agta record ltd

interim report 2016

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record
your global partner for entrance solutions

Trade activity

As expected, markets were globally stagnating with a few exceptions: in France, pedestrian doors and industrial doors fell but modernisation of lifts was up. Austria continues to decline whereas the UK was slightly improving.

In the US, the market for sliding doors continued to decrease while swing doors were up. In Asia, Australia was up a little whereas investments in Malaysia have been down since the introduction of VAT. China was stable.

Order intake (product and maintenance) grew by 7.3%, but by 8.8% at constant exchange rates. Taking into account two exceptional orders in the US and the Netherlands worth 4.5 MEUR, pro forma order intake grew by 11.9% at constant rates.

This performance was achieved despite a decline of order intake in France (ISEA and record) of 1.4%.

Particularly satisfying were record Germany (+9%), KOS (+16%), PACA (+25%) and record UK (+28% and +59% including the recently acquired UK company High Performance Door Solutions). Overall maintenance grew by 17%.

Profit and loss

Consolidated sales were up 11.8% (+13.4% at constant rates) whereas EBITA remained stable despite an additional 2.0 MEUR of cost related to the reorganisation and the ramp-up of manufacturing in France and a provision of 0.6 MEUR to cover restructuring costs in the UK related to the closing of the production facility of High Performance Door Solutions which will take place in the second half of this year.

Nevertheless, net profit is up 21% due to much lower net foreign exchange losses (0.8 MEUR vs. 2.4 MEUR).

Balance sheet

After the payments for the acquisition of High Performance Door Solutions (5.1 MEUR cash outflow), of 9.8 MEUR for investments (including the purchase of the buildings of ISEA) and of 11.3 MEUR as dividend, net cash is high at 45.5 MEUR, equivalent to a gearing of -21.7%.

Perspectives for the second half-year

The integration process of the new Australian and Malaysian subsidiaries has been concluded. The restructuring in France (mainly the centralisation of production and the implementation of a new logistics concept) is impacting not only sales but also the gross margin and personnel cost which is expected to last until the end of the year.

Despite these difficulties, sales growth is confirmed at 8-9% - EBITA should grow at a lower rate - whereas net profits could increase in the same magnitude as sales.

Selected balance sheet accounts

in MEUR	**30/06/2016**	31/12/2015
Cash and fixed-term deposits	**46.3**	53.1
Financial liabilities	**0.8**	0.6
Net liquidity	**45.5**	52.5
Shareholders' funds	**210.2**	220.1
Gearing	**-21.7%**	-23.9%

Simplified profit and loss account

in MEUR	**30/06/2016**	30/06/2015
Turnover	**166.4**	148.9
Work in progress	**0.1**	2.3
Gross result	**119.7**	108.5
Personnel expenses	**-78.1**	-69.1
Structure costs	**-28.4**	-26.2
EBITA	**13.9**	13.9
Amortisation of intangible assets	**-2.4**	-1.9
EBIT	**11.6**	12.0
Financial result	**-0.8**	-2.1
Profit of the period	**8.4**	7.0

Contents

Consolidated statement of financial position

in thousand EUR	**30/06/2016**	31/12/2015
Assets		
Property, plant and equipment	**55,261**	49,807
Goodwill and intangible assets	**89,813**	84,389
Non-current financial assets	**250**	319
Deferred tax assets	**7,399**	5,992
Total non-current assets	**152,723**	140,507
Inventories	**48,609**	45,003
Trade receivables	**71,671**	69,922
Income tax receivables	**3,994**	1,580
Other current receivables	**2,267**	2,201
Accrued income	**6,653**	5,180
Current financial assets	**72**	59
Cash and cash equivalents	**46,208**	53,071
Total current assets	**179,474**	177,016
Total assets	**332,197**	317,523
Equity		
Share capital	**8,751**	8,751
Other reserves	**20,782**	20,467
Treasury shares	**-1,287**	-1,776
Retained earnings	**173,511**	167,347
Profit of the period	**8,447**	25,334
Total equity attributable to shareholders	**210,204**	220,123
Liabilities		
Non-current financial liabilities	**228**	350
Defined benefit plan obligations	**22,758**	15,672
Non-current provisions	**3,697**	2,565
Deferred tax liabilities	**9,438**	8,270
Total non-current liabilities	**36,121**	26,857
Current financial liabilities	**525**	207
Trade payables	**22,985**	20,112
Income tax liabilities	**2,521**	1,677
Other current liabilities	**23,823**	18,989
Current provisions	**999**	2,645
Accrued liabilities	**35,019**	26,913
Total current liabilities	**85,872**	70,543
Total liabilities	**121,993**	97,400
Total equity and liabilities	**332,197**	317,523

Consolidated statement of comprehensive income

For the six months ended 30 June

in thousand EUR		**2016**	2015
Revenue from sales and services		**166,564**	151,223
Raw materials and consumables used		**-46,827**	-42,715
Gross result		**119,737**	108,508
Other operating income		**534**	375
Capitalisation of development costs		**198**	301
Personnel expenses		**-78,119**	-69,120
Other operating expenses		**-24,317**	-22,400
Operating profit before depreciation and amortisation		**18,033**	17,664
Depreciation of property, plant and equipment		**-4,103**	-3,770
Operating profit before amortisation		**13,930**	13,894
Amortisation of intangible assets		**-2,359**	-1,878
Operating profit		**11,571**	12,016
Financial income		**64**	345
Financial expense		**-876**	-2,456
Profit before tax		**10,759**	9,905
Income tax expense		**-2,312**	-2,900
Profit for the period		**8,447**	7,005
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit liability (asset)		**-6,573**	252
Income tax on items that will not be reclassified to profit and loss		**1,396**	-85
		-5,177	167
Items that may subsequently be reclassified to profit and loss:			
Foreign currency translation effects - foreign operations		**-862**	24,208
Foreign currency translation effects - net investment approach		**-1,559**	-12,127
		-2,421	12,081
Other comprehensive income of the period, net of tax		**-7,598**	12,248
Total comprehensive income of the period		**849**	19,253
Earnings per share (basic / diluted)	(in EUR)	**0.637**	0.529

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 2015	**8,751**	**8,485**	**13,890**	**-2,185**	**167,479**	**196,420**
Total comprehensive income for the period						
Profit for the period					7,005	7,005
Total other comprehensive income			12,081		167	12,248
Total comprehensive income for the period	**0**	**0**	**12,081**	**0**	**7,172**	**19,253**
Transactions with owners of the company, recognised directly in equity						
Purchase of treasury shares				-90		-90
Sale of treasury shares				78		78
Gain/loss from sale of treasury shares net of transaction costs					21	21
Dividends paid to owners		-11,289				-11,289
Share-based payment transactions				500	-235	265
Total transactions with owners of the company	**0**	**-11,289**	**0**	**488**	**-214**	**-11,015**
Balance at 30 June 2015	**8,751**	**-2,804**	**25,971**	**-1,697**	**174,437**	**204,658**
Balance at 1 January 2016	**8,751**	**-2,686**	**23,153**	**-1,776**	**192,681**	**220,123**
Total comprehensive income for the period						
Profit for the period					8,447	8,447
Total other comprehensive income			-2,421		-5,177	-7,598
Total comprehensive income for the period	**0**	**0**	**-2,421**	**0**	**3,270**	**849**
Transactions with owners of the company, recognised directly in equity						
Purchase of treasury shares				-208		-208
Sale of treasury shares				234		234
Gain/loss from sale of treasury shares net of transaction costs					109	109
Dividends paid to owners		-2,784			-8,475	-11,259
Share-based payment transactions				463	-107	356
Transfer*)		5,520			-5,520	0
Total transactions with owners of the company	**0**	**2,736**		**489**	**-13,993**	**-10,768**
Balance at 30 June 2016	**8,751**	**50**	**20,732**	**-1,287**	**181,958**	**210,204**

*) Dividends have been paid out of the capital contribution reserves (part of other reserves) of agta record ltd in CHF. Due to differences in exchange rates between initial recognition and subsequent dividend payments that were recognized at the prevailing exchange rate at the dates of transaction, the reserves became negative and a corresponding reclassification from retained earnings to other reserves was recognized in order to set-off the difference.

Consolidated statement of cash flows

For the six months ended 30 June

in thousand EUR	2016	2015
Cash flows from operating activities		
Profit of the period	**8,447**	7,005
Income taxes	**2,312**	2,900
Depreciation and amortisation	**6,462**	5,648
Gain(-)/loss(+) on disposal of property, plant and equipment	**-162**	-54
Net financial result	**812**	2,111
Share-based payments	**356**	265
Other non cash items	**819**	-2,600
Change in inventories	**-3,005**	-4,317
Change in trade receivables	**-140**	-260
Change in other receivables and accrued income	**-1,430**	-3,251
Change in trade payables	**2,090**	3,346
Change in other current liabilities and accrued liabilities	**6,920**	6,787
Income taxes paid	**-4,324**	-6,619
Interest received	**155**	346
Interest paid	**-57**	-79
Net cash from operating activities	**19,255**	11,228
Cash flows from investing activities		
Purchase of property, plant and equipment	**-9,761**	-6,913
Purchase of intangible assets	**-509**	-826
Acquisitions net of cash acquired	**-5,125**	0
Capitalised development costs	**-198**	-301
Purchase of financial assets	**-15**	-3,030
Proceeds from sale of property, plant, equipment and intangibles	**586**	415
Proceeds from sale of financial assets	**70**	4,240
Net cash used in investing activities	**-14,952**	-6,415
Cash flows from financing activities		
Purchase of treasury shares, less transaction costs	**-208**	-90
Sale of treasury shares, less transaction costs	**343**	99
Increase of bank liabilities	**308**	2
Repayment of bank liabilities	**-96**	-2,121
Repayment of finance lease liabilities	**-20**	-27
Dividends paid to owners	**-11,259**	-11,289
Net cash used in financing activities	**-10,932**	-13,426
Net increase(+)/decrease(-) in cash and cash equivalents	**-6,629**	-8,613
Cash and cash equivalents at 1 January	**53,071**	57,919
Effect of exchange rate fluctuations on cash held	**-234**	6,623
Cash and cash equivalents at 30 June	**46,208**	55,929

Notes to the condensed consolidated interim financial statements

1 Reporting entity

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 2016 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 a complete set of IFRS 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 2015.

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 8 September 2016.

3 Basis of accounting

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 2015. With effect from 1 January 2016, the Group applied various new and revised standards and interpretations, which have no material impact on profit and equity of the Group. The Group did not apply early in these financial statements any new and revised standards and interpretations, which have been issued but are not yet effective.

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 2015.

5 Business Combinations

On 8 April 2016, record (UK) Ltd. acquired all the shares of High Performance Door Solutions Ltd. (“HPDS”), a Birmingham (UK) based manufacturer and distributor of automatic pedestrian doors with a substantial portfolio of service contracts, for GBP 4.0 million in cash and GBP 3.0 million in contingent consideration. HPDS has approximately 140 employees and was acquired to increase the market coverage in the service business in the U.K. and to achieve synergies from the integration of HPDS into the supply chain of the Group.

Since the closing of the transaction, HPDS contributed revenue of TEUR 3,449 and net profit of TEUR -426 to the consolidated results. Acquisition-related costs are included in other operating expenses and amounted to TEUR 42. The goodwill is primarily attributable to savings from the integration into the Group.

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	74
Intangible assets	8,710
Other non-current assets	83
Deferred tax assets	0
Inventory	1,198
Trade receivables [1]	2,662
Other current assets	506
Cash and cash equivalents	1
Total assets	**13,234**
Non-current financial liabilities	0
Other non-current liabilities	0
Deferred tax liabilities	1,674
Current financial liabilities	0
Trade payables	1,185
Other current liabilities	1,462
Total liabilities	**4,321**
Fair value of identifiable net assets acquired	**8,913**

Consideration transferred	**8,971**
Fair value of identifiable net assets acquired	-8,913
Goodwill	**58**

Consideration transferred	**8,971**
Cash and cash equivalents acquired	-1
Contingent consideration	-3,845
Cash outflow, net	**5,125**

[1] 38 is the amount estimated to be not collectible out of the gross contractual amount of 2,700.

The contingent consideration depends on the achievement of 2016 targets related to turnover (30% weight) and EBITDA (70% weight) and can range between 0 and GBP 3 million, to be paid in the first quarter of 2017. The maximum amount of GBP 3 million has been recognised at closing based on the annualised 2016 performance up to the closing date. As of 30 June, the contingent consideration had not changed.

The goodwill recognised in the acquisition of HPDS is not expected to result in tax-deductible amortisation.

If the acquisition of HPDS had occurred on 1 January 2016, management estimates that consolidated 2016 interim revenues from sales and services would have been TEUR 169,883 and consolidated interim net profit TEUR 8,130.

6 Exchange rates applied to the main currencies

	Average exchange rates		Balance sheet rates	
Six months ended 30 June	**2016**	2015	**30/6/2016**	31/12/2015
1 CHF	**0.91**	0.95	**0.92**	0.96
1 GBP	**1.28**	1.37	**1.21**	1.41
1 USD	**0.90**	0.90	**0.90**	0.89

During the first half of 2016 exchange rate fluctuations affecting the Group resulted in a net foreign exchange gain/loss of TEUR -818 (prior year: TEUR -2,382) included in financial expenses.

7 Operating segments

Six months ended 30 June	Europe and rest of world		North America		Reconciliation		Total	
in thousand EUR	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Revenue from sales and services third parties	**145,988**	130,881	**20,446**	18,048	**130**	2,294	**166,564**	151,223
Sales to other segments	**6,157**	4,293	**58**	0	**-6,215**	-4,293	**0**	0
Revenue from sales and services	**152,145**	135,174	**20,504**	18,048	**-6,085**	-1,999	**166,564**	151,223
Segment result	**11,029**	10,350	**542**	1,666	**0**	0	**11,571**	12,016
Financial income							**64**	345
Financial expenses							**-876**	-2,456
Income tax							**-2,312**	-2,900
Profit for the period							**8,447**	7,005

8 Fair Value

The Group did not have any financial instruments other than those measured at cost as of 30 June 2016. The carrying amounts of the financial instruments are a reasonable approximation of fair value.

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 2016.

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 2 June 2016, the ordinary General Meeting approved the payment of a dividend of CHF 0.93 per share (prior year: CHF 0.90) as proposed by the Board of Directors. The payment date was 16 June 2016.

10.3 Employee shares

On 8 June 2016, 14,386 shares with a market value of TEUR 751 were transferred under the management share plan to members of senior management and the Board of Directors in recognition of the performance achieved in 2015.

For the first six months of 2016, TEUR 356 was accrued in personnel expenses related to the management share plan.

11 Earnings per share

Six months ended 30 June	**2016**	2015
Profit for the period, in thousand EUR	**8,447**	7,005
Average number of shares outstanding	**13,262,374**	13,246,816
Earnings per share (basic/diluted) in EUR	**0.637**	0.529

12 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 8 September 2016, the date of approval of the condensed consolidated interim financial statements by the Board of Directors.

KPMG AG
Audit
Badenerstrasse 172
CH-8004 Zurich
P.O. Box
CH-8036 Zurich
Telephone +41 58 249 31 31
Fax +41 58 249 44 06
www.kpmg.ch

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 2016 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 information) on pages 1 to 8. 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 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG AG

Regula Wallimann
Licensed Audit Expert

Karin Thiemeyer
Licensed Audit Expert

Zurich, 8 September 2016

➔ Headquarters

agta record ltd – Allmendstrasse 24 – 8320 Fehraltorf – Switzerland

tel.: +41 44 954 91 91 – e-mail: shareholders@agta-record.com – web: http://shareholders.agta-record.com