



## **Kaba acquires Wah Yuet Group in China**

Rümlang, 19 July 2006 – **Kaba is acquiring the Chinese Wah Yuet Group, a high-earning, high-growth company with annual revenues of CHF 85 million. Wah Yuet produces high-quality locks, keys and key blanks that are distributed mainly by American and European business partners. Due to the acquisition of Wah Yuet Group, Kaba's participation in the US market of security applications for the residential sector will be enhanced significantly. The modern, exceedingly productive facility in Taishan City, Guangdong Province, will strengthen Kaba Group's competitiveness and promote profitable growth especially in Asian and American markets.**

Kaba Group is acquiring 80% of the company's share capital from K. S. Ng, the founder and sole shareholder of Wah Yuet Group. In the 2005/2006 financial year (to 31 March 2006), Wah Yuet generated revenues of CHF 85 million with impressive profitability. Kaba is acquiring a company that will strengthen Kaba Group's earnings power and earnings per share from the very first year following the acquisition.

### **High growth potential**

"With Wah Yuet, Kaba is buying a highly profitable export business mainly to the USA and Europe as well as a basis for our further expansion in the Asia Pacific region," says Ulrich Graf, Director of Kaba Holding AG. Based on Wah Yuet's recent development, Kaba expects to see annual growth of more than 10%.

Some Wah Yuet products complement Kaba's existing product portfolio at a low and very competitive price level. With these products, Kaba can build up its position in the price-sensitive Asian markets. Furthermore, due to the acquisition of Wah Yuet Group, Kaba's participation in the US market of security applications for the residential sector will be enhanced significantly. The relevant products are distributed by various business partners.

### **Strengthening competitiveness and earnings power**

The acquisition of this footprint in China offers considerable potential within Kaba Group: Wah Yuet will handle manufacturing orders that Kaba has previously given to external companies. These order volumes run into the double digit of millions of Swiss Francs each year.

Including Wah Yuet, the Asia Pacific region will generate about 10% of Kaba Group's revenue and increase its EBIT margin still further. The contribution that Wah Yuet is expected to make to net free cash flow will be higher than the acquisition's financing costs and will also help to accelerate the Kaba Group's cash flow growth.

### **Information about the transaction**

During the past five years, the good relations to the Wah Yuet Group were intensified. After intensive negotiations with K. S. Ng, Kaba has reached an agreement to acquire 80% of the company's share capital. For the remaining 20% of share capital, reciprocal options have been put in place which cannot be exercised for at least 3 years.

The purchase price is being paid within the scope of existing credit lines. In addition, the vendor is acquiring Kaba shares out of authorized capital of USD 48 million. The seller

thereby acquires just over 5% of the shares of Kaba; these shares are subject to a one-year lock-up obligation. The parties have agreed to maintain confidentiality about the price paid for the company, which is free of debt. It is currently expected that the acquisition of the Wah Yuet Group will be completed within the third quarter of 2006.

### **The Wah Yuet production site**

Situated in Taishan City, Guangdong Province, the company has a groundspace of 280,000 m<sup>2</sup> and employs about 4,000 staff. Wah Yuet's product portfolio consists of a wide range of high-quality cylinder locks, keys and key blanks.

In the recent past, significant investments have been made to refine production and optimize processes. The factory won its ISO 9001 and ISO 14001 certification in 2001.

For further information:

Kaba Holding AG  
CH-8153 Rümlang

**Rudolf Weber**, CEO; tel. +41 44 818 90 41  
**Dr. Werner Stadelmann**, CFO; tel. +41 44 818 90 61  
**Jean-Luc Ferrazzini**, CCO; tel. +41 44 818 92 01 (for the media)

### **Conference call today, July 19, 2006, at 1 p.m. (CET)**

There will be a conference call today on the acquisition of the Wah Yuet Group. Please dial up 5 or 10 minutes before the start of the conference call on **+41 52 267 07 36**.

To ask **questions** during the conference call, please key in **\*14**. An operator will connect you to Mr. Weber and Mr. Stadelmann. To withdraw a question, please key in **\*15**.

A recording of the conference call will be posted on the Internet at [www.kaba.com](http://www.kaba.com).

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