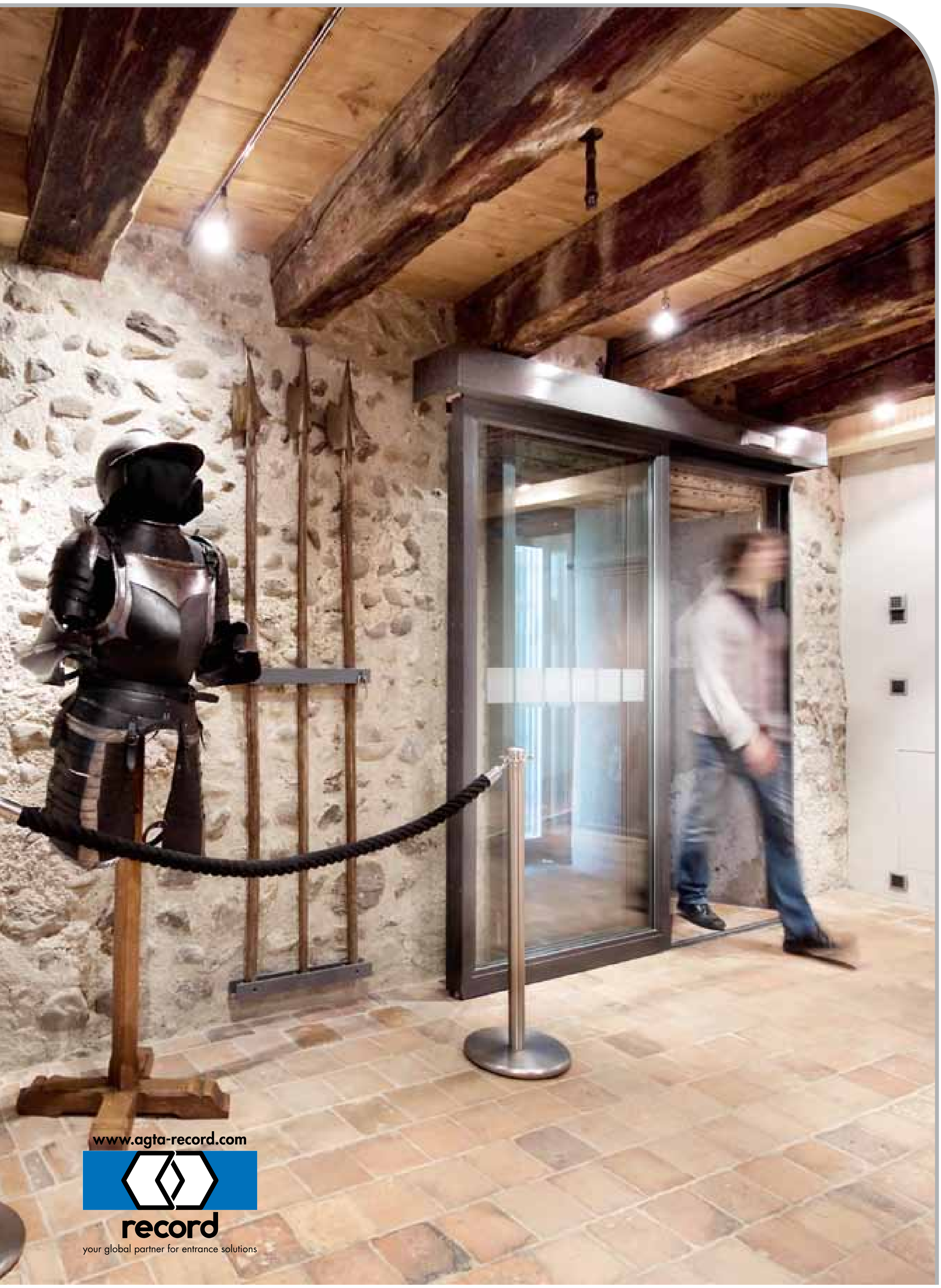
agta record ltd

interim report 2012



interim report 2012

Half-year management report

Trade activities

Overall, order intake was better than expected although the performance of our subsidiaries was quite diverse.

The Netherlands, the USA, Germany, as well as France, but also Switzerland and UK due to a change in management, are among those showing good performances. Among the smaller subsidiaries Spain, Slovenia, Hungary and to a lesser extent, Poland suffered from poor market conditions, while Denmark grew substantially.

The worst performances were registered in China (due to the absence of a managing director for several months) and record international, because our dealers were reluctant to replenish their inventories.

Globally the Group received orders for 2% more units (China and record international impacted the consolidated order intake by -7%).

The value of orders was up 6.8%, spread between products and installation with 5.5% and maintenance with 8.9% growth. PACA grew 1.0% versus a decline of 10.0% in 2011. Switzerland, Germany, the Netherlands, Austria, United Kingdom and the USA posted remarkable performances in maintenance with double-digit growth.

At the end of June, the order book stands 2.1% over 2011.

Profit and loss

Sales are up 8.6% with 7.4% growth in products and installation and 10.3% in service and maintenance.

The consolidated gross margin increases from 71.2% in 2011 to 72.7%, a significant jump of 1.5 points. The stronger growth in maintenance partially explains the strong surge of the gross margin as well as a growing Asian sourcing and a higher percentage of products made in our facilities in Shanghai and finally, the smaller proportion of sales in countries with lower trade margins such as Eastern Europe, record international, China or Spain.

Personnel cost is up 8.8% due to a higher percentage of door installations given to subcontractors. Structure costs, which are mainly fixed, grow by 5.4%.

Group’s consolidated EBIT increases by 39.7% to 9.5 M€ (7.8% of sales).

The financial result is almost nil (-0.03 M€) versus a loss of 0.6 M€ during the same period in 2011. The minimal impact from forex movements reflects the success of the Swiss National Bank in containing the rise of the Swiss franc.

Exchange gains and losses were well managed with a net gain of 0.1 M€. For more than a year the Group’s strategy was to keep liquid funds in Swiss francs and not decrease existing loans in Euros, Pounds and U.S. dollars.

Balance sheet

agta record continues to enjoy a very strong balance sheet with 37.6 M€ of liquid funds and 9.3 M€ of interest bearing debt (99% of which short term). The gearing improved from -12.4% on 31 December 2011 to -18.1% on 30 June 2012 after the payment of the dividend.

Expectations for the second half of 2012

We do not think that agta record can sustain the growth rates of the first half-year in the second half of 2012. Still the expectations of reaching 3 to 5% of annual sales growth and 10% EBITA growth should be met.

The net results of record France, record UK, record Switzerland will improve versus 2011 due to stricter management. Market conditions are fairly stable in Germany, Switzerland, Scandinavia and the US and can hardly deteriorate more than they have already in Spain, Eastern Europe and Italy.

We are more concerned about 2013, although we do not expect a fast and strong decline of the market like in the first half of 2010, but rather a slow down that could last for some time.

We have thus decided to implement cost reduction measures such as stricter recruitment parameters or even reorganisation measures in Spain where we see no market improvement for a few years.

Main balance sheet items

in MEUR	**30.06.2012**	31.12.2011
Cash	**37.6**	30.2
Interest bearing liabilities	**9.3**	11.1
Net liquidity	**-28.3**	-19.1
Shareholders' funds	**156.5**	154.5
Gearing	**-18.1%**	-12.4%

Simplified profit and loss account

in MEUR	**30.06.2012**	30.06.2011
Turnover	**121.7**	112.1
Work in progress	**0.2**	1.9
Gross profit	**88.5**	79.8
Personnel expenses	**-57.0**	-52.4
Structure costs	**-20.7**	-19.3
EBITA	**10.8**	8.1
Amortisation of intangible assets	**-1.3**	-1.3
EBIT	**9.5**	6.8
Financial result	**0.0**	-0.6
Profit for the period	**7.3**	4.6

Condensed consolidated interim financial statements
30 June 2012

Contents

Consolidated statement of financial position

in thousand EUR	**30.06.2012**	31.12.2011
Assets		
Property and plants	**25,018**	25,433
Technical equipment/machinery	**1,756**	1,870
Other equipment	**15,802**	15,546
Intangible assets	**49,554**	49,853
Other financial assets	**194**	262
Deferred tax assets	**4,632**	4,481
Total non-current assets	**96,956**	97,445
Inventories	**39,056**	39,068
Trade receivables	**57,712**	59,664
Income tax receivables	**1,700**	2,157
Other current receivables	**3,170**	2,066
Accrued income	**2,708**	3,047
Cash and cash equivalents	**37,553**	30,255
Total current assets	**141,899**	136,257
Total assets	**238,855**	233,702
Equity		
Share capital	**8,751**	8,751
Other reserves	**22,668**	28,244
Treasury shares	**-903**	-1,157
Retained earnings	**118,693**	99,737
Profit for the period	**7,313**	18,969
Total equity attributable to equity holders of the Company	**156,522**	154,544
Liabilities		
Non-current financial liabilities	**153**	301
Defined benefit plan obligations	**5,730**	5,741
Non-current provisions	**3,100**	2,497
Deferred tax liabilities	**4,337**	4,554
Total non-current liabilities	**13,320**	13,093
Current financial liabilities	**9,107**	10,819
Trade payables	**13,241**	15,917
Income tax liabilities	**3,010**	2,102
Other current liabilities	**15,677**	15,321
Current provisions	**1,258**	1,847
Accrued liabilities	**26,720**	20,059
Total current liabilities	**69,013**	66,065
Total liabilities	**82,333**	79,158
Total equity and liabilities	**238,855**	233,702

Consolidated statement of comprehensive income

For the six months ended 30 June

in thousand EUR		**2012**	2011
Revenue from sales and services		**121,911**	114,005
Raw materials and consumables used		**-33,425**	-34,227
Gross profit		**88,486**	79,778
Other operating income		**273**	260
Capitalisation of development costs		**210**	494
Personnel expenses		**-57,009**	-52,409
Other operating expenses		**-17,492**	-16,621
Operating profit before depreciation (EBITDA)		**14,468**	11,502
Depreciation of property, plant and equipment		**-3,658**	-3,439
Operating profit before amortisation of intangible assets (EBITA)		**10,810**	8,063
Amortisation of intangible assets		**-1,336**	-1,283
Operating profit (EBIT)		**9,474**	6,780
Financial income		**192**	83
Financial expense		**-221**	-720
Profit before tax		**9,445**	6,143
Income tax expense		**-2,132**	-1,561
Profit for the period		**7,313**	4,582
Other comprehensive income			
Foreign currency translation effects - foreign operations		**1,510**	3,363
Foreign currency translation effects - net investment approach		**78**	-3,191
Defined benefit plans			
- Actuarial gains (losses)		**56**	94
- Income tax relating to components of other comprehensive income		**-12**	-19
Other comprehensive income for the period, net of tax		**1,632**	247
Total comprehensive income for the period		**8,945**	4,829
Earnings per share (basic / diluted)	(in EUR)	**0.551**	0.345

Consolidated statement of changes in equity

in thousand EUR	Share capital	Other re-serves	Trans-lation reserve	Trea-sury shares	Retained earnings	Total
Balance at 1 January 2011	**8,751**	**24,544**	**8,135**	**-799**	**101,574**	**142,205**
Total comprehensive income for the period						
Profit for the period					4,582	4,582
Other comprehensive income						
Foreign currency translation effects - foreign operations			3,363			3,363
Foreign currency translation effects - net investment approach			-3,191			-3,191
Actuarial gains (losses) and asset ceiling on defined benefit plans, net of tax					75	75
Total other comprehensive income net of tax	**0**	**0**	**172**	**0**	**75**	**247**
Total comprehensive income for the period	**0**	**0**	**172**	**0**	**4,657**	**4,829**
Transactions with owners, recognised directly in equity						
Purchase/sale of treasury shares				-72		-72
Gain/loss from sale of treasury shares net of transaction costs					-6	-6
Dividends paid to owners					-6,597	-6,597
Share-based payment transactions				242	-108	134
Total contributions by / distributions to owners	**0**	**0**	**0**	**170**	**-6,711**	**-6,541**
Balance at 30 June 2011	**8,751**	**24,544**	**8,307**	**-629**	**99,520**	**140,493**
Balance at 1 January 2012	**8,751**	**17,750**	**10,494**	**-1,157**	**118,706**	**154,544**
Total comprehensive income for the period						
Profit for the period					7,313	7,313
Other comprehensive income						
Foreign currency translation effects - foreign operations			1,510			1,510
Foreign currency translation effects - net investment approach			78			78
Actuarial gains (losses) and asset ceiling on defined benefit plans, net of tax					44	44
Total other comprehensive income net of tax						
Total comprehensive income for the period	**0**	**0**	**1,588**	**0**	**7,357**	**8,945**
Transactions with owners, recognised directly in equity						
Purchase/sale of treasury shares				-26		-26
Gain/loss from sale of treasury shares net of transaction costs					8	8
Dividends paid to owners		-7,164				-7,164
Share-based payment transactions				280	-65	215
Total contributions by / distributions to owners	**0**	**-7,164**	**0**	**254**	**-57**	**-6,967**
Balance at 30 June 2012	**8,751**	**10,586**	**12,082**	**-903**	**126,006**	**156,522**

Consolidated statement of cash flows

For the six months ended 30 June

in thousand EUR	**2012**	2011
Cash flows from operating activities		
Profit for the period	**7,313**	4,582
Depreciation and amortisation	**4,994**	4,722
Gain(-)/loss(+) on disposal of property, plant and equipment	**-40**	-39
Capitalisation of development costs	**-210**	-494
Other non cash items	**765**	1,812
Change in inventories	**679**	-899
Change in trade receivables	**1,821**	4,373
Change in other receivables and accrued income	**62**	-2,425
Change in trade payables	**-2,781**	-1,138
Change in other current liabilities and accrued liabilities	**6,863**	1,033
Net cash from operating activities	**19,466**	11,527
Cash flows from investing activities		
Purchase of property, plant and equipment	**-3,676**	-4,046
Purchase of intangible assets	**-280**	-391
Purchase of other financial assets	**-16**	101
Proceeds from sale of property, plant and equipment	**724**	404
Net cash used in investing activities	**-3,248**	-3,932
Cash flows from financing activities		
Purchase/sale of treasury shares, less transaction costs	**-18**	-78
Increase of bank liabilities	**478**	0
Repayment of bank liabilities	**-2,403**	-4,226
Repayment of finance lease liabilities	**-183**	-217
Dividends paid to owners	**-7,164**	-6,597
Net cash used in financing activities	**-9,290**	-11,118
Net increase(+)/decrease(-) in cash and cash equivalents	**6,928**	-3,523
Cash and cash equivalents at 1 January	**30,255**	25,140
Effect of exchange rate fluctuations on cash held	**370**	60
Cash and cash equivalents at 30 June	**37,553**	21,677
Cash flows from operating activities include:		
Interest received	**98**	82
Interest paid	**-137**	-166
Income taxes paid	**-1,211**	-5,923

Notes to the condensed consolidated interim financial statements

1 General information

agta record ltd (the "Company") is a company domiciled in Fehraltorf, Switzerland. The condensed consolidated interim financial statements as at and for the six months ended 30 June 2012 include agta record ltd and its subsidiaries (hereinafter referred to as “Group”).

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These condensed consolidated interim financial statements have been reviewed, not audited.

The Company’s Board of Directors approved these condensed consolidated interim financial statements on 3 September 2012.

3 Significant accounting principles

Except as described below, the accounting principles applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012. With effect from 1 January 2012, the Group applies the following revised or newly issued International Financial Reporting Standards (IFRS) and Interpretations of Standards:

– Disclosures – Transfers of Financial Assets

– Deferred Taxes: Recovery of Underlying Assets

The above mentioned standards and new interpretations do not have a material impact on profit and equity of the Group.

4 Estimates

The preparation of consolidated interim financial statements in conformity with IFRS requires estimates and assumptions by the Group Executive Management which affects the reported amount of assets and liabilities as well as contingent liabilities at the time of the closing and also expenses and income during the reporting period. The actual results may differ from these estimates.

The same estimation procedures and assumptions were used in these condensed consolidated interim financial statements as for the consolidated financial statements as at and for the year ended 31 December 2011.

5 Exchange rates applied to the main currencies

	Average exchange rates		Balance sheet rates	
	Jan. – June 2012	Jan. – June 2011	**30 June 2012**	31 Dec. 2011
1 CHF	**0.83**	0.79	**0.83**	0.83
1 GBP	**1.22**	1.15	**1.24**	1.11
1 USD	**0.77**	0.71	**0.79**	0.69

During the first half of 2012 the exchange rate fluctuations affected the Group very modestly, producing a net foreign exchange result of TEUR 93 (prior year: TEUR -471) included in financial income.

6 Segment Information

Six months ended 30 June	Europe and rest of world		America		Reconciliation		Total	
in thousand EUR	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Revenue from sales and services third parties	**109,168**	101,686	**12,531**	10,384	**212**	1,935	**121,911**	114,005
Sales to other segments	**2,259**	2’807		581	**-2,259**	-3,388	**0**	0
Revenue from sales and services	**111,427**	104,493	**12,531**	10,965	**-2,047**	-1,453	**121,911**	114,005
Segment result (EBIT)	**8,447**	6,414	**1,027**	366	**0**	0	**9,474**	6,780
Financial income							**192**	83
Financial expenses							**-221**	-720
Income tax							**-2,132**	-1,561
Profit for the period							**7,313**	4,582

7 Seasonality of revenues

Revenues in the first half of the year have generally been lower than those in the second half. However, the magnitude of this general pattern is always obscured by the cyclical economic development in the various markets. Therefore, no clear statement can be made with regard to the effects of seasonality in 2012.

8 Shareholders' equity

8.1 Share capital and other reserves

The share capital consists of 13,334,200 fully paid, unregistered shares with a nominal value of CHF 1.00 each and is translated into the Group’s presentation currency at historical cost.

8.2 Dividends paid

On 6 June 2012, the ordinary General Meeting approved the payment of a dividend of CHF 0.65 per share (prior year: CHF 0.63) as proposed by the Board of Directors. The payment date was 29 June 2012.

8.3 Employee shares

On 31 May 2012, 11,026 shares with a market value of TEUR 308 were transferred under the employee stock plan to members of senior management in recognition of the performance achieved in 2011.

For the first six months of 2012, TEUR 231 was accrued in personnel expenses related to the employee stock plan.

8.4 Option plans

On 15 March 2012, the Company introduced two Management Stock Option Plans (MSOP) for key employees and for the Chairman of the Board of Directors. The purpose of the MSOP is to attract and retain key individuals as well as providing an incentive to achieve sustainable long-term objectives. Each option granted under the MSOP gives the right to acquire one unregistered share provided the vesting conditions are met.

The options granted to key employees are subject to service and performance vesting conditions (sale of the Company) and expire on 31 December 2017. The options granted to the Chairman of the Board of Directors are exercisable from 1 January 2016 to 31 December 2017 – or earlier if a sale of the Company occurs – and are subject to service vesting conditions.

Total expense recorded during the reporting period amounts to TEUR 27.

9 Earnings per share

For the six months ended 30 June

	2012	2011
Profit for the period, in thousand EUR	**7,313**	4,582
Average number of shares outstanding	**13,275,665**	13,288,663
Earnings per share (basic/diluted) in EUR	**0.551**	0.345

10 Events after the balance sheet date

No events that could have an effect on the consolidated financial statements or that would require to be disclosed in this report have occurred between the balance sheet date and 3 September 2012, the date of approval of the condensed interim financial statements by the Board of Directors.

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Review Report of the Independent Auditor to the Board of Directors of

agta record ltd, Fehraltorf

Introduction

We have been engaged to review the accompanying consolidated statement of financial position of agta record ltd as at 30 June 2012 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (condensed consolidated interim financial information) on pages 1 to 7. The Board of Directors is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information as at 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting.*

KPMG AG

Orlando Lanfranchi
Licensed Audit Expert
Auditor in Charge

Patricia Chanton Ryffel
Licensed Audit Expert

Zurich, 3 September 2012

➔ Headquarters

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