agta record ltd

interim report 2015

interim report 2015

record
your global partner for entrance solutions

Half-year report

Trade activity

As expected, the US market trended positively, and most European markets - with the notable exception of Austria - were growing slightly, including France. Even the lift modernisation segment showed signs of a slight recovery. On the opposite, whereas a stagnating market in China had been expected, it was in fact declining.

However, order intake of products grew by 14% (by approximately 5% excluding acquisitions and at constant exchange rates). Maintenance grew by 9%.

In total and at constant exchange rates, order intake was 7% higher. Unsatisfactory performance was recorded in Austria, Poland and China. Some of the strongest order intake was registered in the U.S., in the U.K. and in the Netherlands.

PACA was up 9%, ISEA 18% and KOS 14%. Switzerland posted a satisfying growth rate of 7% (in EUR) despite a decline in product order intake (-3%). Maintenance growth of 23% largely compensated the loss of competitiveness in the product business where some EU based competitors are aggressively using the weak Euro to gain market share.

Profit and loss

Sales, including work in progress, grew by 9.8% while the consolidated gross margin went up by 10.0%. The strong movements of the major exchange rates versus the Euro make the analysis of the different components of the P&L difficult as the major currencies strengthened significantly within only a few months (CHF +16%, GBP +12%, USD +23%). Taking into account the cost base in Switzerland, the impact of these variations on consolidated EBITA is an estimated loss of almost MEUR 1.0.

Nevertheless, EBITA increased by 9.4% and at a similar rate as turnover which kept the margin in percent of turnover constant compared to the first half of 2014 (9.3%).

The most significant forex impact is to be found in the financial result with a net exchange rate loss of MEUR 2.4 versus a small loss of MEUR 0.2 in 2014. The major part of this loss derives from the translation of the balances of Euro liquidity and receivables held at the Swiss headquarters which is a non-cash effect. If the Euro became stronger in the second half of 2015, the impact on the net profit would be positive.

However, net profit of the first half-year is down by 16.8%, also due to a higher tax rate.

Balance Sheet

The overall financial structure of the balance sheet remains strong with a net liquidity of MEUR 58.6 after payment of the MEUR 11.3 dividend in June. Net liquidity was MEUR 59.8 at the end of 2014. The gearing is at -28.6% versus -30.4% at the end of 2014.

Perspectives for the second half-year

Since 1 July, the Group closed three acquisitions (Paxter in Malaysia, Global Automatics in the U.K. and Imtech Toegangstechniek in the Netherlands) which are anticipated to add approximately MEUR 8.0 to 2015 Group sales, with limited integration costs.

The order book stays at elevated levels (approximately 20% higher than 2014), and we expect a continuous improvement of the market conditions. Sales expectations are revised to 10-12% growth versus prior year. The new range of flip flows developed for the U.S. market is particularly successful. EBITA could grow at the same magnitude as sales, especially if the Euro regains ground against the Swiss Franc.

Selected balance sheet accounts

in MEUR	**30/06/2015**	31/12/2014
Cash and fixed-term deposits	**59.2**	62.4
Financial liabilities	**0.6**	2.6
Net liquidity	**58.6**	59.8
Shareholders' funds	**204.7**	196.4
Gearing	**-28.6%**	-30.4%

Simplified profit and loss account

in MEUR	**30/06/2015**	30/06/2014
Turnover	**148.9**	136.4
Work in progress	**2.3**	1.4
Gross profit	**108.5**	98.7
Personnel expenses	**-69.1**	-62.4
Structure costs	**-26.2**	-24.1
EBITA	**13.9**	12.7
Amortisation of intangible assets	**-1.9**	-1.5
EBIT	**12.0**	11.2
Financial result	**-2.1**	-0.3
Profit of the period	**7.0**	8.4

Contents

Consolidated statement of financial position

in thousand EUR	**30/06/2015**	31/12/2014
Assets		
Property and plant	**27,595**	23,150
Technical equipment/machinery	**3,157**	2,596
Other equipment	**16,728**	15,899
Goodwill and intangible assets	**65,119**	62,557
Non-current financial assets	**301**	303
Deferred tax assets	**6,476**	5,875
Total non-current assets	**119,376**	110,380
Inventories	**44,750**	37,764
Trade receivables	**60,597**	58,320
Income tax receivables	**2,420**	2,707
Other current receivables	**2,840**	1,941
Accrued income	**7,802**	4,999
Current financial assets	**3,230**	4,438
Cash and cash equivalents	**55,929**	57,919
Total current assets	**177,568**	168,088
Total assets	**296,944**	278,468
Equity		
Share capital	**8,751**	8,751
Other reserves	**23,167**	22,375
Treasury shares	**-1,697**	-2,185
Retained earnings	**167,432**	142,443
Profit of the period	**7,005**	25,036
Total equity attributable to shareholders	**204,658**	196,420
Liabilities		
Non-current financial liabilities	**419**	514
Defined benefit plan obligations	**16,393**	14,397
Non-current provisions	**2,761**	2,815
Deferred tax liabilities	**5,152**	4,676
Total non-current liabilities	**24,725**	22,402
Current financial liabilities	**224**	2,068
Trade payables	**18,394**	14,443
Income tax liabilities	**770**	3,942
Other current liabilities	**16,106**	14,782
Current provisions	**1,170**	1,083
Accrued liabilities	**30,897**	23,328
Total current liabilities	**67,561**	59,646
Total liabilities	**92,286**	82,048
Total equity and liabilities	**269,944**	278,468

Consolidated statement of comprehensive income

For the six months ended 30 June

in thousand EUR		**2015**	2014
Revenue from sales and services		**151,223**	137,788
Raw materials and consumables used		**-42,715**	-39,127
Gross profit		**108,508**	98,661
Other operating income		**375**	351
Capitalisation of development costs		**301**	130
Personnel expenses		**-69,120**	-62,354
Other operating expenses		**-22,400**	-20,592
Operating profit before depreciation and amortisation (EBITDA)		**17,664**	16,196
Depreciation of property, plant and equipment		**-3,770**	-3,494
Operating profit before amortisation (EBITA)		**13,894**	12,702
Amortisation of intangible assets		**-1,878**	-1,472
Operating profit (EBIT)		**12,016**	11,230
Financial income		**345**	121
Financial expense		**-2,456**	-369
Profit before tax		**9,905**	10,982
Income tax expense		**-2,900**	-2,562
Profit for the period		**7,005**	8,420
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit liability (asset)		**252**	-162
Income tax on items that will not be reclassified to profit and loss		**-85**	54
		167	-108
Items that may subsequently be reclassified to profit and loss:			
Foreign currency translation effects - foreign operations		**24,208**	1,435
Foreign currency translation effects - net investment approach		**-12,127**	-321
		12,081	1,114
Other comprehensive income of the period, net of tax		**12,248**	1,006
Total comprehensive income of the period		**19,253**	9,426
Earnings per share (basic / diluted)	(in EUR)	**0.529**	0.636

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 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**
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**

Consolidated statement of cash flows

For the six months ended 30 June

in thousand EUR	**2015**	2014
Cash flows from operating activities		
Profit of the period	**7,005**	8,420
Income taxes	**2,900**	2,562
Depreciation and amortisation	**5,648**	4,966
Gain(-)/loss(+) on disposal of property, plant and equipment	**-54**	-24
Net financial result	**2,111**	496
Share-based payments	**265**	175
Other non cash items	**-2,600**	2,272
Change in inventories	**-4,317**	-1,965
Change in trade receivables	**-260**	2,951
Change in other receivables and accrued income	**-3,251**	-693
Change in trade payables	**3,346**	-479
Change in other current liabilities and accrued liabilities	**6,787**	5,101
Income taxes paid	**-6,619**	-4,781
Interest received	**346**	118
Interest paid	**-79**	-189
Net cash from operating activities	**11,228**	18,930
Cash flows from investing activities		
Purchase of property, plant and equipment	**-6,913**	-5,211
Purchase of intangible assets	**-826**	-144
Acquisitions net of cash acquired	**0**	-13,424
Capitalised development costs	**-301**	-130
Purchase of financial assets	**-3,030**	-4,816
Proceeds from sale of property, plant, equipment and intangible fixed assets	**415**	519
Proceeds from sale of financial assets	**4,240**	12,099
Net cash used in investing activities	**-6,415**	-11,107
Cash flows from financing activities		
Purchase of treasury shares, less transaction costs	**-90**	-163
Sale of treasury shares, less transaction costs	**99**	159
Increase of bank liabilities	**2**	1
Repayment of bank liabilities	**-2,121**	-732
Repayment of finance lease liabilities	**-27**	-116
Dividends paid to owners	**-11,289**	-9,213
Net cash used in financing activities	**-13,426**	-10,064
Net increase(+)/decrease(-) in cash and cash equivalents	**-8,613**	-2,241
Cash and cash equivalents at 1 January	**57,919**	49,275
Effect of exchange rate fluctuations on cash held	**6,623**	440
Cash and cash equivalents at 30 June	**55,929**	47,474

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 2015 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 2014.

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 2015.

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 2014. With effect from 1 January 2015, the Group applied the following new and revised standards and interpretations:

– Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

– Annual Improvements to IFRSs 2010-2012 Cycle – various standards

– Annual Improvements to IFRSs 2011-2013 Cycle – various standards

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 2014.

5 Business Combinations

No acquisitions were made in the first six months of 2015.

On 21 August 2014, record Automated Doors (Australia) had acquired selected assets and had assumed selected liabilities related to the automatic door business of AGP Pty Ltd. The seller went into bankruptcy and later into liquidation in early 2015 and could not honour various contractual obligations related to the transaction. The performance of these obligations was partially secured by an escrow amount of TAUD 100 which subsequently became a receivable of record Automated Doors (Australia). The update of the purchase price allocation of this individually immaterial acquisition resulted in the reduction of goodwill to zero.

6 Exchange rates applied to the main currencies

	Average exchange rates		Balance sheet rates	
Six months ended 30 June	**2015**	2014	**30/6/2015**	31/12/2014
1 CHF	**0.95**	0.82	**0.96**	0.83
1 GBP	**1.37**	1.22	**1.41**	1.28
1 USD	**0.90**	0.73	**0.89**	0.82

During the first half of 2015 exchange rate fluctuations affecting the Group resulted in a net foreign exchange gain/loss of TEUR -2,382 (prior year: TEUR -180) included in financial expenses.

7 Segment Information

Six months ended 30 June	Europe and rest of world		North America		Reconciliation		Total	
in thousand EUR	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Revenue from sales and services third parties	**130,881**	120,461	**18,048**	15,906	**2,294**	1,421	**151,223**	137,788
Sales to other segments	**4,293**	3,229	**0**	0	**-4,293**	-3,229	**0**	0
Revenue from sales and services	**135,174**	123,690	**18,048**	15,906	**-1,999**	-1,808	**151,223**	137,788
Segment result (EBIT)	**10,350**	10,139	**1,666**	1,091	**0**	0	**12,016**	11,230
Financial income							**345**	121
Financial expenses							**-2,456**	-369
Income tax							**-2,900**	-2,562
Profit for the period							**7,005**	8,420

8 Fair Value

The Group did not have any financial instruments other than those measured at cost as of 30 June 2015. 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 2015.

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 3 June 2015, the ordinary General Meeting approved the payment of a dividend of CHF 0.90 per share (prior year: CHF 0.85) as proposed by the Board of Directors. The payment date was 24 June 2015.

10.3 Employee shares

On 12 June 2015, 15,557 shares with a market value of TEUR 708 were transferred under the management share plan to members of senior management in recognition of the performance achieved in 2014.

For the first six months of 2015, TEUR 265 was accrued in personnel expenses related to the management share plan.

11 Earnings per share

Six months ended 30 June	**2015**	2014
Profit for the period, in thousand EUR	**7,005**	8,420
Average number of shares outstanding	**13,246,816**	13,231,992
Earnings per share (basic/diluted) in EUR	**0.529**	0.636

12 Events after the balance sheet date

On 1 July 2015, the Group acquired all the shares of Paxter Security & Automation Sdn. Bhd. (“Paxter”), an installer and distributor of automatic doors and security products based in Kuala Lumpur, for Malaysian Ringgit 8.3 million in cash and Malaysian Ringgit 1.0 million in contingent consideration. Paxter has 23 employees and was acquired to strengthen the existing business of the agta record Group in the attractive Malaysian market and prepare the expansion in the South-East Asian market. Synergies are expected from the combination of Paxter with the existing Malaysian business of the agta record Group in the sales, technical and back-office functions.

On 24 July 2015, the Group acquired all the shares of Global Automatics Ltd. (“Global”), a Hemel Hempstead (UK) based manufacturer and distributor of automatic pedestrian door drive units, for GBP 0.75 million in cash and GBP 1.0 million in contingent consideration. Global has 12 employees and was acquired to become stronger in a specific part of the market, where the existing business of the Group was underrepresented, and to achieve synergies from the integration into the supply chain of the Group

On 20 August 2015, the Group paid EUR 11.0 million to acquire all the shares of Imtech Toegangstechniek BV. Imtech Toegangstechniek is based near Rotterdam, the Netherlands, and offers a broad range of automatic pedestrian doors, security and access products and related maintenance and repair services in the Benelux countries. In 2014, Imtech Toegangstechniek achieved sales of EUR 16.0 million. It has approximately 100 employees and was acquired to strengthen the existing business of the agta record Group in the attractive Benelux market. Synergies are expected from the combination of Imtech Toegangstechniek with the existing Benelux business of the agta record Group in the sales, maintenance and back-office functions and from the integration into the supply chain of the Group.

Based on the approval of revised articles of association by the 2015 annual general meeting, a phantom share plan was introduced to attract and retain key individuals. Each phantom share granted in July 2015 under the plan gives the right to receive the difference between the price of one bearer share at which a change of control would directly or indirectly occur and EUR 40. The 266,750 phantom shares are subject to service and performance vesting conditions and expire on 31 December 2020. No expense was recorded during the reporting period.

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 2015, 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-8026 Zurich

Telephone +41 58 249 31 31
Fax +41 58 249 23 19
Internet 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 2015 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 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

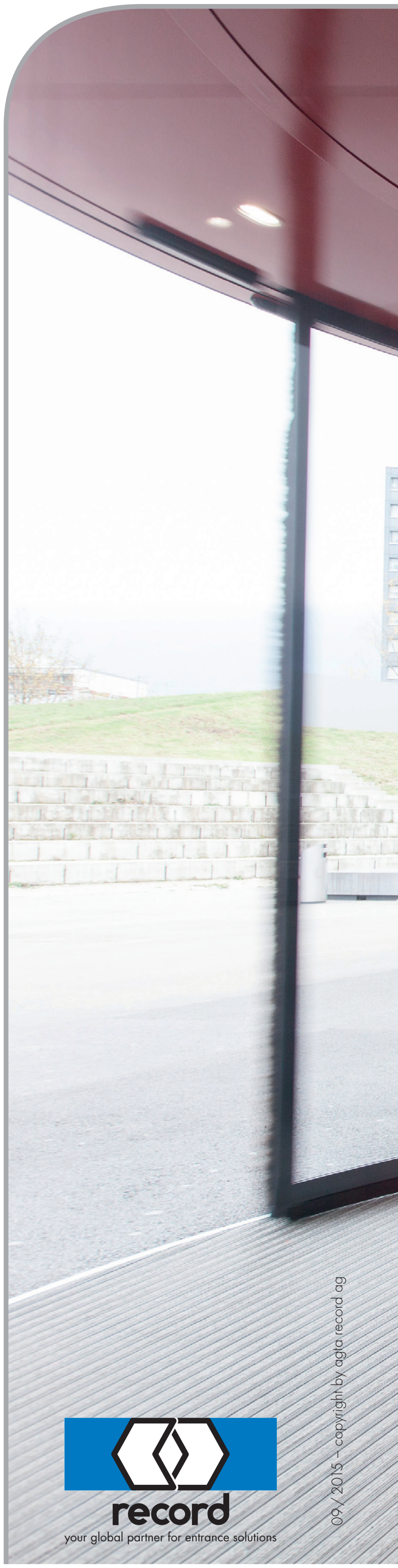
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information as at 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG AG

Orlando Lanfranchi
Licensed Audit Expert

Simon Widmer
Licensed Audit Expert

Zurich, 9 September 2015



➔ 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