agta record ltd

interim report 2017

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record

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Trade activity

Markets in Europe, the USA and Asia were slightly improving with only few exceptions like Malaysia.

France, Switzerland and the United Kingdom were stable.

Order intake grew by 7.1% (7.6% at constant exchange rates), with strong 8.7% growth in products while maintenance reported subdued growth of 4.6%.

Some subsidiaries fared particularly well, among them KOS, PACA, record USA, record UK and record Australia.

As expected export activities were very strong with an increase of 42.5%, driven by an enlarged distribution network (e.g. in Turkey) and high demand of price-competitive kits.

Profit and loss

Sales grew by 5.3% while the gross margin increased by 1.5 percentage points helped by savings on sourced components and increased production volumes at agtatec.

Growth of personnel costs of 7.1% was higher than sales growth despite steady improvements in France where the efficiency did not yet reach the level before the reorganisation. The higher personnel cost is also partly due to delays in the integration of record UK and HPDS.

Structure costs were under control with an increase of 4.6%.

EBITDA was up by 12.0% and EBIT by 15.1% driven by rising profits at agtatec and record France. Forex gains and losses in the financial result were balanced (unlike 2016 when a loss of EUR 0.8 million was booked).

Net result increased by 20.4% despite a higher average tax rate.

Balance sheet

After the payment of the earn-out amount related to the acquisition of HPDS in the U.K. (EUR 3.5 million), of capital expenditures of EUR 6.2 million and of the dividend of EUR 12.3 million, net liquidity remains high at EUR 46.1 million (gearing of -20.6%).

Perspectives for the second half-year

Restructuring costs should remain minimal during the second half of 2017 in France and the UK while the focus of the integration of record UK and HPDS will switch to the achievement of synergies and efficiency gains.

The gross margin is anticipated to remain at a high level helped by the strengthening performance of the maintenance activities.

The group confirms its expectation of sales growth of 4-5% for the full year.

Selected balance sheet accounts

in million EUR	**30/06/2017**	31/12/2016
Cash and fixed-term deposits	**46.3**	50.5
Financial liabilities	**0.2**	0.4
Net liquidity	**46.1**	50.1
Shareholders' funds	**223.9**	229.8
Gearing	**-20.6%**	-21.8%

Simplified profit and loss account

in million EUR	**30/06/2017**	30/06/2016
Turnover	**175.2**	166.4
Work in progress	**0.2**	0.1
Gross result	**128.6**	119.7
Personnel expenses	**-83.7**	-78.1
Structure costs	**-25.4**	-24.3
EBITDA	**20.2**	18.0
Depreciation and amortisation	**-6.9**	-6.5
EBIT	**13.3**	11.6
Financial result	**0.0**	-0.8
Profit of the period	**10.2**	8.4

Contents

Consolidated statement of financial position

in thousand EUR	**30/06/2017**	31/12/2016
Assets		
Property, plant and equipment	**56,140**	55,358
Goodwill and intangible assets	**78,914**	82,707
Non-current financial assets	**255**	255
Deferred tax assets	**7,056**	6,730
Total non-current assets	**142,365**	145,050
Inventories	**51,100**	50,224
Trade receivables	**73,854**	78,044
Income tax receivables	**6,191**	3,936
Other current receivables	**2,528**	1,882
Accrued income	**8,308**	6,148
Current financial assets	**68**	60
Cash and cash equivalents	**46,267**	50,468
Total current assets	**188,316**	190,762
Total assets	**330,681**	335,812
Equity		
Share capital	**8,751**	8,751
Other reserves	**18,034**	22,480
Treasury shares	**-920**	-1,312
Retained earnings	**187,814**	178,081
Profit of the period	**10,173**	21,775
Total equity attributable to shareholders	**223,852**	229,775
Liabilities		
Non-current financial liabilities	**29**	108
Defined benefit plan obligations	**17,986**	17,961
Non-current provisions	**2,035**	2,658
Deferred tax liabilities	**8,547**	9,064
Total non-current liabilities	**28,597**	29,791
Current financial liabilities	**183**	323
Trade payables	**22,756**	22,650
Income tax liabilities	**604**	1,157
Other current liabilities	**17,910**	20,801
Current provisions	**1,023**	1,568
Accrued liabilities	**35,756**	29,747
Total current liabilities	**78,232**	76,246
Total liabilities	**106,829**	106,037
Total equity and liabilities	**330,681**	335,812

Consolidated statement of comprehensive income

For the six months ended 30 June

in thousand EUR		**2017**	2016
Revenue from sales and services		**175,451**	166,564
Raw materials and consumables used		**-46,862**	-46,827
Gross result		**128,589**	119,737
Other operating income		**686**	534
Capitalisation of development costs		**55**	198
Personnel expenses		**-83,693**	-78,119
Other operating expenses		**-25,438**	-24,317
Operating profit before depreciation, impairment and amortisation		**20,199**	18,033
Depreciation of property, plant and equipment		**-4,247**	-4,103
Operating profit before impairment and amortisation		**15,952**	13,930
Impairment of intangible assets		**-221**	
Amortisation of intangible assets		**-2,420**	-2,359
Operating profit		**13,311**	11,571
Financial income		**69**	64
Financial expense		**-73**	-876
Profit before tax		**13,307**	10,759
Income tax expense		**-3,134**	-2,312
Profit for the period		**10,173**	8,447
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit liability		**224**	-6,573
Income tax on items that will not be reclassified to profit and loss		**-75**	1,396
		149	-5,177
Items that may subsequently be reclassified to profit and loss:			
Foreign currency translation effects - foreign operations		**-4,342**	-862
Foreign currency translation effects - net investment approach		**-104**	-1,559
		-4,446	-2,421
Other comprehensive income of the period, net of tax		**-4,297**	-7,598
Total comprehensive income of the period		**5,876**	849
Earnings per share (basic / diluted)	(in EUR)	**0.766**	0.637

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 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**
Balance at 1 January 2017	**8,751**	**50**	**22,430**	**-1,312**	**199,856**	**229,775**
Total comprehensive income for the period						
Profit for the period					10,173	10,173
Total other comprehensive income			-4,446		149	-4,297
Total comprehensive income for the period	**0**	**0**	**-4,446**	**0**	**10,322**	**5,876**
Transactions with owners of the company, recognised directly in equity						
Purchase of treasury shares				-227		-227
Sale of treasury shares				191		191
Gain/loss from sale of treasury shares net of transaction costs					16	16
Dividends paid to owners					-12,339	-12,339
Share-based payment transactions				428	132	560
Total transactions with owners of the company	**0**	**0**	**0**	**392**	**-12,191**	**-11,799**
Balance at 30 June 2017	**8,751**	**50**	**17,984**	**-920**	**197,987**	**223,852**

*) 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	**2017**	2016
Cash flows from operating activities		
Profit of the period	**10,173**	8,447
Income taxes	**3,134**	2,312
Depreciation, amortisation and impairment	**6,888**	6,462
Gain(-)/loss(+) on disposal of property, plant and equipment	**66**	-162
Net financial result	**4**	812
Share-based payments	**560**	356
Other non cash items	**353**	819
Change in inventories	**-2,013**	-3,005
Change in trade receivables	**3,126**	-140
Change in other receivables and accrued income	**-3,039**	-1,430
Change in trade payables	**391**	2,090
Change in other current liabilities and accrued liabilities	**2,435**	6,920
Income taxes paid	**-6,800**	-4,324
Interest received	**69**	155
Interest paid	**-33**	-57
Net cash from operating activities	**15,314**	19,255
Cash flows from investing activities		
Purchase of property, plant and equipment	**-6,248**	-9,761
Purchase of intangible assets	**-393**	-509
Acquisitions net of cash acquired	**0**	-5,125
Capitalised development costs	**-55**	-198
Purchase of financial assets	**-28**	-15
Proceeds from sale of property, plant, equipment and intangibles	**532**	586
Proceeds from sale of financial assets	**14**	70
Net cash used in investing activities	**-6,178**	-14,952
Cash flows from financing activities		
Purchase of treasury shares, less transaction costs	**-227**	-208
Sale of treasury shares, less transaction costs	**207**	343
Increase of bank liabilities	**0**	308
Repayment of bank liabilities	**-207**	-96
Repayment of finance lease liabilities	**-11**	-20
Dividends paid to owners	**-12,339**	-11,259
Net cash used in financing activities	**-12,577**	-10,932
Net increase(+)/decrease(-) in cash and cash equivalents	**-3,441**	-6,629
Cash and cash equivalents at 1 January	**50,468**	53,071
Effect of exchange rate fluctuations on cash held	**-760**	-234
Cash and cash equivalents at 30 June	**46,267**	46,208

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 2017 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 2016.

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 6 September 2017.

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 2016. With effect from 1 January 2017, 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 2016.

5 Exchange rates applied to the main currencies

	Average exchange rates		Balance sheet rates	
Six months ended 30 June	**2017**	2016	**30/6/2017**	31/12/2016
1 CHF	**0.93**	0.91	**0.92**	0.93
1 GBP	**1.16**	1.28	**1.14**	1.17
1 USD	**0.92**	0.90	**0.88**	0.95

During the first half of 2017 the subdued volatility of exchange rates and the increased natural hedging of the Group resulted in a net foreign exchange loss of TEUR 40 (prior year: TEUR 818) included in financial expenses.

6 Operating segments

Six months ended 30 June	Europe and rest of world		North America		Reconciliation			Total
in thousand EUR	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Revenue from sales and services third parties	**155,540**	145,988	**19,622**	20,446	**289**	130	**175,451**	166,564
Sales to other segments	**6,097**	6,157	**128**	58	**-6,225**	-6,215	**0**	0
Revenue from sales and services	**161,637**	152,145	**19,750**	20,504	**-5,936**	-6,085	**175,451**	166,564
Segment result	**13,025**	11,029	**286**	542	**0**	0	**13,311**	11,571
Financial income							**69**	64
Financial expenses							**-73**	-876
Income tax							**-3,134**	-2,312
Profit for the period							**10,173**	8,447

7 Fair Value

The Group did not have any financial instruments other than those measured at cost as of 30 June 2017. The carrying amounts of the financial instruments are a reasonable approximation of fair value.

8 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 2017.

9 Shareholders' equity

9.1 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.

9.2 Dividends paid

On 7 June 2017, the ordinary General Meeting approved the payment of a dividend of CHF 1.00 per share (prior year: CHF 0.93) as proposed by the Board of Directors. The payment date was 21 June 2017.

9.3 Employee shares

On 12 June 2017, 13,023 shares with a market value of TEUR 801 were transferred under the management share plan to members of senior management and the Board of Directors in recognition of the performance achieved in 2016.

For the first six months of 2017, TEUR 414 was accrued in personnel expenses related to the management share plan.

10 Earnings per share

Six months ended 30 June	**2017**	2016
Profit for the period, in thousand EUR	**10,173**	8,447
Average number of shares outstanding	**13,277,594**	13,262,374
Earnings per share (basic/diluted) in EUR	**0.766**	0.637

11 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 6 September 2017, the date of approval of the condensed consolidated interim financial statements by the Board of Directors.

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To the Board of Directors of
agta record ltd, Fehraltorf

Zurich, 5 September 2017

Report on the review of interim condensed consolidated financial statements

Introduction

We have reviewed the interim condensed consolidated financial statements (consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and notes) (pages 1 to 7) of agta record ltd for the period from 1 January 2017 to 30 June 2017. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”.

Ernst & Young Ltd

Rico Fehr Licensed audit expert (Auditor in charge)	Marco Casal Licensed audit expert

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