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Profit growth exceeds 20% as in previous years

Sales surge by 30% thanks to Unican acquisition – Kaba transformed into global security corporation with potential sales of CHF 1.1 billion

Dear Kaba Shareholders,
dear Madam, dear Sir,

The size of the Kaba Group, its performance profile, market position, and perspectives experienced profound changes in the year under review. The acquisition of the Unican Group propelled Kaba to a top rank on the global roster of security corporations.

With twice its former sales volume, complementary product lines, and a seamless market presence, Kaba has become the number one provider of high-security locks, keys, transponder keys, and key cutting and coding machines. It ranks third in the aggregate "Total Access" market worldwide.

For the year under review, Unican was consolidated over the three-month period from April to June 2001. Thus, the balance sheet shows Kaba in a totally new magnitude while the statement of income only reflects a quarter-year's worth of Unican sales as well as the higher debt service associated with the acquisition.

Key figures of the Kaba Group as at the end of June

	2000/2001 (in CHF million)	1999/2000 (in CHF million)	Change over previous year
Sales (net)	683.6	526.5	29.8%
Operating revenues	714.5	546.8	30.7%
Earnings before depreciation (EBITDA) <i>in % Operating revenues</i>	93.4 13.1%	70.0 12.8%	33.4%
Operating profit (EBIT) <i>in % Operating revenues</i>	68.2 9.6%	52.8 9.6%	29.2%
Consolidated net income <i>in % Operating earnings</i>	41.9 5.9%	34.5 6.3%	21.4%
Net income after tax + depreciation <i>in % Operating earnings</i>	67.1 9.4%	51.7 9.4%	29.8%
Investments in tangible and intangible assets <i>in % Net income after tax + depreciation</i>	25.3 37.7%	21.2 41.0%	19.3%
<i>Investment in holdings</i>	860.6	11.3	7,615.9%
Balance sheet total	964.3	366.1	263.4%
Shareholder Equity <i>in % Balance sheet total</i>	-118.2 -12.3%	114.9 31.4%	-202.9%
Return on shareholder equity <i>Group profit in % Equity capital</i>	<i>n.a.</i>	30.0%	
Net operating assets	457.1	191.7	238.4%
Return on net operating assets (RONOA) <i>Earnings before income and tax (EBIT) in % Net operating assets</i>	14.9%	27.5%	
Number of employees (per closing date)	6,835	2,757	147.9%

A year of growth through acquisitions

In the year under review, operating revenues rose by 31% from CHF 546.8 million to CHF 714.5 million. Compared with the previous year, consolidated sales advanced by 30% or CHF 157.1 million from CHF 526.5 million to CHF 683.6 million. Of this growth, CHF 152.5 million are attributable to acquisitions.

Excluding acquisitions, in an unchanged scope of consolidation, the Kaba Group would have posted growth of CHF 13.7 million or 3% to CHF 540.2 million. These figures already reflect currency-related sales losses of CHF 9.1 million or -2%.

More than 20% annual profit growth since IPO

In the six years since Kaba Holding AG went public, the Group never deviated from the 20% profit growth target. The consolidated accounts as at June 30, 2001, post CHF 41.9 million in profit, which is equivalent to a gain of 21.4% for the reporting period. Since its IPO in 1995/96, Kaba has generated steady profit growth averaging 22.7% per year.

Even if the two capital increases of 1997 (by 10%) and March 2001 (by 50%) are factored in at the time when the funds were actually available to the company, average growth in earnings per share is still

18% since the IPO. During the same period, sales increased five-fold from about CHF 200 million to an annual potential of over CHF 1 billion. This figure does not yet include conceivable synergy gains from the integration of the former Uican Group which now generates roughly half of Kaba's consolidated sales.

EBITDA and free cash flow as performance indicators

Even more so than in the past, the EBITDA trend and free cash flow will be the dominant indicators for the corporate development of the Kaba Group in the coming years. Because of the increase in capital costs, the development of consolidated net income in the future will only be conditionally comparable with historic figures.

Operating profit (EBIT) increased parallel to sales growth (29.8%) at a rate of 29.2% from CHF 52.8 million in the previous year to CHF 68.2 million in the reporting period. EBITDA – operating profit plus non-cash depreciation – grew over-proportionally by 33.4% from CHF 70.0 to CHF 93.4 million. EBITDA shows the cash-effective operating result which is important for debt service and tax payments.

Net cash provided by operating activities in the statement of cash flows closed at CHF 45.3 million, near the extraordinarily high previous-year's figure of CHF 46.9

million. Portions of this cash flow were used to finance investments in fixed and intangible assets as well as in financial assets (CHF 25.4 million; previous year: CHF 21.4 million). Assets of CHF 3.9 million were sold (previous year: CHF 10.6 million). The result is a net free cash flow of CHF 23.8 million. The previous year's figure (CHF 36.1 million) was higher due to non-operational divestitures and lower investments.

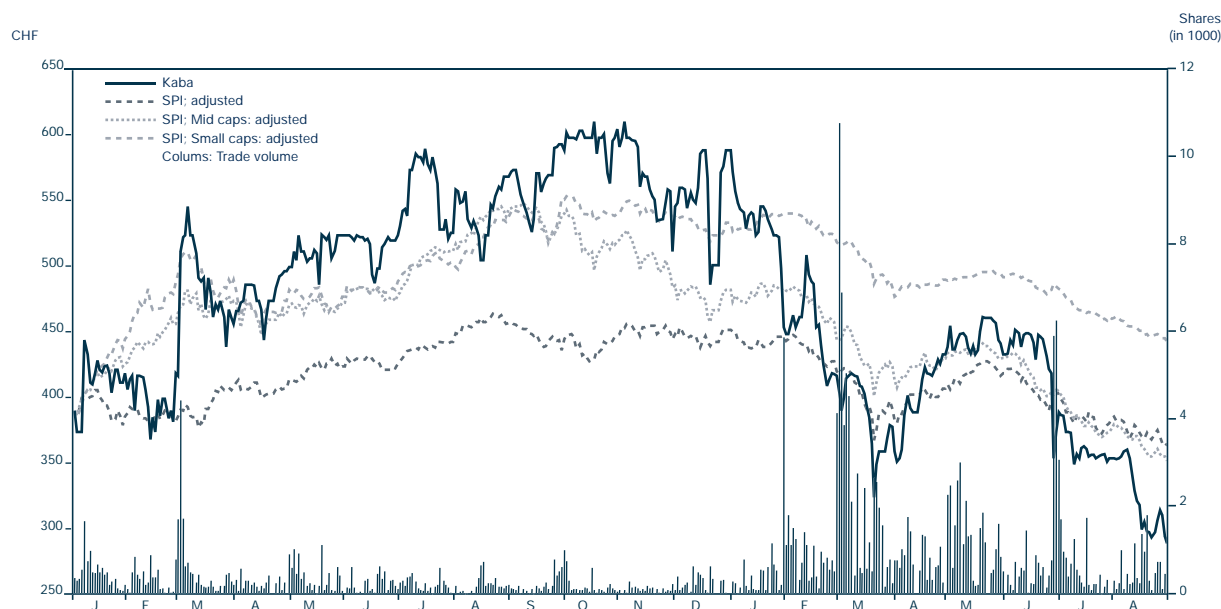
The EBIT margin, i.e. EBIT in % of operating revenues, remained at the prior-year level of 9.6%.

EBIT as a percentage of return on net operating assets (RONOA) declined from 27.5% a year ago to 14.9% on the closing date. The decrease is due to the fact that the net operating assets in the balance sheet reflect the value of the entire former Uican Group while the statement of income covers the results of the acquired group for merely one calendar quarter.

The assets do not contain goodwill

In compliance with its applicable accounting principles, Kaba has offset the goodwill arising from the acquisition of Uican directly against equity. As has been the case in the past, the notes to the financial statements will disclose the total amount recognized as well as the goodwill amount to be

Evolution of share price from January 2000 to August 2001



theoretically amortized per annum. The envisaged amortization period is five years as announced in the acquisition bid.

Overall goodwill of CHF 751.2 million has been offset directly against equity in the reporting period. Kaba therefore shows a negative equity amount of CHF -118.2 million. If the whole amount of goodwill booked against equity in the last years were to be capitalized and amortized over its useful life, Kaba could post consolidated equity of CHF 673.7 million or about 38% of the now higher balance sheet total.

In the meantime, however, American reporting guidelines have introduced a global trend reversal in the

recognition of goodwill. Starting in 2002, US-GAAP no longer stipulate a systematic amortization of goodwill in the statement of income. Instead, the value trend of capitalized goodwill is reassessed on an annual basis. In the event of a sustained value reduction, the capitalized goodwill is then adjusted and expensed accordingly.

We expect that IAS and in its wake Switzerland's FER/ARR guidelines will adopt this new practice as well. Kaba so far has not posted goodwill amortization in its statements of income and since the new approach is likely to become the generally accepted standard within a few years, Kaba has decided not to amend its reporting principles in this context.

Unchanged dividend payout quota

In view of the fact that debt service has increased as a result of the acquisition, the Board of Directors proposes an unchanged payout quota of 25% of consolidated net income. This corresponds to a dividend of CHF 3.00 (prior year CHF 3.90) per share at CHF 10.00 par (par value since split in February 2001).

A global platform for sustained growth

Kaba has attained global stature with the acquisition of Uican and today has an excellent position in Europe, North America, and Asia Pacific to continue posting above-average growth in the future. Currently, the Kaba Group employs about 6,800 persons.

Today, on the world market, Kaba is

- No. 1 in key blanks, key coding machines, and transponder keys
- No. 1 in high-security locks
- No. 2 in locks and master key systems
- No. 2 in security and automatic doors
- No. 3 in hotel key systems
- No. 3 in the "Total Access" market

In Europe, Kaba remains the market and technology leader in electronic access solutions.

The traditional product lines and markets of the two companies are ideally complementary. They constitute the building blocks for the development of a stable and strategically significant growth foundation. This platform is also an excellent starting point for the joint development of new markets which so far have hardly been serviced.

The merger of the two groups is in full swing. Pages 14ff. of this year's Annual report provide more detailed information.

No changes have been made as regards the Kaba Group's focus on the "Total Access" market and performance strategy. All Group activities can still be assigned to the three existing Kaba divisions and the overlapping domains of the "Total Access" strategy.

In the coming years, the aggregate synergy potential of the Unican acquisition is expected to generate an additional sales volume of about CHF 250 million. Apart from the cost-side synergies which are less significant, we anticipate a sustainable thrust in growth primarily on the basis of product and market synergies. In particular, cross-selling through Unican's distribution channels in America and Kaba's channels in Europe will be intensified. The creation of leverage in procurement and the streamlining of product lines will also be key issues.

Optimistic profit projections

Kaba expects operating revenues for financial 2001/2002 to exceed CHF 1.1 billion. We continue to stand by our vision of generating average annual profit growth of 20% per share under normal economic circumstances. To achieve this goal, it will be necessary to continue to boost sales, but also to attain overproportional growth in earnings before interest and taxes (EBIT). The acquisition of the Unican Group has created the foundation for this growth.

In the current year, capitalizable investments will again be roughly equivalent to depreciation – due to the significantly larger size of the Group, this figure will be approximately twice the amount posted by the Kaba Group so far.

We also project a further increase in net income for financial 2001/2002.

Invitation to the General Meeting of Shareholders on

Tuesday, October 23, 2001, at 3 PM
(Swissôtel, Am Marktplatz, Zürich-Oerlikon, across the street from the Zürich-Oerlikon train station)

Our shareholders are receiving the following enclosures for the General Meeting:

- Invitation with agenda and proposals by the Board of Directors
- Reply form
- Reply envelope
- Annual report 2000/2001
- Order card for Investor's Handbook

If you wish to attend the General Meeting, please complete the enclosed reply form and return it to us as soon as possible with the reply envelope. You will then receive your admission card and ballot as well as a map with directions for motorists and a timetable for train connections. Since the number of available parking spaces is limited, we recommend the use of public transportation.

Investor's Handbook, 6th edition 2001/2002

The Kaba Group's Investor's Handbook has long become a valued source of information and a useful

working aid for many shareholders, analysts, and business journalists. The publication delivers a wealth of data and facts to help readers better understand Kaba. It is a matter of great importance for us to make available to them all the information needed to appreciate past accomplishments and appraise future developments as factually and comprehensively as possible.

From our point of view, the Investor's Handbook 2001/2002 is not only an important source of information for the financial community; it is also an instrument that supports the successful continuation of the integration process which brings Unican's activities into the Kaba Group.

Although Unican has only been consolidated since April 1, 2001 – for the last three months of Kaba's financial year – it is our ambition to present the data and facts in such a manner that you will obtain the most accurate picture possible of the new Kaba Group and of its perspectives. You will quickly realize that Kaba and Unican are unusually complementary: as regards technologies, products, markets, and distribution. We are the largest company listed on the Swiss Exchange which publishes a comprehensive Inves-

tor's Handbook for its partners. Now twice its former size, Kaba is determined to uphold its legacy of transparent information. You can use the enclosed order card or log on to www.kaba.com to request our new Investor's Handbook in English. It is also available on our Web site as a downloadable PDF document.

Information schedule

September 24, 2001, Monday

Presentation for financial analysts
Financial press conference
Shareholder newsletter announcing the results of financial 2000/2001 of the Kaba Group and of Kaba Holding AG (closing date June 30, 2001), and outlook for financial 2001/2002

Mailing of annual report
Invitation to General Meeting

October 23, 2001, Tuesday, 3 PM
General Meeting of Kaba Holding AG

March 2002
Shareholder newsletter and press release on semiannual results as at December 31, 2001

September 23, 2002, Monday
Presentation for financial analysts
Financial press conference
Shareholder newsletter announcing the results of financial 2001/2002
Mailing of annual report
Invitation to General Meeting

October 22, 2002, Tuesday, 3 PM
General Meeting of Kaba Holding AG

We look forward to welcoming you at our next General Meeting which will give us the opportunity to report in detail on financial 2000/2001 and our intentions for the future.

Yours sincerely
for Kaba Holding AG



Creed Kuenzle
Chairman of the Board



Ulrich Graf
Delegate of the Board



"TOTAL ACCESS" MODULES ARE THE KABA GROUP'S KEY PERFORMERS



High-security lock X-08

The high security lock X-08 manufactured by Kaba Mas is the only lock approved by the US government to protect classified and higher level security items. Using self-powered technology, this sophisticated electronic container lock requires no batteries. It is impervious to physical, nuclear, magnetic, and surreptitious attacks.

This lock is under constant engineering development to keep ahead of any technological developments. From this lock base Kaba Mas has created not only a full line of other self-powered locks for use in standard safes and ATMs, but have also developed battery products that require extremely low power.



Triax e-code-high quality electronic key duplication

Triax e-code is Silca's new electronic high security key machine for duplication and code cutting of dimple and sidewinder keys. The combined action of sensors and photocells guarantee maximum precision duplication results i.e. to a hundredth of a millimeter.

Triax e-code automatically converts the decoded information into original lock specifications. Fully compatible with Silca's replacement key programs and most other master keying programs available on the market, Triax e-code features numerous other special functions such as reference search, management of customers' archives or extensive data research.



LECTOR – The perfect device for key identification

Silca Lector is the first device able to read and identify car and cylinder keys in a matter of seconds. An advanced opto-electronic reading system, based on innovative optical measurement and laser illumination technologies, guarantees the highest degree of precision and very accurate search functions.

Lector can operate both standalone or via computer, and can compare any given key form with more than 8.000 different key profiles with precision to a hundredth of a millimeter. The Silca Lector is intended for use by professional key services. Its special feature of matching keys with their original specification means that worn keys can be duplicated or renewed. Lector's data base can be tailored to country or to specific customer requirements.

