### Key figures

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<tbody>
<tr>
<td>Operating revenues</td>
<td>983.8</td>
<td>1,025.9</td>
<td>714.5</td>
<td>546.8</td>
<td>408.1</td>
</tr>
<tr>
<td>(in CHF million)</td>
<td></td>
<td></td>
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<tr>
<td>EBIT</td>
<td>108.7</td>
<td>123.0</td>
<td>68.2</td>
<td>52.8</td>
<td>41.3</td>
</tr>
<tr>
<td>(in CHF million)</td>
<td></td>
<td></td>
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<tr>
<td>Net income for the</td>
<td>45.7</td>
<td>61.8</td>
<td>41.9</td>
<td>34.5</td>
<td>27.7</td>
</tr>
<tr>
<td>year (in CHF million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Market capitalization</td>
<td>689</td>
<td>1,142</td>
<td>1,266</td>
<td>1,179</td>
<td>461</td>
</tr>
<tr>
<td>(as at 30.6.2003,</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>in CHF million)</td>
<td></td>
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</tr>
<tr>
<td>Earnings per share</td>
<td>12.81</td>
<td>17.32</td>
<td>11.74</td>
<td>15.37</td>
<td>12.34</td>
</tr>
<tr>
<td>(in CHF)</td>
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### Kaba Group Divisions

<table>
<thead>
<tr>
<th></th>
<th>2002/03 in CHF million</th>
<th>2001/02 in CHF million</th>
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</thead>
<tbody>
<tr>
<td>Door Systems</td>
<td>220.2</td>
<td>232.3</td>
</tr>
<tr>
<td>Data Collection</td>
<td>65.0</td>
<td>61.8</td>
</tr>
<tr>
<td><strong>Access Systems</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>240.1</td>
<td>240.0</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>44.1</td>
<td>47.2</td>
</tr>
<tr>
<td><strong>Access + Key Systems Americas</strong></td>
<td>300.9</td>
<td>341.8</td>
</tr>
<tr>
<td>Access Systems total</td>
<td>585.1</td>
<td>629.0</td>
</tr>
<tr>
<td>Key Systems Europe</td>
<td>96.9</td>
<td>97.2</td>
</tr>
</tbody>
</table>
This is Kaba

Welcome to the world of Kaba
Kaba & you
Organization Structure
«Total Access»
The Strategic Business Segments (SBS)
Welcome to the world of Kaba

Financial 2002/03 was everything but an easy year. With the acquisition of Unican, the Kaba Group had just completed the transition to a global-scale corporation, and then the economic environment in most countries began to deteriorate. There were many different reasons for the downturn, but the effects were similar around the world: hesitant capital spending in the corporate sector, the wait-and-see attitude of consumers, shrinking markets, fiercer competition for the remaining pieces of the pie, austerity measures, and cost cuts across the board.

The Kaba Group was not able to ward off the impact of this economic slump in the year under review. Kaba was forced to expense restructuring costs of an unprecedented magnitude for the company.
Adjusting to market realities, sticking to the strategy

The need to adjust to market realities should not be confused with softening strategies, however. The contrary is true: Kaba can only safeguard the ability to implement its strategy if it flexibly aligns its businesses with current and future market conditions. A company that researches, develops, invests, or produces without regard for market demand can’t last long.

With the continuation of its successful «Total Access» strategy, the Kaba Group is not only keeping a promise but is also fulfilling its obligations to its stakeholders. Apart from products, customers and business partners mainly expect solutions that assure security, organization, and convenience in all doorkeeping applications. There is hardly another provider in the world that has the interdisciplinary resources needed to bundle components, modules, and software in such a professional and user-friendly way as Kaba.

Shareholders must be able to trust Kaba to abide by its longer-term performance and ROI targets, to continually review its strategy, and to systematically evolve in step with the relevant baseline conditions. Basically, there is no alternative to the «Total Access» route for the Kaba Group. After all, the Group’s employees have also experienced the fact that the «Total Access» strategy provides a comparatively high degree of resistance to economic fluctuations and at the same time creates motivating professional challenges. Beyond that, the proven «Total Access» strategy also qualifies Kaba as a security market player with an above-average opportunity to benefit from the forthcoming revitalization of the economy.

Progress in operational profitability, decline in retained earnings

Kaba is unquestionably on the right track: Despite the economic adversities, the Kaba Group in financial 2002/03 evolved relatively well and was able to increase or at least hold market share in all business lines. Apart from the Door Systems Division, which is burdened by non-recurring factors, the Kaba Group succeeded in increasing EBIT and the EBIT margin in local currencies.

In spite of local-currency growth rates, which were considerable in some instances, as well as progress made in operational profitability, reported net income decreased by about one-fourth to CHF 45.7 million. This is due to an 11.7% increase in taxes to CHF 23.9 million, even though income before taxes had declined. The tax rate surge from 26% to 34% reflects an overproportional increase in profits in America; for the time being, the concurrently high losses incurred in Europe cannot be offset against these higher profits.
Unchanged dividend

The Board of Directors and the Group Management believe that the high restructuring costs incurred during the year under review are non-recurring in nature and anticipate with confidence that the earnings situation will improve again in response to the measures that have been taken. On the basis of this assessment, the Board of Directors proposes the payment of an unchanged dividend of CHF 3 per share with a par value of CHF 10.

A big thank you

Although the Kaba Group’s latest financial results fall short of those in the prior year, its performance was respectable. This holds true especially considering the fact that the integration process involving the Unican Group (acquired in April 2001) was still in full swing during financial 2002/03, requiring the full attention of the Group Management above and beyond the supervision of day-to-day operations and the ongoing strategic decision-making requirements. On the bottom line, the operating parameters are positive, demonstrating the strong and sustained commitment of our 6,200 employees. We wish to thank them for their dedication and also express our sincere gratitude to our customers, business partners, shareholders, and other stakeholders for their confidence and loyalty.

Rudolf Hauser
Chairman of the Board of Directors

Ulrich Graf
President and CEO
Kaba & You

Your expectations
When you read our Annual Report, you want to learn how the Kaba Group is performing and where it is headed. As a shareholder, you expect good results and hope for signs of a still better future. As a user of Kaba technologies, you expect solutions that meet your requirements with regard to security, functionality, compatibility, and convenience. Perhaps you are responsible for the security of a company or an airport and need a partner who develops and implements integrated security and access concepts. Or you are one of Kaba’s 6,200 employees and wish to know how your company presents itself to other stakeholder groups. If you are a financial analyst, your focus is on information that enables you to assess the value and price outlook of Kaba shares. These examples do not nearly exhaust the long list of stakeholders with their differentiated expectations.

Our reply
Unfortunately, the wishes, requirements, and expectations of all stakeholder groups together are far from being congruent. Customers, for example, want to buy at attractive prices, while shareholders are interested in high profit margins and ultimately in the highest possible earnings per share. Similarly, employers and employees have diverging interests with regard to salaries. Faced with such dilemmas, Kaba anchors its decisions in the logic of the market. Guiding the way is the «Total Access» strategy Kaba has followed for many years with persistence and success. This strategic approach has yielded a solid benefit not only for our customers but also for all other stakeholders of the Kaba Group. High profitability provides, for example, the source for investments needed to strengthen and expand our technological leadership. The immediate beneficiaries are our customers, our business partners, and end users. However, sound profitability also enables our shareholders to benefit from above-average growth of earnings per share in the future.
Organization Structure
As per July 1, 2003

Kaba Holding AG
Board of Directors

Kaba Group
Ulrich Graf
President and CEO
Deputy: Heribert Allemann

Executive Board
CEO, CFO, COOs
(8 Members)

Corporate Business Development + IT
COO Heribert Allemann
Executive Vice President

Finance, Controlling, Legal + Communications
CFO Dr. Werner Stadelmann
Executive Vice President

Door Systems
COO Jakob Gilgen
Executive Vice President

Data Collection
COO Bertram Schmitz
Executive Vice President

Kaba Holding AG
Kaba Gilgen AG
Kaba Gallenschütz GmbH
Kaba Türsysteme GmbH
Kaba Door Systems Ltd.
Kaba Garog (Vega Ltd.)
Kaba Nederland BV
Kaba Belgium NV/SA
Kaba Porte Automatiche srl
Kaba Benzing GmbH
Kaba Benzing (Schweiz) AG
Kaba Benzing GmbH
Kaba Benzing S.A.
Kaba Benzing America Inc.
Kaba srl

Schwarzenburg/CH
Bühl/DE
Bühl/DE
Telford/GB
Warrington/GB

Villingen-Schwenningen/DE
Dietikon/CH
Wien/AT
Poissy Cedex/FR
Castel Maggiore/IT
«Total Access» is more than a product portfolio

All members of society share a basic need for protection and security. Whether this need is met, and in which way, depends on a number of factors: the threat potential, the individual’s perception of security, economic resources, risk tolerance, and available solutions.

Kaba’s offer is called «Total Access». It covers a broad range of security needs, from the rabbit stall to the reactor containment of a nuclear power plant. In the first case, a padlock will do. In the second, a complex access control system with biometric recognition as well as door and escape route control is required. In between, a wide variety of products and systems all have their purpose.

Kaba is the only company worldwide that has merged master key systems with access control, two disciplines that once existed separately on the security market. The solution is called Com-ID (Common Identification Media). It means that each user needs only one single identification medium (a key, an identification card,
or a combination of the two) in order to have authorized access to premises or certain services (e.g. meals) within an organization.

**Convenience**

It is the customers who decide which services they require at which time. In making the decision, they can rely on competent advice by experienced Kaba partners worldwide. Face-to-face discussions quickly establish that the required level of security can only be attained in practice if a number of other conditions are satisfied. For example, identification and data collection systems will work only to the extent that they are accepted by users. When security measures are not easy and convenient to use, they will be perceived as a harassment to be opposed or circumvented.

**Compatibility**

System compatibility in the corporate environment is another indispensable prerequisite. Time & attendance data collection models, for example, must be linked with higher-echelon ERP systems such as SAP. This need is addressed by Kaba with certified communications software and Internet-connected terminals designed for enterprise and time & attendance data collection.

**Ecology and reliability**

In addition to security and convenience, «Total Access» also offers a maximum of environmental friendliness and reliability. Automatic and security doors maintain the desired interior-to-exterior temperature difference whether closed or open. Fire-resistant, smoke-proof Kaba security and automatic doors and their integration into an escape route control system constitute a welcome factor of survival in a building.

**Speed**

As the world’s largest manufacturer of replacement keys, Kaba is well aware that speed of delivery is a decisive factor. From conventional milled or reversible keys to transponder keys for the automotive industry – prompt delivery to any point on the globe is a top priority. Accordingly, Kaba not only supplies keys to leading automobile manufacturers but also guarantees expedited delivery of replacement keys to its customers. This is accomplished by local dealers where Kaba has installed special key cutting and coding equipment.
What is «Total Access»?

Kaba produces and markets components in the following three domains: mechanical and mechatronic cylinders and locking systems, electronic access systems and data collection as well as security and automatic doors.

Driven by the market demand for greater security and convenience, but also by new technical capabilities, the three domains are growing together. However, this necessitates the interoperability of the components. The resulting market is referred to as the «Total Access» market.

Under the term Integrated Systems, Kaba also provides the entire range of engineering services for secure and convenient doorkeeping solutions for customers who want all-in-one «Total Access» solutions from a single source.
The Strategic Business Segments (SBS)

Geographically, Kaba has been living up to the motto “think global, act local” for the past two decades. This approach has resulted in the definition of several market regions. The following strategic business segments (SBS) service the markets by customer category and jointly implement the «Total Access» strategy:

SBS Access Control
The product portfolio of Access Control, our largest business segment by sales, includes mechanical and mechatronic locks and cylinders, masterkey systems, and the control software of integrated access systems for general commercial applications. It also contains market-specific products such as pushbutton locks, which are widely popular mainly in the USA and in Asia-Pacific. Kaba’s electronic PowerLever locks have gained global fame; they require neither batteries nor wiring to a power source. The ability to combine masterkey systems with access control has resulted in interesting innovations that have created a significant competitive edge for Kaba.

SBS Safe Locks
Kaba is the leading manufacturer of high-security and safe locks. The product line extends from purely mechanical and combination locks to sophisticated electronic devices and redundant high-security locks. The portfolio also contains an extensive line of bolt assemblies. Locks for the manufacturers of ATMs (Automatic Teller Machines) provide selective access to a machine’s individual compartments during specific time windows, logging all successful and attempted access transactions.

SBS Hotel Locks
The dependability of Kaba systems appeals mainly to large, internationally active hotel groups. Apart from access control, Kaba products also cover applications such as cashless purchases or authorization time-window management.

SBS Door Systems
This business segment is focused on security doors and automatic doors. The respective markets are serviced in different ways. Together with Platform screen doors, automatic doors focussed in new market segments have the greatest growth potential of the overall market.

SBS Data Collection
Kaba is a global technology leader and Europe’s market leader in enterprise data collection as well as time & attendance recording. The Group is only just beginning to develop the promising markets in North America and Asia Pacific. Kaba Benzing cooperates with specialized systems and software vendors, offering their customers tailor-made solutions. As a certified SAP Partner, Kaba Benzing can provide attractive solutions that integrate seamlessly into SAP environments.

SBS Key Systems
Kaba is the world market leader in replacement keys. With its Silca and Ilco range, Kaba can serve its customers with an extensive line of mechanical, electronic, and industrial key cutting and coding machines. The Kaba Group’s leadership position is strengthened by a dense global network of customers and dealers as well as close collaboration with OEMs (Original Equipment Manufacturers) in the automobile industry.

SBS Identification Systems
In the challenging global market for electronic identification systems, Kaba occupies a leading position with its Legic product line. The heart of Legic identification systems is an electronic no-contact authorization medium. Integrated in a key, badge, ID card, or bracelet, it conveniently and securely covers virtually every operational need in the domains of identification, organization, verification, and cashless payment transactions.
Stakeholders

Customers
Employees
Investors
Business Partners
Excellent solutions for excellent customers:
Kaba stands for Total Quality from consulting to implementation and after-sales service. “Quality products” and “excellent customer service” are two of the objectives that the United Overseas Bank Group energetically pursues. So it is only natural for Singapore’s leading bank to select its suppliers and partners according to the same criteria. “The Property Division of our bank doesn’t merely emphasize the design and aesthetic appeal of our building. We also insist on superior quality and the user benefit from the visitor’s point of view.” This is how Khoo Kah Nan, First Vice President of the Property Division, describes one of his permanent challenges.

During construction of the SGX Centre, two interconnected skyscrapers in Singapore, the fact that Singapore Exchange Limited (the supervisory authority of the Singapore Stock Exchange) would be a principal tenant necessitated particularly strict security standards. This was a key argument in favor of the Kaba high-security locking system. But excellence in support after completion of the installation phase was a primary concern as well, because frequent changes and expansions to accommodate evolving user needs were anticipated from the very beginning. Kaba thoroughly fulfilled the customer’s ambitious expectations. “Kaba has proven to be an excellent service and total quality partner,” confirms Khoo Kah Nan.

Kaba has proven to be an innovative customer oriented partner who is reliable and responsive to our requirements.

Khoo Kah Nan, First Vice President, Property Division, United Overseas Bank Group, Singapore
Investments in employees:  

Designing processes and promoting global empowerment. “At Kaba, technologically sophisticated products with attractive, premeditated designs are witnesses of an extraordinary culture of innovation that allows me to responsibly help forge the change processes within the company.” Obviously, head of human resources and quality management supervisor Barbara Brockmann enjoys working for an internationally networked corporation that blends different schools of thought and secures jobs with sustainable growth.

A professional approach to quality, process, and personnel management as well as flexibility and ambition are prerequisites for safeguarding success in an environment characterized by increasing globalization, ongoing change in the marketplace, and ever fiercer competition. These changes call for an expansion of our linguistic and cultural scope of empowerment.

Thus, we should think much more intensively about learning in the international context.

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Barbara Brockmann, head of human resources and quality management supervisor at Kaba Gallenschütz GmbH, Bühl, Germany
Stock performance: High market shares and strong growth constitute the foundation of the above-average performance of Kaba shares. In Switzerland, almost everyone knows Kaba. However, the Kaba brand is still extensively associated with keys. Portfolio manager Christopher Chandiramani observed that “it is fairly obscure to many people that Kaba has successfully diversified into security technologies and thus uncoupled itself from the economically sensitive construction industry.” From his point of view, Kaba’s convincing assets are high-quality products, a good management team, and transparent leadership. Chandiramani also refers to the comprehensive and highly useful Investor’s Handbook. Kaba is one of the very few companies that publishes such a tool.

Following the phase of major acquisitions, Chandiramani expects a period of consolidation at Kaba. At first sight, negative equity – caused by premature goodwill amortization – may look disturbing. “If intangible assets are capitalized, Kaba’s balance sheet is very solid. During the next five years, however, negative equity must be eliminated,” he insists, adding that “Kaba has already initiated this process in an impressive manner with regular debt reduction.”
Addressing supplier needs: Kaba seeks and nurtures long-term relationships with first-class partners. Appalachian Regional Manufacturing, Inc. (ARM) has been working for Kaba Mas (formerly Mas Hamilton) for the past twelve years. “To a large degree, Kaba is responsible for the success of our company,” says Linda S. McGinnis. She heads up ARM, an assembly and testing plant with a workforce of 80 people about 90 miles southeast of Lexington, Kentucky.

ARM is located in an economically weak region dominated by farming. This makes long-term business relationships all the more important, especially with a partner that like Kaba helps create jobs and provides access to world-class technology in the domain of high-security locks. “It is a privilege to be a supplier to Kaba. The company is professional and sensitive to supplier needs,” Linda S. McGinnis adds. “We look forward to seeing Kaba expand its presence in our region and throughout eastern Kentucky.”

It is a privilege to be a supplier to Kaba. The company is professional and sensitive to supplier needs.

from left to right: Linda S. McGinnis, President Appalachian Regional Manufacturing (ARM), Jackson, KY/USA; Faye White, Assistant Plant Manager; Melissa Maggard, Vice President, Plant Manager
Financial Year 2002/03

Report on financial Divisions Information
Report on financial 2002/03

The Kaba Group made further progress at the operating level in financial 2002/03 and held currency-adjusted sales steady.

However, the distressing business climate and the general hesitation in capital spending throughout all markets left their marks in the balance sheet and statement of income. Mostly due to currency translation, EBIT declined, but was also affected by non-recurring restructuring costs.
Investment restraint on the part of customers caused the markets overall to shrink and resulted in fiercer competition. Converted into Swiss francs, the Kaba Group’s sales declined by 5.8% to CHF 967.2 million. Adjusted for the appreciation effect of the Swiss franc (mainly versus the US dollar) sales increased slightly by 0.7%.

About 70% of the EBIT decline by 11.6% or CHF 14.3 million to CHF 108.7 million is due to the appreciation of the Swiss franc. Additionally, EBIT was burdened by non-recurring restructuring costs amounting to CHF 8 million, of which CHF 5 million was absorbed by the Door Systems Division and CHF 3 million by the Access Systems Europe Division (France).

**Door Systems Division results reflect restructuring**

The Door Systems Division generated CHF 220.2 million in sales during the year under review, 3.3% less than a year earlier. Although it was able to hold its market share in the new systems segment of its principal markets, the Division felt the impact of heavier margin pressure. This necessitated the streamlining of distribution structures and channels, the optimization of business processes, and the harmonization of product lines. The respective measures – they affected the British and German markets in particular – caused extraordinary non-recurring restructuring costs of about CHF 5 million. As a result of these special charges, EBIT declined from CHF 9.4 million in the prior year to CHF –1.3 million in the year under review. The EBIT margin dropped from 4% to –0.6%.

We expect these measures to have a positive impact in the short term and to create a sustainable enhancement of earnings potentials in the long term. Preparations to this effect have also been made at the human resources level. Jakob Gilgen, the former managing director of Kaba Gilgen AG in Schwarzenburg, assumed responsibility for the Door Systems Division on 1 July 2003. During the year under review, he had the opportunity to supervise the restructuring measures. Moreover, further changes in management staffing have taken place in the UK and Germany.

Further restructuring costs in the magnitude of CHF 3 million were incurred as an indirect consequence of the 1999 acquisition of a French door company in the Access Europe Division. We expect operations of the Access Division to attain the breakeven point in the current financial year.

**Reassuring results and indicators**

Although the closing figures for 2002/03 do not justify euphoria, the capabilities and potentials of the Kaba Group are aptly illustrated by various facts and figures:

- Despite the difficult economic environment, adverse foreign-exchange effects, and extraordinary restructuring charges, EBIT relative to return on net operating assets (RONOA) rose from 29.3% in the prior year to 30.3%.
- Closing at CHF 123.4 million, operating cash flow was again boosted by one-third versus the previous year. Net Free Cash flow increased by 47.9% to CHF 107.1 million, allowing Kaba to cut net debt by another CHF 94 million to CHF 430.5 million.
With the exception of Door Systems, all divisions succeeded in increasing their local-currency sales. The Kaba Group’s currency-adjusted EBIT without the Door Systems Division increased from CHF 112.8 million a year ago by 7.1% to CHF 120.8 million.

Although the consolidated EBIT margin declined from 12% to 11.2%, it would have picked up by 0.4 percentage points from 14.3% to 14.7% not counting Door Systems.

Apart from the Door Systems Division, Kaba demonstrated during the year under review that the Group is capable of increasing local-currency EBIT even under very distressful circumstances. With the systematically pursued restructuring program – it was fully expensed in the report year – Kaba has created a very encouraging point of departure for renewed growth. The proven «Total Access» strategy and a focus on market segments with greater value addition in products and services qualify Kaba as a security industry provider that will benefit over-proportionally from a rebound in demand.

It is out of this conviction that Kaba intensively pursued the development of new products and applications during financial 2002/03. At the same time, Kaba has implemented certain procedures that will facilitate the servicing of existing and particularly of new markets. These forward-looking activities are all directly expensed. Therefore, the investments reported in our financial statements reflect only a part of our investments in the future.

Outlook

The markets serviced by Kaba are still characterized by economic uncertainty and massive budget constraints. Many market entities continue to exercise restraint in capital spending. Decisions are postponed and contract awards deferred. According to our appraisal, the current financial year has many analogies with 2002/03. We thus have no reason to expect that the operating result for 2003/2004 will be better than the report year’s result. However, EBIT for the current financial year will not be burdened by the CHF 8 million in restructuring costs incurred in 2002/03.

In the long term, the security market will grow significantly faster than gross national product. This applies in particular to higher-end products and integrated solutions, a segment in which Kaba has a strong footing. Experience confirms that internal growth allows Kaba to over-proportionally increase its EBIT margin. In a positive economic environment and with the support of possible future acquisitions, we can reaffirm our long-term target of double-digit average annualized earnings growth per share.
Global account management

In financial 2002/03, Kaba introduced the global account management concept with the objective of more directly and efficiently serving major international customers with complex requirements. The concept helps globally active customers develop interdisciplinary security solutions that are optimally tailored to the local needs of various sites. Such companies are served by specially trained global account teams that act as a trustworthy liaison capable of reconciling the diversified and often rapidly changing needs of the customer with the Kaba Group’s comprehensive lineup of products and services.

Within the Kaba organization, global account management is part of the Corporate Business Development & IT unit.
German Historical Museum, Berlin, Germany

Comfort and elegance: a draft-free hotel entrance thanks to the Kaba automatic revolving door

Security and organized pedestrian flows in the airport customs zone with Kaba automatic pedestrian interlocks

Design and transparency in a modern administration building with a Kaba automatic sliding door
Reflections of restructuring

Sales generated by the Door Systems Division declined slightly in comparison with the previous year. This reflects the distressed economic arena, especially in Europe. New orders during the year under review were comparable to the previous-year level, justifying the conclusion that the market situation is unlikely to improve in the immediate future.

The Door Systems Division was able to maintain its share in a market that has been dwindling for two consecutive years. In view of mounting competition and pressure on margins, Kaba reviewed its distribution approaches, optimized its business processes, and realigned its portfolio structure. These measures required extraordinary expenses especially in the German and British markets. In addition, Kaba shut down the manufacturing site for manual revolving doors in Stockport at the end of June 2003, and settled all unfinished large-scale projects for its customers. Some additional structural and operational adjustments are due in the current business year and are expected to result in a sustained reinforcement of the Door Systems Division’s revenue potential.

The declining demand for new installations – with security doors being the only exception – was largely offset by gains in the domains of renovation and customer support. The intensified integration of Door Systems into «Total Access» solutions again proved to be a successful strategy in the year under review and led to several large-scale orders.

For example, Kaba was able to conclude a maintenance contract with UBS AG for all the bank’s door and gate systems in Switzerland. Other contracts include the supply of more than 200 drive and control systems for the security sliding gates of the Lötschberg base tunnel (NEAT) and the supply of various security door solutions for the airports of Munich and Stockholm Arlanda.

The large-scale project in Hong Kong, where Kaba Gilgen is equipping 74 subway platforms with security screen doors, is progressing as planned. The Hong Kong contract has become an excellent reference project that has already generated two additional major contracts for Kaba Gilgen: the maintenance of the 74 subway platforms in Hong Kong until 2007 and the supply of platform screen doors worth more than CHF 10 million to Kaohsiung, Taiwan.

To this Division the Strategic Business Segment (SBS) Door Systems is allocated. Further details to this SBS are available in the Investor’s Handbook, as of chapter 9.

Kaba Gilgen automatic doors have been working flawlessly and reliably under the extreme conditions that prevail up here on the Jungfraujoch. This track record encouraged us to order further revolving doors from the same company.

Andreas Wyss, Head of Technical Services, Jungfraujoch (Switzerland)
Manufacturing plant made of glass, Volkswagen, Dresden, Germany

The Bedanet 93 60 terminal sets new standards in time and attendance recording.

The Bedanet 91 20 FP terminal for biometric access control.

The Bedanet 91 20 FP terminal for biometric identification and advanced data collection solutions.
Further increase of revenue and profit margin despite sluggish economy

The Data Collection Division, identical with Kaba Benzing, continued to focus on its core business and reinforced its leading position in data collection during 2002/2003. Technological leadership and an undisputed international presence were among its decisive success factors.

While the Division’s revenue rose slightly, its profit margin increased by more than 10%. The bulk of its European revenue is generated by indirect business with software partners. In the U.S., Kaba Benzing America Inc. netted a positive result and achieved the turnaround. Cooperation with alliance partners such as SAP, IBM, Oracle, Baan, Peoplesoft, Cincom, and several SAP consulting firms was expanded in the U.S.

IT integration is at the core of data collection. Cooperation with partners makes it possible to integrate all ERP systems, database applications, and operating systems on the market. The solutions are based on open standards which enable trouble-free integration of third-party products (hardware and software) and are thus very attractive to partners and end users. Kaba Benzing is the market leader in the area of data collection solutions with SAP R/3 connectivity. Here, the company was able to nearly double its revenue. In contrast to competing products, “BCOMM for R/3 ERP” was developed explicitly for SAP. The customer can opt for a user-friendly product with customized software without data redundancy. In May, 2003, SAP and Kaba Benzing celebrated their worldwide 750th customer installation.

Customers favoring BCOMM include the Mexican supermarket chain Liverpool (300 terminals at 60 outlets) as well as two American companies, Kaft Inc. (500 terminals at 43 plants) and Hershey Foods (200 terminals at 11 plants). In Italy, Poste Italiane operates 1400 terminals installed by Kaba Benzing. Finally, Kaba Benzing France and IBM have developed a communications system that enables 700 IBM customers in France to automatically collect and visualize personnel data on the Kaba Benzing terminals.

Further innovations marketed by Kaba Benzing include Bedanet 9360 (the first Java terminal in the mid-price range) and the Bedanet 9120FP biometry terminal.

In the Middle East region, Kaba Benzing started market development in May 2003 where it seeks to tap additional sources for future revenue growth.

To this Division the Strategic Business Segment (SBS) Data Collection is allocated. Further details to this SBS are available in the Investor’s Handbook, as of chapter 9.

(ERP = Enterprise Resource Planning)

Kaba Benzing endorses an active partnership in which we feel very comfortable. Since we perceive a considerable potential for GFOS on foreign markets, Kaba Benzing’s international presence and the active support it provides in servicing specific markets are very important to us.

Burkhard Röhrig, owner and Managing Director, GFOS GmbH, Essen, Germany
The Messeturm, Basel, Switzerland

- Compact mechatronic solution without door installation
- Freedom of design in access control with remote antennas
- Biometric identification module as a standard component
Despite the economically distressing European market environment, the Access Systems Europe Division successfully held its ground.

In German-speaking countries as well as in Hungary and Spain, Kaba was able to gain perceptible market share and even beat prior-year results. The markets in Sweden and Great Britain trended somewhat below average. In France, a restructuring project had to be implemented as an indirect consequence of the 1999 acquisition of a French door company. Kaba’s involvement in large-scale projects such as the Stade de France or the University of Jussieu demonstrates that with its new local management, the Group is well positioned in France.

The hotel market suffered significantly from the Iraq war and from the SARS epidemic: the market volume for hotel locks slumped by more than 40%. However, the first signs of a rebound are emerging. Safe locks are also in a modest upwind. The prison door locks business is evolving very briskly; significant contracts were finalized in Germany and Italy. The merger of the distribution activities in all countries served by the Division was completed in 2002/2003, and is already tapping synergies to an encouraging degree.

Sales nearly doubled in the domain of the Kaba and Gege elogic mechatronic component family which has been systematically refined. With this successful foray, Kaba can confirm its leadership in the market for combined access control and master key system solutions. The new dealer-installable Kaba exos sky access control system also underpins this strategy: it has meanwhile been successfully introduced in eight countries. In spite of the weak overall economy, Kaba has pursued its technological development efforts. The new Legic advant transponder generation, unveiled as a world debut at CeBIT 2003, is in the process of establishing a new benchmark with respect to security and application flexibility. Its compatibility with the installed base is a particular asset. The new Exos 9300 access control system, developed for integrated large-scale projects on MS SQL and Oracle database platforms, is pending its market introduction. The new system addresses a growing need among international corporations for enterprise-wide database consistency. The new Kaba biover standard module seamlessly fits into the Kaba exos RRM kit, significantly cutting the logistics effort and the costs involved in biometric access control.

The concentration of sites that manufacture locking cylinders is still being prioritized. So far, dealers in German-speaking countries outside Switzerland have been served directly by the production facilities. This successful logistics concept is now being implemented elsewhere as well, with a current emphasis on France. New e-business applications are making it easier for customers to order masterkey plans and replacement keys. This approach also reduces handling costs.

To this Division following Strategic Business Segments (SBS) are allocated: Access Control (Cylinder Systems, Locks and Integrated Systems), Safe Locks and Hotel Locks. Further details to these SBS are available in the Investor’s Handbook, as of chapter 9.

We contracted Kaba to replace our old access control system because for the new contactless configuration we wanted, this company offered a solution that was technically superior and called for the least compromise on our part.

Michael Matzigewski, Project manager access control system, Schering AG, Berlin (Germany)
Putra Jaya Convention Centre, Putrajaya, Malaysia

High security with the patented Kaba quattro masterkey system

The Series 660 pushbutton lock offers convenience and design appeal

Functionality and convenience in the hotel thanks to the Series 760 system
Access Systems Asia Pacific Division

In the year under review, the Asian markets suffered from an anemic economy and – especially in Hong Kong, Taiwan, and Singapore – from the additional impact of the SARS epidemic. By contrast, the economies in Australia and New Zealand showed a solid upward trend, with a slight slowdown only in the second half of the business year. In the Asia-Pacific region, the increasing demand for security locks and security cylinders as well as electronic security solutions is reassuring. In Japan, this development more than outweighed the negative overall trend in the industry.

Despite a difficult economic scenario, Kaba Japan was able to strengthen its market position. The distribution network, built up steadily in the past few years, was further expanded in 2002/2003 and now comprises more than 650 licensed Kaba dealers. In combination with strategic partnerships, this distribution network provides a solid basis for growth in the field of electronic security solutions. To underpin the successful market introduction of Kaba legicstar and Exos sky – electronic security and access control systems for domestic and industrial applications – Kaba has established a special dealership network and implemented specific promotion measures.

In Singapore, business development was slowed down by a further slump in private demand – accentuated by the impact of SARS – as well as by increasing competition for orders in the public sector. This contrasts with the situation in Malaysia, where the public sector is an especially strong investor. In this customer segment, Kaba clearly bolstered its market position and achieved a good result.

After having repurchased the production license from a local manufacturer, followed by the establishment of a production company and the integration of the Unican companies, Kaba is going through a phase of consolidation in Australia and New Zealand. Despite substantial progress in developing local product portfolios and dealer networks, Kaba was not yet able to meet its ambitious revenue targets in these two markets. Nevertheless, the systematic continuation of development and market servicing activities as well as the increasing market acceptance of Kaba products and solutions will help both companies achieve the breakthrough.

Heribert Allemann
COO Access Systems Asia Pacific

Dominique Den, owner and manager, Dubbo City Locksmiths, Dubbo, Australia

We are very proud to be associated with your firm and think of you as a very important member of our small and humble company.
Mandarin Oriental Hotel, Miami, Florida/USA

Transponder-equipped keys provide users with high security and peace of mind.

Keys blanks decorated with popular sports team logos show support and have even become a fashion accessory.

This SIMPLEX® 5000 Series mechanical pushbutton lock provides convenient keyless entry.
Good operating result despite stagnating markets

The continuing weakness of the American economy made it impossible to sustain previous growth rates. The revenue trend expressed in local currency was rather modest, and the prior-year level was matched only thanks to increased sales of high-security locks to government agencies. The slowdown in residential and commercial construction and hesitant capital spending by the public sector resulted in a contraction of market volumes. In addition, the appreciation of the Canadian dollar versus the US dollar had a negative impact on the result because a large proportion of Canadian sales are paid in US dollars. Despite the shrinking market and more aggressive competition, however, the Access and Key Systems Americas Division achieved a good operating result. This was possible thanks to excellent cost control and containment in expenses and investments.

The launch of new products and the ongoing optimization of services have been well received by the customers. The multi-niche strategy in the security lock market has proved to be successful and boosted interest among banks and safe manufacturers. Special attention is being paid to the ATM business, where we can provide new, innovative solutions.

Our proprietary “Oracode” technology, which works with a computer-generated dynamic access code with start and end dates, will soon be introduced on the market. Together with the Access Systems Europe Division, new global products are being developed which combine the Legic application with the expertise of Access Systems Americas in the field of wired access control systems.

For years, the ATM industry relied on single locks to prevent access to the ATM safe. When we introduced the NCR Personas™ 78 however, we needed locks that would support various access authorization modes for different functions and ATM compartments. We were excited that Kaba Mas was able to provide precisely the kind of locks we wanted.
Silca and ILCO replacement key service – worldwide

Latest fashion accessory: Art-Keys

SILCA keys with over 55,000 profiles

State-of-the-art production at SILCA, Vittorio Veneto, Italy
Key Systems Europe Division

Demand remains high, above-average EBIT margin

Yet again, the Key Systems Europe Division looks back on an exceptionally good year. Despite fiercer competition, it was able to maintain its market leadership position in the year under review. The result was slightly tainted by currency translation effects, however, attributable to the weakness of the U.S. dollar versus the euro. Moreover, the income statement was burdened by investments in software products and in organizational structures. Although absolute EBIT did not quite attain the prior-year level, the Key Systems Europe Division did report an above-average EBIT margin.

In the year under review, the Division was again able to generate better-than-average earnings with Silca keys. It must be noted that these earnings originate from mature markets with little latitude for further growth. As the market leader, Silca only has modest potential left for additional revenue gains. Nonetheless, the Key Systems Europe Division achieved double-digit with replacement keys for original equipment manufacturers (OEMs).

The program initiated in the financial year before last to boost flexibility in dealing with customer requirements and to shorten turnaround times was systematically pursued during the report year. Within the scope of the Kaba Group’s value driver program, the Key Systems Europe Division has recently started covering a significant portion of the demand for key blanks. Where this is meaningful, the production of key blanks for all cylinder factories has been concentrated at Silca in Italy.

The two firmly established Silca and Orion brands will be more clearly positioned in the future and better aligned with the needs of different market segments and customer groups. With an innovation thrust, the Key Systems Europe Division intends to break the current growth ceiling and create a foundation for vigorous revenue growth in the coming years.

To this Division following Strategic Business Segments (SBS) are allocated: Key Systems Europe and Identification Systems. Further details to these SBS are available in the Investor’s Handbook, as of chapter 9.

For more than 40 years we have had the privilege to use the strong Silca brand. Silca meets all our demands in keyblanks and cutting machines. Their technology, technical support and service is still unexcelled.

Guy Petignat
COO Key Systems Europe

Kostas Sotiropoulos, owner and Managing Director,
F. Sotiropoulos & Son O.P., Athens, Greece
Addresses Kaba Group
As per September, 2003

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Information Schedule

**Tuesday**
Annual General Meeting of Kaba Holding AG
21 October 2003, 3.00 p.m.

**March 2004**
Letter to Shareholders and media release
on the semi-annual results as at December 31, 2003

**Monday**
Presentation for financial analysts
20 September 2004
Financial Media conference
Letter to Shareholders with results for the 2003/04 financial year
Dispatch of Annual Report
Invitation to Annual General Meeting

**Tuesday**
Annual General Meeting of Kaba Holding AG
26 October 2004, 3.00 p.m.
Stakeholder Media

Annual Report
Financial Report
Corporate Governance
Letter to Shareholders
Investor’s Handbook

Security Update, customer’s magazine
www.kaba.com
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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