

2006/2007

**KABA®**



### **3** Facts and figures in brief

#### Annual Report

- 6** Welcome at Kaba
- 8** Group structure
- 9** Group organization by segment
- 12** Report on Financial 2006/2007
- 16** Segment Door Systems
- 18** Segment Access+Data Systems:  
Europe, Middle East and Africa
- 20** Segment Access+Data Systems: Asia Pacific
- 22** Segment Access+Data Systems: Americas
- 24** Segment Key+Ident Systems

#### The Year in Review

- 29** Kaba in the focus of Art
- 31** Rudolf Weber – new CEO of the Kaba Group
- 33** Major project in Paris
- 35** Acquisition of the Wah Yuet Group in China
- 37** Acquisition of Computerized Security Systems Inc.
- 39** New Safe Locks Division
- 41** Joint venture with Minda Group in India
- 43** Forward-looking identification technology
- 45** Silca buys Dutch distribution partner
- 47** Global brand

#### Corporate Governance

- 50** General Framework
- 51** Board of Directors
- 58** Management Board
- 61** Compensation, Shareholdings and Loans
- 64** Capital Structure
- 68** Shareholders
- 69** Shareholder's Participation Rights
- 70** Changes of Control and Defense Measures
- 71** Auditors
- 72** Information Policy

#### Financial Statements

- 76** Information for investors
- 78** Group
- 79** Consolidated income statement
- 80** Consolidated balance sheet
- 82** Consolidated statement of cash flows
- 83** Consolidated changes in equity  
for Financial Year 2006/2007
- 84** Notes to the consolidated financial statements
- 117** Legal Structure of the Kaba Group
- 120** Report of the group auditors
- 122** Holding Company
- 123** Holding Company balance sheet
- 124** Holding Company income statement
- 125** Notes to the financial statements
- 129** Report of the statutory auditors
- 130** Comments on the financial statements
- 132** Addresses Kaba Group
- 136** Agenda, Communication Devices



# Facts and figures in brief

- Net sales increase 20% to CHF 1,248.7 million
- Group profits 24.5% and EBIT post 21% increase over last year
- Net cash flow from operating activities CHF 134.0 million (up 30%)
- Organic net sales growth of 5.7% (in HY2 6.3%)
- Overproportional productivity growth (EBITDA +24%)

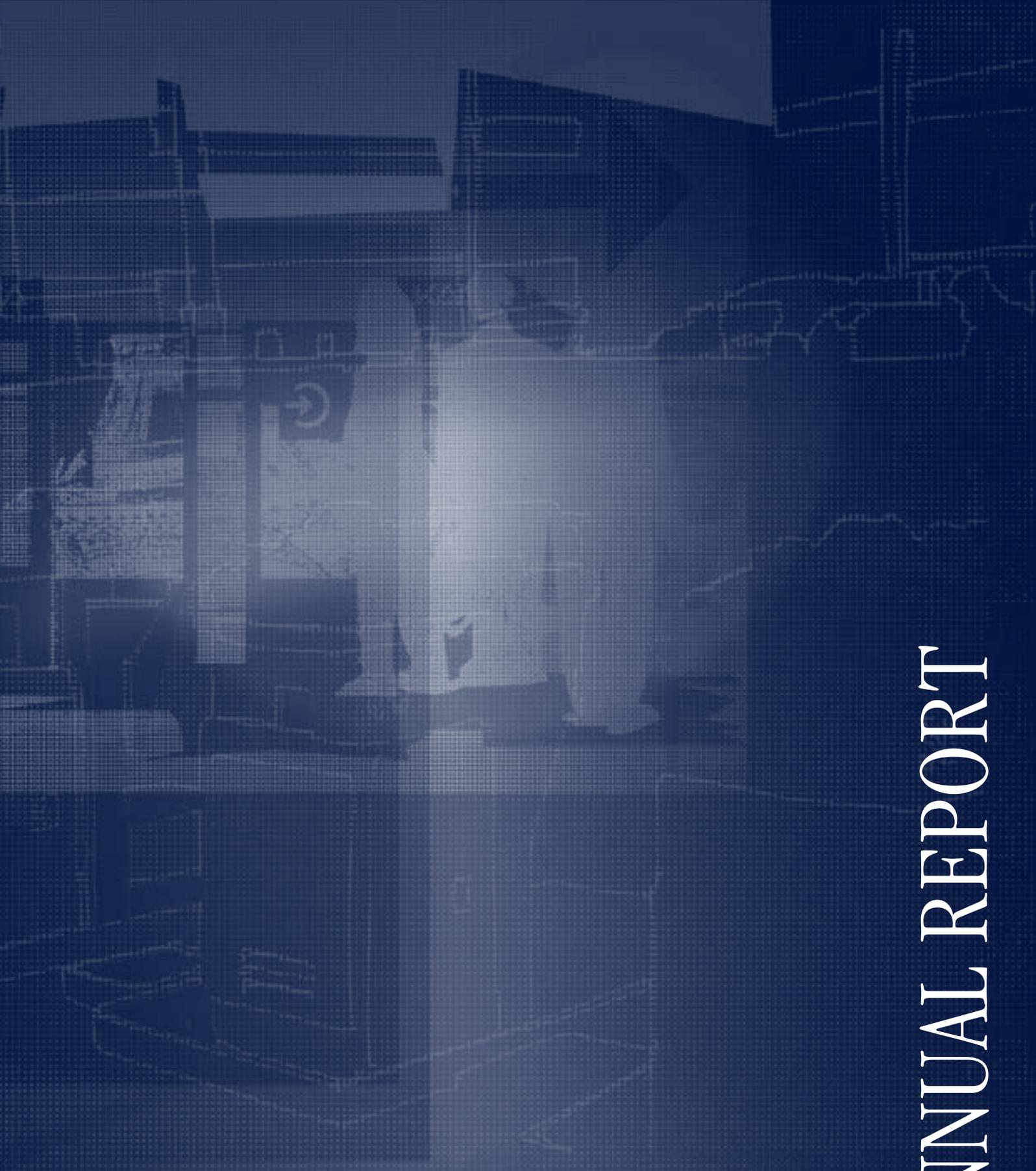
## Key figures

In CHF million, except where indicated	IFRS				Swiss GAAP FER	
	2006/07	2005/06	2004/05	2003/04	2003/04	2002/03
Net sales	1,248.7	1,041.0	980.1	978.1	985.0	967.2
EBIT	143.7	118.8	121.3	118.3	120.9	108.7
EBIT in % of net sales	11.5%	11.4%	12.3%	12.1%	12.3%	11.2%
Net profit	84.8	68.1	65.9	47.2	56.8	45.7
Market capitalisation (as at 30 June)	1,364.6	1,070.0	1,251.3	923.8	923.8	688.5
Earnings per share (in CHF)	22.6	19.0	18.4	13.2	15.9	12.8

## Segments sales

In CHF million	Financial year ended 30.6.2007		Financial year ended 30.6.2006	
		%		%
Door Systems	274.3	22	271.4	26
Access+Data Systems	681.6	55	505.5	49
Key+Ident Systems	261.0	21	231.8	22
Others/eliminations/finances	31.8	3	32.3	3
<b>Total</b>	<b>1,248.7</b>	<b>100</b>	<b>1,041.0</b>	<b>100</b>





# ANNUAL REPORT

# Welcome at Kaba



Ulrich Graf, Chairman of the Board of Directors of Kaba Holding AG, and Rudolf Weber, CEO.

Dear Shareholder

## **Dynamic developments**

The 2006/2007 financial year saw a lot going on at Kaba. First of all, there were two major acquisitions in 2006: with Wah Yuet Group, we have secured an excellent production operation in China, whilst the acquisition of CSS Inc. in the USA rounds out our safe lock and hotel locking system portfolio and opens up new customer segments. Furthermore, there were the acquisition of a key distribution company in the Netherlands and the start of two joint ventures in India. The latter will strengthen the Kaba Group's presence in the fast-growing Indian market. A combination

of energetic acquisition activity and dynamic development in the existing business have driven the Group's net sales up by more than 20% to CHF 1,248.7 million.

The dynamic and varied nature of the past financial year also finds expression in the artwork in the central section of this report. This has been produced by talented young international artists whom we commissioned to provide work which would creatively reflect the key events of the financial year.

## **Successful changeover**

As announced two years ago, the CEO hand-over took place as planned in financial 2006/2007. In July 2006, the new CEO,

Rudolf Weber, assumed operational responsibility and is reporting here in the first financial year under his leadership. His long-time predecessor Ulrich Graf was appointed by the Board of Directors of Kaba Holding AG as its new Chairman. Thus, the two top positions in the Group are occupied with a view to ensuring continuity and sustained entrepreneurial success.

Also on 1 July 2006, Carl Sideranko became a member of the Group Management Committee of the Kaba Group. He assumed responsibility for the newly created Safe Locks division which looks after our safe locks business as a single global unit.

#### **Kaba in a strong position**

In a few short years, the Kaba Group has developed to become one of the leading international providers of security solutions, and it will benefit to an even greater extent from its size in the future.

In the 1995/1996 financial year, the year the Kaba Group went public, the Group had net sales of around CHF 210 million. In the past financial year, a little more than a decade later, the respective figure was CHF 1,248.7 million. The dynamic growth of the past decade has brought the financial strength, structures and know-how which will enable Kaba to expand successfully into other markets.

The rapid growth achieved has also had a positive effect on cash flow, speeding up the process of reducing debt after acquisitions. And because Kaba has always ensured that expansion is combined with a corresponding increase in profitability, the Group's current size is impacting positively on its EBIT figure, too.

Kaba Group has a global presence, a sound strategic direction, a strong brand and an excellent product portfolio – all of which point to positive development for the enterprise in the future.

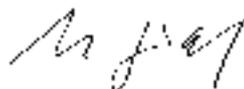
#### **Many thanks**

On behalf of the Board of Directors and the Management Board, we would like to thank you, dear shareholder, for your trust and your loyalty.

We would also like to thank our customers. With many business partners we enjoy a long-standing relationship in which we have grown together. Trust in Kaba means trust in forward-looking products and technologies.

Around 9,000 staff at Kaba each played their part in the excellent results for the past financial year. We would like to thank them for their commitment and for the outstanding work they have done over the past twelve months.

Rümlang, 17 September 2007



Ulrich Graf  
Chairman of the Board of Directors

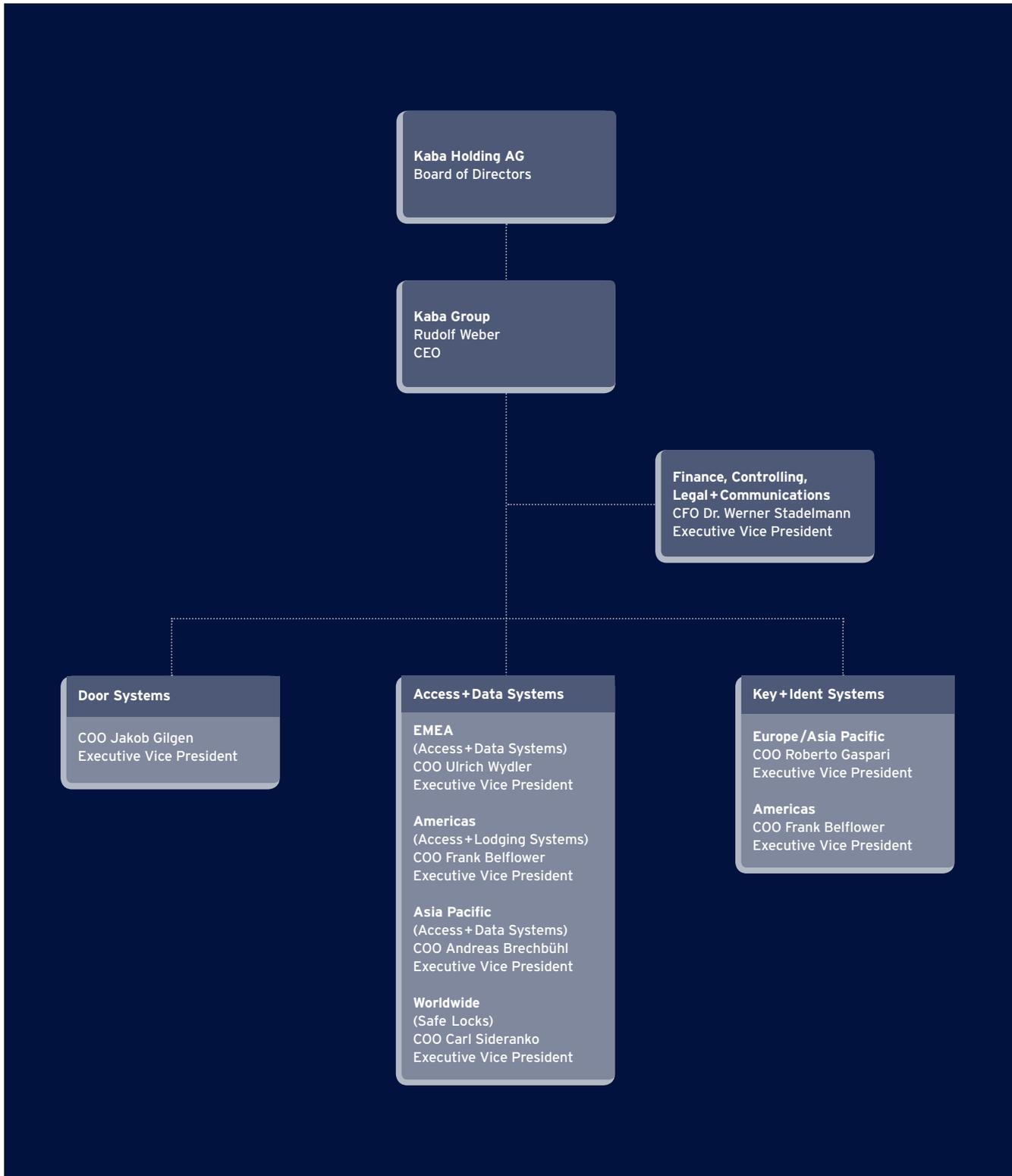


Rudolf Weber  
CEO

When Kaba Group went public in financial 1995/1996, it had net sales of around CHF 210 million. Today, ten years later, the respective figure is CHF 1,248.7 million.

# Group structure

As per 1 July 2007



# Group organization by segment

## Financial reporting by segment

Our business segments are defined by products in accordance with IFRS. Kaba has already outlined such a structure in earlier annual reports and investor's handbooks. One of the consequences of this method is that an individual affiliate which makes products of different types will appear in more than one product segment. This method prioritizes the homogeneity of business segments by product over the organizational structure of the divisions.

For financial 2006/2007, Kaba's reporting covers three segments:

- Door Systems  
With the Strategic Product Groups (SPG) Platform Screen Doors, Automatic Doors and Security Doors
- Access+Data Systems  
With the Strategic Product Groups (SPG) Cylinders + Locks, Access Management, Workforce Management, Lodging Products and Safe Locks
- Key+Ident Systems  
With the Strategic Product Groups (SPG) Keys + Key Cutting Machines and Identification.

Starting this financial year, the two segments Access Systems and Data Collection, which previously were reported separately, are reported together as the Access+Data Systems segment. All figures are like for like.



**Management Board 2006/2007**  
from left to right:

**Ulrich Wydler**  
Chief Operating Officer,  
Access + Data Systems Division EMEA

**Jakob Gilgen**  
Chief Operating Officer,  
Door Systems Division

**Frank Belflower**  
Chief Operating Officer,  
Access Key Systems Division Americas

**Rudolf Weber**  
Chief Executive Officer

**Roberto Gaspari**  
Chief Operating Officer,  
Key + Ident Systems Division  
Systems Europe /Asia Pacific

**Dr. Werner Stadelmann**  
Chief Operating Officer,  
Finance Division

**Andreas Brechbühl**  
Chief Operating Officer,  
Access + Data Systems Division  
Asia Pacific

**Carl Sideranko**  
Chief Operating Officer,  
Safe Locks Division

**Market servicing through  
Strategic Product Groups (SPG)**

Kaba Group services the markets by customer needs through the following Strategic Product Groups (SPG) which array the entire range of the Kaba product portfolio:

**Segment Door Systems**

**SPG Platform Screen Doors**

This strategic product group provides holistic solutions for the burgeoning market for platform screen doors. Besides half and full height platform screen doors, Kaba offers consultancy, project management, engineering, installation and maintenance from a single source. The portfolio is completed by matching gap closers as well as by advertising and lightening products.

**SPG Automatic Doors**

In this strategic product group, products range from door systems – including various sliding doors, automatic doors with fire protection and escape way options and drive units – to gates and industrial doors, to pedestrian interlocks and to wall systems.

**SPG Security Doors**

This strategic product group includes physical half-height and full-height access control units, ranging from turnstiles to tripod and sensor barriers to interlocking systems.

**Segment Access Systems**

**SPG Cylinders + Locks**

The portfolio of this strategic product group ranges from conventional and reversible keys and locking cylinders, to mechanical and mechatronic cylinders, to master key plans, to digital locking systems and card readers.

**SPG Access Management**

This strategic product group offers a complete portfolio of access management systems. The individual components of such systems typically include products from other strategic product groups such as security doors, locks, cylinders, badge readers, door controllers, access control solutions and, where needed, workforce management solutions.

**SPG Workforce Management**

Products of this strategic product group include multifunctional entrance terminals, hardware and software applications for workforce and visitor management, door managers, remote reader modules and biometric components.

**SPG Lodging Products**

The portfolio of this strategic product group ranges from hotel locking systems to web based vacation home access control. Commercial market products include electronic pin and card locks, mechanical pushbutton locks and high security cylinders.

**SPG Safe Locks**

This strategic product group includes high-security electronic locking solutions for government and commercial applications, cash-in-transit (ATMs), transportation (cargo security), safes and vaults as well as multi-use cabinet locks.

**Segment Key + Ident Systems****SPG Keys + Key Cutting Machines**

Products range from mechanical and electronic key blanks for any kind of use and application, to mechanical and electronic key cutting machines, to semi-industrial and industrial machineries for key duplication, to software programs for key duplication.

**SPG Identification/Legic**

With its contactless smart card technology, Legic offers an integrated platform for state-of-the-art authorization management that covers virtually any operational need – including contactless identification, organization, verification and cashless payment.

Generally, but especially in Europe, Kaba products, solutions and services are offered as a Total Access concept, based on the customers' needs for future-proof integrated solutions. In addition to this, Kaba pursues another business concept with Com-ID. Com-ID is a globally protected Kaba brand for the up-and-coming business field of "Common Identification". It refers to the use of one single identification medium that can be used for all physical and logical identification and authorization purposes in a interoperable enterprise environment. The concept is based on the multi-application identification and authorization capability of Legic RFID (Radio Frequency Identification) technology.

# Report on Financial 2006/2007

In the 2006/2007 financial year, Kaba Group notched up record net sales of CHF 1,248.7 million – an increase of 20% compared with the previous year.

## Markets

The markets for security solutions were in a good state of health worldwide in the past financial year. Only demand in the context of the US housing market suffered; however, this market segment is mainly served indirectly by Kaba, via OEM products which are made by Wah Yuet and sold in the US by business partners under their own brands. Kaba products which are made in America are largely sold to commercial customers and government organizations. The US market for security solutions for business and government premises was in robust health. In Europe, too, all business units benefited from a very good market environment. The Asian markets showed a mixed performance. Whilst price competition at the lower end of the market became even more fierce, the premium market for commercial premises and luxury apartments is becoming increasingly attractive.

The huge price rises for raw materials such as zinc and copper mainly impacted on our keys business in the past financial year. In the meantime, however, a substantial part of these price rises has been passed on to customers. Now raw material prices have stabilized, margins have become attractive again.

## Good sales performance

In the 2006/2007 financial year, Kaba Group notched up record net sales of CHF 1,248.7 million. This represents an increase of 20% against the figure of CHF 1041.0 million for the previous year. The growth generated by acquisitions was CHF 148.8 million, or 14.3%; currency effects resulted in a small decrease of CHF 0.4 million, or 0.0%. Organic growth for the Kaba Group in the 2006/2007 financial year was CHF 59.3 million, or 5.7% (previous year: 4.0%). Consolidated operating earnings (EBIT) rose by 21% or CHF 24.9 million to CHF 143.7 million.

The Group's two major acquisitions, of the Wah Yuet Group and CSS Inc., were not completed until 10 August 2006 and 1 October 2006 respectively and the companies were consolidated from these dates. Accordingly, the increase in Group net sales posted in the first half was 16.0%, whilst growth for the second half totalled 23.7%.

Group profits also put in another positive performance. Reported net profit climbed CHF 16.7 million to CHF 84.8 million, an improvement of 24.5%.

The EBIT margin for the Group was in line with the previous year's figure at 11.4%. Sharp increases in raw materials prices and the application of purchase accounting to the Group's acquisitions militated against increasing the EBIT margin.

## Performance of the segments

Acquisition- and currency-adjusted, net sales for the Door Systems segment fell 1.3% in the second half of the year, failing to make up for the slight fall of 0.4% in the first half. With a decline of 0.9% for the year as a whole, the segment fell just short of the previous year's sales figure. The pause in growth at Door Systems was caused by a brief fallow period between the completion of major platform screen doors projects in Asia (e.g. for the Hong Kong metro system) and the beginning of new large-scale projects on the metro systems in Shanghai and Paris. The EBIT margin performed positively again, up from 8.2% in the previous year to 8.6% in the period under review.

The Access+Data Systems segment now also comprises the former Data Collection segment, integrated on 1 July 2006; the figures for the previous year are given on a like-for-like basis. In the period under review, the segment recorded a 34.8% expansion in sales to CHF 681.6 million. Of this, CHF 144.3 million was accounted for by the Wah Yuet Group (consolidated from 10 August 2006) and by CSS Inc. (from 1 October 2006). Currency conversions (appreciation of the euro, depreciation of the US dollar and Asian currencies) affected this result by -0.9%. Acquisition- and currency-adjusted, the segment saw an increase of 7.2%. Because of the application of purchase accounting in consolidation, the recorded EBIT margin fell from 18.7% to 17.0%.

The Access+Data Systems segment in Europe grew 10.9%, with organic growth totaling 7.1% currency- and acquisition-adjusted. In North America, Kaba Group added significantly to its market position, mainly through acquisitions. Net sales in the 2006/2007 financial year were expanded by 45.1% to CHF 234.2 million. This does not include the OEM (original equipment manufacturers) business of the Wah Yuet Group in the USA, as these activities are recorded in the Asia Pacific figures. In organic terms, Kaba grew by 9.6% in America. The first-time consolidation of the Wah Yuet Group at 10 August 2006 had a considerable impact on the figures for the Access+Data Systems segment in Asia Pacific. Net sales jumped 225% from CHF 32.5 million to CHF 105.7 million. Currency- and acquisition-adjusted, the increase was 12.1% (previous year: -7.3%). Integration of the newly-acquired companies into Kaba's established US operations brought about new synergy effects which are likely to improve the EBIT margin of the acquired companies.

In the Key+Ident segment, net sales were up 11.3% currency- and acquisition-adjusted. Business growth in both America and Europe was gratifying, at 13% and 12% respectively. The increase in the first half was 12.5% and 12% in the second half. The EBIT margin for the segment declined slightly from 10.1% to 9.4%. The slight contraction in margins is due to a major development project of Legic (RFID-based systems) which had a negative impact on the income statement.

#### Acquisitions

In the first quarter of the 2006/2007 financial year, the Kaba Group acquired 80% of the share capital of the Wah Yuet Group in China, including Wah Yuet Group in the consolidated accounts from 10 August 2006. Integration into the Group is proceeding as planned. In addition, various project groups continue to work on stepping up know-how transfer to the new Kaba production plant. This will make it possible to provide new products, including mechatronic ones, for Kaba companies and OEM customers. Operational performance in terms of net sales and overall business development in the first full half-year of consolidation was in line with the expectations of the Kaba Group. The EBIT margin failed to meet expectations as a consequence of higher raw materials prices.

Integration of both Wah Yuet Group and CSS Inc. were successfully completed. The newly-acquired companies earned CHF 148.8 million in sales, boosting Group net sales for the financial year by 14.3 %

Integration of CSS Inc. consolidated from 1 October 2006 is essentially complete. Production for the La Gard business has been incorporated fully into the existing Kaba Mas operation in Lexington (Kentucky, USA). The synergies created only started to take effect towards the end of the financial year. In the current financial year, however, the synergies and operational improvements will have their full effect. Integration of Saflok into the Kaba Lodging structure is also operational. Work is currently going on to fine-tune the European distribution network.

Integration of H. Cillekens & ZN BV in Roermond (Netherlands) brings added strength to the European keys business in one of the most important markets for Silca, and this, too, is fully operational.

The newly acquired companies generated net sales of CHF 148.8 million, boosting Group net sales for the financial year by 14.3 %.

#### Liabilities

The Kaba Group is in good financial health: despite acquisitions to the tune of CHF 258.0 million, net indebtedness rose by just CHF 227.0 million. After these acquisitions, gearing, i.e. debt in relation to EBITDA, is a comfortable 2.6 (previous year before acquisitions 1.8).

The profitable acquisitions made in the past financial year strengthen the Kaba Group's earning power. Net cash from operating activities was up 30 % in the financial year. This will help the Group to achieve swift reduction of its debt after the acquisitions.

#### Cash flow

The effect of the acquisitions on cash flow was clear: these reduced net free cash flow from CHF 70.4 million to –144.3 million. This was because the charge for net cash used in investing activities rose from 32.7 million to CHF 278.3 million. Key to assessing operational strength is the number for net cash from operating activities. This figure (which represents earnings generating cash flow plus changes to net current assets) rose by 30 %, from CHF 103.1 million to CHF 134.0 million. This was a consequence of the Group's enhanced ability to generate cash flow because of its acquisitions and of leaner inventory management. The efficiency gains here compensated for the increased inventory value caused by higher raw materials prices.

#### Currency effects

Kaba Group's decentralized structure with the use of local production facilities means that the Group's foreign currency risks are largely limited to the net flow of payments since earnings in foreign currencies go hand in hand with expenditure and financial costs in the same currencies. The appreciation of the euro in the course of the period under review compensated for the depreciation of the US dollar. The cumulative gains resulting from currency differences were CHF 0.4 million or 0.0 % of net sales.

**Staff**

Staff numbers rose from 5,657 at the beginning of the financial year to 9,265 at the end of it. Kaba gained a total of 3,588 new staff as part of its acquisitions. The Wah Yuet Group in China was the main contributor here. The organic sales growth of 5.7% achieved in the existing business brought just 20 new positions.

**Outlook**

The Kaba Group has an excellent position in the important sales regions of Europe and America. With the establishment of new markets, Kaba is on a solid growth course and is aiming at 5% growth. In this, we are assuming markets will continue healthy in all Kaba's Total Access areas.

The companies acquired in the USA and China during the period under review are an ideal addition to the existing business and offer considerable medium-term growth potential. Further impetus to earnings can also be expected. For the 2007/2008 financial year, Kaba anticipates that its EBIT margin will strengthen to over 12% and that profits will see another double-digit increase. In this, we are assuming constant raw materials prices. Kaba will generate sustained high cash flow.

**Dividend**

Consolidated profit for the 2006/2007 financial year improved from CHF 68.1 million to CHF 84.8 million. With this pleasing performance, the Board of Directors intends to propose to the Annual General Meeting on 23 October 2007 that a dividend of CHF 6.50 be paid. This amounts to a total distribution of CHF 24.6 million.

# Segment Door Systems



**The Door Systems segment performed well again and achieved positive growth in both sales (after adjusting for major projects) and EBIT. This success during the year under review was built on a good market environment in Europe, new products and solutions as well as further expansion of distribution structures. The segment's healthy order book promises a continued good performance going forward.**

The Door Systems segment experienced a certain amount of volatility owing to the timing of major projects involving platform screen doors. A number of these projects came to a conclusion at the end of the first quarter. New orders for platform screen doors on underground railways in China and Paris began to have a positive effect on figures not until in the final quarter of the financial year. However, the strong fourth quarter was not sufficient to compensate for the previous hiatus in growth.

As a major provider of large-scale projects, Kaba Door Systems completed a number of interesting commissions, including: the 250 tripod barriers and ticketing machines for accessing public lavatories at German motorway service stations; the platform screen door systems for subway systems in Taipei, Kaohsiung (both in Taiwan), Shanghai and Beijing (both in China); and more than 200 gate driver systems for Switzerland's NEAT project (new transalpine railway). A number of new and spectacular large-scale contracts have also been acquired: the CHF 70 million contract for platform screen doors on lines 1 and 13 of the Paris Metro; access control systems for Russia's nuclear power stations; and the 416 special sliding doors for a new skyscraper in Hong Kong.

The company has continued to develop its product range in response to customer needs, with product optimizations and innovative new developments such as half-height platform screens for underground railways, new sliding door drivers for simple applications as well as universal gate drivers for industrial gates, etc.

The distribution and production structure at the facility in Shanghai has been expanded further. Parts of the screens and some components for the underground railway projects in Shanghai and Beijing are now being sourced and assembled at our own factory. Series manufacture of the sliding door drive system being sold in China has been launched successfully, and demand from this market can now be met through the company's own local structures.

New orders for platform screen doors on underground railways in China and Paris started having a positive effect on figures in the final quarter of the financial year. However, the strong fourth quarter was not sufficient to compensate for the previous hiatus in growth.

# Segment Access+Data Systems

Europe, Middle East and Africa



**The new organizational structure, which groups distribution and service by region and production centers by competence, has proven its worth in the first year of operation. The new structure immediately helped to deliver very high organic growth. It also maintained its EBIT margin currency- and acquisition-adjusted on a high level.**

The Access Systems + Data Systems segment in EMEA covers mechanical and mechatronic locking systems, electronic access control systems, hotel and safe locks, as well as data collection for the European, Middle Eastern and African markets.

In Europe, the segment grew stronger in the second half than in the first. Good economic conditions and the more intense market presence generated by a standardized distribution structure promoted growth in practically all regions. The performance in Switzerland, Italy, Sweden and Eastern Europe was outstanding. In the Arabic speaking world, and especially in the United Arab Emirates, the increased demand was so great that Kaba opened a branch in Dubai to ensure that it could provide a targeted and efficient service to local customers.

The new standardized distribution structure, which replaced distribution and service organizations that had previously been divided by product group for each country and region, proved its worth in its very first year. The idea of the new system is to present one single face to the customer no matter what products are involved. This approach, which covers locking and access control systems, security doors and system components for time and operational data recording (workforce management), has been universally welcomed by clients and partners. Competence levels at the distribution units have increased significantly, while customer processes have been greatly simplified.

Kaba's comprehensive range of people-related security and data recording systems, combined with its status as a preferred supplier of components and systems to local security specialists, system integrators and distribution partners, positions Kaba as a trendsetter within the security industry. In addition, an increasing number of companies that use leading ERP solutions by SAP, Oracle/PeopleSoft and Microsoft are turning to Kaba as a

reliable global supplier of complementary subsystems.

Kaba has been promoting the technological convergence of access and data entry systems for many years. This strategy is gaining increased acceptance on the market. Kaba views mechanical, mechatronic and electronic/digital components as compatible parts of a modular system that can satisfy any customer need flexibly and efficiently. This approach is particularly well demonstrated by the hybrid CardLink concept, which brings together wired and wireless access control elements in a single system with a unified database and integrated operation. The benefits for customers are so obvious that 50% of all projects are already being commissioned with CardLink. CardLink is a great example of Kaba's capacity for technological innovation – a capacity which will help the Group to expand its leading position in the Access + Data Systems sector.

Within the safe locks sector, cooperation between European and American firms was intensified under the leadership of Carl Sideranko. Kaba Mauer is the center of competence and production facility for mechanical safe locks in Germany. Its marketing organization services the markets of Northern Europe. Kaba's Safe Locks operation in Switzerland focuses mainly on electronic safe locks for Europe and provides the marketing organization for Southern Europe. The newly acquired company La Gard will be integrated into both of these companies as Kaba increases Safe Locks market share in EMEA.

Kaba Safe Locks increased organic growth considerably above average of the total market.

The new standardized distribution structure proved its worth in its very first year. Within the safe locks sector, co-operation between European and American firms was intensified under the leadership of Carl Sideranko.

# Segment Access+Data Systems

## Asia Pacific



**The integration of the Chinese Wah Yuet Group into Kaba was successfully completed. What is more, the decision to specialize in integrated access and security systems in the Asia Pacific region is beginning to bear fruit. Meanwhile, the market for security doors is being developed selectively. Acquisitions- and currency-adjusted, growth has been very healthy.**

Integration of the Chinese Wah Yuet Group, acquired in August 2006, was completed on schedule. Following the integration, ten project teams have been working on optimization models to release synergies and additional earnings potential. These include, for example, shifting component procurement from third party suppliers to Wah Yuet Group as Kaba's own supplier, and the development of a technology center at Wah Yuet. This latter project puts Wah Yuet in a position to manufacture mechanical and mechatronic security products for both the domestic and export markets. The initial benefits of integration were certainly visible during the 2006/2007 financial year, but the major improvements will become apparent in the upcoming years.

During the 2006/2007 financial year, Kaba energetically pressed ahead with its positioning as the leading local specialist for mechatronic and electronic locking systems, and as system provider for comprehensive access and security solutions. The gains it has made in terms of image and reputation have also been reflected in rising sales figures. The profits generated by existing companies are being invested in an expanded market presence in these growth markets. Owing to this growth strategy, consolidated earnings are rather modest.

In Japan, Kaba successfully continued its development work in the still relatively new security door and access control segment. Intensive acquisition activity in project business has led to a marked increase in interest from potential customers, especially in technologically advanced systems.

In Singapore, Kaba has made an excellent name for itself as a first-class partner for integrated access control systems, especially for commercial buildings and the luxury residential sector. The high level technology the company offers in mechatronics, electronic access solutions and security doors very precisely

meets the sophisticated demands of a local clientele.

During the year under review, distribution structures were strengthened in Australia and New Zealand with a sharper focus on integrated projects for selected key accounts. The significant rise in incoming orders in Malaysia was mainly driven by the launch of innovative security door systems, primarily for use in office and commercial buildings.

As a consequence of intensified competition, in most countries within the Asia Pacific region Kaba is procuring more and more of its door fittings from China, while procurement from Europe and North America has declined.

In China, the focus on electronic integrated access and time management systems produced good initial results. The client base includes both international and domestic companies. Alongside the accelerated expansion of production capacities in China, Kaba initiated a series of other measures to reinforce the Group's position in the Asia Pacific region and to exploit the potential of local markets.

Integration of the Chinese Wah Yuet Group, acquired in August 2006, was completed on schedule. During the 2006/2007 financial year, Kaba energetically pressed ahead with its positioning as the leading local specialist for mechatronic and electronic locking systems and system provider for comprehensive access and security solutions. The gains it has made have also been reflected in rising sales figures.

# Segment Access+Data Systems

## Americas









































































































































































































































