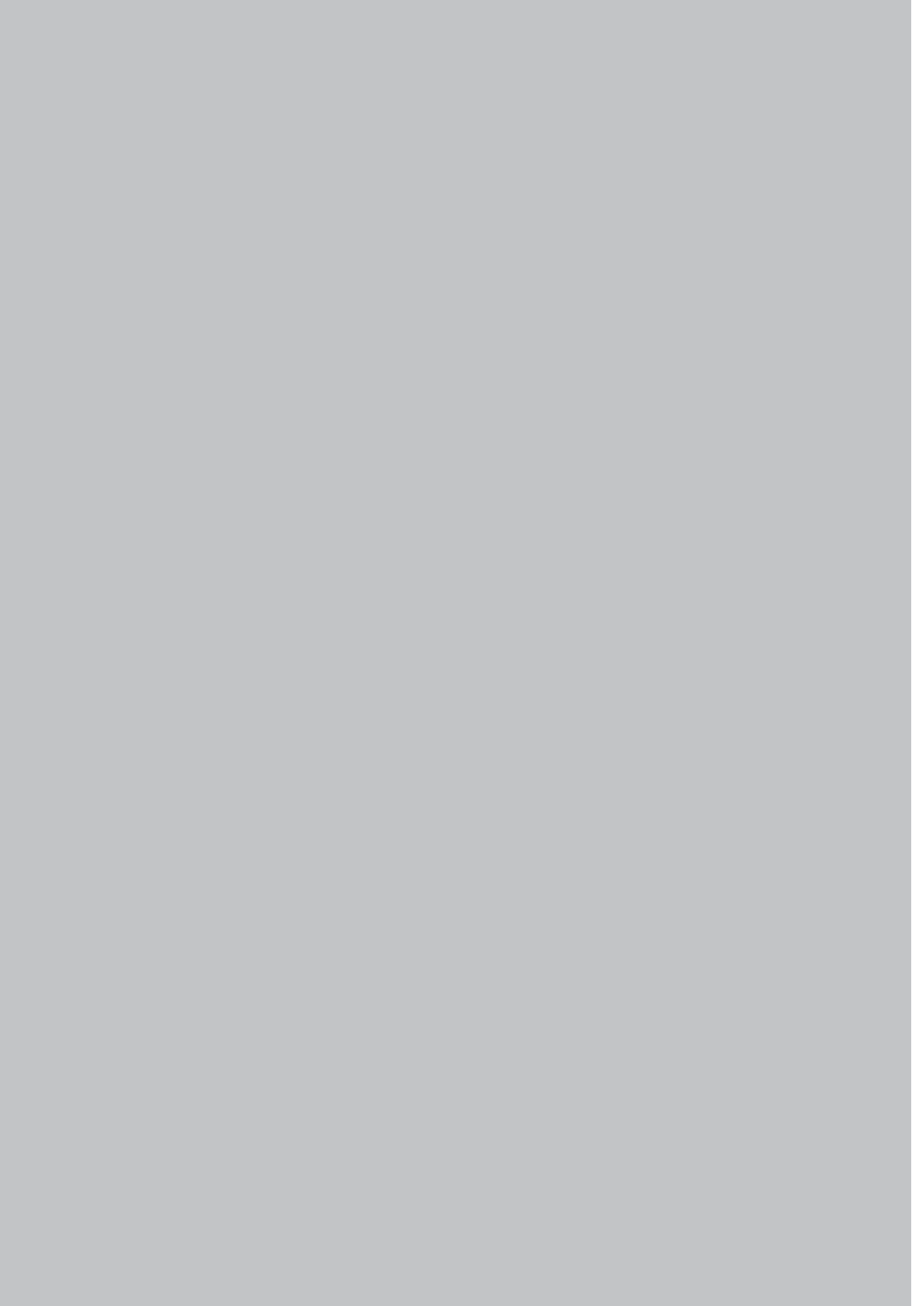


Corporate Governance 2003/2004







Corporate Governance

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Preface

Corporate Governance, a virtually unknown term in Switzerland only a few years ago, has become a valuable instrument in assessing a company and its responsible officers. For the Kaba Group, traditionally committed to high transparency and open communication, the Corporate Governance report is a matter of course, just like the Annual Report and the Financial Statement. This set of publications is complemented by the Investor's Handbook, which also appears annually.

It would be a serious mistake, however, to treat Corporate Governance as a mere routine issue. In fact, the present document is more than just an account of past events or historical data and facts. The new 2003/04 Corporate Governance report, which like its two predecessors conforms with the Directive issued by SWX Swiss Exchange, also serves as a compass, guiding our processes and our behavior. At the same time, it offers the outside observer a good overview of Kaba's interior life.

One aspect of this is our internal Management Information System (MIS), which obliges the subsidiaries to submit monthly, quarterly, semi-annual, and annual financial reports (balance sheet, statement of income, and cash flow). These figures are consolidated for each division, as well as for the Group, and compared with the budget projections and the prior-year results. The budget, which represents the first year of a three-year medium-term plan for each subsidiary, is reviewed for attainability on the basis of the quarterly results.

Should you find, while reading this report, that important aspects are missing or not adequately clarified, we would be very grateful to hear your opinion.



Ulrich Graf
CEO



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 information contained in this report for financial 2003/04 is valid as at 30 June 2004, unless otherwise stated.

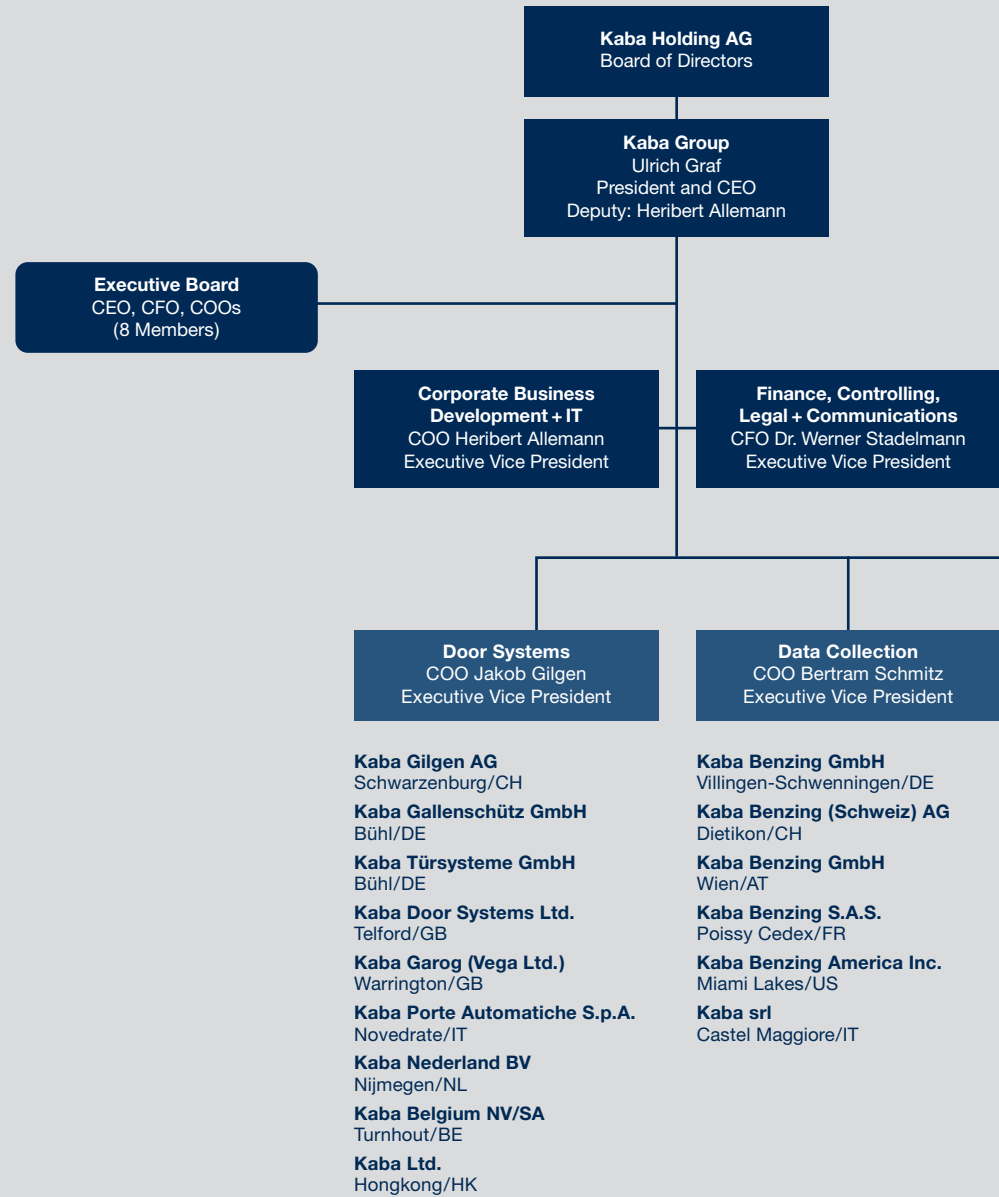
Corporate governance of Kaba complies largely with the principles and recommendations of the “Swiss Code of Best Practice for Corporate Governance” dated 25 March 2002. Due to its shareholders’ structure and size, Kaba has adopted certain changes thereto.

The principles and rules of Kaba on corporate governance are laid down in the Articles of Incorporation¹⁾, 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.

¹⁾ The Articles of Incorporation may be downloaded from www.kaba.com

Group Structure

As per 1 July 2004



Access Systems Europe
COO Ulrich Wydler
Executive Vice President

Kaba AG
Wetzikon/Rümlang/CH
Kaba GmbH
Dreieich/DE
Kaba Mauer GmbH
Heiligenhaus/DE
Kaba GmbH
Herzogenburg/AT
Kaba (UK) Ltd.
Tiverton/GB
Kaba S.à r.l.
Suresnes/FR
Kaba SF2E S.A.S.
Le Mesnil St-Denis/FR
Kaba AB
Eskilstuna/SE
Iberkaba S.A.
Madrid/ES
Kaba Security Sp.z.o.o.
Warszawa/PL
Kaba Elzett Rt.
Budapest/HU

Access Systems Asia Pacific
COO Heribert Allemann
Executive Vice President

Nihon Kaba K.K.
Yokohama/JP
Kaba Security Pte Ltd.
Singapore/SG
Kaba Jaya Security Sdn. Bhd.
Kuala Lumpur/MY
Kaba Australia Pty Ltd.
Wetherill Park/AU
Kaba New Zealand Ltd.
Auckland/NZ

Access + Key Systems Americas
COO Frank Belflower
Executive Vice President

Kaba Ilco Corp.
Rocky Mount/US
Kaba Ilco Corp.
Winston Salem/US
Kaba Mas Corp.
Lexington/US
Lodging Technology Corp.
Roanoke/US
Kaba Ilco Inc. (Capitol Montreal)
Montreal/CA
Kaba Ilco Inc. (Access Systems Montreal)
Montreal/CA
Corporación Cerrajera Alba, S.A. de C.V.
Mexico/MX
Kaba do Brasil Ltda.
São Paulo/BR

Key + Ident Systems Europe
COO Guy Petignat
Executive Vice President

Silca S.p.A.
Vittorio Veneto/IT
Silca S.A.S.
Porcheville/FR
Silca GmbH
Velbert/DE
Silca Ltd.
Sutton/GB
Silca Key Systems S.A.
Barcelona/ES
Legic IdentSystems AG¹⁾
Wetzikon/CH

¹⁾ In the Financial Statements it is shown under Division Access Systems Europe (to aid the comparison to the previous year figures)

Legal Structure of the Kaba Group

As per 30.6.2004

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

**List of substantial group
and associated companies**

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

Apart from Kaba Holding AG in Rümlang, there are no companies in the Kaba Group's scope of consolidation whose securities are listed on a stock exchange. The registered shares of Kaba Holding AG are traded on the main board of the SWX Swiss Exchange (security no./ISIN: 1 179 595/CH 001 179 595 9). As at 30 June 2004, the company's market capitalization was CHF 924.0 million.

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

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 seven members. Presently, the President (*Delegierter des Verwaltungsrates*) is the only executive member of the Board of Directors. None of the non-executive members of the Board of Directors has been a member of the management of Kaba Holding AG or of the Kaba Group in the three past financial years. 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, has been the non-executive Chairman of the Board of Directors since 23 October 2001. He chairs the Compensation Committee and the Nomination Committee, and is a member of 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 of the board of directors, president of the executive committee, and chief executive officer of Bucher Industries AG. He is also vice-chairman of the board of directors of Rieter Holding AG, Winterthur, and of the board of directors of AG für die Neue Zürcher Zeitung, Zürich. Rudolf Hauser studied at the Swiss Federal Institute of Technology (ETH) and has degrees in mechanical engineering and management. In 1964, he received an MBA from INSEAD in Fontainebleau.

Name	Age	Position	First election	Remaining term
Rudolf Hauser	67	Chairman, non-executive	2000	2006
Gerhard Zeidler	68	Vice-Chairman, non-executive	1997	2005
Ulrich Graf	59	President and Chief Executive Officer	1989	2005
Maurice P. Andrien	63	Non-executive Member	2001	2004
Karina Dubs-Kuenzle	41	Non-executive Member	2001	2004
Rudolf W. Weber	54	Non-executive Member	1998	2004
Thomas Zimmermann	59	Non-executive Member	1992	2006

**Gerhard Zeidler,**

German citizen, is a non-executive Vice-Chairman of

the Board of Directors as well as a member of the Compensation Committee and the Nomination Committee of Kaba Holding AG. He is currently chairman of the board of trustees of DEKRA e.V. (*Sachverständigen- und Überwachungsorganisation*) and chairman of the supervisory board of DEKRA AG and of Dekra Automobil GmbH, Stuttgart. Until 1995, Gerhard Zeidler served as chairman of the board of Alcatel SEL AG, Stuttgart. Gerhard Zeidler has an engineering degree from the Technische Hochschule of Darmstadt and is honorary professor at the University of Stuttgart as well as honorary consul of the Republic of the Philippines for Baden-Württemberg and Hessa.

**Ulrich Graf,**

Swiss citizen, is an executive member of the Board

of Directors, as well as President and Chief Executive Officer, and a member of the Compensation Committee and of the Nomination Committee of Kaba Holding AG. He also serves as chairman of the boards of directors of Griesser AG, Aadorf, and Fr. Sauter AG, Basel, and is a member of the board of directors of Georg Fischer AG, Schaffhausen, Feller AG, Horgen and Dätwyler Holding AG, Altdorf. Furthermore, he is a member of the board of trustees of the REGA (*Schweizerische Rettungsflugwacht*) foundation and of the supervisory board of Dekra e.V. (Stuttgart, Germany). Ulrich Graf studied at the Swiss Federal Institute of Technology (ETH) and has a degree in electrical engineering.

**Maurice P. Andrien,**

U.S. citizen, is a non-executive member of the board

of directors of Kaba Holding AG; he is chairman of the board of SunSource Technology Services, Addison, IL, a privately held distributor of industrial products. In 1998 and 1999, he was president, COO, and member of the board of directors at Unican Security Systems Ltd. in Montreal, Canada. From 1999 to 2001, Maurice P. Andrien was president, CEO, and director at SunSource Inc. and until March 2004 served The Hillman Group in Cincinnati, Ohio, a privately held industrial distributor, as chairman; he remains a member of that company's board. He has a bachelor's degree in electrical engineering and a master's 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 a partner and member of the board of directors of Dubs Konzepte AG, Zürich, a catering company she and her husband founded in 1997. Ms. Dubs, the mother of three children, is co-responsible for strategic planning and design at Dubs Konzepte AG. She has a background in advertising and worked for several years as an advertising assistant with Wirz Werbeberatung AG in Zürich and Heiri Scherer Creative Direction in Zürich.

**Rudolf W. Weber,**

Swiss citizen, is a non-executive member of the

Board of Directors as well as Chairman of the Audit Committee of Kaba Holding AG. He also serves as a member of the boards of directors of Feller AG, Horgen, and Elma AG, Wetzikon. From 1986 to 1996, he was a member of the executive committee, with various marketing-oriented functions at Elco Looser Holding AG, Zürich, and from 1996 until 2001, he was chief operating officer of Hoval Heiztechnik, Feldmeilen. In 2002, he was appointed CEO of Fr. Sauter AG, Basel. Rudolf W. Weber studied at the Swiss Federal Institute of Technology (ETH) and at the HSG (*Hochschule St. Gallen*); he has a degree in engineering and in business administration.

**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. From 1994 to 1997, Thomas Zimmermann was director of private banking operations Switzerland at Swiss Bank Corporation. Before that, he was a director with Schweizerische Kreditanstalt in Zürich and served foreign multinational companies and Swiss institutional investors. Thomas Zimmermann studied at the Swiss Federal Institute of Technology (ETH) and has a degree in engineering. He received an 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. Two members of the Board of Directors (Rudolf Hauser and Ulrich Graf) serve on the boards of other listed companies (indicated on p. 8/9).

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.

The terms of Karina Dubs-Kuenzle, Maurice P. Andrien, and Rudolf W. Weber expire at the annual General Meeting of 26 October 2004. The Board of Directors will propose their reelection. In addition, the Board of Directors will submit to the General Meeting a proposal to elect the following new member of the Board:



Rolf Dörig,

Swiss citizen, born 1957, has been Chief Executive Officer of the Swiss Life Group since 2002. He is a member of the following bodies and organizations: executive committee of the Swiss Insurance Association, executive committee of *economiesuisse*, and executive board of the Zürich Chamber of Commerce. Rolf Dörig is on the board of directors of ANBE AG/Danzer Group, Baar, and president of the Grasshopper Club, Zürich.

From 1986 to 2002, Rolf Dörig worked for the Credit Suisse Group in various leading positions, lastly as Chairman Switzerland of the Credit Suisse Group.

He studied law at the University of Zürich, earning his LL.D. and obtaining admission to the bar in the canton of Zürich. In 1995, he complemented his education at Harvard Business School (AMP/ISMP).

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 the members of the Group Management Committee and other key executives
- Overall supervision of business operation
- Preparation of the annual reports and the shareholders' meetings and execution of its resolutions

Resolutions of the Board of Directors are taken collectively by all of its members. The Board of Directors has established three committees: the Audit Committee, the Compensation Committee, and the Nomination Committee.

During the financial year 2003/04, the Board of Directors met five times at the regularly scheduled one-day meetings. In addition, six meetings of the committees took place. The agendas for board meetings are set by the Chairman based on proposals of the President. Any member of the Board of Directors, however, 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 one or more offices and plants per year.

Committees

The Board of Directors has established an Audit Committee, a Compensation Committee, and a Nomination Committee. Each of the committees has regulations in writing, outlining its duties and responsibilities. The committees are chaired by persons elected by the Board of Directors. The committees meet regularly and are required to submit full reports and recommendations to the Board of Directors at its regular meetings. The agendas for the committee meetings are set by their chairpersons. The members of the committees receive, in advance of 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 W. Weber, Rudolf Hauser, and Thomas Zimmermann. The Audit Committee is chaired by Rudolf W. Weber. 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 may be re-elected to successive terms.

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, and representatives of the statutory auditors, as well as, 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 competencies:

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.

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

Nomination Committee

The Nomination Committee is composed of the members of the Compensation Committee; i.e., Rudolf Hauser (Chairman), Gerhard Zeidler, and Ulrich Graf. The Nomination Committee convenes at least once a year. Its members are elected for a term of one year, and re-election is possible.

The Nomination Committee establishes the principles for the nomination and re-election of members of the Board of Directors and pursuant to these principles submits to the Board of Directors proposals regarding the board's composition. Decisions on nominations are made by the Board of Directors itself. The Board of Directors may also delegate the responsibility for the nomination and evaluation of members of the Group Management Committee to the Nomination Committee.

The Nomination Committee keeps minutes of its consultations and resolutions, and regularly reports to the Board of Directors.

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, statement of income, 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 organization at Kaba is based on decentralized 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 worldwide 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 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 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 makes

decisions 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 signatory powers must 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	59	President and Chief Executive Officer	1984
Heribert Allemann	60	Chief Operating Officer Access Systems Asia Pacific Division Vice-Chief Executive Officer	1990
Frank Belflower	51	Chief Operating Officer Access + Key Systems Americas Division	2001
Jakob Gilgen	49	Chief Operating Officer Door Systems Division	2003
Guy Petignat	46	Chief Operating Officer Key + Ident Systems Europe Division	2002
Bertram Schmitz	50	Chief Operating Officer Data Collection Division	2001
Dr. Werner Stadelmann	57	Chief Financial Officer Finance Division	1981
Ulrich Wydler	57	Chief Operating Officer Access Systems Europe Division	1994



Ulrich Graf,

Swiss citizen, joined the Board of Directors of Kaba as a member in 1989, was appointed Chief Executive Officer in 1990, and became President in 1992. He was employed by Kaba in 1976 and was the managing director of various Group companies until 1984, when he was elected to the Group Management Committee (see page 9).



Heribert Allemann,

Swiss citizen, is head of the Access Systems Division Asia Pacific, and of the central services Corporate Business Development + IT. 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, 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. Heribert Allemann has a degree in engineering (Dipl. Ing. HTL) as well as in economics and business administration (lic.rer.pol.).

**Frank Belflower,**

U.S. citizen, is Chief Operating Officer and head of the

Access + Key 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 had been with the Unican group since 1978 where he had filled different management positions. Frank Belflower became a member of the Unican group management in 1993. He holds a degree of Bachelor of Arts (BA Psychology). Frank Belflower is on the Industry Advisory Board of ALOA and is a member of the strategic committees of SHDA and BHMA, two major North American industry associations.

**Jakob Gilgen,**

Swiss citizen, was appointed Chief Operating Officer

and head of the Door Systems Division on 1 July 2003. As of 1993, he was president and managing director of the former Gilgen AG. After the 1996 acquisition of Gilgen Tür- und Torautomation AG by the Kaba Group, he headed up Kaba Gilgen AG in this position. Jakob Gilgen is a part-time commercial law judge at the Superior Court of the Canton of Bern. He studied at the University of Applied Sciences in Biel and graduated with diplomas in both mechanical and electrical engineering. After having gained several years of professional experience, he complemented his academic qualifications with post-graduate studies in business management.

**Guy Petignat,**

Swiss and Australian citizen, is, since 2002, a

member of the Group Management Committee as Chief Operating Officer and head of the Key + Ident Systems Europe Division. He joined the Kaba Group in 1999 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 hearing devices division and, from 1995 to 1998, for the service automation segment. Guy Petignat studied at the ETH (*Eidg. Technische Hochschule, Zürich*) and has a degree in industrial management (Dipl. Ing. ETH). In 2001, he received a degree from Harvard University in Boston.

**Bertram Schmitz,**

German citizen, is, since September 2001, a 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 as head of the distribution and services segment of Kaba Schliesssysteme in Germany and, from 1996, served as head of Kaba Benzing GmbH. He studied at the American Graduate School of International Management (Master of International Management) and at 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 a 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 a member of the Group Management Committee in 1994. From 1972 to 1984, he was head of 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 with a degree in electrical engineering.

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

For their work, the members of the Board of Directors receive remuneration that is proposed by the Compensation Committee and ratified by the entire 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.

Stock option plans are a further compensation component available to members of the Board of Directors and the Group Management Committee and, since 1 July 2002, to certain other employees. According to the Kaba Executive Stock Option Plan instituted on 2 July 2002 (Stock Option Plan 2002), which superseded the Regulations on the Issuance of Options on Stocks dated 16 September 1998 (Stock Option Plan 1998), the entitled persons receive options that can be exercised in steps over a certain period of time within the scope determined by the Compensation Committee or the Board of Directors.

Compensation for Acting Members of the Governing Bodies

The total of all compensation (not including stock or option allotments) paid to the non-executive members of the Board of Directors in financial 2003/04 amounted to gross CHF 383,000. Under Stock Option Plan 2002, the non-executive members of the Board of Directors received 1,200 options for financial 2003/04.

The total of all compensation (not including stock or option allotments) paid to the executive member of the Board of Directors and other members of the Group Management Committee in financial 2003/04 amounted to gross CHF 5,858,144. Under Stock Option Plan 2002, the executive member of the Board of Directors and other members of the Group Management Committee received 5,400 options for financial 2003/04.

In the financial year 2003/04, no non-executive or executive member of the Board of Directors or the Group Management Committee terminated his governance function.

Compensation for Former Members of Governing Bodies

In the financial year 2003/04, two former members of the Group Management Committee who gave up their functions during or prior to the year under review received compensations in the aggregate amount of gross CHF 432,695.

No non-executive member of the Board of Directors who gave up its functions prior to the year under review received compensation in the financial year 2003/04.

Stock Option Plans

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, increased the conditional capital to be used for the stock option plan by an additional CHF 400,000 to CHF 600,000 (issued as 60,000 registered shares with a par value of CHF 10).

Stock Option Plan 1998

The purpose of stock option plan 1998 is to encourage the eligible persons to accelerate the implementation of the corporate strategy and the enhancement of corporate value in the interest of all shareholders. Members of the Board of Directors and of the Group Management Committee were obliged to purchase options.

A total of 18,449 options were allotted within the scope of Stock Option Plan 1998, and for this reason, 18,449 registered shares with a par value of CHF 10 (totaling CHF 184,490) of the conditional capital are reserved for Stock Option Plan 1998. Of these 18,449 options, 1,312 have been exercised in return for registered shares and 6,248 in return for conditional share capital.

Stock Option Plan 1998 replaces portions of the emolument of members of the Board of Directors and the Group Management Committee. Allotments were made on the basis of

the market value of the options. There is a three-year moratorium on the options that entitle the owner to purchase a registered share in Kaba Holding AG; the options must then be exercised within two years. The exerciser may demand cash payment in lieu of the physical delivery of the registered shares. After the two-year exercise period, the options become null and void. The members of the Board of Directors and the Group Management Committee, as well as the chief operating officers, are obligated to take such options.

Stock Option Plan 2002

The purpose of Stock Option Plan 2002 is to offer the eligible persons an opportunity to participate in the share capital of Kaba Holding AG as well as in the financial success of the Kaba Group and thus to encourage their identification with the Kaba Group. Members of the Board of Directors and upper management levels, including the Group Executive Committee members and certain managerial employees are eligible for this plan.

Every year on 1 September, at the President's request, the Compensation Committee defines the eligibility criteria and the number of options to be allotted. The allotment of options to members of the Board of Directors as proposed by the Compensation Committee shall be ratified by the Board of Directors. Each option, allotted free of charge to the eligible persons, entitles the owner to purchase a registered share of Kaba Holding AG (at the option owner's discretion: physical delivery or cash payment in lieu). The exercise price corresponds to the average closing price of Kaba Holding AG registered

shares at the SWX Swiss Exchange during the last two months prior to 31 August of the respective allotment year. One-fourth of the options can be exercised per year; the options expire five years after allotment.

A total of 41,551 registered shares with a par value of CHF 10 (totaling CHF 415,510) of the conditional share capital are reserved for Stock Option Plan 2002. 26,320 options have been allotted, none of which have been exercised.

Share Allotment during the Financial Year 2003/04

In financial 2003/04, 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

Pursuant to the share register as at 30 June 2004, executive members of the Board of Directors and other members of the Group Management Committee and parties closely linked to such persons held 54,904 registered shares of Kaba Holding AG.

Pursuant to the share register as at 30 June 2004, non-executive members of the Board of Directors and parties closely linked to such persons held 53,521 registered shares of Kaba Holding AG.

Options

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

Stock Option Plan 1998

Participants	Allotment 1998	Allotment 1999	Allotment 2000	Allotment 2001	Total as at 30.6.2004
Executive members 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	398	1,162
Exercise price in CHF per share	188	224	567	487	–

Stock Option Plan 2002

Participants	Allotment 2002	Allotment 2003	Total as at 30.6.2004
Executive members of the Board of Directors and members of the Group Management Committee and parties closely linked to such persons, in toto		5,400	10,800
Non-executive members of the Board of Directors and parties closely linked to such persons, in toto	1,000	1,200	2,200
Exercise price in CHF per share	293.90	199.90	–

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 2003/04 to Kaba Holding AG or any of its subsidiaries for additional services performed during the year under review that reach or exceed half of the ordinary remuneration of the member in question.

Loans Granted to 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 that are or were unusual in their nature or conditions during the year under review or the preceding financial year.

As at 30 June 2004, 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.

Highest Total Compensation

The highest total compensation paid to a member of the Board of Directors in the year under review (including the market value of 1,200 allotted options) amounted to gross CHF 1,709,373.

Capital Structure

Capital

The issued and outstanding share capital of Kaba Holding AG is CHF 35,737,480, divided into 3,573,748 fully paid registered shares with a par value of CHF 10 each. In addition, Kaba Holding AG has at its disposition an aggregate conditional capital of CHF 4,137,520 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 537,520). At the General Meeting of 21 October 2003, Kaba Holding AG created an authorized share capital of no more than CHF 3,500,000.

Kaba Holding AG does not have any non-voting shares (*Partizipations-scheine*) or bonus certificates (*Genuss-scheine*).

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 par value of CHF 10 each through exercise of conversion and/or option rights that 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 that 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, is 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 ten years and option rights may be exercised for no more than seven years after the time of the relevant issuance of bonds.

The share capital may be increased by no more than CHF 537,520 by issuing to employees and members of the Board of Directors of Kaba Holding AG and of group companies no more than 53,752 registered shares with a par 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.

Authorized capital

The Board of Directors is authorized within a period ending 21 October 2005, to increase the share capital by an amount not exceeding CHF 3,500,000 by issuing up to 350,000 fully paid registered shares with a par value of CHF 10 each. The increase may be subdivided into partial amounts. The new registered shares are subject to the transfer and voting right restrictions pursuant to the Articles of Incorporation.

The Board of Directors shall determine the time of issuing of new registered shares, their issuing price, type of payment, conditions of subscription, and beginning of dividend entitlement. The Board of Directors may issue new registered shares via syndication by a bank or a consortium and subsequent offer to existing shareholders. The Board of Directors may declare non-exercised subscription rights null and void or place them on the market, including registered shares for which subscription rights are granted but not exercised.

Changes of capital during the last three reporting years

Kaba Holding AG (in CHF)	30.6.2004	30.6.2003	30.6.2002	30.6.2001
Equity capital				
Share capital	35,737,480	35,675,000	35,675,000	35,675,000
Legal reserves				
– General reserves	534,104,614	532,461,899	532,461,899	532,461,899
– Reserve for treasury stock	0	319,500	319,500	319,500
Other reserves	60,280,500	10,280,500	10,280,500	10,280,500
Balance-sheet profit	59,374,765	89,516,065	78,404,995	61,753,836
Total equity capital	689,497,359	668,252,964	657,141,894	640,490,735

The Board of Directors is also entitled to restrict, or to repeal and transfer to third-parties, the subscription rights of shareholders in cases where the registered shares are used for the acquisition of companies, company divisions, or participating interests, as well as in cases of share placements made to finance or refinance such transactions.

Changes in Capital Structure within the last three Financial Years

On 21 October 2003, the ordinary General Meeting approved the following changes in the capital structure of Kaba Holding AG: creation of an authorized share capital of a maximum of CHF 3,500,000 by issuing up to a maximum of 350,000 fully paid registered shares with a par value of CHF 10 each (for details, see «Authorized capital» on this page).

Moreover, as at 30 June 2004, the share capital of Kaba Holding AG was increased by CHF 62,480 from CHF 35,675,000 to CHF 35,737,480 by the issue of 6,248 registered shares with a par value CHF 10 each due to the exercise of options under the stock options plans. Accordingly, conditional capital declined from CHF 4,200,000 by CHF 62,480 to CHF 4,137,520 (represented by 413,752 registered shares with a par value of CHF 10 each).

The Shares

Each share carries one vote at the shareholders' meeting of Kaba Holding AG (voting right restrictions reserved, page 24). 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, also shall apply to registered shares not physically in existence. Kaba Holding AG may inform the bank holding 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 recognized 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 would 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 of registered shares by exercise of subscription, option, or conversion rights.

For shareholders who were listed 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 via regulations. Therefore, the Board of Directors resolved on 27 October 1997 to issue a 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 listed in the share register of Kaba Holding AG with more than 5% of the voting rights on 13 November 1995. These sharehol-

ders will not be registered for registered shares thereafter acquired if such registration increases the percentage of their voting rights above the percentage registered in aggregate on 13 November 1995. The Board of Directors will, however, approve such acquisitions if and to the extent they offset disposals that 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 that 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.

To pass resolutions covering the cancellation of or change in the restrictions on transferability of the registered shares, a super-majority of at least two thirds of the votes represented at a shareholders' 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. The convertible bonds shall be redeemed on 18 January 2010, at 130.78% of the par value. This convertible bond is listed on the main segment of the SWX Swiss Exchange (security no. / ISIN: 1 336 276 / CH 001 336 276 6). From 18 January 2002, until and including 13 January 2010, each convertible bond with a par value of CHF 5,000 is convertible, free of charge, at any time (American Style) into 13.02083 registered shares of Kaba Holding AG with a par value of CHF 10 each; fractions are paid out in cash. For this convertible bond, a maximum of 360,000 registered shares of Kaba Holding AG with a par value of CHF 10 each in the total amount of CHF 3,600,000 are reserved. The initial conversion price was CHF 450 per registered share (i.e., each convertible bond was convertible into 11.1111 registered shares). Pursuant to the conversion terms, the conversion price was reduced because the average of all closing prices of Kaba Holding AG shares determined by the SWX Swiss Exchange during the last 20 trading

days before and including 29 November 2002, was below CHF 384 (the Reference Price). Effective 6 December 2002, the conversion price was set (reset) to CHF 384 (based on the par value of the bonds). In economic terms, the conversion price of the convertible bond will rise during the term of maturity because the redemption price until maturity (i.e., 18 January 2010) continuously increases to 130.78% of the bond's par value, and each bond of CHF 5,000 par value is convertible into a fixed rate of 13.02083 registered shares of Kaba Holding AG. The actual conversion price is derived from the theoretical redemption price of the bond at the time of premature conversion using the following equation: $100\% \times (1 + 3,4112212\%)^{(d/360)}$, where «d» is the number of days between payment and conversion of the bond. At maturity, application of this equation results in a conversion price of CHF 502.

An early redemption at the premature conversion price is possible (i) if the closing price of the registered shares of Kaba Holding AG on the SWX Swiss Exchange exceeds 130% of the respective conversion price for 30 consecutive trading days, (ii) if more than 95% of the originally issued bond capital has been converted, or (iii) for tax reasons with a 60-day period of notice.

Information on options granted to employees may be found on page 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 30.6.2004		as at 30.6.2003	
	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	218,520	6.1	218,520	6.1
Other heirs of Leo Bodmer	693,921	19.4	716,061	20.1
Total heirs of Leo Bodmer	912,441	25.5	934,581	26.2
Public shareholders				
Ulrich Bremi ²⁾	182,100	5.1	181,888	5.1
Other public shareholders	2,417,967	67.7	2,389,575	66.9
Total public shareholders	2,600,067	72.8	2,571,463	72.0
Members of the Board and current Executives				
Members of the Board (non-executive)	52,355	1.5	52,355	1.5
Current Executives (incl. executive board member)	51,777	1.4	51,993	1.5
Total Members of the Board and Executives	104,132	2.9	104,348	3.0
Less double counts in respect of heirs of Leo Bodmer who are Members of the Board ³⁾	-42,892	-1.2	-42,892	-1.2
Total shares	3,573,748	100	3,567,500	100

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

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

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

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

Cross-Shareholdings

The Kaba Group has not entered in any capital-based or voting-rights-based cross-shareholdings with other companies.

Shareholders' Participation Rights

Voting Rights Limitations and Proxy Voting

At the General Meeting of Kaba Holding AG, each registered share entitles its owner to one vote. However, single shareholders may exercise no more than 5% of all voting rights when directly representing their own registered shares and indirectly acting as proxies for registered shares owned by others. In this context, legal entities or partnerships that are bound by capital, voting rights, common management, or otherwise, as well as all individuals, legal entities or partnerships that join together with the intention to circumvent the limitations, shall be considered one single person. This limitation of voting rights does not apply to banks (Depotvertreter), members of a corporate body acting as proxies (Organvertreter), or independent proxies (unabhängige Vertreter) pursuant to Art. 689c CO. This voting restriction does not apply to shareholders who were already listed in the share register of Kaba Holding AG with more than 5% of the voting rights when the voting rights restriction clause was ratified.

A shareholder may be represented only by another shareholder with a written power of attorney. Representation by banks (Depotvertreter), by members of a corporate body acting as proxies (Organvertreter), or independent proxies (unabhängige Vertreter) pursuant to Arts. 689c and 689d CO remains reserved.

The voting rights limitation can only be lifted by a resolution of the General Meeting with a majority of the votes submitted.

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 of votes cast.

Convocation of the General Meeting of Shareholders and Agenda

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

The Board of Directors of Kaba Holding AG is obliged to include proposals by shareholders collectively representing registered shares with a par value of at least CHF 1,000,000 in the agenda items of the invitation to the General Meeting, provided that such proposals are submitted in writing to the Board of Directors at least four weeks prior to the General Meeting. Proposals must be made in writing, stating the subject matter and the motions.

Registrations in the Share Register/ Invitation to the Shareholders' Meeting on 26 October 2004

Shareholders eligible to vote and entered in the share register as at 10 September 2004, will receive the invitation to the shareholders' meeting on 26 October 2004, with the proposals of the Board of Directors; the materials will be mailed on 20 September 2004. Shareholders who send their reply to the companies' offices will receive the admission card and voting materials; these materials will be mailed starting 1 October 2004. Shareholders who are not yet registered on 10 September 2004, but purchase shares at a later date will receive the invitation to the shareholders' meeting later, provided the request for registration is received by no later than 18 October 2004.

No entries in the share register can be made from 19 October 2004 to the date of the shareholders' meeting. Owners of registered shares who sell all of their shares before 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 cards 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 opting-out or opting-up provisions (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 in the amount of one estimated annual compensation for members of the Group Management Committee and few additional members of top management which have been laid off or have terminated their employment relationship within one year after the consummation of the change of control.

Stock Option Plan 1998

Moreover, a change of control, after it has been consummated, shall impose on all option holders under Stock Option Plan 1998 the obligation to tender their options or registered shares acquired under the Stock Option Plan to Kaba Holding AG or to the acquirer. In such a case, the exercise period for all outstanding options shall start at the closing date of such change of control. Kaba Holding AG has the right and the obligation to purchase all unexercised options or all registered shares acquired under the Stock Option Plan within three months after the consummation of the change of control. The purchase price for shares shall be the (stock) market price of the registered share on the date of the acquisition (obligation = signing) or the price paid by the acquirer, if higher. The purchase price for the options shall be based on the stock price thus determined and is to be calculated by applying a customary evaluation formula according to

Black/Scholes. A new majority shareholder may assume the rights and obligations of Kaba Holding AG under Stock Option Plan 1998 if this does not infringe or harm the interests of the option holders and share owners.

Stock Option Plan 2002

Pursuant to Stock Option Plan 2002, the option holders have the obligation, within 30 days after the consummation of a takeover of Kaba Holding AG via a majority of votes by a majority shareholder or by a jointly acting group of shareholders, to tender to Kaba Holding AG their outstanding options or shares acquired under this plan. Kaba Holding AG has the right and the obligation to repurchase all options and all acquired shares so tendered within three months after the consummation of the change of control. The purchase price for these registered shares shall be the 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. A new majority shareholder may assume the rights and obligations of Kaba Holding AG under Stock Option Plan 2002 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, Zürich, was appointed auditor of Kaba Holding AG in 1907 and of the Kaba Group in 1982.

The head auditor responsible for the existing auditing mandate was appointed effective financial 2002/03.

Auditing Honorariums and Additional Honorariums

Audit fees charged by the group auditors PricewaterhouseCoopers for auditing the financial statements of Kaba Holding AG, its subsidiaries and the consolidated group financial statements in the business year 2003/04 was approximately CHF 1,382,000. In addition, the Kaba Group incurred, in the year 2003/04, additional fees of around CHF 562,000 from PricewaterhouseCoopers for other services (e.g., management consultancy, tax advisory, etc.).

Supervisory and Control Instruments vis-à-vis the Auditors

The Audit Committee of the Board of Directors shall annually assess the performance, remuneration, and independence of the statutory and group auditors and submit to the Board of Directors a proposal as to which external auditor shall be proposed for election by the General Meeting. The Audit Committee shall also annually monitor the scope of the external auditing process, the auditing plans, and the relevant procedures and shall discuss the auditing results with the 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/e/iv/investor2004-e.pdf. In addition, Kaba published, in March 2002, an Integration Report, which informed the financial community and other stakeholders about the implementation of the integration process of Unican in facts and figures. The content of the report is still valid. It can also be downloaded from Kaba's web site (www.kaba.com/e/ir/ir1-e.pdf).

The following schedule lists important dates:

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

The definitive dates may be viewed at www.kaba.com under "Agenda".

Kaba Holding AG informs its shareholders, in semi-annual shareholders' letters, about its operations (including the consolidated balance sheet and statements of income as at 31 December).

Reporting on financial 2003/04 together with the financial statements as at 30 June includes the Annual Report, the Financial Report, and the Corporate Governance Report. This documentation can be ordered with a form that is distributed to shareholders together with the invitation to the shareholders' meeting. It can also be ordered online at www.kaba.com.

The 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.

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