

Corporate Governance 2001/2002



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Preface

“More than ever before, the ability of a company to quickly, objectively and comprehensively communicate with its target audiences is becoming a competitiveness factor. This applies in particular to a publicly traded company.” With these words, Kaba launched its Investor’s Handbook in 1996; since then, the handbook has become a tool that is widely respected and appreciated. At that time, we had come to the conclusion that the annual report, as a rather retrospective document, no longer fully addressed the public’s growing interest in the Kaba Group. “The Investor’s handbook will help interested parties better understand the market position and the future of the Kaba Group. It provides information on the Kaba Group’s opportunities and potential in the individual markets it serves. The Group’s strategy and substrategies are explained in straightforward terms,” we wrote then in the introduction.

Now, we are once again adjusting the Kaba Group’s annual reporting to the needs and expectations of our stakeholders by compiling all the information related to corporate governance

in a separate publication. It complies with the corporate governance guidelines of the SWX Swiss Exchange and together with the completely redesigned annual/financial report and the proven Investor’s Handbook it forms part of a trilogy of publications that we will issue every year from now on.

For Kaba, however, corporate governance by far transcends compliance with guidelines or the publication of a report. It is our conviction that true corporate governance in the interest of stakeholders requires that its spirit and intentions be backed by the conduct of all of the company’s staff members. In this respect, we have come a long way, and we can be proud of our accomplishments. But we also realize that striving for perfection is an ongoing process. This applies to corporate governance just as much as to other domains. We would be very grateful for your support in the form of suggestions, criticism, or praise.



Ulrich Graf
President and CEO



Dr. Werner Stadelmann
CFO

Introduction

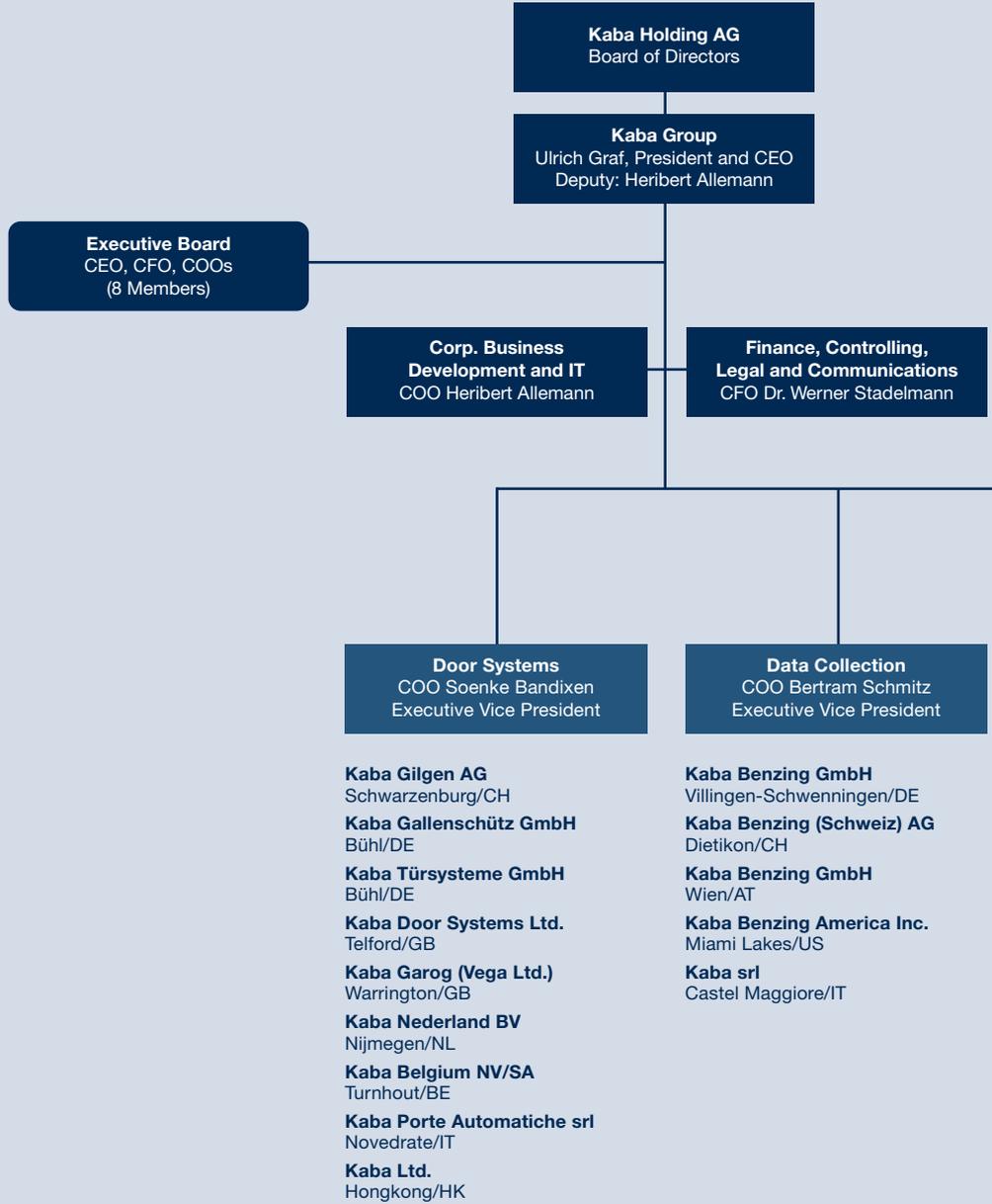
This Corporate Governance Report explains the principles of management and control of Kaba at the highest corporate level in accordance with the Directive on Information relating to Corporate Governance (*the Corporate Governance Directive*) issued by the SWX Swiss Exchange. The Corporate Governance Directive, which entered into force on 1 July 2002, applies to all annual reports for financial years beginning on 1 January 2002 or later. Notwithstanding the foregoing, Kaba Holding AG publishes the information regarding corporate governance already in this report for the financial year 2001/02. The information is as of 30 June 2002, unless otherwise stated.

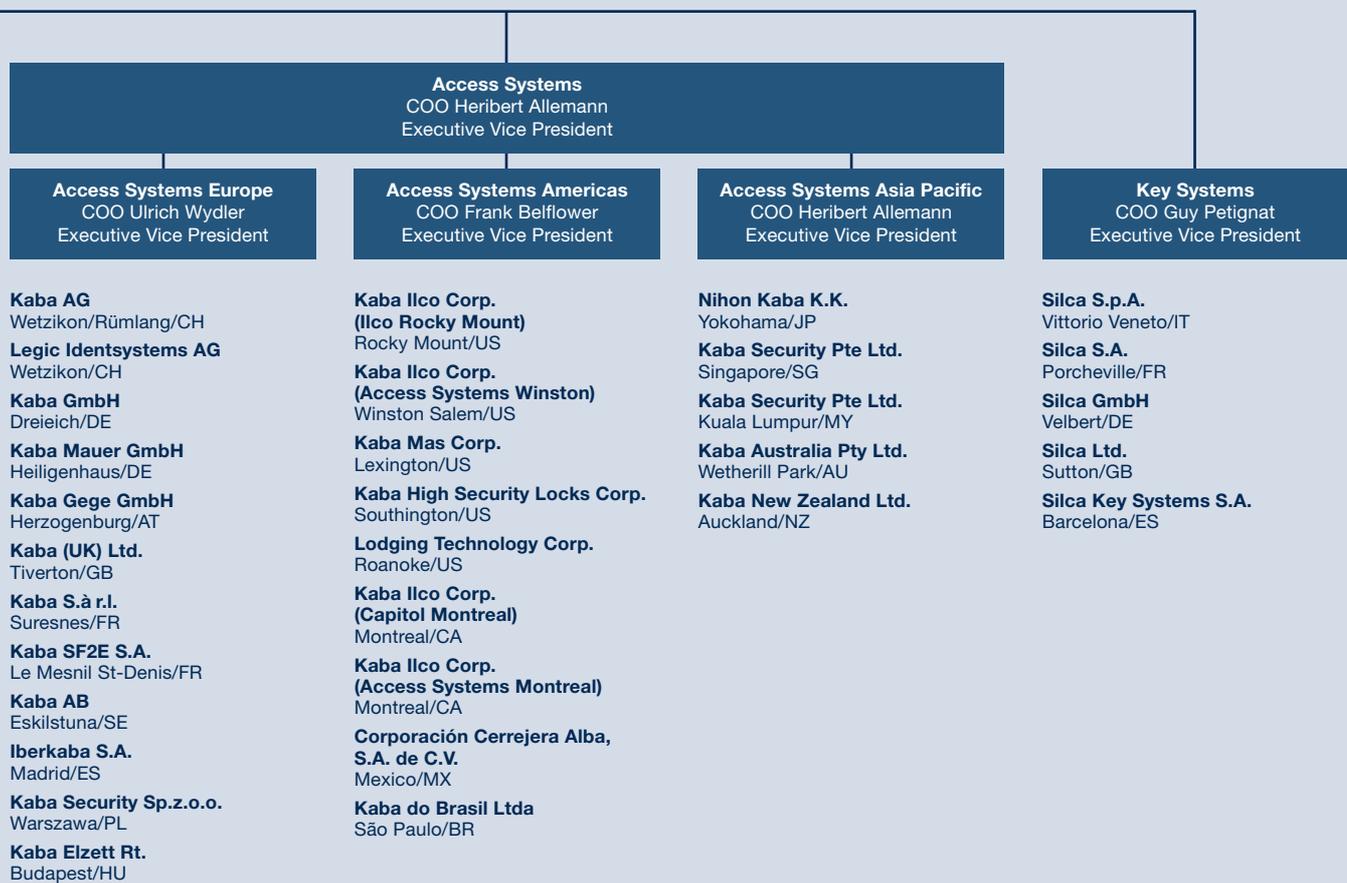
Corporate governance of Kaba complies to a large extent with the principles and recommendations of the “Corporate Governance – Swiss Code of Best Practice” dated 25 March 2002.

Due to its shareholders’ structure and size, Kaba has adopted certain changes thereto.

The principles and rules of Kaba on corporate governance are laid down in the Articles of Incorporation, Organizational Regulations and the Regulations of the board committees of Kaba Holding AG. They are reviewed by the President and Chief Executive Officer (*Delegierter des Verwaltungsrates*), who from time to time submits proposals for amendments to the Board of Directors for its decision.

Group Structure





Legal Structure of the Kaba Group

As per 30.6.2002

List of substantial group and associated companies		Share Capital in local currency	Voting rights in %	Participation of...
Kaba Holding AG, Rümlang/CH	CHF	35 675 000.00		Public Quoted Company
Kaba Management + Consulting AG, Rümlang/CH	CHF	50 000.00	100	Kaba Holding AG
Division Door Systems (1)				
Kaba Belgium nv, Turnhout/BE	EUR	62 000.00	94 6	Kaba Holding AG Kaba Nederland BV
Kaba Door Systems Ltd., Telford/GB	GBP	2.00	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 Limited, Kwai Chung N.T./HK	HKD	4 750 000.00	100	Kaba Gilgen AG
Kaba Nederland bv, Nijmegen/NL	EUR	226 890.11	100	Unican Luxembourg S.A.
Kaba Porte Automatiche SpA, 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 Systems GmbH
Vega Ltd., (trading as Kaba Garog), Warrington/GB	GBP	5 000.00	100	Kaba Holding (UK) Ltd.
Division Data Collection (2)				
Kaba Benzing (Schweiz) AG, Dietikon/CH	CHF	400 000.00	100	Kaba Holding AG
Kaba Benzing America Inc., Miami Lakes/US	USD	19 712.76	100	Kaba Benzing GmbH
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 Gege GmbH
Kaba srl, Castel Maggiore/IT	EUR	260 000.00	70	Kaba AG
Division Access Systems (3)				
Corporacion Cerrajera Alba SA de C.V., Edo de México/MX	MXP	2 521 750.00	99 1	Kaba Ilco Inc. Ilco Mexico SA de CV
Fecosa France (SCI), Le Mesnil St Denis/FR	EUR	152.45	99 1	Kaba SF2E S.A. Ilco Unican France S.A.
Herrajes Nacionales de Mexico, SA de C.V., Edo de México/MX	MXP	628 990.00	99 1	Kaba Ilco Inc. Ilco Mexico SA de CV
Iberkaba SA, Valencia/ES	EUR	841 416.95	100	Kaba Holding AG
Ilco Mexico SA de C.V., Edo de México/MX	MXP	4 725 050.00	100	Kaba Ilco Inc.
Ilco Unican Mexico SA de C.V., Edo de México/MX	MXP	4 961 300.00	100	Kaba Ilco Inc.
Ilco Unican Sales Corp., Bridgetown/BB	USD	100.00	100	Kaba Ilco Corp.
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 Australia Pty Ltd., Wetherill Park/AU	AUD	15 187 426.00	100	Kaba Gilgen AG
Kaba Boyd Pty Ltd., Wetherill Park/AU	AUD	2 000 000.00	100	Kaba AG
Kaba do Brasil Ltda., São Paulo/BR	BRL	445 225.00	100	Kaba Gilgen AG
Kaba Gege GmbH, Herzogenburg/AT	EUR	835 737.59	100	Kaba Holding AG
Kaba High Security Locks Corp., Southington/US	USD	75 150.00	100	Kaba Corporation
Kaba Ilco Corp., Rocky Mount/US	USD	56 900 000.00	100	Kaba Corporation
Kaba Ilco Inc., Montreal/CA	CAD	20 400 001.00	100	Kaba Gilgen AG
Kaba Mas Corporation, Lexington/US	USD	880 679.00	100	Kaba Corporation
Kaba Mauer GmbH, Heiligenhaus/DE	EUR	819 100.00	100	Unican Holding + Management GmbH

**List of substantial group
and associated companies**

		Share Capital in local currency	Voting rights in %	Participation of ...
Division Access Systems (3)				
Kaba New Zealand Ltd., Auckland/NZ	NZD	250 000.00	100	Kaba Gilgen AG
Kaba S.à r.l., Suresnes/FR	EUR	846 092.05	100	Kaba Holding AG
Kaba Security Pte. Ltd., Singapore/SP	SGD	1 890 000.00	100	Kaba AG
Kaba Security Sp. Z o.o., Warszawa/PL	PLN	50 000.00	100	Kaba Holding AG
Kaba SF2E S.A., Le Mesnil St Denis/FR	EUR	1 561 978.00	100	Ilco Unican France S.A.
Kaba Suomi Oy, Helsinki/FI	FIM	267 500.00	100	Kaba AB
Kaba Systems GmbH, Dreieich/DE	EUR	385 000.00	100	Kaba Holding GmbH
Legic Identsystems AG, Wetzikon/CH	CHF	500 000.00	100	Kaba AG
Lodging Technology Corp., Roanoke/US	USD	1 000.00	100	Kaba Corporation
Mauer Sicherheitstechnik Beteiligungs GmbH, Heiligenhaus/DE	EUR	26 250.00	100	Unican Holding + Management GmbH
Mauer Sicherheitstechnik GmbH + Co. KG, Heiligenhaus/DE	EUR	270 645.94	100	Mauer Sicherheits Beteiligungs GmbH
Mauer Thüringen GmbH, Bad Berka/DE	EUR	255 700.00	100	Kaba Mauer GmbH
Nihon Kaba K.K., Yokohama/JP	JPY	120 000 000.00	100	Kaba AG
Division Key Systems (4)				
Kaba Elzett RT, Budapest/HU	HUF	250 000 000.00	51 49	Silca SpA Unican Luxembourg S.A.
Richard Lenoir (SCI), Paris/FR	EUR	15 244.90	100	Silca SA
Silca GmbH, Velbert/DE	EUR	358 000.00	90 10	Unican Holding + Management GmbH Unican Luxembourg S.A.
Silca Key Systems SA, Barcelona/ES	EUR	162 296.90	100	Silca SpA
Silca Ltd., Sutton/GB	GBP	411 050.00	100	Kaba Holding (UK) Ltd.
Silca S.A., Porcheville/FR	EUR	797 670.00	100	Ilco Unican France S.A.
Silca SpA, Vittorio Veneto/IT	EUR	10 000 000.00	97 3	Kaba Porte Automatiche SpA Kaba Gilgen AG
Division Finance (5)				
Bauer AG, Rümlang/CH	CHF	100 000.00	100	Kaba Holding AG
Ilco Unican France S.A., 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 Corporation
Kaba Corporation, Southington/US	USD	201 731 000.00	100	Kaba AG
Kaba Finance Ltd., Jersey/GB	EUR	10 101.00	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
Ruchser + Aubry AG, Muri/CH	CHF	2 000 000.00	100	Kaba AG
Unican Holding (Barbados) Inc., Bridgetown/BB		n / a	100	Kaba Gilgen AG
Unican Holding + Management GmbH, Velbert/DE	EUR	51 200.00	100	Unican Luxembourg S.A.
Unican Luxembourg S.A., Luxembourg/LU	EUR	11 356 869.99	100	Kaba Gilgen AG

There are no companies belonging to the consolidated entities of Kaba whose equity securities are listed on a stock exchange.

Board of Directors

The primary duties of the Board of Directors of Kaba Holding AG are defined in the Swiss Code of Obligations, the Articles of Incorporation and the Organizational Regulations.

Members of the Board of Directors

The Board of Directors of Kaba Holding AG consists of eight members. Presently, the President (Delegierter des Verwaltungsrates) is the only executive member of the Board of Directors. Except for Aaron M. Fish, who was chairman of Unican Security Systems Ltd. until 2001, none of the non-executive members of the Board of Directors was a member of the management of Kaba in the three financial years preceding the period under review. The non-executive members of the Board of Directors have no important business connections with Kaba Holding AG or Kaba.

The following table sets forth the name, age, principal positions, time of first election and the remaining term of office of each member of the Board of Directors:

Rudolf Hauser, Swiss citizen, is since 23 October 2001 non-executive Chairman and a member of the Compensation Committee and the Audit Committee of Kaba Holding AG. He is also chairman of the board of directors of Bucher Industries AG, Niederweningen. Prior to this, he was vice-chairman and president of the board of directors as well as chief executive officer of Bucher Industries AG. He is also vice-chairman of the board of directors of Rieter Holding AG and member of the board of directors of AG für die Neue Zürcher Zeitung. He serves as a member of the Bank Council at the Swiss National Bank and is as treasurer of VSM (Verein Schweizerischer Maschinen-Industrieller) a member of the Executive Committee of Swissmem (ASMIVSM). Rudolf Hauser studied at the ETH (Eidg. Technische Hochschule, Zurich) and has a degree in engineering and management. In 1964, he received a MBA from INSEAD in Fontainebleau.

Name	Age	Position	First election	Remaining term
Rudolf Hauser	65	Non-executive Chairman	2000	2003
Gerhard Zeidler	66	Non-executive Vice-Chairman	1997	2002
Ulrich Graf	57	President and Chief Executive Officer	1992	2002
Maurice P. Andrien	61	Non-executive Member	2001	2004
Karina Dubs-Kuenzle	39	Non-executive Member	2001	2004
Aaron M. Fish	70	Non-executive Member	2001	2004
Rudolf W. Weber	52	Non-executive Member	1998	2004
Thomas Zimmermann	57	Non-executive Member	1992	2003

Gerhard Zeidler, German citizen, is a non-executive Vice-Chairman of the Board of Directors as well as a member of the Compensation Committee of Kaba Holding AG. He is currently chairman of the board of trustees of DEKRA e.V. (Sachverständigen- und Überwachungsorganisation) and of DEKRA Holding AG, Stuttgart, as well as chairman of the board and senior officer of Perot Systems Corp. (Central Europe). Until 1995, Gerhard Zeidler served as chairman of the board of Alcatel SEL AG, Stuttgart. Gerhard Zeidler studied at the Technische Hochschule of Darmstadt and is honorary professor at the University of Stuttgart.

Ulrich Graf, Swiss citizen, is an executive member and President of the Board of Directors and Chief Executive Officer and member of the Compensation Committee of Kaba Holding AG. He also serves as chairman of Griesser AG and Fr. Sauter AG and is a member of the board of directors of Georg Fischer AG, Feller AG, SIAG and Access Arena AG. Furthermore, he is a member of the Stiftungsrat of REGA (Schweizerische Rettungsflugwacht). Ulrich Graf studied at the ETH in Zurich (Eidg. Technische Hochschule) and has a degree in electronic engineering.

Maurice P. Andrien, U.S. citizen, is a non-executive Board of Directors member of Kaba Holding AG; he is chairman of the board of Hillman Group Cincinnati, Ohio, a privately held distributor of fasteners, keys, letters, numbers, and signs to hardware stores and home centers. Maurice P. Andrien is also chairman of the board of Sun-Source Technology Services, Addison, Illinois, a privately held distributor of fluid power products. In 1998 and 1999 he held the position of President, COO and member of the board of directors at Unican Security Systems Ltd. in Montreal, Canada. Between 1992 and 1998, he held the position of president and CEO at Curtis Industries in Cleveland, Ohio, a privately held industrial distributor. He has a Bachelors degree in electrical engineering and a Masters degree in management from Massachusetts Institute of Technology.

Karina Dubs-Kuenzle, Swiss citizen, is a non-executive member of the Board of Directors of Kaba Holding AG as well as partner and member of the board of directors of Dubs Konzepte AG, Zurich, a catering company she and her husband founded in 1997. She has a background in advertising and worked for several years as an advertising assistant with Wirz Werbeberatung AG in Zurich and Heiri Scherer Creative Direction in Zurich. Karina Dubs is the mother of three children between the ages of 4 and 11 years. She is responsible for the strategic planning and organization of Dubs Konzepte AG. Karina Dubs has got a Swiss high-school diploma type B and took a course in marketing planning when she was working in the advertising sector.

Aaron M. Fish, Canadian citizen, is a non-executive member of the Board of Kaba Holding AG. He will retire from the Board of Directors on grounds of age in the coming ordinary shareholders' meeting on 22 October 2002. After graduation from Baron Byng High School in 1949, Aaron M. Fish was ready to start his own business "Canadian Key and Lock supply". He was the founder, chairman and CEO of Unican Security Systems and accompanied the development of the Unican group right from the start. Under his management, Unican Security Systems grew to a worldwide representing business group with nearly 4000 employees and affiliates in 18 countries in the industrial sector of locks and key systems. The "Associated Locksmiths of America" honored Aaron M. Fish with a "Lifetime of Outstanding Achievement Award", and the Government of Quebec, together with the Bank of Montreal and various investment firms, awarded him their "Entrepreneur of the Year" prize.

Rudolf W. Weber, Swiss citizen, is a non-executive member of the Board of Directors as well as a member of the Audit Committee of Kaba Holding AG. He also serves as a member of the board of directors of Feller AG, Horgen. From 1986 to 1996 he was a member of the executive committee with various marketing-oriented positions with Elco Looser Holding AG, and from 1996 until 2001 he was chief operating officer of Hoval Heiztechnik, and is since 2001 CEO of Sauter AG. Rudolf W. Weber studied at the ETH (Eidg. Technische Hochschule, Zurich) and at the HSG (Hochschule St. Gallen) and has a degree in engineering and lic. oec. HSG.

Thomas Zimmermann, Swiss citizen, is a non-executive member of the Board of Directors as well as a member of the Audit Committee of Kaba Holding AG. He lives on a private income. Thomas Zimmermann was from 1994 to 1996 director of private banking operations Switzerland at Swiss Bank Corporation. Before that, he worked for Credit Suisse as a director and served foreign multinational companies and Swiss institutional investors. Thomas Zimmermann studied at the ETH (Eidg. Technische Hochschule) and has a degree in engineering (Dipl. Ing. ETH). He received a MBA from the Harvard Business School in Cambridge, Massachusetts.

Cross-Involvement

There are no cross-involvements among the Board of Directors of Kaba Holding AG and another listed company.

Elections and Terms of Office

The shareholders' meeting elects the Board of Directors of Kaba Holding AG. The Articles of Incorporation of Kaba Holding AG provide that the Board of Directors must consist of five to ten members at any time. Each member of the Board of Directors is elected for a term of three years and may be re-elected to successive terms. About one-third of the members of the Board of Directors are recommended for re-election each year; the Board of Directors decides on how tenure is allocated. As soon as they have accomplished the age of 70, the members of the Board of Directors resign at the next ordinary shareholders' meeting.

Internal Organizational Structure

The Board of Directors is ultimately responsible for the general policies and management of Kaba. The Board of Directors establishes the strategic, organizational, accounting and financing policies to be followed by Kaba. The Board of Directors has delegated the conduct of the day-to-day business operations to the Group Management Committee, which is headed by the President. The President is responsible for the management of Kaba and for all other matters except for those reserved by law, the Articles of Incorporation and Organizational Regulations to another corporate body.

The primary duties of the Board of Directors, as defined in the Swiss Code of Obligations and Articles of Incorporation of Kaba Holding AG, are as follows:

- strategic direction and management of Kaba;
- accounting matters, financial control and financial planning;
- appointing and dismissing of the members of the Group Management Committee and other key executives;
- overall supervision of business operation; and
- preparation of the annual reports and the shareholders' meetings and execution of its resolutions.

Resolutions of the Board of Directors are taken by its members. The Board of Directors has established two committees: Audit Committee and Compensation Committee.

During the financial year 2001/02, the Board of Directors met 6 times at the regularly scheduled meetings. In addition, 3 meetings of the board committees have taken place. The agendas for board meetings are set by the Chairman upon proposals of the President. Any member of the Board

of Directors may request that an item be included on the agenda. The members of the Board of Directors receive in advance of board meetings documents allowing them to prepare for the items on the agenda.

The Board of Directors holds discussions with officers of Kaba and visits once per year one or more offices and plants.

Committees

The Board of Directors has established an Audit Committee and a Compensation Committee. Each of the committees has regulations in writing outlining its duties and responsibilities. The committees are chaired by a person elected by the Board of Directors. The committees meet regularly and are required to make full reports and recommendations to the Board of Directors at its regular meetings. The agendas for the committee meetings are set by their chairperson. The members of the board committees receive in advance of committee meetings documents allowing them to prepare for the items on the agenda.

Audit Committee

The Audit Committee consists of at least two non-executive members of the Board of Directors. Currently, the Audit Committee is composed of the following members: Rudolf Hauser, Rudolf W. Weber and Thomas Zimmermann. The Audit Committee is chaired by Rudolf Hauser. The members of the Audit Committee are non-executive members of the Board of Directors and are experienced in financial and accounting matters due to their professional background. The Board of Directors has determined that the members must meet certain requirements with respect to independence and qualification and may not be part of the Group Management Committee. Each member of the Audit Committee is elected for a term of one year and maybe re-elected to successive terms. The term begins on the date of the ordinary shareholders' meeting and ends on the date of the next shareholders' meeting.

The chairperson shall invite the members of the Audit Committee to convene as often as business requires but meetings shall be held at least once a year. As a rule, the President, the Chief Financial Officer as well as representatives of the statutory auditors and, if necessary, individuals concerned with internal auditing duties shall participate at the meetings with consultative voices. Minutes shall be recorded on negotiations conducted and resolutions passed by the Audit Committee.

The principal responsibility of the Audit Committee is to sustain a comprehensive and efficient auditing concept for Kaba Holding AG and the Kaba Group. In particular, the Audit Committee has the following competences within the scope of external auditing:

- approval of auditing program focus points;
- acceptance of the report of and recommendations, if any, by the statutory auditors prior to the approval of the annual accounts by the Board of Directors;
- presentation of the motion for the appointment of the statutory auditors to the Board of Directors for further application to the annual shareholders' meeting, including appraisal of the statutory auditors' performance and compensation as well as their independence and assessment of the compliance of the auditing activities with other services;

and within the scope of internal auditing:

- approval of guidelines governing the organization and responsibilities of internal auditing;
- outsourcing, if necessary, of internal auditing activities to third parties or to the statutory auditors as an expansion of their scope of activities;
- approval of auditing program; and
- acknowledgement of auditing results and of recommendations by external or internal auditors.

The Audit Committee reports yearly to the Board of Directors on its activities. In important cases, the Board of Directors shall be notified immediately.

Compensation Committee

The Compensation Committee consists of the Chairman, Vice-Chairman and the President, i.e., of two non-executive members and one executive member of the Board of Directors. Currently, Rudolf Hauser is chairperson; Gerhard Zeidler and Ulrich Graf are the other members of the Compensation Committee.

The Compensation Committee proposes to the Board of Directors compensation (including share option programs) of the members of the Board of Directors and, upon motion of the President, determines the compensation policies of the members of the Group Management Committee as well as approves the compensation of the members of the Group Management Committee (whereby Ulrich Graf abstains from deliberating and voting with respect to his own compensation). The Compensation Committee meets at least once per year. Details of the compensation policies may be found on page 16.

Information and Control Instruments vis-à-vis the Group Management Committee

The Management Information System (MIS) of Kaba is as follows: Financial statements (balance sheet, profit and loss statement, cash flow statement) of each of the subsidiaries are prepared monthly, quarterly, semi-annually and annually. These numbers are summarized per division and consolidated for the group. These numbers are compared with the preceding financial year and the budget. The budget, which constitutes the first year of a three-year mid-term plan per subsidiary, is assessed on the basis of the quarterly statements in the form of forecasts with respect to its achievability.

The head of each division reports monthly with respect to the status of achieving the budget in writing to the Group Management Committee and the Board of Directors. At the meetings of the Board of Directors, these reports are discussed with the President and the heads of the divisions.

Management Board

Management Philosophy

Kaba delegates entrepreneurial responsibility through to the lowest possible level. The management organisation at Kaba is based on decentralised responsibility and fast decision making channels that are close to local markets. This structure calls for personal initiative and guarantees maximum customer satisfaction. The divisions are responsible for their world-wide business activities including development, production and distribution.

Management Organization

The Board of Directors has appointed the Group Management Committee, chaired by the President. It has defined their functions and responsibilities in the Organizational Regulations and the Function Description for the President (Chief Executive Officer). The heads of the divisions report to the President, who is responsible for the day-to-day business and the co-operation of the divisions.

The Group Management Committee consists of the heads of the operating divisions and the Chief Financial Officer.

President

The President manages the Kaba Group. He is entrusted with all functions except for those matters reserved by law, the Articles of Incorporation and the Organizational Regulations to another corporate body. Subject to the approval by the Board of Directors, the President proposes the strategy of long-term and medium-term objectives and the management guidelines of Kaba. Upon proposals submitted by the President, the Board of Directors decides in relation to annual budgets (consolidated and for the

holding company), individual projects, annual statements (consolidated and for the holding company) and personnel. The Compensation Committee may decide upon proposals submitted by the President in relation to the compensation (including the share option programs) of the members of the Group Management Committee and personnel insurance concepts.

The President shall regularly inform the Board of Directors on current business developments, anticipated opportunities and risks and senior executive staffing changes at subsidiaries. The Board of Directors may request and review other information. The President shall immediately notify the Chairman of the Board of Directors when significant unanticipated developments occur.

The President reviews from time to time whether the Articles of Incorporation, the regulations issued by the Board of Directors and signatories shall be changed and submits the respective amendments.

Members of the Group Management Committee

The following table sets forth the name, age, principal positions and entry of those individuals who currently serve as members of the Group Management Committee:

Name	Age	Position	Entry
Ulrich Graf	57	President and Chief and Chief Executive Officer	1990
Heribert Allemann	58	Chief Operating Officer, Access Systems Division; Vice-Chief Executive Officer	1990
Sönke Bandixen	45	Chief Operating Officer, Door Systems Division	1997
Frank Belflower	49	Chief Operating Officer, Access Systems Americas Division	2001
Guy Petignat	44	Chief Operating Officer, Key Systems Division	2002
Bertram Schmitz	48	Chief Operating Officer, Data Collection Division	2001
Dr. Werner Stadelmann	55	Chief Financial Officer, Finance Division	1981
Ulrich Wydler	55	Chief Operating Officer, Access Systems Europe Division	1994

Ulrich Graf, is President and Chief Executive Officer since 1990 and became a member of the Board of Directors in 1992. See page 9.

Heribert Allemann, Swiss citizen, is Chief Operating Officer and head of the Access Systems Division worldwide. He joined Kaba in 1990 and became a member of the Group Management Committee in the same year. Prior to this, he was chief operating officer of the Celfa-Folex Group from 1984 to 1989, and from 1976 to 1984 he worked for the Holderbank group, where he was deputy vice president of Holderbank Management & Consulting Ltd. He is chairman of the board of directors of Alpa Partner AG and has a degree in engineering (Dipl. Ing. HTL) and in economics and business administration (lic. rer. pol.).

Sönke Bandixen, Swiss citizen, joined the Group Management Committee in 1997 as Chief Operating Officer and head of the Door Systems Division. From 1994 to 1996 he was head of the marketing and sales division of Cosatec AG (now Diethelm Keller Group). Prior to this, he was member of the management board of the packaging division of SIG Schweizerische Industriegesellschaft AG (now SIG Pack). Sönke Bandixen is chairman of SwissAccess-Group AG. He studied at the ETH in Zurich (Eidg. Technische Hochschule), has a degree in engineering (Dipl. Ing. ETH) and graduated from the Harvard Business School, Boston, USA.

Frank Belflower, U.S. citizen, is Chief Operating Officer and head of the Access Systems Americas Division. After the acquisition of Unican Security Systems Ltd. by the Kaba Group, he became member of the Group Management Committee in 2001. He has been with the Unican group since 1978 and filled different management positions. Frank Belflower became member of the Unican group management in 1993. He holds a degree of Bachelor of Arts (BA Psychology). Frank Belflower is on the advisory board of Security Hardware Distributors and in the Industry Advisory Board of ALOA, two major North American industry associations.

Guy Petignat, Swiss and Australian citizen, is since 2002 member of the Group Management Committee as Chief Operating Officer and head of the Key Systems Division. He joined the Kaba Group in 1999, first in business development and thereafter he was responsible for the LEGIC business. Before that, from 1991 to 1995, he was general manager in Australia of Ascom AG responsible for the division hearing devices and from 1995 to 1998 for the service automation segment. Guy Petignat studied at the ETH (Eidg. Technische Hochschule, Zurich) and has a degree in industrial management (Dipl. Ing. ETH). Recently, he received a degree from the Harvard University in Boston.

Bertram Schmitz, German citizen, is since September 2001 member of the Group Management Committee as Chief Operating Officer and head of the Data Collection Division. Bertram Schmitz joined the Kaba Group in 1994, first as head of the distribution and services segment of Kaba Schliesssysteme in Germany and from 1996 as head of Kaba Benzing GmbH. He studied at the American Graduate School of International Management (Master of International Management) and at the Harvard Business School (AMP).

Werner Stadelmann, Swiss citizen, is since 1990 head of the Finance Division. He joined Kaba as group controller in 1981 and became member of the Group Management Committee. From 1974 to 1981 he had various management positions in controlling in the Gurit group. Werner Stadelmann studied at the Hochschule für Wirtschafts-, Rechts- und Sozialwissenschaften (HSG) in St. Gallen and graduated as Dr. oec. HSG.

Ulrich Wydler, Swiss citizen, is Chief Operating Officer and head of the Access Systems Europe Division. He joined Kaba in 1984 and became member of the Group Management Committee in 1994. From 1972 to 1984 he was head development and manager of projects in the air defense division of Oerlikon-Bührle Contraves. Ulrich Wydler is chairman of the board of directors of Bridge Betriebsdaten AG. He studied at the technical university in Brugg and graduated as Dipl. El.-Ing.

Management Contracts

Kaba Holding AG and its subsidiaries have not entered into management contracts with third parties.

Compensation, Shareholdings and Loans

Contents and Method of Determining the Compensation and of the Shareholding Programs

The members of the Board of Directors receive a compensation which is determined from time to time upon motion of the Compensation Committee by the Board of Directors.

The executives of Kaba receive performance related compensation. The variable component – 15 % to 30 % of the fixed salary – depends on the achievement of individual performance goals which are defined in advance every year. The size of this component depends on the profit generated in the operating unit or division in question and, to some extent, on consolidated net income. The Compensation Committee approves upon proposal of the President the compensation (including the share option programs) of the members of the Group Management Committee.

Under the current stock option plan, the members of the Board of Directors and the Group Management Committee receive options as determined by the Compensation Committee. In July 2002, the Board of Directors has, upon motion of the Compensation Committee, entered into force a new stock option plan valid beginning from the financial year 2002/03.

Compensation for Acting Members of the Governing Bodies

The total of all compensation (including all employer contribution into pension funds, without social security payments) which has been paid to the non-executive members of the Board of Directors in the financial year 2001/02 amounted to CHF 402 200. Under the current stock option plan, Kaba Holding AG has issued 454 options to the non-executive members of the Board of Directors.

The total of all compensation (including all employer contribution into pension funds, without social security payments) paid to the executive member of the Board of Directors and the other members of the Group Management Committee amounted in the financial year 2001/02 to CHF 5 357 608. Kaba Holding AG has issued, under the current stock option plan, 4005 options to the executive member of the Board of Directors and the other members of the Group Management Committee.

In the financial year 2001/02, no severance payments were paid to non-executive members of the Board of Directors who gave up their functions during the year under review. However, executive members of the Board of Directors and of the Group Management Committee who gave up their functions during the year under review have additionally received severance payments in the aggregate amount of CHF 403 253. Only one member was beneficiary.

Compensation for Former Members of Governing Bodies

In the financial year 2001/02, one executive member of the Board of Directors or the Group Management Committee who gave up its functions prior to the year under review received compensations in the aggregate amount of CHF 187 470.

No non-executive member of the Board of Directors who gave up its functions prior to the year under review received in the financial year 2001/02 compensation.

Share Option Plan

The shareholders' meeting held on 27 October 1997 authorized the creation of conditional capital in the amount of CHF 200 000 for the creation of a stock option plan. The extraordinary shareholders' meeting held on 8 February 2001 has increased the conditional capital to be used for the stock option plan by additional CHF 400 000 to CHF 600 000. The purpose of the stock option plan is to encourage members of the Board of Directors and top executives to accelerate the implementation of the corporate strategy and the enhancement of corporate value in the interest of all shareholders.

The stock option plan replaces portions of the emolument of members of the Board of Directors and the Group Management Committee. There is a three-year moratorium of the options available to them and they are obligated to hold a significant portfolio of registered shares of Kaba Holding AG in a blocked account. The members of the Board of Directors and the Group Management Committee are obligated to take such options. Each option gives its holder the right to purchase one registered share of Kaba Holding AG. The options vest after three years of grant and become exercisable thereafter for a period of two years. After the exercise period, the options cease to be of any effect without compensation.

Share Allotment during the Financial Year 2001/02

No registered shares of Kaba Holding AG were allotted to the members of the Board of Directors, the Group Management Committee or parties closely linked to such persons.

Share Ownership

The number of registered shares of Kaba Holding AG held, pursuant to the share register, as of 30 June 2001 by the executive member of the Board of Directors and the other members of the Group Management Committee and parties closely linked to such persons amounted in aggregate to 54 100.

The total number of registered shares held, pursuant to the share register, as of 30 June 2002 by the non-executive members of the Board of Directors and parties closely linked to such persons amounted to 47 755.

Options

Under the current stock option plan, the Board of Directors and the members of the Group Management Committee held the following number of options:

Participants

	Issue in 1998	Issue in 1999	Issue in 2000	Issue in 2001	Total as of 30.6.2002
Executive member of the Board of Directors and members of the Group Management Committee and parties closely linked to such persons, in toto	4 456	4 904	1 752	4 005	15 117
Non-executive members of the Board of Directors and parties closely linked to such persons, in toto	336	300	128	454	1 218
Exercise price in CHF per share	188	224	567	487	–

Additional Honorariums and Remuneration

None of the members of the Board of Directors and the Group Management Committee or parties closely linked to such persons have billed honorariums or other remuneration in the financial year 2001/02 to Kaba Holding AG or any of its subsidiaries for additional services performed during the year under review which reach or exceed half of the ordinary remuneration of the member in question.

Loans granted by Governing Bodies

There are no interests of members of the Board of Directors, or the Group Management Committee or parties closely linked to such persons in transactions effected by Kaba Holding AG or any of its subsidiaries which are or were unusual in their nature or conditions during the year under review or the preceding financial year.

As of 30 June 2002, Kaba Holding AG and its subsidiaries have not issued any guarantees, outstanding loans, advances or credits granted to members of the Board of Directors, the Group Management Committee or parties closely linked to such persons,

except for an unsecured loan from Kaba Holding AG and an interest-bearing loan from the Personalfürsorgestiftung der Kaba Betriebe secured by the deposit of 5468 registered shares with a nominal value of CHF 10 each as follows:

	Number of Beneficiaries	Loan Amount
Executive member of the Board of Directors and members of the Group Management Committee and parties closely linked to such persons, in toto	1	CHF 1 000 000
Non-executive members of the Board of Directors and parties closely linked to such persons, in toto	–	–

Highest Total Compensation

The highest total compensation (including all employer contribution into pension funds, without social security payments) paid to a member of the Board of Directors in the year under review amounted to CHF 820 526. In addition, Kaba Holding AG has issued to such member of the Board of Directors 2280 options during the financial year 2001/02.

Capital Structure

Capital

The issued and outstanding share capital of Kaba Holding AG is CHF 35 675 000, divided into 3 567 500 fully paid registered shares with a nominal value of CHF 10 each. In addition, Kaba Holding AG has at its disposition an aggregate conditional capital of CHF 4 200 000 in connection with convertible bonds, bonds with stock options and warrants (maximum CHF 3 600 000) and in connection with employee share ownership plans (maximum CHF 600 000).

As of 30 June 2002, Kaba Holding AG does not have any authorized capital. Kaba Holding AG has issued neither participation certificates (Partizipationsscheine) nor bonus certificates (Genussscheine).

Conditional Capital

The share capital of Kaba Holding AG may be increased by an amount not exceeding CHF 3 600 000 by issuing up to 360 000 fully paid registered shares with a nominal value of CHF 10 each through exercise of conversion and/or option rights which have been granted in connection with the issuance of bonds or similar instruments by Kaba Holding AG or a group company as well as by exercise of warrants which have been conferred on shareholders. If bonds or similar instruments are issued in connection with conversion or option rights, the pre-emptive subscription rights (Bezugsrechte) of the existing shareholders shall be excluded. The right to subscribe for new

shares shall inure on the respective holders of conversion and/or option rights. The purchase of shares by exercise of conversion and/or option rights as well as every subsequent transfer of shares are subject to the transfer and voting right restrictions pursuant to the Articles of Incorporation. The Board of Directors shall be entitled to limit or abolish the preferential purchase right (Vorwegzeichnungsrecht) of existing shareholders in connection with the issuance of bonds or similar instruments with conversion and/or option rights if such instruments are used for the purpose of financing the takeover of enterprises, parts of an enterprise or equity interests. If the Board of Directors abolishes the preferential purchase right (Vorwegzeichnungsrecht), the following shall apply: The convertible bonds or bonds with stock options shall be issued at market prices, and the issuance of new shares shall be made pursuant to the then applicable terms of conversion or option exercise. Conversion rights may be exercised for no more than 10 years, and option rights may be exercised for no more than 7 years, after the time of the relevant issuance of bonds.

The share capital may be increased by no more than CHF 600 000 by issuing to employees and members of the Board of Directors of Kaba Holding AG and of group companies no more than 60 000 registered shares with a nominal value of CHF 10 each which must be fully paid up. The subscription rights (Bezugsrechte) of existing shareholders on such new shares shall be excluded. The issue of shares or option rights to employees or members of the Board of Directors shall be governed by regulations to be defined by the Board of Directors and under consideration of achievement, function and responsibility level. Said shares or option rights may be issued to employees or members of the Board of Directors at a price below the market price. In connection with the issuance of option rights to employees and members of the Board of Directors, the preferential subscription right (Vorwegzeichnungsrecht) of the existing shareholders shall be excluded. The purchase of shares within the scope of the employee stock option plan as well as subsequent transfers of such shares shall be subject to the transfer and voting right restrictions pursuant to the Articles of Incorporations.

Changes in Capital Structure within the last three Financial Years

On 2 November 1999, an extraordinary shareholders' meeting created a conditional capital of CHF 3 600 000 for the issuance of convertible debts, bonds with stock options or warrants.

On 8 February 2001, an extraordinary shareholders' meeting approved the following changes in the capital structure of Kaba Holding AG:

1. Share split of 4:1.
2. Increase of the share capital from CHF 22 450 000 by CHF 11 225 000 to CHF 33 675 000 by issuance of 1 122 500 fully paid registered shares with a nominal value of CHF 10 each for the purpose of financing, in part, a takeover bid for all shares of Unican Security Systems Ltd., Montreal (Quebec), Canada.
3. Creation of an authorized share capital of a maximum of CHF 2 000 000 by issuing up to a maximum of 200 000 fully paid registered shares with a nominal value of CHF 10 each for the purpose of financing, in part, the acquisition of Unican Security Systems Ltd. in connection with the grant of an over-allotment (green shoe) option in order to facilitate the sale of the shares pursuant to the ordinary capital increase resolved on 8 February 2001.

4. Increase of the conditional capital from CHF 200 000 by CHF 400 000 to no more than 600 000 by issuing up to 60 000 fully paid registered shares with a nominal value of CHF 10 each to employees and members of the Board of Directors of Kaba Holding AG and its subsidiaries; the pre-emptive rights of existing shareholders on such shares are excluded.

After the consummation of the changes in the capital structure as set out in section 1, 2 and 3 above on 13 March 2001, the issued and outstanding share capital of Kaba Holding AG was CHF 35 675 000 divided into 3 567 500 registered shares with a nominal value of CHF 10 each.

The Shares

Each share carries one vote at the shareholders' meeting of Kaba Holding AG. Voting rights may be exercised only after a shareholder has been recorded in the share register (Aktienregister) of Kaba Holding AG as a shareholder with voting rights.

The registered shares of Kaba Holding AG are not issued in definitive certificates (Namenaktien mit aufgeschobenem Titeldruck) and were delivered into collective custody at SIS SegalInterSettle AG. Shareholders have the right, however, to request the printing and delivery of share certificates, free of charge, and Kaba Holding AG may at any time order the printing of share certificates. If the registered shares are printed, Kaba Holding AG may issue certificates representing a plurality of shares. The shares shall bear the facsimile signatures of the Chairman and a member of the Board of Directors.

The registered shares have full dividend rights.

Limitations on Transferability and Nominee Registrations

Registered shares not physically in existence, including the rights associated therewith, may only be transferred by assignment. Kaba Holding AG must be given notice for assignments to be valid, and the transfer restrictions set out below shall also apply to registered shares not physically in existence. Kaba Holding AG may inform the bank which holds in custody those registered shares assigned to a shareholder that an assignment has taken place. If registered shares not physically in existence are managed by a bank on the instruction of a shareholder, such registered shares and the rights associated therewith can only be transferred in cooperation with the bank.

Registered shares not physically in existence and the asset related rights associated therewith may only be pledged by a written pledge agreement to the bank at which the shareholder has recorded the shares. No notice of the pledge to Kaba Holding AG shall be required.

The Board of Directors maintains a share register in which the owners and usufructuaries (Nutzniesser) are registered with name and address. With respect to registered shares, only those persons listed in the stock register will be recognised as shareholders of Kaba Holding AG. The transfer of registered shares may be denied for the following reasons:

a) In the case of individuals or corporations or partnerships, if they acquire more than 5 % of all share votes as a result of the share transfer. This includes corporations and partnerships associated with one another by capital or votes, by the same management, or in any other manner, as well as natural persons and corporations who have combined to form one person for the purpose of circumventing this restriction.

The limitation to 5 % of all share votes shall also apply in the case of subscription or acquisition or registered shares by exercise of subscription, option or conversion rights.

For shareholders who are registered in the share register with more than 5 % of all share votes on 13 November 1995, the Board of Directors may provide for exceptions to this restriction on the basis of a regulation.

The Board of Directors has resolved on 27 October 1997 to issue the regulation with respect to the limitations on transferability (Vinkulierung) of registered shares of Kaba Holding AG. According to these regulations, the Board of Directors has generally approved the registration of shareholders who were registered in the share register of Kaba Holding AG

with more than 5 % of the voting rights on 13 November 1995. These shareholders will not be registered for registered shares thereafter acquired if the percentage proportion of their voting rights registered in aggregate on 13 November 1995 increases.

The Board of Directors will, however, approve such acquisitions if and to the extent they set off disposals which have been or will be completed after 13 November 1995. Such right to register is only valid up to such percentage of voting rights for which the shareholders concerned were in aggregate registered on 13 November 1995. In any event, the Board of Directors approves registration of registered shares which have been acquired through succession, division of an estate, or marital property law (art. 685d para. 3 CO). The existing rights to register will in such cases be proportionally transferred.

- b) When authorization of the transfer of registered shares could prevent Kaba Holding AG from furnishing legally required evidence regarding the constituency of its body of shareholders.
- c) When the registered shares are held in custody.

For the year under review, the Board of Directors has not granted any exemptions from the limitations on transferability.

For resolutions covering the cancellation of or change in the restrictions on transferability of the registered shares a resolution passed at the shareholders' meeting with a super-majority of at least two thirds of the votes represented at such meeting is required.

Convertible Bonds and Options

Kaba Finance Luxembourg S.A. issued on 18 January 2002 a 4 % convertible bond 2002 to 2010 in the amount of CHF 138 240 000, unconditionally and irrevocably guaranteed by Kaba Holding AG. This convertible bond is listed on the main segment of the SWX Swiss Exchange. From 18 January 2002 until and including 13 January 2010, each convertible bond with a nominal value of CHF 5000 is convertible free of charge at any time into 11.1111 registered shares of Kaba Holding AG with a nominal value of CHF 10 each applying a conversion price of CHF 450 per registered share; fractions are paid out in cash. For this convertible bond, a maximum of 360 000 registered shares of Kaba Holding AG with a nominal value of CHF 10 each in the total amount of CHF 3 600 000 are reserved. The initial conversion price is CHF 450 per registered share subject to adjustments pursuant to the terms of the bonds. If the share price (weighted average of all closing prices of the registered shares during 20 trading days before and including 29 November 2002) is below CHF 384 (the Reference Price), then

the prevailing conversion price will be adjusted as per 6 December 2002 to reflect the initial conversion premium of 17.19%, however, the conversion price will be reduced not lower than CHF 384: New Conversion Price = the higher of (i) the Reference Price x (1.1719) or (ii) CHF 3854.

The convertible bonds will be redeemed at 130.78 % of their principal amount on 18 January 2010. An early redemption is possible (i) any time in case the closing price of the registered shares of Kaba Holding AG on the SWX Swiss Exchange was at least 130 % of the then applicable conversion price on each trading day for a period of 30 successive trading days, (ii) more than 95 % of the originally issued amount of the bonds are converted or (iii) for tax reasons at any time on giving not less than 60 days' notice.

Information on options granted to employees maybe found on page 17 and 18.

Shareholders

Principal Shareholders

The following table sets forth the identities of the principal shareholders of Kaba Holding AG and their holdings of shares if shareholders have disclosed 5 % or more of voting rights to Kaba Holding AG.

Shareholder Group	as at 30.6.2002		as at 30.6.2001	
	No. of shares at CHF 10 par value	in %	No. of shares at CHF 10 par value	in %
Heirs of Leo Bodmer ¹⁾				
Karin Forrer, Ittigen	218 520	6	218 520	6
Other heirs of Leo Bodmer	718 061	20	718 311	20
Total heirs of Leo Bodmer	936 581	26	936 831	26
Public shareholders				
Henderson Global Investors Limited, London ²⁾	343 768	10	343 768	10
Ulrich Bremi, Zollikon ³⁾	181 888	5	181 888	5
Other public shareholders	2 046 300	57	2 040 453	57
Total public shareholders	2 571 956	72	2 566 109	72
Members of the Board and current Executives				
Members of the Board (non-executive)	* 47 755	1	138 858	4
Current Executives (incl. executive board member)	54 100	2	60 722	2
Total Members of the Board and Executives	101 855	3	199 580	6
Less doublecounting in respect of heirs of Leo Bodmer who are Members of the Board ⁴⁾	-42 892	-1	-135 020	-4
Total shares	3 567 500	100	3 567 500	100

* Resignation of member as of 23.10.01: Creed Kuenzle
Appointment of members as of 23.10.01:
Karina Dubs, Maurice P. Andrien

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

²⁾ Henderson Global Investors Limited is a British asset management company which belongs to the Australian financial services group AMP.

³⁾ Ulrich Bremi, Zollikon, was from 1962 to 1992 employed by Kaba Holding AG and Chief Executive Officer (CEO) from 1973 to 1990.

⁴⁾ The shareholdings of heirs of Leo Bodmer, who are also members of the Board of Directors, are included under "Other heirs of Leo Bodmer" as well as under "Members of the Board".

To the best knowledge of Kaba Holding AG, the above-mentioned shareholders are not linked by any shareholders' agreement or similar arrangement with respect to their shareholdings in Kaba Holding AG or exercise of shareholders' rights.

Cross-Shareholdings

The Kaba-Group has not entered in any cross-shareholdings that exceed 5 % of the capital shareholdings or voting rights on both sides.

Shareholders' Participation Rights

Voting Rights' Restrictions and Representations

Each registered share of Kaba Holding AG carries one vote at the shareholders' meeting. No shareholder may, when exercising voting rights, with his own shares and with shares he has a proxy for, represent more than 5 % of the total share capital issued by Kaba Holding AG, provided that any shareholder who is registered in the share register of Kaba Holding AG as shareholder with voting rights for more than 5 % of the total number of shares issued by Kaba Holding AG may exercise the voting rights for such shares. Such 5 % limitation also applies to legal entities or partnerships which are bound by capital, voting power, common management or other means as well as to groups of shareholders' acting in concert or with a view to circumvent the limitations. This limitation does not apply to members of a corporate body acting as proxies (Organvertreter), banks (Depotvertreter) or independent proxies (unabhängige Vertreter) in accordance with article 689c CO. This voting restriction does not apply to shareholders or their descendants who were already registered in the share register of Kaba Holding AG with more than 5 % of the voting rights on 13 November 1995.

A shareholder may be represented only by another shareholder with a written proxy. Their representation by members of a corporate body acting as proxies (Organvertreter), banks (Depotvertreter) or independent proxies (unabhängige Vertreter) in accordance with article 689c and 689d CO remains reserved.

For the cancellation of the voting restrictions, a resolution passed at the shareholders' meeting with a super-majority of at least two-thirds of the votes represented at such meeting is required.

Super-Majority

For resolutions covering

- conversion of registered shares into bearer shares,
- dissolution of Kaba Holding AG (including as a result of merger), and
- amendment or changes of provisions regarding restrictions on the transferability of registered shares, super-majority and the appointment of members of the Board of Directors,

approval shall require at least two-thirds of the votes represented at the respective shareholders' meeting. Mandatory provisions of the law are reserved. In all other cases, the shareholders' meeting shall pass its resolutions and conduct its votes without regard for the number of shareholders present or the represented shares on the basis of the majority votes cast.

Convocation of the General Meeting of Shareholders and Agenda

The convocation of the shareholders' meetings of 22 October 2002 and the agenda comply with the legal requirements.

Registrations in the Share Register/ Invitation to the Shareholders' Meeting

Shareholders eligible to vote and entered in the share register as of 13 September 2002 will receive the invitation to the shareholders' meeting with the proposals of the Board of Directors. Shareholders who sent their reply to the companies' offices will receive the admission card and voting materials after 8 October 2002. Shareholders who are not yet registered on 13 September 2002, but purchase

shares at a later date will receive the invitation to the shareholders' meeting later. No entries in the share register can be made from 15 October 2002 to the date of the shareholders' meeting. Owners of registered shares who sell their shares prior to the shareholders' meeting shall no longer be eligible to vote. Shareholders who sell portions of their shares or purchase additional shares are kindly requested to have their admission card updated at the information desk at the venue of the shareholders' meeting.

Changes of Control and Defense Measures

Duty to make a Public Offer

The Articles of Incorporation of Kaba Holding AG do not contain provisions regarding opting-out or opting-up (article 22 SESTA).

Clauses on Changes in Control

In case of a change of control, Kaba Management + Consulting AG is obliged to make a voluntary payment to improve the pension rights directly in the “BVG-Ergänzungsversicherung” of the Kaba-Group in the amount of one estimated annual compensation for members of the Group Management Committee which have been laid off or terminated themselves the employment relationship within one year after the consummation of the change of control.

Upon the occurrence of a change of control, option holders shall have an obligation to tender after consummation of the change of control each of his/her outstanding options or shares acquired under the share option plan to Kaba Holding AG or the new majority shareholder. The exercise period for all outstanding options starts in such case at the closing date of such change of control. Kaba Holding AG has the right and the obligation to repurchase all unexercised options so tendered and all acquired shares so

tendered within three months after the consummation of the change of control. The purchase price for shares shall be the share acquisition price paid by the acquirer, or, if higher, the exercise price. The purchase price for the options shall be the cash difference between the share acquisition price paid by the acquirer and the exercise price and is based on commonly applied evaluation formulas according to Black/Scholes. A new majority shareholder may assume the rights and obligations of Kaba Holding AG under the share option plan if this does not infringe or harm the interests of the option holders and share owners.

Auditors

Duration of the Mandate and Term of Office of the Head Auditor

PricewaterhouseCoopers AG, Zurich, assumed in 1907 the existing auditing mandate of Kaba Holding AG and in 1982 of Kaba Group.

The head auditor responsible for the existing auditing mandate took up office in 1992 (Kaba Holding AG) and 1995 (Kaba Group), respectively.

Auditing Honorariums and Additional Honorariums

PricewaterhouseCoopers charged in the financial year 2001/02 approximately CHF 1 615 000 for services rendered in connection with auditing the financial statements of Kaba Holding AG and its subsidiaries and the consolidated financial statements of Kaba Group. In addition, PricewaterhouseCoopers charged approximately CHF 401 000 for additional services performed for Kaba Group in the field of management consulting, tax advice, due diligence and other auditing activities in connection with the acquisition of Unican Security Systems Ltd. and its integration into the Kaba Group.

Supervisory and Control Instruments vis-à-vis the Auditors

The Audit Committee of the Board of Directors annually assesses the performance, compensation and independence of the auditors and submits to the Board of Directors a proposal as to which external auditor shall be proposed to the shareholders' meeting for election. The Audit Committee annually controls the extent of the external auditing, the auditing plans and the respective programs and discusses the auditing results with external auditors.

Information Policy

Kaba is committed to a transparent information policy for the benefit of the public and capital markets. This commitment, which by far exceeds the legal requirements, and the continuity in investor relations are underlined by the Investor's Handbook, which Kaba publishes since 1996 annually together with the annual report. The Investor's Handbook may be downloaded from

www.kaba.com on the Investor's Handbook page. In addition, Kaba has published in March 2002 an Integration Report which informs the financial community and other stakeholders about the implementation of the integration process of Unican in words and figures. This Integration Report may be downloaded from: www.kaba.com on the Integration Report page.

Important dates:

End of financial year	June 30
Announcement of annual results	end of September
Publication of annual report	end of September
Annual general meeting	late October/ early November
Semi-annual statement	December 31
Interim financial report	March
Dividend transfer to banks	3 banking days after shareholders' meeting

The final dates may be downloaded from www.kaba.com on the Information Schedule page.

Kaba Holding AG informs its shareholders in semi-annual shareholders' letters about the operations (including the consolidated balance sheet and profit and loss statements as of December 31). The annual report together with the financial statements as of June 30 is distributed to shareholders together with the invitation to the ordinary shareholders' meeting.

The actual share price, annual reports, press releases and presentations may be downloaded from www.kaba.com. Press conferences and analyst meetings take place at least once a year.

Kaba Holding AG publishes price-sensitive information in accordance with the obligation to disclose price-sensitive facts (ad-hoc publicity) as required by the SWX Swiss Exchange.

