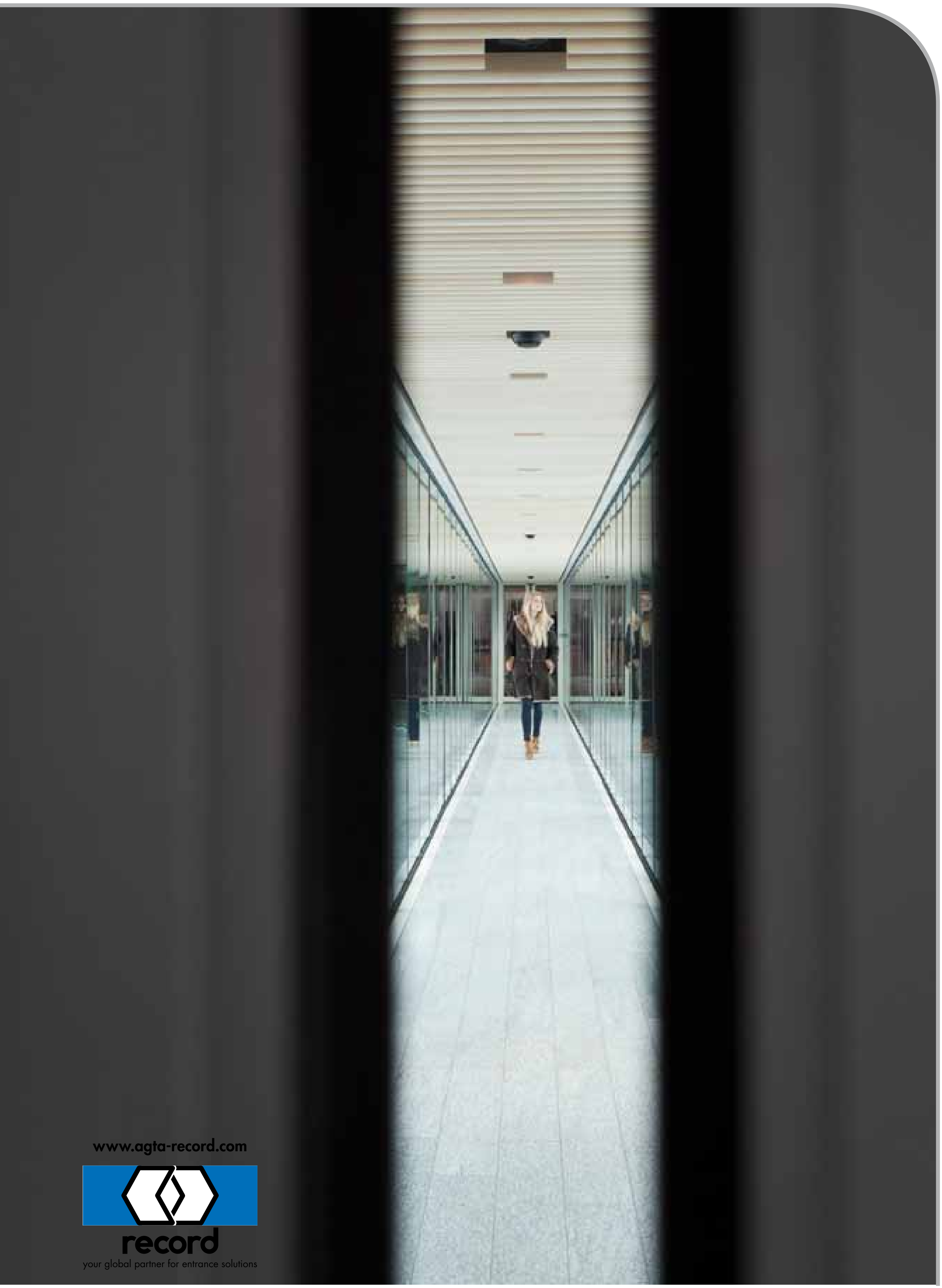
agta record ltd

interim report 2014



interim report 2014

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Half-year management report

Trade activities

The weak growth we expected in the market of automatic doors is late and slow to come.

In Europe, only the United Kingdom seems to have entered into a phase of growth, the German, French and Swiss markets are stagnating and Austria or Italy decline.

In North America, the first half-year was challenging due to poor weather conditions, but our business grew solidly thanks to good progress with key accounts.

The bad surprise came from the lift modernisation business in France with the decision of the relevant Ministry to cancel the second phase of modernisation of old lifts. This market is down by 40%, while PACA and Ascenseurs Méditerranée managed to limit their decline to 20%.

In this unfavourable environment, the Group achieved a good performance with order intake of products at +7% excluding acquisitions (+21% in Europe and +5% in North America including acquisitions and at constant exchange rates).

On the opposite, maintenance is only growing 3%. Our lift maintenance business improved only by 1%, accounting for most of the weakness. To be noted, too, one of our larger customers in Germany was declared bankrupt and some key accounts chose to replace old installations with new doors instead of continuing to have them serviced.

A major satisfaction comes from the acquired companies ISEA and KOS with growth in order intake of +10% and +35%, respectively.

Profit and loss

Total turnover grew by 10.1% and work in progress increased from EUR 0.5m to EUR 1.4m. Turnover growth excluding acquisitions was 3.1%.

Gross margin improved by 0.5 percentage points (72.3% vs. 71.8%) despite a lower proportion of maintenance in consolidated sales (40.8% vs. 43.8%) and despite the integration of ISEA and KOS with lower gross margin than Group average.

Excluding acquisitions, the gross margin of the Group improved significantly (73.5% vs. 71.8%) helped by additional gains derived from our Asian sourcing and by a higher proportion of sliding doors in total sales.

Personnel costs were up 11.0% (excluding acquisitions +6.4%) whereas structure costs increased by 16.1% (excluding acquisitions +5.4%).

Group EBITA increased from EUR 12.3m to EUR 12.7m, impacted by acquisition costs and the decline of the lift business profitability by EUR 1.1m.

Balance Sheet

Net liquidity remains at a high level (EUR 47.7m vs. EUR 57.2m on 31 December 2013) after the payment of the dividend of EUR 9.3m and approximately EUR 15m for the acquisitions of ISEA, KOS and two smaller businesses in Malaysia and Canada.

Gearing is -26.6% versus -31.9% at the end of 2013.

Perspectives for the second half-year

We tend to be optimistic with respect to a number of parameters:

- The rebound of some markets (UK, USA, NL and Switzerland) seems to be on track.
- Order book as of 30 June is high (+18% compared to last year).
- The integration of ISEA and KOS is successfully being implemented and the additional growth originating from the record network can already been seen in the first 5 months since consolidation in the Group.
- BLASI is recording high growth with its new line of revolving doors.
- The new range of flip flows developed for the U.S. market is successful.

agta record can confirm the previously released sales growth forecast of 9-11% for the full year.

EBITDA in percentage of sales could decrease, affected by the integration costs of acquired companies and by their lower profit performances compared to the rest of the Group, by the declining results of the lift modernisation business and finally by the strengthening of our managerial structures, mainly in our marketing and export divisions.

Main balance sheet items

in MEUR	**30/06/2014**	31/12/2013
Cash and fixed-term deposits	**52.5**	61.4
Financial liabilities	**4.8**	4.2
Net liquidity	**47.7**	57.2
Shareholders' funds	**179.5**	179.1
Gearing	**-26.6%**	-31.9%

Simplified profit and loss account

in MEUR	**30/06/2014**	30/06/2013
Turnover	**136.4**	123.8
Work in progress	**1.4**	0.5
Gross profit	**98.7**	88.9
Personnel expenses	**-62.4**	-56.2
Structure costs	**-24.1**	-20.9
EBITA	**12.7**	12.3
Amortisation of intangible assets	**-1.5**	-1.0
EBIT	**11.2**	11.3
Financial result	**-0.3**	0.0
Profit of the period	**8.4**	8.4

Contents

Consolidated statement of financial position

in thousand EUR	**30/06/2014**	31/12/2013
Assets		
Property and plant	**23,399**	22,763
Technical equipment/machinery	**2,621**	1,540
Other equipment	**16,157**	14,647
Intangible assets	**60,698**	52,714
Non-current financial assets	**955**	238
Deferred tax assets	**4,691**	4,533
Total non-current assets	**108,521**	96,435
Inventories	**39,043**	32,849
Trade receivables	**59,760**	59,174
Income tax receivables	**2,681**	66
Other current receivables	**2,821**	2,986
Accrued income	**4,616**	3,588
Current financial assets	**5,012**	12,099
Cash and cash equivalents	**47,474**	49,275
Total current assets	**161,407**	160,037
Total assets	**269,928**	256,472
Equity		
Share capital	**8,751**	8,751
Other reserves	**18,217**	26,317
Treasury shares	**-2,148**	-2,541
Retained earnings	**146,274**	123,452
Profit of the period	**8,420**	23,086
Total equity attributable to shareholders	**179,514**	179,065
Liabilities		
Non-current financial liabilities	**645**	13
Defined benefit plan obligations	**8,588**	8,028
Non-current provisions	**2,199**	2,337
Deferred tax liabilities	**5,111**	4,017
Total non-current liabilities	**16,543**	14,395
Current financial liabilities	**4,181**	4,199
Trade payables	**16,961**	15,394
Income tax liabilities	**3,941**	3,355
Other current liabilities	**17,007**	16,215
Current provisions	**1,676**	1,400
Accrued liabilities	**30,105**	22,449
Total current liabilities	**73,871**	63,012
Total liabilities	**90,414**	77,407
Total equity and liabilities	**269,928**	256,472

Consolidated statement of comprehensive income

For the six months ended 30 June

in thousand EUR		2014	2013
Revenue from sales and services		**137,788**	124,363
Raw materials and consumables used		**-39,127**	-35,511
Gross profit		**98,661**	88,852
Other operating income		**351**	395
Capitalisation of development costs		**130**	228
Personnel expenses		**-62,354**	-56,191
Other operating expenses		**-20,592**	-17,523
Operating profit before depreciation and amortisation (EBITDA)		**16,196**	15,761
Depreciation of property, plant and equipment		**-3,494**	-3,425
Operating profit before amortisation (EBITA)		**12,702**	12,336
Amortisation of intangible assets		**-1,472**	-1,031
Operating profit (EBIT)		**11,230**	11,305
Financial income		**121**	168
Financial expense		**-369**	-174
Profit before tax		**10,982**	11,299
Income tax expense		**-2,562**	-2,913
Profit for the period		**8,420**	8,386
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit liability (asset)		**-162**	207
Income tax on items that will not be reclassified to profit and loss		**54**	-67
		-108	140
Items that may subsequently be reclassified to profit and loss:			
Foreign currency translation effects - foreign operations		**1,435**	-2,691
Foreign currency translation effects - net investment approach		**-321**	1,062
		1,114	-1,629
Other comprehensive income of the period, net of tax		**1,006**	-1,489
Total comprehensive income of the period		**9,426**	6,897
Earnings per share (basic / diluted)	(in EUR)	**0.636**	0.631

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 2013, reported	**8,751**	**17,750**	**10,778**	**-940**	**129,880**	**166,219**
Total comprehensive income for the period						
Profit for the period, as restated					8,386	8,386
Total other comprehensive income, as restated			-1,629		140	-1,489
Total comprehensive income for the period	**0**	**0**	**-1,629**	**0**	**8,526**	**6,897**
Transactions with owners of the company, recognised directly in equity						
Purchase of treasury shares				-175		-175
Sale of treasury shares				105		105
Gain/loss from sale of treasury shares net of transaction costs					10	10
Dividends paid to owners					-7,672	-7,672
Share-based payment transactions				291	-84	207
Total transactions with owners of the company	**0**	**0**	**0**	**221**	**-7,746**	**-7,525**
Balance at 30 June 2013	**8,751**	**17,750**	**9,149**	**-719**	**130,660**	**165,591**
Balance at 1 January 2014	**8,751**	**17,750**	**8,567**	**-2,541**	**146,538**	**179,065**
Total comprehensive income for the period						
Profit for the period					8,420	8,420
Total other comprehensive income			1,114		-108	1,006
Total comprehensive income for the period	**0**	**0**	**1,114**	**0**	**8,312**	**9,426**
Transactions with owners of the company, recognised directly in equity						
Purchase of treasury shares				-163		-163
Sale of treasury shares				135		135
Gain/loss from sale of treasury shares net of transaction costs					24	24
Dividends paid to owners		-9,213				-9,213
Share-based payment transactions				421	-181	240
Total transactions with owners of the company	**0**	**-9,213**	**0**	**393**	**-157**	**-8,977**
Balance at 30 June 2014	**8,751**	**8,537**	**9,681**	**-2,148**	**154,693**	**179,514**

Consolidated statement of cash flows

For the six months ended 30 June

in thousand EUR	**2014**	2013
Cash flows from operating activities		
Profit of the period	**8,420**	8,386
Income taxes	**2,562**	2,913
Interest income	**-121**	-109
Interest expenses	**186**	168
Depreciation and amortisation	**4,966**	4,456
Gain(-)/loss(+) on disposal of property, plant and equipment	**-24**	13
Other non cash items	**2,878**	1,810
Change in inventories	**-1,965**	1,762
Change in trade receivables	**2,951**	-33
Change in other receivables and accrued income	**-693**	-2,006
Change in trade payables	**-479**	1,250
Change in other current liabilities and accrued liabilities	**5,101**	5,346
Income taxes paid	**-4,781**	-3,185
Interest received	**118**	102
Interest paid	**-189**	-172
Net cash from operating activities	**18,930**	20,701
Cash flows from investing activities		
Purchase of property, plant and equipment	**-5,211**	-2,816
Purchase of intangible assets	**-144**	-1,412
Acquisitions less cash and cash equivalents	**-13,424**	0
Capitalised development costs	**-130**	-228
Purchase of financial assets	**-4,816**	-5
Proceeds from sale of property, plant and equipment	**519**	428
Proceeds from sale of financial assets	**12,099**	0
Net cash used in investing activities	**-11,107**	-4,033
Cash flows from financing activities		
Purchase of treasury shares, less transaction costs	**-163**	-175
Sale of treasury shares, less transaction costs	**159**	115
Increase of bank liabilities	**1**	149
Repayment of bank liabilities	**-732**	-5,637
Repayment of finance lease liabilities	**-116**	-155
Dividends paid to owners	**-9,213**	-7,672
Net cash used in financing activities	**-10,064**	-13,375
Net increase(+)/decrease(-) in cash and cash equivalents	**-2,241**	3,293
Cash and cash equivalents at 1 January	**49,275**	50,750
Effect of exchange rate fluctuations on cash held	**440**	-825
Cash and cash equivalents at 30 June	**47,474**	53,218

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 2014 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 2013.

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 10 September 2014.

3 Significant accounting principles

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 2013. With effect from 1 January 2014, the Group applied the following new and revised standards and interpretations:

– Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

– Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

– Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

– IFRIC 21 Levies

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 condensed 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 2013.

5 Business Combinations

On 31 January 2014, the Group paid TEUR 7,000 in cash for all the shares of Isea France (“Isea”), a manufacturer and distributor of roller shutters and sectional doors, located in Noyarey (France).

Isea has 50 employees and conducts its business primarily in the Eastern parts of France. Isea has been a customer of the French businesses of the Group for many years. The transaction is expected to generate synergies for the French sales organisation and by combining parts of the supply chain with the French businesses of the Group.

Since the closing of the transaction, Isea contributed revenue of TEUR 5,461 and net profit of TEUR -2 to the consolidated results. Acquisition-related costs are included in other operating expenses and amounted to TEUR 130.

The following table shows the recognised amounts of assets acquired and liabilities assumed, measured at fair values at acquisition date, and the goodwill and net cash outflow resulting from the transaction.

in thousand EUR	
Property, plant and equipment	1,569
Intangible assets	2,696
Other non-current assets	915
Deferred tax assets	37
Inventory	1,733
Trade receivables (gross)	2,626
./. Allowance for doubtful accounts	-307
Other current assets	749
Cash and cash equivalents	1,712
Total assets	**11,730**
Non-current financial liabilities	1,057
Other non-current liabilities	191
Deferred tax liabilities	1,167
Current financial liabilities	0
Trade payables	1,522
Other current liabilities	773
Total liabilities	**4,710**
Fair value of identifiable net assets acquired	**7,020**
Consideration transferred	**7,000**
Fair value of identifiable net assets acquired	-7,020
Negative goodwill	**-20**
Consideration transferred	**7,000**
Cash and cash equivalents acquired	-1,712
Cash outflow, net	**5,288**

Also on 31 January 2014, the Group paid TEUR 6,203 in cash (after final adjustments) for essentially all the assets and liabilities related to the worldwide hospital door business of Karl-Otto Sossdorf (“KOS”). The business is located in Schermbeck (Germany) and has 60 employees. The addition of hospital doors will broaden the product range (including related maintenance services) offered by most of the Group companies in the hospital channel. The goodwill is primarily attributable to these distribution synergies and the savings achieved from the integration into the supply chain of the Group.

Since the closing of the transaction, KOS contributed revenue of TEUR 2,947 and net profit of TEUR -168 to the consolidated results. Acquisition-related costs are included in other operating expenses and amounted to TEUR 53.

The following table shows the recognised amounts of assets acquired and liabilities assumed, measured at fair values at acquisition date, and the goodwill and net cash outflow resulting from the transaction.

in thousand EUR	
Property, plant and equipment	489
Intangible assets	4,124
Other non-current assets	86
Deferred tax assets	0
Inventory	1,979
Trade receivables (gross)	456
./. Allowance for doubtful accounts	0
Other current assets	74
Cash and cash equivalents	0
Total assets	**7,208**
Non-current financial liabilities	0
Other non-current liabilities	73
Deferred tax liabilities	0
Current financial liabilities	18
Trade payables	240
Other current liabilities	1,347
Total liabilities	**1,678**
Fair value of identifiable net assets acquired	**5,530**

Consideration transferred	**6,203**
Fair value of identifiable net assets acquired	5,530
Goodwill	**673**

Consideration transferred	**6,203**
Cash and cash equivalents acquired	0
Cash outflow, net	**6,203**

The goodwill recognized in the acquisition of KOS is expected to result in tax-deductible amortisation over 15 years.

Other individually immaterial acquisitions

On 9 May 2014, the Group paid Malaysian Ringgit 3.0 million in cash for all the shares of Bizzy Door Automation Sdn. Bhd., an installer and distributor of automated doors, located in Kuala Lumpur, Malaysia. The company was acquired to establish a base in the promising Malaysian market and to further develop the markets in the neighbouring countries.

On 22 May 2014, the Group paid CAD 2.2 million in cash for all the shares of Mac Tech Systems Inc., an installer and distributor of automated doors, located in Burlington, Ontario (Canada). The company was acquired to establish a base in the Toronto area from where the Canadian market is to be developed for the Group.

The purchase price allocations of the two individually immaterial transactions could not be finalised until the date the condensed interim consolidated financial statements are authorised for issue because the closing balance sheets of the acquired businesses were not yet available.

If all transactions that closed during the first six months of 2014 had occurred on 1 January 2014, management estimates that consolidated 2014 half-year revenues from sales and services would have been TEUR 138,999 and consolidated net profit TEUR 8,185.

6 Exchange rates applied to the main currencies

Six months ended 30 June	Average exchange rates 2014	2013	Balance sheet rates 30/6/2014	31/12/2013
1 CHF	**0.82**	0.81	**0.82**	0.81
1 GBP	**1.22**	1.18	**1.25**	1.20
1 USD	**0.73**	0.76	**0.73**	0.73

During the first half of 2014 exchange rate fluctuations affecting the Group produced a net foreign exchange result of TEUR -180 (prior year: TEUR 59) included in financial expense.

7 Segment Information

Six months ended 30 June	**Europe and rest of world**		**North America**		**Reconciliation**		**Total**	
in thousand EUR	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Revenue from sales and services third parties	**120,461**	109,970	**15,906**	13,841	**1,421**	552	**137,788**	124,363
Sales to other segments	**3,229**	2,706	**0**	21	**-3,229**	-2,727	**0**	0
Revenue from sales and services	**123,690**	112,676	**15,906**	13,862	**-1,808**	-2,175	**137,788**	124,363
Segment result (EBIT)	**10,139**	10,152	**1,091**	1,153	**0**	0	**11,230**	11,305
Financial income							**121**	168
Financial expenses							**-369**	-174
Income tax							**-2,562**	-2,913
Profit for the period							**8,420**	8,386

8 Fair Value

The Group did not have any financial instruments other than those measured at cost as of 30 June 2014. The fair values of the financial instruments equal the carrying amounts.

9 Seasonality of revenues

Historically, revenues in the first half of the year have 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 geographic markets. Therefore, and similar to previous years, no meaningful statement can be made with regard to the effects of seasonality in 2014.

10 Shareholders' equity

10.1 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.

10.2 Dividends paid

On 12 June 2014, the ordinary General Meeting approved the payment of a dividend of CHF 0.85 per share (prior year: CHF 0.71) as proposed by the Board of Directors. The payment date was 20 June 2014.

10.3 Employee shares

On 31 May 2014, 15,185 shares with a market value of TEUR 542 were transferred under the employee stock plan to members of senior management in recognition of the performance achieved in 2013.

For the first six months of 2014, TEUR 175 was accrued in personnel expenses related to the employee share plan.

11 Earnings per share

Six months ended 30 June	**2014**	2013
Profit for the period, in thousand EUR	**8,420**	8,386
Average number of shares outstanding	**13,231,992**	13,284,456
Earnings per share (basic/diluted) in EUR	**0.636**	0.631

12 Events after the balance sheet date

On 21 August 2014, the Group paid AUD 1.0 million in cash for selected assets and liabilities related to the automated pedestrian door business of AGP Pty Ltd. The business is installing and distributing automated pedestrian doors in Australia and is based in Sydney. The business was acquired to establish a base in the Australian market and strengthen the distribution of revolving and sliding doors across the country.

No other 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 10 September 2014, the date of approval of the condensed consolidated interim financial statements by the Board of Directors.

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Review Report 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 2014 and the related consolidated statements of comprehensive income, consolidated statement of changes in equity and cash flows for the 6-month period then ended, and selected explanatory notes (notes to the condensed consolidated interim financial statements) on pages 1 to 9. 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 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG AG

Orlando Lanfranchi
Licensed Audit Expert

Simon Widmer
Licensed Audit Expert

Zurich, 4 September 2014

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