	**67.9**
Growth segment sales	10.3	1.3	–1.4	–0.8	1.4	10.8
In %	8.7%	3.5%	–0.7%	–0.8%	N/A	2.2%
Whereof currency impact	–0.2	–0.7	–6.3	–5.0	–0.4	–12.6
In %	–0.2%	–1.9%	–3.0%	–4.8%	N/A	–2.6%
Currency adjusted internal growth segment sales	10.5	2.0	4.9	4.2	1.8	23.4
In %	8.9%	5.3%	2.4%	4.0%	N/A	4.9%

Review report to the Board of Directors Kaba Holding AG, Rümlang

According to your request, we have reviewed the consolidated interim financial statements (consolidated income statement, consolidated balance sheet, consolidated statement of cash flows, consolidated changes in equity and condensed notes to the consolidated interim financial statements on pages 7 to 27) of Kaba Holding AG for the period ended 31 December 2004.

These consolidated interim financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on the consolidated interim financial statements based on our review.

Our review was conducted in accordance with auditing standards promulgated by the Swiss profession and with International Standards on Review Engagements (ISREs), which require that a review be planned and performed to obtain moderate assurance about whether the consolidated interim financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements have not been properly prepared, in all material respects, in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

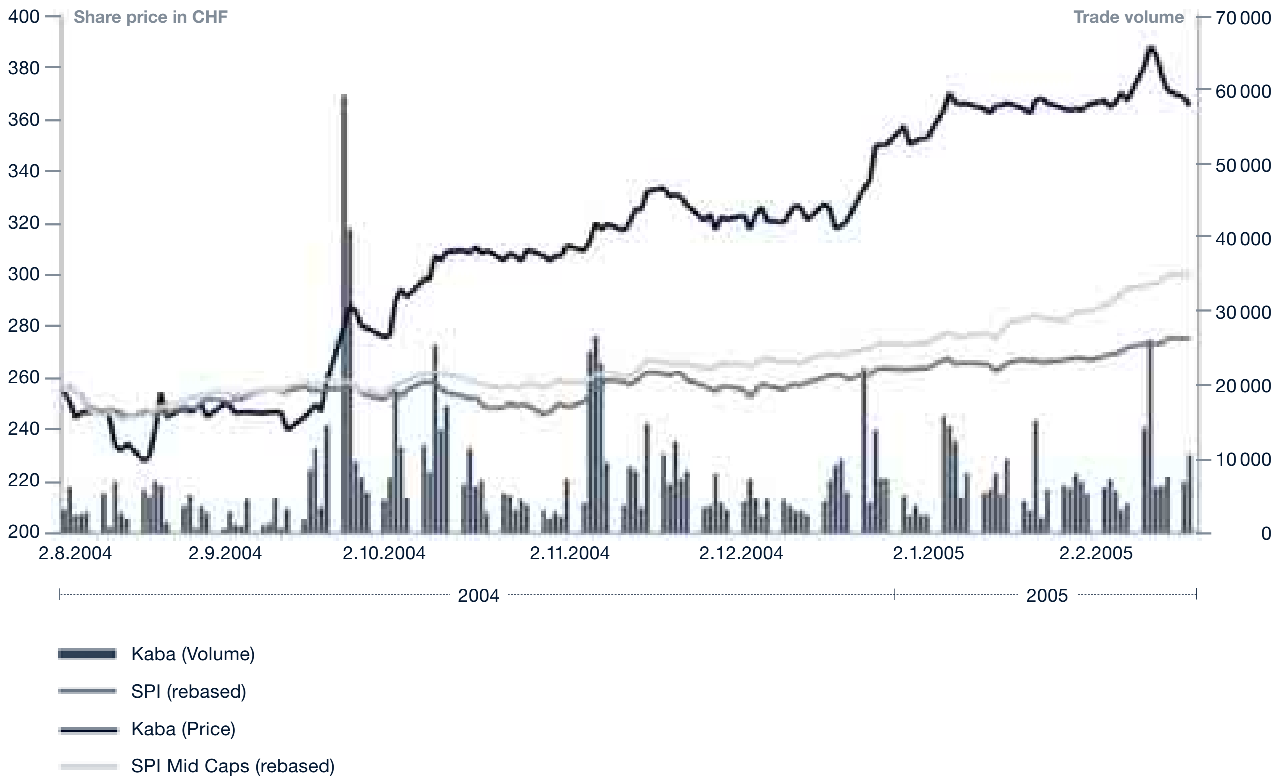
PricewaterhouseCoopers AG

St. Räbsamen A. Frieser

Stefan Räbsamen Arno Frieser

Zurich, 21 February 2005

Development of share price



Agenda

Monday, 19 September 2005

Presentation for financial analysts
Financial press conference
Shareholder Newsletter with the results of financial 2004/2005 and the Outlook for financial 2005/2006
Mailing of Annual Report
Invitation to Annual General Meeting

Tuesday, 25 October 2005, 3 p.m.

Annual General Meeting of Kaba Holding AG

Monday, 6 March 2006

Shareholder Newsletter and press release on the semi-annual results as at 31 December 2005

Please visit our Web site.
At www.kaba.com, you will find a ticker with the current price of Kaba shares, our latest press releases, the Annual Report as at 30 June 2004, the recently published Kaba Sustainability Charta, and our informative Investor's Handbook. And finally, our site acquaints you with new Kaba products and systems that address your personal security and convenience needs.

Imprint

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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