Nr. 27

Shareholder Newsletter 1st Half-Year Report – 1 July to 31 December 2006

Kaba increases sales by 16 % and earnings per share by 15 %

Half-year results as at 31. 12. 2006

- Net profit up by 19.9 % to CHF 42.2 million
- Purchase Accounting on acquisitions reduces net profit by CHF 3.7 million
- EBITDA margin improves from 15.3 % to 15.8 % (currency-adjusted)
- Sales growth of 5.1 % currency- and acquisition-adjusted
- Solid organic growth in all regions

Dear Shareholders
Dear Madam, Dear Sir

In the first half of the 2006/2007 financial year, the Kaba Group posted strong double-digit growth as expected. As at 31 December 2006, half-year sales had increased by 16 % against the same period of the previous year to reach CHF 590.3 million. Of the total CHF 81.4 million increase in net sales, CHF 58.9 million was the result of the acquisitions of the Wah Yuet Group in P.R. China (consolidated from 10 August 2006) and of CSS in the USA (consolidated from 1 October 2006). Acquisition-driven sales growth was 11.6 %. Net currency effects removed CHF 3.3 million or 0.6 % from the net sales figure. Compared with the same period of the previous year, the average rate for the US dollar fell from CHF 1.292 to CHF 1.233 (−4.6 %), whilst the average rate for the euro rose from CHF 1.552 to CHF 1.583 (+2.0 %). The Asian currencies weakened against the Swiss franc.

EBIT improved almost in proportion to the growth in net sales. At CHF 70.9 million, it was up 15.3 % against the CHF 61.5 million recorded in the first half of 2005/2006. The newly consolidated companies contributed CHF 6.6 million or 10.7 % to this increase. Net currency effects reduced total growth by CHF 0.9 million or 1.4 %. The EBIT margin nonetheless held steady at 12.0 % (12.2 % at the same time last year) on the sharply increased net sales. CHF 5.2 million was charged against EBIT for Purchase Accounting on acquisitions. These expenses were the result of the Group's acquisitions and had nothing to do with operational performance of the acquisitions. The figure for EBITDA (operational earnings before depreciation and amortization) rose on a currency-adjusted basis by 20.7 % to CHF 93.2 million, resulting in a pleasing increase in the EBITDA margin from 15.3 % to 15.8 %.

Net profit was up from CHF 35.2 million at the same time last year to CHF 42.2 million, an increase of 19.9 %. Before Purchase Accounting, net profit was approximately CHF 45.9 million. In operational terms, profit therefore improved by a substantial 30.4 %.

A pause in growth for Door Systems

After several very good years, Door Systems saw a pause in growth in the period under review. This was caused by reduced activity after the completion of some large projects for installation of platform screen doors on the Hong Kong metro and before the start of a new project on Shanghai's metro. In this commission running until the summer of 2008, Kaba will equip 20 platforms on Shanghai Traffic Line 9 with around 600 automatic doors. The project volume amounts to CHF 4.7 million. The other areas of business performed well. The security doors business posted double-digit growth rates. Currency-adjusted sales were more or less maintained. The EBIT margin declined slightly to 8.7 % (previous year: 9.1%).

Access + Data Systems achieves clear and profitable growth in all regions

The Access + Data Systems segment brings together mechanical and mechatronic locking systems, electronic access control as well as hotel and safe locks. Since 1 July 2006, the segment has also included Data Collection, which was previously a separate segment. The figures for the previous year have been set out on a comparable basis.

Access + Data Systems increased its global sales by 27.9 % to reach CHF 319.3 million. The newly acquired Wah Yuet Group (consolidated from 10 August 2006) and CSS (consolidated from 1 October 2006) contributed CHF 57.9 million. The depreciation in the US dollar and in the Asian currencies and the appreciation in the euro reduced the sales figure by CHF 3.3 million or 1.3 % on balance. Currency- and acquisition-adjusted, Access + Data Systems grew 6.0 % (previous year: 3.7 %). The expansion of the consolidated Group caused the EBIT margin to fall from 20.5 % in the previous year to 18.3 %. This margin is still well above the sector average. In purely operational terms, i.e. before Purchase Accounting, EBIT was CHF 5.2 million higher in the half-year under review; this equates to an EBIT margin of 19.9 %.

Streamlined market presence in Access + Data Systems EMEA proves its worth

In EMEA (Europe, Middle East and Africa), the Access + Data Systems segment posted growth of 8.2 % to reach CHF 179.9 million. Currency- and acquisition-adjusted, the increase was 5.9 %. This growth is broadly based across the whole market. Acquisition-adjusted, the EBIT margin held steady.

Key to the growth and sustainable profitability of the segment were a clear product line policy and distribution structures closely in touch with the market. In EMEA, Kaba sells a unified and compatible assembly of locking systems, access control, workforce management systems and integrated solutions. The range of locking systems is based on just two product lines: The high-end products are sold under the Kaba brand, whilst the mid-range products are distributed under the Gege brand. Access control and workforce management solutions are sold under the Kaba brand in direct business, and on the Kaba Benzing platform in indirect business via software partners. All products are compatible across the range. All mechatronic and electronic products, such as lock cylinders, locks, readers and terminals, are RFID compatible (Legic) and can be used as a complete system with a contactless identification medium (key or card). Across the European market, this contiguity of products makes Kaba a highly competent and efficient source for the implementation of major turnkey solutions and a solid partner for software houses and the specialist security trade. Moreover, a concentrated product range enhances the exploitation of synergies.

The unified distribution structure introduced on 1 July 2006 and the concentration of product innovation within competence centers have proved their worth. The Kaba Group is the first and only provider in the security industry to have structured its operations to meet future market needs in terms of swifter innovation and to manage different distribution channels. The new structure, which enlarges the field of potential customers and makes cross-selling easier, has proved itself in the core markets of Switzerland, Germany, Austria and France; it will be introduced in the other European countries in the second half of the year.

Access + Data Systems in the Americas achieves growth of 35.2 %

Sales in this region grew by 35.2 % to CHF 104.4 million. This figure is all the more impressive given that it does not include the Wah Yuet Group's substantial OEM business (Original Equipment Manufacturer) in the US; those sales are incorporated in Access + Data Systems Asia Pacific.

Newly acquired CSS – one of the world's leading manufacturers of electronic hotel and security locks with the Saflok and La Gard brands – contributed CHF 22.8 million or 29.5 % to growth in its first three months after first consolidation. The depreciation of the US dollar had a negative impact on the sales figure of CHF 3.9 million or 5 %. Currency- and acquisition-adjusted, the figure for growth was a respectable 10.8 %.

Against the second half of last financial year, when sales rose 5.4 %, growth accelerated due to new product introductions along with increased government and commercial spending on security. We expect further impetus to growth from the new US-government standards for electronic access control.

In existing operations, the EBIT margin was once again above the sector average in the first half of 2006/2007. Key to this success is a consistently lean organizational structure and an unremitting emphasis on cost management. Being around the sector average, the profitability of CSS, acquired 1 October 2006, led to a reduction in the average EBIT margin in the Americas. The margin also felt the impact of one-off restructuring costs in the order of CHF 1 million. Integration of CSS is proceeding according to plan.

Acquisition of Wah Yuet makes its impression on Access + Data Systems in Asia Pacific

The inclusion of figures for the Wah Yuet Group as of 10 August 2006 made a significant impression on overall performance in the Asia Pacific region. Mainly because of that, sales climbed from CHF 16.8 million to CHF 49 million. Currency- and acquisition-adjusted, growth was 3.0 % (– 6.6 % in the previous year).

The EBIT margin is approaching the usual industry values. In the established distribution business, earnings performance was stabilized. The focus on Asia's promising markets and the energetic work on expanding sales are beginning to pay off. All resources generated continue to be invested in developing these markets. The Group's own supply units will also benefit from the expansion in Asian business in the form of additional contribution margin.

Integration of the Wah Yuet Group has begun according to plan. Wah Yuet has now started producing components which previously came from third-party suppliers in the US. In its established business, Wah Yuet strives to pass on to customers the exorbitant increases in raw material prices seen in the past half year. Also, negotiations are under way with various new OEM customers. Wah Yuet is supported in this by Kaba's American distribution setup. Profitability is clearly in excess of the sector average.

Key + Ident Systems records high organic growth and strengthens its EBIT margin

Currency- and acquisition-adjusted, Key + Ident Systems grew 12.2 % and improved its EBIT margin from 8.5 % to 10.6 %. This performance reflects strong demand in both Europe and the Americas. In Europe, organic growth was 7.8 %, with sales of CHF 65.2 million. And the Americas notched up a figure for growth of 21.8 % to CHF 58.5 million currency- and acquisition-adjusted. These growth rates also include price effects, which had a positive influence on the EBIT margin.

In the Americas, it eventually became possible to pass on raw material price increases to the customers. Also in indirect business in Europe, some part was passed on. Clearly, increases in raw material prices affect all producers in equal measure and are therefore generally passed on sooner or later. The sooner this happens, the more margins are spared. The passing on of price increases in raw materials is a delicate operation. If the market leader tries to compensate too quickly for the higher prices, smaller competitors may take advantage of this and gain market share.

Equity increases by CHF 110.8 million

In the period under review, equity increased partly as a result of the net profit of CHF 42.2 million achieved over the half-year period, and partly through the CHF 66.1 million in Kaba shares issued for the acquisition of Wah Yuet. Together with minor positions, these resulted in a CHF 110.8 million strengthening in equity.

Cash generated from operations, i.e. cash from ongoing business and from changes in net current assets, was around the same level as in the previous year at CHF 67.4 million (CHF 67.8 million at 31.12. 2005). Free cash flow (net, before dividends) was depleted in particular by spending for acquisitions, reaching CHF −213.0 million (previous year: CHF 41.6 million).

Outlook

We expect continued organic growth of around 4 %. Experience shows, however, that EBIT performance in Access + Data Systems in Europe and in Door Systems is weaker in the second half than in the first six months of the financial year. As a result, EBIT is likely to be lower than in the first half. For the newly consolidated units we anticipate a performance in line with that of recent months.

Because, unlike in the first half of the year, in the second half, financing costs for the recent acquisitions will be incurred for a full six months, net financial expenses will increase by around a third. The tax rate, which expresses taxes as a percentage of pre-tax profit, is determined by the mix of countries in which the profits were earned, and is likely to be around the same level as in the first half of the year.

The latest Total Access milestone: Kaba CardLink™

With its Total Access strategy, Kaba focuses on total solutions for security, organization and convenience when accessing buildings, installations and information. The solutions which Kaba offers go far beyond individual products and functions. An excellent example of the innovation and development capabilities of the Kaba Group can be seen in the integrated access system Kaba CardLink, the latest addition to the Kaba exos assembly of system components. For the first time, it allows integrated operation of online access control with unwired electronic door locks (standalone components) as part of one overall system.

CardLink stores individual access rights for the standalone components on the user's personal access medium (e.g. an RFID staff ID card or RFID key). The data are transferred from the RFID medium to the standalone components during user verification, without the user noticing. Conversely, and at the same time, the standalone components can also write certain data (e.g. low battery status) to the card. The next time the user enters the building, these data are transferred to the central system – again, without the user noticing – and then processed online. On top of this, the system provides another important security function: instead of issuing a general card authorization, the operator can set a specific time limit for the validity of the data carrier. If, for example, a period of two days' validity is set, the identification medium can no longer be used after this unless it has been revalidated by the operator in the meantime. This provides additional security for access to the building's interior and is perfectly suited to visitor management. Ideally, identification medium verification will take place when people first enter the building. That way, every member of staff will be on the system, making it much easier to know who is in the building.

CardLink enables an ideal combination of highly flexible online systems, meeting demanding requirements, with standalone components for areas with limited security needs. It goes without saying that Kaba CardLink – like all Total Access solutions – allows Kaba's customers maximum flexibility. All components are compatible with each other, and adjustments can be made at any time. Kaba guarantees total upward compatibility with new or future components, providing full protection for the customer's investment.

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

Sincerely yours,
Kaba Holding AG

Ulrich Graf
Chairman of the Board

Rudolf Weber
CEO

Consolidated income statement

in CHF million except per share amounts	Reporting Half-Year closed 31.12.2006		Financial Year closed 30.6.2006		Prior Half-Year closed 31.12.2005	
Net Sales	**590.3**	**100.0%**	**1,041.0**	**100.0%**	**508.9**	**100.0%**
Changes in finished goods and work in progress	2.6	0.4%	6.8	0.6%	2.8	0.6%
Other operating income	7.2	1.2%	12.1	1.1%	5.9	1.2%
Material expenses	−201.9	−34.2%	−329.4	−31.6%	−157.9	−31.0%
Personnel expenses	−214.5	−36.3%	−405.2	−38.9%	−198.5	−39.0%
Other operating expenses	−91.6	−15.5%	−174.9	−16.8%	−84.0	−16.5%
Depreciation and amortization	−21.2	−3.6%	−31.6	−3.0%	−15.7	−3.1%
Operating profit (EBIT)	**70.9**	**12.0%**	**118.8**	**11.4%**	**61.5**	**12.2%**
Financial expenses	−15.1	−2.6%	−23.9	−2.3%	−11.8	−2.3%
Financial income	1.0	0.2%	0.7	0.1%	0.4	0.1%
Profit before taxes	**56.8**	**9.6%**	**95.6**	**9.2%**	**50.1**	**10.0%**
Income Taxes	−14.6	−2.5%	−27.5	−2.7%	−14.9	−2.9%
Net profit before minority interests	**42.2**	**7.1%**	**68.1**	**6.5%**	**35.2**	**7.1%**
Net profit applicable to minority interests	0.0		0.0		0.0	
Net profit excluding minority interests	42.2		68.1		35.2	
Earnings per share						
Basic earnings per share (in CHF)	11.3		19.0		9.8	
Diluted earnings per share (in CHF)	11.3		19.0		9.8	
Average number of full-time equivalent employees	8,083		5,721		5,741	

Consolidated balance sheet
Assets

in CHF million	Reporting Half-Year closed 31.12.2006		Financial Year closed 30.6.2006		Prior Half-Year closed 31.12.2005	
Current assets						
Cash and cash equivalents	65.0	5.8%	38.8	5.6%	48.0	7.0%
Accounts receivable trade	226.9	20.1%	194.0	28.0%	182.8	26.5%
Inventories	245.3	21.8%	187.0	27.0%	187.5	27.2%
Current income taxes	10.9	1.0%	9.6	1.4%	5.3	0.8%
Other current assets	27.0	2.3%	24.0	3.4%	25.7	3.7%
Total current assets	**575.1**	**51.0%**	**453.4**	**65.4%**	**449.3**	**65.2%**
Non-current assets						
Property, plant and equipment	222.5	19.7%	195.8	28.3%	197.7	28.7%
Goodwill and other intangible assets	290.0	25.7%	16.9	2.4%	12.6	1.9%
Investments in joint ventures	2.4	0.2%	0.0	0.0%	0.0	0.0%
Non-current financial assets	13.7	1.2%	3.0	0.4%	4.0	0.6%
Deferred income taxes	23.9	2.2%	24.1	3.5%	25.0	3.6%
Total non-current assets	**552.5**	**49.0%**	**239.8**	**34.6%**	**239.3**	**34.8%**
Total assets	**1,127.6**	**100.0%**	**693.2**	**100.0%**	**688.6**	**100.0%**

Consolidated balance sheet
Liabilities and equity

in CHF million	Reporting Half-Year closed 31.12.2006		Financial Year closed 30.6.2006		Prior Half-Year closed 31.12.2005	
Current liabilities						
Current borrowings	389.2	34.5%	151.4	21.8%	171.3	24.9%
Accounts payable trade	69.0	6.1%	63.7	9.2%	56.6	8.2%
Current income taxes	26.8	2.4%	20.9	3.0%	20.9	3.0%
Accrued and other current liabilities	142.5	12.6%	137.1	19.8%	133.9	19.4%
Provisions	14.6	1.3%	11.9	1.7%	11.7	1.6%
Total current liabilities	**642.1**	**56.9%**	**385.0**	**55.5%**	**394.4**	**57.1%**
Non-current liabilities						
Non-current borrowings	206.3	18.3%	152.0	21.9%	148.4	21.6%
Accured pension cost and benefits	54.5	4.8%	53.8	7.8%	55.2	8.0%
Deferred income taxes	34.8	3.1%	23.1	3.3%	19.0	2.8%
Other non-interest bearing liabilities	1.6	0.2%	1.8	0.3%	1.9	0.3%
Total non-current liabilities	**297.2**	**26.4%**	**230.7**	**33.3%**	**224.5**	**32.7%**
Total liabilities	**939.3**	**83.3%**	**615.7**	**88.8%**	**618.9**	**89.8%**
Equity						
Share capital	19.7	1.7%	18.6	2.7%	35.8	5.2%
Additional paid-in capital	612.8	54.3%	546.9	79.0%	546.6	79.4%
Equity conversion element of convertible bond	9.3	0.8%	9.3	1.3%	9.3	1.4%
Retained earnings	−450.3	−39.9%	−492.7	−71.1%	−525.7	−76.4%
Treasury stock	−1.1	−0.1%	−1.9	−0.3%	0.0	0.0%
Culmulative translation adjustment	−2.1	−0.2%	−2.9	−0.4%	3.5	0.6%
Total shareholders' equity	**188.3**	**16.6%**	**77.3**	**11.2%**	**69.5**	**10.2%**
Minority interests	0.0		0.2		0.2	
Total equity	**188.3**	**16.7%**	**77.5**	**11.2%**	**69.7**	**10.2%**
Total liabilities and equity	**1,127.6**	**100.0%**	**693.2**	**100.0%**	**688.6**	**100.0%**

Consolidated statement of cash flows

in CHF million	Reporting Half-Year closed 31.12.2006	Financial Year closed 30.6.2006	Prior Half-Year closed 31.12.2005
Net profit	**42.2**	**68.1**	**35.2**
Depreciation and amortization	21.2	31.6	15.7
Income tax expenses	14.6	27.5	14.9
Interest expenses	15.6	22.2	11.1
Interest income	−0.9	−0.6	−0.3
Loss (gain) on disposal of fixed assets, net	−1.8	−0.2	0.0
Adjustment for non-cash items	0.9	0.9	0.8
Change in accounts receivable trade	3.7	−9.6	3.5
Change in inventories	−12.2	−6.9	−3.9
Change in other current assets	−1.6	1.9	0.2
Change in accounts payable trade	−4.0	0.5	−7.4
Change in accrued pension cost	−0.1	−2.0	−0.7
Change in accrued and other current liabilities	−10.2	6.6	−1.4
Cash generated from operations	**67.4**	**140.0**	**67.8**
Income taxes paid	−10.0	−21.7	−9.0
Interest paid	−7.0	−15.7	−4.9
Interest received	0.9	0.5	0.3
Net cash from operating activities	**51.3**	**103.1**	**54.2**
Cash flows from investing activities			
Purchase of property plant and equipment	−11.0	−26.8	−11.9
Proceeds from sale of property plant and equipment	5.8	1.1	0.5
Acquisition of subsidiaries, net of cash acquired	−254.4	0.0	0.0
Acquisition of joint venture	−2.4	0.0	0.0
Purchases of other intangible assets	−2.4	−7.9	−1.3
Decrease of other non-current financial assets	0.4	1.1	0.2
Increase of other non-current financial assets	−0.3	−0.2	−0.1
Net cash used in investing activities	**−264.3**	**−32.7**	**−12.6**
Cash flows from financing activities			
Issuance (repayment) of short-term debt, net	237.6	−54.9	−35.4
Proceeds from borrowing	0.8	0.0	0.0
Repayment of long-term debt	−0.1	−0.2	−0.3
Decrease in other non-current liabilities	−0.1	−0.2	0.0
Treasury stock purchased	0.0	−1.9	0.0
New shares issued	1.8	0.4	0.3
Dividends paid to companys' shareholders[1]	0.0	−17.2	0.0
Net cash used in financing activities	**240.0**	**−74.0**	**−35.5**
Translation exchange differences	−0.8	−1.4	−2.0
Net increase (decrease) in cash and cash equivalents	**26.2**	**−5.0**	**4.1**
Cash and cash equivalents at beginning of period	38.8	43.8	43.9
Cash and cash equivalents at end of period	65.0	38.8	48.0
Net increase (decrease) in cash and cash equivalents	**26.2**	**−5.0**	**4.1**

[1] 2005/2006 in the form of a repayment of par value (free of withholding tax).

Consolidated changes in equity for the 1st half of financial 2005/2006 and for the 1st half of financial 2006/2007

in CHF millon	Share capital	Additional paid-in capital	Equity convers. element of conv. Bond	Cash flow Hedging reserve	Retained earnings	Treasury stock	Cumul. translation adjustm.	Minority interests	Total share-holders' equity
Prior Half-Year closed 31.12.2005									
Balance at 30.6.2005	**35.8**	**545.5**	**9.3**	**0.0**	**−560.8**	**0.0**	**2.3**	**0.2**	**32.3**
Adjustment cash flow hedging reserve				−0.2					−0.2
Tax effect on adjustment cash flow hedging reserve				0.1					0.1
Net income directly recognised in equity				−0.1					−0.1
Net profit before minority interests					35.2				35.2
Total recognised income				−0.1	35.2				35.1
Dividend paid					0.0				0.0
New shares issued		0.3							0.3
Employee options granted		0.8							0.8
Translation adjustments					0.0	0.0	1.2		1.2
Balance at 31.12.2005	**35.8**	**546.6**	**9.3**	**−0.1**	**−525.6**	**0.0**	**3.5**	**0.2**	**69.7**
Reporting Half-Year closed 31.12.2006									
Balance at 30.6.2006	**18.6**	**546.9**	**9.3**	**0.0**	**−492.7**	**−1.9**	**−2.9**	**0.2**	**77.5**
Adjustment hedging reserve				−0.2					−0.2
Tax effect on adjustment cash flow hedging reserve				0.0					0.0
Net income directly recognised in equity				−0.2					−0.2
Net profit before minority interests					42.2				42.2
Total recognised income				−0.2	42.2				42.0
Dividend paid									0.0
New shares issued	1.1	65.0							66.1
Treasury stock re-issued						1.2			1.2
Valuation adjustment treasury stock					0.4	−0.4			0.0
Employee options granted		0.9							0.9
Translation adjustments							0.8	−0.2	0.6
Balance at 31.12.2006	**19.7**	**612.8**	**9.3**	**−0.2**	**−450.1**	**−1.1**	**−2.1**	**0.0**	**188.3**

Notes to the consolidated interim financial statements for the 1st half of financial 2006/2007

The unaudited half-year report as of 31 December 2006 was prepared in accordance with the accounting principles described in the Financial Statements 2005/2006 and the International Accounting Standard 34 on interim reports.

Effective for business years starting 1 January 2006 or later, the International Accounting Standard Board (IASB) implemented various International Financial Reporting Standards (IFRS) or revised existing International Accounting Standards (IAS).

The effect of these adjusted standards and new standards has no significant impact on the half year closing statements.

Acquisitions

During the first six month of the financial year 2006/2007 the Group has acquired the following companies:

Name	Place	Structure	Purpose	Acquisiton Date
Computerized Security Systems Group		Share deal, 100 %	Electronic lodging and security locks	29.9.2006
Computerized Security Systems Inc.	USA			
Saflok EMEA NV	Belgium			
Wah Yuet Group		Share deal, 80 %	Locks, Keys, Key blanks	10.8.2006
Wah Yuet (Ng's) Group Holdings Limited	British Virgin Islands			
Wah Yuet (Ng's) Overseas Company Limited	British Virgin Islands			
Wah Mei (Toishan) Hardware Co., Ltd.	China			
Wah Yuet Company Limited	Macao			
Path Line (China) Limited	Hong Kong			
Wah Yuet Industrial Company Limited	Hong Kong			
Small Acquisitions				
H. Cillekens & Zn. B.V.		Share deal, 100 %	Key blanks, Key machines	19.10.2006
ABUS Nederland B.V.		Share deal, 100 %	Key blanks, Key machines	19.10.2006
MR Electronic SA		Share deal, 100 %	Security locks	29.9.2006
Joint Ventures				
Tuff Engineering Private Ltd.		Share deal, 50 %	Key blanks	14.9.2006

If the acquisitions had occurred on 1 July 2006, consolidated net sales and consolidated gross profit for the half-year ended 31 December 2006 would have been CHF 621.8 million and CHF 48.4 million respectively.

Wah Yuet Group

in CHF millon	Fair value	Carrying amount
Cash and Cash Equivalents	6.2	6.2
Other current assets	21.6	21.6
Inventories	29.4	26.8
Property, plant and equipment	31.0	24.6
Intangible assets	56.2	0.0
Non-current financial assets	10.8	0.6
Other current liabilities	−6.7	−6.7
Deferred income taxes	−18.1	
Identifiable net assets acquired	**130.4**	**73.1**
Less cash and cash equivalents acquired	−6.2	
Own shares issued[1)]	−64.2	
Fair value put option	−48.3	
Goodwill	122.3	
Cash outflow on acquisitions	**134.0**	
thereof direct costs relating to the acquisition	1.2	

[1)] 196,910 shares at CHF 326 (closing rate at the Swiss Stock Exchange on 10 August 2006). The number of shares were determined based on a price of CHF 300.93 per Kaba share which represents the average price in the 30 days before the signing date.

On 10 August 2006, Kaba acquired 80 % of the issued share capital of Wah Yuet (Ng's) Group Holdings Limited. For the remaining 20 % of the company share capital reciprocal options have been put in place which cannot be exercised for at least 3 years. Applying a discount rate of 6 %, Kaba has recognised a liability in its Group Financial Statements for this 20 % representing the discounted redemption value in the event of an exercise of the put option. The redemption value is based on assumptions on the date of the exercise of the put option and the profit of Wah Yuet in the two years preceding the exercise. It is assessed and adjusted on each balance sheet date and it can vary considerably if the assumptions are changed. Adjustments of the redemption are debited or credited to goodwill. The change in the discount element of the liability is expensed as a finance cost.

The goodwill is attributable to Wah Yuet's strong position and profitability in its market and the significant synergies expected to arise after its acquisition by the Group.

The Group has yet to finalize the amount of the fair value of the net identifiable assets acquired. Adjustments of the fair value and the purchase price may be required.

The contribution of the acquisition to Net Sales and Net Profit amounts to CHF 33.7 million and CHF 7.6 million respectively.

Computerized Security Systems Group

in CHF millon	Fair value	Carrying amount
Cash and Cash Equivalents	0.3	0.3
Other current assets	18.2	18.2
Inventories	13.1	13.1
Property, plant and equipment	2.6	2.6
Intangible assets	34.1	0.0
Current borrowings	−0.9	−0.9
Other current liabilities	−16.8	−16.8
Deferred income taxes	7.2	2.2
Identifiable net assets acquired	**57.8**	**18.7**
Less cash and cash equivalents acquired	−0.3	
Goodwill	57.7	
Cash outflow on acquisitions	**115.2**	
thereof direct costs relating to the acquisition	1.5	

The goodwill is attributable to Computerized Security Systems strong position and profitability in its market and the significant synergies expected to arise after its acquisition by the Group.

The Group has yet to finalize the amount of the fair value of the net identifiable assets acquired. Adjustments of the fair value and the purchase price may be required.

The contribution of the acquisition to Net Sales and Net Profit amounts to CHF 24.2 million and CHF 0.7 million respectively.

Small Acquisitions

in CHF millon	Fair value	Carrying amount
Cash and Cash Equivalents	0.7	0.7
Other current assets	0.9	0.9
Inventories	1.7	1.7
Property, plant and equipment	0.1	0.1
Intangible assets	1.0	0.0
Non-current financial assets	−1.4	−1.4
Deferred income taxes	−0.1	0.1
Net assets of acquired minority interest	0.2	0.2
Identifiable net assets acquired	**3.1**	**2.3**
Less cash and cash equivalents acquired	−0.7	
Own shares issued[1)]	−1.2	
Goodwill	4.0	
Cash outflow on acquisitions	**5.2**	
thereof direct costs relating to the acquisition	0.3	

[1)] 3,299 shares at CHF 364.75 (closing rate at the Swiss Stock Exchange on 29 September 2006).

The Group has yet to finalize the amount of the fair value of the net identifiable assets acquired. Adjustments of the fair value and the purchase price may be required.

The contribution of the acquisitions to Net Sales and Net Profit amounts to CHF 1.0 million and CHF 0.0 million respectively.

Abolition of a contingent liability

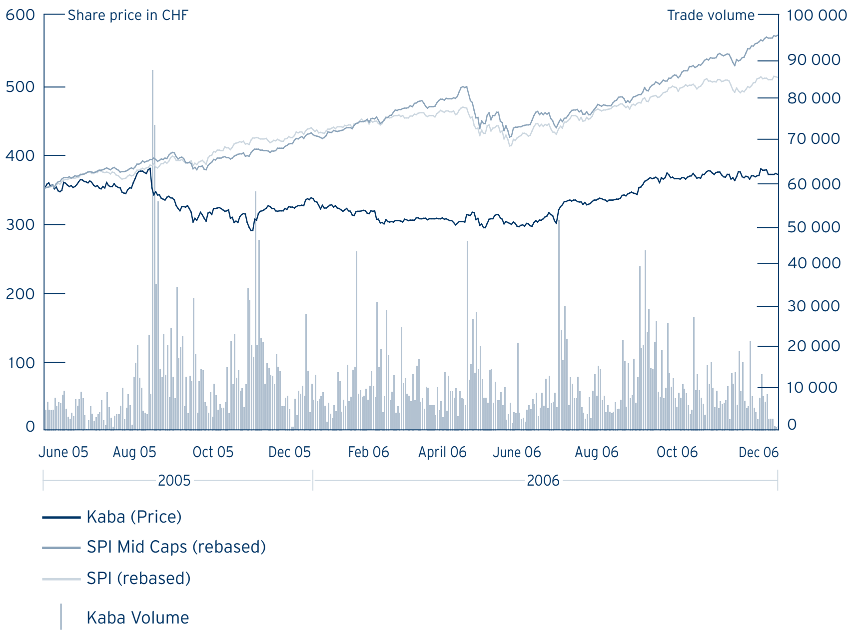
The claim for damages allegedly arising out of the supply of allegedly defective products (balancers) for approximately EUR 7 million has been dismissed by the Court of First Instance in Frankfurt, Germany, on 1 August 2006. This decision was not appealed and therefore has become final.

Segment reporting

Access Control and Data Collection were previously considered separate businesses. As an answer to the technical consolidation of software structures and to the increasingly identical requirements of customer's system- and network integration, sales, R+D and production departments of previously separate organizations were merged. These activities are now reported as segment Access + Data Systems.

in million CHF	Door Systems	Access + Data Systems	Key + Ident Systems	Other/ Eliminations/ Finance	Group
Prior Half-Year closed 31.12.2005					
Net sales third parties	134.0	248.7	105.9	20.3	508.9
Intercompany sales	1.1	0.9	2.1	−4.1	0.0
Total segment sales	**135.1**	**249.6**	**108.0**	**16.2**	**508.9**
Segment operating profit	**12.3**	**51.0**	**9.2**	**−11.0**	**61.5**
in % of segment sales	9.1%	20.5%	8.5%	N/A	12.2%
Reporting Half-Year closed 31.12.2006					
Net sales third parties	135.5	318.2	118.1	18.5	590.3
Intercompany sales	0.7	1.1	2.2	−4.0	0.0
Total segment sales	**136.2**	**319.3**	**120.3**	**14.5**	**590.3**
Segment operating profit	**11.8**	**58.4**	**12.7**	**−12.0**	**70.9**
in % of segment sales	8.7%	18.3%	10.6%	N/A	12.0%
Segments operating profit currency and acquisition adjusted	**11.6**	**53.5**	**12.9**	**−12.7**	**65.3**
Growth segment sales	1.1	69.7	12.3	−1.7	81.4
in %	0.8%	27.9%	11.4%		16.0%
Whereof currency impact	1.7	−3.3	−1.9	0.2	−3.3
in %	1.3%	−1.3%	−1.8%		−0.6%
Whereof acquisition impact	0.0	57.9	1.0	0.0	58.9
in %	0.0%	23.2%	0.9%		11.6%
Currency adjusted internal growth segment sales	−0.6	15.1	13.2	−1.9	25.8
in %	−0.4%	6.0%	12.2%		5.1%

Stock price trend



Agenda

17 September 2007, Monday
Shareholder Newsletter with the results of financial 2006/2007 and the Outlook for financial 2007/2008
Media release
Presentation for financial analysts
Media talk
Mailing of Annual Report
Invitation to Annual General Meeting

23 October 2007, Tuesday, 3 p.m.
Annual General Meeting of Kaba Holding AG

5 March 2008, Wednesday
Shareholder Newsletter on the semi-annual results as at 31 December 2007
Media release
Presentation for financial analysts
Media talk

You are invited to visit our website www.kaba.com. Apart from the current price of Kaba stock, you will find the latest media releases, the annual report as at 30.6.2006, the recently published Kaba Sustainability Charta and the popular Investors' Handbook. Our website also showcases new Kaba products and systems that will conveniently enhance your personal safety.

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