

Financial Statements 2003/2004



Key figures

	2003/04	2002/03	2001/02	2000/01	1999/00
Operating revenues (in CHF million)	998.3	983.8	1025.9	714.5	546.8
EBIT (in CHF million)	120.9	108.7	123.0	68.2	52.8
Net income for the year (in CHF million)	56.8	45.7	61.8	41.9	34.5
Market capitalization (as at 30.6.2004, in CHF million)	924.0	689.0	1,142.0	1,266.0	1,179.0
Earnings per share (in CHF)	15.92	12.81	17.32	11.74	15.37

Kaba Group Divisions

Net sales	2003/04 in CHF million		2002/03 in CHF million	
Door Systems	232.9	24 %	220.2	23 %
Data Collection	66.4	7 %	65.0	7 %
<i>Access Systems Europe</i>	263.8	27 %	240.1	25 %
<i>Access Systems Asia Pacific</i>	43.7	4 %	44.1	4 %
<i>Access + Key Systems Americas</i>	278.3	28 %	300.9	31 %
Access Systems total	585.8	59 %	585.1	60 %
Key + Ident Systems Europe	99.9	10 %	96.9	10 %
Total	985.0	100 %	967.2	100 %

Information for Investors	2
Group	
Consolidated Group Balance Sheet	6
Consolidated Group Income Statement	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Group Financial Statements	10
Legal Structure of the Kaba Group	23
Report of the group auditors	25
Holding Company	
Holding Company Balance Sheet	28
Holding Company Income Statement	30
Notes to the Financial Statements	31
Report of the Statutory Auditors	34
Comments on the Financial Statements	35

Information for Investors

per 30 June

in CHF million	2003/04	2002/03	2001/02	2000/01 ²⁾	1999/00
Door Systems	232.9	220.2	232.3	231.2	229.9
<i>Growth in % vs previous year</i>	5.8%	-5.2%	0.5%	0.6%	75.4%
Data Collection	66.4	65.0	61.8		
<i>Growth in % vs previous year</i>	2.2%	5.2%	n.a.		
Access Systems Europa	263.8	240.1	240.0		
<i>Growth in % vs previous year</i>	9.9%	0.0%	n.a.		
Access Systems Asia Pacific	43.7	44.1	47.2		
<i>Growth in % vs previous year</i>	-0.9%	-6.6%	n.a.		
Access + Key Systems Americas	278.3	300.9	341.8		
<i>Growth in % vs previous year</i>	-7.5%	-12.0%	n.a.		
Access Systems total	585.8	585.1	629.0		
<i>Growth in % vs previous year</i>	0.1%	-7.0%	n.a.		
Key + Ident Systems Europe	99.9	96.9	97.2		
<i>Growth in % vs previous year</i>	3.1%	-0.3%	n.a.		
Consolidation adjustment prior year	0.0	0.0	6.7		
<i>Growth in % vs previous year</i>	n.a.	n.a.	n.a.		
Mechanical and Electromechanical Locks ³⁾				188.8	155.1
<i>Growth in % vs previous year</i>				21.7%	6.5%
Access and Time Management Systems ³⁾				120.9	141.5
<i>Growth in % vs previous year</i>				-14.6%	20.6%
Ex Unican Companies ³⁾				142.8	
<i>Growth in % vs previous year</i>				n.a.	
Total net Sales	985.0	967.2	1,027.0	683.7	526.5
<i>Growth in % vs previous year</i>	1.8%	-5.8%	50.2%	29.9%	33.6%
Operating revenues	998.3	983.8	1,025.9	714.5	546.8
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	154.1	145.0	165.6	93.4	70.0
<i>EBITDA in % of Operating revenues</i>	15.4%	14.7%	16.1%	13.1%	12.8%
Earnings before Interest and Tax (EBIT)	120.9	108.7	123.0	68.2	52.8
<i>EBIT in % of Operating revenues</i>	12.1%	11.0%	12.1%	9.6%	9.6%
Net income for the year	56.8	45.7	61.8	41.9	34.5
<i>Net income in % of Operating revenues</i>	5.7%	4.7%	6.1%	5.9%	6.3%
Total assets	712.8	773.8	765.6	964.3	366.1
Shareholders' equity	-24.0	-62.8	-94.5	-118.2	114.9
<i>Shareholders' equity in % of Total assets</i>	-3.4%	-8.2%	-12.3%	-12.3%	31.4%
<i>Return on equity (ROE)</i>	n.a.	n.a.	n.a.	n.a.	30.0%
Net debt	352.7	430.5	524.0	588.1	81.8
<i>Net debt in % of Shareholders' equity</i>	n.a.	n.a.	n.a.	n.a.	71.2%
Net operating assets	321.6	359.0	420.1	457.1	191.7
<i>Growth in % vs previous year</i>	-10.4%	-14.5%	-8.1%	138.4%	3.9%
<i>Return on net operating assets (RONOA)</i>	37.6%	30.3%	29.3%	14.9%	27.5%
Net cash provided by operating activities	114.5	123.4	90.7	45.3	46.9
Net cash used in investing activities	-26.3	-22.4	-24.4	-25.4	-21.4
Divestments	3.4	6.1	6.1	3.9	10.6
Free Cash flow (net) before dividend	91.6	107.1	72.4	23.8	36.1
Dividend payment	10.7	10.7	10.7	8.8	7.0
Unified registered shares ¹⁾ at CHF 10.00 par value	3,567,928	3,567,500	3,567,500	3,567,500	2,245,000
Earnings per share (fully diluted) ¹⁾	15.92	12.81	17.32	11.74	15.37
<i>Growth Earnings per share</i>	24.3%	-26.0%	47.5%	-23.6%	24.5%
Market Capitalization at year end	924	689	1,142	1,266	1,179
Employees (average)	5,889	6,185	6,402	3,816	2,699
Employees, closing date count as at 30 June	5,867	5,996	6,294	6,835	2,757

¹⁾ Average; restated as for Registered shares CHF 10.00 par value, effective after split 1:4, 12 Feb., 2001, capital increase of 1,322,500 shares @ CHF 10.00 par value on 8 and 12 March, 2001

²⁾ Unican income statement is included for three months only

³⁾ former divisional structure

n. a. = not applicable

Per-share data ¹⁾

		2003/04	2002/03	2001/02	2000/01 ³⁾	1999/00
Capital stock						
Registered shares at CHF 10.00 par value ³⁾ per 30 June	No.	3,573,748	3,567,500	3,567,500	3,567,500	2,245,000
Par value of average outstanding shares	in CHF million	35.7	35.7	35.7	26.5	22.5
Par value of year-end outstanding shares	in CHF million	35.7	35.7	35.7	35.7	22.5
Shareholders as at 30 June	No.	6,295	5,971	5,213	3,227	1,595
Figures per share (fully diluted) ³⁾						
Profit and depreciation per share (Group)	in CHF	25.22	22.99	29.26	18.81	23.03
EBIT per share (Group)	in CHF	33.89	30.47	34.48	19.12	23.52
Earnings per share (Group)	in CHF	15.92	12.81	17.32	11.74	15.37
Growth in earnings per share	%	24%	-26%	47%	-24%	25%
Gross dividend per share ²⁾	in CHF	4.00	3.00	3.00	3.00	3.90
Payout ratio in % of consolidated earnings		25%	23%	17%	25%	25%
Shareholders' equity per share (Group)	in CHF	-6.8	-17.6	-26.5	-33.1	51.2
Price per share						
high	in CHF	300.0	335.0	420.0	617.5	547.5
low	in CHF	190.0	137.0	287.0	315.0	197.5
31 December	in CHF	250.0	257.0	410.0	590.0	362.5
30 June	in CHF	258.5	193.0	320.0	355.0	525.0
Market capitalization						
high	in CHF million	1,072	1,195	1,498	2,203	1,229
low	in CHF million	679	489	1,024	1,124	443
30 June	in CHF million	924	689	1,142	1,266	1,179
in % of equity		n.a.	n.a.	n.a.	n.a.	1,026%
in % of net sales		94%	71%	111%	185%	224%
Dividend yield						
low		1.3%	0.9%	0.7%	0.5%	0.7%
high		2.1%	2.2%	1.0%	1.0%	2.0%

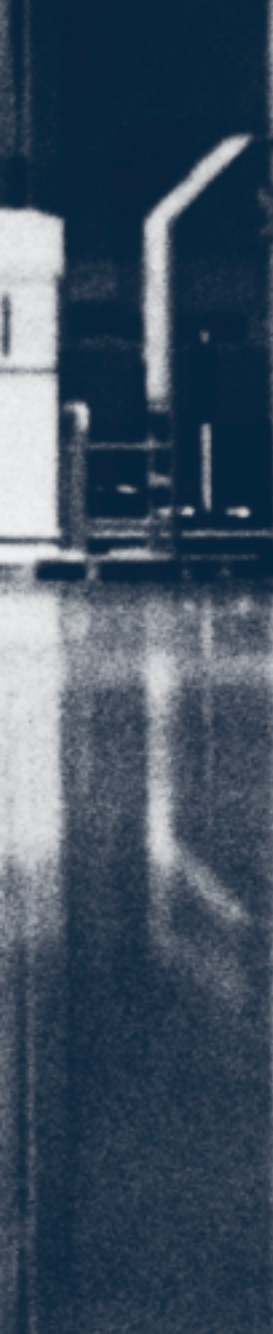
¹⁾ incl. minority interests

²⁾ 2003/04 Proposal to the Annual General Meeting

³⁾ Sharecapital split 1:4 effective from 12 Feb 2001; sharecapital increase by 1,322,500 shares on 8 and 12 March 2001
per share data restated with new par value of CHF 10.00

n. a. = not applicable





Financial Statements

5

Group

Consolidated Group Balance Sheet

Assets

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

Consolidated Group Balance Sheet

Shareholders' equity and liabilities

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

Consolidated Group Income Statement

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

Consolidated Statement of Cash Flows

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

Notes to the Consolidated Group Financial Statements

1. Principles of Consolidation

A list of group and associated companies is shown on pages 23 and 24.

1.1 Introduction

The consolidated financial statements comply with Swiss Company Law and give a true and fair view of the financial position, the results of operations and the cash flows of the Kaba Group in accordance with the Swiss GAAP FER.

1.2 Scope of consolidation

The consolidated financial statements ("Group") include Kaba Holding AG (parent company) and those entities which the Group controls (subsidiaries). Control exists when the Group owns, either directly or indirectly, the majority of the voting rights of the company's share capital. Such subsidiaries are fully consolidated; no percentage of ownership consolidations occur. The business operations of all subsidiaries are controlled by the Group. Investments in which a 20–50 % interest is held (associated companies) are accounted for under the equity method.

1.3 Consolidation principles

Balance sheets denominated in foreign currencies are converted into Swiss francs using year-end rates of exchange. Income and expenses are translated at average rates of exchange for the year. Translation differences are taken directly to retained earnings. Significant exchange rates are as follows:

	Exchange rate at 30.6.2004	Exchange rate at 30.6.2003	Average rate 2003/04	Average rate 2002/03
GBP	2.288	2.233	2.265	2.245
EUR	1.530	1.545	1.549	1.481
USD	1.266	1.350	1.304	1.415
CAD	0.942	1.003	0.971	0.940
AUD	0.874	0.901	0.924	0.827
NZD	0.800	0.786	0.815	0.736
SGD	0.738	0.769	0.758	0.806
MYR	0.334	0.356	0.343	0.373
SEK	0.168	0.168	0.170	0.162
HKD	0.162	0.173	0.168	0.182
MXP	0.110	0.130	0.118	0.138
JPY	0.012	0.011	0.012	0.012
HUF	0.006	0.006	0.006	0.006

For the purpose of consolidation, investments in subsidiaries are offset against the Group's share of subsidiaries' equity as at 1 July 1992. Excesses of equity over investments are credited based on their nature to retained earnings. Acquisitions made after 1 July 1992 are recorded under the fair market value method, under which assets are revalued at the acquisition date. The excess of the cost of acquisition of a subsidiary over the fair value of its attributable net assets at the date of acquisition is goodwill charged directly against retained earnings.

Minority interests in equity and net income are separately disclosed in the consolidated group balance sheet and income statement, respectively.

All intercompany transactions and balances with companies included in the consolidation are eliminated.

The Group companies have a uniform balance sheet date as at 30 June.

Under the equity method of accounting for investments, the change in the Group's equity investment is the change in the associated companies' equity from the beginning to the end of the year. This change in equity investments is disclosed in the financial statements.

1.4 Valuation

The valuation of balance sheet positions is consistent throughout the Group. Where local accounts differ, adjustments are made before including the accounts in consolidation.

Items within a company's balance sheet which are denominated in foreign currencies are translated at year-end rates. Foreign exchange transaction variances are reflected in the income statement.

The basis for valuing assets is historical cost (purchase price or production cost). Significant guidelines for valuing individual balance sheet positions follow.

Purchased intangible assets are recorded at cost and depreciated straight-line over their expected useful lives, in the maximum over five years. Internally created intangible assets are not capitalized. Further, neither research nor organizational costs are capitalized.

Land is recorded at cost.

Buildings, machinery and equipment are recorded at cost (as is inventory) and depreciated straight-line over their expected useful lives.

Buildings	20–50 years
Machinery and equipment	4–15 years
Other tangibles	3–15 years

Reductions in intangible asset and fixed asset values are recorded when the impairment is considered permanent.

Investments (other than associates accounted for under the equity method), are recorded at the lower of cost or market value.

Marketable securities are initially recognised at cost and subsequently measured at their fair value.

Receivables, both long- and short-term, which are considered fully collectible, are recorded at face value. Provisions for doubtful accounts are recorded on a specific identification basis where collectibility is not expected. In addition, a general provision based upon historical experience is recorded to cover other doubtful accounts receivable.

Raw materials, consumables and goods for resale are recorded at cost (purchase costs plus related procurement costs, before deduction of discounts); work in progress and finished goods are valued at production cost. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula. Other cost formulas are allowed if their results do not significantly vary from the FIFO formula. Production costs include direct raw material costs as well as an allocation of indirect material and production costs (including depreciation of production equipment).

The inventory valuation is applied to groups of similar products.

Inventories are written-down to their net realisable value if it is lower than the cost of inventories. Valuation adjustments are recognised for inventories with insufficient turnover.

Material long-term contracts are recognised according to the percentage of completion method, if the respective preconditions are met. The stage of completion is evaluated via individual progress calculations.

Provisions are recorded for existing liabilities which are probable or for which an amount must be estimated. Included are provisions for expected losses from open contracts.

The replacement values in connection with financial derivatives are not recorded in the balance sheet, but disclosed in the notes to the consolidated financial statements.

Pension liabilities in Switzerland are covered by autonomous pension funds to which contributions are paid in accordance with a defined contribution plan. The contributions are paid equally by the employer and employee. In certain cases, the employer pays additional voluntary contributions to the pension funds. Outside of Switzerland, liabilities to pension funds are covered by insurance-based plans, or pension liabilities recorded in accordance with actuarial calculations. For significant defined benefit plans the pension liabilities are assessed using the projected unit credit method. These actuarial valuations are carried out at least every third year.

Income and capital taxes are accrued and disclosed in accordance with industry practices.

Provisions for deferred taxation are calculated using the comprehensive liability method. This method takes into account the effects on current taxation expenses, of timing differences which arose due to differences in the value of assets and liabilities for accounting purposes and for tax purposes. The deferred taxation is calculated applying rates of taxation ruling in the applicable country.

On the level of the individual subsidiaries the difference in valuation is offset with the tax losses carried forward. Deferred tax assets are not capitalized. Deferred tax on retained earnings of subsidiaries is immaterial and is therefore not provided for.

Liabilities are recorded at face value, regardless of due date. Discounts are capitalized and amortized over the life of the underlying liabilities.

Extraordinary income and expense items are disclosed separately in order to allow for a proper assessment of the company's sustainable income generation potential.

2. Notes to the Consolidated Balance Sheet (in CHF million)

2.1 Total Assets

Assets are denominated in the following currencies:	2003/04	%	2002/03	%
EUR	253.5	36	268.8	35
CHF	182.3	26	170.5	22
USD	130.2	18	141.5	18
CAD	40.8	6	58.9	8
GBP	39.2	5	65.5	8
MXP	14.0	2	14.7	2
HUF	13.2	2	11.4	1
JPY	12.8	2	12.8	2
AUD/NZD	10.2	1	9.6	1
SGD/MYR/HKD	7.8	1	9.9	1
SEK	6.1	1	7.3	1
BRL	1.8	0	1.9	1
Others	0.9	0	1.0	0
Total	712.8	100	773.8	100

This position is categorized as follows:

Door Systems	136.6	19	140.5	18
Data Collection	25.6	4	23.8	3
<i>Access + Keys Americas</i>	<i>182.7</i>	<i>26</i>	<i>218.0</i>	<i>28</i>
<i>Access Europe</i>	<i>181.6</i>	<i>25</i>	<i>172.3</i>	<i>22</i>
<i>Access Asia Pacific</i>	<i>26.4</i>	<i>4</i>	<i>28.5</i>	<i>4</i>
Total Access Systems	390.7	55	418.8	54
Key Systems Europe	112.7	16	130.0	17
Others	47.2	6	60.7	8
Total	712.8	100	773.8	100

2.2 Movement in fixed assets

	Land and buildings	Machinery and equipment	Furniture and fixtures	Payments on account and construction in progress	Intangible assets	Financial assets	Total
30 June 2003 gross	178.3	150.1	106.6	1.5	18.9	11.3	466.7
Additions	1.1	9.2	8.6	3.2	3.8	0.4	26.3
Disposals	-0.3	-4.2	-2.8	0.0	-0.4	-1.9	-9.6
Transfers	0.2	1.7	0.5	-2.5	0.1	0.0	0.0
Currency translation effects	-2.6	-4.3	-0.9	0.0	-0.2	0.0	-8.0
Deconsolidation							0.0
Changes in Group organization							0.0
30 June 2004 gross	176.7	152.5	112.0	2.2	22.2	9.8	475.4
Accumulated depreciation at 30 June 2003	44.4	93.2	76.4	0.0	12.9	2.7	229.6
Additions	4.7	15.2	10.8	0.0	2.5	0.0	33.2
Disposals	0.0	-3.6	-2.2	0.0	-0.4	0.0	-6.2
Transfers							0.0
Currency translation effects	-0.4	-2.8	-0.7	0.0	-0.1	0.0	-4.0
Deconsolidation							0.0
Changes in Group organization							0.0
Accumulated depreciation at 30 June 2004	48.7	102.0	84.3	0.0	14.9	2.7	252.6
30 June 2003 net	133.9	56.9	30.2	1.5	6.0	8.6	237.1
30 June 2004 net	128.0	50.5	27.7	2.2	7.3	7.1	222.8

Of the net book value of fixed assets, a total of CHF 0.2 million is financed under leasing contracts. The respective liabilities amount to CHF 0.2 million.

2.3 Financial assets

	30.6.2004	30.6.2003
Advance financing deposit participations	0.0	0.9
Fixed asset securities	1.6	1.9
Other securities	5.5	5.9
Total	7.1	8.7

The associated companies are listed on pages 23 and 24.

2.4 Inventory	30.6.2004	30.6.2003
Raw materials	49.9	58.0
Work in progress	90.4	91.8
Pre-payments for long-term contracts	-5.1	-4.8
Finished goods	48.0	50.2
Prepayments made to suppliers	0.4	0.3
Total	183.6	195.5

Work in progress includes CHF 22.1 million (previous year: CHF 22.7 million) related to long-term contracts.

2.5 Trade accounts receivable

Trade accounts receivable are net of allowances for bad debts of CHF 12.7 million (previous year: CHF 13.4 million).

2.6 Other receivables

Included in other receivables are almost exclusively tax receivables.

2.7 Marketable securities	30.6.2004	30.6.2003
Own shares	0.0	0.2
Other securities	0.1	0.0
Total	0.1	0.2

Concerning own shares see the statutory financial statements of Kaba Holding AG.

2.8 Changes in equity	2003/04	2002/03
End of previous year	-62.8	-94.5
Currency translation adjustment	-6.6	0.4
End of previous year (actual currency rates applied)	-69.4	-94.1
Dividends paid	-10.7	-10.7
Dividends paid to third-party shareholders	-0.1	-0.1
Net income	56.8	45.7
Currency translation adjustment	-1.6	-1.8
Changes in capital	1.4	0.0
Goodwill/minority shares	-2.1	-2.4
Other adjustments	1.7	0.6
Equity end of current year	-24.0	-62.8

Goodwill	2003/04	2002/03
End of previous year	487.9	642.5
Goodwill upon acquisition	2.1	2.4
Amortization	-157.3	-157.0
End of current year	332.7	487.9

2.9 Retained earnings	30.6.2004	30.6.2003
Retained earnings	-571.9	-618.7
Reserve for own shares	0.0	0.2
Currency translation adjustment	-33.1	-23.8
Total	-605.0	-642.3

In addition to undistributed earnings, retained earnings include those differences resulting from the elimination of investments in subsidiaries against the Group's share of subsidiaries' equity at the time of initial consolidation. Owner's equity at 1 July 1992, is used as the base for consolidation for those subsidiaries which belonged to the scope of consolidation when these consolidation principles were first applied to the Group.

2.10 Provisions

Provisions for pensions and related obligations

The accounting for the most important post-employment benefits in the Group is performed according to the principles of Swiss GAAP FER 16.

The personnel welfare institutions in Switzerland are subject to Defined Contribution Plans. Therefore, the employer's contributions are recognised as expense in the income statement.

Germany, Austria, the US and Canada have defined benefit plans. The related employee benefit obligations (Defined Benefit Obligation) were calculated according to the projected unit credit method.

The actuarial calculations are based on the following assumptions

Discount rate	5.0%–6.5%
Expected return on plan assets	7.0%–8.0%

As at the balance sheet date, the financial position of the defined benefit plans, divided into pension plans with surpluses and deficits is as follows:

Pension plans with surpluses	30.6.2004	30.6.2003
Fair value of plan assets	0.0	22.5
Present value of pension obligations	0.0	-26.5
Unrecognised actuarial gains, net	0.0	4.9
Total surpluses (recognised in financial assets 2.3)	0.0	0.9

Pension plans with deficits	30.6.2004	30.6.2003
Fair value of plan assets	30.7	6.2
Present value of wholly or partly funded obligations	-20.6	-19.4
Present value of unfunded obligations	-34.1	-8.8
Unrecognised actuarial gains, net	4.0	2.3
Total deficits (recognised in provisions for pensions and related obligations)	-20.0	-19.7

Provisions for taxes

Provisions for taxes include deferred taxes of CHF 12.9 million (previous year: CHF 13.2 million).

Other provisions include	30.6.2004	30.6.2003
Personnel liabilities	47.7	46.4
Net loss from restructuring projects which have been decided	0.2	0.6
Other	53.4	51.0
Total	101.3	98.0

The other provisions primarily include such items as uninvoiced trade accounts payable from third parties, as well as guarantees and customer rebates.

2.11 Long-term liabilities	due date <1 year	due date 1–5 years	due date >5 years	30.6.2004	30.6.2003
Bank loans	7.0	85.8	224.4	317.2	399.4
Convertible bond			146.3	146.3	141.4
Other long-term liabilities	1.7	0.9	0.9	3.5	3.7
Total	8.7	86.7	371.6	467.0	544.5

The bank loans are financed by a syndicate of international banks with a maturity up to 2008/09 at contractually agreed variable interest margins and fixed repayments.

The convertible bond at the nominal value of CHF 138.2 million was issued on 18 January 2002, bears an interest rate of 4 % and is repayable in 2010. The carrying value of the convertible bond is recorded net of debt issuance costs of CHF 3.4 million.

Bank loans are denominated in the following currencies:

	30.6.2004	%	30.6.2003	%
CHF	199.7	63	262.1	66
USD	62.3	20	75.6	19
EUR	55.2	17	61.7	15
Total	317.2	100	399.4	100

In order to hedge against the interest risk, interest derivatives are used.

2.12 Short-term liabilities

	30.6.2004	30.6.2003
Trade accounts payable due to third parties	60.8	57.8
Due to banks	1.4	30.8
Other short-term liabilities:		
Advances	7.5	6.0
Due to pension plan	0.5	0.5
Taxes payable	12.2	14.0
Social security payable	4.3	4.3
Other	8.8	10.9
Accruals	13.5	12.9
Total	109.0	137.2

Liabilities which are payable within one year are considered short-term. The portion of long-term liabilities which is due within one year is included in long-term liabilities and shown separately.

The short-term due to banks are denominated in the following currencies:

	30.6.2004	%	30.6.2003	%
MYR	0.8	62	0.8	3
HUF	0.5	38	0.2	1
CHF	0.1	0	14.0	45
GBP	0.0	0	14.3	46
JPY	0.0	0	1.1	4
HKD	0.0	0	0.3	1
CAD	0.0	0	0.1	0
Total	1.4	100	30.8	100

Most of the other short-term liabilities are interest free.

3. Notes to the Consolidated Income Statements (in CHF million)

3.1 Sales (net)

This position is categorized as follows:

	2003/04	%	2002/03	%
Divisions				
Door Systems	232.9	24	220.2	23
Data Collection	66.4	7	65.0	7
<i>Access Europe</i>	263.8	27	240.1	25
<i>Access Asia Pacific</i>	43.7	4	44.1	4
<i>Access + Keys Americas</i>	278.3	28	300.9	31
Total Access Systems	585.8	59	585.1	60
Key Systems Europe	99.9	10	96.9	10
Total	985.0	100	967.2	100
Geographic regions				
Switzerland	224.0	23	211.9	22
Germany	123.4	13	112.4	12
Rest of Europe	298.7	30	283.4	29
Americas	291.0	30	311.5	32
Asia Pacific	47.9	5	48.0	5
Total	985.0	100	967.2	100
Thereof, recognised according to the percentage of completion method	29.2		24.7	

In nominal values, sales have increased by CHF 17.8 million, respectively 1.8%, from CHF 967.2 million to CHF 985.0 million.

The balance resulting from the depreciation of the US Dollar in particular and the revaluation of other currencies, especially the Euro, has decreased net sales by CHF 4.4 million (compared to the previous year). Real growth (adjusted by changes in currency rates) in our business therefore amounted to CHF 22.2 million, resp. 2.3%.

3.2 Other operating revenues

	2003/04	2002/03
Rent	1.6	1.6
Capitalized assets produced by the company	2.3	1.9
Proceeds from the sale of fixed assets	0.4	1.1
Other revenues (licenses, personnel restaurant, etc.)	8.7	11.2
Total	13.0	15.8

3.3 Material costs

	2003/04	2002/03
Material costs	249.7	248.8
Contracted services and labor	50.2	51.3
Total	299.9	300.1

3.4 Personnel costs	2003/04	2002/03
Salaries and wages	312.2	312.2
Pension costs	12.1	8.6
Social security costs	60.5	58.4
Total	384.8	379.2

There were no employer contributions of the Swiss Kaba companies absorbed by the welfare institution of the Kaba companies (previous year CHF 1.9 million).

Average number of employees per division:	2003/04	%	2002/03	%
Door Systems	1,191	20	1,234	20
Data Collection	323	6	329	5
<i>Access Europe</i>	1,653	28	1,715	28
<i>Access Asia Pacific</i>	201	3	201	3
<i>Access + Keys Americas</i>	1,930	33	2,106	34
Total Access Systems	3,784	64	4,022	65
Key Systems Europe	551	9	562	9
Others	40	1	38	1
Total	5,889	100	6,185	100

Average number of employees per geographic region:	2003/04	%	2002/03	%
Switzerland	987	17	1,010	16
Germany	705	12	729	12
Rest of Europe	1,969	33	2,042	33
Americas	1,985	34	2,167	35
Asia Pacific	243	4	237	4
Total	5,889	100	6,185	100

Employees at balance sheet date 30 June 2004: 5,867 (5,996 at 30 June 2003).

3.5 Depreciation

Depreciation is recorded on fixed and intangible assets.

3.6 Other operating expenses

This position includes primarily production costs, management, and operational expenses, as well as expenses expected to promote revenue in future years (i.e. research; advertising). Losses on sales of fixed assets of CHF 0.4 million (previous year: CHF 0.6 million) are also included.

3.7 Financial income

	2003/04	2002/03
Income from other financial assets	0.1	0.1
Other financial income	4.6	1.5
Total	4.7	1.6

Other financial income includes primarily interest income.

3.8 Financial expense

This position is interest expense by the majority.

3.9 Taxes

Taxes on operational income:	2003/04	2002/03
Current	22.4	19.6
Deferred	1.9	-2.8
Other taxes	7.0	7.1
Total	31.3	23.9

Tax loss carry-forwards existed in various group companies at 30 June 2004, and may be set off, either in full or in part, against future profits.

4. Note to the Consolidated Cash Flow Statement

The operating cash flow (referred to as "Net cash provided by operating activities" in the consolidated statement of cash flows) amounted to CHF 114.5 million (previous year CHF 123.4 million). First of all, the increase of the operating result has contributed thereto, but also the management of working capital could again be improved (CHF +12.1 million, previous year CHF +33.5 million). The funds were used to finance investments in fixed and intangible assets as well as financial assets (CHF 26.3 million, previous year CHF 22.4 million) as well as investments in participations in the amount of CHF 2.4 million (previous year: CHF 2.4 million). Assets were disposed in the amount of CHF 3.4 million (previous year: CHF 6.1 million), which results in a net free cash flow (without investments in participations) in the year under review of CHF 91.6 million (previous year CHF 107.1 million).

5. Additional Information

5.1 Secured liabilities

On 30 June 2004, liabilities totalling CHF 317.0 million (previous year: CHF 399.0 million) were secured by all types of assets in the countries of the most important Group companies.

5.2 Other financial liabilities and commitments

Payments due over the next three years on rental contracts are (CHF million): 9.5 million in 2004/05, 6.0 million in 2005/06 and 4.7 million in 2006/07.

Amounts due for payment under non-capitalized leasing contracts are (CHF million): 2.6 million in 2004/05, and 2.7 million in later years.

5.3 Related parties

There are no significant transactions or balances with related parties.

5.4 Contingencies

Current endorsement liabilities amount to CHF 7.1 million (previous year: CHF 7.8 million).

The result-dependent additional payment obligation, existing in conjunction with the acquisition of the English door companies, ended as per 30 June 2004. Kaba does not expect any liabilities as a consequence of this agreement.

The pension scheme of some of the employees taken over in the UK has made a claim for a total of ca. GBP 1.7 million against two UK non-operational Group companies, which were acquired in 1999, relating to a deficit in such Scheme. Each of the companies ceased to participate in the Scheme on 30 June 1999. The purchase contract for the two companies contains a full indemnity from the vendor against such liability.

In connection with the takeover of former AAT in Miami, USA (today: Kaba Benzing Inc.), an earn-out obligation over a period of five years applies, ending on 30 June 2006. This obligation is dependent on the results in any two consecutive years during the five year period and may amount up to a maximum of USD 30.0 million. Subject to certain other conditions, a further sum of up to USD 15.0 million may be payable.

In connection with the acquisition of Mas Hamilton Group Inc., Kentucky, USA by Unican, a contingent liability applies until 2005. This obligation is dependent on the turnover of certain products.

As at 30 June 2004, there are no considerable legal disputes known to Kaba, which would have to be shown as contingencies.

5.5 Derivative financial instruments

As at 30 June 2004, the following forward contracts existed for hedging purposes:

	30.6.2003 Contract value	30.6.2003 Replacement value	30.6.2002 Contract value	30.6.2002 Replacement value
Currencies	161.5	0.0	3.8	-0.1
Raw material	2.9	0.1	1.7	-0.2
Interest	200.9	-7.3	263.4	-16.9
Total	365.3	-7.2	268.9	-17.2

5.6 Research and development/licenses

Expenditures for research and development activities are expensed in the year incurred. Research results are partially licensed to third parties for use, in order that during a limited time frame market coverage and number of pieces are increased.

5.7 Subsequent events

No events have occurred since 30 June 2004 which would significantly impact the 2003/04 financial statements.

Legal Structure of the Kaba Group

As per 30.06.2004

List of substantial group and associated companies		Share Capital in local currency	Voting rights in %	Participation of...
Kaba Holding AG, Rümlang/CH	CHF	35,737,480.00		Publikumsgesellschaft
Kaba Management + Consulting AG, Rümlang/CH	CHF	50,000.00	100	Kaba Holding AG
Division Door Systems				
Kaba Belgium NV/SA, Turnhout/BE	EUR	62,000.00	94 6	Kaba Holding AG Kaba Nederland BV
Kaba Door Systems Ltd., Telford/GB	GBP	2,000,002.00	100	Kaba Holding (UK) Ltd.
Kaba Gallenschütz GmbH, Bühl/DE	EUR	2,556,459.41	100	Kaba Holding GmbH
Kaba Gilgen AG, Schwarzenburg/CH	CHF	2,001,000.00	100	Kaba Holding AG
Kaba Ltd., Kwai Chung N.T./HK	HKD	42,750,000.00	100	Kaba Gilgen AG
Kaba Nederland BV, Nijmegen/NL	EUR	90,756.04	100	Unican Luxembourg S.A.
Kaba Porte Automatiche S.p.A., Novedrate/IT	EUR	13,577,000.00	97 3	Unican Luxembourg S.A. Kaba Holding AG
Kaba Türsysteme GmbH, Bühl/DE	EUR	255,645.94	100	Kaba GmbH/DE
Vega Ltd., (geschäftlich tätig als Kaba Garog), Warrington/GB	GBP	5,000.00	100	Kaba Holding (UK) Ltd.
Division Data Collection				
Kaba Benzing (Schweiz) AG, Dietikon/CH	CHF	400,000.00	100	Kaba AG
Kaba Benzing America Inc., Miami Lakes/US	USD	19,712.76	100	Kaba Holding AG
Kaba Benzing GmbH, Villingen-Schwenningen/DE	EUR	3,070,000.00	100	Kaba Holding GmbH
Kaba Benzing GmbH, Wien/AT	EUR	36,336.42	100	Kaba GmbH/AT
Kaba Benzing S.A.S., Poissy/FR	EUR	80,000.00	100	Ilco Unican France S.A.S.
Kaba srl, Castel Maggiore/IT	EUR	260,000.00	70	Kaba AG
Division Access Systems Europe				
Fecosa France (SCI), Le Mesnil St Denis/FR	EUR	152.45	99 1	Kaba SF2E S.A.S. Ilco Unican France S.A.S.
Iberkaba S.A., Valencia/ES	EUR	841,416.95	100	Kaba Holding AG
Kaba (UK) Ltd., Tiverton/GB	GBP	2,000,000.00	100	Kaba Holding (UK) Ltd.
Kaba AB, Eskilstuna/SE	SEK	13,000,000.00	100	Unican Luxembourg S.A.
Kaba AG, Wetzikon/CH	CHF	6,800,000.00	100	Kaba Holding AG
Kaba Elzett Rt., Budapest/HU	HUF	680,000,000.00	51 49	Silca S.p.A. Unican Luxembourg S.A.
Kaba GmbH, Dreieich/DE	EUR	385,000.00	100	Kaba Holding GmbH
Kaba GmbH, Herzogenburg/AT	EUR	835,737.59	100	Kaba Holding AG
Kaba Mauer GmbH, Heiligenhaus/DE	EUR	819,100.00	100	Unican Holding und Management GmbH
Kaba S.à.r.l., Suresnes/FR	EUR	426,360.00	100	Ilco Unican France S.A.S.
Kaba Security Sp.z.o.o., Warszawa/PL	PLN	50,000.00	100	Kaba Holding AG
Kaba SF2E S.A.S., Le Mesnil St Denis/FR	EUR	1,561,978.00	100	Ilco Unican France S.A.S.
Kaba Suomi Oy, Helsinki/FI	FIM	267,500.00	100	Kaba AB
Mauer Sicherheitstechnik Beteiligungs GmbH, Heiligenhaus/DE	EUR	26,250.00	100	Unican Holding und Management GmbH
Mauer Sicherheitstechnik GmbH + Co. KG, Heiligenhaus/DE	EUR	255,645.94	100	Mauer Sicherheits Beteiligungs GmbH
Mauer Thüringen GmbH, Bad Berka/DE	EUR	255,700.00	100	Kaba Mauer GmbH

**List of substantial group
and associated companies**

		Share Capital in local currency	Voting rights in %	Participation of...
Division Access + Key Systems Americas				
Corporacion Cerrajera Alba S.A. de C.V., Edo de México/MX	MXP	191,744,593.65	99 1	Kaba Ilco Inc. Ilco Mexico S.A. de C.V.
Ilco Mexico S.A. de C.V., Edo de México/MX	MXP	10,315,310.00	100	Kaba Ilco Inc.
Kaba do Brasil Ltda., Sao Paulo/BR	BRL	16,076,467.24	100	Kaba Gilgen AG
Kaba High Security Locks Corp., Southington/US	USD	75,150.00	100	Kaba Corp.
Kaba Ilco Corp., Rocky Mount/US	USD	56,900,000.00	100	Kaba Corp.
Kaba Ilco Inc., Montreal/CA	CAD	10,000,000.00	100	Kaba Gilgen AG
Kaba Mas Corp., Lexington/US	USD	880,679.00	100	Kaba Corp.
Lodging Technology Corp., Roanoke/US	USD	1,000.00	100	Kaba Corp.
Division Access Systems Asia Pacific				
Kaba Australia Pty Ltd., Wetherill Park/AU	AUD	20,187,426.00	100	Kaba Gilgen AG
Kaba Boyd Pty Ltd., Wetherill Park/AU	AUD	2,000,000.00	100	Kaba Gilgen AG
Kaba Jaya Security Sdn. Bhd., Kuala Lumpur/MY	MYR	510,000.00	70	Kaba AG
Kaba New Zealand Ltd., Auckland/NZ	NZD	250,000.00	100	Kaba Gilgen AG
Kaba Security Pte Ltd., Singapore/SP	SGD	1,890,000.00	100	Kaba AG
Nihon Kaba K.K., Yokohama/JP	JPY	120,000,000.00	100	Kaba AG
Division Key + Ident Systems Europe				
Legic Identsystems AG, Wetzikon/CH*	CHF	500,000.00	100	Kaba AG
Richard Lenoir (SCI), Paris/FR	EUR	15,244.90	100	Silca S.A.S.
Silca GmbH, Velbert/DE	EUR	358,000.00	90 10	Unican Holding und Management GmbH Unican Luxembourg S.A.
Silca Key Systems S.A., Barcelona/ES	EUR	162,296.90	100	Silca S.p.A.
Silca Ltd., Sutton/GB	GBP	411,050.00	100	Kaba Holding (UK) Ltd.
Silca S.A.S., Paris/FR	EUR	797,670.00	100	Ilco Unican France S.A.S.
Silca S.p.A., Vittorio Veneto/IT	EUR	10,000,000.00	97 3	Kaba Porte Automatische S.p.A. Kaba Gilgen AG
Division Finance				
Bauer AG, Rümlang/CH	CHF	100,000.00	100	Kaba Holding AG
Ilco Unican France S.A.S., Le Mesnil St Denis/FR	EUR	2,840,000.00	100	Kaba Gilgen AG
Ilco Unican Properties, Inc., Rocky Mount/US	USD	100.00	100	Kaba Corp.
Kaba Corp., Southington/US	USD	201,731,000.00	100	Kaba AG
Kaba Finance Ltd., Jersey/GB	EUR	4,574.12	100	Kaba Holding AG
Kaba Finance Luxembourg S.A., Luxembourg/LU	EUR	32,000.00	100	Kaba Holding AG
Kaba Holding (UK) Ltd., London/GB	GBP	6,000,000.00	100	Kaba Holding AG
Kaba Holding GmbH, Villingen-Schwenningen/DE	EUR	3,067,751.29	100	Kaba Holding AG
Unican Holdings (Barbados) Inc., Bridgetown/BB		n/a	100	Kaba Gilgen AG
Unican Holding und Management GmbH, Velbert/DE	EUR	51,200.00	100	Unican Luxembourg S.A.
Unican Luxembourg S.A., Luxembourg/LU	EUR	15,191,535.94	100	Kaba Gilgen AG

* in the Financial Statements it is shown under Division Access Systems Europe
(to aid the comparison to the previous year figures)

Report of the group auditors to the General Meeting of Kaba Holding AG, Rumlang

As auditors of the group, we have audited the consolidated group financial statements (consolidated group balance sheet, consolidated group income statement, consolidated statement of cash flows and notes to the consolidated group financial statements/pages 6 to 24) of Kaba Holding AG for the year ended 30 June 2004.

These consolidated group financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated group financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated group financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated group financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated group financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated group financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Swiss GAAP FER and comply with Swiss law.

We recommend that the consolidated group financial statements submitted to you be approved.

PricewaterhouseCoopers AG



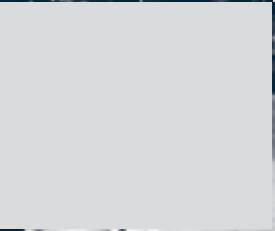
Stefan Räbsamen



Arno Frieser

Zurich, 25 August 2004





Financial Statements

27

Holding Company

Holding Company Balance Sheet

Assets

in CHF		
	30. 6. 2004	30. 6. 2003
Long-term assets		
Investments	346,002,626	389,619,693
Total long-term assets	346,002,626	389,619,693
Current assets		
Receivables: Third parties	12,021	7,172
Receivables: Group companies	354,022,610	308,091,240
Cash, cash equivalents and securities	16,628,367	1,584,385
Total current assets	370,662,998	309,682,797
Total current assets	716,665,624	699,302,490

Holding Company Balance Sheet

Shareholders' equity and liabilities

in CHF

	30. 6. 2004	30. 6. 2003
Shareholders' equity		
Capital stock	35,737,480	35,675,000
Legal reserves: General reserve	534,104,614	532,461,899
Legal reserves: Reserve for treasury stock	0	319,500
Other reserves	60,280,500	10,280,500
Unappropriated retained earnings	59,374,765	89,516,065
Total shareholders' equity	689,497,359	668,252,964
Provisions	16,105,848	14,378,834
Short-term liabilities		
Short-term liabilities: Third parties	355,960	275,134
Short-term liabilities: Group companies	10,706,457	16,395,558
Total short-term liabilities	11,062,417	16,670,692
Total shareholders' equity and liabilities	716,665,624	699,302,490

Holding Company Income Statement

in CHF	1.7.2003–30.6.2004	1.7.2002–30.6.2003
Operating revenues		
Financial income	35,299,905	42,008,078
Proceeds from services	7,549,569	4,554,800
Other operating revenues	1,400	1,449
Total operating revenues	42,850,874	46,564,327
Operating expenses		
Personnel costs	–384,857	–384,097
Other operating expenses	–2,678,449	–3,481,397
Financial expenses	–1,066,657	–2,072,709
Taxation	–2,102,953	–555,840
Net Income for the period before depreciation	36,617,958	40,070,284
Depreciation		
Depreciation on investments and receivables	–6,056,758	–18,256,714
Net Income for the period	30,561,200	21,813,570
Unappropriated retained earnings at the beginning of the period	89,516,065	78,404,995
Appropriations of retained earnings resolved by general meeting:		
– Other reserves	–50,000,000	0
– Dividend	–10,702,500	–10,702,500
Unappropriated retained earnings at the end of the period	59,374,765	89,516,065

Proposal of the Board of Directors for appropriation of retained earnings at 30 June 2004

The Board of Directors proposes the following appropriation: Distribution of a gross dividend of CHF 14,294,992 (CHF 10,702,500 in the prior year) on the share capital of CHF 35,737,480 (CHF 35,675,000 in the prior year) as well as an increase of other reserves of CHF 20,000,000 (CHF 50,000,000 in the prior year).

in CHF	2004	2003
Dividend	14,294,992	10,702,500
Appropriation to other reserves	20,000,000	50,000,000
To be carried forward	25,079,773	28,813,565
Unappropriated retained earnings	59,374,765	89,516,065

After approval of this proposal the dividend will be paid out net on 29 October 2004 as follows according to instructions received: CHF 4.00 (CHF 3.00 in the prior year) gross per listed registered share at CHF 10.00 par value. 35% withholding tax is going to be deducted.

Notes to the Financial Statements

1. Investments: Company, Business, Country		Nominal Capital in local currencies	Interest in %
Bauer AG, Finance, Rümlang/CH	CHF	100,000	100.0
Iberkaba SA, Access Systems, Valencia/ES	EUR	841,417	100.0
Kaba Belgium nv, Door Systems, Turnhout/BE	EUR	62,000	94.0
Kaba Finance Ltd, Finance, Jersey/GB	EUR	4,574	100.0
Kaba GmbH, Access Systems, Herzogenburg/AT	EUR	835,738	100.0
Kaba Gilgen AG, Door Systems, Schwarzenburg/CH	CHF	2,001,000	100.0
Kaba Holding GmbH, Finance, Villingen-Schwenningen/DE	EUR	3,067,751	100.0
Kaba Holding UK Ltd., Finance, London/GB	GBP	6,000,000	100.0
Kaba Management + Consulting AG, Finance, Rümlang/CH	CHF	50,000	100.0
Kaba Porte Automatiche S.p.A., Door Systems, Novedrate/IT	EUR	13,577,000	3.0
Kaba AG, Access Systems, Wetzikon/CH	CHF	6,800,000	100.0
Kaba Ilco Corporation, Access Systems, Rocky Mount/US	USD	56,900,000	preference shares
Kaba Security Sp. Zo.o., Access Systems, Warszawa/PL	PLN	50,000	100.0
Kaba Finance Luxembourg S.A., Finance, Luxembourg/LU	EUR	32,000	100.0
Kaba Benzing America Inc., Access Systems, Miami Lakes/US	USD	19,713	100.0

2. Significant shareholders

The following table sets out the share capital structure of Kaba Holding AG and the identities of those shareholders, who have declared a holding of 5% or more of the voting rights.

Shareholder Group	as at 30.6.2004		as at 30.6.2003	
	No. of shares at CHF 10 par value	%	No. of shares at CHF 10 par value	%
Heirs of Leo Bodmer ¹⁾				
Karin Forrer, Ittigen	218,520	6.1	218,520	6.1
Other heirs of Leo Bodmer	693,921	19.4	716,061	20.1
Total heirs of Leo Bodmer	912,441	25.5	934,581	26.2
Public shareholders				
Ulrich Bremi, Zollikon ²⁾	182,100	5.1	181,888	5.1
Other public shareholders	2,417,967	67.7	2,389,575	66.9
Total public shareholders	2,600,067	72.8	2,571,463	72.0
Members of the Board and current Executives				
Members of the Board (non-executive)	52,355	1.5	52,355	1.5
Current Executives (incl. executive board member)	51,777	1.4	51,993	1.5
Total Members of the Board and Executives	104,132	2.9	104,348	3.0
Less doublecounting in respect of heirs of Leo Bodmer in Members of the Board ³⁾	-42,892	-1.2	-42,892	-1.2
Total shares	3,573,748	100.0	3,567,500	100.0

¹⁾ The heirs of Leo Bodmer (1880 to 1961) are not, as far as Kaba Holding AG knows, linked by any shareholders agreements or other similar arrangements.

²⁾ Ulrich Bremi was from 1962 to 1992 employed by Kaba Holding AG and President from 1975 to 1992.

³⁾ The shareholdings of heirs of Leo Bodmer, who are also Members of the Board, are included under "Other heirs of Leo Bodmer" as well as under "Members of the Board".

3. Guarantees in favour of group companies

in CHF	30.6.2004	30.6.2003
Guarantees	12,339,191	8,342,740
thereof used	10,857,255	5,860,241

The Kaba companies in Switzerland are treated for VAT purposes as one single entity (Group taxation art. 22 Swiss VAT law).

If one company is unable to meet its payment obligations to the taxation authorities, the other Group companies within the entity are jointly and severally liable.

4. Own shares

in CHF	2003/04	Number	2002/03	Number
Own shares at the beginning of the period	173,700	900	288,000	900
Revaluation/Sold	-173,700	-900	-114,300	0
Own shares at the end of the period	0	0	173,700	900

5. Share capital increases

in CHF	30.6.2004	30.6.2003
Conditional Capital	4,137,520 ¹⁾	4,200,000
Authorised Kapital	3,500,000 ²⁾	0

¹⁾ Conditional capital totalling CHF 3,600,000 that is earmarked for the coverage of convertible bonds and warrant bonds plus CHF 600,000 for shares or share options to employees and members of the board of directors whereof CHF 62,480 have been exercised in financial year 2003/04.

²⁾ The company has an authorised capital of CHF 3,500,000 to increase the share capital at any time up to 21 October 2005.

6. Pledged Assets

In connection with the acquisition of the Canadian Uican Group by Kaba and the financial reorganisation pursuant thereto, assets have been pledged by way of security with the Bank for the liabilities of the Banks. In respect of Kaba Holding AG it relates in the main to participations, third party debtors, cash and securities.

Report of the Statutory Auditors to the General Meeting of Kaba Holding AG, Rumlang

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes/pages 28 to 33) of Kaba Holding AG for the year ended 30 June 2004.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Stefan Räbsamen



Arno Frieser

Zurich, 25 August 2004

Comments on the Financial Statements

Balance Sheet

Kaba Holding AG still holds the same *Investments* as in the prior year, but a reduction in working capital during the year under review freed assets.

The centralized financing of all subsidiaries via Kaba Holding AG (as one of the Group's several financing hubs) is responsible for the fact that *Receivables from and liabilities to Group companies* fluctuate according to the needs of the subsidiaries. During the year under review, liquidity management measures caused an increase in Receivables from the Swiss subsidiaries Kaba AG, Wetzikon, and Kaba Gilgen AG, Schwarzenburg. On the liabilities side, short-term investments of liquidity from subsidiaries did not result in any significant change of *Liabilities to Group companies*.

As at the closing date, *Cash and cash equivalents* from refinancing transactions in view of future debt repayment rose to CHF 16.0 million.

Unappropriated retained earnings further strengthened *Equity capital*. The exercise of options drawing on conditional capital resulted in a small capital increase. Paid-in premiums were booked to *General reserves*. The inventory of treasury stock was trimmed and the respective reserves were dissolved, resulting in an increase of *General reserves*. The closing figure for *Other reserves* reflects last year's resolution by the General Meeting to transfer CHF 50.0 million from unappropriated retained earnings to this item.

Statement of Income

Financial income includes earnings from investments and interest income. Interest income reflects the development of the portfolio (*Receivables from Group companies*). Last year's earnings from investments contained an extraordinary CHF 11.0 million payout by the Jersey-based financing company. As a consequence, earnings from investments declined from CHF 21.7 million in the prior year to CHF 12.7 million. Overall, financial income eased from CHF 42.0 million to CHF 35.3 million.

For the first time, it was possible to charge subsidiaries for the use of the Kaba umbrella brand across an entire year. The respective amount of CHF 7.5 million (PY: CHF 4.6 million) is posted under *Proceeds from services*.

The decrease in *Financial expenses* reflects the lower debt servicing cost associated with the reduction of debt.

The item *Depreciation on investments and receivables* contains a value adjustment due to the depreciation of the US dollar.

Last year's statement recognized a one-time depreciation on investments which did not recur in the report year. As a consequence, the reported *Net income for the period* rose to CHF 30.6 million (PY: CHF 21.8 million).

In view of the consolidated net income generated by the Group in financial 2003/04, the Board of Directors proposes a CHF 1.00 increase of the *Dividend* from CHF 3.00 (in 2002/03) to CHF 4.00 per registered share with a par value of CHF 10.00. Additionally, the Board of Directors proposes the appropriation of CHF 20.0 million to strengthen *reserves*.

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 uncertainties, 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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