agta record ltd

interim report 2019

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Trade activity

Markets in Europe were not following the same growth paths. France was growing surprisingly faster than expected whereas Germany, the U.K. and Italy showed signs of muted growth. The USA continued to be reasonably well oriented, as well as Switzerland and Australia.

Across the Group, order intake of products increased by 5.3% and of maintenance by 6.3%.
Total order intake was EUR 202.4 million (versus EUR 191.5 million in 2018), representing growth of 5.7% (4.4% at constant exchange rates).

Profit and loss

Turnover grew by 7.5% to EUR 192 million (EUR 180 million in the first half of 2018) with product turnover increasing by 10.4% and maintenance by 3.5%, the latter being impacted by difficulties in finding and hiring enough technicians.

The mix between product and service turnover affected the Group gross margin which grew by only 6.2%. France posted a lower gross margin due to price aggressiveness in order to continue to gain market share.

Growth of personnel expenses was only 1.5% due to a benefit in pension expenses related to Switzerland of EUR 3.0 million.

Structure costs declined by EUR 0.1 million, significantly impacted by the implementation of IFRS 16 (reclassification of EUR 1.7 million in leasing costs from structure costs to depreciation and interest expenses).

EBITDA increased by EUR 7.2 million to EUR 31.9 million (16.6% of turnover) while EBIT grew to EUR 23.9 million (12.4% of turnover) versus EUR 18.3 million in 2018.

The financial result was EUR -0.9 million (EUR -1.1 million in the prior-year period), mainly impacted by non-cash items.

The net result increased by 41.1% to EUR 18.9 million (9.8% of turnover).

Balance sheet

Net debt increased to EUR -74.5 million, representing a gearing of -28.5%. Leasing liabilities amounting to EUR 14.2 million are now included in financial debt.

Perspectives for the full year

July was a strong month for orders. Considering that the order book at the end of June amounted to EUR 75.4 million (+14% compared with 12 months ago), order intake for the full year should increase by between 4% and 5% over prior year. If the Group is able to speed up the hiring of technicians sales should grow by more than 5%.

STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I hereby certify that, to the best of my knowledge, the condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with applicable accounting principles and present a fair view of the assets and liabilities, financial position and earnings of the Company and all of the companies included in the consolidation scope. I also certify that the half-year activity report presents a fair view of the main events occurring during the first six months of 2019, the impact thereof on the financial statements and the main related party transactions, as well as a description of the main risks and uncertainties for the remaining six months of 2019.

Fehraltorf, 5 September 2019

Hubert Jouffroy

Chairman of the Board of Directors

Selected balance sheet accounts

in million EUR	**30/06/2019**	31/12/2018
Cash and fixed-term deposits	**88.7**	80.3
Financial liabilities	**14.2**	0.0
Net debt	**74.5**	80.3
Shareholders' funds	**261.6**	257.3
Gearing	**-28.5%**	-31.2%

Simplified profit and loss account for the six months ended 30 June 2019

in million EUR	**30/06/2019**	30/06/2018
Turnover	**192.0**	178.6
Work in progress	**0.1**	1.2
Gross result	**141.0**	132.7
Personnel expenses	**-84.6**	-83.3
Structure costs	**-25.3**	-25.4
EBITDA	**31.9**	24.7
Depreciation and amortisation	**-8.0**	-6.4
EBIT	**23.9**	18.3
Financial result	**-0.9**	-1.1
Profit of the period	**18.9**	13.4

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Consolidated statement of financial position

in thousand EUR	**30/06/2019**	31/12/2018
Assets		
Property, plant and equipment	**54,069**	54,281
Right-of-use assets	**14,030**	0
Goodwill and intangible assets	**73,960**	75,026
Non-current financial assets	**221**	236
Deferred tax assets	**8,344**	7,158
Total non-current assets	**150,624**	136,701
Inventories	**58,451**	54,394
Trade receivables	**73,466**	74,985
Income tax receivables	**5,370**	4,186
Other current receivables	**2,952**	2,278
Accrued income	**15,385**	12,637
Current financial assets	**53**	68
Cash and cash equivalents	**88,648**	80,340
Total current assets	**244,325**	228,888
Total assets	**394,949**	365,589
Equity		
Share capital	**8,751**	8,751
Other reserves	**16,428**	14,754
Treasury shares	**-208**	-635
Retained earnings	**217,817**	208,549
Profit of the period	**18,856**	25,875
Total equity attributable to shareholders	**261,644**	257,294
Liabilities		
Non-current financial liabilities	**11,133**	31
Defined benefit plan obligations	**18,202**	16,851
Non-current provisions	**1,957**	1,545
Deferred tax liabilities	**8,498**	9,030
Total non-current liabilities	**39,790**	27,457
Current financial liabilities	**3,084**	5
Trade payables	**22,649**	21,723
Income tax liabilities	**2,090**	2,768
Other current liabilities	**21,694**	20,003
Current provisions	**1,395**	1,786
Accrued liabilities	**42,603**	34,553
Total current liabilities	**93,515**	80,838
Total liabilities	**133,305**	108,295
Total equity and liabilities	**394,949**	365,589

Consolidated statement of comprehensive income

For the six months ended 30 June

in thousand EUR		**2019**	2018
Revenue from sales and services		**192,143**	179,872
Raw materials and consumables used		**-51,186**	-47,181
Gross result		**140,957**	132,691
Other operating income		**556**	590
Capitalisation of development costs		**275**	126
Personnel expenses		**-84,569**	-83,289
Other operating expenses		**-25,289**	-25,421
Operating profit before depreciation, impairment and amortisation		**31,930**	24,697
Depreciation of property, plant and equipment		**-6,035**	-4,387
Operating profit before impairment and amortisation		**25,895**	20,310
Amortisation of intangible assets		**-2,024**	-2,055
Operating profit		**23,871**	18,255
Financial income		**134**	48
Financial expense		**-997**	-1,117
Profit before tax		**23,008**	17,186
Income tax expense		**-4,152**	-3,827
Profit for the period		**18,856**	13,359
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit liability		**-3,772**	1,864
Income tax on items that will not be reclassified to profit and loss		**718**	-408
		-3,054	1,456
Items that may subsequently be reclassified to profit and loss:			
Foreign currency translation effects - foreign operations		**3,213**	2,513
Foreign currency translation effects - net investment approach		**-1,539**	-934
		1,674	1,579
Other comprehensive income of the period, net of tax		**-1,380**	3,035
Total comprehensive income of the period		**17,476**	16,394
Earnings per share (basic / diluted)	(in EUR)	**1.418**	1.006

Consolidated statement of changes in equity

in thousand EUR	Share capital	Share prem-ium	Trans-lation reserve	Trea-sury shares	Retained earnings	Total
Balance at 1 January 2018	**8,751**	**50**	**10,796**	**-884**	**221,321**	**240,034**
Impact adoption of IFRS 9 and 15					35	35
Restated* balance at 1 January 2018	**8,751**	**50**	**10,796**	**-884**	**221,356**	**240,069**
Total comprehensive income for the period						
Profit for the period					13,359	13,359
Total other comprehensive income			1,579		1,456	3,035
Total comprehensive income for the period	**0**	**0**	**1,579**	**0**	**14,815**	**16,394**
Transactions with owners of the company, recognised directly in equity						
Purchase of treasury shares				-125		-125
Sale of treasury shares				55		55
Gain/loss from sale of treasury shares net of transaction costs					6	6
Dividends paid to owners					-14,777	-14,777
Share-based payment transactions				391	30	421
Total transactions with owners of the company	**0**	**0**	**0**	**321**	**-14,741**	**-14,420**
Balance at 30 June 2018	**8,751**	**50**	**12,375**	**-563**	**221,430**	**242,043**
Balance at 1 January 2019	**8,751**	**50**	**14,704**	**-635**	**234,424**	**257,294**
Impact adoption of IFRS 16					-106	-106
Restated balance at 1 January 2019**	**8,751**	**50**	**14,704**	**-635**	**234,318**	**257,188**
Total comprehensive income for the period						
Profit for the period					18,856	18,856
Total other comprehensive income			1,674		-3,054	-1,380
Total comprehensive income for the period	**0**	**0**	**1,674**	**0**	**15,802**	**17,476**
Transactions with owners of the company, recognised directly in equity						
Purchase of treasury shares				-45		-45
Sale of treasury shares				62		62
Gain/loss from sale of treasury shares net of transaction costs					1	1
Dividends paid to owners					-13,419	-13,419
Share-based payment transactions				410	-29	381
Total transactions with owners of the company	**0**	**0**	**0**	**427**	**-13,447**	**-13,020**
Balance at 30 June 2019	**8,751**	**50**	**16,378**	**-208**	**236,673**	**261,644**

*) First time adoption of IFRS 9 and 15. Under the transition method applied previous year financial information is not restated.
**) First time adoption of IFRS 16. Under the transition method applied previous year financial information is not restated (Note 12).

Consolidated statement of cash flows

For the six months ended 30 June

in thousand EUR	**2019**	2018
Cash flows from operating activities		
Profit of the period	**18,856**	13,359
Income taxes	**4,152**	3,827
Depreciation and amortisation	**8,059**	6,442
Gain(-)/loss(+) on disposal of property, plant and equipment	**86**	23
Net financial result	**863**	1,069
Share-based payments	**381**	421
Other non cash items	**-2,006**	636
Change in inventories	**-3,861**	-2,137
Change in trade receivables	**1,663**	4,277
Change in other receivables and accrued income	**-3,310**	-8,675
Change in trade payables	**843**	-791
Change in other current liabilities and accrued liabilities	**8,274**	5,872
Income taxes paid	**-7,007**	-3,787
Interest received	**123**	47
Interest paid	**-123**	-7
Net cash from operating activities	**26,993**	20,576
Cash flows from investing activities		
Purchase of property, plant and equipment	**-4,599**	-4,420
Purchase of intangible assets	**-379**	-216
Capitalised development costs	**-275**	-126
Purchase of financial assets	**-26**	-94
Proceeds from sale of property, plant, equipment and intangibles	**485**	564
Proceeds from sale of financial assets	**56**	39
Net cash used in investing activities	**-4,738**	-4,253
Cash flows from financing activities		
Purchase of treasury shares, less transaction costs	**-45**	-125
Sale of treasury shares, less transaction costs	**62**	61
Repayment of bank liabilities	**0**	-73
Payment of lease liabilities	**-1,540**	-6
Dividends paid to owners	**-13,419**	-14,777
Net cash used in financing activities	**-14,942**	-14,920
Net increase(+)/decrease(-) in cash and cash equivalents	**7,313**	1,403
Cash and cash equivalents at 1 January	**80,340**	62,133
Effect of exchange rate fluctuations on cash held	**995**	596
Cash and cash equivalents at 30 June	**88,648**	64,132

Notes to the condensed consolidated interim financial statements

1 Reporting entity

agta record ltd (the "Company" or the “Group”) is a company domiciled in Fehraltorf, Switzerland. The condensed consolidated interim financial statements as at and for the six months ended 30 June 2019 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 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 2018.

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

The Board of Directors of the Company approved these condensed consolidated interim financial statements on 5 September 2019.

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 2018 except for new and revised standards becoming effective as from 1 January 2019 and relevant to the Group. They are described in Note 12.

The Group did not apply early 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 accordance 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 balance sheet date 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 2018 except for the newly applied IFRS Standards.

5 Exchange rates applied to the main currencies

		Average exchange rates		Balance sheet rates	
Six months ended 30 June		**2019**	2018	**30/6/2019**	31/12/2018
1	CHF	**0.89**	0.85	**0.90**	0.89
1	GBP	**1.14**	1.14	**1.12**	1.12
1	USD	**0.89**	0.83	**0.88**	0.87

The strength of the Euro during the first half of 2019 resulted in a net foreign exchange loss of TEUR 873 (prior year period loss: TEUR 1,111) included in financial expenses.

6 Operating segments

Six months ended 30 June	Europe and rest of world		North America		Reconciliation		Total	
in thousand EUR	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenue from sales and services third parties	**168,655**	158,320	**23,322**	20,262	**166**	1,290	**192,143**	179,872
Sales to other segments	**6,782**	5,141	**11**	8	**-6,793**	-5,149	**0**	0
Revenue from sales and services	**175,437**	163,461	**23,333**	20,270	**-6,627**	-3,859	**192,143**	179,872
Operating profit	**21,958**	17,020	**1,913**	1,235	**0**	0	**23,871**	18,255
Financial income							**134**	48
Financial expenses							**-997**	-1,117
Income tax							**-4,152**	-3,827
Profit for the period							**18,856**	13,359

7 Fair Value

The Group did not have any financial instruments other than those subsequently measured at amortised cost as of 30 June 2019. 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 slightly lower than those in the second half. However, the magnitude of this general pattern weakened in recent years and 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 2019.

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 presentation currency of the Group at historical cost.

9.2 Dividends paid

On 4 June 2019, the ordinary General Meeting approved the payment of a dividend of CHF 1.13 per share (prior year: CHF 1.30) as proposed by the Board of Directors. The payment date was 14 June 2019.

9.3 Employee shares

On 7 June 2019, 13,092 shares with a market value of TEUR 903 were transferred under the management share plan to members of senior management in recognition of the performance achieved in 2018.

In the first six months of 2019, TEUR 381 was charged in personnel expenses related to the management share plan, consisting of TEUR 511 as accrual for the first six months of 2019 and TEUR 130 as release of the provision related to the number of shares granted for performance in 2018.

10 Earnings per share

Six months ended 30 June	**2019**	2018
Profit for the period, in thousand EUR	**18,856**	13,359
Average number of shares outstanding	**13,297,257**	13,285,627
Earnings per share (basic/diluted) in EUR	**1.418**	1.006

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 5 September 2019, the date of approval of the condensed consolidated interim financial statements by the Board of Directors.

12 New accounting standards and standards not yet effective

Various new and amended standards became applicable as of 1 January 2019 and did not have a significant impact on the Group's accounting policies except for the adoption of IFRS 16.

The new lease standard requires lessees to account for all leases applying a single on-balance sheet model. Leases previously classified as finance leases are not affected by the new standard. Leases previously classified as operating leases require the recognition of a right-of-use asset that represents the right to use the underlying asset and a lease liability that represents the obligation to make lease payments. Lease liabilities are recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial recognition. The right-of-use assets of property leases were measured retrospectively as if the standard had always been applied. Other right-of-use assets were measured equal to the lease liability. Right-of-use assets are depreciated on a straight-line basis over the lease term. The lease term considers renewal and termination options.

The Group applied the new standard as of 1 January 2019 in accordance with the modified retrospective approach, recognising the cumulative catch-up balance at the date of initial recognition in shareholders' equity. Under this transition method comparative figures for the previous periods are not restated. Short-term leases amounting to TEUR 707 and leases with underlying assets of low value (less than TEUR 5) amounting to TEUR 68 were expensed as permitted by the standard.

The following table sets out the carrying amounts of the right-of-use assets, lease liabilities and the changes in the reporting period.

	Right-of-use assets				
in thousand EUR	**Building and plant**	**Motor vehicles**	**Other equipment**	**Total**	**Lease liabilities**
As at 1 January 2019	11,631	1,261	147	13,039	13,156
Additions	2,205	462		2,667	2,667
Disposals		31		31	19
Depreciation expense	1,255	299	34	1,588	
Interest expense					116
Payments					1,656
Exchange differences	-24	-33		-57	-58
As at 30 June 2019	**12,557**	**1,360**	**113**	**14,030**	**14,206**

Finance lease liabilities amounting to TEUR 25 were carried forward from previous year. The initial recognition of assets under lease contracts and corresponding lease liabilities amounted to TEUR 15,669, and TEUR 15,798, respectively. The resulting difference was recognised net of tax in retained earnings and amounted to TEUR 106. The balance sheet increased by EUR 14.0 million due to the capitalisation of lease contracts as of 30 June 2019. Under the new standard lease payments are no longer charged to other operating expenses. As a result other operating expenses decreased and depreciation increased by EUR 1.6 million affecting operating profit before depreciation and amortisation (EBITDA) accordingly in the

reporting period. Financial expenses include interest on leasing obligations of TEUR 116 having a positive effect on operating profit. The effect on the consolidated cash flow statement was a reduction of cash flow from financing activities and an increase of cash flow from operating activities by EUR 1.5 million. The net impact on deferred taxes was an increase in deferred tax assets by TEUR 29.

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To the Board of Directors of
agta record ltd, Fehraltorf

Zurich, 5 September 2019

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 8) of agta record ltd for the period from 1 January 2019 to 30 June 2019. 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

Marco Casal
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)

Marco Kessler
(Qualified
Signature)

Licensed audit expert

➔ Headquarters

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